

ONTARIO ENERGY BOARD

IN THE MATTER OF an application made by ERTH (Westario) Acquisition Inc. for (i) leave to acquire 100% of the issued and outstanding shares of Westario Power Inc. from The Corporation of the Town of Saugeen Shores, The Corporation of the Town of Hanover, The Municipality of Kincardine, The Corporation of the Municipality of Brockton, The Corporation of the Municipality of South Bruce, The Corporation of the Town of Minto, The Corporation of the Township of North Huron, The Corporation of the Township of Huron-Kinloss and FortisOntario Inc., made pursuant to section 86(2)(a) of the *Ontario Energy Board Act, 1998*, and (ii) leave to subsequently amalgamate Westario Power Inc. and ERTH (Westario) Acquisition Inc. to create a new company operating under the name Westario Power Inc. pursuant to section 86(1)(c) of the *Ontario Energy Board Act, 1998*.

Filed: April 10, 2026

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Certification of Evidence

As President and Chief Executive Officer of ERTH (Westario) Acquisition Inc. and in my capacity as an officer of that corporation and without personal liability, I hereby certify to the best of my knowledge and as at the date of this certification that the evidence in the Application is accurate, consistent and complete.

Any evidence filed in support of the application does not include any personal information unless it is filed in accordance with Rule 9A of the Ontario Energy Board's *Practice Direction on Confidential Filings*.



Chris White, President & Chief Executive Officer

APPLICATION

1. Administrative

1.1 Brief description of the nature of the transaction and requested OEB approvals

ERTH (Westario) Acquisition Inc. (“**EWAI**” or the “**Applicant**”) is filing this application (the “**Application**”) to seek (i) the approval of the Ontario Energy Board (the “**OEB**” or the “**Board**”) for the first phase of a two-phase transaction whereby EWAI is purchasing all of the issued and outstanding shares in Westario Power Inc. (ED-2002-0515) (“**Westario**” or “**WPI**”) from The Corporation of the Town of Saugeen Shores, The Corporation of the Town of Hanover, The Municipality of Kincardine, The Corporation of the Municipality of Brockton, The Corporation of the Municipality of South Bruce, The Corporation of the Town of Minto, The Corporation of the Township of North Huron, The Corporation of the Township of Huron-Kinloss and FortisOntario Inc. (collectively, the “**Sellers**”) pursuant to section 86(2)(a) of the *Ontario Energy Board Act 1998* (the “**OEB Act**”) and (ii) leave to subsequently amalgamate WPI and EWAI to create a new company operating under the name Westario Power Inc. pursuant to section 86(1)(c) of the OEB Act.

EWAI is a wholly owned subsidiary of ERTH Corporation (“**ERTH**”), a parent holding company owned by nine municipalities, including The Corporation of the Town of Ingersoll, The Corporation of the Town of Goderich, The Corporation of the Town of Aylmer, The Corporation of the Municipality of Central Elgin, The Corporation of the Municipality of West Perth, The Corporation of the Township of Norwich, The Corporation of the Township of East Zorra-Tavistock, The Corporation of the Township of Zorra, and The Corporation of the Township of South-West Oxford.

EWAI is a newly incorporated company that will act as a special purpose vehicle for the purposes of acquiring and subsequently amalgamating with Westario on behalf of the ERTH, as described in Section 3 below.

ERTH also owns ERTH Power Corporation, a licenced electricity distributor (ED-2002-0516) (“**EPC**”). WPI and EPC are similar Southern Ontario utilities with comparable customer counts and demographics operating in very similar service territories.

Although EPC is not an applicant or party to the transaction, we have included EPC details throughout this Application for information purposes only.

This Application is limited to the approvals required to affect the purchase by EWAI of WPI, and the subsequent planned amalgamation of EWAI and WPI, which will continue under the name

Westario Power Inc. (“**Phase 1**”). The Applicant proposes that following the Phase 1 transaction, EPC and WPI be permitted to continue to operate as independent utilities. Both parties commit to continue to operate its business as usual, while taking advantage of the mutual benefits during Phase 1 described herein.

As part of Phase 1, WPI and EPC will remain distinct legal entities operating under separate licenses with common corporate and financial oversight from ERTH. Accordingly, following the completion of the Phase 1 transaction, there will be no negative impact with respect to price or underlying costs of WPI or EPC. Since WPI will continue to operate as a stand-alone entity under the same name for Phase 1, EWAI does not require a transfer of WPI’s distribution license or rate order as part of this Phase 1 Application.

EPC and WPI are at different stages in the ratemaking process. EPC is obligated to file its CoS application for rates effective May 1, 2028 (the “**EPC CoS Application**”), following the completion of a nine-year deferred rebasing period approved by the Board in EB-2018-0082. Accordingly, following the completion of Phase 1 transaction, EPC will file the EPC CoS Application for rates effective May 1, 2028.

The EPC CoS Application must proceed as scheduled for a number of reasons including (i) to ensure that the synergies that arose from the prior consolidation of EPC and West Coast Huron Energy Inc. are passed along to ratepayers; (ii) ending the ICM rate rider and incorporating the new facility into base rates; and (iii) implement the Board’s direction in EB-2024-0021 to provide evidence on affiliate usage of new facility in order to determine appropriate recovery of costs previously excluded from the ICM period.

The Applicant has no plans to seek to rebase WPI immediately following Phase 1. WPI last rebased for rates effective January 1, 2024 (EB-2023-0058) (the “**WPI CoS Application**”), and there is not the same need to ensure WPI rebases before the second phase of the transaction. WPI is seeking a deferred rebasing period of nine years following the Phase 1 transaction.

The foregoing shall be referred to as the “**Proposed Rate Framework**”.

ERTH intends to apply to the Board under Section 86 of the *Ontario Energy Board Act, 1998* to acquire another Southern Ontario utility that operates in a similar service territory (the “**Other LDC**”). If the timing of the two applications permit, the Applicant has no objection if the Board were to combine this Application with any other applications ERTH may file under Section 86 as is permitted under Section 21(5) of the *Ontario Energy Board Act, 1998*.

The Applicant expects the second phase will occur following the completion of the EPC CoS Application and will be to file an application to amalgamate WPI and EPC (and the Other LDC, if

applicable), with the amalgamated entity continuing under the name of ERTH Power Corporation (“**Phase 2**”). Phase 2 is described in more detail below in section 3.5.

To encourage consolidations, the OEB has introduced policies that provide consolidating distributors with an opportunity to offset transaction costs with any achieved savings, by deferring rebasing by up to 10 years. The Applicant is seeking a deferred rebasing period of nine (9) years for WPI following the Phase 1 transaction. The Applicant is not seeking a deferred rebasing period for EPC following the Phase 1 transaction (EPC is not party to this Application or to the transaction).

A subsequent deferred rebasing period may be proposed for EPC as part of Phase 2 for the combined utilities, however ERTH commits that the proposed deferred rebasing period in Phase 2 will be less than 10 years after the OEB approval of this Application.

The transition begins with the Phase 1 transaction, which is the subject matter of this Application. Following completion of the Phase 1 transaction, there will be no adverse impact with respect to price or underlying costs as a result of the transaction. As described below, modest synergies are possible following the Phase 1 transaction.

The two-phase transaction structure and Proposed Rate Framework is customized to always address the unique circumstances of EPC, WPI and the Other LDC (if applicable), while conforming with the policy objectives and requirements established in the Board’s *Handbook to Electricity Distributor and Transmitter Consolidations* (the “**Handbook**”). The Proposed Rate Framework is an integral, and non-severable component of the proposed two-phase transaction and the Applicant’s overall Application.

This Application is organized to generally follow the order of requirements for consolidation applications as set out in the Handbook. The mapping of evidence provided at Appendix A pinpoints the exact location of the evidence responsive to each of the Board’s requirements set out in the *Filing Requirements for Consolidation Applications* that are appended as Schedule 2 to the Handbook.

The Applicants are requesting a “short form” or written hearing.

The Application is a culmination of many months of negotiations and agreement among the Applicants, as defined below, and their shareholders. Appendix B of this Application provides a detailed description of each party’s business structure both before and after Phase 1 of the proposed transaction and identifies the applicable governing law for each legal entity.

1.2 Legal Name of the Applicants and Authorized Representatives

The legal name of the applicants and the contact information for the authorized representatives are provided below. There are no other parties to the transaction described in this Application.

Applicant 1:	ERTH (Westario) Acquisition Inc. 180 Whiting Street Ingersoll ON, N5C 3B5
Authorized Representative	Chris White, President & CEO Telephone: 519.518.6117 ext. 235 Email: chris.white@erthcorp.com
Applicant 2:	Westario Power Inc. RR #2, 24 Eastridge Road Walkerton ON, N8M 3E4
Authorized Representatives	Wally Malcolm, President & CEO Telephone: 519.507.6937 Email: walter.malcolm@westariopower.com
<i>Counsel to EWAI</i> EWAI Legal Representative	Borden Ladner Gervais LLP Bay Adelaide Centre, East Tower 22 Adelaide Street West Toronto, ON, M5H 4E3 John A.D. Vellone / Zoë Thoms Telephone: 416.367.6730 / 416.367.6661 Facsimile: 416.367.6749 Email: jvellone@blg.com / zthoms@blg.com

2. Description of the Business of the Parties to the Transaction

2.1 Business of each of the parties to the proposed transaction

Westario Power Inc.

WPI is a licensed electricity distributor (ED-2002-0515) that owns and operates the electricity distribution system that serves approximately 25,000 mostly residential and commercial electricity customers in 15 rural urban communities in southwestern Ontario, including Port Elgin, Kincardine, Hanover, Southampton, Walkerton, Wingham, Palmerston, Harriston, Lucknow, Mildmay, Teeswater, Clifford, Ripley, Neustadt, and Elmwood. WPI's office is located in the Town of Walkerton.

ERTH (Westario) Acquisition Inc.

EWAI is an affiliate of ERTH Power Corporation. EWAI is a newly incorporated, wholly owned subsidiary of ERTH that will act as a special purpose vehicle for the purposes of acquiring and subsequently amalgamating with Westario, as described in Section 3 below.

2.2 Business of each of the parties' affiliates

ERTH Power Corporation

EPC is a licensed electricity distributor (ED-2002-0516) that owns and operates the electricity distribution system that provides service to approximately 25,000 mostly residential and commercial electricity customers in 15 rural urban communities in southwestern Ontario, including Aylmer, Belmont, Port Stanley, Ingersoll, Thamesford, Embro, Norwich, Otterville, Burgessville, Beachville, Tavistock, Goderich, Clinton, Mitchell, and Dublin. EPC has operations centres in Ingersoll, Goderich, and Aylmer.

ERTH Corporation

EPC and EWAI are both wholly owned by ERTH, a parent holding company owned by nine municipalities, including the Town of Ingersoll, Town of Goderich, Town of Aylmer, Municipality of Central Elgin, Municipality of West Perth, Township of Norwich, Township of Zorra, Township of East Zorra-Tavistock, and the Township of South-West Oxford,

ERTH is responsible for the oversight of EPC and its competitive affiliates listed below. ERTH provides a several shared corporate services to EPC and its competitive affiliates, including strategic management and policy support, legal services, building support services, information management services, information technology services, corporate administration, finance, tax, treasury, pensions, risk management, audit services, corporate planning, human resources, and health and safety.

ERTH Limited

ERTH Limited operates as a holding company and holds 100% interest in ERTH's competitive businesses listed below.

ERTH (Holdings) Inc.

ERTH (Holdings) Inc. ("**EHI**") provides several competitive services to the utility and municipal sectors in Ontario and other jurisdictions. EHI provides EPC, other utilities, municipalities and the private sector with (i) billing and back-office services (i.e. customer information systems

support, data mining, hosting, and licensing), (ii) document rendering, print and mail services, (iii) software licensing, maintenance and support (i.e. estimating software, asset management tool, and Green Button web portal), (iv) wholesale meter point maintenance and support, (v) accredited meter verification and testing services, (vi) line construction services, and (vii) substation maintenance services. EHI also provides certain shared corporate services to EPC including information management services, information technology services, communications, and public affairs.

ERTH Business Technologies Inc.

Pursuant to an agent only electricity retailer licence (ER-2023-0122), ERTH Business Technologies Inc. (“**EBT**”) provides data clearinghouse services for electronic business transactions between electricity retailers and ERTH Power in the Ontario retail market, connecting ERTH Power and retailers to facilitate retail settlements. In connection with this service, EBT uses its status as an agent only electricity retailer to facilitate the requests and retrieval of historical usage information through its EBT system as requested by ERTH Power and in accordance with both the OEB’s *Retail Settlement Code*.

ERTH Community Power One L.P. and 2485505 Ontario Ltd.

ERTH Community Power One LP and 2485505 Ontario Ltd. (collectively, the “**Generation LP**”) were incorporated as a Limited Partnership and General Partner, respectively. The Generation LP holds four renewable energy contracts and operates four solar photovoltaic units in various shareholder municipalities.

2.3 Geographic territory served by each of the parties to the proposed transaction, including their affiliates if applicable

Westario Service Area:

Communities served:	15 (Port Elgin, Kincardine, Hanover, Southampton, Walkerton, Wingham, Palmerston, Harriston, Lucknow, Mildmay, Teeswater, Clifford, Ripley, Neustadt, and Elmwood)
Counties served:	4 (Bruce, Grey, Wellington Huron)
Distribution type:	Electricity distribution
Total service area:	64 sq. km

Total Circuit of Line: 605 km
Residential Customers Served: approx. 21,898
Municipal population: approx. 51,000

EPC Service Area:

Communities served: 15 (Aylmer, Belmont, Port Stanley, Ingersoll, Thamesford, Embro, Norwich, Otterville, Burgessville, Beachville, Tavistock, Goderich, Clinton, Mitchell, and Dublin)
Counties served: 4 (Oxford, Elgin, Perth, Huron)
Distribution type: Electricity distribution
Total service area: 65 sq. km
Total Circuit of Line: 451 km
Residential Customers Served: approx. 22,338
Municipal population: approx. 59,000

Service Area Boundaries

Westario and the Applicant's affiliate, EPC, are both bounded by Hydro One Networks Inc. on all service territory boundaries, with the exception of the community of Belmont where London Hydro Inc. is connected at the western boundary of the community.

Hydro One Networks Inc.

483 Bay St.

Toronto, ON M5G 1P5

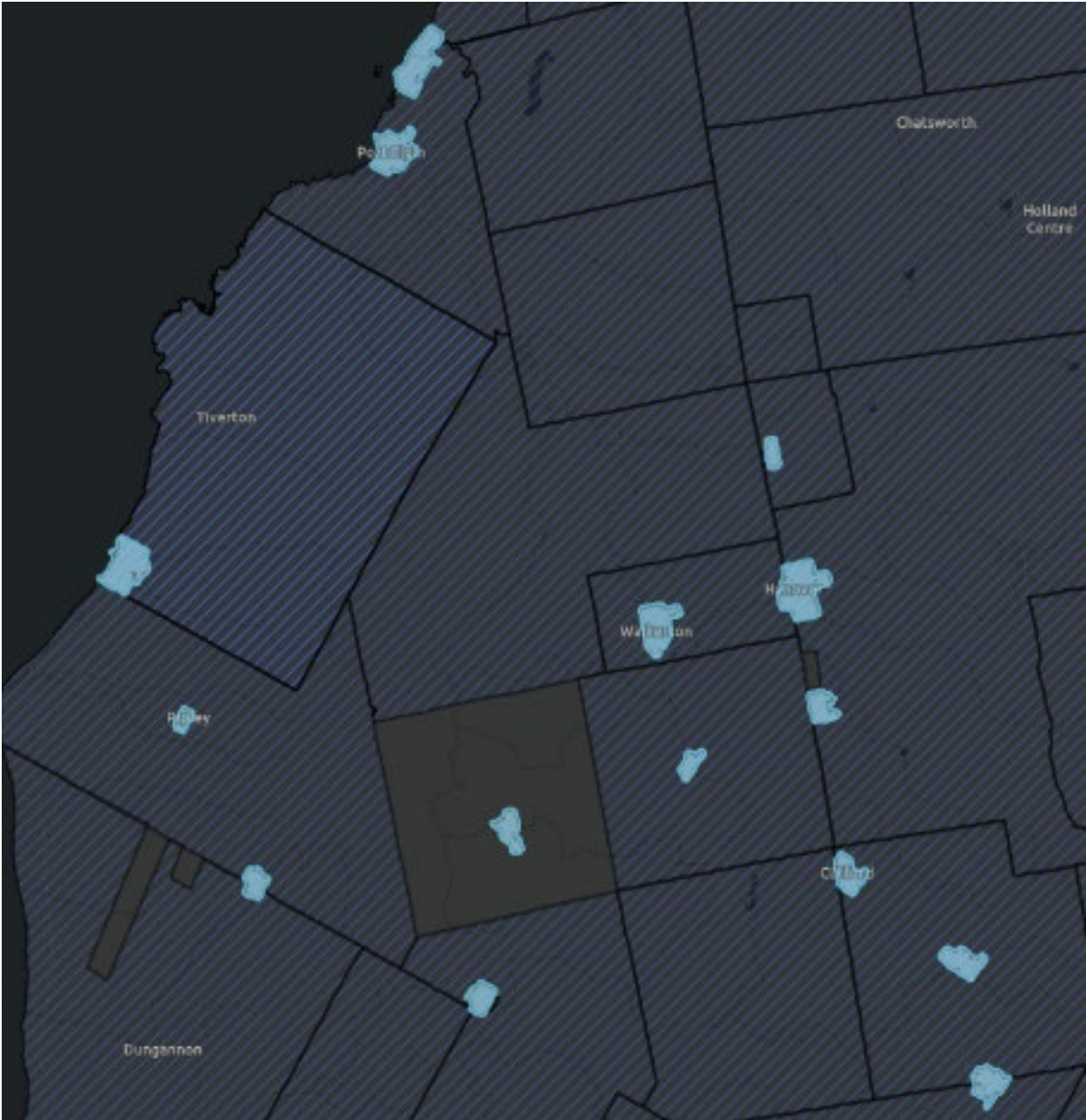
Direct Line: 416.345.5000

Website: www.HydroOne.com

The service area boundaries of WPI and EPC are shown in Figure 1 below. Both utilities are in the Independent Electricity System Operator's ("IESO") Greater Bruce/Huron regional planning area. EPC is also in the IESO's London Area regional planning area.

Figure 1: Service Area Boundaries

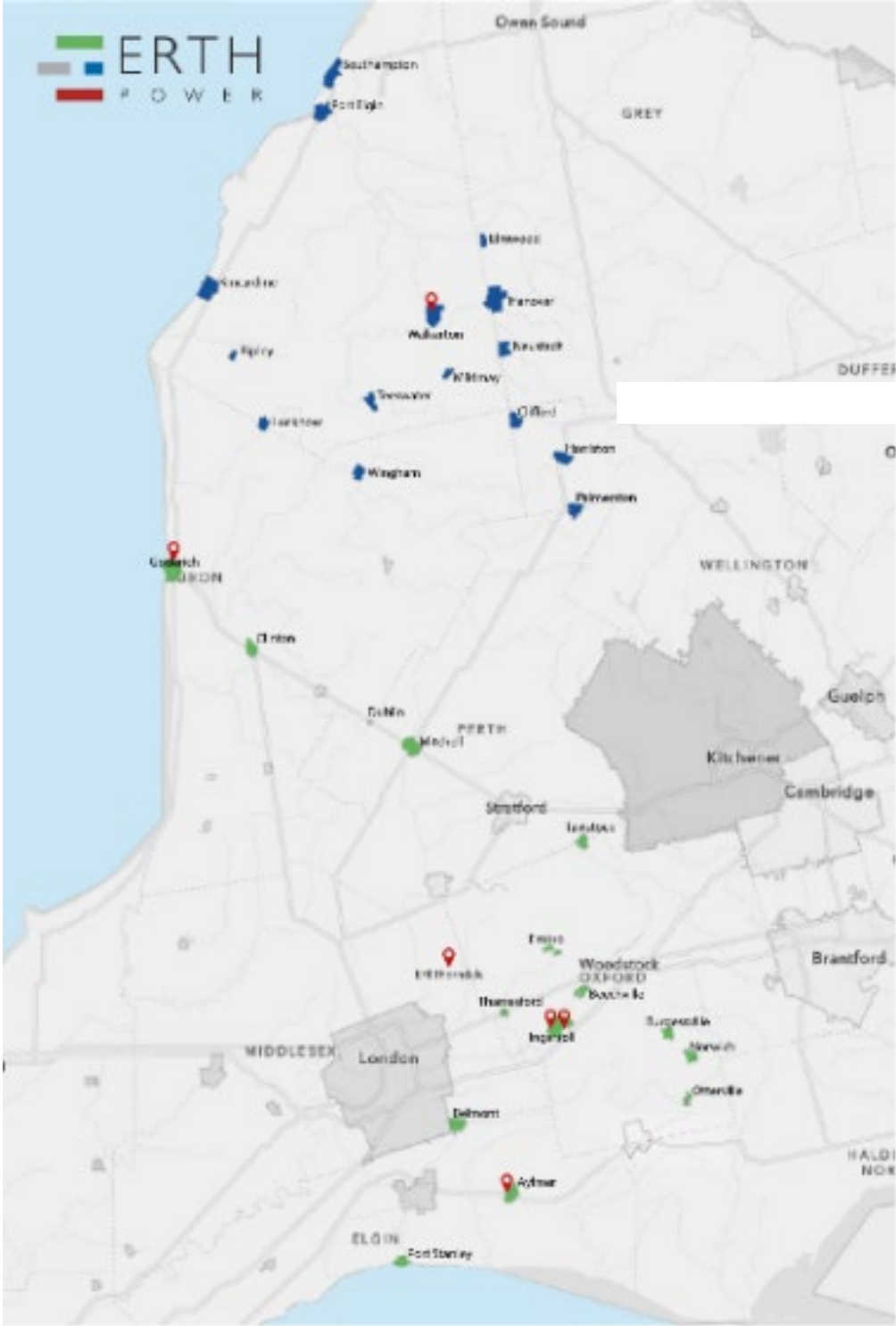
WPI Service Area



EPC Service Area



Combined Service Area



The service area boundaries of WPI and EPC are not contiguous and are approximately 36 km apart. The two utilities operate in proximity to each other in very similar geographic territories within Southwestern Ontario where each LDC services multiple discontinuous communities. Many of the service area characteristics are comparable, as both utilities serve largely developed communities with predominantly residential customers.

For example, Table 1 below provides a summary of the service territory characteristics between Westario and EPC showing the number of square kilometres for rural and urban service areas as well as kilometres of line that are overhead and underground.

Table 1: 2024 Service Territory Characteristics

Characteristics	EPC		WPI	
	sq km	%	sq km	%
Rural Service Area	-	0%	-	0%
Urban Service Area	65	100%	64	100%
Total Service Area	65	100%	64	100%
	km of line	%	km of line	%
Overhead Circuit km of Line	282	63%	423	70%
Underground Circuit km of Line	169	37%	182	30%
Total Circuit KM of Line	451	100%	605	100%
No. of Customers/km of line	55		41	

2.4 Description of customers, including number of customers in each class, served by each of the parties to the proposed transaction

WPI and EPC are comparable both in the ratio of types of customer classes served by each utility and the service territories in which each operate with similar characteristics and terrain.

Table 2: 2024 Customers / Connections

Customer Class	Number of Customers/Connections		
	EPC	WPI	Total
Residential	22,338	21,898	44,236
GS<50	2,427	2,764	5,191
GS>50	189	167	356
Large Use	4	-	4
Unmetered Scattered Load	90	48	138
Sentinel Lightng	365	10	375
Street Lightining	5,185	6,297	11,482
Embedded Distributer	4		4
Total	30,602	31,184	61,786

Table 2 below provides the number of customers/connections by rate class for 2025. Excluding the classes that are based on connections, both LDCs have a customer base that is primarily driven by the Residential class (89-90%), followed by smaller commercial businesses that make up the general service < 50 kW class (9-11%). Approximately 1% of the customer base is made up of larger customers in the general service >= 50 kW class for both LDCs.

Both utilities have experienced modest growth over the last several years, mainly driven by the Residential customer class as shown in Table 3 below which compares 2024 customer counts against 2020 for both WPI and EPC.

Table 3: 2024 vs. 2020 Customers

Customer Class Growth	EPC				WPI			
	2024	2020	Number	Percentage	2024	2020	Number	Percentage
Residential	22,338	21,018	1,320	6%	21,898	21,159	739	3%
GS<50	2,427	2,353	74	3%	2,764	2,613	151	6%
GS>50	189	173	16	9%	167	181	14	-8%
Large Use	4	3	1	33%	-	-	-	0%
Total	24,958	23,547	1,411	6%	24,829	23,953	876	4%

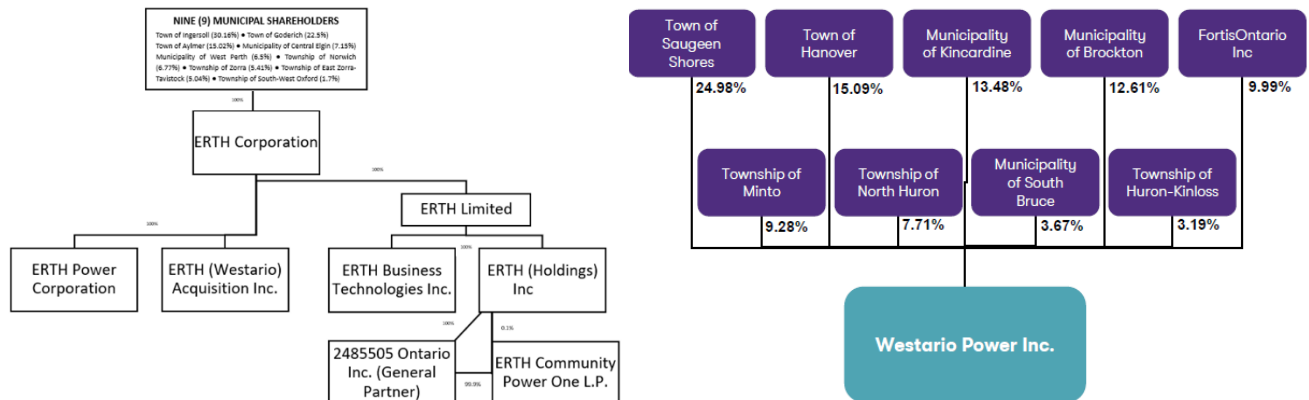
2.5 Proposed geographic service area after completion of the proposed transaction

There will be no change to the respective geographic service areas after the completion of the Phase 1 transaction.

Upon completion of the Phase 2 transaction (as further detailed below and which will be subject to a future separate MAADs application), the service areas of WPI and EPC (and the Other LDC, if applicable) will be combined to be served by a single merged utility.

2.6 Corporate Structure Charts

Below are the current corporate structure charts describing the relationship between each of the parties to the proposed Phase 1 transaction and each of their respective affiliates.



2.7 Current net metering thresholds of Westario and EPC

Following the completion of the Phase 1 transaction, both Westario and EPC will retain their current, distinct, net metering thresholds. It is proposed that two net metering thresholds be maintained separately because the two distributors and the two service territories are, and will continue to be, non-contiguous, separate and distinct until the completion of the Phase 2 transaction.

Based on the 2025 OEB RRR Data, the following table shows the calculated net metering thresholds for both Westario and EPC, calculated as 1% of the maximum peak demand (kW) averaged over a 3-year period between 2023-2025.

Table 4: Net Metering Thresholds

Net Metering kW Threshold	
1% of Average Peak (2022-2024)	
ERTH Power	1050.14
Westario Power	774.34

3. Description of the Proposed Transaction

3.1 The Phase 1 Transaction

This application to the OEB is limited to the approvals required to affect Phase 1 (the “**Phase 1 Transaction**”).

Pursuant to a purchase and sale agreement dated January 7, 2026, between ERTH (subsequently assigned to EWAI) and the Sellers (the “**Purchase and Sale Agreement**”) attached hereto as Appendix C, subject to the parties obtaining the required approvals, the Sellers have agreed to sell and EWAI has agreed to purchase all of the issued and outstanding shares in the capital of Westario owned or held by the Sellers (the “**Purchased Shares**”). The aggregate purchase price for EWAI to acquire the Purchased Shares from the Sellers is set out in section 2.2 of the Purchase and Sale Agreement, subject to applicable closing and post-closing adjustments (the “**Purchase Price**”).

The parties have agreed to a number of post-closing covenants as set out in the Purchase and Sale Agreement, including:

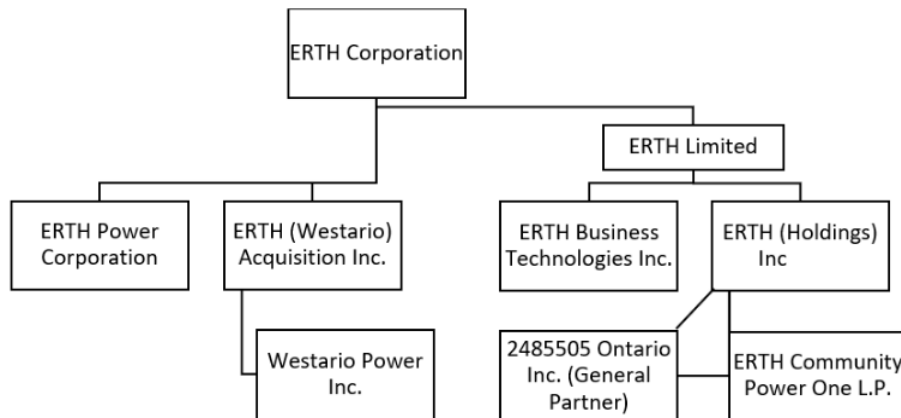
- a) an obligation to maintain WPI’s administration and operations facility for 10 years,
- b) all employees remain employed for three years,

- c) local governance,
- d) an advisory committee to facilitate ongoing communication,
- e) service quality guarantees,
- f) capital investment guarantees,
- g) rate guarantees,
- h) community contribution minimums, and
- i) commitments with respect to EPC's control room coverage.¹

The closing of the acquisition of the Purchased Shares is conditional upon the receipt of all required approvals, including the OEB's approval of this Application.

Once EWAI has acquired all of the Purchased Shares, EWAI will assume, *inter alia*, 100% ownership and control of Westario. The following figure illustrates the corporate ownership structure following EWAI's acquisition of the Purchased Shares, which is Step 1 of the Phase 1 Transaction:

Figure 2: Phase 1 - Corporate Ownership Structure (Step 1)

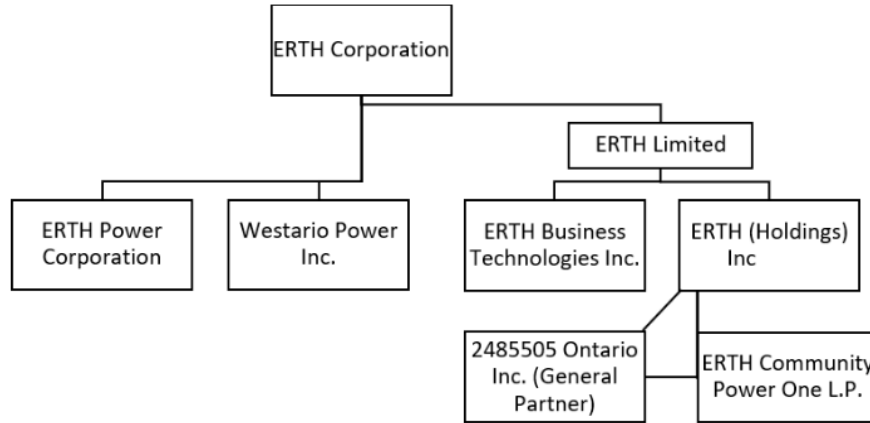


Immediately upon the closing of the acquisition of the Purchased Shares as described above and subject to the expected receipt of a waiver from the Sellers, Westario and EWAI will be amalgamated via a short-form amalgamation under section 177(2) of the *Business Corporations Act* (Ontario), which is Step 2 of the Phase 1 Transaction. The articles of amalgamation for the amalgamated entity will in substance contain the provisions of the articles of incorporation of Westario.

¹ Appendix D – Purchase and Sale Agreement, Section 8 (e), i-viii and x, p. 30-33.

The following Figure 3 illustrates the corporate ownership structure upon the closing date of the Phase 1 Transaction:

Figure 3: Phase 1 - Corporate Ownership Structure (Step 2)



3.2 Final legal document to be used to implement the proposed transaction

The final legal document to be used to implement the transaction is the Purchase and Sale Agreement, attached hereto as Appendix C.

3.3 Municipal and/or Corporate Resolutions

Copies of appropriate resolutions by parties approving the proposed transaction are attached in Appendix D.

3.4 Future Rebasings and Regulatory Strategy

While the Applicant recognizes that the OEB has previously determined that it is consistent with the OEB's policies for one utility to acquire another utility and operate it on a stand-alone basis as it proposed in Phase 1,² the Applicant believes that a discussion of its overall regulatory rebasing strategy is informative to demonstrate that there will not be a deterioration of price, economic efficiency or cost effectiveness as a result of the transaction being broken into multiple phases.

For clarity, WIP and EPC are in different regulatory circumstances. As a result of the Phase 1 transaction, WPI would be permitted to defer rebasing consistent with the Handbook. By contrast, EPC is not a party to this Application and is not deferring rebasing at all. The EPC CoS Application must proceed as scheduled to: (i) ensure that the synergies that arose from the prior consolidation of EPC and West Coast Huron Energy Inc. in EB-2018-0082 are passed along to ratepayers after a nine-year deferred rebasing period approved by the Board, (ii) end the ICM rate rider and

² Decision and Order EB-2019-0015, North Bay (Espanola) Acquisition Inc., 22 August 2019, at page 25.

incorporating the new facility into base rates; and (iii) implement the Board’s direction in EB-2024-0021 to provide evidence on affiliate usage of new facility in order to determine appropriate recovery of costs previously excluded from the ICM period.

In this context, the Applicant submits that its requested deferral of WPI’s rebasing for nine years following this Application, while EPC proceeds with its scheduled rebasing, appropriately reflects the distinct regulatory positions of the two utilities and is consistent with the public interest. The Applicant proposes that following Phase 1 (which includes the independent rebasing of EPC), WPI and EPC be permitted to continue to operate as independent utilities until the Phase 2 MAADs application is filed.

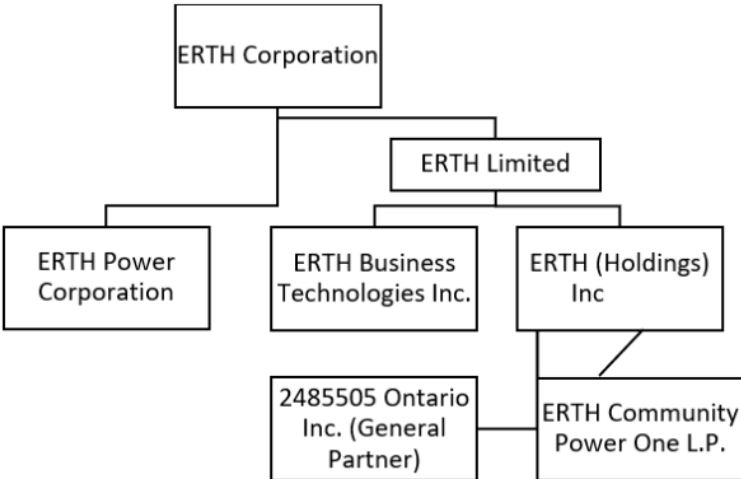
It is the Applicant’s intent at this point that a Phase 2 MAADs application would be filed in 2029, following the conclusion of EPC’s CoS Application. The Applicant submits that it is reasonable for the EPC CoS Application to be heard independently prior to Phase 2.

3.5 *The Phase 2 Transaction*

Upon completion of the EPC CoS Application (and the acquisition of the Other LDC), ERTH will bring a second application to the Board to approve the second phase (“**Phase 2**”) of the transaction to allow for the amalgamation of EPC, WPI, and the Other LDC under section 86(1)(c) of the OEB Act.

The following Figure 4 illustrates the currently anticipated corporate ownership structure upon the completion of the Phase 2 Transaction:

Figure 4: Phase 2 - Corporate Ownership Structure



The ultimate amalgamated entity will operate under the name ERTH Power Corporation (“**New EPC**”). An exhaustive list of the benefits associated with this future amalgamation will be addressed more completely in the Phase 2 application to be submitted to the Board in 2028.

The transition begins with the Phase 1 Transaction, which is the subject matter of this Application. Phase 1 is expected to produce moderate synergies. These modest cost savings are possible related to the elimination of costs related to the WPI President & CEO role discussed below and a reduction in various redundant expenses (e.g. board remuneration, industry associations, etc.), which will be largely offset by cost of the shared corporate services provided by ERTH. ERTH intends to expand its corporate resources and reallocate corporate resources from its competitive businesses to provide oversight and management of WPI.

4. The No Harm Test

The Handbook states that “the ‘no harm’ test assesses whether the proposed transaction is expected to have an adverse effect on the matters prescribed in the OEB’s statutory objectives.”³ In applying this test, the OEB assesses and weighs both the quantitative (i.e., cost) and qualitative information (i.e., customer services) that has been provided in an application, to determine whether the proposed transaction, has a positive or a neutral effect on the matters prescribed in the objectives of the OEB (on a net basis).

The Handbook also notes that in applying the “no harm” test, the OEB generally focuses its review “on impacts of the proposed transaction on price and quality of service to customers, and the cost effectiveness, economic efficiency and financial viability of the electricity distribution sector.”⁴

As is demonstrated in this Application, the proposed transaction passes the “no harm” test as the evidence demonstrates that the transaction is expected to have a positive or neutral effect on the attainment of the OEB’s first two statutory objectives (as further detailed below). The Handbook notes that the OEB does not consider consolidations to fail the “no harm” test (i.e., have adverse impacts) with respect to the OEB’s third statutory objective (promoting electricity conservation and demand management in a manner consistent with the policies of the Government of Ontario) or the OEB’s fourth statutory objective (facilitating innovation in the electricity sector). The OEB’s statutory objectives were recently amended to include a fifth obligation to “regulate the electricity sector in a manner that supports economic growth, consistent with the policies of the Government of Ontario.”⁵ In a recent section 86 decision applying the “no harm” test following the introduction of this new statutory objective, the OEB confirmed that its focus remains primarily

³ Handbook, p.8.

⁴ *Ibid* at 9.

⁵ *Ontario Energy Board Act, 1998*, S.O. 1998, Chapter 15 Schedule B, s. 1(2.1).

on the first two objectives.⁶

There are no anticipated adverse impacts, and the Application is intended to continue Westario on a path toward operational and financial viability, which will have a direct benefit to existing Westario customers. As such, the Applicant submits that the proposed transaction meets the OEB's "no harm" test.

4.1 Objective 1 – Protect consumers with respect to prices and the adequacy, reliability and quality of electricity service

(i) Impact with respect to prices

Following completion of the Phase 1 transaction, there will be no adverse impact with respect to price or the underlying costs of WPI as a result of the Phase 1 transaction. WPI will benefit from the rate stability covenant in the share purchase agreement at section 8(e)(vii)-which provides a commitment to limit WPI rate increases solely to formulaic incentive rate mechanism inflationary increases for minimum period of eight (8) years following the closing of the Phase 1 transaction.

Although EPC is not an applicant or party to the transaction, we have included EPC details below for information purposes only.

The Applicant proposes that following the Phase 1 Transaction, EPC and WPI be permitted to continue to operate as independent utilities with common corporate and financial oversight from ERTH. Both parties will continue to operate its business as usual, while taking advantage of the mutual benefits and common oversight during Phase 1 described herein. If this Application is approved, all utilities owned by ERTH, including EPC and WPI receive shared common corporate and financial oversight from ERTH pursuant to *Affiliate Relationships Code* compliant services agreements.

As outlined below, EWAI indicates modest synergies for WPI are possible assuming that there is no need to replace any of the key systems identified in the WPI CoS Application during the applicable rate period (i.e. 2024-2028).

As part of the Phase 1 transaction, the Applicant intends to eliminate the WPI President and CEO position and related costs, reflecting the transition to management and shared corporate services provided by ERTH. To support the delivery of these services, ERTH intends to establish a new Vice-President position responsible for providing additional corporate services to Westario. Although the Phase 1 transaction will result in moderate transaction and transition costs, as well as management fees payable to ERTH, the Applicant submits that these additional WPI costs will

⁶ EB-2025-0328, Decision and Order, Bamkushwada Limited Partnership, January 29, 2026, p. 7-8.

be offset by the modest cost savings for WPI described above. Further synergies and operational efficiencies for WPI will be realized in the underlying OM&A costs once the Phase 2 transaction is completed.

Against this backdrop, EWAI has however determined that there are some expected synergy savings for WPI as a result of the transaction compared to what could reasonably be expected absent the transaction, which are further detailed below in the sections that outline comparative forecast revenue requirement and comparison of operations, maintenance and administrative costs.

Comparative Forecast Revenue Requirement

As noted in the following tables, the Applicant does expect some modest OM&A savings for WPI over the short-term compared to a status quo scenario absent the transaction, which would be a reduction to what the collective revenue requirement of the LDCs otherwise would have been.

Table 5: Forecasted Revenue Requirements – Status Quo vs. Post Transaction

Revenue Requirement - No										
(dollars in thousands)	Yr 1 - 2026	Yr 2 - 2027	Yr 3 - 2028	Yr 4 2029	Yr 5 - 2030	Yr 6 - 2031	Yr 7 - 2032	Yr 8 - 2033	Yr 9 - 2034	Yr 10 - 2035
	IRM	IRM	IRM	COS	IRM	IRM	IRM	IRM	IRM	IRM
WPI	\$ 14,568	\$ 15,284	\$ 15,486	\$ 18,583	\$ 19,650	\$ 19,910	\$ 20,174	\$ 20,442	\$ 20,714	\$ 20,991
	Yr 1 - 2026	Yr 2 - 2027	Yr 3 - 2028	Yr 4 2029	Yr 5 - 2030	Yr 5 - 2031	Yr 5 - 2032	Yr 5 - 2033	Yr 5 - 2034	Yr 5 - 2035
	IRM	IRM	COS	IRM	IRM	IRM	IRM	IRM	IRM	IRM
EPC	\$ 17,766	\$ 18,388	\$ 23,132	\$ 24,140	\$ 24,460	\$ 24,784	\$ 25,113	\$ 25,446	\$ 25,785	\$ 26,129
ICM	\$ 2,317	\$ 2,317								
No Transaction Total	\$ 34,651	\$ 35,989	\$ 38,618	\$ 42,724	\$ 44,109	\$ 44,694	\$ 45,287	\$ 45,889	\$ 46,500	\$ 47,120

Revenue Requirement - Phase	Yr Phase 1 MAADs			Yr 4 Phase 2 MAADs						
(dollars in thousands)	Yr 1 - 2026	Yr 2 - 2027	Yr 3 - 2028	Yr 4 2029	Yr 5 - 2030	Yr 6 - 2031	Yr 7 - 2032	Yr 8 - 2033	Yr 9 - 2034	Yr 10 - 2035
	IRM	IRM	IRM	IRM	IRM	IRM	IRM	IRM	IRM	IRM
WPI	\$ 14,568	\$ 15,284	\$ 15,486	\$ 15,608	\$ 15,815	\$ 16,025	\$ 16,238	\$ 16,455	\$ 16,675	\$ 16,898
	Yr 1 - 2026	Yr 2 - 2027	Yr 3 - 2028	Yr 4 2029	Yr 5 - 2030	Yr 5 - 2031	Yr 5 - 2032	Yr 5 - 2033	Yr 5 - 2034	Yr 5 - 2035
	IRM	IRM	COS	IRM	IRM	IRM	IRM	IRM	IRM	IRM
EPC	\$ 17,766	\$ 18,388	\$ 23,132	\$ 24,140	\$ 24,460	\$ 24,784	\$ 25,113	\$ 25,446	\$ 25,785	\$ 26,129
ICM	\$ 2,317	\$ 2,317								
WPI Synergies	-\$ 20	-\$ 50	-\$ 54	-\$ 48	-\$ 55	-\$ 338	-\$ 346	-\$ 354	-\$ 362	-\$ 371
Transaction Total	\$ 34,631	\$ 35,938	\$ 38,564	\$ 39,701	\$ 40,220	\$ 40,471	\$ 41,005	\$ 41,548	\$ 42,098	\$ 42,656

The above tables make the assumptions set out below regarding inflation, growth and productivity adjustments.

Table 6: Assumptions Regarding Inflation, Growth, and Productivity

	Yr 1 - 2026	Yr 2 - 2027	Yr 3 - 2028	Yr 4 2029	Yr 5 - 2030	Yr 6 - 2031	Yr 7 - 2032	Yr 8 - 2033	Yr 9 - 2034	Yr 9 - 2035
Customer Growth % WPI	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Customer Growth % EPC	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Inflation%	3.70%	3.70%	3.70%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%
Stretch Factor % WPI	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Stretch Factor % EPC	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
Stretch Factor % Combined	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%

Given the moderate growth rate and demographics in the applicable service communities, and the current distribution system planning for the utilities, the tables above attribute minimal impact to evolving energy sector and associated impacts on cost structures.

The Applicant confirms that there are no known or reasonably anticipated future Incremental Capital Modules (“ICM”) for either utility within the forecasted period in the above tables.

Please note that the tables above are being provided on a preliminary forecast basis and may be subject to change. The Applicant cannot forecast with certainty the outcomes from the upcoming rebasing application before the OEB or what efficiencies will be forecasted in the Phase 2 application. In addition, the comments and tables in this section assumes that there is no need to replace any of the key systems identified in the WPI CoS Application during the applicable rate period (i.e. 2024-2028).

Comparison of the operations, maintenance and administrative (OM&A) cost per customer

While an exhaustive list of the benefits associated with this future amalgamation will be addressed more completely in the Phase 2 application to be submitted to the Board in 2028, a preliminary overview of the benefits of the future amalgamation includes the following OM&A synergies table, which shows the proposed two-phase transaction and forecasted synergies.

Table 7: Forecasted OM&A

OM&A Costs (dollars in thousands)	Phase 1			Phase 2	Post Consolidation Period					
	Yr 1 - 2026	Yr 2 - 2027	Yr 3 - 2028 EPC Test Year	Yr 4 2029 MAADs Application	Yr 5 - 2030	Yr 6 - 2031	Yr 7 - 2032	Yr 8 - 2033	Yr 9 - 2034	Yr 10 - 2035
EPC	\$ 11,103	\$ 11,252	\$ 11,388	\$ 11,728	\$ 12,052	\$ 12,413	\$ 12,786	\$ 13,169	\$ 13,564	\$ 13,971
WPI	\$ 8,381	\$ 8,591	\$ 8,806	\$ 9,026	\$ 9,251	\$ 9,483	\$ 9,720	\$ 9,963	\$ 10,212	\$ 10,467
EPC + WPI	\$ 19,484	\$ 19,842	\$ 20,193	\$ 20,753	\$ 21,303	\$ 21,896	\$ 22,506	\$ 23,132	\$ 23,776	\$ 24,438
WPI Synergies	-\$ 20	-\$ 50	-\$ 54	-\$ 48	-\$ 55	-\$ 338	-\$ 346	-\$ 354	-\$ 362	-\$ 371
Forecasted OM&A	\$ 19,464	\$ 19,792	\$ 20,139	\$ 20,706	\$ 21,248	\$ 21,558	\$ 22,160	\$ 22,778	\$ 23,414	\$ 24,068
OM&A / Customer										
EPC	\$ 444.85	\$ 441.98	\$ 447.33	\$ 460.69	\$ 418.42	\$ 424.52	\$ 436.37	\$ 448.55	\$ 461.07	\$ 473.94
WPI	\$ 337.56	\$ 346.00	\$ 354.65	\$ 363.51						

For the purposes of determining the OM&A/ Customer metric, this table assumes an annual residential customer growth of 1.5% and no commercial customer growth from 2026-2035 for both utilities.

Please note that the tables above are being provided on a preliminary forecast basis and may be subject to change. EWAI cannot forecast with certainty the outcomes from the upcoming rebasing applications before the OEB or what efficiencies will be forecasted in the Phase 2 application. In addition, the comments and tables in this section assumes that there is no need to replace any of the key systems identified in the WPI CoS Application during the applicable rate period (i.e. 2024-2028).

For purposes of this Application, it is critical to note that Westario's existing cost structures have recently been approved by the OEB as necessary to maintain ongoing financial and operational viability. It can reasonably be assumed that maintaining Westario's existing expenditure levels is sustainable from an operational and financial perspective over the rebasing period proposed in this Application.

(ii) Impact with respect to the adequacy, reliability and quality of electricity service

An objective of ERTH is that of a company that ensures its LDC holdings provide effective and efficient service with a focus on the communities that rely on them. The Applicant is accordingly committed to maintaining the adequacy of electricity service for the customers of WPI.

The Applicant intends to maintain a local physical presence no different than what Westario's customers experience today. WPI's existing service center will continue to operate in Walkerton and front-line operations staff that currently respond to outages and power quality issues are expected to continue to serve the same communities. Service levels and quality standards will continue through both the Phase 1 transaction and the Phase 2 transaction, and the Applicant anticipates that response times will not decline. Throughout both phases of this transaction, it is the intention of the Applicant to maintain the service levels of WPI through the merging of technologies, system control, adoption of best work practices, etc. The Phase 1 transaction will result in the sharing of engineering and operational expertise between WPI and EPC, which will lead to higher quality operations and maintenance plans that will benefit customers of both WPI and EPC.

Increased reliability of WPI's distribution system is also anticipated because of access to EPC's expertise in SCADA (Supervisory Control & Data Acquisition) systems, improving response times and trouble shooting efforts. In addition, storm response resources will improve as WPI will have access to a larger pool of power line maintainers, inventory and equipment. Finally, the WPI electrical system will be displayed, managed, and operated from the EPC Control Room, an element of operation that is currently lacking at WPI. This change will aid in the optimization of power distribution, coordination of field work, and work protection, improving the overall operation and safety of the grid in normal and outage event situations.

WPI will have access to fully resourced operations, engineering and customer service departments at EPC and the corporate services of EARTH, providing a larger internal pool of resources to handle and improve all aspects of system adequacy, reliability and quality of electrical service. The larger resource pool will also aid in the ability for WPI to meet the requirements of an ever-changing industry and unlock the potential of technological advances and innovative projects to further promote stronger adequacy, reliability, and quality of electrical service.

Accordingly, the proposed transaction is forecasted to positively impact the customers of WPI with respect to adequacy, reliability, and quality of electricity service due to the efficiencies expected to be generated from the transaction.

Historically, Westario and EPC have maintained strong reliability measures in both System Average Interruption Duration Index (“SAIDI”) and System Average Interruption Frequency Index (“SAIFI”) metrics. SAIFI and SAIDI results for the year ending 2024 indicate that both LDCs have provided their customers with excellent reliability and both utilities have expertise in the elements and conditions which affect reliability in Southwestern Ontario. The five-year historical reliability metrics for Westario and EPC are provided in the table below.

Table 8: 2021-2024 Historic Service Quality Indicators of Westario and EPC (adjusted for Loss of Supply and Major Event Days)

Reliability Indicators (Excluding MED's & Loss of Supply Events)						
Sum of SAIDI from Non-Major Eve	2020	2021	2022	2023	2024	5 Yr. Average
ERTH Power Corporation	0.781	2.168	0.93	1.311	1.506	1.3392
Westario Power Inc.	1.916	1.785	1.555	1.821	1.194	1.6542
Sum of SAIFI from Non-Major Eve	2020	2021	2022	2023	2024	5 Yr. Average
ERTH Power Corporation	0.293	0.874	0.468	0.378	0.757	0.554
Westario Power Inc.	0.503	0.73	0.669	0.56	0.573	0.607
Reliability Indicators (All Outages)						
Sum of Total SAIDI	2020	2021	2022	2023	2024	5 Yr. Average
ERTH Power Corporation	2.083	4.942	2.016	3.626	4.782	3.4898
Westario Power Inc.	12.466	11.198	2.784	2.656	2.445	6.3098
Sum of Total SAIFI	2020	2021	2022	2023	2024	5 Yr. Average
ERTH Power Corporation	0.678	1.644	0.998	0.949	2.303	1.3144
Westario Power Inc.	2.039	2.28	1.337	1.207	0.915	1.5556

There will be a large benefit to Westario customers through all future phases of the transaction in the form of technology enhancements in the Westario service territory that would otherwise not be economical or practical to implement.

The proposed transaction incorporates the benefits to be realized through voluntary consolidation; it will deliver cost synergies and economy of scale benefits and will promote the Board's objectives.

These benefits include:

- Extension of the EPC Supervisory Control and Data Acquisition (SCADA) system to Westario;
- Extension of the EPC Geographic Information System (GIS) to include the Westario service area;
- Extension of the EPC customer website outage map to include the Westario service area;
- Extension of the ERTH social media platforms (Twitter, Facebook, LinkedIn) to include Westario to aid in the promotion of distributor activities, engagement of customers, and communication of outage information; and
- Implementation of a stable, secure information technology backbone, aligned with current cyber security regulatory requirements, with full remote support from ERTH.
- WPI electrical system will be displayed, managed, and operated from the EPC Control Room, an element of operation that is currently lacking at Westario. This change will aid in the optimization of power distribution, the issuance of work, and work protection and improve the overall operation and safety of the grid in normal and outage event situations. The Applicant will endeavour to extend EPC's current eight (8) hours per day, five (5) days per week (8x5) Control Room by contracting after hour control services from neighbouring utilities to establish 24x7 capabilities and Control Room coverage for WPI customers.
- WPI will have access to expended ERTH corporate services, including internal legal counsel, enterprise risk management (ERM), and environmental, social and governance (ESG) functions.
- WPI will have access to ERTH's customer service practices which recently resulted in an increase in its OEB regulated Customer Satisfaction Survey results from 76% in 2023 to 94% in 2025.
- The combined ownership of WPI and EPC (and the Other LDC) by ERTH will allow the LDCs to access to capital at lower interest rates versus stand-alone utilities, as evidenced in section 4.2(ix) below.

The Handbook notes that in determining whether the "no harm" test has been met with respect to the adequacy, quality and reliability of electrical service, the OEB will be informed by the metrics

filed by a distributor as well as its annual scorecard. The 2024 scorecards of both EPC and Westario are provided in Appendix E. Both scorecards demonstrate strong performance and trending in the areas of customer service and reliability and demonstrate a further alignment of objectives aimed at maintaining or improving service levels.

The following table highlights the Customer Focus statistics:

Table 9: 2020-2024 Customer Focus Statistics

Year	New Residential/Small		Scheduled		Telephone Calls Answered		First Contact Resolution		Billing Accuracy		Customer	
	EPC	WPI	EPC	WPI	EPC	WPI	EPC	WPI	EPC	WPI	EPC	WPI
2020	98.59%	95.43%	100.00%	97.33%	95.92%	86.73%	99.58%	98.19%	99.75%	99.61%	77.00%	94.00%
2021	95.84%	96.24%	99.06%	99.52%	95.02%	88.45%	99.26%	98.83%	99.85%	99.78%	77.00%	94.00%
2022	97.05%	100.00%	100.00%	99.89%	92.54%	86.03%	99.43%	99.01%	99.62%	99.81%	76.00%	94.00%
2023	95.76%	100.00%	99.18%	99.89%	93.49%	87.42%	99.66%	99.01%	99.69%	99.54%	76.00%	93.00%
2024	95.11%	100.00%	99.53%	99.58%	86.49%	86.84%	99.91%	99.04%	97.01%	99.81%	76.00%	93.00%

There will be a large benefit to WPI and EPC customers through all future phases of the transaction in the form of technology enhancements in their respective service territories that would otherwise not be economical or practical to implement.

(iii) Describe how the distribution systems within the service areas will be operated, including whether the proposed transaction will cause a change of control

As EWAI is acquiring Westario the proposed transaction will result in a change of control. All assets in Westario’s service territory will fall under the control of ERTH in the Phase 1 Transaction and then transfer to New EPC in the Phase 2 transaction.

Both before and after the Phase 1 Transaction, WPI will be municipally owned, however the particular municipal owners will change to be the same as the owners of ERTH.

The Applicant is proposing that the current operation centres will be maintained in both territories throughout the duration of the Phase 1 transaction. This commitment is embedded in the share purchase agreement at section 8(e)(i). This will ensure the continuance of local focus to ensure strong community relationships and top tier customer service for both territories.

During Phase 2 and beyond, the main headquarters are expected to be EPC’s new office and operations centre recently approved by the Board in EB-2024-0021, located in Ingersoll, Ontario. Functions such as engineering, procurement, human resources, finance, legal, regulatory, information technology, and customer service will be administered and delivered from the Ingersoll location, with each location having operations staffing similar to current resourcing levels.

Following the Phase 2 Transaction, the organization of EPC's operational structure will be implemented in a way that ensures Westario leverages the centralized functions at EPC and ERTH to ensure that New EPC continues to be an efficient, effective, and compliant LDC while still ensuring a local presence exists in all service territories. It is extremely important to provide the same level of local service the communities are accustomed to. The adoption and extension of EPC's processes and systems by Westario will provide an economical approach to unlocking opportunities and levels of service that would otherwise be cost prohibitive to consider.

4.2 Objective 2 – Promote economic efficiency and cost effectiveness and to facilitate the maintenance of a financially viable electricity industry

As discussed above under objective 1, with respect to price, EWAI's acquisition of Westario eventually has the potential to create modest efficiencies and cost efficiencies; ERTH and EPC will be able to capitalize on this potential due to its significant experience in the industry.

ERTH is skilled at operating a utility that services the same types of customer classes served by Westario as well as in a service territory with similar characteristics and terrain as WPI and doing so in a cost-efficient manner. This operational expertise and management philosophy will be brought over to Westario. Over the long-term horizon, this acquisition is anticipated to generate sustainable administrative cost savings (compared to a scenario absent the transaction) as a result of centralizing back-office functions including management, billing, customer service, finance, legal, and regulatory functions.

The acquisition will also provide Westario with the benefit of being a part of a larger strategic plan that focuses on driving the LDC forward. The core strengths of EPC and ERTH in community building, reliability, safety, operations, customer service, and solid financial performance will be leveraged by Westario through one integrated management team and board of directors. The anticipated savings will be passed on to customers through lower OM&A costs after Phase 2 of the transaction. The Phase 2 Transaction may provide for sustainable cost reductions that benefit customers over the longer term without reducing the levels of customer service and reliability that customers of Westario expect.

(i) Identify all incremental costs of the proposed transaction

Incremental one-time transaction and transition costs are expected to be approximately \$800,000. These costs will not be included in the revenue requirement of Westario, EPC, or the new EPC and thus will not be funded by ratepayers.

The parties to the proposed transactions have incurred, and will continue to incur, incremental transaction costs in respect of the proposed acquisition and future consolidation. These costs

include but are not limited to: due diligence on the part of all parties, the costs associated with negotiating the terms of the purchase, costs associated with all regulatory, legal and statutory reviews in order to receive necessary regulatory approvals and internal resources. Incremental transition costs that are expected as a result of the Phase 2 Transaction include information technology, legal, and professional advisory services.

(a) Transaction Costs

The Applicant and the Sellers retained its own independent legal and financial advisors. Such costs are borne by the parties and will not carry into distribution rates or the new entity.

(b) Implementation / Integration Costs

The integration costs will be financed through the anticipated productivity savings expected from the transaction during the period after the Phase 2 transaction. As always, there will be timing differences between expense outlays and their recovery.

OM&A incremental transitional costs are primarily related to:

- Transition planning and execution – third party and additional staff costs related to implementing the transition plan;
- IT costs – costs associated with system integration and standardization;
- Communication costs – development and execution of customer and other stakeholder communications at various stages of transition; and
- Workforce training – costs associated with retraining employees on new systems, processes, and policies.

(ii) Provide a valuation of assets or shares that will be transferred in the proposed transaction

The purchase price valuation will be based on Westario's 2025 rate base which has been agreed upon by both the buyer and the seller as per the Purchase and Sale Agreement.

(iii) Details as to why purchase price will not have an adverse effect on the financial viability of the acquiring utility

In the proposed Phase 1 transaction, the acquiring entity is EWAI, a holding company, so there will be no direct effect on the financial viability of WPI.

The estimated purchase price is not expected to have a material impact on the overall financial viability of EWAI's parent company, ERTH, or any of its affiliates. If Phase 1 is completed, WPI will represent approximately 45% of the total assets of ERTH. As noted in the letter of support attached as Appendix F, ERTH's lender (Scotiabank) is aware and supportive of the Phase 1 transaction.

The Applicant notes that WPI breached its debt service ratio with its current lender as of June 30, 2025, and September 30, 2025. WPI's current lender has indicated that it remains comfortable with WPI's debt service ratio as it recognizes that once non-operating, transaction-related costs that currently expensed are adjusted for, WPI's debt service ratio will meet the applicable covenant. In addition, prior to the proposed transaction, WPI and its current lender had been in the process of renegotiating loan amortizations from 20 to 30 years (for all loans or a subset) to better align with WPI asset useful lives, which would improve WPI's DSR. CIBC will be preparing an annual covenant waiver for WPI's auditors with respect to the preparation of its audited 2025 financial statements. This waiver will be filed with the Board once it is received. On the closing of the Phase 1 transaction, WPI's credit facilities will be moved from CIBC to Scotiabank.

ERTH has negotiated financial terms with Scotiabank that recognize the financial circumstances of WPI after the Phase 1 transaction. Scotiabank considers any potential financial covenant breaches to be temporary. Upon completion of the Phase 1 transaction, ERTH will be deploying a plan to transition the LDCs to a 70:30 debt/equity ratio through a combination of operational and capital synergies, debt restructuring (e.g. bond issuance, renegotiating shareholder loans), while exploring a dividend reinvestment plan and new equity investments with its shareholders.

If this Application is approved, the combined ownership of WPI and EPC by ERTH will allow the LDCs to access capital at lower interest rates versus stand-alone utilities that are not commonly owned. The favourable rates are driven by the scale associated with multiple LDCs which will allow ERTH is access the bond market at competitive rates. ERTH has recently engaged Scotiabank to assist in accessing the bond market which is at the exploratory phase only. ERTH previously engaged KPMG LLP Capital Finance in 2024 to attempt to access the bond market but the resulting competitive process showed that the scale was not there. Scotiabank is confident that ERTH's ownership of both EPC and WPI following approval of Phase 1 will provide the utilities with access to the bond market. This new financing vehicle is projected to produce interest payment savings of approximately 50 to 100 basis points on a five-year bond, for example, versus a traditional credit facility. These savings, which take into account the transactional costs associated with a bond issuance, are not factored into any financial modelling submitted with this Application.

Scotiabank is aware of the intention to amalgamate WPI, EPC and the Other LDC in 2029 as part of Phase 2. However, the financing arrangement described in Scotiabank letter attached as Appendix F is not contingent upon a future approval to amalgamate in Phase 2.

Ratepayers will not pay for incremental transaction or transition costs. The integration costs will be financed through anticipated productivity savings, primarily those expected after the Phase 2 transaction.

(iv) *Provide details of the financing of the proposed transaction*

The Phase 1 transaction will be 100% financed by new debt issued to ERTH from Scotiabank.

(v) *Financial Statements*

Appendix G to this Application contains EPC and Westario's audited annual financial statements for the years 2024 for EPC and 2024 for Westario. Audited financial statements for 2025 are not available for EPC and Westario at the time of filing the Application.

5. Rate Considerations for Consolidation Applications

The Applicant requests the Board's approval of a 9-year rate rebasing deferral period for WPI during which it will operate under the OEB's Price Cap IR framework. Accordingly, the Applicant proposes to implement an earnings sharing mechanism ("ESM") consistent with the Consolidation Handbook for WPI (the "**Westario ESM**").

Phase 1 of this transaction does not contemplate EPC requesting a rebasing deferral period and therefore an earnings sharing mechanism ("ESM") will not be required for EPC; the intent is to file the EPC CoS Application in order to have, *inter alia*, distribution rates adjusted and to ensure that the synergies that arose from the prior consolidation of EPC and West Coast Huron Energy Inc. are passed along to ratepayers.

Phase 2 of this transaction may include a proposal for a rebasing deferral period. The rates in each of the two service territories will continue to be set by the Board's Price Cap IR until rebasing.

The Handbook states that "Consolidating entities that propose to defer rebasing beyond five years, must implement an [ESM] for the period beyond five years."⁷ The Westario ESM proposed by the Applicants for years six to nine of the rebasing deferral period in this Application is consistent with the 2015 Report and Handbook which states that the ESM:

⁷ Handbook, p. 16.

“would be implemented if the consolidated entity’s ROE was greater than 300 bps above the allowed ROE as set out under the incentive regulation policy. The ESM will be based on a 50:50 sharing of excess earnings with consumers.”⁸

Accordingly, the Applicants propose the Westario ESM to be effective years six to nine of the rebasing deferral period proposed in this Application with the following structure:

- The ESM will apply to actual achieved return on equity (ROE) of WPI relative to the OEB-approved ROE for WPI for the applicable rate year.
- The ESM will be triggered when WPI’s achieved ROE exceeds the OEB-approved ROE by more than 300 basis points.
- For earnings in excess of this threshold, the Applicants propose a 50/50 sharing between customers and shareholders of WPI, consistent with the OEB’s standard ESM design for consolidated utilities.
- The ESM will apply annually and will be calculated and reported as part of WPI’s annual RRR filings and any subsequent OEB review processes.

The Applicant respectfully requests that the Board approve the establishment of a new deferral account for WPI titled the Earnings Sharing Mechanism Deferral Account (“**ESMDA**”), effective on the closing date of the Phase 1 transaction, as reflected in the Draft Accounting Order included as Appendix H to this Application. The ESMDA is required to record amounts arising from the Westario ESM proposed as part of this Application during the requested deferred rebasing period.

The regulatory net income will be calculated, for the purpose of earnings sharing, in the same manner as net income for regulatory purposes under the Board’s Reporting and Record Keeping Requirements (“RRRs”). The Applicants expect that the computation of the ROE will exclude revenue and expenses that are not otherwise included for regulatory purposes.

6. Rate Harmonization

The Applicants will not be harmonizing rates at the time of rebasing as part of the Phase 1 Transaction. EPC and Westario would continue to operate independently as separate utilities. Rate harmonization may be addressed as part of the Phase 2 Transaction.

⁸ Handbook, p. 23.

7. Post-Consolidation Monitoring and Reporting

The Applicant intends for Westario and EPC to continue to operate independently as separate utilities after the close of the Phase 1 transaction. Reliability will continue to be reported separately for each utility.

Given that the Applicant will defer rebasing WPI's cost structure for more than 5 years post the Phase 1 MAADs process, the Applicant will file a mid-term report for WPI containing the required components as set out in the Post-Consolidation Monitoring and Reporting section of the Handbook. The Applicant also confirms that in its first rebasing application updates to the mid-term report will be provided for any period not included in that report.

With respect to feeder level reliability, WPI is not required to report feeder level reliability, and it has not reported feeder level reliability in the past. During the proposed rate deferral period, WPI will continue to report system level reliability as part of its annual reporting and record-keeping requirements (RRR) filings to the Board.

8. Inapplicability of Accounting Matters

Both Westario and EPC will continue to operate on a stand-alone basis until Phase 2. This means that each of Westario and EPC will continue to maintain separate reporting and record keeping, rate applications and tracking of deferral and variance accounts. Group 1 and Group 2 accounts will be tracked on a stand-alone basis until the Phase 2 application is filed.

With respect to timing of Group 2 disposition, EPC will be filing its rebasing applications as scheduled and Westario has recently had its rebasing application approved. There will be no impacts to intergenerational inequity because of this Phase 1 application as EPC and Westario will be maintaining the same disposition schedule for these accounts.

For these reasons, the accounting matters listed in section 2.2.8 of the Handbook are not applicable for Phase 1.

9. Other Related Matters

9.1 Implementation of new or the extension of existing rate riders

No new rate riders are proposed by the Applicant as a result of the proposed transaction and this Application.

9.2 *Transfer of rate order and licence / Licence amendment and cancellation*

Not required for the Phase 1 transaction.

9.3 *Approval to continue to track costs to the deferral and variance accounts currently approved by the OEB*

The Applicant requests the Board's approval to continue to track costs in the deferral and variance accounts currently approved by the Board for WPI.

9.4 *Approval to use different accounting standards for financial reporting following the closing of the proposed transaction*

The Applicant does not propose the use of any different accounting standards. Westario and EPC both adopted International Financial Reporting Standards ("IFRS") and utilize MIFRS for regulatory reporting purposes.

APPENDIX A
Mapping of Application to Filing Requirements

APPENDIX A
Mapping of Application to Filing Requirements

Reference to the Handbook	Filing Requirements	Reference
1.2 Certification of Evidence	Certification of Evidence	Page 5
1.6 Certification Regarding Personal Information	Certification Regarding Personal Information	Page 5
2.1 Exhibit A: The Index	Index	Pages 2-4
2.2 The Application		
2.2.1 Administrative		
	Legal name of the applicant or applicants	Section 1.1 – Section 1.2
	Details of the authorized representative of the applicants, including the name, phone and fax numbers, and email and delivery addresses	Section 1.2
	Legal name of the other party or parties to the transaction, if not an applicant	Section 1.1 – Section 1.2; Section 2.1; Appendix B
	Details of the authorized representative of the other party or parties to the transaction, including the name, phone and fax numbers, and email and delivery addresses	Section 1.2
	Brief description of the nature of the transaction for which approval of the OEB is sought by the applicant or applicants	Section 1.1; Section 2; Section 3; Appendix B

Reference to the Handbook	Filing Requirements	Reference
2.2.2 Description of the Business of the Parties to the Transaction		
	Describe the business of each of the parties to the proposed transaction, including each of their electricity sector affiliates engaged in, or providing goods or services to anyone engaged in, the generation, transmission, distribution or retailing of electricity.	Section 2.1; Section 2.2; Appendix B
	Describe the geographic territory served by each of the parties to the proposed transaction, including each of their affiliates, if applicable, noting whether service area boundaries are contiguous or, if not, the relative distance between service boundaries.	Section 2.3
	Describe the customers, including the number of customers in each class, served by each of the parties to the proposed transaction.	Section 2.43
	Describe the proposed geographic service area of each of the parties after completion of the proposed transaction.	Section 2.5
	Provide a corporate chart describing the relationship between each of the parties to the proposed transaction and each of their respective affiliates.	Section 2.6; Section 3.1; Section 3.5; Appendix B
	If the proposed transaction involves the consolidation of two or more distributors, please indicate the maximum peak load (kW) for each distributor's service area that is used to calculate the distributor's maximum "cumulative generation capacity from net metered generators".	Section 2.7
2.2.3 Description of the Proposed Transaction		

Reference to the Handbook	Filing Requirements	Reference
	Provide a detailed description of the proposed transaction.	Section 3.1; Section 3.5
	Provide a clear statement on the leave being sought by the applicant, referencing the particular section or sections of the <i>Ontario Energy Board Act, 1998</i> .	Section 1.1
	Provide details of the consideration (e.g. cash, assets, shares) to be given and received by each of the parties to the proposed transaction.	Section 3.1
	Provide all final legal documents to be used to implement the proposed transaction.	Section 3.2 – Section 3.3; Appendix C; Appendix D
	Provide a copy of appropriate resolutions by parties such as parent companies, municipal council/s, or any other entities that are required to approve a proposed transaction confirming that all these parties have approved the proposed transaction.	Section 3.3; Appendix D
2.2.4 Impact of the Proposed Transaction		
<i>Objective 1 – Protect Consumers with respect to prices and the adequacy, reliability and quality of electrical service</i>		
	Indicate the impact the proposed transaction will have on all consumers with respect to prices and the adequacy, reliability and quality of electricity service.	Section 4.1(i) – Section 4.1(ii)
	Provide a year-over-year comparative forecast revenue requirement analysis for the proposed transaction, comparing the costs of the utilities post-	Section 4.1(i)

Reference to the Handbook	Filing Requirements	Reference
	transaction on a consolidated basis and the costs of the utilities in the absence of the transaction.	
	Provide a statement confirming that at the time of the post-consolidation rebasing application, the consolidated entity will produce an updated analysis comparing the revenue requirement (under both the consolidated scenario and the status quo) but based on information available on a reasonable efforts basis. Further, provide a statement confirming that this will be supplemented with a comparison and discussion of the consolidation application forecasts versus those filed in the post-consolidation rebasing application.	Section 4.1(i)
	Provide a comparison of the operations, maintenance and administrative (OM&A) cost per customer per year between the consolidating utilities.	Section 4.1(i)
	Confirm whether the proposed transaction will cause a change of control of any of the transmission or distribution system assets, at any time, during or by the end of the transaction.	Section 4.1(iii)
	Describe how the distribution or transmission systems within the service areas will be operated.	Section 4.1(ii) Section 4.1(iii)
<i>Objective 2 – Promote economic efficiency and cost effectiveness and to facilitate the maintenance of a financially viable electricity industry</i>		
	Indicate the impact that the proposed transaction will have on economic efficiency and cost effectiveness (in the distribution or transmission of electricity), identifying the various aspects of utility operations where the applicant expects sustained operational efficiencies (both quantitative and qualitative).	Section 4.2

Reference to the Handbook	Filing Requirements	Reference
	Identify all incremental costs that the parties to the proposed transaction expect to incur which may include incremental transaction costs (e.g. legal, regulatory), incremental transition costs (e.g. employee severances), and incremental on-going costs (e.g. purchase and maintenance of new IT systems). Explain how the consolidated entity intends to finance these costs.	Section 4.2(i)
	Provide a valuation of any assets or shares that will be transferred in the proposed transaction. Describe how this value was determined.	Section 4.2(ii)
	If the price paid as part of the proposed transaction is more than the book value of the assets of the selling utility, provide details as to why this price will not have an adverse effect on the financial viability of the acquiring utility.	Section 4.2(iii)
	Provide details of the financing of the proposed transaction.	Section 4.2(iv)
	Provide financial statements (including balance sheet, income statement, and cash flow statement) of the parties to the proposed transaction for the past two most recent years.	Section 4.2(v); Appendix G
2.2.5 Rate considerations for consolidation applications		
	Indicate a specific deferred rate rebasing period that has been chosen.	Section 5
	Identify the rate year and effective date for rebased rates at the end of the elected deferred rebasing period.	Section 5
	For deferred rebasing periods greater than five years.	Section 5

Reference to the Handbook	Filing Requirements	Reference
	If applicable, for a proposed consolidation between one consolidated utility in a deferred rebasing period (as a result of a previously approved consolidation) merging or acquiring another utility not in a deferred rebasing period.	N/A
2.2.6 Rate Harmonization	Rate Harmonization	Section 6
2.2.7 Post-Consolidation Monitoring and Reporting	Post-Consolidation Monitoring and Reporting	Section 7
2.2.8 Accounting Matters	Accounting Matters	Section 8
2.2.9 Other		
	Implementation of new or the extension of existing rate riders	Section 9.1
	Transfer of rate order and licence / Licence amendment and cancellation	Section 9.2
	Approval to continue to track costs to the deferral and variance accounts currently approved by the OEB	Section 9.3
	Approval to use different accounting standards for financial reporting following the closing of the proposed transaction	Section 9.4

APPENDIX B

Details regarding the corporate structures of the parties both before and after Phase 1 of the proposed transaction, and applicable governing laws

EWAI is a corporation incorporated under the Business Corporations Act (Ontario) (the “OBCA”). EWAI is a special purpose acquisition vehicle, and a wholly owned subsidiary of ERTH. ERTH is a parent holding company owned by nine municipal corporations governed by the laws of Ontario. ERTH is also the sole owner of EPC, ERTH Limited, EHI, EBT, and Generation L.P.

WPI is a corporation incorporated under the OBCA. The Sellers, which consist of eight municipal corporations governed by the laws of Ontario and one corporation incorporated under the OBCA, are collectively the legal and beneficial owner of all the issued and outstanding common shares in the capital of WPI.

Pursuant to the Share Purchase Agreement, as further described herein, subject to the parties obtaining the required approvals, Sellers have agreed to sell, and EWAI has agreed to purchase all of the issued and outstanding WPI shares. At this time, EWAI will assume 100% ownership and control of WPI. On the closing date of the proposed transaction, EWAI and WPI will be amalgamated via a vertical short-form amalgamation, and the amalgamated entity will continue under the Westario Power Inc. name and distribution license.

APPENDIX C

**Purchase and Sale Agreement dated January 7, 2026, between the Applicant and the
Sellers**

Strictly Confidential

EXECUTION VERSION

SHARE PURCHASE AGREEMENT

DATED JANUARY 7, 2026

BY AND AMONG

ERTH CORPORATION

AS BUYER

AND

THE SELLER PARTIES HERETO

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Exhibit D	Guarantee
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Exhibit F	Community Involvement Agreement

SHARE PURCHASE AGREEMENT

This Share Purchase Agreement, dated January 7, 2026 (this “Agreement”), is entered into by and among EARTH CORPORATION, a corporation incorporated under the laws of the Province of Ontario (the “Buyer”) and Sellers (as defined below). Buyer and Sellers may be referred to herein individually as a “Party” and collectively as the “Parties.”

Recitals

- A. The Corporation of the Town of Saugeen Shores, The Corporation of the Town of Hanover, The Corporation of the Municipality of Kincardine, The Corporation of the Municipality of Brockton, The Corporation of the Municipality of South Bruce, The Corporation of the Town of Minto, The Corporation of the Township of North Huron, The Corporation of the Township of Huron-Kinloss and FortisOntario Inc. are collectively referred to herein as the “Sellers”.
- B. Sellers are the legal and beneficial owner of all of the issued and outstanding shares (the “Shares”) in the capital of Westario Power Inc. (the “Corporation”).
- C. The Corporation is licensed by the OEB to distribute electricity in Ontario.
- D. Sellers desire to sell and assign to Buyer, and Buyer desires to purchase and acquire from Sellers, the Shares in return for the consideration set forth herein.

Agreement

IN CONSIDERATION OF the mutual premises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

SECTION 1 DEFINITIONS.

Unless otherwise defined herein, capitalized terms used in this Agreement shall have the meanings set forth in Appendix 1, which is incorporated into this Agreement.

SECTION 2 PURCHASE AND SALE; DEPOSIT AND CLOSING.

(a) *Purchase and Sale.* Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, Buyer agrees to purchase from Sellers, and Sellers agree to sell to Buyer, all of the Shares, free and clear of any Liens, for the consideration specified herein.

(b) *Purchase Price.*

The aggregate purchase price payable by Buyer to the Sellers for all of the Shares shall be one hundred and twelve million, five hundred and twenty-nine thousand, eight hundred and seventy-five Dollars (\$112,529,875.00) (the “Purchase Price”), which is equal to an amount obtained by multiplying 1.45 by the Estimated 2025 Rate Base, subject to the adjustments and conditions described herein. The Purchase Price shall be paid by Buyer in accordance with Section 2 (d). The Purchase Price shall be allocated to the Shares as set forth in Section 2 (d) of the Disclosure

Schedule. The aggregate portion allocated to a Seller's Shares relative to the total allocation is such Seller's "Pro Rata Share".

(c) **Closing.** The closing of the transactions contemplated by this Agreement (the "Closing") shall take place by electronic means on the Closing Date. The Parties intend for the transactions contemplated in this Agreement to be effective as of 12:01 a.m. Eastern Time on the Closing Date (the "Effective Time").

(d) **Closing Deliverables.** At the Closing, the following events shall occur, each event under the control of one Party being a condition precedent to the events under the control of each other Party, and each event being deemed to have occurred simultaneously with the other events. Buyer shall deliver or cause to be delivered the following, with each payment to be made by wire transfer of immediately available funds:

- (A) to Aird & Berlis LLP, in trust for the Sellers, for distribution to the Sellers in accordance with their Pro Rata Share, an amount equal to the sum of:
 - (1) the Purchase Price, plus
 - (2) the Actual 2025 Rate Base multiplied by 1.45 minus the Estimated 2025 Rate Base multiplied by 1.45; plus
 - (3) the Estimated Closing Date Cash, plus
 - (4) the Estimated Closing Date Net Regulatory Balance, minus
 - (5) the Estimated Closing Date Debt, minus
 - (6) the Estimated Closing Date Unpaid Transaction Expenses, plus
 - (7) the Estimated Closing Working Capital Account Balance minus the Target Closing Working Capital Account Balance, minus
 - (8) the Deposit, minus
 - (9) the Fixed Swap Adjustment, minus
 - (10) the Estimated Excess Cybersecurity Expenses;
- (B) the Estimated Closing Date Unpaid Transaction Expenses to the intended beneficiaries thereof, as identified in writing to the Buyer prior to the Closing Date, on behalf of the Corporation;
- (C) to Sellers, a certificate of status for Buyer issued on or within three (3) days before the Closing Date by the Ministry of Public and Business Service Delivery of the Province of Ontario (or comparable officer);
- (D) to Sellers, a certificate of the secretary of Buyer, dated the Closing Date, in form and substance reasonably satisfactory to Sellers, evidencing: (x) a true,

correct and complete copy of the Buyer's articles of incorporation, as in effect as of the Closing Date and a true, correct and complete copy of the Buyer's bylaws, as in effect as of the Closing Date; (y) a copy of the corporate resolution of the Buyer authorizing this Agreement, all agreements ancillary hereto and the consummation of the transactions contemplated hereby; and (z) the names of the officers and directors of the Buyer;

- (E) to Sellers a certificate of the secretary of Buyer, dated the Closing Date, confirming the accuracy of the representations and warranties of Buyer as at the Closing Date;
 - (F) to Aird & Berlis LLP, in trust for the Sellers, for distribution to the Sellers in accordance with their Pro Rata Share, the amount of [REDACTED] plus applicable taxes (the "Advisor Fees Payment"), on account of professional fees, disbursements and taxes of Aird & Berlis LLP, Doane Grant Thornton LLP and S&B Consulting Toronto Inc. (together, the "Advisors"), incurred by and invoiced to the Corporation on or prior to the date on which the Final Closing Statement is delivered in accordance with Section 2 (f)(ii) with respect to the procurement process leading to the selection of the Buyer and the transactions contemplated by this Agreement (the "Advisor Fees Incurred"), including without limitation those in relation to expressions of interest, development and finalization of this Agreement, any ancillary agreements, written and oral communications with the Buyers, their respective legal counsel, employees, officeholders and municipal councils, and all other matters in connection with the sale of the Shares by the Sellers. Within five (5) Business Days after the date on which Aird & Berlis LLP receives written notice from the Parties confirming that the Final Closing Statement has been delivered in accordance with Section 2 (f)(ii), Aird & Berlis LLP, on behalf of the Sellers, shall return to the Buyer any amount by which the Advisor Fees Payment exceeds the Advisor Fees Incurred; and
 - (G) the Community Involvement Agreement, duly executed by the Buyer.
- (ii) Sellers shall deliver or cause to be delivered to Buyer the following:
- (A) share certificates representing all of the Shares, duly endorsed in blank for transfer, or accompanied by irrevocable security transfer powers of attorney duly executed in blank, in either case by the holders of record;
 - (B) all consents, approvals and estoppel letters related to the change of control of the Corporation set forth in Appendix 2; and (y) waivers of rights of first refusal and other purchase rights related to the sale of the Corporation as set forth in the Disclosure Schedule;

- (C) the resignations, effective as of the Closing Date, of the directors and officers of the Corporation;
- (D) the minute books of the Corporation;
- (E) a certificate of status for the Corporation issued on or within three (3) days before the Closing Date by the Ministry of Public and Business Service Delivery of the Province of Ontario (or comparable officer) of each jurisdiction in which the Corporation is qualified to do business;
- (F) a certificate of an officer for the Corporation, dated the Closing Date, in form and substance reasonably satisfactory to Buyer, evidencing: (w) a true, correct and complete copy of such Corporation's articles of incorporation, as in effect as of the Closing Date; (x) a true, correct and complete copy of the Corporation's bylaws, as in effect as of the Closing Date; (y) the names of the officers and directors of the Corporation; and (z) a true, correct and complete copy of resolutions of the directors and shareholders of Corporation authorizing (as applicable) the transactions contemplated by this Agreement, including the transfer of the Shares of such Person to the Buyer as provided herein;
- (G) a certificate of the secretary of each Seller, dated the Closing Date, confirming the accuracy of the representations and warranties of such Seller as at the Closing Date;
- (H) the Corporation's Debt instruments; and
- (I) the Community Involvement Agreement, duly executed by each of the Sellers party thereto.

(e) Dividends.

Notwithstanding anything to the contrary in this Agreement, prior to Closing the board of directors of the Corporation shall have the right to declare and pay in accordance with past practice: (i) dividends on the Shares in an amount reflecting a percentage of the net income of the Corporation for the 2025 fiscal year; and (ii) the Estimated Closing Date Dividends.

(f) Purchase Price Adjustment.

- (i) Sellers have prepared and delivered to Buyer a preliminary settlement statement no later than five (5) Business Days before the Closing Date (the "Estimated Closing Statement") that sets forth (A) an estimate of the Closing Date Cash (the "Estimated Closing Date Cash"), (B) an estimate of the Closing Date Net Regulatory Balance (the "Estimated Closing Date Net Regulatory Balance"), (C) an estimate of the Closing Date Debt, (as calculated in accordance with Schedule A, the "Estimated Closing Date Debt"), (D) an estimate of the Closing Date Unpaid Transaction Expenses (the "Estimated Closing Date Unpaid Transaction Expenses"), (E) an estimate of the Closing Working Capital Account Balance (the "Estimated Closing

Working Capital Account Balance”), (F) a calculation of the Actual 2025 Rate Base, (G) an estimate of the dividends payable on the Shares for the 2026 fiscal year, calculated in accordance with past practice as a percentage of the net income of the Corporation for the period of the 2026 fiscal year prior to the Closing Date (the “Estimated Closing Date Dividends”), and (H) an estimate of the Excess Cybersecurity Expenses (the “Estimated Excess Cybersecurity Expenses”). The Estimated Closing Statement shall be prepared in accordance with IFRS and the methodology and calculations set forth on Exhibit A, consistently with past practice of the Corporation and without giving effect to the consummation of the transactions contemplated by this Agreement.

- (ii) As soon as reasonably practicable following the Closing Date, and in any event within ninety (90) days thereof, Buyer shall prepare and deliver to Sellers (A) a calculation of the aggregate amount of all Cash of the Corporation (the “Closing Date Cash”), (B) a calculation of the Net Regulatory Balance of the Corporation (the “Closing Date Net Regulatory Balance”), (C) a calculation of the aggregate amount of all Debt of the Corporation (the “Closing Date Debt”), (D) a calculation of the Transaction Expenses incurred and outstanding (the “Closing Date Unpaid Transaction Expenses”), (E) a calculation of the Closing Working Capital Account Balance, (F) the dividends payable on the Shares for the 2026 fiscal year, calculated in accordance with past practice as a percentage of the net income of the Corporation for the period of the 2026 fiscal year prior to the Closing Date (the “Closing Date Dividends”), (G) a calculation of the Excess Cybersecurity Expenses (the “Actual Excess Cybersecurity Expenses”), and (H) an unaudited balance sheet of the Corporation (the “Closing Date Balance Sheet”) in each case as of the Effective Time and including supporting documentation reasonably required or requested by the Sellers (the items identified in clauses (A) through (H), collectively, the “Closing Statement”). The Closing Statement shall be prepared in accordance with IFRS and the methodology and calculations set forth on Exhibit A, consistently with past practice of the Corporation and without giving effect to the consummation of the transactions contemplated by this Agreement.
- (iii) After receipt of the Closing Statement, Sellers shall have thirty (30) days to review the Closing Statement (the “Review Period”). The Closing Statement shall be binding and conclusive upon, and deemed accepted by, Sellers unless Sellers notify Buyer in writing prior to the expiration of the Review Period of any dispute or objection thereto (any such written dispute or objection to set forth in reasonable detail any disputed amounts with reasonable supporting evidence). In the event any such notice of disagreement is given prior to the expiration of the Review Period, Buyer and Sellers shall use their reasonable efforts in good faith to confer and resolve any disagreements therein for a period of thirty (30) days after Buyer’s receipt of such notice (or such longer period as they may mutually agree) (the “Resolution Period”). During the Review Period and the Resolution Period, Sellers and their advisors shall have reasonable access, during regular business hours and upon reasonable advance notice, to Buyer’s work papers and to the preparers of the Closing Statement and to the books and records on which the Closing Statement is based, in each case to the extent reasonably relevant to the calculations set forth in

the Closing Statement. Any written resolution by the Parties as to any disputed amount shall be final, binding, conclusive and non-appealable for all purposes under this Agreement.

- (iv) Any disagreements relating to the Closing Statement that are not resolved within the Resolution Period shall, at either Party's request, be resolved by an accounting firm to be mutually selected by Sellers and Buyer; provided such firm shall not have provided services to Sellers or Buyer or any of their respective Affiliates within the last three (3) years (the "Independent Accountant"). If the Parties cannot agree upon the Independent Accountant, any Party may apply to a judge of the Ontario Superior Court of Justice for the appointment of the Independent Accountant. Each Party agrees to execute, if requested by the Independent Accountant, a reasonable engagement letter with respect to the determination to be made by the Independent Accountant. All fees and expenses relating to the work, if any, to be performed by the Independent Accountant shall be borne by Buyer, on the one hand, and Sellers, on the other hand, based on the inverse of the percentage that the Independent Accountant's determination bears to the total amount of the total items in dispute as originally submitted to the Independent Accountant. For example, should the items in dispute total in amount to \$1,000 and the Independent Accountant awards \$600 in favor of Buyer's position, 60% of the fees and expenses of the Independent Accountant's review would be borne by Sellers and 40% of the fees and expenses would be borne by Buyer. Except as provided in the immediately preceding sentence, all other costs and expenses incurred by the Parties in connection with resolving any dispute under this Section 2 (e) shall be borne by the Party incurring such cost and expense. The Independent Accountant shall determine only those issues still in dispute at the end of the Resolution Period, and the Independent Accountant's determination shall be based upon and be consistent with the terms and conditions of this Agreement. In deciding any matter, the Independent Accountant (A) shall be bound by the provisions of this Section 2 (e) and (B) may not assign a value to any item greater than the greatest value for such item claimed by Seller or Buyer or less than the smallest value of such item claimed by Seller or Buyer. The Independent Accountant's determination shall be made as promptly as practicable, but in any event within forty-five (45) days after its engagement, shall be set forth in a written statement delivered to Sellers and Buyer, and shall be final, conclusive, non-appealable and binding for all purposes hereunder, absent manifest error. The term "Final Closing Statement" shall mean the definitive Closing Statement (x) to which Sellers have not delivered the notice described in Section 2 (f)(iii) within the Review Period, (y) mutually agreed to by Sellers and Buyer in accordance with Section 2 (f)(iii) within the Resolution Period, or (z) resulting from the determination made by the Independent Accountant in accordance with this Section 2 (f)(iv).
- (v) The "Adjustment Amount," which may be positive or negative, shall mean:
- (A) the Closing Date Cash (as finally determined in the Final Closing Statement) minus the Estimated Closing Date Cash, plus

- (B) the Estimated Closing Date Debt minus the Closing Date Debt (as finally determined in the Final Closing Statement), plus
 - (C) the Estimated Closing Date Unpaid Transaction Expenses minus the Closing Date Unpaid Transaction Expenses (as finally determined in the Final Closing Statement), plus
 - (D) the Closing Working Capital Account Balance (as finally determined in the Final Closing Statement) minus the Estimated Closing Working Capital Account Balance, plus
 - (E) the Closing Date Dividends (as finally determined in the Final Closing Statement) minus the Estimated Closing Date Dividends, plus
 - (F) the Estimated Excess Cybersecurity Expenses minus the Actual Excess Cybersecurity Expenses (as finally determined in the Final Closing Statement).
- (vi) Within five (5) Business Days after the date on which the Final Closing Statement is determined:
- (A) if the Adjustment Amount (as finally determined in the Final Closing Statement) is a positive number:
 - (1) the Buyer shall pay to Aird & Berlis LLP, in trust for the Sellers, for distribution to the Sellers in accordance with their Pro Rata Share, an amount equal to the Adjustment Amount in immediately available funds by wire transfer; provided that no payment by shall be required in the event that the Adjustment Amount is less than one-thousand Dollars (\$1,000); and
 - (2) the Buyer and the Sellers shall give joint written instructions to the Aird & Berlis LLP to retain the Adjustment Holdback, in trust for the Sellers, for distribution to the Sellers in accordance with their Pro Rata Share; or
 - (B) if the Adjustment Amount (as finally determined in the Final Closing Statement) is a negative number:
 - (1) the Buyer and the Sellers, shall give joint written instructions to the Escrow Agent:
 - I. to release from the Adjustment Holdback an amount equal to the Adjustment Amount up to the total amount in the Adjustment Holdback by wire transfer of immediately available funds to an account specified by the Buyer; and

II. to release the remaining Adjustment Holdback, if any, to Aird & Berlis LLP, in trust for the Sellers, for distribution to the Sellers in accordance with their Pro Rata Share; and

(2) if the Adjustment Amount exceeds the Adjustment Holdback, then the Sellers shall, in accordance with their Pro Rata Share, make payment by wire transfer to the Buyer in immediately available funds of such excess; provided that no payment shall be required in the event that the Adjustment Amount exceeds the Adjustment Holdback by less than one-thousand Dollars (\$1,000).

(vii) Any adjustments made pursuant to this Section 2 (e) will be deemed to be adjustments to the Purchase Price.

(g) Deposit. As a condition precedent to this Agreement and as at the time of execution hereof, the Buyer shall have delivered to Aird & Berlis LLP, in its capacity as legal counsel to the Corporation, the sum of three million Dollars (\$3,000,000.00) (the “Deposit”), in trust as a deposit to be credited to the Buyer as at Closing on account of the Purchase Price and subject to the Escrow Agreement.

(h) Adjustment Holdback. Following the Closing, Aird & Berlis LLP shall continue to retain the Deposit as an adjustment holdback to account for potential post-Closing financial adjustments to the Purchase Price (the “Adjustment Holdback”). The Adjustment Holdback shall be held, invested and disbursed as specified in this Agreement and the Escrow Agreement. Notwithstanding anything to the contrary in this Agreement at any time during the term of the Escrow Agreement, Aird & Berlis LLP, as escrow agent, may apply the Adjustment Holdback, or any portion thereof, as it deems appropriate in its sole and absolute discretion, to the payment of, or to reimburse itself for the payment of, any professional fees, taxes or disbursements of any Advisor, including of Aird & Berlis LLP itself, incurred by the Corporation on account of the transactions contemplated by this Agreement.

(i) Treatment of Cybersecurity Expenses.

It is expressly acknowledged and agreed upon by the Parties that all Cybersecurity Expenses shall be dealt with as a separate adjustment mechanism to the Purchase Price and that such Cybersecurity Expenses shall in no way be included in or otherwise impact (whether as an increase or decrease to) any other adjustment category contained in Section 2 (d)(i)(A) or Section 2 (f)(v). In the event that any other adjustment category is so impacted, the total aggregate value of such category shall be modified as required to fully eliminate the effect of the Cybersecurity Expenses.

SECTION 3 REPRESENTATIONS AND WARRANTIES CONCERNING THE TRANSACTION.

(a) Sellers’ Representations and Warranties. Each Seller, with respect to itself (and not with respect to any other Seller), represents and warrants to Buyer, as of the date of this Agreement and as of the Effective Time as follows:

- (i) **Authorization of Transaction.** Such Seller has the requisite power and authority to execute and deliver this Agreement and to perform such obligations hereunder. This Agreement has been duly and validly executed and delivered by such Seller and constitutes the legal, valid and binding obligation of such Seller (assuming due authorization, execution and delivery by each other Seller and Buyer), enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by general principles of equity. Except as disclosed in Section 3 (a)(i) of the Disclosure Schedule, such Seller is not obligated to deliver any notice to, make any filing with, or obtain any authorization, consent, or approval of, any Governmental Authority or other third party in order to execute and deliver this Agreement or consummate the transactions contemplated hereby.
- (ii) **Non-contravention.** Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will: (A) violate any provision of, or result in the breach of, any applicable Law to which such Seller is subject or by which any property or asset of such Seller is bound, (B) conflict with, result in a breach of, constitute a default (or an event which with notice or lapse of time or both could become a default) under, result in the acceleration or termination of, result in the loss of a benefit under, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or consent under, any agreement, contract, lease, license, instrument, or other arrangement to which such Seller is a party or by which such Seller is bound or to which any of such Seller's assets are subject, or (C) result in the imposition or creation of a Lien upon or with respect to the Shares owned by such Seller.
- (iii) **Brokers' Fees.** Except as set out in Section 3 (a)(iii) of the Disclosure Schedule, such Seller has incurred no Liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which Buyer or the Corporation shall have any responsibility whatsoever.
- (iv) **Shares.** Such Seller holds of record and owns beneficially the number of Shares set forth next to its name the Disclosure Schedule, free and clear of any restrictions on transfer, taxes, Liens, options, option plans, warrants, purchase rights, contracts, commitments, equities, claims, and demands. Such Seller is not a party to any option, option plan, warrant, purchase right, or other contract or commitment that could require such Seller to sell, transfer, or otherwise dispose of any of the Shares. Such Seller is not a party to any voting trust, proxy, or other agreement or understanding with respect to the voting of any of the Shares.
- (v) **Residence.** Such Seller is not a "non-resident" of Canada for the purposes of the Tax Act.
- (vi) **No Additional Representations and Warranties.** Such Seller has not, and no other Person on behalf of such Seller has, provided any written or oral representations or warranties except as set forth in this Agreement and the Disclosure Schedule.

(b) **Buyer's Representations and Warranties.** Buyer represents and warrants to Seller as of the date of this Agreement and as of the Effective Time as follows:

- (i) **Organization of Buyer.** Buyer is a corporation duly formed, validly existing, and in good standing under the laws of Ontario.
- (ii) **Authorization of Transaction.** Buyer has the requisite power and authority to execute and deliver this Agreement and to perform its respective obligations hereunder. This Agreement has been duly and validly executed and delivered by Buyer and constitutes the legal, valid and binding obligation of Buyer (assuming due authorization, execution and delivery by Seller), enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by general principles of equity. Except as set out in Section 12, Buyer is not obligated to deliver any notice to, make any filing with, or obtain any authorization, consent, or approval of, any Governmental Authority or other third party in order to execute and deliver this Agreement or consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and all other agreements contemplated hereby have been duly authorized by Buyer.
- (iii) **Non-contravention.** Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (A) violate any applicable Law to which Buyer is subject or by which its properties are bound or affected or any provision of the organizational documents of Buyer; or (B) conflict with, result in a breach of, constitute a default (or an event which with notice or lapse of time or both could become a default) under, result in the acceleration or termination of, result in the loss of a benefit under, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or consent under, any agreement, contract, lease, license, instrument, or other arrangement to which Buyer is a party or by which it is bound or to which any of its assets is subject. Buyer is not obligated to deliver any notice to, make any filing with, or obtain any authorization, consent, or approval of any Governmental Authority or other third party in order for the Parties to consummate the transactions contemplated by this Agreement.
- (iv) **Investment Intent.** Buyer is purchasing the Shares for investment for its own account and not with a view to, or for sale in connection with, any distribution thereof. Buyer has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of its investment in the Shares. Buyer is an "Accredited Investor" (as such term is defined in National Instrument 45-106 or the *Securities Act* (Ontario) or under Regulation D of the United States Securities Act of 1933, as applicable and as each may be amended from time to time). Buyer is able to bear the economic risk of holding the Shares for an indefinite period (including total loss of its investment).
- (v) **Brokers' Fees.** Buyer has incurred no Liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions

contemplated by this Agreement for which Sellers or the Corporation shall have any responsibility whatsoever.

- (vi) ***No Reliance on other Representations and Warranties.*** Buyer has not relied upon, or been induced to enter into this Agreement or consummate the transactions contemplated hereby by, any written or oral representations or warranties except as set forth in this Agreement and the Disclosure Schedule.
- (vii) ***Residence.*** The Buyer is a not a non-resident of Canada for the purposes of the Tax Act.
- (viii) ***Tax Status.*** The Buyer is exempt from Income Tax under the Tax Act pursuant to paragraphs 149(1)(d.5) or 149(d.6) of the Tax Act.

(c) ***Representations and Warranties Concerning the Corporation.*** Each Seller, with respect to itself (and not with respect to any other Seller), represents and warrants to Buyer, as of the date of this Agreement and as of the Effective Time with respect to the Corporation as follows:

- (i) ***Residence.*** The Corporation is not a non-resident of Canada for purposes of the Tax Act.
- (ii) ***Regulatory Approvals.*** Except as set out in Section 12 and except as has already been obtained, no authorization, approval, order, consent of, or filing with, any Governmental Authority is required on the part of the Corporation in connection with the execution, delivery and performance by any of them of this Agreement or any other documents and agreements to be delivered under this Agreement or in connection with the completion of the transactions contemplated hereby or thereby.
- (iii) ***Competition Act.*** The aggregate value of all assets of the Corporation in Canada or the annual gross revenues from sales in and from Canada generated from all assets of the Corporation in Canada do not exceed, in either case, \$93 million, as determined in accordance with the Competition Act.
- (iv) ***Consents.*** Except as disclosed in the Disclosure Schedule, there is no requirement to obtain any consent, approval or waiver of a party under any Material Contract to which the Corporation is a party in order to complete the transactions contemplated by this Agreement.
- (v) ***Capitalization.*** The entire authorized capital of the Corporation consists of an unlimited number of Common shares, of which 10,000 are issued and outstanding. Except as disclosed in the Disclosure Schedule, all of the issued and outstanding Shares have been duly authorized, are validly issued, fully paid, and non-assessable, have not been issued in violation of any preemptive or similar rights, and are held of record by the applicable Seller. There are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, preemptive rights, or other contracts or arrangements that could require the Corporation to issue, sell, or otherwise cause to become outstanding, or purchase,

redeem or otherwise acquire, any of its capital. There are no outstanding or authorized equity appreciation, phantom equity, profit participation, or similar rights with respect to the Corporation. There are no voting trusts, proxies, or other agreements or understandings with respect to the voting of shares in the capital of the Corporation.

- (vi) **Corporate Existence.** Except as disclosed in the Disclosure Schedule, the Corporation has been duly incorporated and organized and is validly existing and in good standing as a corporation under the laws of the Province of Ontario. No proceedings have been taken or authorized by the Corporation in respect of the bankruptcy, insolvency, liquidation, dissolution or winding up of such member of the Corporation.
- (vii) **Corporate Articles.** The Corporate Articles constitute all of the charter documents of the Corporation and are in full force and effect; no action has been taken to amend any Corporate Articles and no changes to such Corporate Articles are planned.
- (viii) **Capacity and Powers.** The Corporation has all necessary corporate power, authority and capacity to own or lease its respective assets and to carry on its business as currently being conducted.
- (ix) **Jurisdictions.** Ontario is the only jurisdiction in which the Corporation is qualified to do business. Neither the character nor location of the Owned Lands or Leased Premises, nor the nature of the Corporation's business, requires qualification to do business in any other jurisdiction.
- (x) **Options, Etc.** No Person has any written or oral agreement or option or any right or privilege (whether by Law, pre-emptive, contractual or otherwise) capable of becoming an agreement or option, including Securities, warrants or convertible obligations of any nature, for: (A) the purchase of any Securities of the Corporation; or (B) the purchase of any of the assets of the Corporation other than in the Ordinary Course of Business.
- (xi) **Corporate Records/Directors.** Except as disclosed in the Disclosure Schedule, the corporate records and minute books of the Corporation which have been made available contain in all material respects complete and accurate minutes of all meetings of, and all written resolutions passed by, the directors and shareholders of the Corporation, held or passed since incorporation. Except as disclosed in the Disclosure Schedule, all those meetings were held, all those resolutions were passed, and the share certificate books, registers of shareholders, registers of transfers and registers of directors of the Corporation are complete and accurate in all material respects. The Disclosure Schedule contains the name of each director of the Corporation, including the date on which each of such director was first elected as a director, and each such individual has been duly elected a director of the Corporation.

- (xii) ***Books and Records.*** The Books and Records of the Corporation fairly and correctly set out and disclose in accordance with IFRS in all material respects the financial position of the Corporation, and all material financial transactions of the Corporation have been accurately recorded in such Books and Records.
- (xiii) ***Financial Statements.*** Copies of the Financial Statements are attached to the Disclosure Schedule. Such Financial Statements have been prepared in accordance with IFRS and present fairly and correctly: (A) the assets, liabilities (whether accrued, absolute, contingent or otherwise) and the financial condition of the Corporation as at the respective dates thereof; and (B) the sales, earnings and results of the operations of the Corporation during the periods covered by such Financial Statements; but the unaudited interim financial statements: (X) do not contain all notes required under IFRS; and (Y) are subject to normal year-end audit adjustments.
- (xiv) ***Tax Matters.***
 - (A) The Corporation is exempt from Income Tax under the Tax Act, CTA and TA but is required to make PILs payments under the EA in an amount equal to the Tax that it would be liable to pay under the Tax Act, CTA and TA if it were not exempt from Tax under those statutes.
 - (B) Except as disclosed in the Disclosure Schedule, the Corporation has filed in the prescribed manner and within the prescribed times all Tax Returns required to be filed by it in all applicable jurisdictions on a timely basis. All such Tax Returns are complete and correct and disclose all Taxes required to be paid for the periods covered thereby. The Corporation has not been required to file any Tax Returns with, and has never been liable to pay or remit Taxes to, any Governmental Authority outside Canada. The Corporation has paid all Taxes and all instalments of Taxes due on or before the date hereof.
 - (C) Except as disclosed in the Disclosure Schedule, assessments under the EA have been issued to the Corporation covering all periods up to and including its fiscal year ended December 31, 2024.
 - (D) There are no audits, assessments, reassessments or other Claims in progress or, to the Knowledge of Sellers, threatened against any Corporation, in respect of any Taxes and, in particular, there are no currently outstanding reassessments or written enquiries which have been issued or raised by any Governmental Authority relating to any such Taxes. To the Knowledge of Sellers, there is no contingent liability of the Corporation for Taxes or any grounds that could prompt an assessment or reassessment for Taxes. The Corporation has not received any indication from any Governmental Authority that any assessment or reassessment is proposed.

- (E) The Corporation has not entered into any transactions with any non-resident of Canada (for the purposes of the Tax Act) with whom the Corporation is not dealing at arm's length (within the meaning of the Tax Act). The Corporation has not acquired property from any Person in circumstances where the Corporation did or could have become liable for any Taxes payable by that Person.
 - (F) The Corporation will not be required to include in a taxable period ending after the Closing Date any material taxable income attributable to income that accrued in a taxable period prior to the Closing Date but was not recognized for Tax purposes in such prior taxable period (or to exclude from taxable income in a taxable period ending after the Closing Date any material deduction the recognition of which was accelerated from such taxable period to a taxable period prior to the Closing Date).
 - (G) There are no circumstances existing which could result in, or which have existed and resulted in, the application of section 78 of the Tax Act, as it applies for purposes of the EA, in respect of an amount owing by the Corporation on the Closing Date.
 - (H) The Corporation has not entered into any agreements, waivers or other arrangements with any Governmental Authority providing for an extension of time with respect to the issuance of any assessment or reassessment, the filing of any Tax Return, or the payment of any Taxes by or in respect of the Corporation. The Corporation is not party to any agreements or undertakings with respect to Taxes.
 - (I) The Corporation is a registrant for purposes of the ETA and its registration number is 892764416 RT0001. All input tax credits claimed by the Corporation pursuant to the ETA has been proper, correctly calculated and documented. The Corporation has collected, paid and remitted when due all Taxes, including goods and services tax, harmonized sales tax and retail sales tax, collectible, payable or remittable by it.
 - (J) The Corporation has remitted to the appropriate Governmental Authority when required by Law to do so all amounts collected by it on account of sales taxes including goods and services tax and harmonized sales tax imposed under the ETA.
 - (K) The Corporation maintains its Books and Records in compliance with section 230 of the Tax Act.
- (xv) ***Absence of Changes.*** Since December 31, 2024 there has not been:
- (A) any change in the financial condition, operations, results of operations, or business of the Corporation which has had a Material Adverse Effect, nor has there been any occurrence or circumstances which, to the Knowledge

of Sellers, with the passage of time might reasonably be expected to have a Material Adverse Effect; or

- (B) any Loss, labour trouble, or other event, development or condition of any character (whether or not covered by insurance) suffered by the Corporation which, to the Knowledge of Sellers, has had, or may reasonably be expected to have, a Material Adverse Effect.
- (xvi) ***Absence of Undisclosed Liabilities.*** Except to the extent reflected or reserved in the Financial Statements, or incurred subsequent to December 31, 2024 and incurred in the Ordinary Course of Business; the Corporation does not have any material outstanding indebtedness or any liabilities or obligations (whether accrued, absolute, contingent or otherwise, including under any guarantee of any debt) of a nature customarily reflected or reserved against in a balance sheet (including the notes to the Financial Statements) in accordance with IFRS. For the purposes of this Section only, indebtedness, liabilities or obligations owing to any third party in excess of fifty thousand dollars (\$50,000) will be deemed to be material.
- (xvii) ***Absence of Unusual Transactions.*** Except as disclosed or referred to in the Disclosure Schedule, since December 31, 2024, the Corporation has not:
- (A) given any guarantee of any debt, liability or obligation of any Person;
 - (B) subjected any of its assets, or permitted any of its assets to be subjected, to any Lien other than the Permitted Liens;
 - (C) acquired, sold, leased or otherwise disposed of or transferred any assets other than in the Ordinary Course of Business;
 - (D) made or committed to any capital expenditures, except in the Ordinary Course of Business;
 - (E) declared or paid any dividend or otherwise made any distribution or other payment of any kind or nature to any of its shareholders or any other non-arm's length Person, or taken any corporate proceedings for that purpose;
 - (F) redeemed, purchased or otherwise retired any of its shares or otherwise reduced its stated capital;
 - (G) entered into or became bound by any Contract, except in the Ordinary Course of Business (other than this Agreement);
 - (H) modified, amended or terminated any Contract (except for Contracts which expire by the passage of time) resulting in a Material Adverse Effect;
 - (I) waived or released any right or rights which it has or had, or a debt or debts owed to it resulting, collectively or individually, in a Material Adverse Effect;

- (J) made any change in any compensation arrangement or agreement with any Employee with annual compensation in excess of one-hundred and fifty thousand Dollars (\$150,000) or any officer or director in excess of ten-thousand Dollars (\$10,000) (in respect of any individual);
 - (K) made any change in any method of accounting or auditing practice (other than as disclosed in the Financial Statements); or
 - (L) agreed or offered to do any of the things described in this Subsection (xvii).
- (xviii) ***Title to and Condition of Assets.*** The Corporation owns, possesses and has good and marketable title to all of its undertakings, property and assets not otherwise the subject of specific representations and warranties in this (c), including all the undertakings, property and assets reflected in the most recent balance sheet included in the Financial Statements, free and clear of all Liens other than Permitted Liens. The undertakings, property and assets of each member of the Corporation comprise all of the undertakings, property and assets necessary for it to carry on its business as it is currently operated. All facilities, machinery, equipment, fixtures, vehicles and other properties owned, leased or used by the Corporation are in good operating condition and repair, ordinary wear and tear excepted, and are reasonably fit and usable for the purposes for which they are being used.
- (xix) ***Real Property.***
- (A) The Disclosure Schedule contains a complete and accurate list of the Owned Lands, including complete legal descriptions, and the particulars of the Leased Premises and Real Property Leases.
 - (B) The Corporation has all Easements that are necessary for it to carry on its business as it is currently operated.
 - (C) The Corporation has not received any, nor to the Knowledge of Sellers, are there any pending or threatened, notices of violation or alleged violation of any Laws against or affecting the Owned Lands or Leased Premises.
 - (D) The buildings and other structures and improvements located on the Owned Lands or forming part of the Leased Premises, and their operation and maintenance, comply with all applicable Laws, and none of those buildings or structures or improvements encroaches upon any land not owned or leased by the Corporation.
 - (E) There are no restrictive covenants or Laws which in any way restrict or prohibit any part of the present use of the Owned Lands or Leased Premises, other than the Permitted Liens. The Corporation has such rights of entry and exit to and from the Owned Lands and the Leased Premises as are reasonably necessary to carry on its business as currently conducted.

- (F) No Person has any right to purchase any of the Owned Lands and no Person other than the Corporation is using or has any right to use, is in possession or occupancy, of any part of the Owned Lands. There exists no option, right of first refusal or other contractual rights with respect to any of the Owned Lands.
 - (G) There are no expropriation or similar proceedings, actual or threatened, of which the Corporation has received notice, against any of the Owned Lands or Leased Premises.
 - (H) The Owned Lands are owned in fee simple, free and clear of all Liens, except Permitted Liens. The Corporation has not entered into any contract to sell, transfer, encumber, or otherwise dispose of or impair the right, title and interest of the Corporation in and to the Owned Lands or the air, density and easement rights relating to such Owned Lands.
 - (I) All of the Real Property Leases are in full force and effect, unamended, and none of them are, to the Knowledge of Sellers, under any threat of termination.
 - (J) The Corporation has not received any notification of, nor are there any outstanding or incomplete work orders in respect of any Fixed Assets on the Owned Lands or Leased Premises, or of any current non-compliance (other than non-compliances which are legal non-conforming under relevant zoning by-laws) with applicable statutes and regulations or building and zoning by-laws and regulations.
 - (K) All accounts for work and services performed or materials placed or furnished upon or in respect of the construction and completion of any Fixed Assets constructed on the Owned Lands or the Leased Premises have been fully paid to the extent due and no Person is entitled to claim a lien under the *Construction Act* (Ontario) or other similar legislation for such work.
 - (L) To the Knowledge of the Sellers, there are no matters affecting the right, title and interest of the Corporation in and to the Owned Lands or the Leased Premises (other than the Permitted Liens) or which, in the aggregate, would materially and adversely affect the ability of the Corporation to carry on its business upon such Owned Lands or the Leased Premises or the Easements, as applicable.
- (xx) ***Intellectual Property.***
- (A) There is no Intellectual Property that is registered with any Governmental Authority and that is used in connection with the conduct of the Corporation's business.
 - (B) All necessary legal steps have been taken by the Corporation to preserve its rights to the Intellectual Property listed in the Disclosure Schedule. The

Disclosure Schedule also includes a list of all licence agreements pursuant to which the Corporation has been granted a right to use, or otherwise exploit Intellectual Property owned by third parties, other than “off-the-shelf” software license agreements.

- (C) The Intellectual Property that is owned by the Corporation is owned free and clear of any Liens other than Permitted Liens, and no Person other than the Corporation has any right to use that Intellectual Property except as disclosed in the Disclosure Schedule.
 - (D) The use by the Corporation of any Intellectual Property owned by third parties is valid, and the Corporation is not in default or breach of any licence agreement relating to that Intellectual Property, and there exists no state of facts which, after notice or lapse of time or both, would constitute a default or breach.
 - (E) The conduct by the Corporation of its business as currently conducted does not infringe the Intellectual Property of any Person.
- (xxi) **Accounts Receivable.** All Accounts Receivable reflected in the Financial Statements or which have come into existence since the date of the most recent Financial Statements, were created in the ordinary and customary course of the Corporation’s business from bona fide arm’s length transactions, and, except to the extent that they have been paid in the Ordinary Course of Business since the date of the Financial Statements, are valid and enforceable and collectible in full, without, to the Knowledge of Sellers, any right of set-off or counterclaim or any reduction for any credit or allowance made or given, except to the extent of the allowance for doubtful accounts which will be included in the Closing Statement.
- (xxii) **Material Contracts.** The Disclosure Schedule contains a list of all Material Contracts to which the Corporation is a party. The Sellers have previously delivered or made available true and complete copies of such Material Contracts, all of which are in full force and effect, unamended (except for amendments which have previously been disclosed or made available). To the Knowledge of Sellers, no counterparty to any Material Contract to which the Corporation is a party is in default of any of its obligations under such Material Contract in any material respect. The Corporation is entitled to all benefits under each Material Contract, and the Corporation has not received any notice of termination of any Material Contract, and there are no current or pending negotiations with respect to the renewal, repudiation or amendment of any such Material Contract.
- (xxiii) **Accounts and Powers of Attorney.** The Corporation has previously disclosed: (A) the name of each bank or other depository in which the Corporation maintains any bank account, trust account or safety deposit box and the names of all individuals authorized to draw on them or who have access to them; and (B) the name of each Person holding a general or special power of attorney from the Corporation and a summary of its terms.

- (xxiv) ***Compliance with Laws, Permits.*** The Corporation is conducting its business in compliance with all applicable Laws where the failure to do so (either individually or in the aggregate) would have a Material Adverse Effect. All Permits held by or granted to the Corporation are listed in the Disclosure Schedule. Such Permits are the only authorizations, registrations, permits, approvals, grants, licences, quotas, consents, commitments, rights or privileges (other than those relating to Intellectual Property) required to enable the Corporation to carry on its business as currently conducted and to enable the Corporation to own, lease and operate its assets. All such Permits are valid, subsisting, in full force and effect and unamended, and the Corporation is not in default or breach of any such Permit; no proceeding is pending or, to the Knowledge of Sellers, threatened to revoke or limit any such Permit, and the completion of the transactions contemplated by this Agreement will not result in the revocation of any such Permit or the breach of any term, provision, condition or limitation affecting the ongoing validity of any such Permit.
- (xxv) ***Environmental Conditions.*** Without limiting the generality of Subsection (xxiv), and except as disclosed in the Disclosure Schedule:
- (A) the conduct of the Corporation's business, and the current use and condition of each of the Leased Premises and Owned Lands, have been and are in compliance with all applicable Environmental Laws in all material respects, and, to the Knowledge of Sellers, there are no facts which would give rise to any such non-compliance of the Corporation with any Environmental Laws either in the conduct of its business or in the current uses and condition of each of the Leased Premises and the Owned Lands;
 - (B) the Corporation has all Permits required by all Environmental Laws for the conduct of its business as currently conducted ("Environmental Approvals"), which Environmental Approvals are valid and in full force and effect and listed in the Disclosure Schedule. The Corporation is in compliance with all those Environmental Approvals, and there have not been and there are no proceedings commenced or threatened to revoke or amend any such Environmental Approvals in a manner that could reasonably be expected to have a Material Adverse Effect;
 - (C) the Corporation and its directors, officers, employees, and agents acting on its behalf have imported, manufactured, processed, distributed, used, treated, stored, disposed of, transported, exported or handled Hazardous Substances in compliance with all Environmental Laws;
 - (D) no Hazardous Substances have been disposed of on any of the Leased Premises or the Owned Lands, and there are no underground storage tanks on the Leased Premises or the Owned Lands and any underground storage tanks formerly on the Leased Premises or the Owned Lands have been removed and any affected soil, surface water or ground water has been remediated in compliance with all applicable Laws including Environmental Laws;

- (E) to the Knowledge of the Sellers, no part of the Owned Lands has ever been used as a landfill or for the disposal of waste;
 - (F) there has been no Release of any Hazardous Substance in the course of the Corporation's business, from, at, on, or under the Leased Premises or the Owned Lands or, to the Knowledge of Sellers, or on to any other properties, except in compliance with all Environmental Laws;
 - (G) the Corporation has not received any written notice of any kind of any Release or possible Release of any Hazardous Substance from, at, on, or under any of the Leased Premises or Owned Lands, or from or on to any other properties;
 - (H) to the Knowledge of Sellers, there are no Hazardous Substances on any adjoining properties to any of the Leased Premises or Owned Lands which may adversely affect the business of the Corporation, or any of the Leased Premises or Owned Lands;
 - (I) there has been no Remedial Order issued to the Corporation in respect of its business, or with respect to any of the Leased Premises or the Owned Lands and, to the Knowledge of Sellers, no Remedial Orders are threatened, and there are no facts which could reasonably be expected to give rise to any Remedial Orders;
 - (J) the Corporation has not received any notice of Claim, summons, order, direction or other communication relating to non-compliance with any Environmental Laws from any Governmental Authority or other third party, and to the Knowledge of Sellers, there is no pending or threatened matter, act or fact which could cause the Corporation, the conduct its business, or any of the Leased Premises or Owned Lands to no longer be in compliance with all applicable Environmental Laws; and
 - (K) no asbestos, asbestos containing materials, polychlorinated biphenyls ("PCBs") and PCB wastes are used, stored or otherwise present in or on the Owned Lands.
- (xxvi) **Suppliers.** The Disclosure Schedule lists the 15 largest suppliers of goods and services from whom the Corporation has purchased goods or services (other than power) during the fiscal year ended December 31, 2024. None of the suppliers listed in the Disclosure Schedule has advised the Corporation, either orally or in writing, that it is terminating or considering terminating its relationship with the Corporation, or considering negotiating its relationship with the Corporation on terms that would result in a Material Adverse Effect, whether as a result of the completion of the transactions contemplated by this Agreement or otherwise.
- (xxvii) **Rights to Use Personal Information.**

- (A) Except as disclosed in the Disclosure Schedule, all Personal Information in the possession of the Corporation has been collected, used and disclosed in compliance with all applicable Privacy Laws in those jurisdictions in which the Corporation conducts, or is deemed by operation of law in those jurisdictions to conduct, its business.
- (B) Sellers have disclosed or made available all Contracts and facts concerning the collection, use, retention, destruction and disclosure of Personal Information by the Corporation and there are no other Contracts, or facts which, on completion of the transactions contemplated by this Agreement, would restrict or interfere with the use of any Personal Information by the Corporation in the continued operation of its business as conducted before the Closing.
- (C) There are no Claims pending or, to the Knowledge of Sellers, threatened, with respect to the collection, use or disclosure of Personal Information by the Corporation.

(xxviii) *Employees and Employment Contracts.*

- (A) Sellers have made available to Buyer the titles of all Employees together with particulars of the material terms and conditions of their employment or engagement, including current rates of annual remuneration and bonus, age, cumulative years of service, current positions held and whether the Employee is a member of a collective bargaining union or agency and whether the employee is subject to the Collective Agreement.
- (B) To the Knowledge of Sellers, no Employee nor any consultant with whom the Corporation has contracted, is in violation of any term of any employment contract, contract of engagement, services agreement, proprietary information agreement or any other agreement relating to the right of that individual to be employed, engaged or retained by the Corporation in any material respect, and, to the Knowledge of Sellers, the continued employment or engagement by the Corporation of the Employees will not result in any such violation. The Corporation has not received any notice alleging that any such violation has occurred.
- (C) Except as previously disclosed to Buyer, all of the Employees are employed, engaged or retained for an indefinite term. Sellers have made available to Buyer true and complete copies of any written employment agreements, contracts of engagement or services agreements of all management level Employees. No officer has given notice, oral or written, of an intention to cease being employed with the Corporation, and the Corporation does not intend to terminate the employment of any officer.
- (D) The Corporation has operated in compliance with all Laws relating to employees in all material respects, including employment standards and all

Laws relating in whole or in part to the protection of employee health and safety, human rights, labour relations and pay equity. Except as disclosed or referred to in the Disclosure Schedule, there have been no Claims within the past three years nor, to the Knowledge of Sellers, are there any threatened complaints, under such Laws against the Corporation. To the Knowledge of Sellers, nothing has occurred which might lead to a Claim or complaint against the Corporation under any such Laws. There are no outstanding decisions or settlements or pending settlements which place any obligation upon the Corporation to do or refrain from doing any act.

- (E) There is no strike or lockout occurring or affecting, or to the Knowledge of Sellers, threatened against the Corporation.

(xxix) ***Unions.***

- (A) There are no apparent or, to the Knowledge of Sellers, threatened union organizing activities involving Employees.
- (B) The Corporation does not have any labour problems that would reasonably be expected to result in a Material Adverse Effect, or lead to any interruption of operations at any location.
- (C) The Corporation has not engaged in any lay-off or other activities within the last three years in respect of its business that would violate or in any way subject the Corporation to the group termination or lay-off requirements of the Laws of any jurisdiction that apply to the Corporation.
- (D) Except as disclosed in the Disclosure Schedule, the Corporation is not bound by or a party to, either directly or by operation of law, any collective bargaining agreement (the "Collective Agreement") with any trade union or association which might qualify as a trade union, and no trade union, association, council of trade unions, employee bargaining agency or affiliated bargaining agent: (I) holds bargaining rights with respect to any of the Employees by way of certification, interim certification, voluntary recognition, designation or successor rights; (II) has, to the Knowledge of Sellers, applied to be certified or requested to be voluntarily recognized as the bargaining agent of any of the Employees; (III) has, to the Knowledge of Sellers, applied to have the Corporation declared a related or successor employer under applicable provincial labour or employment Law; or (IV) has, to the Knowledge of Sellers, filed a complaint or charge under applicable provincial labour or employment Law within the last three years.

(xxx) ***Employee Benefits Matters.***

- (A) Except as disclosed in the Disclosure Schedule, the Corporation is not: (I) a party to, bound by or subject to, and do not have any liability or contingent liability relating to, any employment agreement or any other agreement or arrangement relating to Employee Benefits; (II) in arrears in the payment of

any contribution or assessment required to be made by it pursuant to any agreements or arrangements relating to Employee Benefits; or (III) a party to or bound by or subject to any agreement or arrangement with any labour union or employee association in respect of Employee Benefits and has not made any commitment to or conducted any negotiation or discussion with any labour union or employee association with respect to any future agreement or arrangement in respect of Employee Benefits.

- (B) All agreements and arrangements relating to Employee Benefits in respect of Employees set forth in the Disclosure Schedule (other than OMERS, with respect to which Sellers make no representation under this Subsection) are, and have been, established, registered (where required), and administered without default, in material compliance with (I) the terms thereof; and (II) all applicable Laws; and the Corporation has not received, in the last three years, any notice from any Person questioning or challenging such compliance (other than in respect of any claim related solely to that Person), nor do Sellers have any Knowledge of any such notice from any Person questioning or challenging such compliance beyond the last three years. Except as disclosed in the Disclosure Schedule or the Collective Agreement, there have been no improvements, increases or changes to, or promised improvements, increases or changes to, the benefits provided under any such agreement or arrangement within the last three years, nor does any such agreement or arrangement provide for benefit increases or the acceleration of funding obligations that are contingent upon or will be triggered by the execution of this Agreement or the Closing.
- (C) Except as disclosed in Disclosure Schedule, no Employee is on long-term disability leave, extended absence or receiving benefits pursuant to the *Workplace Safety and Insurance Act, 1997* (Ontario).
- (D) Except as disclosed in the Disclosure Schedule, no agreement or arrangement, other than OMERS, provides benefits beyond retirement or other termination of service to Employees or former Employees of the Corporation or to the beneficiaries or dependents of such Employees or former Employees. Other than OMERS, no such agreement or arrangement requires or permits a retroactive increase in premiums or payments.
- (E) All assessments under the *Workplace Safety and Insurance Act, 1997* (Ontario) in relation to the business of the Corporation have been paid or accrued and the Corporation is not subject to any special or penalty assessment under such legislation which has not been paid.

(xxxii) ***Pension Plans.***

- (A) OMERS is the only pension or retirement plan or arrangement in which Employees participate and/or to which the Corporation contributes as a participating employer.

- (B) All obligations of the Corporation to or under OMERS (whether pursuant to the terms thereof or any applicable Laws) have been satisfied, and there are no outstanding defaults or violations thereunder by the Corporation or by any predecessor thereof.
- (C) There are no going concerns with respect to unfunded actuarial liabilities, past service unfunded liabilities or solvency deficiencies respecting the Corporation's participation in OMERS.
- (D) All employee data necessary to administer the Corporation's participation in OMERS is in the possession of the Corporation and is complete, correct and in a form which is sufficient for the proper administration of the Corporation's participation in OMERS in accordance with the terms thereof and all applicable Laws.
- (E) All employer or employee payments, contributions or premiums required to be remitted or paid by the Corporation to or in respect of OMERS have been paid or remitted in a timely fashion in accordance with the terms thereof and all Laws, and no Taxes, penalties or fees are owing or exigible on the Corporation under OMERS.

(xxxii) **Insurance Policies.** The Disclosure Schedule lists all Insurance Policies, and also specifies the insurer, the amount of the coverage, the type of insurance, the policy number and any pending Claims with respect to each such Insurance Policy. The Insurance Policies insure all the property and assets of the Corporation against Loss by all insurable hazards of risk commonly insured against in the industry. All Insurance Policies are in full force and effect and the Corporation: (I) is not in default, whether as to the payment of premiums or otherwise, under any material term or condition of any of the Insurance Policies; and (B) has not failed to give notice or present any Claim under any of the Insurance Policies in a due and timely fashion.

(xxxiii) **Litigation.** Except as disclosed or referred to in the Disclosure Schedule, there are no Claims, whether or not purportedly on behalf of the Corporation, pending, commenced, or, to the Knowledge of Sellers, threatened, which might reasonably be expected to have a Material Adverse Effect on the Corporation or which might involve the possibility of a Lien against the assets of the Corporation. There is no outstanding judgment, decree, order, ruling or injunction involving the Corporation or relating in any way to the transactions contemplated by this Agreement.

(xxxiv) **No Expropriation.** No property or asset of the Corporation has been taken or expropriated by any Governmental Authority within the last three years, and no notice or proceeding in respect of any such expropriation has been given or commenced or, to the Knowledge of Sellers, is there any intent or proposal to give any notice or commence any proceeding in respect of any such expropriation.

(xxxv) ***Absence of Conflict.*** None of the execution and delivery of this Agreement, the performance of Sellers' obligations under this Agreement, or the completion of the transactions contemplated by this Agreement will: (A) result in or constitute a breach of any term or provision of, or constitute a default under, the Corporate Articles or the by-laws of such entity, or any Contract to which such entity is a party or by which any of such entity's undertakings, property or assets is bound or affected; (B) subject to obtaining the third party consents contemplated by Section 5 (c), constitute an event which would permit any party to any Material Contract with the Corporation to terminate or sue for damages with respect to that Material Contract, or to accelerate the maturity of any indebtedness of the Corporation, or other obligation of the Corporation under that Material Contract; (C) subject to obtaining the regulatory approvals set forth in Section 12 , contravene any applicable Law; or (D) contravene any judgment, order, writ, injunction or decree of any Governmental Authority.

(xxxvi) ***Restrictive Covenants.*** The Corporation is not a party to, or bound or affected by, any Contract containing any covenant expressly limiting its ability to compete in any line of business or to transfer or move any of its assets or operations, or which could reasonably be expected to have a Material Adverse Effect on the business carried on by the Corporation.

SECTION 4 PRE-CLOSING COVENANTS.

The Parties agree as follows with respect to the beginning on the date of this Agreement and ending on the Closing Date:

(a) Conduct of Business Before Closing.

During the period beginning on the date of this Agreement and ending at the Effective Time, Sellers will cause the Corporation:

- (i) to conduct its business in the Ordinary Course of Business substantially consistent with past practice (except as may be otherwise required or contemplated by the provisions of this Agreement or with the prior written consent of Buyer, which shall not be unreasonably withheld);
- (ii) except as required by the terms of and in accordance with the Collective Agreement (including as may be required in connection with the renewal of the Collective Agreement) or applicable Law, or with the prior written consent of Buyer, which shall not be unreasonably withheld, to refrain from: (I) hiring, engaging or retaining any new employees or independent contractors to be employed, engaged or retained in connection with the Corporation's business; (II) terminating any Employees or transferring any Employees to any other position; (III) increasing remuneration of Employees before the Closing Date, except as consistent with its past practice; and (IV) taking any action to materially amend any Contract with any Employee;
- (iii) except with the prior written consent of Buyer (which shall not be unreasonably withheld), to refrain from entering into any Material Contract;

- (iv) to continue in full force the Insurance Policies;
- (v) to comply in all material respects with all Laws applicable to the Corporation's business; and
- (vi) to apply for, maintain in good standing and renew all Permits.

(b) Access for Investigation.

- (i) Sellers will cause the Corporation to permit Buyer through its authorized Representatives, until the Closing Date, to have reasonable access during normal business hours to the Owned Lands and the Leased Premises and to all the Books and Records of the Corporation and to the properties and assets of the Corporation.
- (ii) Sellers will cause the Corporation to co-operate in good faith in arranging any such meetings as Buyer may reasonably request with management of the Corporation.
- (iii) Sellers will also furnish to Buyer any financial and operating data and other information with respect to the Corporation as Buyer reasonably requests to enable confirmation of the accuracy of the matters represented and warranted in (d).
- (iv) Buyer will be provided reasonable opportunity to make a full investigation of all aspects of the financial affairs of the Corporation.
- (v) The exercise of any rights of inspection by or on behalf of Buyer under this Section shall not mitigate or otherwise affect any of the representations and warranties of Sellers hereunder, which will continue in full force and effect as provided in Section 9 (f).

(c) Cybersecurity Budget.

Promptly following the Effective Date, the Sellers will cause the Corporation to negotiate in good faith with the Buyer to identify a list of Cybersecurity Requirements to be implemented by the Corporation prior to Closing. Upon finalization of such list, the Sellers shall cause the Corporation to engage one or more external consultants to prepare a proposed budget ("Cybersecurity Budget") outlining the deliverables and associated costs to implement the agreed upon Cybersecurity Requirements. The Budget will be subject to prior approval of the Buyer, acting reasonably.

(d) Disclosure Supplements.

During the period beginning on the date of this Agreement and ending at the Effective Time, Sellers will promptly notify Buyer with respect to any matter, condition or occurrence arising which, if existing at or occurring before or on the date of this Agreement, would have been required to be set out or described in the Disclosure Schedule. The Parties will use commercially reasonable efforts to resolve any issues arising from any such notification, including if necessary amending this Agreement. Where the Parties fail to resolve any such issues and where the effect of such notification would reasonably be expected to cause a Material Adverse Effect in respect of the Corporation, then at the option of any Party, exercisable by written notice to each of the other

Parties, this Agreement will terminate and be of no further force and effect with no liability to any of the Parties.

(e) Actions to Satisfy Closing Conditions.

Each Party will take or cause to be taken all actions that are within its power to control, and will make all commercially reasonable efforts to cause other actions to be taken which are not within its power to control, so as to ensure its compliance with, and satisfaction of, all conditions in this Agreement that are for the benefit of the other Parties.

SECTION 5 CONDITIONS FOR THE BENEFIT OF BUYER.

The obligation of Buyer to complete the Closing is subject to the fulfilment of the following conditions at or before the Effective Time:

(a) Representations, Warranties and Covenants.

The representations and warranties of Sellers made in this Agreement or in any other agreement or document delivered pursuant to this Agreement will be true and accurate at the Effective Time with the same force and effect as though those representations and warranties had been made as of the Effective Time. At Closing, Sellers will have performed or complied with all covenants and agreements agreed to be performed or complied with by them under this Agreement and any other agreement or document delivered pursuant to this Agreement at or before the Effective Time. In addition, Sellers will have delivered to Buyer a certificate of a senior officer confirming the same. The receipt of those certificates and the completion of the Closing will not be deemed to constitute a waiver of any of the representations, warranties or covenants of Sellers contained in this Agreement or in any other agreement or document delivered pursuant to this Agreement. Those representations, warranties and covenants will continue in full force and effect as provided in Section 9 (f), or, if Section 9 (f) does not apply, the terms of the agreement or document in which they are made.

(b) No Material Adverse Effect.

Since the date of this Agreement there will not have been any change in any of the assets, financial condition, earnings, results of operations or prospects of the Corporation that has had, or might reasonably be expected to have, a Material Adverse Effect.

(c) Consents and Regulatory Approvals.

All filings, notifications, approvals and consents with, to or from Governmental Authorities and third parties, including the parties to the Material Contracts and the lessors of the Leased Premises, will have been made, given or obtained on terms acceptable to Buyer, acting reasonably, so that the transactions contemplated by this Agreement may be completed without resulting in the violation of, or a default under, or any termination, amendment or acceleration of any obligation under any Permit, Real Property Lease, or Material Contract of or affecting the Corporation's business, including the OEB Approval.

(d) Waiver or Termination by Buyer.

The conditions contained in Section 5 are inserted for the exclusive benefit of Buyer and may be waived in whole or in part by it at any time without prejudice to any of their rights of termination in the event of non-performance of any other condition in whole or in part. If any of the conditions contained in Section 5 are not fulfilled or complied with by the time that is required under this Agreement, Buyer may, at or before the Effective Time, terminate this Agreement by notice in writing after that time to Sellers. In that event, all Parties will be released from all obligations under this Agreement (except as set out in Section 9).

SECTION 6 CONDITIONS FOR THE BENEFIT OF SELLERS.

The obligation of each Seller to complete the Closing and the other transactions contemplated by this Agreement is subject to the fulfilment of the following conditions at or before the Effective Time:

(a) Representations, Warranties and Covenants.

The representations and warranties of Buyer made in this Agreement or in any other agreement or document delivered pursuant to this Agreement will be true and accurate at the Effective Time with the same force and effect as though those representations and warranties had been made as of the Effective Time. At Closing, Buyer will have performed or complied with all covenants and agreements agreed to be performed or complied with by them under this Agreement and any other agreement or document delivered pursuant to this Agreement at or before the Effective Time. In addition, Buyer will have delivered to Sellers a certificate of a senior officer of Buyer confirming the same. The receipt of those certificates and the completion of the Closing will not be deemed to constitute a waiver of any of the representations, warranties or covenants of Buyer contained in this Agreement or in any other agreement or document delivered pursuant to this Agreement. Those representations, warranties and covenants will continue in full force and effect as provided in Section 9 (f) or, if Section 9 (f) does not apply, the terms of the agreement or document in which they are made.

(b) Consents and Regulatory Approvals.

All filings, notifications, approvals and consents with, to or from Governmental Authorities and third parties, including the parties to the Material Contracts and the lessors of the Leased Premises, will have been made, given or obtained on terms acceptable to Buyer, acting reasonably, so that the transactions contemplated by this Agreement may be completed without resulting in the violation of, or a default under, or any termination, amendment or acceleration of any obligation under any Permit, Real Property Lease, or Material Contract of or affecting the Corporation's business, including the OEB Approval.

(c) Waiver or Termination by Sellers.

The conditions contained in Section 6 are inserted for the exclusive benefit of Sellers and may be waived in whole or in part by Sellers (acting collectively) at any time without prejudice to any of its rights of termination in the event of non-performance of any other condition in whole or in part. If any of the conditions contained in Section 6 are not fulfilled or complied with by the time that is required under this Agreement, Sellers (acting collectively) may, at or before the Effective Time,

terminate this Agreement by notice in writing after that time to Buyer. In that event, all Parties will be released from all obligations under this Agreement (except as set out in Section 9).

SECTION 7 CONDITION PRECEDENT.

The Closing is subject to the following condition to be fulfilled at or before the Effective Time, which condition is a true condition precedent to the completion of the transactions contemplated by this Agreement:

(a) No Action to Restrain.

No order of any Governmental Authority will be in force, and no action or proceeding will be pending or threatened by any Person: (I) to restrain or prohibit the completion of the transactions contemplated in this Agreement, including the Closing; (II) to restrain or prohibit the carrying on of the Corporation's business; or (III) which would have a Material Adverse Effect on the Corporation. If this condition precedent has not been fulfilled at or before the Effective Time, unless otherwise agreed by the Parties in writing, this Agreement will be terminated and the Parties will be released from all obligations under this Agreement (except as set out in Section 9).

SECTION 8 POST-CLOSING COVENANTS.

The Parties agree as follows with respect to the period at and after the Closing:

(a) Further Assurances. On and after the Closing Date, Sellers and Buyer shall execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such instruments and take such other action as may be reasonably necessary or advisable to consummate the transactions contemplated by this Agreement. Sellers acknowledges and agrees that from and after the Closing, Buyer will be entitled to possession of all documents, books, records, agreements, and financial data relating to the Corporation.

(b) Confidentiality.

- (i) The Parties shall treat as confidential this Agreement, the terms and conditions set out herein and all information provided to one another in accordance with this Agreement. All such information shall be deemed received pursuant to the terms of the confidentiality agreement between Doane Grant Thornton LPP and EARTH Corporation dated as of April 22, 2025 (the "Confidentiality Agreement"), be kept in the strictest confidence and not divulged to any unrelated third party or used by any Party other than in accordance with the Confidentiality Agreement.
- (ii) Each Party that is not a party to or bound by the Confidentiality Agreement hereby agrees, covenants and acknowledges to be bound by the terms and conditions of the Confidentiality Agreement as if it was an original signatory thereto and acknowledges having received a copy of the Confidentiality Agreement on or before the date of this Agreement. Notwithstanding any other provision of this Agreement, nothing shall prevent the disclosure of any agreement or information, and no Party shall be held liable for the disclosure of any agreement or information, if and to the extent that any such disclosure is required by applicable Law, including

the *Municipal Act, 2001* (Ontario) and the *Municipal Freedom of Information and Protection of Privacy Act* (Ontario).

(c) Director and Officer Liability and Indemnification.

- (i) For a period of six (6) years after the Closing, Buyer shall not retroactively amend, repeal or modify any provision in the Corporation's by-laws relating to the exculpation, indemnification or advancement of expenses, by the Corporation, of any officers and directors in their role as a director and officer of the Corporation (each, an "D&O Indemnified Person"), it being the intent of the Parties that the pre-Closing officers and directors of the Corporation shall continue to be entitled to such exculpation, indemnification and advancement of expenses by the Corporation relating to their role as a director and officer of the Corporation, to the full extent of the Law.
- (ii) The obligations under this Section 8 (c) will not be terminated or modified in such a manner as to adversely affect any D&O Indemnified Person to whom this Section 8 (c) applies without the consent of such D&O Indemnified Person (it being expressly agreed that the D&O Indemnified Persons to whom this Section 8 (c) applies will be third-party beneficiaries of this Section 8 (c) and will be entitled to enforce the covenants contained herein).

(d) Preservation of Books and Records.

Buyer shall, and shall cause the Corporation to, preserve and keep the records held by them relating to the businesses of the Corporation for a period of seven (7) years from the Closing Date (or longer if required by applicable Law) and shall make such records and personnel available to Sellers (including the right to make copies thereof), as may be reasonably required by Sellers in connection with (i) any insurance claims by Sellers, (ii) any action, application, arbitration, audit, claim, complaint, charge, demand, dispute, examination, inquiry, investigation, hearing, lawsuit, litigation or arbitration (in each case, whether civil, criminal, judicial or administrative, and whether public or private) pending by or before any Governmental Authority or arbitrator (including with respect to the enforcement of this Agreement), or (iii) Tax audits against or investigations by any Governmental Authority of Sellers or any of their Affiliates with respect to their ownership of the Corporation or the transactions contemplated by this Agreement.

(e) Additional Covenants.

Buyer shall, and, as appropriate, shall cause the Corporation to:

- (i) *Growing Local Presence* – Buyer shall maintain the administration and operations facility of the Corporation (as carried on prior to the Closing Date) as the central operations facility for electricity distribution services and activity for the Service Territory for a minimum period of ten (10) years following the Closing and shall use commercially reasonable efforts to grow the local presence of the competitive businesses of itself and its affiliates in the Service Territory.

- (ii) *Protection and Promotion of Corporation's Employees* – Buyer shall retain all Employees employed with the Corporation immediately prior to the Closing Date and shall ensure that each such Employee shall remain employed on substantially the same terms and conditions and at the same location for a minimum duration of three (3) years following the Closing Date. Buyer further acknowledges that the Corporation will be responsible for any liability or consequences in the event that the Corporation terminates any Employees or changes the terms of employment for such Employees and, subject to the Sellers' negligence or willful misconduct related to the treatment of the Employees before Closing, Buyer will indemnify the Sellers and hold them harmless from such liability or consequences. Employees that are subject to collective bargaining agreement(s) with a union ("Unionized Employees") will continue to be subject to the terms of such existing collective agreements, provided that upon the amalgamation of Buyer and the Corporation as contemplated in Section 8 (e)(ix) seniority of the Unionized Employees shall be respected in relation to the Buyer's unionized employees and all seniority and service credits will be maintained. Buyer shall use commercially reasonable efforts to increase employment within the Corporation's service territory and/or the Sellers' communities.
- (iii) *Local Governance* – Subject to the terms of the Community Involvement Agreement, Sellers shall, collectively, have the right to appoint one independent director from the Corporation's service territory (a "**Local Designate**") to the board of directors of the Corporation and the Buyer LDC and, for greater clarity, following amalgamation of the Corporation and Buyer LDC as contemplated in Section 8 (e)(ix), to the board of directors of such amalgamated corporation, for an indefinite period after the Closing Date, such right of Sellers to subsist, continue and apply until such time as the Buyer LDC shall have undergone a change of Control. Subject to the terms of the Community Involvement Agreement, Buyer shall have the right to be involved in the Local Designate identification, recruitment and selection process, and the parties' agree that each appointed Local Designate would be subject to reasonable term limits consistent with Buyer LDC's current governance practices (consisting of a three (3) year term with two (2) possible three (3) year extensions) and, for clarity, each Local Designate shall be succeeded by another Local Designate appointed in accordance with this Subsection.
- (iv) *Advisory Committee* – Subject to the terms of the Community Involvement Agreement, Buyer shall establish an advisory committee for a one (1) year period following the Closing Date to facilitate ongoing communication and exchange between Sellers and Buyer. Buyer shall convene the advisory committee on a quarterly basis to review the impacts and implementation of the transactions, rights and obligations contained in this Agreement.
- (v) *Service Quality Guarantees* – Buyer shall monitor and meet all of the OEB's Service Quality Indicators such that the Corporation and its successor (following any amalgamation) remain responsive and the communities served by the Corporation and any successor are not negatively affected. Buyer shall make commercially reasonable efforts to improve the overall customer experience for the

Corporation's customers through innovation and continuous improvement of people, processes, and technology, which will be bolstered by the cost-effective and scalable resources provided by Buyer's and its Affiliate's competitive businesses. In addition, Buyer shall provide to the Corporation's customers a mobile utility customer engagement solution application allowing customers to access their accounts remotely, monitor their usage, pay bills, and compare price plans, further strengthening its commitment to the enhancement of customer experience.

- (vi) *Capital Investment Guarantees* – Buyer shall continue to invest in electricity infrastructure in the Service Territory as per the Corporation's approved Distribution System Plan (Asset Management Plan) in place as of the Closing, noting the need for future capacity in the area.
- (vii) *Rate Guarantees* – Buyer shall ensure that there is no increase in electricity distribution rates for the Corporation's customers or, following any amalgamation of the Corporation, distribution customers within the Service Territory, for a minimum period of eight (8) years from the Closing Date. To implement the foregoing, Buyer shall keep the Service Territory as a separate regulated distribution rate zone with rate increases limited solely to formulaic incentive rate mechanism inflationary increases and Buyer shall not file a cost-of-service application to the OEB to rebase and harmonize rates between the Service Territory and Buyer's licensed distribution service territories to a single rate zone for a minimum period of eight (8) years and a maximum period of ten (10) years.
- (viii) *Community Contributions* – Subject to the terms of the Community Involvement Agreement, Buyer shall, and shall ensure that the Corporation continues to, provide Sellers with in-kind and other community support following the Closing, including Christmas decorations and banner installations, donations, and sponsorships, historically provided by the Corporation comprising a minimum contribution of twenty-five thousand Dollars (\$25,000) per year towards community support in the Service Territory.
- (ix) *Amalgamation of the Buyer and the Corporation* – Subject to Section 8 (e)(vii), Buyer shall preserve the existence of the Corporation as a separate corporate entity and licensed electricity distributor for a period of a three (3) years from the Closing Date, after which time the Corporation may be amalgamated with Buyer LDC, subject to applicable Laws, including OEB approval.
- (x) *24-Hour Control Room* – Buyer shall provide to distribution customers in the Service Territory 24-hour Control Room coverage with the following characteristics and resources:
 - (A) eight (8) hours per day, five (5) days per week (8x5) Control Room operations at Buyer LDC's current operations centre located at 143 Bell Street, Ingersoll;

- (B) management of the Control Room functionality during after-hours significant events;
- (C) within one year of Closing, Buyer LDC shall complete a new electricity distribution operations centre located at 387 Thomas Street, Ingersoll, containing a state-of-the-art Control Room with full monitoring capability (i.e. voltage, power, current, power quality and alarm functions) on station breakers and downstream feeders with fault current devices;
- (D) control and operating capabilities on all smart switch devices currently installed;
- (E) Control Room weather monitoring and fleet monitoring (e.g. GPS on all vehicles for safety purposes); and
- (F) following the completion of the new operations centre, the Control Room will continue to be monitored in accordance with sections 8(x)(A)-(B) above, and Buyer LDC shall use commercially reasonable efforts to contract after hour control services from neighbouring utilities to establish 24x7 capabilities and Control Room coverage.

SECTION 9 INDEMNIFICATION.

(a) Indemnification of Buyer. Subject to the other provisions of this Section 9, from and after the Closing, Sellers shall severally (and not jointly and severally) be responsible for, shall pay or cause to be paid, and shall indemnify, defend and hold harmless Buyer, its Affiliates and its and their respective officers, directors, employees, representatives, and agents (collectively, the “Buyer Indemnified Parties”) from and against any Losses resulting from, arising out of, relating to, in the nature of, or caused by: (i) any breach or inaccuracy of any representation or warranty made by such Seller in this Agreement; (ii) any breach or non-fulfillment of, or non-compliance with, any covenant or agreement made by such Seller in this Agreement; (iii) any Debt of the Corporation as of the Effective Time, to the extent not already included in the Final Closing Statement as finally determined in accordance with Section 2 (f)(iv); and (iv) all Indemnified Taxes, except to the extent that such Indemnified Taxes have already been included in the Final Closing Statement as finally determined in accordance with Section 2 (f)(iv).

(b) Indemnification of Sellers. From and after the Closing, Buyer shall be responsible for, shall pay or cause to be paid, and shall indemnify, defend and hold harmless Sellers, their respective Affiliates and its and their respective officers, directors, employees, representatives, and agents (collectively, the “Seller Indemnified Parties”) from and against any Losses resulting from, arising out of, relating to, in the nature of, or caused by: (i) any breach or inaccuracy of any representation or warranty made by Buyer in this Agreement; (ii) any breach or non-fulfillment of, or non-compliance with, any covenant or agreement made by Buyer in this Agreement; or (iii) Taxes imposed on the Corporation related to any event or transaction occurring after the Effective Time and not included in Section 9 (a)(iv) above.

(c) Indemnification Procedures.

- (i) In the event any Person shall incur or suffer any Losses in respect of which indemnification may be sought hereunder, other than those relating to Tax Contests (which are the subject of Section 10 (g)), such Person (the “Indemnified Party”) may assert a claim for indemnification by written notice to the Party from whom indemnification is being sought (the “Indemnifying Party”), stating the amount of Losses, if known, and the nature and basis of such claim. If any third party notifies an Indemnified Party with respect to any matter of Losses (a “Third-Party Claim”) that may give rise to a claim for indemnification against an Indemnifying Party under this Section 9 , then the Indemnified Party shall promptly notify each Indemnifying Party of such claim in writing, the amount or the estimated amount of damages sought thereunder to the extent then ascertainable, any other remedy sought thereunder, any relevant time constraints relating thereto, a reasonably detailed explanation of the events giving rise to such claim and any other material details pertaining thereto; provided, however, that no delay on the part of the Indemnified Party in notifying any Indemnifying Party shall relieve the Indemnifying Party from any obligation hereunder unless (and then solely to the extent) the Indemnifying Party is thereby prejudiced. The Indemnified Party shall provide to the Indemnifying Party, upon delivery of the written notice to the Indemnifying Party in accordance with this Section 9 (c)(i), and promptly upon request by the Indemnifying Party, all information and documentation reasonably necessary to support and verify any Losses which the Indemnified Party believes gives rise to a claim for indemnification hereunder and shall give the Indemnifying Party reasonable access to all premises, books, records and personnel in the possession or under the control of the Indemnified Party which would have bearing on such claim.
- (ii) Any Indemnifying Party will have the right to assume the defense of the Third-Party Claim, unless (1) such Indemnifying Party is also a party to the Third-Party Claim and such Third-Party Claim is one in which the Indemnified Party has been advised by outside counsel that (I) a reasonable likelihood exists of a material conflict of interest between the Indemnifying Party and the Indemnified Party, or (II) there are legal defenses available to the Indemnified Party that are different from or additional to those available to the Indemnifying Party; (2) the Third-Party Claim seeks relief against the Indemnified Party other than monetary damages; or (3) the Third-Party Claim involves criminal liability (provided that in circumstances (1) to (3), the Indemnifying Party may still participate in such Third-Party Claim at its own expense), by providing notice to the Indemnified Party no later than thirty (30) days after the Indemnified Party has given notice of the Third-Party Claim to the Indemnifying Party. In the event that the Indemnifying Party notifies the Indemnified Party that it elects to defend the Indemnified Party against a Third-Party Claim, the Indemnifying Party shall have the right to defend the Indemnified Party by appropriate proceedings at its expense. The Indemnified Party shall have the right to participate in any defense by the Indemnifying Party and to employ separate counsel of its choosing at such Indemnified Party’s expense. Notwithstanding anything to the contrary in this Section 9 , the Indemnified Party (and not the Indemnifying Party) will have the right to conduct and control the defense of the Third-Party Claim with counsel of its choice (the cost of which

(including reasonable and documented legal fees) will be an indemnifiable Loss if the Losses in the Third-Party Claim are finally determined to be the responsibility of the Indemnifying Party) if (A) such Third-Party Claim seeks (x) the imposition of a consent order, injunction or decree that would restrict the future activity or conduct of the Indemnified Party or, where a Buyer Indemnified Party is the Indemnified Party, the Corporation, or (y) a finding or admission of a violation of law by the Indemnified Party or, where a Buyer Indemnified Party is the Indemnified Party, the Corporation, that would have an adverse effect on the Indemnified Party or the Corporation, (B) in the reasonable opinion of counsel to the Indemnified Party, a conflict or potential conflict exists between the Indemnified Party, the Corporation, or the Indemnifying Party, (C) the amount in dispute for which an Indemnifying Party would reasonably be expected to be liable pursuant to this Section 9 exceeds the maximum amount for which an Indemnifying Party may be held liable pursuant to this Section 9 , or (D) the Indemnifying Party does not, upon reasonable requests from the Indemnified Party, confirm in writing that the Indemnifying Party would be obligated to indemnify the Indemnified Party pursuant to the provisions of this Section 9 from such Third-Party Claim (provided that such confirmation shall not constitute an admission of liability to any third party on the part of the Indemnifying Party with respect to such Third-Party Claim). The Party not controlling the Third-Party Claim shall furnish the Party controlling the Third-Party Claim (the "Controlling Party") with such information as it may have with respect to such Third-Party Claim and shall otherwise cooperate with and assist the Controlling Party in defense of such Third-Party Claim. The Controlling Party shall keep the Party not controlling the Third-Party Claim fully apprised as to the status of such Third-Party Claim and the actions taken by the Controlling Party in relation thereto and shall respond to all reasonable enquiries of the Party not controlling the Third-Party Claim in respect of such Third-Party Claim.

- (iii) The Indemnifying Party will lose its right to defend the Third-Party Claim if within thirty (30) days after receipt of written notice of the Third-Party Claim from the Indemnified Party (or sooner if the nature of the Third-Party Claim so requires), it elects not to (or fails to elect to) defend the Third-Party Claim or it thereafter fails or ceases to defend the Third-Party Claim diligently and in good faith after a reasonable period of time after the Indemnified Party has provided written notice to the Indemnifying Party that it is not diligently and in good faith defending such Third-Party Claim and, in any such event, the Indemnified Party will have the right to conduct and control the defense of the Third-Party Claim with counsel of its choice (the cost of which (including reasonable and documented legal fees) will be an indemnifiable Loss if the Losses in the Third-Party Claim are finally determined to be the responsibility of the Indemnifying Party). Whether or not the Indemnifying Party assumes the defense of a Third-Party Claim, the Indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge, such Third-Party Claim without the Indemnifying Party's prior written consent. If the Indemnifying Party assumes the defense of a Third-Party Claim and is in good faith contesting such Third-Party Claim, the Indemnified Party shall agree to any settlement, compromise or discharge of a Third-Party Claim that the Indemnifying Party may reasonably recommend and that by its terms (A) obligates

the Indemnifying Party to pay the full amount of Losses in connection with such Third-Party Claim, and (B) releases the Indemnified Party in connection with such Third-Party Claim; provided, however, that an Indemnified Party shall not be required to agree to any settlement, compromise or discharge of a Third-Party Claim that involves the imposition of equitable remedies or other material obligations on such Indemnified Party or would otherwise adversely affect such Indemnified Party (including any settlement or compromise that includes any admission of wrongdoing on the part of the Indemnified Party).

- (iv) Amounts finally determined to be payable by an Indemnifying Party to an Indemnified Party in respect of any Losses for which such Person is entitled to indemnification hereunder (including, without limitation, legal fees or other costs of defending any action) shall be payable by the Indemnifying Party as incurred by the Indemnified Party.

(d) *Monetary Limitation.*

No Seller shall be obligated to indemnify, defend, release and hold harmless the Buyer Indemnified Parties for any Losses pursuant to Section 9 (a)(i), unless and until the aggregate Losses for which the Buyer Indemnified Parties would otherwise be entitled to indemnification under this Section 9 exceed seven hundred and fifty thousand Dollars (\$750,000.00) (the “Deductible”) (or in the event of Losses that are not liquidated in amount at the time such Buyer Indemnified Party asserts a claim for indemnification or defense, it is reasonable to believe that such Losses could have a monetary consequence greater than the Deductible), at which point such Buyer Indemnified Party shall become entitled to be indemnified only for such Losses in excess of the Deductible, subject to the remaining limitations of liability in this Section 9 .

- (i) Buyer’s right to indemnification from Sellers pursuant to Section 9 (a)(i) shall be limited to and shall not exceed ten percent (10%) of the Purchase Price actually paid by Buyer (the “Cap”).
- (ii) Notwithstanding anything to the contrary in this Agreement, neither the Deductible nor the Cap shall apply to claims by Buyer for indemnification arising out of or related to: (A) a breach by the Sellers of any of the representations or warranties contained in Section 3 (a) and Section 3 (c)(i) through Section 3 (c)(viii) inclusive (collectively, all of the foregoing representations and warranties are referred to herein as the “Fundamental Representations”), (B) Fraud, or (C) any intentional or willful misrepresentation of a material fact contained in the this Agreement or the exhibits or schedules hereto.
- (iii) Buyer’s right to indemnification from Sellers pursuant to Section 9 (a)(ii) through Section 10(a)(iv) inclusive shall be limited to and shall not exceed ten percent (10%) of the Purchase Price actually paid by Buyer (other than for indemnification claims resulting from: (A) Fraud or (B) any intentional or willful misrepresentation of a material fact contained in this Agreement or the exhibits or schedules hereto).

- (iv) Notwithstanding anything to the contrary in this Agreement, no Seller shall have any liability under this Agreement with respect to any Taxes (or any Losses with respect to such Taxes): (A) resulting from any transaction taken outside of the Ordinary Course of Business at the direction of Buyer or any of its Affiliates on the Closing Date or after the Closing not specifically contemplated by this Agreement; (B) with respect to any taxable period (or portion thereof) beginning after the Closing Date, or (C) resulting from any breach or non-performance by Buyer or any of its Affiliates (including, following the Closing Date, the Corporation) of any covenant or agreement contained in this Agreement relating to Tax matters.

(e) *Survival Following Termination.*

If this Agreement is terminated at or before the Effective Time pursuant to Section 4 (c), Section 5 (d), Section 6 (c) or Section 7 the provisions of Section 8 (b) will remain in full force and effect.

(f) *Time Limitation.* Except in the case of Fraud, all representations and warranties contained in this Agreement shall survive the execution and delivery hereof and the Closing, and survive hereafter for the eighteen (18) month period commencing on the Closing Date; provided, however, that (i) the Fundamental Representations shall survive for twelve (12) months commencing on the Closing Date, and (ii) the representations and warranties contained in Section 3 (c)(xiv) shall survive until sixty (60) days after the expiration of the statutory limitation period applicable to the underlying subject matter of each such representation and warranty, determined without reference to any applicable waivers or extensions sought or provided by Buyer or the Corporation. All of the covenants in this Agreement that by their nature are required to be performed after Closing shall survive the Closing until fully performed or fulfilled. Notwithstanding the two preceding sentences, any specific claim for breach of a representation or warranty or covenant in respect of which indemnity may be sought under this Agreement shall survive the applicable survival period until final resolution of such claim, if notice of such claim shall have been validly delivered to the Party against whom indemnity may be sought prior to expiration of the applicable survival period.

(g) *Other Limitations.*

Notwithstanding anything herein contained, but subject to the liquidated damages provided for under Section 9 (l) :

- (i) Neither Party shall have Liability for, or obligation with respect to, any special, indirect, consequential, punitive or aggravated Losses unless such punitive Losses have been awarded to a third Person in a Third-Party Claim by a court of competent jurisdiction.
- (ii) No Indemnifying Party shall be required to indemnify, defend or hold harmless any Indemnified Party against or reimburse any Indemnified Party for any Losses to the extent such Indemnified Party has been indemnified or reimbursed for the same Losses under any other provision of this Agreement. Without limiting the generality of the foregoing, no Indemnified Party shall be entitled to indemnification for any Losses to the extent it would result in a double recovery to such Indemnified Party:

(A) to the extent the fact, matter, event or circumstance giving rise to the claim or on which such Losses are based are provided for or otherwise taken into account in determining the Final Closing Statement (as finally determined pursuant to Section 2 (f)(iv)); (B) because such Losses were satisfied pursuant to Section 10 ; or (C) because such Losses were otherwise forming an adjustment to the Purchase Price under this Agreement.

- (iii) No Seller shall have Liability for any Losses to the extent that such Losses would not have arisen but for any change in the accounting policies, practices or procedures adopted by Buyer, other than those that are required by a Governmental Authority or required by Law and in circumstances where Seller or their Affiliates' prior breach of this Agreement is related to such change so undertaken.
- (iv) No Seller shall be liable for any Losses for Tax if and to the extent it is attributable to, or the amount of the Losses is increased as a result of, any change of Law that came into force after the Closing Date.
- (v) The amount of any Losses for which indemnification is provided under this Section 9 will be adjusted to take account of any net Tax benefit realized or realizable by the Buyer Indemnified Parties arising from the occurrence of any Losses to the extent necessary to ensure that the Buyer Indemnified Parties receive a net amount which, taking into account any such net Tax benefit, is sufficient to fully compensate for the Losses, but results in no net gain to the Buyer Indemnified Parties.
- (vi) The proportion of each Seller's liability hereunder for any Losses shall be limited to its equity percentage in the capital of the Corporation immediately prior to the Closing.

(h) Knowledge. Sellers' obligations contained in this Section 9 shall not apply if and to the extent Buyer has been advised in writing or otherwise has actual knowledge prior to the time of Closing, of the inaccuracy, non-performance, non-fulfillment or breach of a representation or warranty made by the Sellers contained in this Agreement or contained in any document or certificate given in order to carry out the transactions contemplated hereby and the Buyer completes the transactions contemplated hereby notwithstanding such inaccuracy, non-performance, non-fulfillment or breach.

(i) Duty to Mitigate.

Nothing in this Agreement in any way restricts or limits the general obligation at Law of an Indemnified Party to mitigate any Losses which it may suffer or incur by reason of the breach by an Indemnifying Party of any representation, warranty, covenant or obligation of the Indemnifying Party under this Agreement. If any claim can be reduced by any recovery, settlement or otherwise under or pursuant to any insurance coverage, or pursuant to any claim, recovery, settlement or payment by or against any other Person, the Indemnified Party shall take all reasonable steps to enforce such recovery, settlement or payment and the amount of any Losses of the Indemnified Party will be reduced by the amount of proceeds actually recovered by the Indemnified Party. If

an Indemnified Party receives an amount under such insurance coverage or pursuant to any claim, recovery, settlement or payment by or against any other Person, at any time subsequent to any indemnification payment made by an Indemnifying Party, then such Indemnified Party shall promptly pay over to the Indemnifying Party an amount equal to the lesser of (A) the amount of such indemnification payment, or (B) the net amount of such recovery.

(j) Exclusive Remedies.

The Parties acknowledge and agree that their sole and exclusive remedy with respect to any and all claims for any breach of any representation, warranty, covenant, agreement or obligation set forth in this Agreement, any documents or instruments executed or delivered herewith, or the consummation of transactions contemplated hereby and thereby, shall be under the indemnification provisions set forth in this Section 9 other than, in each case, claims based on Fraud, intentional misrepresentation or willful misconduct. The Parties acknowledge that the failure to comply with a covenant or obligation contained in this Agreement may give rise to irreparable injury to a Party inadequately compensable in damages. Accordingly, notwithstanding any of the foregoing, nothing in this Section 9 (j) shall limit any Party from seeking specific performance, injunctive or equitable relief in accordance with the terms of this Agreement for any breach or threatened breach of any covenant, agreement or obligation of this Agreement.

(k) Indemnification Payments by Sellers.

The Buyer acknowledges and agrees that any indemnification payment required to be made by Sellers pursuant to this Section 9 shall only be payable by Sellers to Buyer notwithstanding the applicable Buyer Indemnified Parties entitled to indemnification in connection with such indemnification payment.

(l) Liquidated Damages.

Notwithstanding any other provisions hereof, for each and every discreet breach or non-fulfillment of, or non-compliance by the Buyer with, any covenant or agreement under Section 8 (e) hereof, the Buyer shall be liable to and pay to the Sellers, as liquidated damages, the amount of one-million Dollars (\$1,000,000.00) per occurrence. The Parties acknowledge and agree that actual damages for any such breach, non-fulfillment or non-compliance are difficult to determine and that the liquidated damages set forth herein are reasonable and appropriate measures of the damages therefor and do not represent a penalty. Any amount of such liquidated damages for which Buyer shall be liable, or have paid to the Sellers, shall be excluded from and shall not count toward any monetary limitations, deductibles or caps hereunder, including those contained in Section 9 (d), (g) and (i), and the Sellers shall not be subject to any duty to mitigate in respect thereof.

SECTION 10 TAX MATTERS.

The following provisions shall govern the allocation of responsibility as between Buyer and Sellers for certain Tax matters following the Closing Date:

(a) Straddle Period. In the case of any taxable period (a "Straddle Period") that includes but does not end on the date on which the Effective Time occurs (the "Effective Date"), the amount of any Taxes for such period shall be allocated between: (i) the period ending on the

Effective Date; and (ii) the period beginning after the Effective Date, and such allocation shall be determined based on an interim closing of the books of the Corporation as of the Effective Time, and for such purpose, the taxable period of any partnership or other pass-through entity in which the Corporation holds a beneficial interest shall be deemed to terminate at such time; provided, however, that in the case of any Straddle Period Taxes (other than excise Taxes and Taxes based upon or related to income or receipts) that are imposed on a periodic basis, the portion of such Tax that relates to the portion of such Straddle Period ending on the Effective Date shall be deemed to be the amount of such Taxes for the entire Straddle Period multiplied by a fraction, the numerator of which is the number of days in the Straddle Period ending on the Effective Date, and the denominator of which is the number of days in the entire Straddle Period.

(b) Responsibility for Filing Tax Returns. Sellers shall prepare or cause to be prepared (and Buyer shall file or cause to be filed) all Income Tax Returns for the Corporation that are required to be filed after the Closing Date with respect to any Tax period ending on or before the Effective Date, and Sellers shall be designated by the Corporation as an authorized person for the sole purpose of preparing, executing and filing the Income Tax Returns described in this sentence. All such Income Tax Returns shall be prepared in a manner reasonably consistent with past practices except to the extent otherwise required by Law. Sellers shall, no less than thirty (30) days prior to the filing deadline for any such Income Tax Returns, (i) deliver the same to Buyer along with supporting work papers, (ii) permit Buyer to review and comment on each such Income Tax Return within the twenty (20) day period after receipt of the same, and (iii) consider making such revisions to such Income Tax Returns as are reasonably requested by Buyer. Sellers shall work with Buyer in good faith to resolve any disagreements regarding such Income Tax Returns prior to the date on which such Income Tax Returns are required to be filed. Buyer shall prepare or cause to be prepared and shall file or cause to be filed all other Tax Returns that the Corporation is required to file after the Effective Date, including with respect to any Straddle Period (each, a "Buyer-Prepared Tax Return"). Buyer shall, no less than thirty (30) days prior to filing any such Buyer-Prepared Tax Returns for a Straddle Period, (i) deliver the same to Sellers, (ii) permit Sellers to review and comment within the twenty (20) day period after receipt of the same, on each such Buyer-Prepared Tax Return, and (iii) consider making such revisions to such Buyer-Prepared Tax Returns as are reasonably requested by Sellers.

(c) Refunds and Tax Benefits. Any Tax refunds that are received by Buyer or the Corporation, and any amounts credited against Tax to which Buyer or the Corporation become entitled that relate to Tax periods or portions thereof ending on or before the Effective Date shall be for the account of Sellers, excluding any refund or credit attributable to any loss in a tax year or portion of a Straddle Period beginning after the Effective Date that is applied to income in a tax year or portion of a Straddle Period ending on or before the Effective Date (e.g., as a carry back). Buyer shall pay to Sellers any such refund or amount of any such credit (net of any Taxes of Buyer or the Corporation attributable to such refund or credit) within fifteen (15) days after receipt or entitlement thereto. Notwithstanding the immediately preceding sentence, Buyer shall not be required to pay to Sellers any such refund or the amount of any such credit up to the amount of any Tax asset set forth on the face of the Final Closing Statement. Any payment made by Buyer to Sellers under this Section 10 (c) shall be treated as an increase to the Purchase Price. The Buyer shall, at the Sellers' request, and at the sole cost

and expense of the Sellers, use commercially reasonable efforts to cause the Corporation to obtain and collect any Tax refunds which may be available to any of them, including replying to any requests for further information from, and delivering any written submissions with respect to such Tax refund to, any Governmental Authority, and shall keep the Sellers reasonably apprised of the status of any such Tax refunds, including informing the Sellers of any requests from, or deadlines set by, any Governmental Authority in connection with such Tax refund.

(d) Cooperation on Tax Matters. Buyer and Sellers shall cooperate, as and to the extent reasonably requested by the other such Party, in connection with the filing of Tax Returns pursuant to this Section 10, and any audit, litigation or other proceeding with respect to Taxes. With respect to Tax periods or portions thereof ending on or before the Effective Date, Sellers and Buyer will provide each other with such cooperation and information as either may reasonably request in filing any Tax Return, amended Tax Return or claim for refund, determining a liability for Taxes or a right to a refund of Taxes, participating in or conducting any audit or other proceeding in respect of Taxes. Such cooperation shall also include (i) the retention and, upon any Party's request, the provision of records and information that are reasonably relevant any such matter, and (ii) making employees available on a mutually convenient basis to provide additional information and any explanation of any material provided hereunder. The Parties hereto agree (i) to retain all books and records with respect to Tax matters pertinent to the Corporation relating to any Tax period beginning before the Closing Date until one hundred eighty (180) days after the expiration of the statutory limitation period, and to the extent notified by any Party, any extensions thereof, for the respective Tax periods, (ii) to abide by all record retention agreements entered into with any Tax authority, and (iii) to give all other Parties reasonable written notice prior to transferring, destroying or discarding any such books and records and if any Party so requests, allow such other party to take possession of such books and records. The Parties hereto further agree upon request to use their reasonable commercial efforts to obtain any certificate or other document from any Governmental Authority or any other person that may be necessary to mitigate, reduce or eliminate any Tax that could be imposed, including but not limited to, with respect to the transactions contemplated hereby.

(e) Certain Taxes and Fees. All transfer, documentary, sales, use, stamp, registration and other such Taxes (excluding, for certainty, any Income Tax, but including, for greater certainty any Transfer Taxes arising as a result of transactions contemplated in this Agreement), and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) incurred in connection with the consummation of the transactions contemplated by this Agreement (collectively, "Transfer Costs") and arising otherwise than by reason of Sellers' status under the Laws of any non-Canadian jurisdiction shall be borne by Buyer. Any other Transfer Costs shall be borne by the Sellers.

(f) Amended Returns and Retroactive Elections. Buyer shall not, and shall not cause or permit the Corporation to (i) amend any Tax Returns filed with respect to any tax year ending on or before the Effective Date, (ii) make any Tax election that has retroactive effect to any such year, (iii) file a Tax Return of the Corporation in a jurisdiction where the Corporation has not previously filed a Tax Return, (iv) grant an extension of any applicable statute of limitations with respect to a Tax Return or Taxes of the Corporation (other than extensions resulting from

extensions of time to file Tax Returns), (v) enter into any closing agreement, settle any Tax claim or assessment, surrender any right to a refund of Taxes, or (vi) make any voluntary disclosure or enter into any voluntary disclosure program or agreement or take any other similar action, in each such case without the prior written consent of Sellers, which consent shall not unreasonably be withheld, conditioned or delayed.

(g) Tax Contests.

Notwithstanding anything herein to the contrary, this Section 10 (g) will apply with respect to any tax dispute or audit (“Tax Contest”) involving the Corporation for any taxable period ending on or before the Effective Date. Within three (3) Business Days of receipt by Buyer of any notice or other communication regarding a Tax Contest for any taxable period ending on or before the Effective Date, Buyer will provide a copy of such notice or other communication to Sellers. Sellers will have the right, at Sellers’ sole cost and expense, to represent the Corporation’s interests in any such Tax Contest relating to Taxes for any taxable period ending on or before the Effective Date, and Buyer will control all other Tax Contests; provided, however, that Sellers will have no right to represent the Corporation’s interests in any Tax Contest unless Sellers will have first notified Buyer in writing of Sellers’ intention to do so within thirty (30) days after Sellers’ receipt of notice of the Tax Contest and will have agreed with Buyer in writing that Sellers will be liable for any Taxes that result from such Tax Contest. If Sellers represent the interests of the Corporation in a Tax Contest, (A) Buyer may, at its sole cost and expense, participate in the Tax Contest, (B) Sellers will keep Buyer reasonably informed with respect to the commencement, status, and nature of any such Tax Contest, including ensuring that Buyer receives copies of all notices, pleadings or other submissions on a timely basis, and (C) Sellers will bear all costs and expenses of Sellers and the Corporation relating to such Tax Contest. Notwithstanding the foregoing provisions of this Section 10 (g), if (X) Sellers have not given notice of Sellers’ election to represent the Corporation’s interests in the Tax Contest within such thirty (30) day period, or (Y) Sellers fail to conduct such defense diligently and in good faith, then in either case Buyer will have the right to control the defense, compromise or settlement of the Tax Contest with counsel of its choice at Buyer’s sole cost and expense. Buyer will control, at its sole cost and expense, all other Tax Contests and Sellers may, at its sole cost and expense, participate in such Tax Contest. If Sellers participate in any such Tax Contest, Buyer will keep Sellers reasonably informed with respect to the commencement, status, and nature of any such Tax Contest, including ensuring that Sellers receive copies of all notices, pleadings or other submissions. Notwithstanding the foregoing, neither Sellers nor Buyer will be entitled to settle, either administratively or after the commencement of litigation, any Tax Contest without the prior written consent of the other Party, which consent may not be unreasonably withheld, conditioned or delayed.

(h) Restrictive Covenants.

Sellers and Buyer acknowledge and agree that no portion of the Purchase Price shall be allocable to, and no proceeds shall be received or receivable by the Sellers for, granting the restrictive covenants set forth in, or pursuant to, this Agreement or an Exhibit or Appendix thereto, and that such restrictive covenants are integral to this Agreement and have been granted to maintain or preserve the fair market value of the Shares being acquired pursuant to this Agreement for purposes of subsection 56.4(7) of the Tax Act. For greater certainty, the Parties agree to do all such things and file all such elections, if one is needed, and report for all purposes of the Tax Act in a manner

consistent with the foregoing and as may be required or reasonably desirable from time to time to give full effect to the foregoing and for subsection 56.4(7) of the Tax Act to apply.

SECTION 11 PRIVACY.

- (a) In this Section 11, “Transferred Information” means any Personal Information disclosed or conveyed to one Party or any of its representatives or agents (a “Recipient”) by or on behalf of another party (a “Disclosing Party”) in anticipation of, as a result of, or in conjunction with the transactions contemplated herein.
- (b) Each Disclosing Party shall ensure that any Transferred Information with respect to which it is responsible for disclosing to a Recipient is necessary for the purposes of determining whether to proceed with the transactions contemplated hereby, and if the determination is made to proceed with said transactions, to complete them.
- (c) Prior to the completion of the transactions contemplated hereby, the Recipient covenants and agrees to:
 - (i) use and disclose the Transferred Information solely for the purpose of reviewing and completing the transactions contemplated hereby, including for the purpose of determining to complete said transactions;
 - (ii) protect the Transferred Information by security safeguards appropriate to the sensitivity of the information; and
 - (iii) if the transactions contemplated hereby do not proceed, return the Transferred Information to the Disclosing Party or destroy it, at the Disclosing Party’s election, within a reasonable time.
- (d) After the completion of the transactions contemplated hereby, Recipient agrees to:
 - (iv) use and disclose the Transferred Information under its control only for those purposes for which the Transferred Information was initially collected, permitted to be used or disclosed, unless:
 - (A) the Disclosing Party or Recipient has first notified the individual about whom the Transferred Information related of any additional purpose and, where required by applicable Law, obtained the consent of such individual to such additional purpose, or
 - (B) such use or disclosure is permitted or authorized by applicable Law, without notice to or consent from such individual;
 - (v) protect the Transferred Information under its control by making reasonable security arrangements against such risks as unauthorized access, collection, use, disclosure, copying, modification, disposal or destruction; providing, however, that such arrangements include, at a minimum, safeguards that are appropriate to the sensitivity of such Transferred Information; and

- (vi) give effect to any withdrawal of consent made by an individual to whom the Transferred Information under its control relates.
- (e) Where required by applicable Law, the Corporation further agree to promptly notify the individuals about whom the Transferred Information relates that the transactions contemplated hereby have taken place and that their Transferred Information has been disclosed.
- (f) This Section 11 shall indefinitely survive the execution and delivery of this Agreement and the Closing.

SECTION 12 REGULATORY APPROVAL.

(a) OEB Approval.

- (i) The Parties will, as promptly as practicable after the execution of this Agreement (but in no event later than 60 days after the execution of this Agreement), file or caused to be filed with the OEB an application under the OEB Act for the OEB Approval.
- (ii) Buyer and Sellers will share equally the cost of the filing fee in respect of such application. Each of Buyer and Sellers will use its best efforts (which shall not be less than commercially reasonable efforts) to co-operate and assist the other, so that the OEB Approval can be obtained on or prior to May 30, 2026. To the extent the Parties incur costs from their own advisors, such costs shall be borne by the party incurring them.

(b) Minister of Finance Notice.

- (i) Buyer and Sellers will as promptly as practicable after the execution of this Agreement (but in no event later than 60 days prior to the Closing Date), jointly file or cause to be filed with the Ontario Minister of Finance the notification required under subsection 4(2) of Ontario Regulation 124/99 made under the EA.
- (ii) Each Party will be responsible for the costs incurred by it in connection with the Minister of Finance Notice.

SECTION 13 MISCELLANEOUS.

(a) Press Releases and Public Announcements. The Parties shall consult with each other regarding any proposed press release or public announcement related to the subject matter of this Agreement, and in no event shall any Party issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written consent of the other Party, which consent shall not unreasonably be withheld, conditioned or delayed; provided, however, that any Party may make any public disclosure it believes in good faith is required by applicable Law (in which case the disclosing Party will use its reasonable efforts to advise the other Party prior to making the disclosure).

(b) No Third-Party Beneficiaries. Except for indemnified Persons described herein, this Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

(c) Entire Agreement. This Agreement, the Disclosure Schedule, and the Appendices, Exhibits and documents referred to herein constitute the entire agreement among the Parties and supersede any prior understandings, agreements, or representations by or among the Parties, written or oral, to the extent they relate in any way to the subject matter hereof (including, without limitation, the terms of the letter of the intent dated September 25, 2025 between the Buyer and the Corporation). The Parties further acknowledge and agree that, in entering into this Agreement, in delivering the respective schedules, documents and instruments to be delivered pursuant hereto and in consummating the transactions contemplated hereby and thereby, they have not in any way relied, and will not in any way rely, upon any oral or written agreements, representations, warranties, statements, promises, information, arrangements or understandings, express or implied, not specifically set forth in this Agreement or in such schedules, documents or instruments.

(d) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, executors, legal personal representatives, successors and permitted assigns. Neither Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Party, provided the Buyer may assign to a corporation whose over which it holds 100% beneficial and legal ownership and interest in its shares and shall continue to hold such equity interest until the date of the amalgamation of the Buyer LDC and the Corporation as contemplated in Section 8 (e)(ix) and further provided that the Buyer enters into a guarantee agreement with the Sellers in the form contained in Exhibit D.

(e) Legal Fees. If either Party institutes any legal action or proceeding to enforce this Agreement or to obtain any other remedy regarding any breach of this Agreement or any other claim arising out of this Agreement, the prevailing Party in the action or proceeding shall be entitled to receive, and the non-prevailing Party or Parties shall pay, in addition to all other remedies to which the prevailing Party may be entitled, the costs and expenses incurred by the prevailing Party in conducting the action or proceeding, including reasonable fees, disbursements and costs or legal counsel and all court costs, including, without limitation, all fees, taxes, costs, and expenses incident to appellate, bankruptcy, and post-judgment proceedings. As used in this Section 13 (e), “prevailing Party” means the Party that is afforded the greater relief (whether affirmatively or by means of a successful defense) with respect to claims having the greatest value or importance as determined by the court allowing for all of the claims, counterclaims, and defenses asserted. For purposes of clarity, the obligations of each Party in this Section 13 (e) are intended to provide for the shifting of fees, disbursements and costs of legal counsel in relation to both direct claims among the Parties and Third-Party Claims.

(f) Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(g) Notices. All notices and communications required or permitted under this Agreement shall be in writing addressed as set forth below, and any notice or communication hereunder shall be deemed to have been duly delivered upon the earliest of: (i) actual receipt by the Party to be notified; (ii) five (5) days after deposit with Canada Post for sending by registered or certified mail, postage prepaid, return receipt requested; (iii) if by electronic transmission, upon affirmative acknowledgment by the recipient in writing of receipt; or (iv) if deposited with FedEx (or other reputable overnight delivery service) for overnight delivery, two (2) Business Days after deposit with such service. All such notices shall be addressed as follows:

<p>If to the Town of Saugeen Shores:</p> <p>600 Tomlinson Drive, PO Box 820, Port Elgin, ON, N0H 2C0</p> <p>Attention: Kara Van Myall, Chief Administrative Officer Email: kara.vanmyall@saugeenshores.ca</p>	<p>Copy (which shall not constitute notice) to:</p> <p>600 Tomlinson Drive, PO Box 820, Port Elgin, ON, N0H 2C0</p> <p>Attention: Tammy Grove, Municipal Solicitor Email: tammy.grove@saugeenshores.ca</p>
<p>If to the Town of Hanover:</p> <p>341 10th Street, Hanover, ON, N4N 1P5</p> <p>Attention: Sherri Walden, Chief Administrative Officer Email: inquiry@hanover.ca</p>	<p>Copy (which shall not constitute notice) to:</p> <p>Jason Reynar Lerners LLP 225 King Street West Suite 1600 Toronto, ON M5V 3M2</p> <p>Email: jreynar@lerners.ca</p>
<p>If to the Municipality of Kincardine:</p> <p>1475 Concession 5, RR #5, Kincardine, ON, N2Z 2X6</p> <p>Attention: Kimberly Wingrove, Acting Chief Administrative Office Email: kwingrove@kincardine.ca</p>	<p>Copy (which shall not constitute notice) to:</p> <p>Jason Reynar Lerners LLP 225 King Street West Suite 1600 Toronto, ON M5V 3M2</p> <p>Email: jreynar@lerners.ca</p>

<p>If to the Municipality of Brockton:</p> <p>100 Scott Street, P.O. Box 68, Walkerton, ON, N0G 2V0</p> <p>Attention: Sonya Watson, Chief Administrative Officer Email: swatson@brockton.ca</p>	<p>Copy (which shall not constitute notice) to:</p> <p>Miller Thomson LLP 115 King Street South Suite 300 Waterloo, Ontario N2J 5A3</p> <p>Attention: Steven O'Melia Email: somelia@millerthomson.com</p>
<p>If to the Municipality of South Bruce:</p> <p>PO Box 540, 21 Gordon St. E, Teeswater, ON, N0G 2S0</p> <p>Attention: Leanne Martin, Chief Administrative Officer Email: lmartin@southbruce.ca</p>	<p>Copy (which shall not constitute notice) to:</p> <p>Jason Reynar Lerners LLP 225 King Street West Suite 1600 Toronto, ON M5V 3M2</p> <p>Email: jreynar@lerner.ca</p>
<p>If to the Towns of Minto:</p> <p>5941 Highway 89, Harriston, ON, N0G 1Z0</p> <p>Attention: Gregg Furtney, Chief Administrative Officer Email: gfurtney@town.minto.on.ca</p>	<p>Copy (which shall not constitute notice) to:</p> <p>David M. Steele Duncan, Linton LLP 45 Erb St E Waterloo, ON N2J 1L7 Email: dms@kwlaw.net</p>
<p>If to the Township of North Huron:</p> <p>Box 90, 274 Josephine Street, Wingham, ON, N0G 2W0</p> <p>Attention: Nelson Santos, Chief Administrative Officer Email: nsantos@northhuron.ca</p>	<p>Copy (which shall not constitute notice) to:</p> <p>Donnelly Murphy Lawyers 325 10th Street Hanover, ON N4N 1P1</p> <p>Attention: Greg Stewart Email: gstewart@dmlaw.ca</p>

<p>If to the Township of Huron-Kinloss:</p> <p>21 Queen Street, P.O. Box 130, Ripley, ON, N0G 2R0</p> <p>Attention: Jodi MacArthur, Chief Administrative Officer Email: jmacarthur@huronkinloss.com</p>	<p>Copy (which shall not constitute notice) to:</p> <p>Jason Reynar Lerners LLP 225 King Street West Suite 1600 Toronto, ON M5V 3M2</p> <p>Email: jreynar@lernal.ca</p>
<p>If to FortisOntario Inc.:</p> <p>PO Box 1218, 1130 Bertie St, Fort Erie, ON, L2A 5S2</p> <p>Attention: Glen King (Chief Executive Officer) Email: glen.king@fortisontario.com</p>	<p>Copy (which shall not constitute notice) to:</p> <p>PO Box 1218, 1130 Bertie St, Fort Erie, ON, L2A 5S2</p> <p>Attention: Legal Email: craig.david@fortisontario.com</p>
<p>If to Buyer:</p> <p>180 Whiting Street Ingersoll, ON N5C 3B5</p> <p>Attention: Tyler Moore, VP Energy & General Counsel Email: tyler.moore@erthcorp.com</p>	<p>Copy (which shall not constitute notice) to:</p> <p>180 Whiting Street Ingersoll, ON N5C 3B5</p> <p>Attention: Eustacia Young, Corporate Secretary Email: eustacia.young@erthcorp.com</p>

Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

(h) Governing Law. This Agreement, and all claims or causes of action (whether in contract, tort or statute) that may be based upon, arise out of or relate to this Agreement, or the negotiation, execution or performance of this Agreement (including any claim or cause of action based upon, arising out of or related to any representation or warranty made in or in connection with this Agreement or as an inducement to enter into this Agreement), shall be interpreted and construed in accordance with, the internal laws of the Province of Ontario and the federal laws of Canada applicable therein, including its statutory limitation periods, without regard to any borrowing statute that would result in the application of the statute of limitations of any other jurisdiction.

(i) Dispute Resolution. Except as provided in Section 2 (f)(iv), all disputes arising from or relating to this Agreement shall be resolved in the Superior Court of Justice located in Toronto,

Ontario, and each Party hereby irrevocably submits to each such court's jurisdiction and process.

(j) Remedies.

Except as otherwise provided in this Agreement, in the event of any failure or refusal by any Party to comply with any covenant or agreement contained in this Agreement, the other Party shall have the right to pursue the remedy of specific performance.

(k) Jury Trial Waiver.

The Parties hereby irrevocably and unconditionally waive trial by jury in any legal action or proceeding relating to this agreement or the transactions contemplated hereby or any other agreement entered into in connection herewith and for any counterclaim with respect thereto, whether sounding in contract, tort or otherwise.

(l) Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each Party hereto. No waiver by any Party of any provision of this Agreement or any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be valid unless the same shall be in writing and signed by the Party making such waiver, nor shall such waiver be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent default, misrepresentation, or breach of warranty or covenant.

(m) Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

(n) Expenses. Except as expressly stated herein to the contrary, each Party shall pay its own fees and expenses incident to the negotiation and preparation of this Agreement and consummation of the transactions contemplated hereby, including broker or investment banker fees.

(o) Legal Representation.

Buyer hereby agrees, on their own behalf and on behalf of their Affiliates, and each of their successors and assigns (all such parties, the "Waiving Parties"), that (i) Aird & Berlis LLP may represent (1) Sellers and each of their Affiliates, other than the Corporation (individually and collectively, the "Shareholder Group"), and (2) the Corporation, in connection with the negotiation, preparation, execution and delivery of this Agreement, the other documents contemplated hereunder for the consummation of the transactions contemplated by this Agreement, and the consummation of the transactions contemplated by this Agreement (such representation, the "Current Representation"), and (ii) Aird & Berlis LLP (or any successor) may represent the Shareholder Group or any member of the Shareholder Group or any director, shareholder, trustee, officer, or employee of the Shareholder Group, other than the Corporation, in each case in connection with any dispute, litigation, claim, proceeding or obligation arising out of

or relating to this Agreement, the documents and agreements contemplated hereunder and executed and delivered in connection with the consummation of the transactions contemplated by this Agreement, and the consummation of the transactions contemplated by this Agreement (any such representation, the “Post-Closing Representation”) notwithstanding the Current Representation (or any continued representation), and Buyer on behalf of itself, the Corporation and the other Waiving Parties hereby waive (and will not assert) any current conflict of interest or objection to the Post-Closing Representation arising from the Current Representation. Buyer on behalf of itself and the Corporation acknowledge that the foregoing provision applies whether or not Aird & Berlis LLP provides legal services to the Corporation after the Closing Date. Buyer, for itself, the Corporation and the other Waiving Parties, hereby acknowledges and agrees that all confidential communications between the Shareholder Group and their counsel, including Aird & Berlis LLP, made in connection with the negotiation, preparation, execution, delivery and performance under, or any dispute or proceeding arising out of or relating to, this Agreement, the other documents and agreements contemplated hereunder and executed and delivered in connection with the consummation of the transactions contemplated by this Agreement, the consummation of the transactions contemplated by this Agreement, or any matter relating to any of the foregoing, are privileged communications between the Shareholder Group and such counsel and none of Buyer, the Corporation, or any Person purporting to act on behalf of or through Buyer or the Corporation or any of the Waiving Parties, will seek to obtain the same by any process. If a dispute arises between Buyer and/or the Corporation and a third party other than a party to this Agreement after the Closing, the Corporation may assert solicitor-client or attorney-client privilege to prevent disclosure of privileged communications from Aird & Berlis LLP (or any successors) or Sellers to such third party.

(p) Protected Communications.

The Parties agree that, immediately prior to the Closing, without the need for any further action (i) all right, title and interest of the Corporation in and to all Protected Communications shall thereupon transfer to and be vested solely in the Sellers, and their successors in interest; and (ii) any and all protections from disclosure, including attorney client privileges and work product protections, associated with or arising from any Protected Communications that would have been exercisable by the Corporation shall thereupon be vested exclusively in the Sellers and their successors in interest and shall be exercised or waived solely as directed by the Sellers or their successors in interest. Neither the Corporation, the Buyer or any Person acting on any of their behalf shall, without the prior written consent of the Sellers or their successors in interest, assert or waive or attempt to assert or waive any such protection against disclosure, including, the attorney-client privilege or work product protection, or to obtain, use or disclose or attempt to obtain, use or disclose any Protected Communications in any manner, including in connection with the events and negotiations leading to this Agreement, any of the transactions contemplated by this Agreement or any disputes in connection therewith. The Sellers and their successors in interest shall have the right at any time prior to or following the Closing to remove, erase, delete, disable, copy or otherwise deal with any Protected Communications in whatever way they desire, and the Corporation and the Buyer shall provide full access to all Protected Communications in their possession or within their direct or indirect control and shall provide reasonable assistance at the expense of the Person requesting such assistance in order to give full force and effect to the rights of the Sellers and their successors in interest hereunder. As used herein, “Protected Communications” means, at any time, any and all communications in whatever form, whether

written, oral, video, electronic or otherwise, that shall have occurred between or among the Corporation, the Sellers, or any of their respective Affiliates, equityholders, directors, officers, employees, agents, representatives, advisors or attorneys (including the Advisors) to the extent relating to this Agreement, the events and negotiations leading to this Agreement, the transactions contemplated herein or any other potential sale, merger or transfer of control transaction involving the Corporation.

(q) Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, provincial, local, or non-Canadian statute or law shall be deemed to refer to such statute as amended from time to time, except as otherwise specified herein, and to all rules and regulations promulgated thereunder, unless the context requires otherwise. The words “hereof,” “hereunder,” “hereto” and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement unless otherwise specified. References to Articles, Sections, Exhibits, Appendices and Schedules are to Articles, Sections, Exhibits, Appendices and Schedules of this Agreement unless otherwise specified. The word “including” shall mean “including without limitation”. The word “or” shall not be deemed to be exclusive. The phrase “written notice” shall include written information delivered and received by facsimile and electronic mail. The Parties intend that each representation, warranty, and covenant contained herein (and the consequences under this Agreement for a breach of the same) shall have independent significance. If any Party has breached any representation, warranty, or covenant contained herein in any respect, the fact that there exists another representation, warranty, or covenant relating to the same subject matter (regardless of the relative levels of specificity) that the Party has not breached shall not detract from or mitigate the fact that the Party is in breach of the first representation, warranty, or covenant.

(r) Exhibits, Appendices and Schedules. The Exhibits, Appendices and Disclosure Schedule identified in this Agreement are incorporated herein by reference and made a part hereof as if set forth in their entirety herein.

(s) Counterparts.

This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one and the same agreement, and signatures delivered by facsimile (including computer-scanned, .pdf, or other electronic reproduction transmitted via facsimile, email or other electronic means) shall be effective as original signatures.

[Signature page follows]

EXECUTED to be effective as of the date hereof.

BUYER:

ERTH CORPORATION

By:  _____
Name: Chris White
Title: President & CEO

Digitally signed
by Chris White
Date:
2025.12.19
15:13:03 -05'00'

SELLERS:

The Corporation of the Town of Saugeen Shores

By: _____
Name:
Title:

By: _____
Name:
Title:

The Corporation of the Town of Hanover

By: _____
Name:
Title:

By: _____
Name:
Title:

EXECUTED to be effective as of the date hereof.

BUYER:

ERTH CORPORATION

By: _____

Name: Chris White

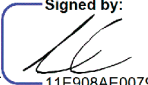
Title: President & CEO

SELLERS:

The Corporation of the Town of Saugeen Shores

12/23/2025 | 3:46:16 PM EST

Signed by:

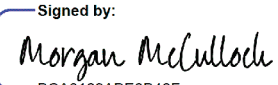
By:  _____

Name: Luke Charbonneau 11E908AE00794D2...

Title: Mayor

12/23/2025 | 4:14:37 PM EST

Signed by:

By:  _____

Name: Morgan McLulloch BCA0169ABE0B46F...

Title: Deputy Clerk

The Corporation of the Town of Hanover

By: _____

Name:

Title:

By: _____

Name:

Title:

EXECUTED to be effective as of the date hereof.

BUYER:

ERTH CORPORATION

By: _____

Name: Chris White

Title: President & CEO

SELLERS:

The Corporation of the Town of Saugeen Shores

By: _____

Name:

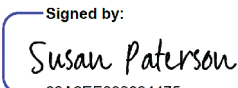
Title:

By: _____

Name:

Title:

The Corporation of the Town of Hanover

By: _____  _____
Signed by:
Susan Paterson
83A2EE803894475...

Name: Susan Paterson

Title: Mayor

By: _____  _____
Signed by:
wmcDonald@hanover.ca
9F24CE9074D04FD...

Name:

Title:

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto as of the first date written above.

BUYER:

ERTH Corporation

By: _____
Name:
Title:

SELLERS:

The Corporation of the Town of Saugeen Shores

By: _____
Name:
Title:

By: _____
Name:
Title:

The Corporation of the Town of Hanover

By: _____
Name:
Title:

By: Victoria McDonald
Name: VICTORIA MCDONALD
Title: MANAGER

The Corporation of the Municipality of Kincardine

Kenneth Craig

Signed with ConsignO Cloud (2025/12/20)
Verify with [verifio.com](https://www.verifio.com) or Adobe Reader.



By: _____

Name: Kenneth Craig

Title: Mayor

Jennifer Lawrie

Signed with ConsignO Cloud (2025/12/19)
Verify with [verifio.com](https://www.verifio.com) or Adobe Reader.



By: _____

Name: Jennifer Lawrie

Title: Clerk

The Corporation of the Municipality of Brockton

By: _____

Name:

Title:

By: _____

Name:

Title:

**The Corporation of the Municipality of South
Bruce**

By: _____

Name:

Title:

By: _____

Name:

Title:

The Municipality of Kincardine

By: _____

Name:

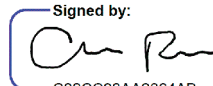
Title:

By: _____

Name:

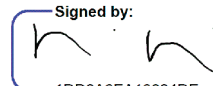
Title:

The Corporation of the Municipality of Brockton

Signed by:
By:  _____
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Name: Chris Peabody

Title: Mayor

Signed by:
By:  _____
1DD6A6EA10894DE...

Name: Fiona Hamilton

Title: Director of Legislative and Legal Services
(Clerk)

**The Corporation of the Municipality of South
Bruce**

By: _____

Name:

Title:

By: _____

Name:

Title:

The Municipality of Kincardine

By: _____

Name:

Title:

By: _____

Name:

Title:

The Corporation of the Municipality of Brockton

By: _____

Name:

Title:

By: _____

Name:


Title:


**The Corporation of the Municipality of South
Bruce**

By:  _____
Name: Mark Goetz
Title: Mayor

By:  _____
Name: Vivian Kennedy
Title: Clerk

The Corporation of the Towns of Minto

By: 
Name: Dave Turton
Title: Mayor

By: 
Name: Annilene McRobb
Title: Clerk

The Corporation of the Township of North Huron

By: _____
Name:
Title:

By: _____
Name:
Title:

The Corporation of the Township of Huron-Kinloss

By: _____
Name:
Title:

By: _____
Name:
Title:

FortisOntario Inc.

By: _____
Name:
Title:

The Corporation of the Towns of Minto

By: _____
Name:
Title:

By: _____
Name:
Title:

The Corporation of the Township of North Huron

By: Paul Heffer
Name: Paul Heffer
Title: Reeve

By: Corson Lamb
Name: Corson Lamb
Title: Clerk

The Corporation of the Township of Huron-Kinloss

By: _____
Name:
Title:

By: _____
Name:
Title:

FortisOntario Inc.

By: _____
Name:
Title:

The Corporation of the Towns of Minto

By: _____
Name:
Title:

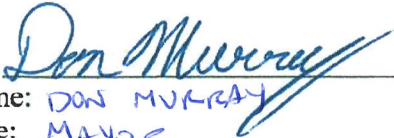
By: _____
Name:
Title:

**The Corporation of the Township of North
Huron**

By: _____
Name:
Title:

By: _____
Name:
Title:

**The Corporation of the Township of Huron-
Kinloss**

By:  _____
Name: DON MURRAY
Title: MAYOR

By: _____
Name:
Title:

FortisOntario Inc.

By: _____
Name:
Title:

The Corporation of the Towns of Minto

By: _____
Name:
Title:

By: _____
Name:
Title:

The Corporation of the Township of North Huron

By: _____
Name:
Title:

By: _____
Name:
Title:

The Corporation of the Township of Huron-Kinloss

By: _____
Name:
Title:

Signed by:
Dmurray@huronkinloss.com
3A598DE9939B4A2...

By: _____
Name: Jennifer White
Title: Manager of Legislative Services

Signed by:
Jennifer White
D444C73EFFCE4A4...

FortisOntario Inc.

By: _____
Name:
Title:

The Corporation of the Towns of Minto

By: _____
Name:
Title:

By: _____
Name:
Title:

The Corporation of the Township of North Huron

By: _____
Name:
Title:

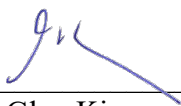
By: _____
Name:
Title:

The Corporation of the Township of Huron-Kinloss

By: _____
Name:
Title:

By: _____
Name:
Title:

FortisOntario Inc.

By:  _____
Name: Glen King
Title: President and Chief Executive Officer

Appendix 1

Definitions

“Actual 2025 Rate Base” means the actual rate base of the Corporation in Dollars for the 2025 fiscal year of the Corporation based upon the audited financial statements of the Corporation for such period.

“Actual Excess Cybersecurity Expenses” has the meaning set forth in Section 2 (f)(i).

“Advisor Fees Incurred” has the meaning set forth in Section 2 (d)(i)(F).

“Advisor Fees Payment” has the meaning set forth in Section 2 (d)(i)(F).

“Accounts Receivable” means the aggregate sum of all accounts receivable and other amounts due, owing or accruing due to the Corporation, net of an allowance for doubtful accounts calculated in accordance with IFRS.

“Adjustment Amount” has the meaning set forth in Section 2 (f)(v).

“Adjustment Holdback” has the meaning set forth in Section 2 (h).

“Advisors” has the meaning set forth in Section 2 (d)(i)(F).

“Advisor Fees” has the meaning set forth in Section 2 (d)(i)(F).

“Affiliate” means, with respect to any specified Person, any Person that, directly or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such specific Person.

“Agreement” has the meaning set forth in the preamble.

“Books and Records” means the books, ledgers, files, lists, reports, plans, logs, deeds, surveys, correspondence, operating records, Tax Returns and other data and information, including all data and information stored on computer-related or other electronic media, maintained with respect to the Corporation’s business.

“Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks in Toronto, Ontario are required or permitted to be closed.

“Buyer” has the meaning set forth in the preamble.

“Buyer Indemnified Parties” has the meaning set forth in Section 9 (a).

“Buyer LDC” means ERT Power Corporation, a wholly owned subsidiary of Buyer.

“Cap” has the meaning set forth in Section 9 (d).

“Cash” means the sum of cash and cash equivalents (plus uncollected bank deposits and less all outstanding cheques and drafts) of the Corporation.

“Claim” means any claim, demand, action, cause of action, suit, arbitration, investigation, proceeding, complaint, grievance, charge, prosecution, assessment or reassessment, including any appeal or application for review.

“Closing” has the meaning set forth in Section 2 (c).

“Closing Date” means the date (which shall be a Business Day) that is 30 days after the date on which the OEB issues the OEB Approval or such earlier or later date as may be agreed to in writing by the Parties.

“Closing Date Balance Sheet” has the meaning set forth in Section 2 (f)(i).

“Closing Date Cash” has the meaning set forth in Section 2 (f)(i).

“Closing Date Debt” has the meaning set forth in Section 2 (f)(i).

“Closing Date Net Regulatory Balance” has the meaning set forth in Section 2 (f)(i).

“Closing Date Unpaid Transaction Expenses” has the meaning set forth in Section 2 (f)(i).

“Closing Statement” has the meaning set forth in Section 2 (f)(i).

“Closing Working Capital Account Balance” means the excess of (i) current assets (excluding Cash) over (ii) accounts payable and other current liabilities of the Corporation as of the Effective Time, calculated in accordance with IFRS and in a manner consistent with the calculation of the Closing Working Capital Account Balance set forth in Exhibit A.

“Community Involvement Agreement” means the community involvement agreement among certain Sellers and the Buyer, in the form of Exhibit F hereto.

“Competition Act” means the *Competition Act* (Canada).

“Contract” means any agreement, understanding, undertaking, commitment, licence, or lease, whether written or oral.

“Control” (including the terms “Controlled by” and “under common Control with”) means, in relation to a Person, where (a) voting securities of such first-mentioned Person carrying more than fifty per cent (50%) of the votes for the election of directors are held, other than by way of security only, by or for the benefit of another Person; and (b) the votes carried by such securities are sufficient, if exercised, to elect a majority of the board of directors of the first-mentioned Person, such other Person shall Control such first-mentioned Person.

“Control Room” means a center for managing and monitoring utility services.

“Corporate Articles” means, as applicable, the certificate and articles of incorporation amalgamation of the applicable corporation and the certificates and articles of amendment of such corporation.

“Corporation” has the meaning set forth in the preamble.

“Confidential Information” means any information concerning the business and affairs of either of the Corporation that is not already generally available to the public (including the terms of this Agreement and any documents entered into or delivered in connection with this Agreement). Confidential Information shall not include: (a) any information which is or becomes publicly available by means other than unauthorized disclosure, (b) any information which has been disclosed to a party by any third person, provided that the party to whom such disclosure has been made does not have actual knowledge that such Person is prohibited from disclosing such information (either by reason of contractual, legal or fiduciary duty or obligation) or (c) information, the disclosure of which is required to be made by any Law or Governmental Authority or court (to the extent of the requirement).

“Confidentiality Agreement” has the meaning set forth in Section 8 (b).

“Controlling Party” has the meaning set forth in Section 9 (c)(ii).

“CTA” means the *Corporations Tax Act* (Ontario).

“Cybersecurity Budget” has the meaning set forth in Section 4 (c).

“Cybersecurity Expenses” means all costs, fees and expenses that are incurred and paid by the Corporation pursuant to the Cybersecurity Budget.

“Cybersecurity Requirements” means the OCSF control objectives identified in section 4 of the OCSS and any additional cybersecurity requirements mandated by the OEB pursuant to section 5.2 of the OCSS to be implemented by the Corporation prior to June 1, 2026.

“Debt” of any Person at any date, without duplication, means (a) all indebtedness of such Person for borrowed money; (b) all obligations of such Person for the deferred purchase price of property or services incurred in the Ordinary Course of Business; (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments; (d) all obligations, contingent or otherwise, of such Person in respect of bankers’ acceptances; (e) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person; (f) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any equity interests in such Person or any other Person or any warrants, rights or options to acquire such equity interests, valued, in the case of redeemable preferred interests, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends; (g) all obligations of such Person, contingent or otherwise, as an account party or applicant under acceptance, letter of credit or similar facilities in respect of obligations of the kind referred to in subsections (a) through (f) of this definition; (h) all guarantee or similar obligations of such Person in respect of obligations of the kind referred to in subsections (a) through (g) above or subsection (j) below; (i) all debt of any partnership, limited liability company or joint venture in which such Person is a general partner, member or a joint venturer, respectively (unless such Debt is expressly made non-recourse to such Person); (j) all obligations of such Person under outstanding vehicle leases and under any lease that is a capital lease under IFRS; and (k) all obligations or liabilities (including but not limited to any obligations or liabilities for services, labour, materials, equipment, or supplies, and any taxes, costs, expenses or fees related thereto) of such Person for any portion of any prepaid maintenance contracts which is uncompleted as of the

Effective Time but allocable to any revenues recognized by such Person as of or prior to the Effective Time; provided that Debt with respect to the Corporation shall not include any amounts included in (x) Transaction Expenses, or (y) the Closing Working Capital Account Balance.

“Deductible” has the meaning set forth in Section 9 (d).

“Departure Tax” means the liability for PILs arising under a deemed disposition under section 149(10) of the Tax Act.

“Deposit” has the meaning set forth in Section 2 (g).

“Disclosure Schedule” means the disclosure schedule attached hereto.

“Dollars” or “\$” means Canadian dollars (CAD), unless otherwise specified herein.

“EA” means the *Electricity Act, 1998* (Ontario).

“Easements” means all of the following real property interests: (i) all easements and rights of way, registered and unregistered; (ii) the right to use, traverse, enjoy or have access to, over, in or under any real property, whether public or private; and (iii) all permits, licences and permissions received, used or enjoyed in respect of any of the foregoing and any right or benefit in the nature or character of any of the foregoing.

“Employee Benefits” means:

- a) bonuses, vacation entitlements, commissions, fees, stock option plans, incentive plans, deferred compensation plans, profit-sharing plans, severance plans, termination pay plans, supplementary employment insurance plans and other similar benefits, plans or arrangements; and
- b) insurance, health, welfare, disability, pension, retirement, hospitalization, medical, prescription drug, dental, eye care and other similar benefits, plans or arrangements.

“Effective Date” has the meaning set forth in Section 10 (a).

“Effective Time” has the meaning set forth in Section 2 (c).

“Employees” means all personnel employed, engaged or retained by the Corporation, including any that are on medical or long-term disability leave, or other statutory or authorized leave or absence, but excluding independent contractors.

“Environment” means the ambient air, all layers of the atmosphere, all water including surface water and underground water, all land, all living organisms and the interacting natural systems that include components of air, land, water, living organisms and organic and inorganic matter, and includes indoor spaces.

“Environmental Approvals” is defined in Section 3 (c)(xxv)(B).

“Environmental Laws” means any Laws relating to the Environment and protection of the Environment, the regulation of chemical substances or products, health and safety including occupational health and safety, and the transportation of dangerous goods.

“Escrow Agreement” means the escrow agreement among the Buyer, the Sellers and Aird & Berlis LLP, executed as of the date hereof, in the form of Exhibit E hereto.

“Estimated 2025 Rate Base” means seventy-seven million, six hundred and ten thousand Dollars (\$77,610,000).

“Estimated Closing Date Cash” has the meaning set forth in Section 2 (f)(i).

“Estimated Closing Date Debt” has the meaning set forth in Section 2 (f)(i).

“Estimated Closing Date Net Regulatory Balance” has the meaning set forth in Section 2 (f)(i).

“Estimated Closing Date Unpaid Transaction Expenses” has the meaning set forth in Section 2 (f)(i).

“Estimated Closing Statement” has the meaning set forth in Section 2 (f)(i).

“Estimated Closing Working Capital Account Balance” has the meaning set forth in Section 2 (f)(i).

“Estimated Excess Cybersecurity Expenses” has the meaning set forth in Section 2 (f)(i).

“ETA” means Part IX of the *Excise Tax Act* (Canada).

“Excess Cybersecurity Expenses” means all Cybersecurity Expenses in excess of three-hundred thousand Dollars (\$300,000).

“Final Closing Statement” has the meaning set forth in Section 2 (f)(iv).

“Financial Statements” means the audited balance sheet and statement of income of the Corporation for the financial year ended December 31, 2024 including notes to the financial statements.

“Fixed Assets” means in respect of the Corporation, fixed assets, furniture, furnishings, parts, tools, personal property fixtures, plants, buildings, structures, erections, improvements, appurtenances, machinery, equipment, substations, transformers, vaults, distribution lines, transmission lines, conduits, ducts, pipes, wires, rods, cables, fibre optic strands, devices, appliances, material, poles, pipelines, fittings and any other similar or related item, excluding work-in-progress.

“Fixed Swap Adjustment” means two million, five-hundred thousand Dollars (\$2,500,000).

“Fraud” means any actual or intentional fraud or criminal conduct on the part of a party, and shall exclude any other fraud theories such as fraudulent misrepresentation, intentional misrepresentation, willful misconduct or constructive fraud on the part of the party and further

provided that any statement, representation or omission made negligently or recklessly shall not constitute “Fraud” solely as a result of having been made negligently or recklessly.

“Fundamental Representations” has the meaning set forth in Section 9 (d).

“Gap Assessment Report” means the OCSF Gap Assessment Report prepared by MNP Digital for the Corporation dated November 18, 2025.

“Governmental Authority” means any domestic or foreign government, whether federal, provincial, state, local, municipal, foreign or other government or quasi-governmental body, governmental authority, regulatory or administrative agency, or any department, agency, commission, board, subdivision, bureau, instrumentality, court or other tribunal or arbitral body of any of the foregoing, or any person exercising or entitled to exercise any legislative, judicial, quasi-judicial, administrative, executive, investigative, regulatory, licensing, expropriation or taxing authority or power.

“Governmental Order” means any order, judgment, injunction, decree, writ, stipulation, determination or award, in each case, entered by or with any Governmental Authority.

“Hazardous Substance” means any substance, waste, liquid, gaseous or solid matter, fuel, micro-organism, sound, vibration, ray, heat, odour, radiation, energy vector, plasma, organic or inorganic matter which is or is deemed to be, alone or in any combination, hazardous, hazardous waste, solid or liquid waste, toxic, a pollutant, a deleterious substance, a contaminant or a source of pollution or contamination, regulated by any Environmental Laws.

“IESO” means the Independent Electricity System Operator.

“IFRS” means International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee in effect at the relevant time, applied on a consistent basis.

“Income Tax” means any federal, provincial, local or non-Canadian income tax, including any interest, penalty, or addition thereto, whether disputed or not.

“Income Tax Return” means any return, declaration, report, claim for refund, or information return or statement relating to Income Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“Indemnified Party” has the meaning set forth in Section 9 (c)(i).

“Indemnified Taxes” means (a) Taxes (or the nonpayment thereof) of the Corporation (or any of their Affiliates) for any Pre-Closing Tax Period, (b) all Taxes, for Pre-Closing Tax Periods, of any member of an affiliated, consolidated, combined or unitary group of which the Corporation (or any predecessor of any of the foregoing) is or was a member on or prior to the Closing Date, and (c) any and all Taxes of any Person (other than the Corporation), for Pre-Closing Tax Periods, imposed on the Corporation as a transferee or successor, by contract or pursuant to any law, rule, or regulation, which Taxes relate to an event or transaction occurring before the Closing, but excluding Transfer Tax and Departure Tax.

“Indemnifying Party” has the meaning set forth in Section 9 (c)(i).

“Independent Accountant” has the meaning set forth in Section 2 (f)(iv).

“Insurance Policies” means, as applicable, the insurance policies maintained with respect to the Corporation’s business.

“Intellectual Property” means trade-marks and trade-mark applications, trade names, certification marks, patents and patent applications, copyrights, domain names, industrial designs, trade secrets, know-how, formulae, processes, inventions, technical expertise, research data and other similar property, all associated registrations and applications for registration, and all associated rights, including moral rights.

“Knowledge of Sellers” or “Sellers’ Knowledge” means the actual knowledge of any Walter Malcolm or Volod Ivanov (including information about which such Persons have received written notice), or the knowledge that any such Person would reasonably be expected to obtain in the course of performing their respective duties for the Corporation (including information any such Person should have acquired after reasonable due inquiry of employees that report to any of them, provided that reasonable due inquiry does not require carrying out any: (a) patent or other form of intellectual property search or (b) environmental report, assessment or audit).

“Law” means any statute, law, ordinance, rule, regulation, or Governmental Order, in each case, of any Governmental Authority.

“Leased Premises” means all of the lands and premises which are leased by the Corporation.

“Liability” or “Liabilities” means any liability or obligation of whatever kind or nature (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or un-acrued, whether liquidated or unliquidated, and whether due or to become due), including any liability or obligation for Taxes, court costs, or attorneys’ fees.

“Lien” means any mortgage, pledge, lien, encumbrance, charge, assignment, option, security interest, third party interest, trust, right of first refusal, pre-emptive right, or other claim, other than (a) liens for Taxes not yet due and payable and (b) other immaterial liens arising in the Ordinary Course of Business and not incurred in connection with the borrowing of money.

“Local Designate” has the meaning set forth in Section 8 (e)(iii).

“Losses” means any damages, dues, penalties, fines, costs, amounts paid in settlement, Liabilities, obligations, Taxes, liens, losses, expenses, and fees, including court costs and legal fees and expenses, in each case, regardless of whether any of the foregoing arise in relation to disputes between the Parties (for example, in connection with the enforcement of this Agreement and the legal-fee shifting provisions herein) or arise in relation to matters between any Party and a third party, in each case, whether resulting from actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees and/or, rulings.

“Material Adverse Effect” or “Material Adverse Change” means any effect or change which is materially adverse to the operations, results of operations, assets, liabilities or condition (financial

or otherwise) of the Corporation, other than as a result of: (i) changes generally affecting the Canadian economy or the global economy; (ii) changes generally affecting electricity distribution industry which do not have a materially disproportionate effect on the Corporation relative to other participants in the energy distribution industry; (iii) the rate at which Canadian dollars can be exchanged for United States dollars or vice versa; (iv) the announcement or pendency of the transactions contemplated hereunder; (v) changes in applicable Law; (vi) changes in IFRS or regulatory principles applicable to the Corporation; (vii) epidemic, pandemic or disease outbreak (including Covid-19); or (viii) the imposition of or increase in tariffs, duties, or taxes imposed by a Governmental Authority . Reference in certain sections of this Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretive for purposes of determining whether a Material Adverse Change has occurred or whether a state of facts exists that has or could have a Material Adverse Effect.

“Material Contract” means a Contract in respect of the Corporation’s business:

- a) that involves or may result in the payment of money or money’s worth in an amount in excess of \$250,000 (excluding any collective bargaining agreements or employment agreements); or
- b) the termination of which, or under which the loss of rights, would constitute a Material Adverse Effect.

“Net Regulatory Balance” means the sum of the regulatory balance categories identified in the Financial Statements, calculated in accordance with IFRS and in a manner consistent with past accounting practice, and consisting of the regulatory assets minus the regulatory liabilities.

“OCSF” means version 1.1 of the OEB’s Ontario Cyber Security Framework.

“OCSS” means version 3.1 of the OEB’s Ontario Cyber Security Standard.

“OEB” means the Ontario Energy Board.

“OEB Act” means the *Ontario Energy Board Act, 1998*.

“OEB Approval” means the approval of the OEB pursuant to the OEB Act in respect of the transactions contemplated by this Agreement, pursuant to section 86(2).

“OMERS” means the Ontario Municipal Employees Retirement System.

“Ordinary Course of Business” means the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency).

“Owned Lands” means all of the lands and premises which are owned by the Corporation.

“Party” or “Parties” has the meaning set forth in the preamble.

“PCBs” is defined in (c)(xxv)(K).

“Permits” means the authorizations, registrations, permits, certificates of approval, approvals, grants, licences, quotas, consents, commitments, rights or privileges (other than those relating to the Intellectual Property) issued or granted by any Governmental Authority to the Corporation.

“Permitted Liens” means:

- a) liens for municipal Taxes, assessments or similar charges incurred in the Ordinary Course of Business that are not yet due and payable;
- b) inchoate mechanic’s, construction and carrier’s liens and other similar liens arising by operation of law or statute in the Ordinary Course of Business for obligations which are not delinquent and will be paid or discharged in the Ordinary Course of Business;
- c) unregistered Encumbrances of any nature claimed or held by His Majesty The King in Right of Canada, His Majesty The King in right of the Province of Ontario or by any Governmental Authority under any applicable Law, except for unregistered liens for unpaid realty Taxes, assessments and public utilities;
- d) title defects which are of a minor nature and in the aggregate, do not materially impair the value or use of any of the Owned Lands or Leased Premises;
- e) any right of expropriation conferred upon, reserved to or vested in His Majesty The King in Right of Canada, His Majesty The King in right of the Province of Ontario or any Governmental Authority under any applicable Law;
- f) zoning restrictions, easements and rights of way or other similar Encumbrances or privileges in respect of real property which in the aggregate, do not materially impair the value or use of any of the Owned Lands, Leased Premises or Easements;
- g) Liens created by others upon other lands over which there are easements, rights-of-way, licences or other rights of user in favour of the Owned Lands, Leased Premises or Easements and which do not materially impede the use of the easements, rights-of-way, licences or other rights of user for the purposes for which they are held;
- h) the reservations, limitations, provisos, conditions, restrictions and exceptions in the letters patent or grant, as the case may be, from the Crown and statutory exceptions to title;
- i) those instruments registered on title to the Owned Lands or against the leasehold interest in the Leased Premises and described in the Disclosure Schedule;
- j) all encroachments, overlaps, overhangs, unrecorded servitudes and easements, variations in area or measurement, rights of parties in possession, lack of access or any other matters not of record that would be disclosed by an accurate survey or physical inspection of the Owned Lands or Leased Premises and that do not materially interfere with or affect the value or operation of the Corporation's business as currently carried on at such Owned Lands or Leased Premises; and

- k) and any other encumbrances affecting the Owned Lands or the Leased Premises provided same are not, individually or in the aggregate, material to the business of the Corporation and do not materially impair the use or value of the Owned Lands or the Leased Premises.

“Person” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, any other business entity, or a Governmental Authority.

“Personal Information” means any information about an identifiable individual (other than any information that is used for the purpose of communicating or facilitating communication with an individual in relation to their employment, business or profession such as the individual’s name, position name or title, work address, work telephone number, work fax number or work electronic address).

“PILs” means payment in lieu of corporate taxes required to be made under Section 93 of the EA.

“Pre-Closing Tax Period” means any Tax period that ends on or prior to the Effective Date and the portion of any Straddle Period ending on the Effective Date.

“Privacy Laws” means any Laws that regulate the collection, use or disclosure of Personal Information.

“Pro Rata Share” has the meaning set forth in Section 2 (b).

“Protected Communications” has the meaning set forth in Section 13 (p).

“Purchase Price” has the meaning set forth in Section 2 (b).

“Real Property Leases” means the leases between the Corporation, and each landlord party thereto, and all amendments to those leases, relating to the leasing of Leased Premises.

“Release” means to release, spill, leak, pump, pour, emit, empty, discharge, deposit, inject, leach, dispose, dump or permit to escape.

“Remedial Order” means any remedial order, including any notice of non-compliance, order, other complaint, direction or sanction issued, filed or imposed by any Governmental Authority pursuant to Environmental Laws, with respect to the existence of Hazardous Substances on, in or under Owned Lands or Leased Premises, or the Release of any Hazardous Substance from, at or on the Owned Lands or Leased Premises or with respect to any failure or neglect to comply with Environmental Laws.

“Representatives” means the Affiliates of any Person, and the advisors, agents, consultants, directors, officers, management, employees, subcontractors, and other representatives, including accountants, auditors, financial advisors, lenders and lawyers of any Person and of that Person’s Affiliates.

“Resolution Period” has the meaning set forth in Section 2 (f)(iii).

“Review Period” has the meaning set forth in Section 2 (f)(iii).

“Securities” has the meaning given to that term in the *Securities Act* (Ontario).

“Sellers” has the meaning set forth in the recitals.

“Seller Indemnified Parties” has the meaning set forth in Section 9 (b).

“Service Territory” means the licensed distribution service territory of the Corporation immediately prior to the Closing Date.

“Shares” has the meaning set forth in the recitals.

“Straddle Period” has the meaning set forth in Section 10 (a).

“Subsidiary” or “Subsidiaries” means, with respect to any Person (the “parent”) at any date, (a) any other Person the accounts of which would be consolidated with those of the parent in the parent’s consolidated financial statements if such financial statements were prepared in accordance with IFRS as of such date, (b) any Person, a majority of whose outstanding equity securities or voting securities, or other ownership interests therein, shall at any time be owned by such parent or one or more Subsidiaries of such parent and (c) any partnership (whether general or limited) or limited liability company (i) the sole general partner or member of which is such parent or a Subsidiary of such parent, or (ii) if there is more than a single general partner or member, either (A) the only managing general partners or managing members of which are such parent or one or more Subsidiaries of such parent or (B) such parent owns or controls, directly or indirectly, a majority of the outstanding general partner interests, member interests or other voting securities of such partnership or limited liability company, respectively.

“TA” means the *Taxation Act, 2007* (Ontario).

“Target Working Capital Account Balance” means the working capital allowance (as that term is used in the OEB’s Handbook for Utility Rate Applications dated October 13, 2016) of the Corporation for 2025 and consisting of a dollar amount equal to 7.5% of total operating expenses plus the cost of power, all as set out in the Financial Statements.

“Tax” or “Taxes” means PILs, and all taxes, duties, fees, premiums, assessments, imposts, levies, rates, withholdings, dues, government contributions and other charges of any kind whatsoever, whether direct or indirect (including all income, capital gains, excise, use, property, capital, goods and services, business transfer and value added taxes, all customs and import duties, workers’ compensation premiums, Canada Pension Plan premiums, employment insurance premiums, and debt retirement charges pursuant to Part V.1 of the EA and special payments pursuant to Part VI of the EA), together with all interest, penalties, fines, additions to tax or other additional amounts, imposed by any Governmental Authority.

“Tax Act” means the *Income Tax Act* (Canada).

“Tax Contest” has the meaning set forth in Section 10 (g).

“Tax Law” means any Law that imposes Taxes or that deals with the administration or enforcement of liabilities for Taxes.

“Tax Return” means any return, report, declaration, designation, election, undertaking, waiver, notice, filing, information return, statement, form, certificate or any other document or materials relating to Taxes, including any related or supporting information with respect to any of those documents or materials listed above in this definition, filed or to be filed with any Governmental Authority in connection with the determination, assessment, collection or administration of Taxes, including those required pursuant to Parts V.1 and VI of the EA.

“Third-Party Claim” has the meaning set forth in Section 9 (c)(i).

“Transaction Expenses” means, without duplication, to the extent not paid prior to the Effective Date, all fees, costs and expenses (including all legal fees and expenses, all fees and expenses payable to any broker, advisor or finder on behalf of the Corporation, and all fees and expenses of any audit firm or accountants) that have been incurred by the Corporation in connection with the transactions contemplated herein, but excluding the Advisor Fees Incurred to a maximum of [REDACTED]

“Transfer Costs” has the meaning set forth in Section 10 (e).

“Transfer Tax” means the tax payable pursuant to Section 94 of the EA.

“Unionized Employees” has the meaning set forth in Section 8 (e)(ii).

* * * * *

Appendix 2
Specified Consents and Releases

Nil.

Exhibit A

Working Capital Account Balance

The Working Capital Account Balance is calculated as follows:

- accounts receivable
- plus unbilled revenues
- plus income tax receivable, including PILs
- plus materials and supplies
- plus prepaid expenses
- less accounts payable and accrued liabilities
- less income tax liability, including PILs, but expressly excluding Transfer Tax and Departure Tax
- less customer deposits

Exhibit B

Historical Financial Statements



Financial Statements of

Westario Power Inc.

Year ended December 31, 2024



KPMG LLP
120 Victoria Street South
Suite 600
Kitchener, ON N2G 0E1
Canada
Telephone 519 747 8800
Fax 519 747 8811

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Westario Power Inc.

Opinion

We have audited the financial statements of Westario Power Inc. (the Entity), which comprise:

- the statement of financial position as at December 31, 2024
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2024, and its financial performance and its cash flows for the for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

April 22, 2025

WESTARIO POWER INC.

Statement of Financial Position

December 31, 2024 with comparative information for December 31, 2023

	Note	December 31, 2024	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents		\$ 2,317,758	\$ -
Accounts receivable	5	5,216,552	5,304,375
Due from shareholders	21	327,689	400,482
Unbilled revenue		6,020,575	5,088,746
Income taxes receivable		124,930	465,297
Materials and supplies	6	208,381	183,897
Prepaid expenses		376,653	376,126
Total current assets		14,592,538	11,818,923
Non-current assets			
Property, plant and equipment	7	80,539,430	73,048,159
Intangible assets	8	2,338,372	2,374,548
Long-term asset	9	189,793	230,675
Interest rate swap	13	1,589,865	89,836
Total non-current assets		84,657,460	75,743,218
Total assets		99,249,998	87,562,141
Regulatory balances	11	9,980,797	10,453,933
Total assets and regulatory balances		\$ 109,230,795	\$ 98,016,074

See accompanying notes to the financial statements.

WESTARIO POWER INC.

Statement of Financial Position

December 31, 2024 with comparative information for December 31, 2023

	Note	December 31, 2024	December 31, 2023
Liabilities			
Current liabilities			
Bank indebtedness	22	\$ -	\$ 1,033,553
Accounts payable and accrued liabilities	12	8,414,957	7,559,706
Due to shareholders	21	19,471	36,121
Long-term debt due within one year	13	2,979,512	2,606,042
Customer deposits		2,740,498	1,887,978
Total current liabilities		14,154,438	13,123,400
Non-current liabilities			
Long-term debt	13	33,663,110	29,423,085
Post employment benefits	14	268,429	302,336
Deferred revenue		6,296,778	5,565,038
Deferred tax liabilities	10	6,591,000	5,618,000
Total non-current liabilities		46,819,317	40,908,459
Total liabilities		60,973,755	54,031,859
Equity			
Share capital	15	18,269,167	18,269,167
Retained earnings		28,003,300	24,857,343
Accumulated other comprehensive income (loss)		(58,255)	(81,159)
Total equity		46,214,212	43,045,351
Total liability and equity		107,187,967	97,077,210
Regulatory balances	11	2,042,828	938,864
Total liabilities, equity and regulatory balances		\$ 109,230,795	\$ 98,016,074

Commitments and contingencies (notes 7 and 20)

See accompanying notes to the financial statements.

On behalf of the Board:

_____ Director

_____ Director

WESTARIO POWER INC.

Statement of Comprehensive Income

Year ended December 31, 2024, with comparative information for 2023

	Note	2024	2023
Revenue			
Sale of energy		59,394,393	56,062,047
Distribution revenue		12,491,232	12,283,040
Other	16	1,089,594	825,524
		72,975,219	69,170,611
Operating expenses			
Cost of power purchased		57,283,292	54,209,750
Employee salaries and benefits	17	3,515,329	2,746,959
Operating expenses	18	3,801,126	4,052,360
Depreciation and amortization		2,239,962	2,076,743
		66,839,709	63,085,812
Income from operating activities		6,135,510	6,084,799
Finance income	19	347,745	331,095
Finance costs	19	(1,760,227)	(1,597,363)
Unrealized gain on interest rate swap		1,500,029	1,016,682
Income before income taxes		6,223,057	5,835,213
Income tax expense	10	1,094,000	1,046,000
Net income for the year		5,129,057	4,789,213
Net movement in regulatory balances, net of tax	11	(2,111,100)	(1,896,932)
Income tax expense	10	528,000	740,000
Net income for the year and net movement in regulatory balances		3,545,957	3,632,281
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Re-measurement of post-employment benefits	14	22,904	-
Tax on re-measurements	10	(6,000)	-
Net movement in regulatory balances, net of tax	11	6,000	-
Other comprehensive income for the year		22,904	-
Total comprehensive income for the year		3,568,861	3,632,281

See accompanying notes to the financial statements.

WESTARIO POWER INC.

Statement of Changes in Equity

Year ended December 31, 2024, with comparative information for 2023

	Share capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at January 1, 2023	\$ 18,269,167	\$ 21,625,062	\$ (81,159)	\$ 39,813,070
Net income and net movement in regulatory balances	-	3,632,281	-	3,632,281
Other comprehensive income	-	-	-	-
Dividends	-	(400,000)	-	(400,000)
Balance at December 31, 2023	\$ 18,269,167	\$ 24,857,343	\$ (81,159)	\$ 43,045,351
Balance at January 1, 2024	\$ 18,269,167	\$ 24,857,343	\$ (81,159)	\$ 43,045,351
Net income and net movement in regulatory balances	-	3,545,957	-	3,545,957
Other comprehensive income	-	-	22,904	22,904
Dividends	-	(400,000)	-	(400,000)
Balance at December 31, 2024	\$ 18,269,167	\$ 28,003,300	\$ (58,255)	\$ 46,214,212

See accompanying notes to the financial statements.

WESTARIO POWER INC.

Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	Note	2024	2023
Operating activities			
Net income and net movement in regulatory balances		\$ 3,545,957	\$ 3,632,281
Adjustments for:			
Depreciation and amortization	7/8	2,239,962	2,076,743
Amortization of deferred revenue	16	(155,433)	(122,675)
Post-employment benefits	14	(23,007)	(22,081)
Loss on disposal of property, plant, and equipment		56,086	148,153
Unrealized gain on interest rate swap		(1,500,029)	(1,016,682)
Net finance costs		1,412,482	1,266,268
Interest on income tax reassessment		-	(8,785)
Income tax expense		1,094,000	1,046,000
		6,670,018	6,999,222
Changes in non-cash operating working capital:			
Accounts receivable		87,823	(1,238,715)
Due to/from related parties		56,143	(18,760)
Unbilled revenue		(931,829)	393,263
Materials and supplies		(24,484)	(48,003)
Prepaid expenses and long-term asset		40,355	(266,708)
Accounts payable and accrued liabilities		855,251	(929,221)
Long term lease obligation		-	(6,317)
Customer deposits		852,520	128,070
		935,779	(1,986,391)
Regulatory balances		1,583,100	1,156,932
Income tax paid		213,368	-
Interest expensed	19	(1,748,223)	(1,597,363)
Interest received	19	347,745	331,095
Net cash from operating activities		8,001,787	4,903,495
Investing activities			
Purchase of property, plant and equipment	7	(9,788,557)	(8,557,133)
Proceeds on disposal of property, plant and equipment		48,706	707
Purchase of intangible assets	8	(11,293)	(122,876)
Net cash used by investing activities		(9,751,144)	(8,679,302)
Financing activities			
Dividends paid		(400,000)	(400,000)
Contributions received from customers		887,173	1,182,147
Issuance of long-term debt	13	12,800,000	8,447,502
Repayment of long-term debt	13	(8,186,505)	(2,246,799)
Net cash from financing activities		5,100,668	6,982,850
Increase in cash		3,351,311	3,207,043
Bank indebtedness, beginning of the year		(1,033,553)	(4,240,596)
Cash (bank indebtedness), end of the year		\$ 2,317,758	(1,033,553)

See accompanying notes to the financial statements.

WESTARIO POWER INC.

Notes to Financial Statements
Year ended December 31, 2024 and 2023

1. Reporting entity

Westario Power Inc. (the "Corporation") is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Corporation is located in the Town of Walkerton of the Municipality of Brockton. The address of the Corporation's registered office is 24 Eastridge Road, Walkerton, Ontario.

The Corporation delivers electricity and related energy services to residential and commercial customers in the following communities, specifically:

- The Township of Huron-Kinloss (Villages of Ripley and Lucknow)
- The Municipality of Kincardine (Kincardine Ward 1)
- The Municipality of South Bruce (Villages of Mildmay and Teeswater)
- The Town of Saugeen Shores (Towns of Port Elgin and Southampton)
- The Township of North Huron (Town of Wingham)
- The Municipality of Brockton (Town of Walkerton and Village of Elmwood)
- The Town of Hanover (Town of Hanover)
- The Town of Minto (Towns of Harriston and Palmerston, Village of Clifford)
- The Municipality of West Grey (Village of Neustadt)

The Corporation is owned generally by the communities they serve, specifically:

- The Township of Huron-Kinloss
- The Municipality of Kincardine
- The Municipality of South Bruce
- The Town of Saugeen Shores
- The Township of North Huron
- The Municipality of Brockton
- The Town of Hanover
- The Town of Minto
- FortisOntario Inc.

The financial statements are for the Corporation as at and for the year ended December 31, 2024.

2. Basis of presentation

(a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS").

The financial statements were approved by the Board of Directors on April 22, 2025.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

2. Basis of presentation (continued)

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

(d) Use of estimates

The preparation of the Corporation's Financial Statements in accordance with IFRS requires management to make judgments, estimates and assumptions which affect the application of accounting policies, reported assets, liabilities and regulatory balances, disclosure of contingent assets and liabilities at the date of the Financial Statements, and the reported revenues and expenses for the year. The estimates are based on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities as well as for identifying and assessing the accounting treatment with respect to commitments and contingencies. Actual results could differ from those estimates, including changes as a result of future decisions made by the OEB, the IESO, the Ontario Ministry of Energy, or the Ontario Ministry of Finance. Due to current uncertain economic conditions, the estimates and judgments made by management in the preparation of the Corporation's Financial Statements are subject to uncertainty. Management has analyzed the impact of the uncertain economic conditions on its estimates and adjusted the expected credit loss allowance as at December 31, 2024. The extent of the future impact of the uncertain economic conditions on the Corporation's financial results and business operations is not known at this time.

Information about judgments in applying accounting policies that have the most material effects on the amounts recognized in the financial statements is included in note 3(j) relating to recognition of regulatory balances and note 3(c) relating to principal versus agent determination for recording revenue on a gross or net basis.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Assumptions and estimates that have the most significant effect on the amounts recognized in these financial statements are included in the following notes:

- (I) Note 3(c) – Revenue recognition - measurement of unbilled revenue
- (II) Note 3(c) – Determination of the performance obligations for contributions from customers and the related amortization period
- (III) Notes 3(e), 3(f), 7, 8 – Determination of useful lives of its property, plant and equipment and intangible assets
- (IV) Note 11 – Recognition and measurement of regulatory balances
- (V) Note 14 – Measurement of defined benefit obligations: key actuarial assumptions
- (VI) Note 20 – Recognition and measurement of provisions and contingencies
- (VII) Note 22 (b) – Estimation for impairment of doubtful accounts, based on the lifetime expected credit losses

2. Basis of presentation (continued)

(e) Rate regulation

The Corporation is regulated by the Ontario Energy Board (“OEB”), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies (“LDCs”), such as the Corporation, which may include among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

Rate setting

Distribution revenue

For the distribution revenue included in sale of energy, the Corporation files a “Cost of Service” (“COS”) rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholders’ equity required to support the Corporation’s business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism application (“IRM”) is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year’s rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflation for Final Domestic Demand (“GDP IPI-FDD”) net of a productivity factor and a “stretch factor” determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

The Corporation filed a Cost of Service application on November 23, 2023, for rates effective April 1, 2024 to December 31, 2024, with annual IRM filed in 2024 for effective rates starting January 1, 2025. The OEB issued a Decision to approve the Corporation’s 2025 rates on December 19, 2024.

Electricity rates

The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

3. Material accounting policies

The accounting policies set out below have been applied consistently in all years presented in these financial statements:

(a) Financial instruments

All financial assets and financial liabilities are classified as “Amortized cost”. These financial instruments are recognized initially at fair value adjusted for any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets. The fair value of the financial instrument is the amount of consideration that would be agreed upon in an arm’s length transaction between willing parties.

The corporation uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which carrying amounts are included in the balance sheet:

- Cash and cash equivalents are classified as “Amortized cost” and are initially measured at fair value. The carrying amounts approximate fair value due to the short maturity of these instruments.
- Accounts receivable and unbilled revenue are classified as “Amortized cost” and are initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method, less expected credit loss allowance. The carrying amounts approximate fair value due to the short maturity of these instruments.
- Long-Term Debt and Bank indebtedness credit facilities are classified as “Amortized cost” and are initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The carrying amounts approximate fair value due to the maturity of these instruments.
- Accounts payable are classified as “Amortized cost” and are initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The carrying amounts approximate fair value due to the short maturity of these instruments.
- Customer deposits are classified as “Amortized cost” and are initially measured at fair value. Subsequent measurements are recorded at cost plus accrued interest. The carrying amounts approximate fair value considering interest accrued on the outstanding balance.
- Derivatives are initially measured at fair value; any directly attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and change therein are recognized in the statement of comprehensive income.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

3. Material accounting policies (continued)

(b) Fair Value measurements

The Corporation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A fair value hierarchy exists that prioritizes observable and unobservable inputs used to measure fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Corporation's assumptions with respect to how market participants would price an asset or liability. The fair value hierarchy includes three levels of inputs that may be used to measure fair value:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis;
- Level 2: Other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3: Unobservable inputs, supported by little or no market activity, used to measure the fair value of the assets or liabilities to the extent that observable inputs are not available.

Hedge accounting has not been used in the preparation of these financial statements.

(c) Revenue recognition

Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Corporation has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of the power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges were recorded on a net basis as the Corporation is acting as an agent for this billing stream.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

3. Material accounting policies (continued)

(c) Revenue recognition (continued)

Capital contributions

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Certain customers are also required to contribute towards the capital cost of the construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to the distribution system in order to receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

Other revenue

Revenue earned from the provision of services is recognized as the performance obligations are met. Amounts received in advance of these milestones are presented as deferred revenue.

(d) Materials and supplies

Materials and supplies, the majority of which is consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on a weighted average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

(e) Property, plant, and equipment

Items of property, plant, and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets may be capitalized as part of the cost of the asset based on the weighted average cost of debt incurred on the Corporation's borrowings. Qualifying assets are considered to be those that take in excess of twelve months to construct.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

3. Material accounting policies (continued)

(e) Property, plant, and equipment (continued)

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Corporation has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

3. Material accounting policies (continued)

(e) Property, plant and equipment (continued)

The estimated useful lives are as follows:

	Years
Buildings	50
Distribution stations	45
Distribution lines, overhead	65
Distribution lines, underground	60
Distribution equipment	45 – 60
Distribution transformers	40
Meters	15 – 35
Communications equipment	10
Computer equipment	5
Office furniture	10
Tools and garage equipment	10
Trucks	10 - 15

(f) Intangible assets

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, less accumulated amortization. All other intangible assets are measured at cost.

Computer software that is acquired or developed by the Corporation after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

	Years
Computer software	5

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

3. Material accounting policies (continued)

(g) Impairment

(i) Accounts receivable and unbilled revenue.

Accounts receivable are recorded at the invoiced amount and overdue amounts bear interest at OEB-approved rates. Unbilled revenue is recorded based on an estimated amount for electricity delivered and for the other services provided and not yet billed. The estimate is primarily based on the customers' previous billings with adjustments mainly for assumptions related to seasonality and weighted average price. The carrying amount of accounts receivable and unbilled revenue is reduced through a loss allowance, if applicable, and the amount of the related impairment loss is recognized in the statement of income. The impairment loss is the difference between an asset's carrying amount and the estimated future cash flows. When the Corporation considers that there are no realistic prospects of recovery of the financial assets, the relevant amounts are written off. If the amount of impairment loss subsequently decreases due to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through net income.

Accounts receivable and unbilled revenue are assessed at each reporting date to determine whether there is objective evidence of impairment, which includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, and adverse changes in the payment status of borrowers or issuers. Accounts receivable and unbilled revenue that are not individually assessed for impairment are collectively assessed for impairment by grouping together receivables with similar risk characteristics, and the Corporation considers historical trends on the timing of recoveries and the amount of loss incurred, adjusted for forward-looking factors specific to the current economic and credit conditions.

The Corporation measures the expected credit loss allowance at an amount equal to the lifetime expected credit losses for all trade receivables that result from transactions with customers and do not contain a significant financing component. Amounts are calculated separately for exposures based on customer account status. The Corporation also adjusts the expected credit loss allowance in efforts to account for current economic conditions and events (including forward-looking macroeconomic data) and historical information (including credit agency reports, if available) (note 22). The Corporation considers the reasons for the account being past due, the characteristics of existing accounts, reasonable and supportable forecasts and other considerations that may affect the collectability of the reported amounts.

(ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

3. Material accounting policies (continued)

(g) Impairment (continued)

(ii) Non-financial assets (continued)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a prorated basis, if applicable.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Customer deposits

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

(i) Regulatory balances

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

3. Material accounting policies (continued)

(i) Regulatory balances (continued)

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB. Any resulting impairment loss is recognized in profit or loss in the year incurred.

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

(j) Post-employment benefits

(i) Pension plan

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System (“OMERS”). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (“the Fund”) and provides pensions for employees of Ontario municipalities, local boards, and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an underfunded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Corporation is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

(ii) Post-employment benefits, other than pension

The Corporation provides some of its retired employees with life insurance and medical benefits beyond those provided by government-sponsored plans. The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management’s best estimate of certain underlying assumptions. Re-measurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss as part of operating expenses.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

3. Material accounting policies (continued)

(k) Finance income and finance costs

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents.

Finance costs comprise interest expense on borrowings, finance lease obligations and unwinding of the discount on provisions. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

(l) Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the Electricity Act, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial

Corporation ("OEFEC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts 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. Payments in lieu of taxes are referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits, and temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

4. New accounting standards

(a) Changes in accounting standards

The International Accounting Standards Board (IASB) has issued the following Standards, Interpretations and Amendments to Standards that were adopted by the Corporation effective January 1, 2024:

- a. Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- b. Non-current Liabilities with Covenants (Amendments to IAS 1)
- c. Lease Liability in sale and leaseback transactions (Amendments to IFRS 16)
- d. Supplier finance arrangements (Amendments to IAS 7 and IFRS 7)

The amendments did not have a material impact on the financial statements.

(b) Future accounting pronouncements

At the date of authorization of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Corporation and it is still to be determined if any will have a material impact on the Corporation's financial statements.

- a. Lack of Exchangeability (Amendments to IAS 21)
- b. Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)
- c. Presentation and disclosure in financial statements (IFRS 18)
- d. Subsidiaries without public accountability disclosures (IFRS 19)
- e. Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)

5. Accounts receivable

	2024	2023
Trade receivables	\$ 5,067,672	\$ 5,032,401
Other trade receivables	183,976	162,278
Billable work	(35,096)	109,696
	\$ 5,216,552	\$ 5,304,375

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

6. Materials and supplies

The amount of materials and supplies written down due to obsolescence in 2024 was \$13,767 (2023 - \$1,229).

7. Property, plant and equipment

	Land and buildings	Distribution equipment	Other fixed assets	Construction in progress	Total
<i>Cost or deemed cost</i>					
Balance at January 1, 2024	\$ 2,945,197	\$ 80,302,910	\$ 4,833,453	\$ 1,363,209	\$ 89,444,769
Additions	-	7,346,611	596,518	1,845,428	9,788,557
Transfers	-	1,363,209	-	(1,363,209)	-
Disposals/retirements	-	(90,623)	(312,429)	-	(403,052)
Balance at December 31, 2024	\$ 2,945,197	\$ 88,922,107	\$ 5,117,542	\$ 1,845,428	\$ 98,830,274
Balance at January 1, 2023	\$ 2,772,762	\$ 72,548,675	\$ 4,587,786	\$ 1,547,427	\$ 81,456,650
Additions	172,435	6,386,614	643,086	1,354,998	8,557,133
Transfers	-	1,539,216	-	(1,539,216)	-
Disposals/retirements	-	(171,595)	(397,419)	-	(569,014)
Balance at December 31, 2023	\$ 2,945,197	\$ 80,302,910	\$ 4,833,453	\$ 1,363,209	\$ 89,444,769
<i>Accumulated depreciation</i>					
Balance at January 1, 2024	\$ 527,663	\$ 13,496,049	\$ 2,372,898	\$ -	\$ 16,396,610
Depreciation	58,389	1,785,756	348,348	-	2,192,493
Disposals/retirements	-	(49,274)	(248,985)	-	(298,259)
Balance at December 31, 2024	\$ 586,052	\$ 15,232,531	\$ 2,472,261	\$ -	\$ 18,290,844
<i>Accumulated depreciation</i>					
Balance at January 1, 2023	\$ 471,974	\$ 11,926,648	\$ 2,308,747	\$ -	\$ 14,707,369
Depreciation	55,689	1,638,168	334,533	-	2,028,390
Disposals/retirements	-	(68,767)	(270,382)	-	(339,149)
Balance at December 31, 2023	\$ 527,663	\$ 13,496,049	\$ 2,372,898	\$ -	\$ 16,396,610
<i>Carrying amounts</i>					
At December 31, 2024	\$ 2,359,145	\$ 73,689,576	\$ 2,645,281	\$ 1,845,428	\$ 80,539,430
At December 31, 2023	2,417,534	66,806,861	2,460,555	1,363,209	73,048,159

At December 31, 2024 land and buildings with a carrying amount of \$2,359,145 (2023 - \$2,417,534) are subject to a general security agreement.

During the year, borrowing costs of \$nil (2023 - \$nil) were capitalized as part of the cost of property, plant and equipment.

Property, plant & equipment purchase commitments outstanding as at December 31, 2024 are \$1,845,428 (2023 - \$1,363,209).

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

8. Intangible assets

	Goodwill		Computer software		Total
<i>Cost or deemed cost</i>					
Balance at January 1, 2024	\$	2,214,322	\$	1,004,715	\$ 3,219,037
Additions		-		11,293	11,293
Disposals/retirements		-		-	-
Balance at December 31, 2024		2,214,322		1,016,008	3,230,330
Balance at January 1, 2023		2,214,322		881,839	3,096,161
Additions		-		122,876	122,876
Disposals/retirements		-		-	-
Balance at December 31, 2023	\$	2,214,322	\$	1,004,715	\$ 3,219,037
<i>Accumulated depreciation</i>					
Balance at January 1, 2024	\$	-	\$	844,489	\$ 844,489
Amortization		-		47,469	47,469
Disposals/retirements		-		-	-
Balance at December 31, 2024		-		891,958	891,958
Balance at January 1, 2023		-		796,135	796,135
Amortization		-		48,354	48,354
Disposals/retirements		-		-	-
Balance at December 31, 2023		-		844,489	844,489
<i>Carrying amounts</i>					
At December 31, 2024	\$	2,214,322	\$	124,050	\$ 2,338,372
At December 31, 2023		2,214,322		160,226	2,374,548

9. Long-term assets

Long-term assets represent prepaid regulatory costs directly attributable to the Cost-of-Service application filed in 2024. They are to be amortized over a period of 5 years stipulated by OEB filing requirements Chapter 2.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

10. Income tax expense

Income tax expense is comprised of:

	2024	2023
Current tax expense	\$ 117,000	\$ -
Prior year adjustment	10,000	-
	\$ 127,000	\$ -
Deferred tax expense:		
Change in recognized deductible temporary differences		
Property, plant and equipment	\$ 510,000	\$ 685,000
Post-retirement benefits	3,000	6,000
Unrealized interest	397,000	270,000
Other	57,000	85,000
	\$ 967,000	\$ 1,046,000
Income tax expense	\$ 1,094,000	\$ 1,046,000
Other comprehensive income		
Post-retirement benefits	6,000	-
Net movement in regulatory balances	(534,000)	(740,000)
Income tax expense recognized in Statement of Comprehensive Income	\$ 566,000	\$ 306,000
Reconciliation of effective tax rate:		
	2024	2023
Income before taxes	\$ 4,134,861	\$ 3,938,281
Canada and Ontario statutory Income tax rates	26.5%	26.5%
Expected tax provision on income at statutory rates	1,096,000	1,044,000
Increase (decrease) in income taxes resulting from:		
Permanent differences	1,000	2,000
Recognized deductible temporary differences due to/from customers	(534,000)	(740,000)
Other	3,000	-
Income tax expense	\$ 566,000	\$ 306,000
Significant components of the Corporation's deferred tax balances:		
	2024	2023
Deferred tax assets (liabilities):		
Property, plant and equipment	(6,050,000)	(5,540,000)
Intangible assets	71,000	80,000
Post-employment benefits	(421,000)	(24,000)
Unrealized interest	(191,000)	(134,000)
	\$ (6,591,000)	\$ (5,618,000)

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

11. Regulatory balances

Reconciliation of the carrying amount for each class of regulatory balances:

Regulatory deferral account debit balances	January 1, 2024	Additions	Recovery/reversal	December 31, 2024	Remaining recovery/reversal years
Group 1 deferred accounts	\$ 4,682,363	\$ 30,389	\$ (1,456,547)	\$ 3,256,205	1
Regulatory settlement account	135,337	(245,331)	545,519	435,525	1
Other regulatory accounts	116,233	(841,313)	960,147	235,067	3
Income tax	5,520,000	534,000	-	6,054,000	-
	\$ 10,453,933	\$ (522,255)	\$ 49,119	\$ 9,980,797	

Regulatory deferral account debit balances	January 1, 2023	Additions	Recovery/reversal	December 31, 2023	Remaining recovery/reversal years
Group 1 deferred accounts	\$ 6,492,807	\$ 392,313	\$ (2,202,757)	\$ 4,682,363	1
Regulatory settlement account	53,788	(2,245,910)	2,327,459	135,337	1
Other regulatory accounts	110,786	5,447	-	116,233	3
Income tax	4,780,000	740,000	-	5,520,000	-
	\$ 11,437,381	\$ (1,108,150)	\$ 124,702	\$ 10,453,933	

Regulatory deferral account credit balances	January 1, 2024	Additions	Recovery/reversal	December 31, 2024	Remaining years
Group 1 deferred accounts	\$ (58,614)	\$ (1,908,589)	\$ -	\$ (1,967,203)	1
Regulatory settlement account	-	-	-	-	1
Other regulatory accounts	(880,250)	804,625	-	(75,625)	3
Income tax	-	-	-	-	-
	\$ (938,864)	\$ (1,103,964)	\$ -	\$ (2,042,828)	

Regulatory deferral account credit balances	January 1, 2023	Additions	Recovery/reversal	December 31, 2023	Remaining years
Group 1 deferred accounts	\$ (5,926)	\$ (52,688)	\$ -	\$ (58,614)	1
Regulatory settlement account	-	-	-	-	1
Other regulatory accounts	(759,454)	(120,796)	-	(880,250)	3
Income tax	-	-	-	-	-
	\$ (765,380)	\$ (173,484)	\$ -	\$ (938,864)	

The Corporation continues to reasonably expect full recovery of regulatory balances.

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Corporation has received approval from the OEB to establish its regulatory balances.

The OEB requires the Corporation to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Corporation's deferred tax balance fluctuates.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

11. Regulatory balances (continued)

Regulatory balances attract interest at OEB-prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of twenty-five basis points. In 2024 the annual rate was 5.49% for the period from January to March, 5.49% April to June, 5.20% July to September, and 4.40% for the period from October to December.

12. Accounts payable and accrued liabilities

	2024	2023
Accounts payable - energy purchases	\$ 6,704,298	\$ 3,740,032
Payroll	202,000	160,147
Interest	-	36,221
Trade and other	1,508,659	3,623,306
	\$ 8,414,957	\$ 7,559,706

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

13. Long-term debt

	2024	2023
Non-revolving term installment loan #2 bearing interest at the Banker's Acceptance rate of 2.631% plus a stamping fee of 1.65%, payable in monthly installments of principal plus interest due January 2, 2025	519,413	699,292
Non-revolving term installment loan #3 bearing interest at the Banker's Acceptance rate of 2.631% plus a stamping fee of 0.80%, payable in monthly installments of principal plus interest due July 2, 2027	27,791	352,386
Non-revolving term installment loan #4 bearing interest at the Banker's Acceptance rate of 2.631% plus a stamping fee of 1.00%, payable in monthly installments of principal plus interest due September 1, 2028	941,359	1,167,612
Non-revolving term installment loan #5 bearing interest at the Banker's Acceptance rate of 2.631% plus a stamping fee of 1.00%, payable in monthly installments of principal plus interest due July 3, 2029	1,112,949	1,329,932
Non-revolving term installment loan #6 bearing interest at the Banker's Acceptance rate of 2.631% plus a stamping fee of 1.00%, payable in monthly installments of principal plus interest due June 1, 2027	1,000,001	1,133,333
Non-revolving term installment loan #7 bearing interest at the Banker's Acceptance rate of 2.631% plus a stamping fee of 1.00%, payable in monthly installments of principal plus interest due February 1, 2033	2,177,778	2,444,444
Non-revolving term installment loan #8 bearing interest at the Banker's Acceptance rate of 2.631% plus a stamping fee of 1.00%, payable in monthly installments of principal plus interest due December 1, 2033	2,399,999	2,666,667
Non-revolving term installment loan #9 bearing interest at the Banker's Acceptance rate of 2.631% plus a stamping fee of 1.00%, payable in monthly installments of principal plus interest due December 1, 2035	2,899,999	3,166,667
Non-revolving term installment loan #10 bearing interest at the Banker's Acceptance rate of 2.631% plus a stamping fee of 1.00%, payable in monthly installments of principal plus interest due September 1, 2041	2,525,000	2,675,000
Non-revolving term installment loan #11 bearing interest at the Banker's Acceptance rate of 2.94% plus a stamping fee of 1.00%, payable in monthly installments of principal plus interest due September 1, 2042	2,650,000	2,800,000
Non-revolving term installment loan #12 bearing interest at the Banker's Acceptance rate of 3.54% plus a stamping fee of 1.20%, payable in monthly installments of principal plus interest due April 3, 2043	4,125,000	4,350,000
Non-revolving term installment loan #13 bearing interest at the Banker's Acceptance rate of 3.54% plus a stamping fee of 1.20%, payable in monthly installments of principal plus interest due December 3, 2043	3,783,333	3,983,333
Non-revolving term installment loan #14 bearing interest at the Banker's Acceptance rate of 4.12% plus a stamping fee of 0.74%, payable in monthly installments of principal plus interest due June 3, 2044	12,480,000	-
Shareholder loan Municipality of South Bruce, 4.12% payable quarterly, interest only	-	292,498
Shareholder loan Town of Hanover, 4.12% payable quarterly, interest only	-	1,135,083
Shareholder loan Town of Saugeen Shores, 4.12% payable quarterly, interest only	-	3,062,913
Shareholder loan Township of Huron Kinloss, 4.12% payable quarterly, interest only	-	370,285
Shareholder loan Township of North Huron, 4.12% payable quarterly, interest only	-	399,682
	36,642,622	32,029,127
Current portion of term loans:	(2,979,512)	(2,606,042)
	<u>\$33,663,110</u>	<u>\$29,423,085</u>

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

13. Long-term debt (continued)

CIBC Term secured bank loans are secured by a general security agreement conveying a security interest in the personal property of the Corporation, a first priority present and future fixed charge securing not more than \$2,500,000 over the real property at 24 Eastridge Road, and acknowledgement of fire insurance, with first loss payable to CIBC.

On September 24, 2021, the Corporation entered into an interest rate swap agreement and amended it on July 19, 2022 on a notional principal of \$20,125,685 maturing on October 1, 2041. On March 29, 2023, the Corporation amended swap agreement on a notional principal of \$23,379,771. On September 28, 2023 the Corporation made another amendment to swap agreement on a notional principal of \$25,181,933. At the same time, the Corporation terminated all of the previously held swap arrangements on CIBC term instalment loans (#1-12), without penalty. The new swap agreement on CIBC term instalment loans (#1-13) is structured such that only one fixed rate payment and a weighted average interest rate remains 3.54%. The amortization period of each individual loan remains materially unchanged. The swap is a receive variable, pay fixed swap with CIBC World Markets and effectively converted variable interest rates on the unsecured Banker's Acceptances to an effective fixed interest rate of 3.54% plus stamping fee. In 2024 the unsecured Banker's Acceptance was replaced by the Canadian Overnight Repo Rate Average (CORRA). Prior to this transaction, the previously held swap arrangements on term instalment loans #1-12 had an effective interest rate of 3.16% plus stamping fee. On June 3, 2024, the Corporation entered into a second interest rate swap agreement on CIBC term instalment loan #14 with a notional principal of \$12,800,000 maturing on June 3, 2044. The swap is structured such that only one fixed rate payment and the amortization period of CIBC term instalment loan #14 remains materially unchanged. The swap is a receive variable, pay fixed swap with CIBC World Markets and effectively converted variable interest rates on the Canadian Overnight Repo Rate Average (CORRA) to an effective fixed interest rate of 4.12% plus stamping fee.

The swap entered into by the Corporation does not meet the standard to apply hedge accounting. Accordingly, the interest rate swap contract is marked to market at each year end with the gain or loss recorded in the statement of comprehensive income. The gain on the swap recorded in 2024 was \$1,500,029 (2023 - \$1,016,682 gain).

On June 5, 2024, the Corporation repaid in full the outstanding shareholders' notes of \$5,260,461 and the related interest. As at December 31, 2024 the shareholders' notes balance is \$nil (2023 - \$5,260,461).

The Corporation's term instalment loans, with a carrying amount of \$36,642,622 as at December 31, 2024, are repayable monthly in accordance with the amortization schedule associated with each individual loan. However, the loan agreements contain a covenant stating that at the end of each quarter, the Corporations' current ratio must not be less than 1.1 to 1.0, otherwise the loans will be repayable on demand. As at December 31, 2024 the Corporation was in compliance with all covenants of the loan agreement.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

13. Long-term debt (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Current and long-term debt	Retained earnings	Total (financing cash flows)
Balance at January 1, 2024	\$ 32,029,127	\$ 24,857,343	
Dividends paid	-	(400,000)	(400,000)
Proceeds from issuance of long-term debt (term loan #14)	12,800,000	-	12,800,000
Repayments of long-term debt	(8,186,505)	-	(8,186,505)
Total changes from financing cash flows	\$ 4,613,495	\$ (400,000)	\$ 4,213,495
Total equity-related other changes	-	3,568,861	
Balance at December 31, 2024	\$ 36,642,622	\$ 28,026,204	
Balance at January 1, 2023	\$ 25,828,424	\$ 21,625,062	
Dividends paid	-	(400,000)	(400,000)
Proceeds from issuance of long-term debt	8,447,502	-	8,447,502
Repayments of long-term debt	(2,246,799)	-	(2,246,799)
Total changes from financing cash flows	\$ 6,200,703	\$ (400,000)	\$ 5,800,703
Total equity-related other changes	-	3,632,281	
Balance at December 31, 2023	\$ 32,029,127	\$ 24,857,343	

14. Post-employment benefits

(a) OMERS pension plan

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2024, the Corporation made employer contributions of \$379,178 to OMERS (2023 - \$411,902), of which approximately \$136,768 (2023 - \$158,390) has been capitalized as part of PP&E and the remaining amount of \$242,410 (2023 - \$253,512) has been recognized in profit or loss. The Corporation estimates that a contribution of approximately \$414,940 to OMERS will be made during the next fiscal year.

As at December 31, 2024, OMERS had approximately 639,800 members. The most recently available OMERS annual report is for the year ended December 31, 2024, which reported that the plan was 98% funded, with an unfunded liability of \$2.9 billion. This unfunded liability is likely to result in future payments by participating employers and members.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

14. Post-employment benefits (continued)

(b) Post-employment benefits other than pension

The Corporation pays certain life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-employment benefits in the year in which employees' services were rendered. The Corporation is recovering its post-employment benefits in rates based on the expense and re-measurements recognized for post-employment benefit plans.

Reconciliation of the obligation	2024	2023
Defined benefit obligation, beginning of year	\$ 302,336	\$ 324,417
Included in profit or loss Interest cost	12,004	-
Included in OCI		
Actuarial (gains) losses arising from:		
Changes in actual and expected plan experience	(22,904)	-
Benefits paid	(23,007)	(22,081)
Defined benefit obligation, end of year	\$ 268,429	\$ 302,336
Actuarial assumptions	2024	2023
Discount rate	4.60%	4.65%
Salary levels	actuals	actuals

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by \$26,400. A 1% decrease in the assumed discount rate would result in the defined benefits obligation increasing by \$31,400.

15. Share capital

	2024	2023
Authorized:		
Unlimited number of common shares		
Issued:		
10,000 common shares	\$ 18,269,167	\$ 18,269,167

Dividends

The Corporation has established a dividend policy with consideration given to the cash position, the working capital requirements, the net capital expenditures requirements and other considerations from time to time.

The Corporation paid aggregate dividends in the year on common shares of \$40.00 per share (2023 - \$40), which amount to total dividends paid in the year of \$400,000 (2023 - \$400,000).

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

16. Other revenue

	2024	2023
Rendering of services	\$ 934,161	\$ 702,849
Amortization of contributions received from customers	155,433	122,675
	\$ 1,089,594	\$ 825,524

17. Employee salaries and benefits

	2024	2023
Salaries, wages and benefits	\$ 3,098,023	\$ 2,363,718
CPP and EI remittances	150,128	129,729
Contributions to OMERS	267,178	253,512
	\$ 3,515,329	\$ 2,746,959

18. Operating expenses

	2024	2023
External Services	\$ 1,786,295	\$ 1,802,180
Other support costs*	1,937,158	2,102,027
Losses on disposal of property, plant and equipment	77,673	148,153
	\$ 3,801,126	\$ 4,052,360

* Includes taxes other than income taxes, insurance, communication, utilities and general and administrative expenses.

19. Finance income and costs

	2024	2023
Finance income		
Interest income on bank deposits	\$ 347,745	\$ 331,095
Finance costs		
Interest expense on long-term debt	\$ 1,538,865	\$ 1,319,473
Interest expense on customer deposits	24,461	34,755
Net interest expense on post-employment benefits	12,004	-
Other	184,897	243,135
	1,760,227	1,597,363
Net finance costs recognized in profit or loss	\$ 1,412,482	\$ 1,266,268

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

20. Contingencies

Contractual Obligations

In the normal course of operations, the Corporation executes agreements that can provide for the indemnification to third parties in transactions such as service agreements and purchases of goods. Under these agreements, the Corporation agrees to indemnify the counterparty against loss or liability arising from the acts or omissions of the Corporation in relation to the agreement.

General

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

General Liability Insurance

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2024, no assessments have been made.

21. Related party transactions

Transactions with Shareholders

In the ordinary course of business, the Corporation delivers electricity to the following Shareholders that are billed at prices and under terms approved by the OEB.

- The Township of Huron-Kinloss
- The Municipality of Kincardine
- The Municipality of South Bruce
- The Town of Saugeen Shores
- The Township of North Huron
- The Municipality of Brockton
- The Town of Hanover
- The Town of Minto

In the ordinary course of business, the Corporation receives and pays for services under contract for information technology from Canadian Niagara Power Inc. a subsidiary of FortisOntario Inc.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

21. Related party transactions (continued)

Outstanding balances due from/(due to) related parties and shareholders are:

	2024		2023	
Due from:				
Canadian Niagara Power	\$	-	\$	-
Township of Huron Kinloss		20,421		19,524
Municipality of Kincardine		61,282		67,407
Municipality of South Bruce		32,675		38,302
Town of Saugeen Shores		81,409		82,978
Township of North Huron		35,224		34,369
Municipality of Brockton		31,124		31,695
Town of Hanover		2,629		74,841
Town of Minto		62,925		51,366
	\$	327,689	\$	400,482
Due to:				
Canadian Niagara Power	\$	(19,455)	\$	-
Township of Huron Kinloss		-		(2,550)
Municipality of Kincardine		-		-
Municipality of South Bruce		-		(2,014)
Town of Saugeen Shores		-		(21,090)
Township of North Huron		-		(2,752)
Municipality of Brockton		-		100
Town of Hanover		(16)		(7,815)
Town of Minto		-		-
	\$	(19,471)	\$	(36,121)
	\$	308,218	\$	364,361

22. Financial instruments and risk management

(a) Fair value disclosure

The carrying values of cash and cash equivalents, accounts receivable, unbilled revenue, due from/to shareholders and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

As at December 31, 2024, all financial instruments are classified in the fair value hierarchy as level 1, except for long-term debt which is level 2.

The fair value of the long-term debt at December 31, 2024 is \$36,642,622 (2023 - \$32,029,127), given the nature of the instrument as it's tied to the Canadian Overnight Repo Rate Average (CORRA).

The swap agreement is measured at fair value, which is provided by a third-party banking institution, and is based on market rates at the date of the valuation.

22. Financial instruments and risk management (continued)

(b) Financial risks

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies, are discussed below.

Credit risk

The Corporation is exposed to the risk of counterparties defaulting on their obligations. The Corporation monitors and limits its exposure to credit risk on a continuous basis. The credit risk related to cash and cash equivalents is mitigated by the Corporation in assessing and monitoring the credit exposures of counterparties.

The Corporation's exposure to credit risk primarily relates to accounts receivable and unbilled revenue. The Corporation is exposed to credit risk with respect to customer non-payment of electricity bills. The Corporation considers the current economic and credit conditions to determine the expected credit loss allowance of its accounts receivable and unbilled revenue. Due to current uncertain economic conditions, the estimates and judgments made by management in the preparation of the expected credit loss allowance are subject to estimation uncertainty. The Corporation determines the expected credit loss allowance based on current estimates and assumptions, including, but not limited to, recent trends for customer collections and current and forecasted economic conditions. The Corporation continues to actively monitor its exposure to credit risk.

The Corporation obtains security instruments from certain customers in accordance with direction provided by the OEB. As at December 31, 2024, the corporation held security deposits in the amount of \$422,338 (2023 - \$584,913). The Corporation's security instruments may not provide sufficient protection from counterparties defaulting on their obligations. As at December 31, 2024, there were no significant concentrations of credit risk with respect to any customer. The credit risk and mitigation strategies with respect to unbilled revenue are the same as those for accounts receivable.

The Corporation did not have any single customer that generated more than 10% of total revenue for the years ended December 31, 2024 and December 31, 2023.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

22. Financial instruments and risk management (continued)

(c) Financial risks (continued)

Credit risk (continued)

Credit risk associated with accounts receivable and unbilled revenue is as follows:

	2024	2023
Accounts receivable, gross		
Outstanding for not more than 30 days	4,994,031	5,264,851
Outstanding for more than 30 days	345,408	323,555
Total accounts receivable, gross	\$ 5,339,439	\$ 5,588,406
Unbilled revenue, gross	6,020,575	5,088,746
Expected credit loss allowance	(122,887)	(284,031)
Total accounts receivable and unbilled revenue	11,237,127	10,393,121

Unbilled revenue represents amounts for which the Corporation has a contractual right to receive cash through future billings and are unbilled at period-end. Unbilled revenue is considered in conjunction with accounts receivable and is included in the expected credit loss allowance as at December 31, 2024 and December 31, 2023.

The Corporation has a broad base of customers. As at December 31, 2024 and December 31, 2023, the Corporation's accounts receivable and unbilled revenue which were not past due or impaired were assessed by management to have no significant collection risk.

Reconciliation between the opening and closing expected credit loss allowance balances for accounts receivable and unbilled revenue is as follows:

	2024	2023
Balance, beginning of year	\$ (284,031)	\$ (265,319)
Additional expected credit loss allowance	292,460	(137,226)
Write-offs, net of recoveries	(131,316)	118,514
Balance, end of year	\$ (122,887)	\$ (284,031)

(d) Market risks

Interest rate risk

The Corporation is exposed to fluctuations in interest rates for the valuation of its post-employment benefit obligations (note 14(b)). The Corporation is also exposed to short-term interest rate risk on the net of cash and cash equivalents, short-term borrowings under its credit facility and customer deposits. The Corporation manages interest rate risk by monitoring its mix of fixed and floating rate instruments and taking action as necessary to maintain an appropriate balance.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

22. Financial instruments and risk management (continued)

(d) Market risks (continued)

Interest rate risk (continued)

As at December 31, 2024, aside from the post-employment benefit obligations, most of the Corporation's remaining obligations were either non-interest bearing, bear fixed interest rates or protected by the swap agreement. Its financial assets were predominantly short-term in nature and mostly non-interest bearing. Fluctuations in interest rates as at December 31, 2024 would have no effect on the Corporation as long-term debt is not subject to variable interest rates due to the swap agreement in place.

Liquidity risk

The Corporation is exposed to liquidity risk related to its ability to fund its obligations as they become due. The Corporation monitors and manages its liquidity risk to ensure access to sufficient funds to meet operational and financial requirements. The Corporation has access to credit facilities and debt capital markets and monitors cash balances daily. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they become due while minimizing finance costs. The Corporation relies on debt financing through the debt capital markets and existing credit facilities to finance its daily operations, repay existing indebtedness and fund capital expenditures. The current challenging economic climate affected by factors including, but not limited to, uncertain macroeconomic conditions like a global recession may lead to material adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct negative impact on the Corporation's operating results and financial position in the future. Accordingly, the Corporation continues to monitor liquidity risk and adapt its plans as the economic climate evolves.

Liquidity risks associated with financial commitments are as follows:

	Due within 1 year \$	Due within 2 years \$	Due within 3 years \$	Due within 4 years \$	Due within 5 years \$	Due within 6- 20 years \$
Bank indebtedness	-	-	-	-	-	-
Accounts payable and accrued liabilities	8,414,957	-	-	-	-	-
Due to shareholders	19,471	-	-	-	-	-
Long-term debt due within one year	2,979,512	-	-	-	-	-
Interest payments	1,319,655	1,210,957	1,101,528	1,002,446	897,882	4,553,711
Shareholders loans	-	-	-	-	-	-
Long-term debt	-	2,983,520	2,925,133	2,753,496	2,451,518	22,549,443
Total	12,733,595	4,194,477	4,026,661	3,755,942	3,349,400	27,103,154

The Corporation has access to a \$4.5 million credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. The line of credit bears interest at the bank's prime rate. The credit facility is secured by a general security agreement conveying a security interest in the personal property of the Corporation. As at December 31, 2024, \$nil (2023 - \$1,033,553) has been drawn under the Corporation's \$4.5 million credit facility.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

22. Financial instruments and risk management (continued)

(d) Market risks (continued)

Liquidity risk (continued)

The Corporation as part of its credit facility also has a bilateral facility for \$1,897,399 (the “LC” facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which \$1,897,399 has been drawn and posted with the IESO (2023 - \$1,897,399).

The Corporation as part of its credit facility also has a standby letter of credit for \$100,000 (the “LC” facility) for the purpose of issuing letters of credit to the Ministry of Environment with regards to compliance under the terms of the Provisional Certificate of Approval for Waste Management System. Currently \$100,000 has been drawn and posted with the Ministry of Environment (2023 - \$100,000).

The majority of accounts payable, as reported on the statement of financial position, are due within thirty days.

Inflation risk

The general rate of inflation in Canada decreased in 2024 compared to 2023. However, the inflation rate continues to remain close to or slightly higher than the Bank of Canada’s target rate of 2.0%. Certain underlying factors such as global supply chain disruptions, shipping restrictions and labour market constraints are improving; however, the global economic conditions remain uncertain. Prices for certain services and materials continue to evolve in response to fast-changing commodity markets, industry activities, supply chain dynamics, and government policies impacting operating and capital costs. The Corporation remains exposed to inflationary pressures and a higher interest rate environment, which could have a material adverse effect on the Corporation’s business, financial condition or results of operations. The Corporation closely monitors market trends and seeks to mitigate cost impacts through various measures, including project management, procurement and other management actions.

Capital disclosures

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation’s definition of capital includes shareholders’ equity and long-term debt. As at December 31, 2024, shareholders’ equity amounts to \$46,780,212 (2023 - \$43,045,351) and long-term debt amounts to \$33,663,110 (2023 - \$29,423,085).

Foreign exchange risk

As at December 31, 2024, the Corporation had limited exposure to the changing values of foreign currencies.

Exhibit C

Current Financial Statements



Financial Statements of

WESTARIO POWER INC.

For the 3 Months ended March 31, 2025

Westario Power Inc.

Balance sheet

	March 2025 YTD		March 2024 YTD
	Actual	Budget	Actual
Assets:			
Cash	\$ -	\$ 4,655,672	\$ -
Current Assets	12,152,864	10,041,648	10,874,368
Inventory	222,066	210,465	191,351
Deferred Tax Assets	6,322,055	6,321,709	5,761,695
Regulatory Deferred Charges	1,618,812	(3,364,320)	2,728,309
Capital Assets	112,431,227	111,856,934	102,480,479
Accumulated Amortization	(21,542,737)	(21,533,527)	(19,430,672)
Total Assets	111,204,288	108,188,582	102,605,530
Liabilities and Equity:			
Line of Credit	1,098,317	-	1,092,361
AP and Accruals	8,114,296	8,638,882	7,881,859
Current Portion of LTD	2,959,524	2,959,523	2,561,635
Deferred Tax Liabilities	6,853,425	6,859,429	5,914,575
LTD	32,920,274	32,920,275	23,559,798
LTD-New Loan	-	-	-
Shareholder loans	-	-	5,260,461
Deferred Credit & Contributions	14,337,178	13,735,437	12,621,365
Deferred Income Tax	-	-	-
Unrealized gain/loss on interest rate swap	(1,589,865)	(89,836)	(89,836)
Shareholder's Equity	46,511,138	43,164,872	43,803,313
Total Equity and Liabilities	111,204,288	108,188,582	102,605,530

Westario Power Inc.

Income Statement

	March 2025 YTD		March 2024 YTD
	Actual	Budget	Actual
<u>Revenues:</u>			
Sales of Electricity	\$ 16,169,830	\$ 14,543,216	\$ 13,964,615
Distribution Revenues	3,277,160	3,207,739	3,100,763
Other Operating Revenues	195,728	163,752	152,381
Other Income & Deductions	(13,609)	(4,770)	(599)
Interest & Regulatory Income	64,833	16,770	72,516
Total Revenues	\$ 19,693,941	17,926,707	17,289,676
<u>Expenses:</u>			
Power Supply Expenses	16,169,830	14,543,216	13,964,615
Distribution Expenses - Operations	184,515	174,714	241,583
Distribution Expenses - Maintenance	659,849	461,493	262,135
Billing and Collecting	192,596	228,258	215,527
Community Relations	1,166	8,010	-
Administrative and General Expenses	1,060,848	969,055	878,195
Amortization Expense	584,240	585,243	541,343
Interest on Long-Term Debt	451,092	338,872	348,074
Interest on Short-Term Debt	53,255	34,278	44,430
Property Taxes	10,017	11,952	9,616
Other Deductions	29,607	17,430	26,196
Total Expenses	19,397,014	17,372,521	16,531,713
Income Taxes	-	57,567	-
Profit before the interest rate SWAP	296,927	496,619	757,963
Unrealized Gain	-	-	-
Profit/Loss	\$ 296,927	\$ 496,619	\$ 757,963

Westario Power Inc.

Capital Projects March 2025

						YTD Q1		
Project Code	2025 Capital Projects	Contributed Capital Prior Periods	Contributed Capital 2025-2026	Total Contributed Capital	2025 12 Months Budget	Capital work (including WIP)-ZCAP	Actual vs Budget	Actual as a Percent of Budget
	System Renewal				B	A	[A-B]	
SR-02	Substation Upgrades	(166,430)	-	(166,430)	1,052,119	548,330	(503,789)	52.1%
SR-04	Decrepit Pole Replacement		-	-	2,127,500	621,051	(1,506,450)	29.2%
SR-05	Distribution Transformer Replacement		-	-		27,790	27,790	
SR-05C	Fiberglass Transformer Base Replacement		-	-	1,300,000	-	(1,300,000)	0.0%
SR-05D	Kincardine Balancing Project		-	-	600,000	192,343	(407,657)	32.1%
SR-06	Infrastructure Upgrade		-	-		11,061	11,061	
SR-07	PME/Metering Replacement - Misc SR Projects		-	-	150,000	-	(150,000)	0.0%
	Total	(166,430)	-	(166,430)	5,229,619	1,400,575	(3,829,044)	26.8%
	System Access				B	A	[A-B]	
SA-01	Capital Poles	(153,836)	(205,000)	(358,836)	269,176	78,762	(190,414)	29.3%
SA-02	New O/H Service Connections		(500)	(500)	18,000	889	(17,111)	4.9%
SA-03	New U/G Service Connections	(4,093)	(77,089)	(81,182)	277,000	47,408	(229,592)	17.1%
SA-04	Non-demarcatation Customers		-	-		-	-	
SA-05	3 Phase Customers	(55,209)	(101,253)	(156,462)	155,000	9,590	(145,410)	6.2%
SA-06	New Subdivision		(182,914)	(182,914)	457,000	-	(457,000)	0.0%
OTH-2	Microfits	(1,549)	(1,266)	(2,816)		995	995	
OTH-3	Service Upgrades	(102,255)	(100,005)	(202,260)	83,000	74,974	(8,026)	90.3%
	Total	(316,943)	(668,028)	(984,971)	1,259,176	212,618	(1,046,558)	16.9%
	System Service				B	A	[A-B]	
SS-2/OT-4	Metering		-	-	327,000	38,367	(288,633)	11.7%
SS-03	Cyme and GIS Integration		-	-		-	-	0.0%
SS-04	Automated Distribution Switches		-	-	45,000	23,548	(21,452)	52.3%
	Total	-	-	-	372,000	61,914	(1,966,085)	16.6%
	General Plant				B	A	[A-B]	
GP-01	Technology		-	-	149,000	-	(149,000)	0.0%
GP-02	Vehicle Replacement		-	-	725,000	-	(725,000)	0.0%
GP-03	Tools and Equipment		-	-	62,000	49,215	(12,785)	79.4%
GP-04	Facilities Enhancements		-	-	20,000	-	(20,000)	0.0%
GP-05	Communication Equipment		-	-		-	-	0.0%
GP-06	Office Furniture and Equipment		-	-	15,000	-	(15,000)	0.0%
GP-07	Buildings and Fixtures		-	-		-	-	0.0%
	Total	-	-	-	971,000	49,215	(921,785)	5.1%
	Other				B	A	[A-B]	
OTH-1	Other Capital Projects	(946,681)	-	(946,681)	2,691,765	902,383	(1,789,382)	33.5%
	Total	(946,681)	-	(946,681)	2,691,765	902,383	(1,789,382)	0.0%
	Total Spent	(1,430,054)	(668,028)	(2,098,082)	10,523,560	2,626,705	(7,896,855)	25.0%
	Less Contributed Capital				(1,486,498)	(668,028)	818,470	44.9%
	Total Capital Projects	(1,430,054)	(668,028)	(2,098,082)	9,037,062	1,958,678	(7,078,384)	21.7%

Westario Power Inc.
Banking Covenants

Current Ratio	December 31, 2024	March 31, 2025
Current Assets	14,423,976	13,577,460
Plus: Capitalized inventory	3,264,640	3,479,028
Plus: Current Portion of Regulated Assets	0	0
	17,688,617	17,056,487
Current Liabilities	14,029,506	11,579,873
Less: Customer Deposits and Credit Balances	(2,740,498)	(2,640,237)
Add: Current Portion of Demand Notes	-	-
	11,289,008	8,939,635
Current ratio	1.57	1.91
Covenant - Current ratio > 1.10	In Compliance	In Compliance

Debt to Capitalization Ratio	December 31, 2024	March 31, 2025
Shareholders Equity	46,214,211	46,511,138
Plus: Long-term Debt	33,663,112	32,920,274
Plus: Current Portion of Debt	2,979,512	2,959,524
Total Capitalization	82,856,834	82,390,936
Debt (as defined by the credit facilities letter)	33,663,112	32,920,274
Plus: Current portion of Debt	2,979,512	2,959,524
Total Debt	36,642,624	35,879,798
Debt to Capitalization Ratio	0.44	0.44
Covenant - Debt to Capitalization Ratio < 60%	In Compliance	In Compliance

Debt Service Ratio (Rolling 12 Months)	December 31, 2024	March 31, 2025
Net Earnings	3,545,957	3,084,922
Less: Deferred Income	(155,433)	(42,376)
Plus: Income tax provision	566,000	566,000
Plus: Other Interest	221,362	230,188
Plus: Interest on Long Term Debt	1,538,865	1,641,883
Plus: Unrealized Gain/Loss on Interest Rate Swap	(1,500,029)	-
Plus: Realized loss on retirement of Assets	77,673	106,432
Plus: Amortization	2,239,962	2,282,859
	6,534,357	7,869,907
Other Interest	221,362	230,188
Interest On Long Term Debt	1,538,865	1,641,883
Current Portion of Long Term Debt	2,979,512	2,959,524
Dividends	400,000	-
	5,139,739	4,831,594
Debt Service Ratio	1.27	1.63
Covenant - Debt Service Ratio >1.25	In Compliance	In Compliance



Financial Statements of

WESTARIO POWER INC.

For the 6 Months ended June 30, 2025

Westario Power Inc.

Balance sheet

	June 2025 YTD		June 2024 YTD
	Actual	Budget	Actual
<u>Assets:</u>			
Cash	\$ -	\$ 4,897,282	\$ 5,815,399
Current Assets	11,384,152	11,020,905	10,098,863
Inventory	230,130	210,465	230,506
Deferred Tax Assets	6,304,866	6,364,625	5,828,220
Regulatory Deferred Charges	1,085,282	(1,972,729)	2,507,122
Capital Assets	114,924,187	114,127,777	104,816,111
Accumulated Amortization	(22,166,042)	(22,118,770)	(19,987,438)
Total Assets	111,762,575	112,529,556	109,308,783
<u>Liabilities and Equity:</u>			
Line of Credit	2,711,317	-	-
AP and Accruals	8,233,856	9,900,709	8,068,555
Current Portion of LTD	2,967,424	2,967,424	2,488,523
Deferred Tax Liabilities	6,847,422	6,859,429	5,908,814
LTD	32,175,426	32,175,426	22,982,849
LTD-New Loan	-	3,000,000	12,800,000
Shareholder loans	-	-	-
Deferred Credit & Contributions	14,190,802	14,850,310	12,725,312
Deferred Income Tax	-	-	-
Unrealized gain/loss on interest rate swap	(1,589,865)	(89,836)	(89,836)
Shareholder's Equity	46,226,193	42,866,094	44,424,567
Total Equity and Liabilities	111,762,575	112,529,555	109,308,783

Westario Power Inc.

Income Statement

	June 2025 YTD		June 2024 YTD
	Actual	Budget	Actual
Revenues:			
Sales of Electricity	\$ 29,642,611	\$ 27,957,385	\$ 26,912,014
Distribution Revenues	6,551,837	6,442,857	6,227,992
Other Operating Revenues	518,004	351,171	340,887
Other Income & Deductions	(8,269)	(9,540)	81
Interest & Regulatory Income	97,814	33,540	146,574
Total Revenues	\$ 36,801,997	34,775,413	33,627,547
Expenses:			
Power Supply Expenses	29,643,134	27,957,385	26,912,014
Distribution Expenses - Operations	424,019	352,576	496,590
Distribution Expenses - Maintenance	1,074,282	922,986	772,173
Billing and Collecting	429,590	454,921	425,381
Community Relations	1,166	16,020	13,630
Administrative and General Expenses	2,174,468	1,973,284	1,811,324
Amortization Expense	1,177,801	1,170,486	1,090,711
Interest on Long-Term Debt	895,554	689,390	595,382
Interest on Short-Term Debt	121,380	66,607	83,025
Property Taxes	21,068	23,904	20,356
Other Deductions	27,550	34,880	27,746
Total Expenses	35,990,015	33,662,438	32,248,330
Income Taxes	-	115,134	-
Profit before the interest rate SWAP	811,983	997,841	1,379,217
Unrealized Gain	-	-	-
Profit/Loss	\$ 811,983	\$ 997,841	\$ 1,379,217

Westario Power Inc.

Capital Projects June 2025

				YTD June		
Project Code	2025 Capital Projects	Total Contributed Capital	2025 12 Months Budget & Carry Forward 2024	Capital work (including WIP)- ZCAP	Actual vs Budget	Actual as a Percent of Budget
System Renewal			B	A	[A-B]	
SR-02	Substation Upgrades	(166,430)	1,628,844	949,249	(679,595)	58.3%
SR-04	Decrepit Pole Replacement	(17,370)	2,127,500	1,301,963	(825,537)	61.2%
SR-05	Distribution Transformer Replacement	-	-	64,746	64,746	-
SR-05C	Fiberglass Transformer Base Replacement	-	1,300,000	102,198	(1,197,802)	7.9%
SR-05D	Kincardine Balancing Project	-	600,000	202,526	(397,474)	33.8%
SR-06	Infrastructure Upgrade	-	-	20,242	20,242	-
SR-07	PME/Metering Replacement - Misc SR Projects	-	150,000	-	(150,000)	0.0%
Total		(183,800)	5,806,344	2,640,924	(3,165,420)	45.5%
System Access			B	A	[A-B]	
SA-01	Capital Poles	(366,379)	269,176	462,740	193,564	171.9%
SA-02	New O/H Service Connections	(1,500)	18,000	4,862	(13,138)	27.0%
SA-03	New U/G Service Connections	(72,935)	277,000	104,019	(172,981)	37.6%
SA-04	Non-demarcation Customers	-	-	-	-	-
SA-05	3 Phase Customers	(156,462)	155,000	116,946	(38,054)	75.4%
SA-06	New Subdivision	(108,578)	457,000	55,895	(401,105)	12.2%
OTH-2	Microfits	(3,828)	-	1,843	1,843	-
OTH-3	Service Upgrades	(226,606)	83,000	188,393	105,393	227.0%
Total		(936,288)	1,259,176	934,697	(324,479)	74.2%
System Service			B	A	[A-B]	
SS-2/OT-4	Metering	-	327,000	45,037	(281,963)	13.8%
SS-03	Cyme and GIS Integration	-	-	-	-	0.0%
SS-04	Automated Distribution Switches	-	45,000	42,361	(2,639)	94.1%
Total		-	372,000	87,398	(941,004)	23.5%
General Plant			B	A	[A-B]	
GP-01	Technology	-	149,000	88,305	(60,695)	59.3%
GP-02	Vehicle Replacement	-	725,000	-	(725,000)	0.0%
GP-03	Tools and Equipment	-	62,000	68,642	6,642	110.7%
GP-04	Facilities Enhancements	-	20,000	4,752	(15,248)	23.8%
GP-05	Communication Equipment	-	-	-	-	0.0%
GP-06	Office Furniture and Equipment	-	15,000	-	(15,000)	0.0%
GP-07	Buildings and Fixtures	-	-	-	-	0.0%
Total		-	971,000	161,699	(809,301)	16.7%
Other			B	A	[A-B]	
OTH-1	Other Capital Projects	(946,681)	2,691,765	1,185,150	(1,506,615)	44.0%
Total		(946,681)	2,691,765	1,185,150	(1,506,615)	44.0%
Total Spent		(2,066,769)	11,100,285	5,009,868	(6,090,417)	45.1%
Less Contributed Capital			(1,486,498)	(636,715)	849,783	42.8%
Total Capital Projects		(2,066,769)	9,613,787	4,373,153	(5,240,634)	45.5%

Westario Power Inc.
Banking Covenants

Current Ratio	June 30, 2025
Current Assets	13,021,688
Plus: Capitalized inventory	3,605,367
Plus: Current Portion of Regulated Assets	0
	16,627,056
Current Liabilities	15,857,298
Less: Customer Deposits and Credit Balances	(2,314,660)
Add: Current Portion of Demand Notes	
	13,542,639
Current ratio	1.23
Covenant - Current ratio > 1.10	In Compliance

Debt to Capitalization Ratio	June 30, 2025
Shareholders Equity	46,226,193
Plus: Long-term Debt	32,175,426
Plus: Current Portion of Debt	2,967,424
Total Capitalization	81,369,043
Debt (as defined by the credit facilities letter)	32,175,426
Plus: Current portion of Debt	5,678,741
Total Debt	37,854,166
Debt to Capitalization Ratio	0.47
Covenant - Debt to Capitalization Ratio < 60%	In Compliance

Debt Service Ratio (Rolling 12 Months)	June 30, 2025
Net Earnings	2,978,723
Less: Deferred Income	(86,865)
Plus: Income tax provision	566,000
Plus: Other Interest	259,717
Plus: Interest on Long Term Debt	1,839,037
Plus: Unrealized Gain/Loss on Interest Rate Swap	(1,500,029)
Plus: Realized loss on retirement of Assets	107,323
Plus: Amortization	2,327,053
	6,490,960
Other Interest	259,717
Interest On Long Term Debt	1,839,037
Current Portion of Long Term Debt	2,967,424
Dividends	400,000
	5,466,179
Debt Service Ratio	1.19
Covenant - Debt Service Ratio >1.25	Not In Compliance



Financial Statements of

WESTARIO POWER INC.

For the 9 Months ended September 30, 2025

Westario Power Inc.

Balance sheet

	September 2025 YTD		September 2024 YTD
	Actual	Budget	Actual
Assets:			
Cash	\$ -	\$ 2,535,158	\$ 4,440,336
Current Assets	10,494,871	9,952,286	10,120,291
Inventory	216,429	210,465	249,951
Deferred Tax Assets	6,286,947	6,337,541	5,833,193
Regulatory Deferred Charges	359,310	(318,757)	2,652,606
Capital Assets	118,416,409	116,373,405	107,251,678
Accumulated Amortization	(22,698,219)	(22,704,013)	(20,572,547)
Total Assets	113,075,747	112,386,085	109,975,507
Liabilities and Equity:			
Line of Credit	308,302	-	-
AP and Accruals	8,007,143	9,535,915	7,775,687
Current Portion of LTD	2,975,423	2,975,422	3,054,486
Deferred Tax Liabilities	6,841,437	6,859,429	5,903,071
LTD	35,913,540	31,428,540	21,763,962
LTD-New Loan	-	2,962,500	12,640,000
Shareholder loans	-	-	-
Deferred Credit & Contributions	14,339,166	15,221,934	13,902,319
Deferred Income Tax	-	-	-
Unrealized gain/loss on interest rate swap	(1,589,865)	(89,836)	(89,836)
Shareholder's Equity	46,280,602	43,492,182	45,025,819
Total Equity and Liabilities	113,075,747	112,386,086	109,975,507

Westario Power Inc.

Income Statement

	September 2025 YTD		September 2024 YTD
	Actual	Budget	Actual
Revenues:			
Sales of Electricity	\$ 43,613,328	\$ 42,261,368	\$ 40,657,441
Distribution Revenues	9,867,556	9,728,674	9,404,228
Other Operating Revenues	698,807	593,131	604,255
Other Income & Deductions	(16,277)	(14,310)	5,117
Interest & Regulatory Income	127,195	50,310	281,148
Total Revenues	54,290,608	52,619,173	50,952,189
Expenses:			
Power Supply Expenses	43,613,328	42,261,368	40,657,441
Distribution Expenses - Operations	699,010	530,746	656,095
Distribution Expenses - Maintenance	1,627,963	1,384,479	1,391,201
Billing and Collecting	675,361	682,988	661,469
Community Relations	1,166	24,030	13,630
Administrative and General Expenses	2,845,231	2,939,542	2,708,137
Project Minto Holdings	574,545	-	-
Amortization Expense	1,796,540	1,755,729	1,642,837
Interest on Long-Term Debt	1,366,385	1,055,647	1,073,956
Interest on Short-Term Debt	164,420	99,821	106,872
Property Taxes	32,247	35,854	31,531
Other Deductions	28,020	52,340	28,552
Total Expenses	53,424,217	50,822,544	48,971,720
Income Taxes	-	172,701	-
Profit before the interest rate SWAP	866,391	1,623,928	1,980,469
Unrealized Gain	-	-	-
Profit/Loss	\$ 866,391	\$ 1,623,928	\$ 1,980,469

Westario Power Inc.

Capital Projects September 2025

				YTD September		
Project Code	2025 Capital Projects	Total Contributed Capital	2025 12 Months Budget & Carry Forward 2024	Capital work (including WIP)- ZCAP	Actual vs Budget	Actual as a Percent of Budget
	System Renewal		B	A	[A-B]	
SR-02	Substation Upgrades	(166,430)	1,628,844	1,899,421	270,577	116.6%
SR-04	Decrepit Pole Replacement	(17,370)	2,127,500	1,658,797	(468,703)	78.0%
SR-05	Distribution Transformer Replacement	-	-	71,120	71,120	
SR-05C	Fiberglass Transformer Base Replacement	-	1,300,000	902,685	(397,315)	69.4%
SR-05D	Kincardine Balancing Project	-	600,000	202,526	(397,474)	33.8%
SR-06	Infrastructure Upgrade	-	-	(229)	(229)	
SR-07	PME/Metering Replacement - Misc SR Projects	-	150,000	-	(150,000)	0.0%
	Total	(183,800)	5,806,344	4,734,319	(1,072,025)	81.5%
	System Access		B	A	[A-B]	
SA-01	Capital Poles	(366,379)	269,176	1,041,700	772,524	387.0%
SA-02	New O/H Service Connections	(1,640)	18,000	7,182	(10,818)	39.9%
SA-03	New U/G Service Connections	(95,848)	277,000	151,083	(125,917)	54.5%
SA-04	Non-demarcation Customers	-	-	-	-	
SA-05	3 Phase Customers	(168,814)	155,000	125,146	(29,854)	80.7%
SA-06	New Subdivision	(108,578)	457,000	56,736	(400,264)	12.4%
OTH-2	Microfits	(7,098)	-	5,935	5,935	
OTH-3	Service Upgrades	(382,055)	83,000	242,750	159,750	292.5%
	Total	(1,130,412)	1,259,176	1,630,531	371,355	129.5%
	System Service		B	A	[A-B]	
SS-2/OT-4	Metering	(500)	327,000	76,417	(250,583)	23.4%
SS-03	Cyme and GIS Integration	-	-	-	-	0.0%
SS-04	Automated Distribution Switches	-	45,000	(1,263)	(46,263)	-2.8%
	Total	(500)	372,000	75,154	(296,846)	20.2%
	General Plant		B	A	[A-B]	
GP-01	Technology	-	149,000	114,565	(34,435)	76.9%
GP-02	Vehicle Replacement	-	725,000	676,321	(48,679)	93.3%
GP-03	Tools and Equipment	-	62,000	53,076	(8,924)	85.6%
GP-04	Facilities Enhancements	-	20,000	4,752	(15,248)	23.8%
GP-05	Communication Equipment	-	-	-	-	0.0%
GP-06	Office Furniture and Equipment	-	15,000	-	(15,000)	0.0%
GP-07	Buildings and Fixtures	-	-	-	-	0.0%
	Total	-	971,000	848,714	(122,286)	87.4%
	Other		B	A	[A-B]	
OTH-1	Other Capital Projects	(968,604)	2,691,765	1,599,875	(1,091,890)	59.4%
	Total	(968,604)	2,691,765	1,599,875	(1,091,890)	59.4%
	Total Spent	(2,283,315)	11,100,285	8,888,592	(2,211,693)	80.1%
	Less Contributed Capital		(1,486,498)	(831,338)	655,160	55.9%
	Total Capital Projects	(2,283,315)	9,613,787	8,057,254	(1,556,533)	83.8%

Westario Power Inc.
Banking Covenants

Current Ratio	September 30, 2025
Current Assets	12,100,787
Plus: Capitalized inventory	3,390,717
Plus: Current Portion of Regulated Assets	0
	15,491,505
Current Liabilities	13,313,521
Less: Customer Deposits and Credit Balances	2,200
Add: Current Portion of Demand Notes	
	13,315,721
Current ratio	1.16
Covenant - Current ratio > 1.10	In Compliance

Debt to Capitalization Ratio	September 30, 2025
Shareholders Equity	46,280,602
Plus: Long-term Debt	35,913,540
Plus: Current Portion of Debt	2,975,423
Total Capitalization	85,169,564
Debt (as defined by the credit facilities letter)	35,913,540
Plus: Current portion of Debt	2,975,423
Total Debt	38,888,962
Debt to Capitalization Ratio	0.46
Covenant - Debt to Capitalization Ratio < 60%	In Compliance

Debt Service Ratio (Rolling 12 Months)	September 30, 2025
Net Earnings	2,431,879
Less: Deferred Income	(132,231)
Plus: Income tax provision	566,000
Plus: Other Interest	278,910
Plus: Interest on Long Term Debt	1,831,294
Plus: Unrealized Gain/Loss on Interest Rate Swap	(1,500,029)
Plus: Realized loss on retirement of Assets	139,574
Plus: Amortization	2,393,666
	6,009,063
Other Interest	278,910
Interest On Long Term Debt	1,831,294
Current Portion of Long Term Debt	2,975,423
Dividends	400,000
	5,485,627
Debt Service Ratio	1.10
Covenant - Debt Service Ratio >1.25	Not In Compliance

Exhibit D
Guarantee

GUARANTEE

THIS GUARANTEE (“**Guarantee**”) made the ____ day of _____,
202__

BY:

ERTH CORPORATION
(the “**Guarantor**”)

IN FAVOUR OF:

THE CORPORATION OF THE TOWN OF SAUGEEN SHORES, THE CORPORATION OF THE TOWN OF HANOVER, THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE, THE CORPORATION OF THE MUNICIPALITY OF BROCKTON, THE CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE, THE CORPORATION OF THE TOWN OF MINTO, THE CORPORATION OF THE TOWNSHIP OF NORTH HURON, THE CORPORATION OF THE TOWNSHIP OF HURON-KINLOSS AND FORTIS ONTARIO INC.
(together, the “**Sellers**”)

RECITALS:

1. The Guarantor entered into a share purchase agreement dated as of _____ (the “**Purchase Agreement**”) to acquire from the Sellers all of the issued and outstanding shares in the capital of Westario Power Inc. (the “**Corporation**”).
2. The Guarantor assigned its rights and obligations under the Purchase Agreement to _____ (the “**Assignee**”), a wholly-owned subsidiary of the Guarantor, as of the date hereof.
3. Pursuant to section 13(d) of the Purchase Agreement, the Guarantor is required to enter into this Guarantee with the Sellers to fully guarantee the obligations of the Assignee under the Purchase Agreement.
4. Capitalized terms, if not defined herein, shall be defined as provided for in the Purchase Agreement.

The parties therefore agree as follows:

1. GUARANTEE

1.1 Guarantee

For valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Guarantor hereby irrevocably and unconditionally guarantees to the Sellers forthwith after demand therefor, due, punctual and complete performance, payment, satisfaction and discharge of all obligations, indebtedness and liabilities of the Assignee of any kind, direct or indirect, contingent or absolute, joint or several, now or hereafter existing from time to time, under and pursuant to the Purchase Agreement (including, without limitation, all payment, indemnity, and post-closing obligations), together with all reasonable costs, expenses and disbursements incurred by the Sellers in enforcing such obligations arising under or in connection with this Guarantee (all such obligations as amended, amended and restated, modified, supplemented or renewed from time to time, collectively, the “**Guaranteed Obligations**”).

1.2 Liability of Guarantor

The liability of the Guarantor hereunder shall not be affected by:

- (a) any lack of validity or enforceability of the Purchase Agreement, this Guarantee or any of the Guaranteed Obligations; any change in the time, manner or place of payment, performance or discharge of the Guaranteed Obligations; or the failure on the part of the Guarantor to carry out any of the Guaranteed Obligations;
- (b) any contest by the Assignee or any other person as to the amount or requirements of the Guaranteed Obligations;
- (a) any failure by the Sellers to assert any claim or demand or to enforce any right or remedy against the Assignee or any other person (including any other guarantor) under the provisions of the Purchase Agreement, or otherwise, or to exercise any right or remedy against any other guarantor of any of the Guaranteed Obligations;
- (b) any change in the time, manner or place of performance, payment or discharge of, or in any other term of, all or any of the Guaranteed Obligations, or any other extension, compromise, indulgence or renewal of any Guaranteed Obligation;
- (c) any reduction, limitation, variation, impairment, discontinuance or termination of the Guaranteed Obligations for any reason (other than by reason of any performance, payment or discharge which is not required to be rescinded), including any claim of waiver, release, discharge, surrender, alteration or compromise, and shall not be subject to (and the Guarantor hereby waives any right to or claim of) any defence or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality, nongenuineness, irregularity, compromise, unenforceability of, or any other event or occurrence affecting, the Guaranteed Obligations or otherwise (other than by reason of any performance, payment or discharge which is not required to be rescinded);
- (d) the loss of or in respect of or the unenforceability of any other guarantee or other security which the Sellers may now or hereafter hold in respect of the Guaranteed Obligations, whether occasioned by the fault of the Sellers or otherwise;

- (e) any impossibility, impracticability, frustration of purpose, illegality, force majeure or act of government;
- (f) the bankruptcy, winding-up, liquidation, dissolution or insolvency of the Assignee, the Guarantor or any party to any agreement to which the Sellers, the Guarantor or the Assignee are a party;
- (g) any lack or limitation of power or authority of the Guarantor or any other irregularity, defect or informality on the part of the Guarantor in its obligations to the Sellers;
- (h) any change or changes in the name, corporate existence or structure of the Assignee (whether by way of reconstruction, consolidation, amalgamation, merger, transfer, sale, lease or otherwise);
- (i) any law, regulation or other circumstance which might otherwise constitute a defence available to, or a discharge of the Guarantor or in respect of any or all of the Guaranteed Obligations;
- (j) any change in the laws, rules, regulations or ordinances of any jurisdiction or by any present or future action of (i) any governmental entity that amends, varies, reduces or otherwise affects, or purports to amend, vary, reduce or otherwise affect, any of the Guaranteed Obligations, or (ii) any court order that amends, varies, reduces or otherwise affects any of the Guaranteed Obligations
- (k) any taking or failure to take security, any loss of, or loss of value of, any security, or any invalidity, non-perfection or unenforceability of any security held by the Sellers, or any exercise or enforcement of, or failure to exercise or enforce, security, or irregularity or defect in the manner or procedure by which the Sellers realize on such security;
- (l) any application of any sums received to the Guaranteed Obligations, or any part thereof, and any change in such application; or
- (m) any other circumstance (other than final performance, payment, satisfaction or discharge in full of all Guaranteed Obligations) which might otherwise constitute a defence available to, or a legal or equitable discharge of, the Assignee, any surety or any guarantor.

The Guarantor hereby waives all defences available to a guarantor or surety at law or in equity, except for the defence of actual payment and performance in full.

1.3 Recovery as Principal Guarantor

Upon any default in the performance, payment, satisfaction or discharge of the obligations under the Purchase Agreement, but subject to any provisions of the Purchase Agreement with respect to the resolution of any disputes regarding such performance, payment, satisfaction or discharge, the Sellers may forthwith demand performance, payment, satisfaction or discharge under this

Guarantee on the basis that this Guarantee shall be recoverable by the Sellers from the Guarantor as principal guarantor in respect thereof and performance, payment, satisfaction or discharge shall occur forthwith after demand therefor. All monies received by the Sellers in respect of the Guaranteed Obligations may be applied on such part or parts of the Guaranteed Obligations as the Sellers may see fit.

1.4 Acceleration of Guarantee

The Guarantor agrees that, in the event of (i) the dissolution or insolvency of the Guarantor, (ii) the inability or failure (after any applicable grace periods) of the Guarantor to pay debts as they become due, (iii) an assignment by the Guarantor for the benefit of creditors, (iv) the commencement of any proceeding in respect of the Guarantor under any bankruptcy, insolvency or similar laws, or (v) any default by the Assignee under the Purchase Agreement that remains uncured after any applicable cure period (including, without limitation, failure to pay the purchase price when due), all Guaranteed Obligations shall become immediately due and payable without notice or demand.

2 DEALINGS WITH OTHER PARTIES

2.1 No Release

The liability of the Guarantor hereunder shall not be released, discharged, limited or in any way affected by anything done, suffered or permitted by the Sellers in connection with any duties or liabilities of the Assignee to the Sellers, or any security therefor including any loss of or in respect of any security received by the Sellers from the Guarantor or any other person. No waiver, release, or compromise of any Guaranteed Obligation shall be effective unless expressly agreed to in writing by the Sellers. Without limiting the generality of the foregoing and without releasing, discharging, limiting or otherwise affecting in whole or in part the Guarantor's liability hereunder, without obtaining the consent of or giving notice to the Guarantor, the Sellers may:

- (a) grant time, renewals, extensions, indulgences, releases and discharges to the Assignee;
- (b) take or abstain from taking or enforcing securities or collateral from the Assignee or from perfecting securities or collateral of the Assignee;
- (c) accept compromises from the Assignee; and
- (d) otherwise deal with the all other persons and securities as the Sellers may see fit, acting reasonably.

2.2 No Exhaustion of Remedies

Subject to any provisions of the Purchase Agreement with respect to the resolution of any disputes regarding the obligations thereunder, the Sellers shall not be bound or obligated to exhaust its recourse against the Assignee, or any other person or any securities or collateral it may hold or take any other action before being entitled to demand performance from the Guarantor hereunder.

3 CONTINUING GUARANTEE

This Guarantee shall be a continuing guarantee of the Guaranteed Obligations and shall apply to and secure all Guaranteed Obligations. This Guarantee shall survive any termination, assignment, or novation of the Purchase Agreement until all Guaranteed Obligations are fully discharged.

4 NO SUBROGATION

Until all obligations of the Guarantor under this Guarantee are discharged: (a) the Guarantor shall not assert against the Assignee any claim that the Guarantor now has or may hereafter have against the Assignee in connection with this Guarantee or the performance by the Guarantor of its obligations hereunder; and (b) the Guarantor shall not be subrogated to any of the Sellers' rights in the Guaranteed Obligations. The Guarantor shall have no right to claim, in reduction of its liability under this Guarantee, the benefits of any dividends, compositions, proceeds of security or payments received by Sellers from the Assignee or from other persons.

5 REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties

To induce the Sellers to enter into the Purchase Agreement, the Guarantor hereby represents and warrants to the Sellers as follows and acknowledges and confirms that the Sellers are relying upon such representations and warranties to enter into the Purchase Agreement:

- (a) **Power.** The Guarantor has all requisite capacity, power and authority to enter into, and carry out the transactions contemplated by, this Guarantee.
- (b) **Enforcement of Documents.** The Guarantor has duly executed and delivered this Guarantee. This Guarantee is a legal, valid and binding obligation of the Guarantor, enforceable against the Guarantor by the Sellers in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, moratorium, reorganization and other similar laws limiting the enforcement of creditors' rights generally and the fact that the courts may deny the granting or enforcement of equitable remedies.
- (c) **Solvency.** The Guarantor has not:
 - (i) admitted its inability to pay its debts generally as they become due or failed to pay its debts generally as they become due;
 - (ii) filed an assignment or an application for a bankruptcy order, or commenced any other process to take advantage of any insolvency statute;
 - (iii) made an assignment for the benefit of its creditors;
 - (iv) consented to the appointment of a receiver of the whole or any substantial part of its assets;

- (v) file an application, answer or proposal, or a notice of intention to file an application, answer or proposal seeking a reorganization, arrangement, adjustment or composition under applicable bankruptcy laws or any other applicable law or statute; or
 - (vi) been adjudged by a court having jurisdiction a bankrupt or insolvent, nor has a decree or order of a court having jurisdiction been entered for the appointment of a receiver, liquidator, trustee or assignee in bankruptcy with such decree or order having remained in force and undischarged or unstayed for a period of thirty days.
- (d) **Reorganization or Sale.** The Guarantor shall not undergo any change in its ownership, control, capital structure, or any reorganization (whether by way of reconstruction, consolidation, amalgamation, merger, transfer, sale, lease or otherwise), nor permit any assignment or transfer of its rights or obligations under this Guarantee, without the prior written consent of the Sellers. Any such change or assignment without consent shall constitute an immediate default under this Guarantee. For greater certainty, any direct or indirect change of control of the Guarantor shall be deemed a change requiring the Sellers' prior written consent.

5.2 Survival of Representations and Warranties

All of the representations and warranties of the Guarantor contained in Section 5.1 shall survive the execution and delivery of this Guarantee notwithstanding any investigation made at any time by or on behalf of the Sellers.

6 GENERAL

6.1 Performance of Guaranteed Obligations

The Guarantor agrees to perform, pay, satisfy and discharge, within five Business Days of demand therefor, any obligations due hereunder, including the full purchase price under the Purchase Agreement, and all reasonable out-of-pocket expenses (including the reasonable fees and expenses of the Sellers' counsel) relating to enforcement or protection of the Sellers' rights. Any overdue amounts shall bear interest from the date due at a rate equal to the prime rate of interest posted by the Royal Bank of Canada plus five percentage points (prime + 5.0%), until paid in full. All payments under this Guarantee shall be made without set-off, counterclaim, or deduction of any kind.

6.2 Notice

All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given: (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); or (c) on the date sent by facsimile, or by email of a PDF document, with confirmation of transmission in each case, if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the

recipient. Such communications must be sent to the respective parties at the addresses set out in the Purchase Agreement (or at such other address for a party as shall be specified in a notice given in accordance with this Section 6.2). For the avoidance of doubt, notice under this Guarantee shall be deemed effective if delivered in accordance with the notice provisions of the Purchase Agreement.

6.3 Entire Agreement

This Guarantee constitutes the entire agreement between the Guarantor and the Sellers with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between such parties with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties except as expressly set forth herein. The Sellers shall not be bound by any representations or promises made by the Purchaser to the Guarantor and possession of a signed copy of this Guarantee by the Sellers shall be conclusive evidence against the Guarantor that this Guarantee was not delivered in escrow or pursuant to any agreement that it should not be effective until any condition precedent or subsequent has been complied with. This Guarantee shall be operative and binding notwithstanding the non-execution thereof by any proposed signatory.

6.4 Amendments and Waivers

No amendment to this Guarantee will be valid or binding unless set forth in writing and duly executed by the Guarantor and the Sellers. No waiver of any breach of any provision of this Guarantee will be effective or binding unless made in writing and signed by the Sellers and unless otherwise provided in the written waiver, will be limited to the specific breach waived.

6.5 Severability

Each provision of this Guarantee is separate and distinct from the others, such that any decision of a court or tribunal to the effect that any provision hereof is null or unenforceable shall in no way affect the validity of the other provisions hereof or the enforceability thereof. Any provision of this Guarantee which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable laws, the Guarantor hereby waives any provision of any laws which renders any provision hereof prohibited or unenforceable in any respect.

6.6 Interpretation

The words “this Guarantee”, “hereof”, “hereto”, etc. mean the present instrument executed by the Guarantor.

6.7 Additional Rights and Survival

All covenants, agreements, representations and warranties made herein shall survive the execution and delivery of this Guarantee and shall continue in full force and effect so long as any Guaranteed Obligations are outstanding.

6.8 Governing Law and Attornment Clause

This Guarantee shall be construed in accordance with and be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein and for the purpose of legal proceedings, this Guarantee shall be deemed to have been made in the said province and to be performed there, and the courts of that province shall have jurisdiction over all disputes which may arise under this Guarantee and the Guarantor hereby irrevocably and unconditionally submits to the non-exclusive jurisdiction of such courts, provided always that nothing herein contained shall prevent the Sellers from proceeding at its election against the Guarantor in the courts of any other province, country or jurisdiction. The Guarantor hereby irrevocably waives, to the fullest extent possible, the defence of an inconvenient forum and irrevocably agrees to be bound by any final judgment of any court of the Province of Ontario. The Guarantor agrees that a judgment or order of any such court may be enforced in other jurisdictions in any manner provided by law.

6.9 Benefit of Agreement

This Guarantee shall extend to and enure to the benefit of the successors and assigns of the Sellers and shall be binding upon the Guarantor and its successors. The Guarantor shall not assign or transfer any of its rights or obligations under this Guarantee without the prior written consent of the Sellers.

6.10 Further Assurances

The Guarantor shall, at all times and from time to time, do, execute and acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, transfers, assignments, assurances, documents and instruments as the Sellers may reasonably require to accomplish and effect the purpose of this Guarantee and the provisions contained herein. The Guarantor shall, without limiting the generality of the foregoing, provide the Sellers with annual audited financial statements and such other information regarding its financial condition as the Sellers may reasonably request.

6.11 Counterparts

This Guarantee may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Guarantee delivered by email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Guarantee. The parties hereto agree to the use of DocuSign and other similar software for the execution, delivery and storage of this Guarantee.

6.12 Executed Copy

The Guarantor acknowledges receipt of a fully-executed copy of this Guarantee.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF the Guarantor has executed this Guarantee as of the date first written above.

ERTH CORPORATION

By: _____
Name:
Title:

66536404.4

Exhibit E
Escrow Agreement

ESCROW AGREEMENT

THIS AGREEMENT (this “**Agreement**”) made as of the _____, 2026.

A M O N G:

THE CORPORATION OF THE TOWN OF SAUGEEN SHORES, THE CORPORATION OF THE TOWN OF HANOVER, THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE, THE CORPORATION OF THE MUNICIPALITY OF BROCKTON, THE CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE, THE CORPORATION OF THE TOWN OF MINTO, THE CORPORATION OF THE TOWNSHIP OF NORTH HURON, THE CORPORATION OF THE TOWNSHIP OF HURON-KINLOSS AND FORTIS ONTARIO INC.

(hereinafter referred to collectively as the “**Sellers**”)

– and –

ERTH CORPORATION

(hereinafter referred to as the “**Buyer**”)

– and –

AIRD & BERLIS LLP

(hereinafter called the “**Escrow Agent**”)

WHEREAS pursuant to a share purchase agreement made among the Sellers and the Buyer as of _____, 2026 (the “**Purchase Agreement**”), the Sellers agreed to sell to the Buyer and the Buyer agreed to purchase from the Sellers all of the issued and outstanding shares in the capital of Westario Power Inc. (the “**Shares**”);

AND WHEREAS the Buyer has delivered to the Escrow Agent, the sum of Three Million Dollars (\$3,000,000.00) (the “**Escrowed Amount**”) as a deposit on the Purchase Price payable by the Buyer to the Sellers on the Closing with respect to the Shares;

AND WHEREAS, following the Closing, the Escrow Agent shall continue to retain the Escrowed Amount as an adjustment holdback to account for potential post-Closing financial adjustments to the Purchase Price in accordance with the terms of this Agreement and the Purchase Agreement;

AND WHEREAS the Escrow Agent has agreed to receive the Escrowed Amount on behalf of the Sellers and the Buyer and hold and deal with the Escrowed Amount in accordance with the terms and conditions of this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the respective covenants and agreements of the parties hereinafter contained and other good and valuable consideration (the receipt and sufficiency of which are acknowledged by the parties hereto), the parties hereto agree as follows:

ARTICLE 1 **DEFINITIONS**

1.1 **Definitions**

All capitalized terms used herein but not defined in this Agreement shall have the respective meanings ascribed to them in the Purchase Agreement.

ARTICLE 2 **ESCROWED AMOUNT**

2.1 **Appointment**

(a) The Sellers and the Buyer hereby jointly appoint the Escrow Agent to act as escrow agent on their behalf in accordance with the terms of this Agreement.

(b) The parties hereto acknowledge that the Escrowed Amount has been delivered to the Escrow Agent by the Buyer as of the date hereof, which amount or any part or parts thereof, together with the interest earned thereon, shall be held and dealt with by the Escrow Agent in accordance with the terms of this Agreement.

(c) The Escrowed Amount will not be removed from escrow except in accordance with the provisions of this Agreement.

(d) The Escrow Agent accepts its appointment as escrow agent solely as a custodian, bailee, and agent. No trust is intended to be, is, or will be created by this Agreement. For greater certainty, the Escrow Agent is not, and owes no duty as, a trustee to the Sellers or the Buyer under this Agreement.

(e) All fees, expenses, and disbursements that the Escrow Agent incurs or charges in connection with the performance of its obligations under this Agreement (including those incurred by its representatives) shall be borne equally by the Sellers, on the one hand, and the Buyer, on the other hand.

2.2 **Investment of Escrowed Amount**

The Escrowed Amount shall be held in trust by the Escrow Agent and invested from time to time by the Escrow Agent in an interest-bearing Canadian dollar denominated term deposit.

2.3 Interest on Escrowed Amount

The parties hereto agree that any interest earned on the Escrowed Amount shall be held in escrow for the benefit of the Sellers with any such interest being paid to the Sellers on the date the Escrowed Amount is released to the Sellers (if and to the extent applicable) in accordance with and subject to the terms of this Agreement and the Purchase Agreement, subject to the deduction of any applicable withholding tax.

ARTICLE 3 **RELEASE OF THE ESCROWED AMOUNT**

3.1 Release of the Escrowed Amount

(a) The Purchase Agreement shall govern the respective rights and obligations of the Sellers and the Buyer in relation to the Escrowed Amount, including any release of the Escrowed Amount.

(b) Notwithstanding the foregoing, at any time during the term of this Agreement the Escrow Agent may apply the Escrowed Amount, or any portion thereof, as the Escrow Agent deems appropriate in its sole and absolute discretion, to the payment of, or to reimburse the Escrow Agent for the payment of, any professional fees, taxes or disbursements of any Advisor, including the Escrow Agent itself, incurred by the Corporation on account of the transactions contemplated by the Purchase Agreement.

(c) The parties acknowledge and agree that if any dispute (a “**Dispute**”) arises with respect to the delivery, ownership, right of possession, release or disposition of all or part of the Escrowed Amount, or if any claim is made upon the Escrow Agent, the Escrow Agent, upon receipt of notice of such Dispute or claim, is authorized and will retain in its possession, without liability, all or any of the Escrowed Amount until such Dispute or claim has been settled either by the mutual written agreement of the parties involved (resulting in a Joint Direction) or by a decision of court of competent jurisdiction in respect of such Dispute after the exhaustion of all appeals in respect thereof (a “**Final Decision**”). A Joint Direction or a certified copy of any Final Decision, as the case may be, will be delivered to the Escrow Agent by the Buyer and the Sellers immediately upon receipt thereof. The Escrow Agent may, but will be under no duty whatsoever to, institute or defend any legal proceedings which relate to the Escrowed Amount.

(d) The Escrow Agent retains the right not to act and will not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Escrow Agent, in its sole judgment, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline.

ARTICLE 4 **RIGHTS AND DUTIES OF THE ESCROW AGENT**

4.1 Indemnity

The Sellers and the Buyer shall, on a joint and several basis, defend, indemnify and save harmless the Escrow Agent from and against any and all claims of whatsoever nature or kind

suffered or incurred by the Escrow Agent as a result of or arising directly or indirectly out of or in connection with this Agreement (or any amendment hereto) or the Escrow Agent acting as the Escrow Agent hereunder, except where such claims result from the Escrow Agent's own wilful misconduct, gross negligence or bad faith. The indemnity provided in this Section 4.1 shall survive the removal or resignation of the Escrow Agent and/or the termination of this Agreement and the fulfilment of the Escrow Agent's obligations hereunder.

4.2 Other Rights and Duties of the Escrow Agent

(a) The Escrowed Amount will be held by the Escrow Agent in trust in accordance with the terms of this Agreement and will be invested by the Escrow Agent in accordance with Section 2.2 of this Agreement. In holding and dealing with the Escrowed Amount (and any interest earned thereon) pursuant to the terms of this Agreement, the Escrow Agent will not be bound in any way by any agreement other than this Agreement, and the Escrow Agent shall not be considered to assume any duty, liability or responsibility other than to hold the Escrowed Amount and any interest earned thereon in accordance with the provisions of this Agreement, and to pay the amounts as contemplated herein to the party becoming entitled thereto in accordance with the terms of this Agreement, except in the event of a dispute between the parties as to entitlement to the distribution of the Escrowed Amount. In the case of such dispute, the Escrow Agent may, in its discretion, or shall, if requested by either the Sellers or the Buyer, pay the Escrowed Amount and all interest earned thereon into court, whereupon the Escrow Agent shall have no further obligations relating to the Escrowed Amount and all interest earned thereon.

(b) The Escrow Agent will not, under any circumstances, be required to verify or determine the validity of any notice or other document whatsoever delivered to the Escrow Agent in connection with the Escrowed Amount and the Escrow Agent is hereby relieved of any liability or responsibility for any loss or damage which may arise as the result of the acceptance by the Escrow Agent of any such notice or other document in good faith, subject to and in accordance with the terms of this Agreement. For greater certainty, but subject to the Escrow Agent not acting in a grossly negligent manner or with wilful misconduct, the Escrow Agent shall be entitled to assume or rely upon the authority of the person making or signing such notice, direction, authorization and/or document, the genuineness of the signatures thereto and the accuracy of the matters set out therein, with the right, but without the duty or obligation on the part of the Escrow Agent, to inquire beyond the face of any such notice, direction, authorization and/or document received by it.

(c) In the event any property held by the Escrow Agent hereunder shall be attached, garnished or levied upon under any court order, or if the delivery of such property shall be stayed or enjoined by any court order, or if any court order, judgment or decree shall be made or entered affecting such property or affecting any act by the Escrow Agent, the Escrow Agent is authorized to comply with all writs, orders, judgments or decrees so entered or issued, whether with or without jurisdiction, notwithstanding any provision of this Agreement to the contrary. If the Escrow Agent complies with any such writs, orders, judgments or decrees it shall not be liable to any of the parties hereto or to any other person, firm or corporation, by reason of such compliance, notwithstanding that such writs, orders, judgments or decrees may be subsequently reversed, modified, annulled, set aside or vacated.

4.3 Resignation of Escrow Agent

The Escrow Agent may resign at any time by written notice of such resignation to the Sellers and the Buyer, provided that such resignation shall not take effect until appointment of a successor escrow agent acceptable to each of the Sellers and the Buyer, each acting reasonably and the acceptance of such appointment by the successor escrow agent. After appointment of, and acceptance by, such successor escrow agent and the transfer to such successor escrow agent of the Escrowed Amount then held by the resigning escrow agent, all powers, rights and obligations of the resigning escrow agent under this Agreement shall cease and terminate. Notwithstanding the above, at any time the Escrow Agent may, in its sole discretion, pay the Escrowed Amount and all interest earned thereon, into court, whereupon the Escrow Agent shall have no further obligations relating to the Escrowed Amount and all interest earned thereon.

ARTICLE 5 GENERAL PROVISIONS

5.1 Personal Liability

The Escrow Agent shall not be bound or in any way affected by the notice of any modification, cancellation, abrogation or rescission of this Agreement or of any fact or circumstance affecting or alleged to affect the rights or liabilities of the parties hereto, other than as set forth in an amendment to this Agreement which is executed by all of the parties, including the Escrow Agent.

5.2 No Liability

The Escrow Agent shall not be liable for any action taken or omitted by it, or any action suffered by it to be taken or omitted, excepting only those actions or omissions which result from the gross negligence, wilful misconduct or bad faith of the Escrow Agent.

5.3 Acknowledgement

The Buyer acknowledges that the Escrow Agent is acting as counsel to the Sellers and is accepting the role as Escrow Agent solely as a convenience to the parties. The Buyer agrees that the Escrow Agent's role as Escrow Agent hereunder, and any actions or proceedings relating thereto, shall not in any way disqualify the Escrow Agent from continuing to act for the Sellers in respect of the Transaction or under this Agreement, or in respect of any other matter, action or proceeding whatsoever, both while it is acting as Escrow Agent hereunder and thereafter.

5.4 Counterparts

This Agreement, or any amendment to it, may be executed in multiple counterparts, each of which shall be deemed to be an original agreement, and all of which shall constitute one agreement. All counterparts shall be construed together and shall constitute one and the same agreement. Any delivery of an executed copy of this Agreement by way of electronic transmission in portable document format (PDF) of an executed counterpart of this Agreement is effective as delivery of an originally executed counterpart of this Agreement.

5.5 **Time**

Time shall be of the essence of this Agreement and shall remain of the essence of the Purchase Agreement.

5.6 **Currency**

All references to currency in this Agreement shall be deemed to be references to Canadian dollars.

5.7 **Enurement**

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

5.8 **Rights Under Purchase Agreement**

Nothing in this Agreement derogates from the rights and obligations of the Sellers and the Buyer under the Purchase Agreement.

5.9 **Survival**

This Agreement shall survive Closing until the obligations of the Sellers, Buyer, and Escrow Agent set out herein are fulfilled.

5.10 **Governing Law**

This Agreement shall be governed in all respects by the laws of the Province of Ontario and the federal laws of Canada applicable therein and each of the parties hereby irrevocably attorns and submits to the non-exclusive jurisdiction of the courts of the Province of Ontario in any suit, action or proceeding relating to this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto as of the first date written above.

ESCROW AGENT:

Aird & Berlis LLP

By: _____
Name:
Title:

BUYER:

ERTH Corporation

By: _____
Name:
Title:

SELLERS:

The Corporation of the Town of Saugeen Shores

By: _____
Name:
Title:

By: _____
Name:
Title:

The Corporation of the Town of Hanover

By: _____

Name:

Title:

By: _____

Name:

Title:

**The Corporation of the Municipality of
Kincardine**

By: _____

Name:

Title:

By: _____

Name:

Title:

The Corporation of the Municipality of Brockton

By: _____

Name:

Title:

By: _____

Name:

Title:

**The Corporation of the Municipality of South
Bruce**

By: _____

Name:

Title:

By: _____

Name:

Title:

The Corporation of the Town of Minto

By: _____

Name:

Title:

By: _____

Name:

Title:

**The Corporation of the Township of North
Huron**

By: _____

Name:

Title:

By: _____

Name:

Title:

The Corporation of the Township of Huron-Kinloss

By: _____

Name:

Title:

By: _____

Name:

Title:

FortisOntario Inc.

By: _____

Name:

Title:

Exhibit F

Community Involvement Agreement

COMMUNITY INVOLVEMENT AGREEMENT

THIS AGREEMENT (this “**Agreement**”) made as of the _____, 2026.

A M O N G:

THE CORPORATION OF THE TOWN OF SAUGEEN SHORES, THE CORPORATION OF THE TOWN OF HANOVER, THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE, THE CORPORATION OF THE MUNICIPALITY OF BROCKTON, THE CORPORATION OF THE MUNICIPALITY OF SOUTH BRUCE, THE CORPORATION OF THE TOWN OF MINTO, THE CORPORATION OF THE TOWNSHIP OF NORTH HURON AND THE CORPORATION OF THE TOWNSHIP OF HURON-KINLOSS

(hereinafter referred to collectively as the “**Municipal Sellers**”)

– and –

ERTH CORPORATION

(hereinafter referred to as the “**Buyer**”)

WHEREAS pursuant to a share purchase agreement made among the Municipal Sellers, FortisOntario Inc. (together, the “**Sellers**”) and the Buyer as of _____, 2026 (the “**Purchase Agreement**”), the Sellers agreed to sell to the Buyer and the Buyer agreed to purchase from the Sellers all of the issued and outstanding shares in the capital of Westario Power Inc. (the “**Transaction**”);

AND WHEREAS the Parties desire to establish certain ongoing commitments by the Buyer and the Corporation to promote continued local involvement, communication, and community support within the Corporation’s Service Territory (as defined below) following the completion of the Transaction;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT pursuant to Section 8(e) of the Purchase Agreement, in consideration of the respective covenants and agreements of the parties hereinafter contained and other good and valuable consideration (the receipt and sufficiency of which are acknowledged by the parties hereto), the parties hereto agree as follows:

1. INTERPRETATION

- 1.1 **Definitions.** Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement.
- 1.2 **Service Territory.** For the purposes of this Agreement, “Service Territory” means the geographic area served by the Corporation pursuant to its electricity distribution license as of the Closing Date.

2. PURPOSE

The purpose of this Agreement is to set out certain ongoing commitments of the Buyer and the Corporation in respect of (i) local governance, (ii) advisory engagement between the Buyer and the Sellers, and (iii) community contributions within the Corporation’s Service Territory following the Closing.

3. LOCAL GOVERNANCE

- 3.1 **Appointment Right.** Subject to the remainder of this Section 3, the Municipal Sellers shall, collectively, have the right to appoint one (1) independent director who is ordinarily resident within the Service Territory (a “Local Designate”) to the board of directors of the Corporation and Buyer LDC.
- 3.2 **Duration of Right.** The Municipal Sellers’ right to appoint a Local Designate shall subsist, continue and apply until such time as the Corporation and Buyer LDC shall have undergone a single transaction causing a change of Control. For clarity, upon the amalgamation of the Corporation and the Buyer LDC as contemplated in Section 8(e) of the Purchase Agreement, such right of appointment of a Local Designate shall apply with respect to the successor amalgamated entity.
- 3.3 **Selection Process.** The Parties shall cooperate in good faith to identify qualified candidates consistent with the Buyer’s governance principles and applicable laws. The Buyer shall have the right to participate in the identification, recruitment and selection process for each Local Designate, including the right to reject a potential Local Designate if it determines that the appointment is not in the best interests of the Corporation and Buyer LDC, acting reasonably.
- 3.4 **Term and Succession.** Each appointed Local Designate shall serve a term of three (3) years, subject to two (2) possible three-year renewals, consistent with the Buyer’s then prevailing director term policies. Upon the expiry of the last Renewal Period or resignation of a Local Designate, the Municipal Sellers shall be entitled to appoint a successor Local Designate in accordance with this Section 3.

4. ADVISORY COMMITTEE

- 4.1 **Establishment.** The Buyer shall establish an advisory committee (the “Advisory Committee”) on or prior to the Closing Date for a period that shall exist for one (1) year following the Closing Date to facilitate ongoing communication and exchange between the Buyer and the Sellers regarding the transition and integration of the Corporation.

4.2 **Composition and Meetings.** The Advisory Committee shall be comprised of ten persons, consisting of the CEO and one (1) other representative appointed by the Buyer and eight (8) representatives appointed by the Municipal Sellers, consisting of one (1) representative appointed by each of the Municipal Sellers, and shall meet on a quarterly basis during such one-year period. Meetings may be held in person or virtually, as mutually agreed by the Parties.

4.3 **Purpose.**

The Advisory Committee shall serve as a forum for:

- (a) reviewing the impacts and implementation of the transactions contemplated by the Purchase Agreement;
- (b) discussing the ongoing rights and obligations set out in this Agreement; and
- (c) promoting continued communication and collaboration between the Buyer, the Corporation, and the municipalities in the Service Territory.

4.4 **Quorum.** Quorum shall consist of one representative of the Buyer and a majority of the representatives of the Municipal Sellers.

5. COMMUNITY CONTRIBUTIONS

5.1 **Commitment.** Following the Closing, the Buyer shall, and shall cause the Corporation to, continue to provide community support within the Service Territory, consistent with historical practices of the Corporation.

5.2 **Minimum Annual Contribution.** Without limiting the generality of Section 5.1, the Buyer shall ensure that the Corporation provides an annual contribution of not less than Twenty-Five Thousand Dollars (\$25,000) per year towards community support within the Service Territory. Such contribution may include in-kind or monetary support, including but not limited to installation and maintenance of community decorations and banners; local donations, sponsorships, and community events; and other community-oriented initiatives consistent with prior practice. The Buyer shall make reasonable efforts to allocate such contributions equitably among the Municipal Sellers.

5.3 **Reporting.** Upon request of the Sellers (acting collectively), the Buyer shall provide reasonable confirmation and evidence of the Corporation's community support activities and contributions for the preceding year.

6. GENERAL PROVISIONS

6.1 **Term.** This Agreement shall take effect as of the Closing Date and shall remain in force until such time as terminated by mutual written agreement of the Parties.

- 6.2 **No Assignment.** Neither this Agreement nor any rights or obligations hereunder may be assigned by any Party without the prior written consent of the other Parties, except that the Buyer may assign this Agreement to an Affiliate provided that such Affiliate assumes all obligations hereunder.
- 6.3 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.
- 6.4 **Entire Agreement.** This Agreement and the Purchase Agreement constitute the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, understandings or negotiations, whether oral or written, relating to the same.
- 6.5 **Amendments.** This Agreement may be amended only by written instrument executed by all Parties.
- 6.6 **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Delivery of counterparts by electronic transmission shall be deemed effective as delivery of originally executed counterparts.
- 6.7 **Miscellaneous.** For clarity, the following provisions of the Purchase Agreement are hereby incorporated by reference and shall apply to this Agreement as if fully set forth herein, *mutatis mutandis*: Section 9(1) (*Liquidated Damages*), Section 13(a) (*Notices*) and Section 13(h) (*Dispute Resolution*).

[signature page follows]

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto as of the first date written above.

BUYER:

ERTH Corporation

By: _____

Name:

Title:

SELLERS:

The Corporation of the Town of Saugeen Shores

By: _____

Name:

Title:

By: _____

Name:

Title:

The Corporation of the Town of Hanover

By: _____

Name:

Title:

By: _____

Name:

Title:

**The Corporation of the Municipality of
Kincardine**

By: _____
Name:
Title:

By: _____
Name:
Title:

The Corporation of the Municipality of Brockton

By: _____
Name:
Title:

By: _____
Name:
Title:

**The Corporation of the Municipality of South
Bruce**

By: _____
Name:
Title:

By: _____
Name:
Title:

The Corporation of the Town of Minto

By: _____

Name:

Title:

By: _____

Name:

Title:

**The Corporation of the Township of North
Huron**

By: _____

Name:

Title:

By: _____

Name:

Title:

**The Corporation of the Township of Huron-
Kinloss**

By: _____

Name:

Title:

By: _____

Name:

Title:

APPENDIX D
Resolutions by Parties Approving the Proposed Transaction

**RESOLUTION OF THE SHAREHOLDERS
OF
ERTH CORPORATION
(the "Corporation")**

MERGER WITH WESTARIO POWER INC. ("WESTARIO")

DATE: December 4, 2025

WHEREAS, pursuant to section 4.1(6) of the Corporation's unanimous shareholder agreement, the municipal shareholders of the Corporation (the "**Shareholders**"):

- (i) approved the acquisition of Westario (the "**Acquisition**") pursuant to the terms presented at the special shareholder meeting on August 15, 2025, and as reflected in a non-binding letter of intent between the Corporation and Westario presented to the Shareholders on said date (the "**LOI**"),
- (ii) appointed the Corporation's board of directors (the "**Board**") as shareholder representatives for the express purpose of approving the final form of legal agreements and taking all other necessary steps to finalize and consummate the Acquisition, and
- (iii) directed the Board to return to the municipal shareholders for further approval only in the event of any material change to the terms and conditions described in the LOI.

AND WHEREAS, to effect the Acquisition, the Corporation and Westario's shareholders have negotiated a share purchase agreement (the "**Agreement**") in the form attached to this resolution as Schedule "A" which is materially consistent with the terms set forth in the draft of the LOI presented to the Shareholders on August 15, 2025.

BE IT RESOLVED THAT:

1. The Acquisition is hereby approved;
2. The Corporation is authorized to execute and deliver the Agreement and to fulfil its obligations under the Agreement and any other agreement or document contemplated by, or required to be delivered under the Agreement;
3. The Agreement in the form attached as Schedule "A" is approved and the President & CEO is authorized and directed to execute and deliver the Agreement, with such amendments or variations to the Agreement as the President & CEO may approve, whose execution and delivery of the Agreement shall be conclusive evidence of the President & CEO's approval, and the document so executed by the President & CEO is the Agreement authorized by this resolution; and
4. The President & CEO is authorized and directed to take such action and to execute such further documents as may be necessary or desirable to give full force and effect to this resolution or the Agreement.

DATED the 4th day of December, 2025.

Moved: Don McKay (Township of East Zorra-Tavistock)

Seconded: Gerry Richer (Town of Aylmer)

Carried: Unanimous



Special Shareholder Resolution

SPECIAL RESOLUTION OF THE SHAREHOLDERS

ACQUISITION OF WESTARIO POWER INC.

Date: August 15, 2025

WHEREAS Doane Grant Thornton Corporate Finance Inc. (“DGT”), in its capacity as advisor to Westario Power Inc. (“Westario”), has commenced a competitive process leading to a potential transaction involving the sale of all of the shares of Westario (the “Potential Transaction”);

AND WHEREAS ERTH Corporation (the “Corporation”) signed a non-disclosure agreement on May 9, 2025 indicating its intent to participate in the competitive process to acquire the Westario shares;

AND WHEREAS after reviewing preliminary due diligence information regarding Westario and the acquisition opportunity, the Corporation submitted an expression of interest (“EOI”) to acquire the shares of Westario on June 19, 2025;

AND WHEREAS the Corporation has been asked to submit a non-binding letter of intent (“LOI”) no later than August 18, 2025 offering to acquire all the issued and outstanding shares in Westario.

AND WHEREAS at least two-thirds of ERTH’s municipal shareholders (the “ERTH Shareholders”) must approve the transactions contemplated in the LOI and this special resolution pursuant to section 4.1(6) of the Corporation’s shareholder agreement.

RESOLVED THAT:

- 1) The ERTH Shareholders hereby support and approve the draft LOI materially in the form attached to this resolution as Schedule “A” (the “Draft LOI”), to be submitted by the Corporation in relation to the Potential Transaction, subject to the following:
 - (a) The ERTH Shareholders and the Corporation acknowledge that neither Westario nor its shareholders are obligated to proceed with the Potential Transaction or any transaction involving the Corporation;
 - (b) The submission of the Draft LOI by the Corporation may be rejected in favour of that of another bidder or for any other reason;
 - (c) If the Draft LOI is accepted and executed by Westario, its shareholders, and the Corporation, any definitive transaction, whether in the form of the Potential Transaction or otherwise, would remain subject to the finalization and entry into a definitive and legally binding agreement of purchase and sale, any such definitive agreement being further subject to the approval of the Corporation and its shareholders, as well as Westario and its shareholders; and

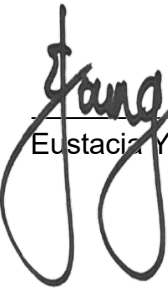


- (d) the Shareholders acknowledges that the Corporation is under a duty of confidentiality to Westario, that the Draft LOI, this letter and any other information received, directly or indirectly, by the Shareholders from the Corporation, DGT or Westario in relation to Westario, the Potential Transaction or the Draft LOI is confidential, that the Shareholders have kept and will continue to keep such information confidential, that unauthorized disclosure of such confidential information by the Shareholders would result in breach by the Corporation of its confidentiality obligations and subject it to Westario's remedy for damages and other remedies, and that such confidential information is subject to exceptions to the Shareholders' disclosure and open-meeting requirements under, respectively, the *Municipal Freedom of Information and Protection of Privacy Act* (Ontario) and the *Municipal Act* (Ontario);
- 2) The Corporation's Board of Directors (the "Board") be appointed as ERTH Shareholder representatives for the express purpose of approving the final form of definitive legal agreements and taking all other necessary steps to finalize and consummate the Potential Transaction; and
- 3) The Board shall return to the ERTH Shareholders for further approval in the event of any material change to the terms and conditions described in the Draft LOI.

Moved by: The Corporation of the Township of Zorra (Katie Griggs)

Seconded by: The Corporation of the Township of East Zorra-Tavistock (Phil Schaefer)

Carried: Approved Unanimously

Signed: 
Eustacia Young, Corporate Secretary



SCHEDULE "A"
Letter of Intent

CONFIDENTIAL

August 18, 2025

Westario Power Inc.
RR #2, 24 Eastridge Road
Walkerton, ON N0G 2V0

Attention: Board of Directors and Shareholders

Re: Acquisition of 100% of the Shares in Westario Power Inc.

The purpose of this letter of intent is to set out certain non-binding understandings and certain binding agreements between The Town of Saugeen Shores, The Town of Hanover, The Municipality of Kincardine, The Municipality of Brockton, The Municipality of South Bruce, The Township of Minto, The Township of North Huron, The Township of Huron-Kinloss and FortisOntario Inc. (collectively, the "**Sellers**") and ERTH Corporation ("**ERTH**") with respect to ERTH's proposed acquisition of all of the issued and outstanding shares in the capital of Westario Power Inc. ("**Westario**") from the Sellers (the "**Proposed Transaction**").

1. Purchase and Sale of Purchased Shares. Subject to the terms and conditions any definitive legal agreements between the parties, ERTH will purchase all of the issued and outstanding shares in the capital of Westario (the "**Purchased Shares**") from the Sellers.
2. Purchase Price. The aggregate purchase price for all of the Purchased Shares shall be SEVENTY-SIX MILLION, ONE HUNDRED AND NINETY THOUSAND DOLLARS (\$76,190,000), subject to the adjustments and conditions described herein (the "**Purchase Price**").
3. Payment of Purchase Price. ERTH will pay the Purchase Price by wire transfer of immediately available funds as follows:
 - (a) as to the sum of THREE MILLION DOLLARS (\$3,000,000.00), by delivery to the Sellers' legal counsel, in trust, concurrently with the execution and delivery of the Definitive Agreements (as defined below), as a deposit to be credited to ERTH on account of the Purchase Price on the closing of the Proposed Transaction (the "**Deposit**"); and
 - (b) as to the balance of the Purchase Price (net of accrued interest on the Deposit), by delivery to the Sellers' legal counsel, in trust, or other entity the Sellers may direct, on the closing of the Proposed Transaction an amount equal to the sum of SEVENTY-TWO MILLION, ONE HUNDRED AND NINETY THOUSAND DOLLARS (\$72,190,000), plus the Estimated Closing Date Cash, minus the Estimated Closing Date Debt, minus the Estimated Closing Date Unpaid Transaction Expenses, plus the excess, if any, of the Estimated Closing Working Capital Account Balance over the Target Net Working Capital, minus the excess, if any, of the Target Net Working Capital over the Estimated Closing Working Capital



Account Balance. (Capitalized terms used in this paragraph 3(b) but not defined in this letter have the meaning attributed to them in the *Draft Model SPA* dated July 25, 2025 uploaded to the virtual data room.)

4. Due Diligence

Following the execution of this letter, ERTH and its representatives will attempt to finalize their due diligence investigation of the business, affairs and financial condition of Westario, including financial, commercial, marketing, employee, legal, taxation, systems, regulatory and environmental matters, on or before October 31, 2025.

5. Definitive Agreements

The parties shall use best efforts to negotiate and execute definitive legal agreements including, without limitation, a share purchase agreement between the Sellers and ERTH that is materially consistent with the marked-up version of the *Draft Model SPA – July 25, 2025* delivered with this letter, to effect the Proposed Transaction upon the terms set forth in this letter (the “**Definitive Agreements**”) on or before December 15, 2025.

6. Required Consents

Except as set forth in paragraph 7 below, there are no consents or approvals required by ERTH or the Sellers in connection with the execution and delivery of the Definitive Agreements or the completion of the Proposed Transaction.

7. Conditions of Closing

The Definitive Agreements will provide that completion of the Proposed Transaction would be subject to the usual conditions contained in similar agreements negotiated between arm’s length parties including, by way of illustration and without limitation, the following conditions (the “**Conditions**”):

- (a) Finalization of the due diligence process described in paragraph 4 above to the sole satisfaction of ERTH, acting reasonably; and
- (b) Receipt of all consents, approvals, exemptions and authorizations necessary in order to complete the Proposed Transaction including:
 - (1) approval of the Definitive Agreements by a majority of ERTH’s board of directors and two-thirds of ERTH’s municipal shareholders;
 - (2) approval of the Definitive Agreements by at least eighty percent (80%) of the Sellers;
 - (3) credit approval from ERTH’s financial institution to finance the proposed acquisition via a committed debt facility; and
 - (4) necessary approvals of the Proposed Transaction by the Ontario Energy Board (“**OEB**”), including (i) approval pursuant to sections 85 and 86 of the *OEB Act, 1998* and (ii) a



license amendment for the Merged LDC pursuant to section 74 of the OEB Act, 1998 (collectively, “**OEB Approval**”).

8. Transaction Timing and Closing

Upon execution of this letter, the parties agree to use best efforts to:

- (a) negotiate and execute the Definitive Agreements no later than December 15, 2025; and
- (b) satisfy the Conditions in a timely manner, including obtaining board and shareholder approval to execute the Definitive Agreements, obtaining credit approval, and submitting an application for OEB regulatory approval no later than December 31, 2025.

The Proposed Transaction will close within fourteen (14) days of the date on which receipt of OEB regulatory approval or (ii) such other date as agreed to by the parties in writing (the “**Closing Date**”).

9. Post-Closing Commitments

Following the Closing Date:

- (a) **Growing Local Presence** – ERTH will maintain the administration and operations facility as the central LDC operations facility for the Westario service territory for a minimum period of ten (10) years following the closing of the Proposed Transaction. ERTH is interested in growing its competitive business in Westario’s franchise area and ERTH will use commercially reasonable efforts to grow the local presence of its competitive businesses in the Sellers’ communities.
- (b) **Protection and Promotion of Westario Employees** – ERTH will retain all existing Westario employees following the closing of the Proposed Transaction, and ERTH will commit to a minimum three-year job and location guarantee for all existing management and unionized employees, subject to a review of management employment agreements. Unionized employees will continue to be subject to the terms of Westario’s existing collective agreements. When ERTH Power and Westario are merged, unionized Westario employees’ seniority would be dovetailed in with ERTH Power unionized employees and all seniority and service credits will be maintained. ERTH Power also anticipates needing new resources in Westario’s franchise area and ERTH Power will use commercially reasonable efforts to grow the local LDC employment.
- (c) **Local Governance** – As a transitional measure, the Sellers will, collectively, have the right to appoint one qualified independent director to the board of directors of Westario and ERTH Power for a period of three (3) years after the closing of the Proposed Transaction.
- (d) **Advisory Committee** – ERTH will establish an advisory committee for a one-year period following the closing of the Proposed Transaction to provide ongoing communication and exchange between the Sellers and ERTH. The advisory committee will meet quarterly to review the impacts and implementation of the Proposed Transaction.



- (e) **Service Quality Guarantees** – ERTH will commit to monitor and meet the OEB’s Service Quality Indicators such that Westario remains responsive and the communities served by Westario are not negatively affected. ERTH is further committed to improving the overall customer experience for Westario’s customers through innovation and continuous improvement of people, processes, and technology, which will be bolstered by the cost-effective and scalable resources provided by ERTH’s competitive business. In addition, ERTH is committed to providing customers of Westario with a mobile application, further strengthening our commitment to the enhancement of customer experience.
- (f) **Capital Investment Guarantees** – ERTH will continue to invest in Westario’s electricity infrastructure as per its approved Distribution System Plan (Asset Management Plan) noting the need for future capacity in the area.
- (g) **Rate Guarantees** – The Proposed Transaction will not result in increased electricity distribution rates for Westario customers beyond the regular annual rate setting process for a minimum period of five (5) years.
- (h) **Community Contributions** – Following the closing of the Proposed Transaction, ERTH will ensure that Westario continues to provide the Sellers with the in kind and other community support (e.g. Christmas decorations and banner installations, donations, and sponsorships) historically provided by Westario. ERTH commits to a minimum contribution of \$25,000 per year towards community support in Westario’s service territory.
- (i) **Amalgamation of ERTH Power and Westario** - ERTH intends to acquire Westario and operate it as a standalone LDC for a period of a maximum period of three (3) years, at which time Westario will be merged with ERTH Power to create a merged LDC.

10. Confidentiality

The confidentiality provisions set forth in the Non-Disclosure Agreement dated May 9, 2025 shall continue to apply to the parties.

11. Exclusivity

To allow the parties to negotiate and execute the Definitive Agreements, the Sellers and Westario agree not to, directly or indirectly, solicit or entertain any offer for the purchase of all or any of the Westario shares until December 31, 2025 (the “Exclusivity Period”), and the Sellers and Westario further agrees to deal exclusively with ERTH during such the Exclusivity Period.

12. Termination

If, despite the best efforts of the parties, Definitive Agreements are not negotiated and executed by the parties by the end of the Exclusivity Period, then either the Sellers or ERTH shall be entitled to terminate this letter by written notice to the other party, provided that the parties’ undertaking as to the confidentiality contained in Section 10 above shall survive the termination of this letter, and that such termination shall not affect the liability of a party for breach of any of its binding commitments prior to the termination.



13. Binding Nature

The parties specifically acknowledge that this letter is not an obligation of funds, nor does it create a legally binding commitment between the parties with the exception of:

- (a) the obligations of confidentiality and exclusivity as described in Sections 10 and 11 above, and
- (b) the parties' mutual undertaking to use best efforts to negotiate and executive Definitive Agreements on the terms and conditions described in this letter.

14. General

Unless expressly stated otherwise, all costs and expenses incurred in respect of this finalizing this letter, completing the Proposed Transaction, and any resulting negotiations and agreement, including legal, accounting and other professional advisor fees, will be borne by the parties which incur the same.

This letter and the Definitive Agreements will be interpreted and enforced in accordance with the laws of the Province of Ontario.

All amounts referred to in this letter are expressed in Canadian dollars.

This letter may be executed in any number of counterparts, and all such counterparts taken together shall be deemed to constitute one and the same instrument.

If this letter accords with your understanding of our discussions, please sign and return the copy of this letter via email or courier or on or before September 26, 2025. If your approval and acceptance have not been obtained by such date, the offer contained in this letter shall be null and void.

Yours very truly,

ERTH CORPORATION

Chris White
President & CEO

ACCEPTED AND AGREED as of this _____ day of _____, 2025.

[insert shareholder names]

WESTARIO POWER INC.

Name:
Title:

Name:
Title:

FORTISONTARIO INC.
(THE "CORPORATION")

**RESOLUTIONS OF THE BOARD OF DIRECTORS
OF THE CORPORATION (THE "BOARD")**

SALE OF WESTARIO POWER

WHEREAS the Corporation, together with The Town of Saugeen Shores, The Town of Hanover, The Municipality of Brockton, The Municipality of Kincardine, The Municipality of South Bruce, The Township of Minto, The Township of North Huron, and The Township of Huron-Kinloss (collectively with the Corporation, the "**Shareholders**"), hold all of the issued and outstanding shares (the "**Shares**") in the capital of Westario Power Inc. ("**Westario**");

AND WHEREAS on October 15, 2024, the Corporation endorsed a recommendation of Westario to begin a process to sell all of the Shares (the "**Bid Process**");

AND WHEREAS pursuant to the Bid Process and following receipt of bids from a number of proponents, on September 23, 2025, the Corporation approved the entry by Westario into a letter of intent (the "**LOI**") with EARTH Corporation (the "**Buyer**");

AND WHEREAS pursuant to the LOI, the board of directors of Westario has recommended that each of the Shareholders approve and enter into a share purchase agreement (the "**Purchase Agreement**") with the Buyer, a draft of which having been either presented or described to Shareholders, pursuant to which, among other things, the Shareholders will sell to the Buyer and the Buyer will purchase from the Sellers, the Shares (the "**Transaction**");

AND WHEREAS pursuant to the terms of the Purchase Agreement or as otherwise contemplated in connection with the Transaction, the Corporation will be required to execute and deliver certain ancillary agreements, documents, deeds and instruments, either at the time of execution of the Purchase Agreement or closing of the transactions contemplated thereby ("**Related Agreements**");

NOW THEREFORE BE IT RESOLVED THAT:

1. The Board hereby approved the Transaction.
2. The Corporation is authorized to enter into the Purchase Agreement and each of the Related Agreements.
3. The execution and delivery by the Corporation of the Purchase Agreement and the Related Agreements and the performance by it of its obligations thereunder, with such deletions, amendments or additions thereto as an officer, or other duly authorized representative, of the Corporation (the "**Authorized Representative**") may determine, is authorized and approved, the execution of such agreements in accordance with the provisions of the paragraph immediately below being conclusive evidence of such determination.
4. The Authorized Representative is authorized and directed, for and in the name of and on behalf of the Corporation, to execute and deliver the Purchase Agreement and the Related Agreements, with such deletions, amendments or additions thereto as the Authorized Representative may in his or her absolute discretion determine, the execution of such agreement in accordance with the provisions of this paragraph being conclusive evidence of such determination.
5. The Authorized Representative is authorized and directed, for and in the name of and on behalf of the Corporation, to execute and deliver all such other agreements, amendments, instruments, certificates, resolutions and other documents, and to do all such other acts and things as the Authorized Representative may determine to be necessary or advisable in connection with the Purchase Agreement or the Related Agreements, the execution and delivery of any such agreement, amendment, instrument, certificate, resolution or other document or the doing of any such other act or thing by the Authorized Representative being conclusive evidence of such determination.

The foregoing resolutions are hereby signed by all the directors of the Corporation in accordance with the provisions of the *Business Corporations Act* (Ontario).

DATED: the 18th day of December 2025.

Gary Smith

Regan O'Dea

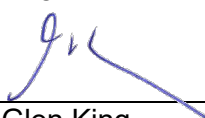
Glen King

The foregoing resolutions are hereby signed by all the directors of the Corporation in accordance with the provisions of the *Business Corporations Act* (Ontario).

DATED: the 18th day of December 2025.

Gary Smith

Regan O'Dea



Glen King

The foregoing resolutions are hereby signed by all the directors of the Corporation in accordance with the provisions of the *Business Corporations Act* (Ontario).

DATED: the 18th day of December 2025.



Gary Smith

Regan O'Dea

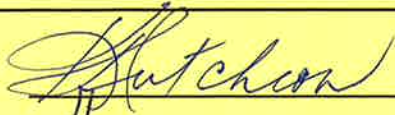
Glen King

4

**The Corporation of the Municipality of Brockton - Council Meeting
Council Meeting**

Agenda Number: 6.
Number: 25-25-05
Title: Closed Session
Date: Wednesday, December 17, 2025

Moved By:



Seconded By:



Whereas:

- A. The Corporation of the Municipality of Brockton (the "**Municipality**"), together with the Town of Saugeen Shores, Town of Hanover, Municipality of Kincardine, Municipality of Brockton, Municipality of South Bruce, Township of Minto, Township of North Huron, and FortisOntario Inc. (collectively with the Municipality, the "**Shareholders**"), hold all of the issued and outstanding shares (the "**Shares**") in the capital of Westario Power Inc. (the "**Corporation**");
- B. On April 8, 2024 the Municipality endorsed a recommendation of the Corporation to begin a process to sell all of the Shares (the "**Bid Process**");
- C. Pursuant to the Bid Process and following receipt of bids from a number of proponents, on September 9, 2025, the Municipality approved the entry by the Corporation into a letter of intent (the "**LOI**") with EARTH Corporation (the "**Buyer**");
- D. Pursuant to the LOI, the board of directors of the Corporation has recommended that each of the Shareholders approve and enter into a share purchase agreement (the "**Purchase Agreement**") with the Buyer, a draft of which having been either presented or described to the council of the Municipality, pursuant to which, among other things, the Shareholders will sell to the Buyer and the Buyer will purchase from the Sellers, the Shares (the "**Transaction**");
- E. Pursuant to the terms of the Purchase Agreement or as otherwise contemplated in connection with the Transaction, the Municipality will be required to execute and deliver certain ancillary agreements, documents, deeds and instruments, either at the time of execution of the Purchase Agreement or closing of the transactions contemplated thereby, including an escrow agreement and a community involvement agreement (the "**Related Agreements**"), drafts of each such Related Agreement having been either presented or described to the council of the Municipality; and
- F. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement.

Now Therefore Be It Resolved That:

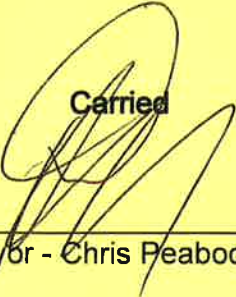
1. The Municipality hereby approves the Transaction.
2. The Municipality is authorized to enter into the Purchase Agreement and each of the Related Agreements substantially in the forms presented or described.
3. The execution and delivery by the Municipality of the Purchase Agreement and the Related Agreements and the performance by it of its obligations thereunder, with such deletions, amendments or additions thereto as the Chief Administrative Officer (the "CAO") in consultation with the Municipality's solicitor may determine, is authorized and approved, the execution of such agreements in accordance with the provisions of the paragraph immediately below being conclusive evidence of such determination.
4. The Mayor and the Clerk are authorized and directed, for and in the name of and on behalf of the Municipality, to execute and deliver the Purchase Agreement and the Related Agreements, with such deletions, amendments or additions thereto as the CAO may in her absolute discretion determine, the execution of such agreement in accordance with the provisions of this paragraph being conclusive evidence of such determination.
5. The Mayor and the Clerk are authorized and directed, for and in the name of and on behalf of the Municipality, to execute and deliver all such other agreements, amendments, instruments, certificates, resolutions and other documents, and to do all such other acts and things as the CAO may determine to be necessary or advisable in connection with the Purchase Agreement or the Related Agreements, the execution and delivery of any such agreement, amendment, instrument, certificate, resolution or other document or the doing of any such other act or thing by the Authorized Representative being conclusive evidence of such determination.

Carried

Tied, Defeated

Defeated

Tabled



Mayor - Chris Peabody



A unified, engaged and caring community
that cultivates opportunities and
embraces our rural lifestyle.

We deliver services that responsibly utilize
resources, respect our environment, and
foster a community ready to shape its future.

Council Meeting Minutes

Date: December 8, 2025

Time: 7:00 pm

Location: Council Chambers

Members Present Don Murray, Mayor
Larry Allison, Councillor
Shari Flett, Councillor
Scott Gibson, Councillor
Carl Sloetjes, Councillor

Members Absent Jim Hanna, Deputy Mayor
Ed McGugan, Councillor

Staff Present Jennifer White, Clerk
Jodi MacArthur, Chief Administrative Officer
Brett Pollock, Manager of Building and Planning, CBO

1. Call to Order

Mayor Murray called the meeting to order at 7:00p.m. Councillor Flett attended virtually and all other members of Council and Staff were present in the Council Chambers.

2. Committee of Adjustment

Resolution No.: 12/08/2025 - 01

Moved By Carl Sloetjes

Seconded By Scott Gibson

THAT Council move into Committee of Adjustment for the purpose of considering a minor variance application;

AND FURTHER THAT Council return to the regular open meeting upon completion.

Carried

3. Disclosure of Pecuniary Interest

None disclosed.

4. Adoption of Minutes

Resolution No.: 12/08/2025 - 02

Moved By Shari Flett

Seconded By Larry Allison

THAT the minutes of the Council meeting of November 17, 2025 and Committee of the Whole meeting of December 1, 2025 be adopted as presented.

Carried

5. Delegations

None.

6. Staff Report

6.1 Building and Planning

a. Site Plan Control , Lucknow and District Kinsmen, BLD-2025-28

Council discussed the timing of the application and the timing of occupancy and completion of outside works.

Council discussed requirements for a landscape buffer and staff confirmed this was addressed in the site plan.

Resolution No.: 12/08/2025 - 02

Moved By Scott Gibson

Seconded By Carl Sloetjes

THAT the Township of Huron-Kinloss Council hereby receives for information Report BLDG-2025-28, as prepared by Brett Pollock, Manager of Building and Planning/CBO.

Carried

7. New Business/ Council Reports

The Member appointed to the Saugeen Valley Conservation Authority Board provided an update on the Engagement session held early in the day regarding the proposed Conservation Authority Consolidation.

It was reported that the Royal Assent of the Bill has passed, meaning the proposed agency now exists. The Member reported that 12-15 staff are expected to be employed by the new agency during the transition period, and that the Ministry indicated that costs for these positions would be covered for the next 2-3 years. Appointments to the Board, and core values were defined by the Ministry. Discussion did occur on the remainder of the changes, including proposed boundaries.

The driving factor for proposed boundaries, seemed to be the inclusion of an urban hub in each of the proposed boundary areas.

Council noted that complaints had been received regarding snow removal. Staff encouraged Council to have residents report directly concerns directly to the office for more timely resolution.

The Mayor recognized Paul Zinn for his time on the Lucknow Community Centre Board, following news of his retirement from the Board.

8. Closed Session

Resolution No.: 12/08/2025 - 03

Moved By Larry Allison

Seconded By Scott Gibson

THAT the Township of Huron-Kinloss Council move into closed meeting at 7:19 p.m. for the purpose of considering;

1) a trade secret or scientific, technical, commercial, financial or labour relations information supplied in confidence to the municipality or local board, which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons or organization (Westario Power);

2) advice that is subject to solicitor-client privilege, including communications necessary for that purpose (legal advice Westario Power);

pursuant to Section 239(2) of the *Municipal Act, 2001*, as amended;

AND FURTHER THAT Council return to regular open meeting upon completion.

Carried

9. Business Arising from the Closed Session

Council arose from closed session at 8:56 p.m.

The Chair reported that a closed meeting had been held, direction provided to Staff and a motion was to be put on the open agenda.

Resolution No.: 12/08/2025 -04

Moved By Scott Gibson

Seconded By Carl Sloetjes

WHEREAS:

The Township of Huron-Kinloss, together with the Town of Saugeen Shores, Town of Hanover, Municipality of Kincardine, Municipality of Brockton, Municipality of South Bruce, Township of Minto, Township of North Huron, and FortisOntario Inc. (collectively with the Township, the “Shareholders”), hold all of the issued and outstanding shares (the “Shares”) in the capital of Westario Power Inc. (the “Corporation”);

AND WHEREAS On September 9, 2024, the Township endorsed a recommendation of the Corporation to begin a process to sell all of the Shares (the “Bid Process”);

AND WHEREAS Pursuant to the Bid Process and following receipt of bids from a number of proponents, on September 3, 2025, the Township approved the entry by the Corporation into a letter of intent (the “LOI”) with ERTH Corporation (the “Buyer”);

AND WHEREAS Pursuant to the LOI, the board of directors of the Corporation has recommended that each of the Shareholders approve and enter into a share purchase agreement (the “Purchase Agreement”) with the Buyer, a draft of which having been either presented or described to the council of the Township, pursuant to which, among other things, the Shareholders will sell to the Buyer and the Buyer will purchase from the Sellers, the Shares (the “Transaction”);

AND WHEREAS Pursuant to the terms of the Purchase Agreement or as otherwise contemplated in connection with the Transaction, the Township will be required to execute and deliver certain ancillary agreements, documents, deeds and instruments, either at the time of execution of the Purchase Agreement or closing of the transactions contemplated thereby, including an escrow agreement and a community involvement agreement (the “Related Agreements”), drafts of each such Related Agreement having been either presented or described to the council of the Township; and

WHEREAS capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement.

NOW THEREFORE BE IT RESOLVED THAT:

1. The Township hereby approves the Transaction.
2. The Township is authorized to enter into the Purchase Agreement and each of the Related Agreements substantially in the form presented or described.
3. The execution and delivery by the Township of the Purchase Agreement and the Related Agreements and the performance by it of its obligations thereunder, with such deletions, amendments or additions thereto as the Chief Administrative Officer may determine, is authorized and approved, the execution of such agreements in accordance with the provisions of the paragraph immediately below being conclusive evidence of such determination.
4. The Mayor and Clerk are authorized to execute and deliver the Purchase Agreement and the Related Agreements, with such deletions, amendments or additions thereto as the Chief Administrative Officer may in her absolute discretion determine.
5. The Mayor and Clerk are authorized to execute and deliver all such other agreements, amendments, instruments, certificates, resolutions and other documents, and to do all such other acts and things as the Chief Administrative Officer may determine to be necessary or advisable in connection with the Purchase Agreement or the Related Agreements.

Carried

10. Confirming By-Law

Resolution No.: 12/08/2025 - 05

Moved By Carl Sloetjes

Seconded By Scott Gibson

THAT the "Confirmatory December 2025" By-law be deemed to be read a first, second, third time and finally passed and numbered as By-law No. 2025-117.

Carried

11. Adjournment

Resolution No.: 12/08/2025 - 06

Moved By Scott Gibson

Seconded By Shari Flett

THAT this meeting adjourn at 9:01 p.m.

Carried

Mayor

Clerk



MOTION:

Moved by: Councillor Elliott; Seconded by: Councillor Gunson

WHEREAS:

A. The Town of Minto, together with the municipalities of Saugeen Shores, Hanover, Kincardine, Brockton, South Bruce, North Huron and Huron-Kinloss (collectively with the Town of Minto, the “Shareholders”), hold all of the issued and outstanding shares (the “Shares”) in the capital of Westario Power Inc. (the “Corporation”);

B. The Town of Minto previously endorsed a recommendation of the Corporation to begin a process to sell all of the Shares (the “Bid Process”);

C. Pursuant to the Bid Process and following receipt of bids from a number of proponents, the Town of Minto previously approved the entry by the Corporation into a letter of intent (the “LOI”) with EARTH Corporation (the “Buyer”);

D. Pursuant to the LOI, the board of directors of the Corporation has recommended that each of the Shareholders approve and enter into a share purchase agreement (the “Purchase Agreement”) with the Buyer, a draft of which having been either presented or described to the council of the Town of Minto, pursuant to which, among other things, the Shareholders will sell to the Buyer and the Buyer will purchase from the Sellers, the Shares (the “Transaction”);

E. Pursuant to the terms of the Purchase Agreement or as otherwise contemplated in connection with the Transaction, the Town of Minto will be required to execute and deliver certain ancillary agreements, documents, deeds and instruments, either at the time of execution of the Purchase Agreement or closing of the transactions contemplated thereby, including an escrow agreement and a community involvement agreement (the “Related Agreements”), drafts of each such Related Agreement having been either presented or described to the council of the Town of Minto; and

5941 Highway #89
Harriston, Ontario
NOG 1Z0

tel: 519-338-2511
fax: 519-338-2005

www.town.minto.on.ca

F. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement.

NOW THEREFORE BE IT RESOLVED THAT:

1. The Town of Minto hereby approves the Transaction.
2. The Town of Minto is authorized to enter into the Purchase Agreement and each of the Related Agreements.
3. The execution and delivery by the Town of Minto of the Purchase Agreement and the Related Agreements and the performance by it of its obligations thereunder, with such deletions, amendments or additions thereto as the Chief Administrative Officer or Mayor, or other duly authorized representative, of the Town of Minto (the "Authorized Representative") may determine, is authorized and approved, the execution of such agreements in accordance with the provisions of the paragraph immediately below being conclusive evidence of such determination.
4. The Authorized Representative is authorized and directed, for and in the name of and on behalf of the Town of Minto, to execute and deliver the Purchase Agreement and the Related Agreements, with such deletions, amendments or additions thereto as the Authorized Representative may in his or her absolute discretion determine, the execution of such agreement in accordance with the provisions of this paragraph being conclusive evidence of such determination.
5. The Authorized Representative is authorized and directed, for and in the name of and on behalf of the Town of Minto, to execute and deliver all such other agreements, amendments, instruments, certificates, resolutions and other documents, and to do all such other acts and things as the Authorized Representative may determine to be necessary or advisable in connection with the Purchase Agreement or the Related Agreements, the execution and delivery of any such agreement, amendment, instrument, certificate, resolution or other document or the doing of any such other act or thing by the Authorized Representative being conclusive evidence of such determination.

I, Annilene McRobb, Clerk for the Town of Minto hereby certify the passing of the above Motion at the December 16, 2025, Town of Minto Closed Session Council meeting.



February 25, 2026

<p>Annilene McRobb Clerk, a Commissioner for taking affidavits in the County of Wellington, for the Town of Minto</p>
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Council Meeting

Motion # 12/10/25 - 02
Title: Westario Shareholder Resolution
Date: Wednesday, December 10, 2025

Moved by: Mike Hinchberger
Seconded by: Stellina Williams

WHEREAS:

- A. The Municipality of Kincardine, together with the Town of Saugeen Shores, Township of Huron-Kinloss, Municipality of South Bruce, Municipality of Brockton, Town of Hanover, Township of Minto, Township of North Huron, and FortisOntario Inc. (collectively with the Municipality, the “Shareholders”), hold all of the issued and outstanding shares (the “Shares”) in the capital of Westario Power Inc. (the “Corporation”);
- B. On August 28, 2024, the Municipality endorsed a recommendation of the Corporation to begin a process to sell all of the Shares (the “Bid Process”);
- C. Pursuant to the Bid Process and following receipt of bids from a number of proponents, on September 10, 2025, the Municipality approved the entry by the Corporation into a letter of intent (the “LOI”) with EARTH Corporation (the “Buyer”);
- D. Pursuant to the LOI, the board of directors of the Corporation has recommended that each of the Shareholders approve and enter into a share purchase agreement (the “Purchase Agreement”) with the Buyer, a draft of which having been either presented or described to the council of the Municipality, pursuant to which, among other things, the Shareholders will sell to the Buyer and the Buyer will purchase from the Sellers, the Shares (the “Transaction”);
- E. Pursuant to the terms of the Purchase Agreement or as otherwise contemplated in connection with the Transaction, the Municipality will be required to execute and deliver certain ancillary agreements, documents, deeds and instruments, either at the time of execution of the Purchase Agreement or closing of the transactions contemplated thereby, including an escrow agreement and a community involvement agreement (the “Related Agreements”), drafts of each such Related Agreement having been either presented or described to the council of the Municipality; and
- F. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement.

NOW THEREFORE BE IT RESOLVED THAT:

1. The Municipality hereby approves the Transaction.

2. The Municipality is authorized to enter into the Purchase Agreement and each of the Related Agreements substantially in the form presented or described.
3. The execution and delivery by the Municipality of the Purchase Agreement and the Related Agreements and the performance by it of its obligations thereunder, with such deletions, amendments or additions thereto as the Chief Administrative Officer may determine, is authorized and approved, the execution of such agreements in accordance with the provisions of the paragraph immediately below being conclusive evidence of such determination.
4. The Mayor and Clerk are authorized to execute and deliver the Purchase Agreement and the Related Agreements, with such deletions, amendments or additions thereto as the Chief Administrative Officer may in her absolute discretion determine.

Jennifer Lawrie

Signed with ConsignO Cloud (2025/12/12)
Verify with verifio.com or Adobe Reader.



Clerk

M365/25

MOVED BY: K. Falconer

SECONDED BY: C. Palmer

WHEREAS the Municipality, together with the other shareholders (collectively with the Municipality, the “Shareholders”), hold all of the issued and outstanding shares (the “Shares”) in the capital of Westario Power Inc. (the “Corporation”);

AND WHEREAS on October 7, 2024 the Municipality endorsed a recommendation of the Corporation to begin a process to sell all of the Shares (the “Bid Process”);

AND WHEREAS pursuant to the Bid Process and following receipt of bids from a number of proponents, on September 2, 2025, the Municipality approved the entry by the Corporation into a letter of intent (the “LOI”) with EARTH Corporation (the “Buyer”);

AND WHEREAS pursuant to the LOI, the board of directors of the Corporation has recommended that each of the Shareholders approve and enter into a share purchase agreement (the “Purchase Agreement”) with the Buyer, a draft of which having been either presented or described to the council of the Municipality, pursuant to which, among other things, the Shareholders will sell to the Buyer and the Buyer will purchase from the Sellers, the Shares (the “Transaction”);

AND WHEREAS pursuant to the terms of the Purchase Agreement or as otherwise contemplated in connection with the Transaction, the Municipality will be required to execute and deliver certain ancillary agreements, documents, deeds and instruments, either at the time of execution of the Purchase Agreement or closing of the transactions contemplated thereby, including an escrow agreement and a community involvement agreement (the “Related Agreements”), drafts of each such Related Agreement having been either presented or described to the council of the Municipality;

AND WHEREAS capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement;

NOW THEREFORE BE IT RESOLVED THAT:

- 1. The Municipality hereby approves the Transaction.*
- 2. The Municipality is authorized to enter into the Purchase Agreement and each of the Related Agreements.*
- 3. The execution and delivery by the Municipality of the Purchase Agreement and the Related Agreements and the performance by it of its obligations thereunder, with such deletions, amendments or additions thereto as the Chief Administrative Officer or Mayor, or other duly authorized representative, of the Municipality (the “Authorized Representative”) may determine, is authorized and approved, the execution of such agreements in accordance with the provisions of the paragraph immediately below being conclusive evidence of such determination.*
- 4. The Authorized Representative is authorized and directed, for and in the name of and on behalf of the Municipality, to execute and deliver the Purchase Agreement and the Related Agreements, with such deletions, amendments or additions thereto as the Authorized Representative may in his or her absolute discretion determine, the execution of such agreement in accordance with the provisions of this paragraph being conclusive evidence of such determination.*

5. *The Authorized Representative is authorized and directed, for and in the name of and on behalf of the Municipality, to execute and deliver all such other agreements, amendments, instruments, certificates, resolutions and other documents, and to do all such other acts and things as the Authorized Representative may determine to be necessary or advisable in connection with the Purchase Agreement or the Related Agreements, the execution and delivery of any such agreement, amendment, instrument, certificate, resolution or other document or the doing of any such other act or thing by the Authorized Representative being conclusive evidence of such determination.*

CARRIED

The Corporation of the Town of Saugeen Shores

By-law 114 - 2025

Being a By-law to Authorize the entering into of a Share Purchase Agreement for the sale of Westario Power Inc. to ERTH Corporation

WHEREAS:

- A. The Corporation of the Town of Saugeen Shores (the "Municipality"), together with The Town of Hanover, The Municipality of Brockton, The Municipality of Kincardine, The Municipality of South Bruce, The Township of Minto, The Township of North Huron, The Township of Huron-Kinloss, and FortisOntario Inc. (collectively with the Municipality, the "Shareholders"), hold all of the issued and outstanding shares (the "Shares") in the capital of Westario Power Inc. (the "Corporation");
- B. On August 26, 2024 the Municipality endorsed a recommendation of the Corporation to begin a process to sell all of the Shares (the "Bid Process");
- C. Pursuant to the Bid Process and following receipt of bids from a number of proponents, on September 8, 2025, the Municipality approved the entry by the Corporation into a letter of intent (the "LOI") with ERTH Corporation (the "Buyer");
- D. Pursuant to the LOI, the board of directors of the Corporation has recommended that each of the Shareholders approve and enter into a share purchase agreement (the "Purchase Agreement") with the Buyer, a draft of which having been either presented or described to the council of the Municipality, pursuant to which, among other things, the Shareholders will sell to the Buyer and the Buyer will purchase from the Sellers, the Shares (the "Transaction");
- E. Pursuant to the terms of the Purchase Agreement or as otherwise contemplated in connection with the Transaction, the Municipality will be required to execute and deliver certain ancillary agreements, documents, deeds and instruments, either at the time of execution of the Purchase Agreement or closing of the transactions contemplated thereby, including an escrow agreement and a community involvement agreement (the "Related Agreements"), drafts of each such Related Agreement having been either presented or described to the council of the Municipality; and
- F. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement.

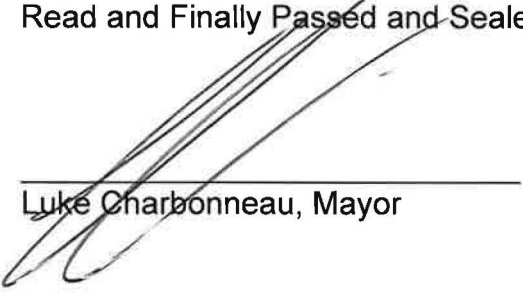
NOW THEREFORE BE IT RESOLVED THAT the Council of the Corporation of the Town of Saugeen Shores enacts as follows:

1. The Municipality hereby approves the Transaction.
2. The Municipality is authorized to enter into the Purchase Agreement and each of the Related Agreements in the form substantially presented or described to the Council of the Municipality.
3. The execution and delivery by the Municipality of the Purchase Agreement and the Related Agreements in the form substantially presented or described to the Council of the Municipality and the performance by it of its obligations thereunder, with such deletions, amendments or additions thereto as the Chief Administrative Officer may determine, is authorized and approved, the execution of such agreements in accordance with the provisions of the paragraph immediately below being conclusive evidence of such determination.
4. The Mayor and Clerk is authorized and directed, for and in the name of and on behalf of the Municipality, to execute and deliver the Purchase Agreement and the Related Agreements, with such deletions, amendments or additions thereto as the Chief Administrative Officer may in his or her absolute discretion determine, the

execution of such agreement in accordance with the provisions of this paragraph being conclusive evidence of such determination.

5. The Mayor and Clerk is authorized and directed, for and in the name of and on behalf of the Municipality, to execute and deliver all such other agreements, amendments, instruments, certificates, resolutions and other documents, and to do all such other acts and things as the Chief Administrative Officer may determine to be necessary or advisable in connection with the Purchase Agreement or the Related Agreements, the execution and delivery of any such agreement, amendment, instrument, certificate, resolution or other document or the doing of any such other act or thing in accordance with the provisions of this paragraph being conclusive evidence of such determination.
6. That this By-law shall come into force and take effect upon the final reading thereof.

Read and Finally Passed and Sealed this 8th day of December, 2025.

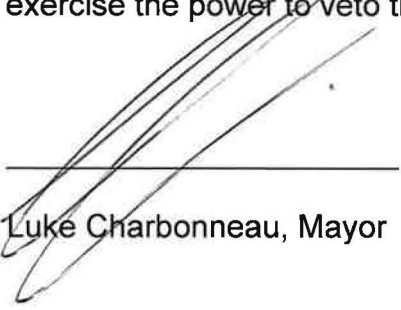


Luke Charbonneau, Mayor



Morgan McCulloch, Deputy Clerk

By signing this By-law on December 8, 2025, I, Mayor Luke Charbonneau, will not exercise the power to veto this by-law pursuant to subsection 284.11 (4)(a).



Luke Charbonneau, Mayor



MUNICIPALITY OF

South Bruce

Date: December 9, 2025
Motion M25-651

Moved by: *Schnurr* Seconded by: *Van Dyk*

That Council invites Westario Power Inc. to provide an open meeting delegation to South Bruce Council in early 2026 regarding the Sale of Westario Power Inc.

Division of Votes

Yeas	Nays	
		M. GOETZ
		J. GOETZ
		IRELAND
		MCDONAGH
		NIESEN
		VAN DYK
		SCHNURR

Mayor: 

Carried

Defeated

them in the Purchase Agreement.

Now Therefore Be It Resolved That:

1. The Municipality hereby approves the Transaction.
2. The Municipality is authorized to enter into the Purchase Agreement and each of the Related Agreements substantially in the form presented or described.
3. The execution and delivery by the Municipality of the Purchase Agreement and the Related Agreements and the performance by it of its obligations thereunder, with such deletions, amendments or additions thereto as the Chief Administrative Officer may determine, is authorized and approved, the execution of such agreements in accordance with the provisions of the paragraph immediately below being conclusive evidence of such determination.
4. The Mayor and Clerk are authorized to execute and deliver the Purchase Agreement and the Related Agreements, with such deletions, amendments or additions thereto as the Chief Administrative Officer may in her absolute discretion determine.
5. The Mayor and Clerk are authorized to execute and deliver all such other agreements, amendments, instruments, certificates, resolutions and other documents, and to do all such other acts and things as the Chief Administrative Officer may determine to be necessary or advisable in connection with the Purchase Agreement or the Related Agreements.

Division of Votes

Yeas	Nays	
		M. GOETZ
		J. GOETZ
		IRELAND
		MCDONAGH
		NIESEN
		VAN DYK
		SCHNURR

Mayor: 

Carried

Defeated

**Resolution Page
Council Meeting**

Resolution Number 217-25
Title: Westario Power - Sale of Westario Power Inc.
Date: Monday, December 15, 2025

Moved by COUNCILLOR KOEBEL
Seconded by DEPUTY MAYOR DICKERT

Whereas the Town of Hanover, together with the Town of Saugeen Shores, Township of Huron-Kinloss, Municipality of Kincardine, Municipality of Brockton, Municipality of South Bruce, Township of Minto, Township of North Huron, and FortisOntario Inc. (collectively with the Town, the “Shareholders”), hold all of the issued and outstanding shares (the “Shares”) in the capital of Westario Power Inc. (the “Corporation”); and

Whereas on September 16, 2024 the Town endorsed a recommendation of the Corporation to begin a process to sell all of the Shares (the “Bid Process”); and

Whereas pursuant to the Bid Process and following receipt of bids from a number of proponents, on September 2, 2025, the Town approved the entry by the Corporation into a letter of intent (the “LOI”) with ERTH Corporation (the “Buyer”); and

Whereas pursuant to the LOI, the board of directors of the Corporation has recommended that each of the Shareholders approve and enter into a share purchase agreement (the “Purchase Agreement”) with the Buyer, a draft of which having been either presented or described to the council of the Town, pursuant to which, among other things, the Shareholders will sell to the Buyer and the Buyer will purchase from the Sellers, the Shares (the “Transaction”); and

Whereas pursuant to the terms of the Purchase Agreement or as otherwise contemplated in connection with the Transaction, the Town will be required to execute and deliver certain ancillary agreements, documents, deeds and instruments, either at the time of execution of the Purchase Agreement or closing of the transactions contemplated thereby, including an escrow agreement and a community involvement agreement (the “Related Agreements”), drafts of each such Related Agreement having been either presented or described to the council of the Town; and

Whereas capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement;

Now Therefore Be It Resolved That the Corporation of the Town of Hanover (“Town”) hereby approves the transaction;

That the Town is authorized to enter into the Purchase Agreement and the Related Agreements substantially in the form presented or described;

That the execution and delivery by the Town of the Purchase Agreement and the Related Agreements

and the performance by it of its obligations thereunder, with such deletions, amendments or additions thereto as the Chief Administrative Officer may determine, is authorized and approved, the execution of such agreements in accordance with the provisions of the paragraph immediately below being conclusive evidence of such determination;

That the Mayor and Clerk are authorized to execute and deliver the Purchase Agreement and the Related Agreements, with such deletions, amendments or additions thereto as the Chief Administrative Officer may in her absolute discretion determine; and

THAT the Mayor and Clerk are authorized to execute and deliver all such other agreements, amendments, instruments, certificates, resolutions and other documents, and to do all such other acts and things as the Chief Administrative Officer may determine to be necessary or advisable in connection with the Purchase Agreement or the Related Agreements.

CARRIED

A handwritten signature in cursive script that reads "Susan Paterson".

Mayor Sue Paterson

HURON-KINLOSS

WHEREAS:

- A. The Township of Huron-Kinloss, together with the Town of Saugeen Shores, Town of Hanover, Municipality of Kincardine, Municipality of Brockton, Municipality of South Bruce, Township of Minto, Township of North Huron, and FortisOntario Inc. (collectively with the Township, the “**Shareholders**”), hold all of the issued and outstanding shares (the “**Shares**”) in the capital of Westario Power Inc. (the “**Corporation**”);
- B. On September 9, 2024, the Township endorsed a recommendation of the Corporation to begin a process to sell all of the Shares (the “**Bid Process**”);
- C. Pursuant to the Bid Process and following receipt of bids from a number of proponents, on September 3, 2025, the Township approved the entry by the Corporation into a letter of intent (the “**LOI**”) with ERTH Corporation (the “**Buyer**”);
- D. Pursuant to the LOI, the board of directors of the Corporation has recommended that each of the Shareholders approve and enter into a share purchase agreement (the “**Purchase Agreement**”) with the Buyer, a draft of which having been either presented or described to the council of the Township, pursuant to which, among other things, the Shareholders will sell to the Buyer and the Buyer will purchase from the Sellers, the Shares (the “**Transaction**”);
- E. Pursuant to the terms of the Purchase Agreement or as otherwise contemplated in connection with the Transaction, the Township will be required to execute and deliver certain ancillary agreements, documents, deeds and instruments, either at the time of execution of the Purchase Agreement or closing of the transactions contemplated thereby, including an escrow agreement and a community involvement agreement (the “**Related Agreements**”), drafts of each such Related Agreement having been either presented or described to the council of the Township; and
- F. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement.

NOW THEREFORE BE IT RESOLVED THAT:

- 1. The Township hereby approves the Transaction.
- 2. The Township is authorized to enter into the Purchase Agreement and each of the Related Agreements substantially in the form presented or described.
- 3. The execution and delivery by the Township of the Purchase Agreement and the Related Agreements and the performance by it of its obligations thereunder, with such deletions, amendments or additions thereto as the Chief Administrative Officer may determine, is authorized and approved, the execution of such agreements in accordance with the provisions of the paragraph immediately below being conclusive evidence of such determination.
- 4. The Mayor and Clerk are authorized to execute and deliver the Purchase Agreement and the Related Agreements, with such deletions, amendments or additions thereto as the Chief Administrative Officer may in her absolute discretion determine.

5. The Mayor and Clerk are authorized to execute and deliver all such other agreements, amendments, instruments, certificates, resolutions and other documents, and to do all such other acts and things as the Chief Administrative Officer may determine to be necessary or advisable in connection with the Purchase Agreement or the Related Agreements.

390752202.1

APPENDIX E
Scorecards of WPI and EPC

Scorecard - Westario Power Inc.

9/22/2025

Performance Outcomes		Performance Categories	Measures	2020	2021	2022	2023	2024	Trend	Industry	Distributor	
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time		95.43%	96.24%	100.00%	100.00%	100.00%	↑	90.00%		
		Scheduled Appointments Met On Time		97.33%	99.52%	99.89%	99.89%	99.58%	↑	90.00%		
		Telephone Calls Answered On Time		86.73%	88.45%	86.03%	87.42%	86.84%	↓	65.00%		
	Customer Satisfaction	First Contact Resolution		98.19	98.83%	99.01	99.01%	99.04%				
		Billing Accuracy		99.61%	99.78%	99.81%	99.54%	99.81%	↔	98.00%		
		Customer Satisfaction Survey Results		94.0	94.00%	94	93%	93%				
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness		83.00%	84.00%	84.00%	84.00%	84.00%				
		Level of Compliance with Ontario Regulation 22/04 ¹		C	C	C	C	C	↔		C	
		Serious Electrical Incident Index	Number of General Public Incidents		0	0	0	0	0	↔		0
			Rate per 10, 100, 1000 km of line		0.000	0.000	0.000	0.000	0.000	↔		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²		1.92	1.79	1.55	1.82	1.19	↓		1.64	
		Average Number of Times that Power to a Customer is Interrupted ²		0.50	0.73	0.67	0.56	0.57	↓		0.57	
	Asset Management	Distribution System Plan Implementation Progress		Completed	Completed	Completed	Completed	Completed				
	Cost Control	Efficiency Assessment		3	3	3	2	2				
		Total Cost per Customer ³		\$588	\$610	\$691	\$717	\$774				
		Total Cost per Km of Line ³		\$24,427	\$25,340	\$28,680	\$29,292	\$31,757				
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation	New Micro-embedded Generation Facilities Connected On Time		100.00%	100.00%	100.00%	100.00%	100.00%	↔	90.00%		
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		1.26	1.05	0.80	1.20	1.42				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		0.70	0.66	0.78	0.77	0.76				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		9.00%	9.00%	9.00%	9.00%	9.21%			
			Achieved		8.77%	7.01%	5.09%	11.24%	7.33%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).

2. An upward arrow indicates decreasing reliability while downward indicates improving reliability.

3. A benchmarking analysis determines the total cost figures from the distributor 's reported information.

Legend:

5-year trend

↑ up ↓ down ↔ flat

Current year

● target met ● target not met

2024 Scorecard Management Discussion and Analysis (“2024 Scorecard MD&A”)

The link below provides a document titled “Scorecard - Performance Measure Descriptions” that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard’s measures in the 2024 Scorecard MD&A:

<http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf>

Scorecard MD&A - General Overview

- In 2024, Westario Power Inc. (Westario) exceeded most performance targets. Westario saw a significant increase in Average Number of Power Interruptions and a slight decrease in Average Number of Power Interrupted Hours in 2024. These results along with the five-year rolling average indicate a general trend of increasing reliability showing that Westario is committed to and continues to strive for exceptional system reliability performance overall.

Westario has had a good year from a performance standpoint. Westario met or exceeded the majority of the Ontario Energy Board (OEB) performance measures set for every Performance Outcome as evidenced by the company’s service quality, customer satisfaction, and system reliability measures. Westario continued to provide excellent customer service to its customers along with a high level of reliability. In 2024, the company’s service quality and customer satisfaction results remained above all industry targets. The financial measures show that Westario continues to be a stable and financially strong Ontario distribution company.

Westario is committed to exceeding the OEB-set performance measures and preserving the results of previous years. The expected performance improvements are due to Westario’s unwavering focus on making the necessary investments that will permit its employees to operate the distribution company with a high level of reliability and by responding to customer input with respect to the types of improvements and investments that they expect from the company.

Service Quality

- **New Residential/Small Business Services Connected on Time**

Westario must connect new service for the customer within five business days, 90% of the time, unless the customer agrees to a later date. This timeline depends on the customer meeting specific requirements ahead of time (such as no electrical safety concerns in the building, customer’s payment information complete, etc.).

In 2024, Westario connected all new services within the required timeframe, achieving a score of 100% for a third year. Over the five-year period of 2020 to 2024, Westario connected, on average 98.33% of new residential and small business customers on time. This is above the industry standard of 90% for all Local Distribution Companies (LDCs) in Ontario. Westario was able to achieve this great result due to efficient connection procedures and a focus on providing excellent customer connection service.

- **Scheduled Appointments Met On Time**

For appointments during a utility's regular business hours, the LDC must offer a window of time that is not more than four hours long, and must arrive within that window, 90% of the time.

In 2024, Westario's experience with meeting the Scheduled Appointments Met on Time metric of 99.58% exceeded the industry target of 90%. Westario continues to maintain metric results above this industry target as can be seen with their five-year average of 99.24%. Westario continues to experience a high demand for services within a wide service territory. Westario's process for completing appointments during the company's regular business hours and offering a window of time that is not more than four hours long is a condition that Westario strives to meet. Westario aims to continue meeting all appointments on time.

- **Telephone Calls Answered On Time**

During regular call centre hours, the utility's call centre staff must answer phone calls within 30 seconds of receiving the call directly or having the call transferred to them, 65% of the time.

For the Telephone Calls Answered within 30 Seconds metric, Westario maintained high percentages for qualified incoming calls during regular call centre hours at 86.84% for calls received directly or of having the call transferred. This result greatly exceeds the OEB target for timely call response of 65%.

Westario continues to improve its accessibility by continually amending its website to provide a more user-friendly format to enhance its customers' experiences.

Westario believes that customer loyalty is built through great customer experiences that exceed expectations and that enhancing the customer experience will help foster customer loyalty and advocacy and ensure the customer perceives Westario's service offerings as high-value-added items.

Westario continues to utilize self-serve web tools and portals like MyHydroEye, an electronic billing portal, a customer consumption portal, and on-line forms and applications, as well as department specific email addresses to make it easier for customers to engage with Westario staff. In addition, Westario manages several social media platforms such as Facebook, Twitter, and LinkedIn, to educate and inform their customer base on initiatives such as safety and energy conservation.

Customer Satisfaction

- **First Contact Resolution**

Westario must report on its success at meeting a customer's needs the first time Westario is contacted. First Contact Resolution can be measured in a variety of ways and further regulatory guidance is necessary in order to achieve meaningful comparable information across electricity distributors.

Westario aims to address their customers' needs as quickly as possible. Ideally, their concerns and issues can be resolved the first time the customer contacts Westario. No further action was required on 99.04% of initial contacts made by customers, staying consistent with the previous 5 years' results, which averaged 98.82%. Westario has measured First Contact Resolution based on the outcome of the initial contact via telephone and tracks First Contact Resolution in its Customer Information System (CIS) tracking First Contact Resolution by using contact logs within the CIS. Westario Power continues to review its processes and find ways to further enhance the customer experience.

- **Billing Accuracy**

An important part of business is ensuring that a customer's bills are accurate. Westario must report on its success at issuing accurate bills to its customers.

Westario initiated the tracking and measuring of Billing Accuracy in 2014 using contact logs and computer-generated reports. Through the efforts of the billing staff and continuous improvements of the billing process Westario was able to support a billing accuracy metric of 99.81% for 2024.

- **Customer Satisfaction Survey Results**

Westario uses different ways to determine how satisfied their customers are with the service they receive. Westario must report the results of whatever customer satisfaction surveys it uses. Westario retained the services of an independent third party to conduct a bi-annual Customer Engagement Survey via telephone in 2023.

The primary objective is to provide a quantitative measurement of customer perceptions and attitudes. Specifically, the study sought to determine overall satisfaction with the quality of service provided by Westario, determine overall satisfaction with the reliability of the service provided, assess customers' satisfaction with the quality of customer service, assess customers' perceptions of operating and capital expenditures; and provide customer feedback on areas of improvement.

Westario Power's 2022/2023 Customer Satisfaction Study showed overall satisfaction of 93% slightly down compared to the previous bi-annual survey. Westario's overall quality of service at 93% is greater than the provincial average. The next survey is scheduled for the fall of 2025. Westario continues to train staff in providing the highest levels of professionalism and service to translate into a more positive customer experience.

Safety

- **Public Safety**

- **Component A – Public Awareness of Electrical Safety**

The apparatus used to run an electricity system can be extremely dangerous. Because equipment such as power lines and poles can be located in public areas, the utility must take steps to prevent electrical accidents or incidents involving the public. One way is to provide information about safety risks and precautions to take when near this equipment.

The Public Awareness of Electrical Safety Survey involves a new statistical survey that gauges the public's awareness of key electrical safety concepts related to electrical distribution equipment in Westario's service area. It measures the level of effort placed by distributors on preventing electrical accidents and provides a benchmark of the levels of awareness including identifying gaps where additional education and awareness efforts may be required. This is the first year for providing province-wide standardized reporting on this measure. Westario will conduct a survey every two years that measures the effort made to raise the public's awareness about these risks.

Results are based on a telephone survey (Random Digit Dialing) among Members of the General Public, 18 years of age or older, residing within the 2024 participating LDCs' geographic service territories. The data has been statistically weighted according to Canadian census figures (2016) for age, gender, and region.

The following six core measurement questions asked corresponds to the six most frequent incidents involving utility equipment in Ontario over the last decade:

- Likelihood to “call before you dig.”
- Impact of touching a power line.
- Proximity of an overhead power line.
- Danger of tampering with electrical equipment.
- Proximity to downed power line.
- Actions taken in vehicle in contact with wires.

This survey and previous years' surveys of the public in your service territory about electrical safety shows that many respondents do have good knowledge or have received some information pertaining to the 6 core measurement questions. The Combined Overall Public Safety Awareness Index Score is 84%.

○ **Component B – Compliance with Ontario Regulation 22/04**

Ontario Regulation 22/04 – Electrical Distribution Safety sets out safety standards that utilities must follow in their operations – for example, making sure proper procedures are in place to prevent accidents or incidents, keeping the system in safe working condition, etc..

Westario must demonstrate how well it met the standards by providing declarations, audit results, inspection reports and other documentation. Westario received a complaint with Ontario Regulation 22/04 for 2024 and plans to continue to maintain compliance with Regulation 22/04.

○ **Component C – Serious Electrical Incident Index**

Westario Power must report on any serious electrical incidents involving its equipment and the general public. A 'serious electrical incident' is defined as:

- a. any electrical contact that caused death or critical injury to a person;
- b. any inadvertent contact with any part of a distribution system operating at 750 volts or above that caused, or had the

- potential to cause, death or critical injury to a person;
- c. any fire or explosion in any part of a distribution system operating at or above 750 volts that caused, or had the potential to cause, death or critical injury to a person, except a fire or explosion caused by lightning strike.

For the scorecard, Westario reports both the number of incidents and how often they happen for every 10, 100 or 1,000 kilometers of line Westario operates. This reflects the different sizes of Westario's service areas.

In 2024, Westario did not have any serious electrical incidents. Westario strives to provide safety information and outline the dangers that all customers must know before working around power lines and equipment. This includes calling our office, obtaining locates prior to digging, and obtaining references to respective codes. All information is provided free of charge to members of the public and all other interested parties. Westario continues to strive to communicate on safety throughout our distribution system through various methods including safety orientations, on-line, and telephone.

System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted**

An important feature of a reliable distribution system is recovering from power outages quickly. Westario must track the average length of time, in hours, that its customers have experienced a power outage over the past year.

Westario's average number of hours that power to a customer was interrupted was 1.19 hours in 2024 which is lower than its distributor target of 1.64 hours and lower than the five-year rolling average of 1.65. Indicating an increase in system reliability. Interruptions are largely attributed to loss of power/ loss of supply caused by being an embedded distributor to Hydro One, and loss of power due to severe weather.

- **Average Number of Times that Power to a Customer is Interrupted**

Another important feature of a reliable distribution system is reducing the frequency of power outages. Westario Power must track the number of times its customers have experienced a power outage over the past year.

For 2024, Westario's average number of times that power to a customer was interrupted was 0.57 times. This is on-par with its distributor target of 0.57 times and lower than the five-year rolling average of 0.61. Most occurrences are attributed to loss of power/ loss of supply caused by being an embedded distributor to Hydro One and loss of power due to severe weather.

Asset Management

- **Distribution System Plan Implementation Progress**

Westario Power's Distribution System Plan (DSP) is complete and was included as part of Westario's 2024 Cost of Service Rate Application filed in 2023. The DSP filed covered an extended five-year plan for the years 2024-2028.

Cost Control

- **Efficiency Assessment**

Westario must manage its costs successfully in order to help assure its customers they are receiving value for the cost of the service they receive.

Westario's total costs are evaluated to produce a single efficiency ranking. These rankings are separated into five groups which are determined by the difference between each utility's actual and predicted costs. Utilities whose actual costs are lower than predicted are considered more efficient and will be assigned to Group 1 or Group 2. Utilities whose actual and predicted costs are similar will be assigned to Group 3. Utilities whose actual costs are higher than predicted will be assigned to Group 4 or Group 5.

For 2024, Westario has been assigned to Group 2, whose actual costs are lower than those predicted. Westario continues to strive to achieve greater efficiency through productivity improvements and cost control, without compromising safety and reliability of the distribution system.

- **Total Cost per Customer**

Total cost is the sum of all the costs incurred by Westario to provide service to its customers. This amount is then divided by Westario's total number of customers to determine the Total Cost per Customer. The results are indicative of stable and effectively planned maintenance and replacement programs.

Westario achieved a Total Cost per Customer of \$774, an increase of \$57 (7.36%) from the previous year. Westario continues to monitor and manage its cost structure to balance the cost effectiveness while ensuring the reliability and safety of the distribution system. This has resulted in a stable annual total cost per customer and as reflected in other measures a dependable distribution system.

- **Total Cost per Km of Line**

Total cost is a sum of all the costs incurred by Westario to provide service to its customers. This amount is then divided by the number of kilometers of line Westario operates to determine the Total Cost per km of Line.

Westario achieved a Total Cost per km of Line of \$31,757, resulting in an increase of 7.76% compared to the previous year. As noted above, Westario continues to monitor and manage its distribution system in a cost-effective manner while also ensuring maintenance and capital investments are undertaken in a manner to maximize both safety and reliability for its customers.

Connection of Renewable Generation

- **New Micro-embedded Generation Facilities Connected On Time**

Westario Power must connect smaller generators, producing less than 10 kW of power, within five business days 90% of the time, unless the customer agrees to a later date. These generators are known as “micro-embedded generation facilities.” The timeline depends on the customer meeting specific requirements ahead of time.

In 2024, 100% of the Micro Feed-In Tariff (Microfit) connections were connected on time.

Financial Ratios

- **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

A common way of measuring the financial health of a company is through financial ratios. The Current Ratio measures whether a company has enough resources (assets) to pay its debts (liabilities) over the next 12 months.

Westario’s 2024 Current Ratio is 1.42. This ratio is higher than the five-year average of 1.15, and 2023’s ratio of 1.20. The ratio has improved as a result of the acquisition of additional long-term debt which aligns with Westario’s strategy of aligning long-term assets with long-term liabilities.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

Total Debt to Equity Ratio measures the degree to which a company is leveraging itself through its use of borrowed money.

Westario's 2024 Total Debt to Equity Ratio is 0.76 compared to last year's ratio of 0.77. This ratio is higher than the five-year average of 0.73, indicating that the slight change reflects Westario's ability to operate and maintain a safe and reliable distribution system by funding new capital projects with revolving debt supported by positive operating results.

- **Profitability: Regulatory Return on Equity – Deemed (included in rates)**

Return on Equity is the rate of return that Westario Power is allowed to earn through its distribution rates, as approved by the Ontario Energy Board.

The rate of return that the Ontario Energy Board had determined in Westario's 2024 Cost of Service was 9.21%.

- **Profitability: Regulatory Return on Equity – Achieved**

The Achieved Return on Equity shows Westario Power's actual Return on Equity earned in the year.

Westario earned a Return on Equity of 7.33% in 2024, which is a significant decrease from 11.24% in 2023. The achieved Return on Equity is within the +/- 3% of the deemed regulatory Return on Equity. Westario has achieved an average return on equity of 7.89% over the last five years; reflecting stable earnings and a practice of retaining equity to support the operations and the re-investment in the distribution assets, while maintaining a customer focused operation that is safe and reliable.

Note to Readers of 2024 Scorecard MD&A

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to a number of risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions and the weather. For these reasons, the information on future performance is intended to be management's best judgement on the reporting date of the performance scorecard, and could be markedly different in the future.

Scorecard - ERTH Power Corporation

9/22/2025

Performance Outcomes	Performance Categories	Measures	2020	2021	2022	2023	2024	Trend	Target		
									Industry	Distributor	
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	98.59%	95.84%	97.05%	95.76%	95.11%		90.00%		
		Scheduled Appointments Met On Time	100.00%	99.06%	100.00%	99.18%	99.53%		90.00%		
		Telephone Calls Answered On Time	95.92%	95.02%	92.54%	93.49%	86.49%		65.00%		
	Customer Satisfaction	First Contact Resolution	99.58	99.26	99.43	99.66	99.91				
		Billing Accuracy	99.75%	99.85%	99.62%	99.69%	97.01%		98.00%		
		Customer Satisfaction Survey Results	77%	77 %	76 %	76	76				
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness	85.10%	84.40%	84.40%	83.90%	83.90%				
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	1	1	0	0	0			0
			Rate per 10, 100, 1000 km of line	0.229	0.226	0.000	0.000	0.000			0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	0.78	2.17	0.93	1.31	1.51			0.91	
		Average Number of Times that Power to a Customer is Interrupted ²	0.29	0.87	0.47	0.38	0.76			0.39	
	Asset Management	Distribution System Plan Implementation Progress	106.8%	104.5%	95.1%	100.7%	99.3%				
	Cost Control	Efficiency Assessment	3	3	3	3	3				
		Total Cost per Customer ³	\$680	\$676	\$720	\$813	\$846				
		Total Cost per Km of Line ³	\$36,142	\$35,797	\$38,366	\$44,313	\$46,498				
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation	New Micro-embedded Generation Facilities Connected On Time				100.00%	100.00%	100.00%		90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		0.77	0.73	0.65	0.52	0.70			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		0.90	0.86	0.80	0.83	1.08			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.00%	9.00%	9.00%	9.00%	9.00%			
			Achieved	8.35%	9.06%	9.72%	9.32%	9.08%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).

2. An upward arrow indicates decreasing reliability while downward indicates improving reliability.

3. A benchmarking analysis determines the total cost figures from the distributor 's reported information.

Legend:

5-year trend
 up down flat
 Current year
 target met target not met

2024 Scorecard Management Discussion and Analysis (“2024 Scorecard MD&A”)

The link below provides a document titled “Scorecard - Performance Measure Descriptions” that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard’s measures in the 2024 Scorecard MD&A:

<http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf>

Scorecard MD&A –General Overview

- ERTH Power Corporation (“ERTH Power”), launched in July 2000 in the heart of Southwestern Ontario, representing the amalgamation of seven Public Utilities Commissions (PUCs) within the municipalities of Port Stanley, Aylmer, Belmont, Ingersoll, Thamesford, Otterville, Norwich, Burgessville, Beachville, Embro and Tavistock. In 2011, Clinton, Mitchell and Dublin, Ontario and most recently in 2019, Goderich, Ontario were added to our service territory. We are a licensed distribution company (LDC) providing efficient delivery of electricity, billing and maintenance service to over 24,000 residential and commercial customers across 15 communities within our licensed boundaries.
- In 2024, ERTH Power exceeded most performance targets and maintained its reliability stats over the previous year.
- ERTH Power performed well with respect to its targets and sustained its strong performance. ERTH Power monitors its results with respect to the measures reported on the scorecard and is continually seeking to improve its performance to improve the service provided to its customers.

Service Quality

- **New Residential/Small Business Services Connected on Time**

In 2024 ERTH Power connected 95.11% of its 348 new residential and small businesses to the distribution system within the required 5-day window that has been determined by the Ontario Energy Board. New connections have continued to increase annually since 2016 with 2024 achieving significant growth in new connections. ERTH Power has been able to maintain its strong level of performance even with the increases in new connections over the past few years. ERTH Power expects to continue to maintain the current level of performance in 2025.

- **Scheduled Appointments Met On Time**

ERTH Power scheduled 213 appointments with its customers in 2024 to complete work that required staff to attend the location. Consistent with prior years (100%), ERTH Power met 99.53% of these appointments on time, which significantly exceeds the industry target of 90%. ERTH Power expects to continue this level of service in 2025.

- **Telephone Calls Answered On Time**

In 2024 ERTH Power customer service staff received 22,865 calls (an 18% increase over 2023) and achieved a service level of 86.49% in answering those calls within 30 seconds which significantly exceeds the industry target of 65%. At the same time, only 3.66% of calls received were abandoned prior to customers speaking with an agent. ERTH Power will look to continue with its excellent call center performance in 2025.

Customer Satisfaction

- **First Contact Resolution**

Specific customer satisfaction measurements were introduced by the Ontario Energy Board on July 1, 2015. The OEB plans to review the information provided by electricity distributors over the next few years and implement a commonly defined measure for these areas in the future. As a result, each electricity distributor may have different measurements of performance until such time as the OEB provides specific direction regarding a commonly defined measure.

First Contact Resolution can be measured in a variety of ways and further regulatory guidance is necessary to achieve meaningful comparable information across electricity distributors.

For ERTH Power, First Contact Resolution was measured based upon actual calls received from customers with respect to the same or similar issue and calculated this number as a percentage of all customer contacts received that resulted in the generation of an issue and for which a service order was created. The result was that 99.91% of customers' issues were dealt with on first contact. ERTH Power has maintained a level well above 96% since the target has been measured in 2016.

- **Billing Accuracy**

For the year 2024 ERTH Power issued 307,364 bills and achieved a billing accuracy of 97.01%, compared to a five-year average of 99.18%. The decrease was due to a single billing calculation issue that impacted 8,843 bills in 2024, significantly decreasing this year's billing accuracy statistic. This system issue affected bills issued in December 2024 and January 2025. ERTH Power identified and corrected the system issue in January 2025 and does not anticipate further issues of a similar nature to occur. ERTH Power continues to monitor its billing accuracy results and processes to maintain its historical high level of service.

- **Customer Satisfaction Survey Results**

At a minimum, electricity distributors are required to measure and report a customer satisfaction result at least every other year. Currently, the Ontario Energy Board is allowing electricity distributors to use their own discretion as to how they implement this measure. As a result, this measure may differ from other utilities in the Province. Surveys need to be completed every other year. In 2023, ERTH Power contracted RedHead Media to conduct the Ontario Energy Board regulated Customer Satisfaction Survey and scored a 76% satisfaction rate. ERTH Power is reviewing the results and will work diligently to address areas of concern and improve its customer satisfaction level.

Safety

- **Public Safety**

This measure looks at safety from a customers' point of view as safety of the distribution system is a high priority. The Safety measure is generated by the Electrical Safety Authority (ESA) and includes three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index.

- **Component A – Public Awareness of Electrical Safety**

In 2024 ERTH Power completed its survey of its customers (for the entire merged service territory) with respect to public awareness of Electrical Safety. ERTH Power utilized a third-party agency to survey its customers and ensure that an accurate sampling of its population was achieved. The results of this survey found that 83.9% of ERTH Power customers have strong awareness of electrical safety. The survey in 2023 resulted in a small decrease of less than 1% in awareness from the survey completed in 2022. ERTH Power will continue to work within its communities to ensure that this metric continues to improve in the future. This survey is required to be completed at a minimum every 2 years.

ERTH Power provides an Electrical Safety Awareness school program that targets grade one to eight throughout the schools in its service territory on a rotating basis. This program works to instill awareness of electrical safety at an early age and is an effort to ensure that all residents within the province are aware of and safe around electrical equipment.

- **Component B – Compliance with Ontario Regulation 22/04**

In 2024, ERTH Power was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by our strong commitment to safety, and adherence to company procedures & policies. Ontario Regulation 22/04 - *Electrical Distribution Safety* establishes objective based electrical safety requirements for the design, construction, and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the regulation requires the approval of equipment, plans, specifications and inspection of construction before they are put into service.

- **Component C – Serious Electrical Incident Index**

ERTH Power reported no serious incidents on its scorecard for 2024. We will continue to value both public and employee safety as our top priority moving forward to ensure our track record remains positive

System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted**

ERTH Power had an increase in 2024 of the number of hours that power to a customer is interrupted from 1.31 in 2023 to 1.51. ERTH Power results remain below industry averages and continue to perform well. The results in 2024 are slightly above the utility specific target; this target is the result of several years of excellent results that were at the lowest levels of all LDCs. The increase in 2024 is attributed to Scheduled Outages, which account for approximately 41% of the total, and were a result of three planned outages for upgrades/repairs to the system. All three outages were conducted through the night and resulted in minimal impact on customers. ERTH Power is working to mitigate these planned outages through an investment in a mobile substation that is expected to be delivered this year.

ERTH Power continues to view reliability of electricity service as a high priority for its customers and as such conducts a vegetation management program that ensures the whole system is trimmed every three years. Similarly, ERTH Power is dedicated to upgrading its assets to 27.6 kV to reduce its reliance on substations and thereby ensure that its reliability continues to be above average as aging stations are retired. This, combined with ERTH Power's commitment to review the worst performing feeders on a quarterly basis to potentially improve reliability, will ensure customers continue to receive excellent reliability from ERTH Power's system.

- **Average Number of Times that Power to a Customer is Interrupted**

ERTH Power's average number of times that power to a customer is interrupted has increased in 2024 but remains at the low end of the former range of acceptable results set by the Ontario Energy Board for the entire industry and among the best results in the province historically. When compared to the distributor specific target of 0.39, ERTH Power at 0.76 for 2024 was slightly higher than its own target.

ERTH Power will continue to monitor the age and condition of its' assets and outages to ensure that the capital spend is appropriate to ensure that the number of outages are maintained at a level below the OEB target as well within customer tolerance levels.

Asset Management

- **Distribution System Plan Implementation Progress**

ERTH Power has completed its DSP and filed it with the OEB in September of 2017. The DSP has become the guiding document for tracking our capital spend. ERTH Power has detailed its 5 year spend and projects and has measured itself on an annual basis with respect to the actual spending level versus its plan. In 2023 ERTH Power spent approximately 99.3% of the dollars planned to be invested into its distribution system.

Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC on behalf of the OEB to produce a single efficiency ranking. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. In 2024, for the fifth year in a row, ERTH Power was placed in Group 3, where a Group 3 distributor is defined as having actual costs within +/- 10 percent of predicted costs, with its operating costs being 7.2% less than predicted. Group 3 is considered “average efficiency” – in other words, ERTH Power costs are within the average cost range for distributors in the Province of Ontario. In 2024, 31% (17 distributors) of the Ontario distributors were ranked as “average efficiency”; 59% were ranked as “more efficient”; 9% were ranked as “least efficient. ERTH Power’s forward-looking goal is to advance to the “more efficient” group and management’s expectation is that efficiency performance will not decline. In 2024 ERTH Power’s performance improved by 0.7% in relation to expected results.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of ERTH Power’s capital and operating costs and dividing this cost figure by the total number of customers that ERTH Power serves. The cost performance result for 2024 is \$846/customer which is an increase of 4% over 2023 driven by increased interest rate expenses coupled by a period of significant increased costs due to inflation. ERTH Power is focused on cost containment to ensure value for its customers.

Like most distributors in the province, ERTH Power has experienced increases in its total costs required to deliver quality and reliable services to customers due to increases in inflation affecting its costs. Despite this inflation of costs and interest rates, ERTH Power has worked diligently to keep its cost of operations relatively flat and in doing so has been able to maintain its efficiency ranking of cohort 3 while merging with a utility that was ranked in cohort 5 prior to the merger. ERTH Power will continue to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. The total cost is divided by the kilometers of line that ERTH Power operates to serve its customers. ERTH Power’s 2024 rate is \$46,498 per Km of line, a 5% increase over the cost from 2023. This increase is due to significantly rising costs of material due to inflation and rising interest rates, coupled with increased capital spending to reinforce the distribution system and ensure reliability for ERTH Power’s customers.

ERTH Power staff have been diligent in ensuring that its costs are controlled and those efforts have resulted in these positive changes in cost changes year over year both by kilometers of line and cost per customer growth being less than inflation.

Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**

ERTH Power received 3 renewable generation CIA's and all were completed on time in 2024.

- **New Micro-embedded Generation Facilities Connected On Time**

ERTH Power connected its Micro-embedded Generation Facilities on time in 2024.

Financial Ratios

- **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

As an indicator of financial health, a current ratio that is greater than 1 is considered good as it indicates that the company can pay its short-term debts and financial obligations. Companies with a ratio of greater than 1 are often referred to as being "liquid". The higher the number, the more "liquid" and the larger the margin of safety to cover the company's short-term debts and financial obligations. ERTH Power current ratio remains stable at 0.70 for 2024 as compared to 0.52 in 2023.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

The OEB uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. A debt-to-equity ratio of 1.5 indicates that a distributor is structured appropriately in line with the deemed capital structure. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments. ERTH Power maintains a debt-to-equity structure that is in line with the deemed 60% to 40% capital mix as set out by the OEB.

- **Profitability: Regulatory Return on Equity – Deemed (included in rates)**

ERTH Power current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.00%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor's revenues and costs structure by the OEB.

- **Profitability: Regulatory Return on Equity – Achieved**

ERTH Power's return achieved in 2024 was 9.08%, which is well within the +/-3% range allowed by the OEB. The average return over the past 5 years was 9.11%, which is also well within return included in ERTH Power approved rates. ERTH Power has been extremely successful at driving efficiencies through its merger, while balancing its incremental costs.

Note to Readers of 2024 Scorecard MD&A

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to a number of risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions and the weather. For these reasons, the information on future performance is intended to be management's best judgement on the reporting date of the performance scorecard and could be markedly different in the future.

APPENDIX F
Letter of support from Scotiabank

The Bank of Nova Scotia

Commercial Banking
1005 Skyview Drive, Suite 322
Burlington On
Canada L7P 5B1



March 16, 2026

ERTH Corporation

180 Whiting St
Ingersoll ON
N5C 3B5

STRICTLY CONFIDENTIAL

Dear Rob Kent, Chief Financial Officer

ERTH Corporation (“**ERTH**”) has asked The Bank of Nova Scotia (the “**Scotiabank**”) to provide this letter in support of an application requesting the Ontario Energy Board (“**Board**”) to approve ERTH’s proposed acquisition of all of the issued and outstanding shares of Westario Power Inc. (“**Westario Power**”) (“**Transaction**”).

Scotiabank confirms it has reviewed a proposed financing structure associated with the Transaction. Based upon current market conditions, its present understanding of the Transaction, a review of the materials and information provided by ERTH and publicly available information, Scotiabank is highly confident that a financing for the Transaction can be arranged.

Our comments in this letter assume, *inter alia*:

- (a) that, in Scotiabank's sole opinion, no material adverse changes, or events, or conditions which would reasonably be expected to have a material adverse effect, have occurred or would occur by the time the financing is arranged in: (i) the business, affairs, financial condition or prospects of the business of Westario Power or ERTH, (ii) banking, financial or capital markets conditions generally or specifically as they relate to assets similar to those businesses, and (iii) the proposed structure of the Transaction;
- (b) the accuracy and completeness of all information, whether verbal or written, provided by ERTH to Scotiabank to date;
- (c) further information (financial, business, legal, and accounting) will be provided and due diligence will be completed to the satisfaction of Scotiabank;
- (d) negotiation, execution and delivery of satisfactory definitive documentation for the financing and satisfactory completion of all conditions precedents therein; and
- (e) receipt of all necessary internal approvals by Scotiabank.

This letter and the statements set forth herein may not be relied upon by any person or entity other than ERTH and the Board and may not be disclosed to anyone other than its directors, officers and advisors on a “need to know” basis without Scotiabank’s prior written consent; provided, however, that Scotiabank agrees that ERTH may deliver a copy of this letter to the Board to confirm that

Scotiabank understands the proposed Transaction and that it is confident that the financing of the Transaction can be arranged, subject to the conditions contained herein.

Scotiabank does not assume any responsibility for updating, revising or reaffirming any views expressed herein and assumes no responsibility for advising ERTH or any other person or entity of any changes with respect to any matters described in this letter that may occur subsequent to the date of this letter.

Nothing in this letter (or otherwise) shall constitute, or shall be construed as, a commitment or obligation on the part of Scotiabank to provide or underwrite any financing to or for ERTH or any other person or entity. This letter shall not create any obligation of Scotiabank or liability of Scotiabank to ERTH or any other person or entity, including, but not limited to, any liability for special, indirect, consequential, and exemplary or punitive damages.

This letter is intended solely for the purpose identified in the first paragraph in connection with the Transaction and may be shared by ERTH to the Board.

This letter is not intended to confer any rights or create any obligations for any third party. It is not intended to create legal relations between the parties, and nothing herein shall be construed as an offer or commitment to provide services.

Further, this letter and any disclosure thereof or reliance thereupon is expressly subject to the limitations of liability and other terms and conditions set forth herein and under applicable law.

Yours truly,

The Bank of Nova Scotia



Justin Morris

Director, National Accounts

The Bank of Nova Scotia

APPENDIX G
Audited Financial Statements



Financial Statements of

Westario Power Inc.

Year ended December 31, 2024



KPMG LLP
120 Victoria Street South
Suite 600
Kitchener, ON N2G 0E1
Canada
Telephone 519 747 8800
Fax 519 747 8811

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Westario Power Inc.

Opinion

We have audited the financial statements of Westario Power Inc. (the Entity), which comprise:

- the statement of financial position as at December 31, 2024
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2024, and its financial performance and its cash flows for the for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



Page 3

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

April 22, 2025

WESTARIO POWER INC.

Statement of Financial Position

December 31, 2024 with comparative information for December 31, 2023

		December 31,	December 31,
	Note	2024	2023
Assets			
Current assets			
Cash and cash equivalents		\$ 2,317,758	\$ -
Accounts receivable	5	5,216,552	5,304,375
Due from shareholders	21	327,689	400,482
Unbilled revenue		6,020,575	5,088,746
Income taxes receivable		124,930	465,297
Materials and supplies	6	208,381	183,897
Prepaid expenses		376,653	376,126
Total current assets		14,592,538	11,818,923
Non-current assets			
Property, plant and equipment	7	80,539,430	73,048,159
Intangible assets	8	2,338,372	2,374,548
Long-term asset	9	189,793	230,675
Interest rate swap	13	1,589,865	89,836
Total non-current assets		84,657,460	75,743,218
Total assets		99,249,998	87,562,141
Regulatory balances	11	9,980,797	10,453,933
Total assets and regulatory balances		\$ 109,230,795	\$ 98,016,074

See accompanying notes to the financial statements.

WESTARIO POWER INC.

Statement of Financial Position

December 31, 2024 with comparative information for December 31, 2023

	Note	December 31, 2024	December 31, 2023
Liabilities			
Current liabilities			
Bank indebtedness	22	\$ -	\$ 1,033,553
Accounts payable and accrued liabilities	12	8,414,957	7,559,706
Due to shareholders	21	19,471	36,121
Long-term debt due within one year	13	2,979,512	2,606,042
Customer deposits		2,740,498	1,887,978
Total current liabilities		14,154,438	13,123,400
Non-current liabilities			
Long-term debt	13	33,663,110	29,423,085
Post employment benefits	14	268,429	302,336
Deferred revenue		6,296,778	5,565,038
Deferred tax liabilities	10	6,591,000	5,618,000
Total non-current liabilities		46,819,317	40,908,459
Total liabilities		60,973,755	54,031,859
Equity			
Share capital	15	18,269,167	18,269,167
Retained earnings		28,003,300	24,857,343
Accumulated other comprehensive income (loss)		(58,255)	(81,159)
Total equity		46,214,212	43,045,351
Total liability and equity		107,187,967	97,077,210
Regulatory balances	11	2,042,828	938,864
Total liabilities, equity and regulatory balances		\$ 109,230,795	\$ 98,016,074

Commitments and contingencies (notes 7 and 20)

See accompanying notes to the financial statements.

On behalf of the Board:

_____ Director

_____ Director

WESTARIO POWER INC.

Statement of Comprehensive Income

Year ended December 31, 2024, with comparative information for 2023

	Note	2024	2023
Revenue			
Sale of energy		59,394,393	56,062,047
Distribution revenue		12,491,232	12,283,040
Other	16	1,089,594	825,524
		72,975,219	69,170,611
Operating expenses			
Cost of power purchased		57,283,292	54,209,750
Employee salaries and benefits	17	3,515,329	2,746,959
Operating expenses	18	3,801,126	4,052,360
Depreciation and amortization		2,239,962	2,076,743
		66,839,709	63,085,812
Income from operating activities		6,135,510	6,084,799
Finance income	19	347,745	331,095
Finance costs	19	(1,760,227)	(1,597,363)
Unrealized gain on interest rate swap		1,500,029	1,016,682
Income before income taxes		6,223,057	5,835,213
Income tax expense	10	1,094,000	1,046,000
Net income for the year		5,129,057	4,789,213
Net movement in regulatory balances, net of tax	11	(2,111,100)	(1,896,932)
Income tax expense	10	528,000	740,000
Net income for the year and net movement in regulatory balances		3,545,957	3,632,281
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Re-measurement of post-employment benefits	14	22,904	-
Tax on re-measurements	10	(6,000)	-
Net movement in regulatory balances, net of tax	11	6,000	-
Other comprehensive income for the year		22,904	-
Total comprehensive income for the year		3,568,861	3,632,281

See accompanying notes to the financial statements.

WESTARIO POWER INC.

Statement of Changes in Equity

Year ended December 31, 2024, with comparative information for 2023

	Share capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at January 1, 2023	\$ 18,269,167	\$ 21,625,062	\$ (81,159)	\$ 39,813,070
Net income and net movement in regulatory balances	-	3,632,281	-	3,632,281
Other comprehensive income	-	-	-	-
Dividends	-	(400,000)	-	(400,000)
Balance at December 31, 2023	\$ 18,269,167	\$ 24,857,343	\$ (81,159)	\$ 43,045,351
Balance at January 1, 2024	\$ 18,269,167	\$ 24,857,343	\$ (81,159)	\$ 43,045,351
Net income and net movement in regulatory balances	-	3,545,957	-	3,545,957
Other comprehensive income	-	-	22,904	22,904
Dividends	-	(400,000)	-	(400,000)
Balance at December 31, 2024	\$ 18,269,167	\$ 28,003,300	\$ (58,255)	\$ 46,214,212

See accompanying notes to the financial statements.

WESTARIO POWER INC.

Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	Note	2024	2023
Operating activities			
Net income and net movement in regulatory balances		\$ 3,545,957	\$ 3,632,281
Adjustments for:			
Depreciation and amortization	7/8	2,239,962	2,076,743
Amortization of deferred revenue	16	(155,433)	(122,675)
Post-employment benefits	14	(23,007)	(22,081)
Loss on disposal of property, plant, and equipment		56,086	148,153
Unrealized gain on interest rate swap		(1,500,029)	(1,016,682)
Net finance costs		1,412,482	1,266,268
Interest on income tax reassessment		-	(8,785)
Income tax expense		1,094,000	1,046,000
		6,670,018	6,999,222
Changes in non-cash operating working capital:			
Accounts receivable		87,823	(1,238,715)
Due to/from related parties		56,143	(18,760)
Unbilled revenue		(931,829)	393,263
Materials and supplies		(24,484)	(48,003)
Prepaid expenses and long-term asset		40,355	(266,708)
Accounts payable and accrued liabilities		855,251	(929,221)
Long term lease obligation		-	(6,317)
Customer deposits		852,520	128,070
		935,779	(1,986,391)
Regulatory balances		1,583,100	1,156,932
Income tax paid		213,368	-
Interest expensed	19	(1,748,223)	(1,597,363)
Interest received	19	347,745	331,095
Net cash from operating activities		8,001,787	4,903,495
Investing activities			
Purchase of property, plant and equipment	7	(9,788,557)	(8,557,133)
Proceeds on disposal of property, plant and equipment		48,706	707
Purchase of intangible assets	8	(11,293)	(122,876)
Net cash used by investing activities		(9,751,144)	(8,679,302)
Financing activities			
Dividends paid		(400,000)	(400,000)
Contributions received from customers		887,173	1,182,147
Issuance of long-term debt	13	12,800,000	8,447,502
Repayment of long-term debt	13	(8,186,505)	(2,246,799)
Net cash from financing activities		5,100,668	6,982,850
Increase in cash		3,351,311	3,207,043
Bank indebtedness, beginning of the year		(1,033,553)	(4,240,596)
Cash (bank indebtedness), end of the year		\$ 2,317,758	(1,033,553)

See accompanying notes to the financial statements.

WESTARIO POWER INC.

Notes to Financial Statements
Year ended December 31, 2024 and 2023

1. Reporting entity

Westario Power Inc. (the "Corporation") is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Corporation is located in the Town of Walkerton of the Municipality of Brockton. The address of the Corporation's registered office is 24 Eastridge Road, Walkerton, Ontario.

The Corporation delivers electricity and related energy services to residential and commercial customers in the following communities, specifically:

- The Township of Huron-Kinloss (Villages of Ripley and Lucknow)
- The Municipality of Kincardine (Kincardine Ward 1)
- The Municipality of South Bruce (Villages of Mildmay and Teeswater)
- The Town of Saugeen Shores (Towns of Port Elgin and Southampton)
- The Township of North Huron (Town of Wingham)
- The Municipality of Brockton (Town of Walkerton and Village of Elmwood)
- The Town of Hanover (Town of Hanover)
- The Town of Minto (Towns of Harriston and Palmerston, Village of Clifford)
- The Municipality of West Grey (Village of Neustadt)

The Corporation is owned generally by the communities they serve, specifically:

- The Township of Huron-Kinloss
- The Municipality of Kincardine
- The Municipality of South Bruce
- The Town of Saugeen Shores
- The Township of North Huron
- The Municipality of Brockton
- The Town of Hanover
- The Town of Minto
- FortisOntario Inc.

The financial statements are for the Corporation as at and for the year ended December 31, 2024.

2. Basis of presentation

(a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS").

The financial statements were approved by the Board of Directors on April 22, 2025.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

2. Basis of presentation (continued)

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

(d) Use of estimates

The preparation of the Corporation's Financial Statements in accordance with IFRS requires management to make judgments, estimates and assumptions which affect the application of accounting policies, reported assets, liabilities and regulatory balances, disclosure of contingent assets and liabilities at the date of the Financial Statements, and the reported revenues and expenses for the year. The estimates are based on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities as well as for identifying and assessing the accounting treatment with respect to commitments and contingencies. Actual results could differ from those estimates, including changes as a result of future decisions made by the OEB, the IESO, the Ontario Ministry of Energy, or the Ontario Ministry of Finance. Due to current uncertain economic conditions, the estimates and judgments made by management in the preparation of the Corporation's Financial Statements are subject to uncertainty. Management has analyzed the impact of the uncertain economic conditions on its estimates and adjusted the expected credit loss allowance as at December 31, 2024. The extent of the future impact of the uncertain economic conditions on the Corporation's financial results and business operations is not known at this time.

Information about judgments in applying accounting policies that have the most material effects on the amounts recognized in the financial statements is included in note 3(j) relating to recognition of regulatory balances and note 3(c) relating to principal versus agent determination for recording revenue on a gross or net basis.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Assumptions and estimates that have the most significant effect on the amounts recognized in these financial statements are included in the following notes:

- (I) Note 3(c) – Revenue recognition - measurement of unbilled revenue
- (II) Note 3(c) – Determination of the performance obligations for contributions from customers and the related amortization period
- (III) Notes 3(e), 3(f), 7, 8 – Determination of useful lives of its property, plant and equipment and intangible assets
- (IV) Note 11 – Recognition and measurement of regulatory balances
- (V) Note 14 – Measurement of defined benefit obligations: key actuarial assumptions
- (VI) Note 20 – Recognition and measurement of provisions and contingencies
- (VII) Note 22 (b) – Estimation for impairment of doubtful accounts, based on the lifetime expected credit losses

2. Basis of presentation (continued)

(e) Rate regulation

The Corporation is regulated by the Ontario Energy Board (“OEB”), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies (“LDCs”), such as the Corporation, which may include among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

Rate setting

Distribution revenue

For the distribution revenue included in sale of energy, the Corporation files a “Cost of Service” (“COS”) rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholders’ equity required to support the Corporation’s business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism application (“IRM”) is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year’s rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflation for Final Domestic Demand (“GDP IPI-FDD”) net of a productivity factor and a “stretch factor” determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

The Corporation filed a Cost of Service application on November 23, 2023, for rates effective April 1, 2024 to December 31, 2024, with annual IRM filed in 2024 for effective rates starting January 1, 2025. The OEB issued a Decision to approve the Corporation’s 2025 rates on December 19, 2024.

Electricity rates

The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

3. Material accounting policies

The accounting policies set out below have been applied consistently in all years presented in these financial statements:

(a) Financial instruments

All financial assets and financial liabilities are classified as “Amortized cost”. These financial instruments are recognized initially at fair value adjusted for any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets. The fair value of the financial instrument is the amount of consideration that would be agreed upon in an arm’s length transaction between willing parties.

The corporation uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which carrying amounts are included in the balance sheet:

- Cash and cash equivalents are classified as “Amortized cost” and are initially measured at fair value. The carrying amounts approximate fair value due to the short maturity of these instruments.
- Accounts receivable and unbilled revenue are classified as “Amortized cost” and are initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method, less expected credit loss allowance. The carrying amounts approximate fair value due to the short maturity of these instruments.
- Long-Term Debt and Bank indebtedness credit facilities are classified as “Amortized cost” and are initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The carrying amounts approximate fair value due to the maturity of these instruments.
- Accounts payable are classified as “Amortized cost” and are initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The carrying amounts approximate fair value due to the short maturity of these instruments.
- Customer deposits are classified as “Amortized cost” and are initially measured at fair value. Subsequent measurements are recorded at cost plus accrued interest. The carrying amounts approximate fair value considering interest accrued on the outstanding balance.
- Derivatives are initially measured at fair value; any directly attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and change therein are recognized in the statement of comprehensive income.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

3. Material accounting policies (continued)

(b) Fair Value measurements

The Corporation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A fair value hierarchy exists that prioritizes observable and unobservable inputs used to measure fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Corporation's assumptions with respect to how market participants would price an asset or liability. The fair value hierarchy includes three levels of inputs that may be used to measure fair value:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis;
- Level 2: Other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3: Unobservable inputs, supported by little or no market activity, used to measure the fair value of the assets or liabilities to the extent that observable inputs are not available.

Hedge accounting has not been used in the preparation of these financial statements.

(c) Revenue recognition

Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Corporation has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of the power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges were recorded on a net basis as the Corporation is acting as an agent for this billing stream.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

3. Material accounting policies (continued)

(c) Revenue recognition (continued)

Capital contributions

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Certain customers are also required to contribute towards the capital cost of the construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to the distribution system in order to receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

Other revenue

Revenue earned from the provision of services is recognized as the performance obligations are met. Amounts received in advance of these milestones are presented as deferred revenue.

(d) Materials and supplies

Materials and supplies, the majority of which is consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on a weighted average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

(e) Property, plant, and equipment

Items of property, plant, and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets may be capitalized as part of the cost of the asset based on the weighted average cost of debt incurred on the Corporation's borrowings. Qualifying assets are considered to be those that take in excess of twelve months to construct.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

3. Material accounting policies (continued)

(e) Property, plant, and equipment (continued)

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Corporation has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

3. Material accounting policies (continued)

(e) Property, plant and equipment (continued)

The estimated useful lives are as follows:

	Years
Buildings	50
Distribution stations	45
Distribution lines, overhead	65
Distribution lines, underground	60
Distribution equipment	45 – 60
Distribution transformers	40
Meters	15 – 35
Communications equipment	10
Computer equipment	5
Office furniture	10
Tools and garage equipment	10
Trucks	10 - 15

(f) Intangible assets

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, less accumulated amortization. All other intangible assets are measured at cost.

Computer software that is acquired or developed by the Corporation after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

	Years
Computer software	5

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

3. Material accounting policies (continued)

(g) Impairment

(i) Accounts receivable and unbilled revenue.

Accounts receivable are recorded at the invoiced amount and overdue amounts bear interest at OEB-approved rates. Unbilled revenue is recorded based on an estimated amount for electricity delivered and for the other services provided and not yet billed. The estimate is primarily based on the customers' previous billings with adjustments mainly for assumptions related to seasonality and weighted average price. The carrying amount of accounts receivable and unbilled revenue is reduced through a loss allowance, if applicable, and the amount of the related impairment loss is recognized in the statement of income. The impairment loss is the difference between an asset's carrying amount and the estimated future cash flows. When the Corporation considers that there are no realistic prospects of recovery of the financial assets, the relevant amounts are written off. If the amount of impairment loss subsequently decreases due to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through net income.

Accounts receivable and unbilled revenue are assessed at each reporting date to determine whether there is objective evidence of impairment, which includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, and adverse changes in the payment status of borrowers or issuers. Accounts receivable and unbilled revenue that are not individually assessed for impairment are collectively assessed for impairment by grouping together receivables with similar risk characteristics, and the Corporation considers historical trends on the timing of recoveries and the amount of loss incurred, adjusted for forward-looking factors specific to the current economic and credit conditions.

The Corporation measures the expected credit loss allowance at an amount equal to the lifetime expected credit losses for all trade receivables that result from transactions with customers and do not contain a significant financing component. Amounts are calculated separately for exposures based on customer account status. The Corporation also adjusts the expected credit loss allowance in efforts to account for current economic conditions and events (including forward-looking macroeconomic data) and historical information (including credit agency reports, if available) (note 22). The Corporation considers the reasons for the account being past due, the characteristics of existing accounts, reasonable and supportable forecasts and other considerations that may affect the collectability of the reported amounts.

(ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

3. Material accounting policies (continued)

(g) Impairment (continued)

(ii) Non-financial assets (continued)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a prorated basis, if applicable.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Customer deposits

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

(i) Regulatory balances

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

3. Material accounting policies (continued)

(i) Regulatory balances (continued)

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB. Any resulting impairment loss is recognized in profit or loss in the year incurred.

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

(j) Post-employment benefits

(i) Pension plan

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund") and provides pensions for employees of Ontario municipalities, local boards, and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an underfunded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Corporation is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

(ii) Post-employment benefits, other than pension

The Corporation provides some of its retired employees with life insurance and medical benefits beyond those provided by government-sponsored plans. The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Re-measurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss as part of operating expenses.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

3. Material accounting policies (continued)

(k) Finance income and finance costs

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents.

Finance costs comprise interest expense on borrowings, finance lease obligations and unwinding of the discount on provisions. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

(l) Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the Electricity Act, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial

Corporation ("OEFEC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts 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. Payments in lieu of taxes are referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits, and temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

4. New accounting standards

(a) Changes in accounting standards

The International Accounting Standards Board (IASB) has issued the following Standards, Interpretations and Amendments to Standards that were adopted by the Corporation effective January 1, 2024:

- a. Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- b. Non-current Liabilities with Covenants (Amendments to IAS 1)
- c. Lease Liability in sale and leaseback transactions (Amendments to IFRS 16)
- d. Supplier finance arrangements (Amendments to IAS 7 and IFRS 7)

The amendments did not have a material impact on the financial statements.

(b) Future accounting pronouncements

At the date of authorization of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Corporation and it is still to be determined if any will have a material impact on the Corporation's financial statements.

- a. Lack of Exchangeability (Amendments to IAS 21)
- b. Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)
- c. Presentation and disclosure in financial statements (IFRS 18)
- d. Subsidiaries without public accountability disclosures (IFRS 19)
- e. Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)

5. Accounts receivable

	2024	2023
Trade receivables	\$ 5,067,672	\$ 5,032,401
Other trade receivables	183,976	162,278
Billable work	(35,096)	109,696
	\$ 5,216,552	\$ 5,304,375

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

6. Materials and supplies

The amount of materials and supplies written down due to obsolescence in 2024 was \$13,767 (2023 - \$1,229).

7. Property, plant and equipment

	Land and buildings	Distribution equipment	Other fixed assets	Construction in progress	Total
<i>Cost or deemed cost</i>					
Balance at January 1, 2024	\$ 2,945,197	\$ 80,302,910	\$ 4,833,453	\$ 1,363,209	\$ 89,444,769
Additions	-	7,346,611	596,518	1,845,428	9,788,557
Transfers	-	1,363,209	-	(1,363,209)	-
Disposals/retirements	-	(90,623)	(312,429)	-	(403,052)
Balance at December 31, 2024	\$ 2,945,197	\$ 88,922,107	\$ 5,117,542	\$ 1,845,428	\$ 98,830,274
Balance at January 1, 2023	\$ 2,772,762	\$ 72,548,675	\$ 4,587,786	\$ 1,547,427	\$ 81,456,650
Additions	172,435	6,386,614	643,086	1,354,998	8,557,133
Transfers	-	1,539,216	-	(1,539,216)	-
Disposals/retirements	-	(171,595)	(397,419)	-	(569,014)
Balance at December 31, 2023	\$ 2,945,197	\$ 80,302,910	\$ 4,833,453	\$ 1,363,209	\$ 89,444,769
<i>Accumulated depreciation</i>					
Balance at January 1, 2024	\$ 527,663	\$ 13,496,049	\$ 2,372,898	\$ -	\$ 16,396,610
Depreciation	58,389	1,785,756	348,348	-	2,192,493
Disposals/retirements	-	(49,274)	(248,985)	-	(298,259)
Balance at December 31, 2024	\$ 586,052	\$ 15,232,531	\$ 2,472,261	\$ -	\$ 18,290,844
<i>Accumulated depreciation</i>					
Balance at January 1, 2023	\$ 471,974	\$ 11,926,648	\$ 2,308,747	\$ -	\$ 14,707,369
Depreciation	55,689	1,638,168	334,533	-	2,028,390
Disposals/retirements	-	(68,767)	(270,382)	-	(339,149)
Balance at December 31, 2023	\$ 527,663	\$ 13,496,049	\$ 2,372,898	\$ -	\$ 16,396,610
<i>Carrying amounts</i>					
At December 31, 2024	\$ 2,359,145	\$ 73,689,576	\$ 2,645,281	\$ 1,845,428	\$ 80,539,430
At December 31, 2023	2,417,534	66,806,861	2,460,555	1,363,209	73,048,159

At December 31, 2024 land and buildings with a carrying amount of \$2,359,145 (2023 - \$2,417,534) are subject to a general security agreement.

During the year, borrowing costs of \$nil (2023 - \$nil) were capitalized as part of the cost of property, plant and equipment.

Property, plant & equipment purchase commitments outstanding as at December 31, 2024 are \$1,845,428 (2023 - \$1,363,209).

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

8. Intangible assets

	Goodwill		Computer software		Total
<i>Cost or deemed cost</i>					
Balance at January 1, 2024	\$	2,214,322	\$	1,004,715	\$ 3,219,037
Additions		-		11,293	11,293
Disposals/retirements		-		-	-
Balance at December 31, 2024		2,214,322		1,016,008	3,230,330
Balance at January 1, 2023		2,214,322		881,839	3,096,161
Additions		-		122,876	122,876
Disposals/retirements		-		-	-
Balance at December 31, 2023	\$	2,214,322	\$	1,004,715	\$ 3,219,037
<i>Accumulated depreciation</i>					
Balance at January 1, 2024	\$	-	\$	844,489	\$ 844,489
Amortization		-		47,469	47,469
Disposals/retirements		-		-	-
Balance at December 31, 2024		-		891,958	891,958
Balance at January 1, 2023		-		796,135	796,135
Amortization		-		48,354	48,354
Disposals/retirements		-		-	-
Balance at December 31, 2023		-		844,489	844,489
<i>Carrying amounts</i>					
At December 31, 2024	\$	2,214,322	\$	124,050	\$ 2,338,372
At December 31, 2023		2,214,322		160,226	2,374,548

9. Long-term assets

Long-term assets represent prepaid regulatory costs directly attributable to the Cost-of-Service application filed in 2024. They are to be amortized over a period of 5 years stipulated by OEB filing requirements Chapter 2.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

10. Income tax expense

Income tax expense is comprised of:

	2024	2023
Current tax expense	\$ 117,000	\$ -
Prior year adjustment	10,000	-
	\$ 127,000	\$ -
Deferred tax expense:		
Change in recognized deductible temporary differences		
Property, plant and equipment	\$ 510,000	\$ 685,000
Post-retirement benefits	3,000	6,000
Unrealized interest	397,000	270,000
Other	57,000	85,000
	\$ 967,000	\$ 1,046,000
Income tax expense	\$ 1,094,000	\$ 1,046,000
Other comprehensive income		
Post-retirement benefits	6,000	-
Net movement in regulatory balances	(534,000)	(740,000)
Income tax expense recognized in Statement of Comprehensive Income	\$ 566,000	\$ 306,000
Reconciliation of effective tax rate:		
	2024	2023
Income before taxes	\$ 4,134,861	\$ 3,938,281
Canada and Ontario statutory Income tax rates	26.5%	26.5%
Expected tax provision on income at statutory rates	1,096,000	1,044,000
Increase (decrease) in income taxes resulting from:		
Permanent differences	1,000	2,000
Recognized deductible temporary differences due to/from customers	(534,000)	(740,000)
Other	3,000	-
Income tax expense	\$ 566,000	\$ 306,000
Significant components of the Corporation's deferred tax balances:		
	2024	2023
Deferred tax assets (liabilities):		
Property, plant and equipment	(6,050,000)	(5,540,000)
Intangible assets	71,000	80,000
Post-employment benefits	(421,000)	(24,000)
Unrealized interest	(191,000)	(134,000)
	\$ (6,591,000)	\$ (5,618,000)

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

11. Regulatory balances

Reconciliation of the carrying amount for each class of regulatory balances:

Regulatory deferral account debit balances	January 1, 2024	Additions	Recovery/reversal	December 31, 2024	Remaining recovery/reversal years
Group 1 deferred accounts	\$ 4,682,363	\$ 30,389	\$ (1,456,547)	\$ 3,256,205	1
Regulatory settlement account	135,337	(245,331)	545,519	435,525	1
Other regulatory accounts	116,233	(841,313)	960,147	235,067	3
Income tax	5,520,000	534,000	-	6,054,000	-
	\$ 10,453,933	\$ (522,255)	\$ 49,119	\$ 9,980,797	

Regulatory deferral account debit balances	January 1, 2023	Additions	Recovery/reversal	December 31, 2023	Remaining recovery/reversal years
Group 1 deferred accounts	\$ 6,492,807	\$ 392,313	\$ (2,202,757)	\$ 4,682,363	1
Regulatory settlement account	53,788	(2,245,910)	2,327,459	135,337	1
Other regulatory accounts	110,786	5,447	-	116,233	3
Income tax	4,780,000	740,000	-	5,520,000	-
	\$ 11,437,381	\$ (1,108,150)	\$ 124,702	\$ 10,453,933	

Regulatory deferral account credit balances	January 1, 2024	Additions	Recovery/reversal	December 31, 2024	Remaining years
Group 1 deferred accounts	\$ (58,614)	\$ (1,908,589)	\$ -	\$ (1,967,203)	1
Regulatory settlement account	-	-	-	-	1
Other regulatory accounts	(880,250)	804,625	-	(75,625)	3
Income tax	-	-	-	-	-
	\$ (938,864)	\$ (1,103,964)	\$ -	\$ (2,042,828)	

Regulatory deferral account credit balances	January 1, 2023	Additions	Recovery/reversal	December 31, 2023	Remaining years
Group 1 deferred accounts	\$ (5,926)	\$ (52,688)	\$ -	\$ (58,614)	1
Regulatory settlement account	-	-	-	-	1
Other regulatory accounts	(759,454)	(120,796)	-	(880,250)	3
Income tax	-	-	-	-	-
	\$ (765,380)	\$ (173,484)	\$ -	\$ (938,864)	

The Corporation continues to reasonably expect full recovery of regulatory balances.

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Corporation has received approval from the OEB to establish its regulatory balances.

The OEB requires the Corporation to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Corporation's deferred tax balance fluctuates.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

11. Regulatory balances (continued)

Regulatory balances attract interest at OEB-prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of twenty-five basis points. In 2024 the annual rate was 5.49% for the period from January to March, 5.49% April to June, 5.20% July to September, and 4.40% for the period from October to December.

12. Accounts payable and accrued liabilities

	2024	2023
Accounts payable - energy purchases	\$ 6,704,298	\$ 3,740,032
Payroll	202,000	160,147
Interest	-	36,221
Trade and other	1,508,659	3,623,306
	\$ 8,414,957	\$ 7,559,706

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

13. Long-term debt

	2024	2023
Non-revolving term installment loan #2 bearing interest at the Banker's Acceptance rate of 2.631% plus a stamping fee of 1.65%, payable in monthly installments of principal plus interest due January 2, 2025	519,413	699,292
Non-revolving term installment loan #3 bearing interest at the Banker's Acceptance rate of 2.631% plus a stamping fee of 0.80%, payable in monthly installments of principal plus interest due July 2, 2027	27,791	352,386
Non-revolving term installment loan #4 bearing interest at the Banker's Acceptance rate of 2.631% plus a stamping fee of 1.00%, payable in monthly installments of principal plus interest due September 1, 2028	941,359	1,167,612
Non-revolving term installment loan #5 bearing interest at the Banker's Acceptance rate of 2.631% plus a stamping fee of 1.00%, payable in monthly installments of principal plus interest due July 3, 2029	1,112,949	1,329,932
Non-revolving term installment loan #6 bearing interest at the Banker's Acceptance rate of 2.631% plus a stamping fee of 1.00%, payable in monthly installments of principal plus interest due June 1, 2027	1,000,001	1,133,333
Non-revolving term installment loan #7 bearing interest at the Banker's Acceptance rate of 2.631% plus a stamping fee of 1.00%, payable in monthly installments of principal plus interest due February 1, 2033	2,177,778	2,444,444
Non-revolving term installment loan #8 bearing interest at the Banker's Acceptance rate of 2.631% plus a stamping fee of 1.00%, payable in monthly installments of principal plus interest due December 1, 2033	2,399,999	2,666,667
Non-revolving term installment loan #9 bearing interest at the Banker's Acceptance rate of 2.631% plus a stamping fee of 1.00%, payable in monthly installments of principal plus interest due December 1, 2035	2,899,999	3,166,667
Non-revolving term installment loan #10 bearing interest at the Banker's Acceptance rate of 2.631% plus a stamping fee of 1.00%, payable in monthly installments of principal plus interest due September 1, 2041	2,525,000	2,675,000
Non-revolving term installment loan #11 bearing interest at the Banker's Acceptance rate of 2.94% plus a stamping fee of 1.00%, payable in monthly installments of principal plus interest due September 1, 2042	2,650,000	2,800,000
Non-revolving term installment loan #12 bearing interest at the Banker's Acceptance rate of 3.54% plus a stamping fee of 1.20%, payable in monthly installments of principal plus interest due April 3, 2043	4,125,000	4,350,000
Non-revolving term installment loan #13 bearing interest at the Banker's Acceptance rate of 3.54% plus a stamping fee of 1.20%, payable in monthly installments of principal plus interest due December 3, 2043	3,783,333	3,983,333
Non-revolving term installment loan #14 bearing interest at the Banker's Acceptance rate of 4.12% plus a stamping fee of 0.74%, payable in monthly installments of principal plus interest due June 3, 2044	12,480,000	-
Shareholder loan Municipality of South Bruce, 4.12% payable quarterly, interest only	-	292,498
Shareholder loan Town of Hanover, 4.12% payable quarterly, interest only	-	1,135,083
Shareholder loan Town of Saugeen Shores, 4.12% payable quarterly, interest only	-	3,062,913
Shareholder loan Township of Huron Kinloss, 4.12% payable quarterly, interest only	-	370,285
Shareholder loan Township of North Huron, 4.12% payable quarterly, interest only	-	399,682
	36,642,622	32,029,127
Current portion of term loans:	(2,979,512)	(2,606,042)
	<u>\$33,663,110</u>	<u>\$29,423,085</u>

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

13. Long-term debt (continued)

CIBC Term secured bank loans are secured by a general security agreement conveying a security interest in the personal property of the Corporation, a first priority present and future fixed charge securing not more than \$2,500,000 over the real property at 24 Eastridge Road, and acknowledgement of fire insurance, with first loss payable to CIBC.

On September 24, 2021, the Corporation entered into an interest rate swap agreement and amended it on July 19, 2022 on a notional principal of \$20,125,685 maturing on October 1, 2041. On March 29, 2023, the Corporation amended swap agreement on a notional principal of \$23,379,771. On September 28, 2023 the Corporation made another amendment to swap agreement on a notional principal of \$25,181,933. At the same time, the Corporation terminated all of the previously held swap arrangements on CIBC term instalment loans (#1-12), without penalty. The new swap agreement on CIBC term instalment loans (#1-13) is structured such that only one fixed rate payment and a weighted average interest rate remains 3.54%. The amortization period of each individual loan remains materially unchanged. The swap is a receive variable, pay fixed swap with CIBC World Markets and effectively converted variable interest rates on the unsecured Banker's Acceptances to an effective fixed interest rate of 3.54% plus stamping fee. In 2024 the unsecured Banker's Acceptance was replaced by the Canadian Overnight Repo Rate Average (CORRA). Prior to this transaction, the previously held swap arrangements on term instalment loans #1-12 had an effective interest rate of 3.16% plus stamping fee. On June 3, 2024, the Corporation entered into a second interest rate swap agreement on CIBC term instalment loan #14 with a notional principal of \$12,800,000 maturing on June 3, 2044. The swap is structured such that only one fixed rate payment and the amortization period of CIBC term instalment loan #14 remains materially unchanged. The swap is a receive variable, pay fixed swap with CIBC World Markets and effectively converted variable interest rates on the Canadian Overnight Repo Rate Average (CORRA) to an effective fixed interest rate of 4.12% plus stamping fee.

The swap entered into by the Corporation does not meet the standard to apply hedge accounting. Accordingly, the interest rate swap contract is marked to market at each year end with the gain or loss recorded in the statement of comprehensive income. The gain on the swap recorded in 2024 was \$1,500,029 (2023 - \$1,016,682 gain).

On June 5, 2024, the Corporation repaid in full the outstanding shareholders' notes of \$5,260,461 and the related interest. As at December 31, 2024 the shareholders' notes balance is \$nil (2023 - \$5,260,461).

The Corporation's term instalment loans, with a carrying amount of \$36,642,622 as at December 31, 2024, are repayable monthly in accordance with the amortization schedule associated with each individual loan. However, the loan agreements contain a covenant stating that at the end of each quarter, the Corporations' current ratio must not be less than 1.1 to 1.0, otherwise the loans will be repayable on demand. As at December 31, 2024 the Corporation was in compliance with all covenants of the loan agreement.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

13. Long-term debt (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Current and long-term debt	Retained earnings	Total (financing cash flows)
Balance at January 1, 2024	\$ 32,029,127	\$ 24,857,343	
Dividends paid	-	(400,000)	(400,000)
Proceeds from issuance of long-term debt (term loan #14)	12,800,000	-	12,800,000
Repayments of long-term debt	(8,186,505)	-	(8,186,505)
Total changes from financing cash flows	\$ 4,613,495	\$ (400,000)	\$ 4,213,495
Total equity-related other changes	-	3,568,861	
Balance at December 31, 2024	\$ 36,642,622	\$ 28,026,204	
Balance at January 1, 2023	\$ 25,828,424	\$ 21,625,062	
Dividends paid	-	(400,000)	(400,000)
Proceeds from issuance of long-term debt	8,447,502	-	8,447,502
Repayments of long-term debt	(2,246,799)	-	(2,246,799)
Total changes from financing cash flows	\$ 6,200,703	\$ (400,000)	\$ 5,800,703
Total equity-related other changes	-	3,632,281	
Balance at December 31, 2023	\$ 32,029,127	\$ 24,857,343	

14. Post-employment benefits

(a) OMERS pension plan

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2024, the Corporation made employer contributions of \$379,178 to OMERS (2023 - \$411,902), of which approximately \$136,768 (2023 - \$158,390) has been capitalized as part of PP&E and the remaining amount of \$242,410 (2023 - \$253,512) has been recognized in profit or loss. The Corporation estimates that a contribution of approximately \$414,940 to OMERS will be made during the next fiscal year.

As at December 31, 2024, OMERS had approximately 639,800 members. The most recently available OMERS annual report is for the year ended December 31, 2024, which reported that the plan was 98% funded, with an unfunded liability of \$2.9 billion. This unfunded liability is likely to result in future payments by participating employers and members.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

14. Post-employment benefits (continued)

(b) Post-employment benefits other than pension

The Corporation pays certain life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-employment benefits in the year in which employees' services were rendered. The Corporation is recovering its post-employment benefits in rates based on the expense and re-measurements recognized for post-employment benefit plans.

Reconciliation of the obligation	2024	2023
Defined benefit obligation, beginning of year	\$ 302,336	\$ 324,417
Included in profit or loss Interest cost	12,004	-
Included in OCI		
Actuarial (gains) losses arising from:		
Changes in actual and expected plan experience	(22,904)	-
Benefits paid	(23,007)	(22,081)
Defined benefit obligation, end of year	\$ 268,429	\$ 302,336
Actuarial assumptions	2024	2023
Discount rate	4.60%	4.65%
Salary levels	actuals	actuals

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by \$26,400. A 1% decrease in the assumed discount rate would result in the defined benefits obligation increasing by \$31,400.

15. Share capital

	2024	2023
Authorized:		
Unlimited number of common shares		
Issued:		
10,000 common shares	\$ 18,269,167	\$ 18,269,167

Dividends

The Corporation has established a dividend policy with consideration given to the cash position, the working capital requirements, the net capital expenditures requirements and other considerations from time to time.

The Corporation paid aggregate dividends in the year on common shares of \$40.00 per share (2023 - \$40), which amount to total dividends paid in the year of \$400,000 (2023 - \$400,000).

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

16. Other revenue

	2024	2023
Rendering of services	\$ 934,161	\$ 702,849
Amortization of contributions received from customers	155,433	122,675
	\$ 1,089,594	\$ 825,524

17. Employee salaries and benefits

	2024	2023
Salaries, wages and benefits	\$ 3,098,023	\$ 2,363,718
CPP and EI remittances	150,128	129,729
Contributions to OMERS	267,178	253,512
	\$ 3,515,329	\$ 2,746,959

18. Operating expenses

	2024	2023
External Services	\$ 1,786,295	\$ 1,802,180
Other support costs*	1,937,158	2,102,027
Losses on disposal of property, plant and equipment	77,673	148,153
	\$ 3,801,126	\$ 4,052,360

* Includes taxes other than income taxes, insurance, communication, utilities and general and administrative expenses.

19. Finance income and costs

	2024	2023
Finance income		
Interest income on bank deposits	\$ 347,745	\$ 331,095
Finance costs		
Interest expense on long-term debt	\$ 1,538,865	\$ 1,319,473
Interest expense on customer deposits	24,461	34,755
Net interest expense on post-employment benefits	12,004	-
Other	184,897	243,135
	1,760,227	1,597,363
Net finance costs recognized in profit or loss	\$ 1,412,482	\$ 1,266,268

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

20. Contingencies

Contractual Obligations

In the normal course of operations, the Corporation executes agreements that can provide for the indemnification to third parties in transactions such as service agreements and purchases of goods. Under these agreements, the Corporation agrees to indemnify the counterparty against loss or liability arising from the acts or omissions of the Corporation in relation to the agreement.

General

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

General Liability Insurance

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2024, no assessments have been made.

21. Related party transactions

Transactions with Shareholders

In the ordinary course of business, the Corporation delivers electricity to the following Shareholders that are billed at prices and under terms approved by the OEB.

- The Township of Huron-Kinloss
- The Municipality of Kincardine
- The Municipality of South Bruce
- The Town of Saugeen Shores
- The Township of North Huron
- The Municipality of Brockton
- The Town of Hanover
- The Town of Minto

In the ordinary course of business, the Corporation receives and pays for services under contract for information technology from Canadian Niagara Power Inc. a subsidiary of FortisOntario Inc.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

21. Related party transactions (continued)

Outstanding balances due from/(due to) related parties and shareholders are:

	2024		2023
Due from:			
Canadian Niagara Power	\$ -	\$ -	-
Township of Huron Kinloss	20,421		19,524
Municipality of Kincardine	61,282		67,407
Municipality of South Bruce	32,675		38,302
Town of Saugeen Shores	81,409		82,978
Township of North Huron	35,224		34,369
Municipality of Brockton	31,124		31,695
Town of Hanover	2,629		74,841
Town of Minto	62,925		51,366
	\$ 327,689	\$	400,482
Due to:			
Canadian Niagara Power	\$ (19,455)	\$	-
Township of Huron Kinloss	-		(2,550)
Municipality of Kincardine	-		-
Municipality of South Bruce	-		(2,014)
Town of Saugeen Shores	-		(21,090)
Township of North Huron	-		(2,752)
Municipality of Brockton	-		100
Town of Hanover	(16)		(7,815)
Town of Minto	-		-
	\$ (19,471)	\$	(36,121)
	\$ 308,218	\$	364,361

22. Financial instruments and risk management

(a) Fair value disclosure

The carrying values of cash and cash equivalents, accounts receivable, unbilled revenue, due from/to shareholders and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

As at December 31, 2024, all financial instruments are classified in the fair value hierarchy as level 1, except for long-term debt which is level 2.

The fair value of the long-term debt at December 31, 2024 is \$36,642,622 (2023 - \$32,029,127), given the nature of the instrument as it's tied to the Canadian Overnight Repo Rate Average (CORRA).

The swap agreement is measured at fair value, which is provided by a third-party banking institution, and is based on market rates at the date of the valuation.

22. Financial instruments and risk management (continued)

(b) Financial risks

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies, are discussed below.

Credit risk

The Corporation is exposed to the risk of counterparties defaulting on their obligations. The Corporation monitors and limits its exposure to credit risk on a continuous basis. The credit risk related to cash and cash equivalents is mitigated by the Corporation in assessing and monitoring the credit exposures of counterparties.

The Corporation's exposure to credit risk primarily relates to accounts receivable and unbilled revenue. The Corporation is exposed to credit risk with respect to customer non-payment of electricity bills. The Corporation considers the current economic and credit conditions to determine the expected credit loss allowance of its accounts receivable and unbilled revenue. Due to current uncertain economic conditions, the estimates and judgments made by management in the preparation of the expected credit loss allowance are subject to estimation uncertainty. The Corporation determines the expected credit loss allowance based on current estimates and assumptions, including, but not limited to, recent trends for customer collections and current and forecasted economic conditions. The Corporation continues to actively monitor its exposure to credit risk.

The Corporation obtains security instruments from certain customers in accordance with direction provided by the OEB. As at December 31, 2024, the corporation held security deposits in the amount of \$422,338 (2023 - \$584,913). The Corporation's security instruments may not provide sufficient protection from counterparties defaulting on their obligations. As at December 31, 2024, there were no significant concentrations of credit risk with respect to any customer. The credit risk and mitigation strategies with respect to unbilled revenue are the same as those for accounts receivable.

The Corporation did not have any single customer that generated more than 10% of total revenue for the years ended December 31, 2024 and December 31, 2023.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

22. Financial instruments and risk management (continued)

(c) Financial risks (continued)

Credit risk (continued)

Credit risk associated with accounts receivable and unbilled revenue is as follows:

	2024	2023
Accounts receivable, gross		
Outstanding for not more than 30 days	4,994,031	5,264,851
Outstanding for more than 30 days	345,408	323,555
Total accounts receivable, gross	\$ 5,339,439	\$ 5,588,406
Unbilled revenue, gross	6,020,575	5,088,746
Expected credit loss allowance	(122,887)	(284,031)
Total accounts receivable and unbilled revenue	11,237,127	10,393,121

Unbilled revenue represents amounts for which the Corporation has a contractual right to receive cash through future billings and are unbilled at period-end. Unbilled revenue is considered in conjunction with accounts receivable and is included in the expected credit loss allowance as at December 31, 2024 and December 31, 2023.

The Corporation has a broad base of customers. As at December 31, 2024 and December 31, 2023, the Corporation's accounts receivable and unbilled revenue which were not past due or impaired were assessed by management to have no significant collection risk.

Reconciliation between the opening and closing expected credit loss allowance balances for accounts receivable and unbilled revenue is as follows:

	2024	2023
Balance, beginning of year	\$ (284,031)	\$ (265,319)
Additional expected credit loss allowance	292,460	(137,226)
Write-offs, net of recoveries	(131,316)	118,514
Balance, end of year	\$ (122,887)	\$ (284,031)

(d) Market risks

Interest rate risk

The Corporation is exposed to fluctuations in interest rates for the valuation of its post-employment benefit obligations (note 14(b)). The Corporation is also exposed to short-term interest rate risk on the net of cash and cash equivalents, short-term borrowings under its credit facility and customer deposits. The Corporation manages interest rate risk by monitoring its mix of fixed and floating rate instruments and taking action as necessary to maintain an appropriate balance.

WESTARIO POWER INC.

Notes to Financial Statements (continued)
Year ended December 31, 2024 and 2023

22. Financial instruments and risk management (continued)

(d) Market risks (continued)

Interest rate risk (continued)

As at December 31, 2024, aside from the post-employment benefit obligations, most of the Corporation's remaining obligations were either non-interest bearing, bear fixed interest rates or protected by the swap agreement. Its financial assets were predominantly short-term in nature and mostly non-interest bearing. Fluctuations in interest rates as at December 31, 2024 would have no effect on the Corporation as long-term debt is not subject to variable interest rates due to the swap agreement in place.

Liquidity risk

The Corporation is exposed to liquidity risk related to its ability to fund its obligations as they become due. The Corporation monitors and manages its liquidity risk to ensure access to sufficient funds to meet operational and financial requirements. The Corporation has access to credit facilities and debt capital markets and monitors cash balances daily. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they become due while minimizing finance costs. The Corporation relies on debt financing through the debt capital markets and existing credit facilities to finance its daily operations, repay existing indebtedness and fund capital expenditures. The current challenging economic climate affected by factors including, but not limited to, uncertain macroeconomic conditions like a global recession may lead to material adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct negative impact on the Corporation's operating results and financial position in the future. Accordingly, the Corporation continues to monitor liquidity risk and adapt its plans as the economic climate evolves.

Liquidity risks associated with financial commitments are as follows:

	Due within 1 year \$	Due within 2 years \$	Due within 3 years \$	Due within 4 years \$	Due within 5 years \$	Due within 6- 20 years \$
Bank indebtedness	-	-	-	-	-	-
Accounts payable and accrued liabilities	8,414,957	-	-	-	-	-
Due to shareholders	19,471	-	-	-	-	-
Long-term debt due within one year	2,979,512	-	-	-	-	-
Interest payments	1,319,655	1,210,957	1,101,528	1,002,446	897,882	4,553,711
Shareholders loans	-	-	-	-	-	-
Long-term debt	-	2,983,520	2,925,133	2,753,496	2,451,518	22,549,443
Total	12,733,595	4,194,477	4,026,661	3,755,942	3,349,400	27,103,154

The Corporation has access to a \$4.5 million credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. The line of credit bears interest at the bank's prime rate. The credit facility is secured by a general security agreement conveying a security interest in the personal property of the Corporation. As at December 31, 2024, \$nil (2023 - \$1,033,553) has been drawn under the Corporation's \$4.5 million credit facility.

22. Financial instruments and risk management (continued)

(d) Market risks (continued)

Liquidity risk (continued)

The Corporation as part of its credit facility also has a bilateral facility for \$1,897,399 (the “LC” facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which \$1,897,399 has been drawn and posted with the IESO (2023 - \$1,897,399).

The Corporation as part of its credit facility also has a standby letter of credit for \$100,000 (the “LC” facility) for the purpose of issuing letters of credit to the Ministry of Environment with regards to compliance under the terms of the Provisional Certificate of Approval for Waste Management System. Currently \$100,000 has been drawn and posted with the Ministry of Environment (2023 - \$100,000).

The majority of accounts payable, as reported on the statement of financial position, are due within thirty days.

Inflation risk

The general rate of inflation in Canada decreased in 2024 compared to 2023. However, the inflation rate continues to remain close to or slightly higher than the Bank of Canada’s target rate of 2.0%. Certain underlying factors such as global supply chain disruptions, shipping restrictions and labour market constraints are improving; however, the global economic conditions remain uncertain. Prices for certain services and materials continue to evolve in response to fast-changing commodity markets, industry activities, supply chain dynamics, and government policies impacting operating and capital costs. The Corporation remains exposed to inflationary pressures and a higher interest rate environment, which could have a material adverse effect on the Corporation’s business, financial condition or results of operations. The Corporation closely monitors market trends and seeks to mitigate cost impacts through various measures, including project management, procurement and other management actions.

Capital disclosures

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation’s definition of capital includes shareholders’ equity and long-term debt. As at December 31, 2024, shareholders’ equity amounts to \$46,780,212 (2023 - \$43,045,351) and long-term debt amounts to \$33,663,110 (2023 - \$29,423,085).

Foreign exchange risk

As at December 31, 2024, the Corporation had limited exposure to the changing values of foreign currencies.

ERTH POWER CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2024

**ERTH POWER CORPORATION
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DECEMBER 31, 2024**

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140 Fullarton Street, Suite 1400
London, ON N6A 5P2
Canada
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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of ERTH Power Corporation.

Opinion

We have audited the financial statements of ERTH Power Corporation (the Entity), which comprise:

- the statement of financial position as at December 31, 2024
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management’s Discussion and Analysis.



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Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in Management's Discussion and Analysis as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



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As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 24, 2025

ERTH POWER CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2024

		2024	2023
Assets			
Current assets			
Accounts receivable	6	\$ 8,727,572	\$ 8,121,527
Unbilled revenue		8,022,626	6,146,739
Due from related parties	28	224,729	120,604
Materials and supplies	7	262,136	264,209
Prepaid expenses		1,052,376	593,482
Payments in lieu of income taxes receivable		-	34,388
Total current assets		<u>18,289,439</u>	<u>15,280,949</u>
Non-current assets			
Property, plant and equipment	9	85,603,163	73,519,207
Intangible assets	10	4,950,121	4,929,648
Investment	8	<u>32,945</u>	<u>26,526</u>
Total non-current assets		<u>90,586,229</u>	<u>78,475,381</u>
Total assets		<u>108,875,668</u>	<u>93,756,330</u>
Regulatory balances	12	<u>10,348,498</u>	<u>11,797,301</u>
Total assets and regulatory balances		<u>\$119,224,166</u>	<u>\$105,553,631</u>

ERTH POWER CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2024

		2024	2023
Liabilities			
Current liabilities			
Bank indebtedness	13	\$ 9,852,811	\$ 2,495,101
Accounts payable and accrued liabilities	14	12,066,007	11,065,322
Payments in lieu of income taxes payable		79,958	-
Due to related parties	28	2,068,335	1,915,283
Long-term debt due within one year	15	353,475	5,854,450
Customer deposits	16	1,400,835	2,405,896
Deferred revenue	17	<u>287,878</u>	<u>224,290</u>
Total current liabilities		<u>26,109,299</u>	<u>23,960,342</u>
Non-current liabilities			
Long-term debt	15	32,365,094	25,883,509
Interest rate swaps	15	432,475	-
Post-employment benefits	18	1,112,800	1,139,900
Customer deposits	16	117,731	511,512
Deferred revenue	17	15,823,037	12,327,431
Deferred tax liabilities	11	<u>3,168,000</u>	<u>2,987,000</u>
Total non-current liabilities		<u>53,019,137</u>	<u>42,849,352</u>
Total liabilities		<u>79,128,436</u>	<u>66,809,694</u>
Equity			
Share capital	19	14,265,677	14,265,677
Retained earnings		20,429,341	18,612,534
Contributed capital		4,649,139	4,649,139
Accumulated other comprehensive loss		<u>(351,126)</u>	<u>(374,445)</u>
Total equity		<u>38,993,031</u>	<u>37,152,905</u>
Total liabilities and equity		<u>118,121,467</u>	<u>103,962,599</u>
Regulatory balances	12	<u>1,102,699</u>	<u>1,591,032</u>
Total liabilities, equity and regulatory balances		<u>\$119,224,166</u>	<u>\$105,553,631</u>

Contingencies (note 25)
Guarantee (note 26)
Commitments (note 9 and 27)

APPROVED ON BEHALF OF THE BOARD:



Director



Director

ERTH POWER CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2024

		2024	2023
Revenues			
Sale of energy	20	\$71,777,139	\$61,979,007
Distribution revenue	20	15,515,007	14,487,272
Other	21	<u>802,488</u>	<u>799,557</u>
		<u>88,094,634</u>	<u>77,265,836</u>
Operating expenses			
Cost of power purchased		70,284,643	62,072,851
Employee salaries and benefits	22	3,263,947	3,111,235
Operating expenses	23	5,149,471	5,107,729
Depreciation and amortization	9,10	<u>3,164,191</u>	<u>2,857,622</u>
		<u>81,862,252</u>	<u>73,149,437</u>
Income from operations		<u>6,232,382</u>	<u>4,116,399</u>
Finance costs	24	<u>2,810,104</u>	<u>2,221,620</u>
Income before income taxes		<u>3,422,278</u>	<u>1,894,779</u>
Income tax expense	11	<u>639,000</u>	<u>606,000</u>
Net income for the year		<u>2,783,278</u>	<u>1,288,779</u>
Net movement in regulatory balances, net of tax	12	<u>(966,471)</u>	<u>870,612</u>
Net income for the year and net movement in regulatory balances		<u><u>1,816,807</u></u>	<u><u>2,159,391</u></u>
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Change in fair value of investments		6,419	(4,368)
Items that will not be reclassified to profit or loss:			
Remeasurement of post-employment benefits	18	16,900	(51,500)
Tax on remeasurements	11	(6,000)	15,000
Net movement in regulatory balances, net of tax	12	<u>6,000</u>	<u>(15,000)</u>
Other comprehensive income		<u>23,319</u>	<u>(55,868)</u>
Total comprehensive income for the year		<u><u>\$ 1,840,126</u></u>	<u><u>\$ 2,103,523</u></u>

ERTH POWER CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2024

	Share capital	Retained earnings	Contributed capital	Accumulated other comprehensive loss	Total
Balance at January 1, 2023	\$ 14,265,677	\$ 16,453,143	\$ 4,649,139	\$ (318,577)	\$ 35,049,382
Net income and net movement in regulatory balances	-	2,159,391	-	-	2,159,391
Other comprehensive income (loss)	-	-	-	(55,868)	(55,868)
Balance at December 31, 2023	<u>\$ 14,265,677</u>	<u>\$ 18,612,534</u>	<u>\$ 4,649,139</u>	<u>\$ (374,445)</u>	<u>\$ 37,152,905</u>
Balance at January 1, 2024	\$ 14,265,677	\$ 18,612,534	\$ 4,649,139	\$ (374,445)	\$ 37,152,905
Net income and net movement in regulatory balances	-	1,816,807	-	-	1,816,807
Other comprehensive income	-	-	-	23,319	23,319
Balance at December 31, 2024	<u>\$ 14,265,677</u>	<u>\$ 20,429,341</u>	<u>\$ 4,649,139</u>	<u>\$ (351,126)</u>	<u>\$ 38,993,031</u>

ERTH POWER CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024

	2024	2023
Operating activities		
Net income and net movement in regulatory balances	\$ 1,816,807	\$ 2,159,391
Adjustments for:		
Depreciation and amortization	3,164,191	2,857,622
Amortization of deferred revenue	(256,084)	(208,080)
Post-employment benefits	(10,200)	(27,300)
Gain on disposal of property, plant and equipment	(361,483)	(52,601)
Net finance costs	2,810,104	2,221,620
Income tax expense	<u>639,000</u>	<u>606,000</u>
	7,802,335	7,556,652
Changes in non-cash operating working capital:		
Accounts receivable	(606,044)	(1,275,503)
Due to related parties	48,927	439,922
Unbilled revenue	(1,875,887)	174,585
Materials and supplies	2,073	(17,513)
Prepaid expenses	(458,894)	(83,999)
Accounts payable and accrued liabilities	1,000,685	(1,216,114)
Customer deposits	<u>(1,398,842)</u>	<u>228,055</u>
	<u>(3,287,982)</u>	<u>(1,750,567)</u>
Regulatory balances	960,471	(855,612)
Income tax paid	<u>(343,654)</u>	<u>(335,585)</u>
Net cash from operating activities	<u>5,131,170</u>	<u>4,614,888</u>
Investing activities		
Purchase of property, plant and equipment	(16,941,872)	(7,126,799)
Proceeds on disposal of property, plant and equipment	2,111,816	52,387
Purchase of intangible assets	<u>(77,082)</u>	<u>(4,869)</u>
Net cash used by investing activities	<u>(14,907,138)</u>	<u>(7,079,281)</u>
Financing activities		
Contributions received from customers	3,815,278	1,945,209
Finance costs	(2,377,629)	(2,221,620)
Proceeds from long-term debt	18,942,350	5,566,459
Repayment of long-term debt	(15,622,700)	(158,339)
Repayment of finance leases	<u>(2,339,041)</u>	<u>(299,224)</u>
Net cash from financing activities	<u>2,418,258</u>	<u>4,832,485</u>
Change in cash (bank indebtedness)	(7,357,710)	2,368,092
Bank indebtedness, beginning of year	<u>(2,495,101)</u>	<u>(4,863,193)</u>
Bank indebtedness, end of year	<u>\$ (9,852,811)</u>	<u>\$ (2,495,101)</u>

ERTH POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

1. Reporting entity

ERTH Power Corporation is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Corporation is located in the Town of Ingersoll. The address of the Corporation's registered office is 143 Bell Street, PO Box 157 Ingersoll ON (Canada) N5C 3K5.

The Corporation delivers electricity and related energy services to residential and commercial customers in Aylmer, Beachville, Belmont, Burgessville, Embro, Ingersoll, Norwich, Otterville, Port Stanley, Tavistock, Thamesford, Clinton, Mitchell, Dublin and Goderich. The Corporation is wholly owned by ERTH Corporation which is wholly owned by the following nine municipalities, each of whom has one voting common share: Aylmer, Central Elgin, East-Zorra Tavistock, Ingersoll, Norwich, South-West Oxford, Zorra, West Perth and Goderich.

The financial statements are for the Corporation as at and for the year ended December 31, 2024.

2. Basis of presentation

(a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on April 20, 2025.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

(d) Use of estimates

(i) Assumptions and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

ERTH POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

2. Basis of presentation (continued)

(d) Use of estimates (continued)

(i) Assumptions and estimation uncertainty (continued)

Information about assumptions and estimation uncertainties are included in the financial statements in the following notes:

- (i) Notes 3(d), 3(e), 9, 10 – estimation of useful lives of its property, plant and equipment and estimation of fair value of goodwill and intangible assets
- (ii) Note 3(k) – measurement of leases: discount rate
- (iii) Note 18 – measurement of defined benefit obligations: key actuarial assumptions
- (iv) Note 25 – recognition and measurement of provisions and contingencies
- (v) Note 29 – estimation for allowance for doubtful accounts

(ii) Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the non-consolidated financial statements are included in the following notes:

- (i) Note 3(k) – leases: whether an arrangement contains a lease
- (ii) Note 3(k) – leases: lease term, underlying leased asset value
- (iii) Note 3(b) – determination of the performance obligation for contributions from customers and the related amortization period
- (iv) Note 12 - recognition and measurement of regulatory balances

(e) Rate regulation

The Corporation is regulated by the Ontario Energy Board (“OEB”), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfil obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies (“LDCs”), such as the Corporation, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

ERTH POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

2. Basis of presentation (continued)

(e) Rate regulation (continued)

Rate setting

Distribution revenue

For its distribution revenue, the Corporation files a “Cost of Service” (“COS”) rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder’s equity required to support the Corporation’s business. The Corporation forecasts electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review. The Corporation is currently within an OEB approved deferral window for COS filing having recently merged with West Coast Huron Energy. The Corporation’s next COS application filed 8 years after the merger will be an application to harmonize rate structures between the two areas.

In the intervening years an Incentive Rate Mechanism application (“IRM”) is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year’s rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflation for Final Domestic Demand (“GDP IPI-FDD”) net of a productivity factor and a “stretch factor” determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

The Corporation last filed a COS application on September 15, 2017 for rates effective January 1, 2019 to April 30, 2019. On November 5, 2019 the Corporation filed an IRM application with the OEB for its Main rate zone for rates effective May 1, 2020 until April 30, 2021. Within this application the approved GDP IPI-FDD is 2.00%, the Corporation’s productivity factor is 0.00% and the stretch factor is 0.30% resulting in a net increase of 1.70% to previous years rates. On November 25, 2020 the Corporation filed an IRM application with the OEB for rates effective May 1, 2021 until April 30, 2022. Within this application the approved GDP IPI-FDD is 2.20%, the Corporation’s productivity factor is 0.00% and the stretch factor is 0.30%, resulting in a net increase of 1.90% to the previous year’s rates. On November 23, 2021 the Corporation filed an IRM application with the OEB for rates effective May 1, 2022 until April 30, 2023. Within this application the approved GDP IPI-FDD is 3.30%, the Corporation’s productivity factor is 0.00% and the stretch factor is 0.30%, resulting in a net increase of 3.00% to the previous year’s rates. On November 23, 2022 the Corporation filed an IRM application with the OEB for rates effective May 1, 2023 until April 30, 2024. Within this application the approved GDP IPI-FDD is 3.70%, the Corporation’s productivity factor is 0.00% and the stretch factor is 0.30%, resulting in a net increase of 3.40% to the previous year’s rates. On November 3, 2023 the Corporation filed an IRM application with the OEB for rates effective May 1, 2024 until April 30, 2025. Within this application the approved GDP IPI-FDD is 4.80%, the Corporation’s productivity factor is 0.00% and the stretch factor is 0.30%, resulting in a net increase of 4.50% to the previous year’s rates.

**ERTH POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

2. Basis of presentation (continued)

(e) Rate regulation (continued)

The Corporation last filed a COS application for its Goderich Rate Zone on November 16, 2012 for rates effective May 1, 2013 to April 30, 2014. On November 5th 2019 the Corporation filed an IRM application with the OEB for its Goderich rate zone for rates effective May 1, 2020 until April 30, 2021. Within this application the approved GDP IPI-FDD is 2.00%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.60% resulting in a net increase of 1.40% to previous years rates. On November 25, 2020 the Corporation filed an IRM application with the OEB for rates effective May 1, 2021 until April 30, 2022. Within this application the approved GDP IPI-FDD is 2.20%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.60%, resulting in a net increase of 1.60% to the previous year's rates. On November 23, 2021 the Corporation filed an IRM application with the OEB for rates effective May 1, 2022 until April 30, 2023. Within this application the approved GDP IPI-FDD is 3.30%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.60%, resulting in a net increase of 2.70% to the previous year's rates. On November 23, 2022 the Corporation filed an IRM application with the OEB for rates effective May 1, 2023 until April 30, 2024. Within this application the approved GDP IPI-FDD is 3.70%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.30%, resulting in a net increase of 3.40% to the previous year's rates. On November 3, 2023 the Corporation filed an IRM application with the OEB for rates effective May 1, 2024 until April 30, 2025. Within this application the approved GDP IPI-FDD is 4.80%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.30%, resulting in a net increase of 4.50% to the previous year's rates.

Electricity rates

The OEB sets electricity prices for low-volume consumers once each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

The OEB has a decision and order in place banning utilities in Ontario from disconnecting homes for nonpayment during the winter. This ban is normally in place from November 15 to April 30 each year.

3. Material accounting policies

The material accounting policies set out below have been applied consistently in all years presented in these financial statements.

(a) Financial instruments

Non-derivative

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(d).

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument.

ERTH POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

3. Material accounting policies (continued)

(a) Financial instruments (continued)

Non-derivative (Continued)

Trade receivables are initially measured at the invoiced amount. All other financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets - Recognition and de-recognition

All financial assets are recognized and de-recognized on the trade date. The Corporation determines the classification of its financial assets on the basis of both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are not reclassified subsequent to their initial recognition unless the Corporation changes its business model for managing financial assets. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets - Subsequent measurement

Financial assets at amortized cost are measured using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate except for short-term receivables where the interest revenue would be immaterial. Interest income, foreign exchange gains and losses, impairment, and any gain or loss on de-recognition are recognized in profit or loss. Financial assets at FVTPL are measured at fair value. Net changes in the fair value are recognized in profit or loss. Financial assets at fair value through other comprehensive income ("FVOCI") are measured at fair value. Net changes in the fair value are recognized in other comprehensive income.

Financial assets - Impairment

The Corporation applies the expected credit loss model to financial assets at amortized cost, contract assets and debt instruments measured at FVOCI. The Corporation measures loss allowances at an amount equal to the lifetime expected credit losses ("ECLs") in accordance with the 'simplified approach' available under the standard. Under this approach, loss allowances on trade accounts receivable are always measured at lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and informed credit assessment and includes forward-looking information.

ERTH POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

3. Material accounting policies (continued)

(a) Financial instruments (continued)

Financial liabilities - Recognition and de-recognition

The Corporation de-recognizes financial liabilities when the Corporation's obligations are discharged, cancelled or they expire.

Financial liabilities - Subsequent measurement

Financial liabilities at amortized cost are measured using the effective interest rate method.

Classification under IFRS 9

The Corporation uses the following methods and assumptions to estimate the fair value of each class of nonderivative financial instruments for which carrying amounts are included in the consolidated balance sheets:

- Cash and cash equivalents are classified as "Amortized cost" and are initially measured at fair value. The carrying amounts approximate fair value due to the short maturity of these instruments.
- Accounts receivable and unbilled revenue are classified as "Amortized cost" and are initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method, less expected credit loss allowance. The carrying amounts approximate fair value due to the short maturity of these instruments.
- Bank indebtedness is classified as "Amortized cost" and is initially measured at fair value. The carrying amounts approximate fair value due to the short maturity of the instruments.
- The uncommitted operating revolving loan facility is classified as "Amortized cost" and initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The carrying amounts approximate fair value due to the short maturity of these instruments.
- Accounts payable and accrued liabilities, payments in lieu of income taxes payable, dividends payable, due to related parties, lease liabilities and deferred revenue are classified as "Amortized cost" and are initially measured at fair value. The carrying amounts approximate fair value due to the short maturity of these instruments. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Long-term debt is classified as "Amortized cost" and is initially measured at fair value. The carrying amounts approximate fair value because of the nature of the instruments. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Customer and other deposits are classified as "Amortized cost" and are initially measured at fair value. Subsequent measurements are recorded at cost plus accrued interest. The carrying amounts approximate fair value considering interest accrued on the outstanding balance.

ERTH POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

3. Material accounting policies (continued)

(a) Financial instruments (continued)

Derivative

Derivatives are initially measured at fair value and any attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognized in profit or loss. Embedded derivatives are separated from the host contract upon initial recognition and accounted for separately at FVTPL when the host contract is not a financial asset and certain conditions are met. The Corporation does not use derivative instruments for speculative purposes.

The Corporation holds derivative financial instruments to manage its interest rate risk exposures. Derivatives are initially recognized at fair value; any directly attributable transaction costs are recognized in the Statement of Comprehensive Income as incurred as a change in interest rate swap. Subsequent to initial recognition, derivatives are measured at fair value using level 2 inputs, and changes therein are recognized in the Statement of Comprehensive Income.

Hedge accounting has not been used in the preparation of these financial statements.

Fair value measurements

The Corporation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A fair value hierarchy exists that prioritizes observable and unobservable inputs used to measure fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Corporation's assumptions with respect to how market participants would price an asset or liability. The fair value hierarchy includes three levels of inputs that may be used to measure fair value:

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities. The Corporation does not use Level 1 inputs for its fair value measurements.
- Level 2: inputs, other than quoted prices in active markets, that are observable for the asset or liability either directly or indirectly. The Corporation's Level 2 inputs include quoted market prices for interest rates and credit risk premiums. The Corporation obtains information from sources including the Bank of Canada and market exchanges. The Corporation uses Level 2 inputs for all of its financial instrument fair value measurements.
- Level 3: inputs that are not based on observable market data. The Corporation does not use Level 3 inputs for any of its fair value measurements.

ERTH POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

3. Material accounting policies (continued)

(b) Revenue recognition

Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Corporation has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Capital contributions

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions are initially recorded under current liabilities as customer deposits. Once the distribution system asset is completed or modified, as outlined in the terms of the contract, the contribution amount is transferred to deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to the distribution system in order receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

Other revenue

Revenue earned from the provision of services is recognized as the service is rendered.

(c) Materials and supplies

Materials and supplies, the majority of which is consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on an average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

**ERTH POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

3. Material accounting policies (continued)

(d) Property, plant and equipment

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Corporation's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Corporation has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives are as follows:

	Years
Buildings	55 - 60
Automotive equipment	8 - 10
Computer equipment	5 - 15
Services, office and other equipment	5 - 15
Transmission and distribution system	12 - 60

ERTH POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

3. Material accounting policies (continued)

(e) Intangible assets

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, less accumulated amortization. All other intangible assets are measured at cost.

Computer software that is acquired or developed by the Corporation after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Corporation does not hold title. Land rights are measured at cost less accumulated amortization.

Goodwill represents the excess of cost over fair value of net assets of businesses acquired. Goodwill is measured at cost less accumulated impairment losses.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate.

The estimated useful lives are as follows:

	Years
Computer software	3 - 15
Goodwill	indefinite life
Land rights	indefinite life

(f) Impairment

(i) Financial assets measured at amortized cost

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in profit or loss. An impairment loss is reversed through profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

ERTH POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

3. Material accounting policies (continued)

(f) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a prorated basis, if applicable.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Customer deposits

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service. Deposits that are refundable upon demand are classified as a current liability.

(h) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

ERTH POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

3. Material accounting policies (continued)

(i) Regulatory balances

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred.

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

(j) Post-employment benefits

(i) Pension plan

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Corporation is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

ERTH POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

3. Material accounting policies (continued)

(j) Post-employment benefits (continued)

(ii) Post-employment benefits, other than pension

The Corporation provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses, are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in statement of comprehensive income.

(k) Leased assets

At inception of a contract, the Corporation assess whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Corporation with the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts determined to contain a lease are accounted for as leases. For leases and contracts that contain a lease, the Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Subsequent to initial recognition, the right-of-use asset is recognized at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for certain remeasurements of the corresponding lease liability.

The lease liability is initially measured at the present value of lease payments plus the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less or for leases of low value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ERTH POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

3. Material accounting policies (continued)

(k) Leased assets (continued)

All other leases are classified as operating leases and the leased assets are not recognized on the Corporation's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(l) Finance income and finance costs

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents.

Finance costs comprise interest expense on borrowings, finance lease obligations, interest on customer deposits and unwinding of the discount on provisions. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

(m) Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts 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. Payments in lieu of taxes ("PILs") are referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

ERTH POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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4. Standards issued but not yet adopted

Future accounting changes

There are new standards, amendments to standards and interpretations which have not been applied in preparing these financial statements. The Corporation is still evaluating the adoption of the following new and revised standards along with any subsequent amendments.

(a) *Presentation and Disclosure in Financial Statements (IFRS 18)*

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18), which replaces IAS 1 and introduces limited amendments to IAS 7 Statement of Cash Flows. IFRS 18 aims to improve communication of financial information in the financial statements, with a focus on information about financial performance in the statement of profit or loss. To meet this objective, IFRS 18 introduces additional defined subtotals in the statement of profit or loss, disclosures about management-defined performance measures, and enhanced requirements for grouping (aggregation and disaggregation) of information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The standard is to be applied retrospectively.

The Company intends to adopt this standard in its financial statements for the annual period beginning January 1, 2027. The extent of the impact of adoption of the standard has not yet been determined.

(b) *Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments (IFRS 9) and IFRS 7 Financial Instruments: Disclosures (IFRS 7))*

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 relating to the classification and measurement of financial instruments. The amendments clarify that a financial liability is derecognized on the 'settlement date' and introduce an accounting policy choice to derecognize financial liabilities settled using an electronic payment system before the settlement date, if specified criteria are met. Other clarifications include the classification of financial assets with environmental, social, and governance linked features and other similar contingent features, financial assets with non-recourse features, and contractually linked instruments. The amendments also introduce additional disclosures for financial instruments with contingent features and equity instruments designated at fair value through OCI. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early adoption permitted. The amendments are to be applied retrospectively.

The Company intends to adopt this standard in its financial statements for the annual period beginning January 1, 2026. The extent of the impact of adoption of the standard has not yet been determined.

ERTH POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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5. Change in accounting policies

There are new accounting standards, amendments to standards and interpretations which have been applied in preparing these financial statements.

(a) *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*

On January 23, 2020, the IASB issued amendments to *IAS 1 Presentation of Financial Statements (the 2020 amendments)*, to clarify the classification of liabilities as current or non-current.

On October 31, 2022, the IASB issued *Non-current Liabilities with Covenants (Amendments to IAS 1)* (the 2022 amendments), to improve the information a company provides about long-term debt with covenants.

The 2020 amendments and the 2022 amendments (collectively “the Amendments”) are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted. A company that applies the 2020 amendments early is required to also apply the 2022 amendments.

For the purposes of non-current classification, the Amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must exist at the end of the reporting period and have substance.

The Amendments reconfirmed that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which a company must comply after the reporting date do not affect a liability’s classification at that date.

The Amendments also clarify how a company classifies a liability that includes a counterparty conversion option. The Amendments state that:

- settlement of a liability includes transferring a company’s own equity instruments to the counterparty; and
- when classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity.

The Corporation adopted these amendments in its financial statements for the annual period beginning on January 1, 2024. The amendments did not have a material impact on the financial statements except as noted above.

6. Accounts receivable

	2024	2023
Trade receivables	\$ 7,736,222	\$ 7,624,671
Billable work	<u>991,350</u>	<u>496,856</u>
	<u>\$ 8,727,572</u>	<u>\$ 8,121,527</u>

7. Materials and supplies

Amounts written down due to obsolescence in 2024 was nil (2023 - nil).

ERTH POWER CORPORATION
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8. Investment

The Corporation holds 386 Common shares of Sunlife Financial with a fair value at December 31, 2024 of \$32,945 (2023 - \$26,526).

9. Property, plant and equipment

	Land and buildings	Distribution equipment	Other fixed assets	Construction in progress	Total
<i>Cost or deemed cost</i>					
Balance at Jan. 1, 2024	\$ 3,976,820	\$ 80,991,968	\$ 4,974,599	\$ 2,370,513	\$ 92,313,900
Additions	10,697	260,010	492,761	16,178,404	16,941,872
Transfers	-	8,120,098	260,009	(8,380,107)	-
Disposals/retirements	<u>(2,916,277)</u>	<u>(3,000,177)</u>	<u>(568,700)</u>	<u>-</u>	<u>(6,485,154)</u>
Balance at Dec. 31, 2024	<u>\$ 1,071,240</u>	<u>\$ 86,371,899</u>	<u>\$ 5,158,669</u>	<u>\$ 10,168,810</u>	<u>\$ 102,770,618</u>
Balance at Jan. 1, 2023	\$ 3,951,693	\$ 74,837,705	\$ 5,624,027	\$ 2,485,219	\$ 86,898,644
Additions	25,127	18,694	376,868	6,706,110	7,126,799
Transfers	-	6,820,816	-	(6,820,816)	-
Disposals/retirements	<u>-</u>	<u>(685,247)</u>	<u>(1,026,296)</u>	<u>-</u>	<u>(1,711,543)</u>
Balance at Dec. 31, 2023	<u>\$ 3,976,820</u>	<u>\$ 80,991,968</u>	<u>\$ 4,974,599</u>	<u>\$ 2,370,513</u>	<u>\$ 92,313,900</u>
<i>Accumulated depreciation</i>					
Balance at Jan. 1, 2024	\$ 1,394,832	\$ 14,568,632	\$ 2,831,229	\$ -	\$ 18,794,693
Depreciation	281,651	2,181,315	644,617	-	3,107,583
Disposals/retirements	<u>(1,165,944)</u>	<u>(3,000,177)</u>	<u>(568,700)</u>	<u>-</u>	<u>(4,734,821)</u>
Balance at Dec. 31, 2024	<u>\$ 510,539</u>	<u>\$ 13,749,770</u>	<u>\$ 2,907,146</u>	<u>\$ -</u>	<u>\$ 17,167,455</u>
Balance at Jan. 1, 2023	\$ 1,115,984	\$ 13,381,509	\$ 3,212,169	\$ -	\$ 17,709,662
Depreciation	278,848	2,061,366	456,574	-	2,796,788
Disposals/retirements	<u>-</u>	<u>(874,243)</u>	<u>(837,514)</u>	<u>-</u>	<u>(1,711,757)</u>
Balance at Dec. 31, 2023	<u>\$ 1,394,832</u>	<u>\$ 14,568,632</u>	<u>\$ 2,831,229</u>	<u>\$ -</u>	<u>\$ 18,794,693</u>
<i>Carrying amounts</i>					
At December 31, 2024	\$ 560,701	\$ 72,622,129	\$ 2,251,523	\$ 10,168,810	\$ 85,603,163
At December 31, 2023	<u>2,581,988</u>	<u>66,423,336</u>	<u>2,143,370</u>	<u>2,370,513</u>	<u>73,519,207</u>

ERTH POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

9. Property, plant and equipment (continued)

At December 31, 2024, land and buildings include right-of-use assets related to lease of office space with the cost of \$783,228 (2023 - \$3,688,808), accumulated depreciation of \$452,837 (2023 - \$1,341,664) and carrying amount of \$330,391 (2023 - \$2,347,144). For the year ended December 31, 2024, the Corporation recorded depreciation expense of \$277,116 (2023 - \$274,978) related to the right-of-use assets.

At December 31, 2024, other fixed assets include right-of-use assets with the cost of \$615,967 (2023 - \$977,291), accumulated depreciation of \$541,853 (2023 - \$834,850) and carrying amount of \$74,114 (2023 - \$142,441). For the year ended December 31, 2024, the Corporation recorded depreciation expense of \$68,327 (2023 - \$86,388) related to the right-of-use assets.

The corresponding finance lease obligation for the right of use assets has been disclosed in note 15.

At December 31, 2024 all current and future personal property including property, plant and equipment with a carrying amount of \$85,272,772 (2023 - \$71,172,063) are subject to a general security agreement.

During the year, borrowing costs of \$273,386 (2023 - \$90,896) were capitalized as part of property, plant and equipment.

PP&E and intangible asset purchase commitments outstanding as at December 31, 2024 are \$18,927,792 (2023 - \$1,060,167).

10. Intangible assets

	Computer software	Land rights	Goodwill	Total
<i>Cost or deemed cost</i>				
Balance at Jan. 1, 2024	\$ 505,923	\$ 50,641	\$ 4,793,925	\$ 5,350,489
Additions	77,082	-	-	77,082
Disposals/retirements	(39,987)	-	-	(39,987)
Balance at Dec. 31, 2024	<u>\$ 543,018</u>	<u>\$ 50,641</u>	<u>\$ 4,793,925</u>	<u>\$ 5,387,584</u>
Balance at Jan. 1, 2023	\$ 504,791	\$ 48,404	\$ 4,793,925	\$ 5,347,120
Additions	2,632	2,237	-	4,869
Disposals/retirements	(1,500)	-	-	(1,500)
Balance at Dec. 31, 2023	<u>\$ 505,923</u>	<u>\$ 50,641</u>	<u>\$ 4,793,925</u>	<u>\$ 5,350,489</u>
<i>Accumulated amortization</i>				
Balance at Jan. 1, 2024	\$ 420,841	\$ -	\$ -	\$ 420,841
Amortization	56,609	-	-	56,609
Disposals/retirements	(39,987)	-	-	(39,987)
Balance at Dec. 31, 2024	<u>\$ 437,463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 437,463</u>
Balance at Jan. 1, 2023	\$ 361,507	\$ -	\$ -	\$ 361,507
Amortization	60,834	-	-	60,834
Disposals/retirements	(1,500)	-	-	(1,500)
Balance at Dec. 31, 2023	<u>\$ 420,841</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 420,841</u>
<i>Carrying amounts</i>				
At December 31, 2024	\$ 105,555	\$ 50,641	\$ 4,793,925	\$ 4,950,121
At December 31, 2023	<u>85,082</u>	<u>50,641</u>	<u>4,793,925</u>	<u>4,929,648</u>

ERTH POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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11. Income tax expense

	2024	2023
Current tax expense	\$ 464,000	\$ 121,000
Deferred tax expense		
Change in recognized deductible temporary differences	<u>175,000</u>	<u>485,000</u>
Total current and deferred income tax in profit or loss, before movement of regulatory balances	639,000	606,000
Other comprehensive income:		
Other	2,000	(1,000)
Post-employment benefits	<u>4,000</u>	<u>(14,000)</u>
	<u>6,000</u>	<u>(15,000)</u>
Total current and deferred tax, before movement of regulatory balances	645,000	591,000
Net movement in regulatory balances	<u>(181,000)</u>	<u>(470,000)</u>
Income tax expenses recognized in statement of comprehensive income	<u>\$ 464,000</u>	<u>\$ 121,000</u>

Reconciliation of effective tax rate

	2024	2023
Income before taxes	\$ 2,304,127	\$ 2,224,523
Canada and Ontario statutory income tax rates	26.5 %	26.5 %
Expected tax provision on income at statutory rates	611,000	589,000
Increase (decrease) in income taxes resulting from:		
Permanent difference	22,000	3,000
Recognized deductible temporary differences due to/from customers	(181,000)	(470,000)
Other	<u>12,000</u>	<u>(1,000)</u>
Income tax expense	<u>\$ 464,000</u>	<u>\$ 121,000</u>

Significant components of the Corporation's deferred tax balances

	2024	2023
Deferred tax (liabilities) assets:		
Property, plant, equipment and intangible assets	\$ (3,539,000)	\$ (3,401,000)
Post-employment benefits	295,000	302,000
Other	<u>76,000</u>	<u>112,000</u>
	<u>\$ (3,168,000)</u>	<u>\$ (2,987,000)</u>

12. Regulatory balances

Reconciliation of the carrying amount for each class of regulatory balances

	January 1, 2024	Additions	Recovery/ (reversal)	December 31, 2024
Regulatory deferral account debit balances				
Regulatory assets account	\$ 5,865,705	\$ 1,012,178	\$ (2,741,249)	\$ 4,136,634
Regulatory settlement account	2,615,487	(2,599,073)	2,647,695	2,664,109
Regulatory adjustments	67,815	-	-	67,815
Other regulatory accounts	261,294	50,646	-	311,940
Deferred income tax	<u>2,987,000</u>	<u>181,000</u>	<u>-</u>	<u>3,168,000</u>
	<u>\$ 11,797,301</u>	<u>\$ (1,355,249)</u>	<u>\$ (93,554)</u>	<u>\$ 10,348,498</u>

All regulatory deferral account debit balances have a remaining recovery reversal of 1 year.

ERTH POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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12. Regulatory balances (continued)

	January 1, 2023	Additions	Recovery/ (reversal)	December 31, 2023
Regulatory deferral account debit balances				
Regulatory settlement account	\$ 8,290,502	\$ 1,607,435	\$ (4,032,232)	\$ 5,865,705
Regulatory asset account	-	(1,394,615)	4,010,102	2,615,487
Regulatory adjustments	67,815	-	-	67,815
Other regulatory accounts	132,588	128,706	-	261,294
Deferred income tax	<u>2,517,000</u>	<u>470,000</u>	<u>-</u>	<u>2,987,000</u>
	<u>\$ 11,007,905</u>	<u>\$ 811,526</u>	<u>\$ (22,130)</u>	<u>\$ 11,797,301</u>

All regulatory deferral account debit balances have a remaining recovery reversal of 1 year.

	January 1, 2024	Additions	Recovery/ (reversal)	December 31, 2024
Regulatory deferral account credit balances				
Regulatory liability account	\$ 1,204,125	\$ (480,420)	\$ (93,554)	\$ 630,151
Other regulatory accounts	<u>386,907</u>	<u>85,641</u>	<u>-</u>	<u>472,548</u>
	<u>\$ 1,591,032</u>	<u>\$ (394,779)</u>	<u>\$ (93,554)</u>	<u>\$ 1,102,699</u>

All regulatory deferral account credit balances have a remaining recovery reversal of 1 year.

	January 1, 2023	Additions	Recovery/ (reversal)	December 31, 2023
Regulatory deferral account credit balances				
Regulatory liability account	\$ 1,008,200	\$ 218,055	\$ (22,130)	\$ 1,204,125
Regulatory settlement account	444,027	(444,027)	-	-
Other regulatory accounts	<u>205,021</u>	<u>181,886</u>	<u>-</u>	<u>386,907</u>
	<u>\$ 1,657,248</u>	<u>\$ (44,086)</u>	<u>\$ (22,130)</u>	<u>\$ 1,591,032</u>

All regulatory deferral account credit balances have a remaining recovery reversal of 1 year.

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Corporation has received approval from the OEB to establish its regulatory balances.

The OEB requires the Corporation to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be paid back to its customers. This balance will fluctuate as the Corporation's deferred tax balance fluctuates.

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers Acceptances three-month rate plus a spread of 25 basis points. In 2024, the rate was 5.49% at the start of the year then decreased to 5.20% in July and decreased again to 4.40% in October.

13. Bank indebtedness

Through a mirror banking agreement with its parent Corporation, the Corporation has available to its use a \$15,000,000 revolving line of credit bearing interest at Canadian commercial bank prime less 0.40%. The Corporation provides a guarantee on this facility, as outlined in note 26. The amount drawn on the facility totals \$943,765 at December 31, 2024 (2023 - \$1,872,820).

ERTH POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

14. Accounts payable and accrued liabilities

	2024	2023
Trade payables	\$ 11,672,432	\$ 10,820,091
Payroll payables	<u>393,575</u>	<u>245,231</u>
	<u>\$ 12,066,007</u>	<u>\$ 11,065,322</u>

All payables and government remittances owing are current as at year end.

15. Long-term debt

	2024	2023
Term loans (a)	\$ 18,444,869	\$ -
Demand note (a)	-	10,000,000
Shareholder notes (b)	8,038,524	8,038,524
Shareholder demand notes (c)	5,057,845	5,057,845
Financing loans (d)	806,547	531,765
Bankers acceptance (a)	-	5,400,000
Finance lease obligation (e)	<u>370,784</u>	<u>2,709,825</u>
	32,718,569	31,737,959
Less: current portion	<u>353,475</u>	<u>5,854,450</u>
	<u>\$ 32,365,094</u>	<u>\$ 25,883,509</u>

(a) Term loans

During the year, the Corporation renegotiated its outstanding debt, repaying its demand note payable to EARTH Corporation and replacing its bankers acceptances' with two new term loans. The term loan facilities are part of non-revolving credit facility, due November 2029 with interest payable monthly at daily CORRA plus 1.08%.

The first term loan of \$10,000,000 (2023 - nil) is fully drawn on. On this term loan the Corporation has an interest rate swap agreement on a notional principal of \$10,000,000 maturing November 25, 2029. The swap is held with the Bank of Nova Scotia and is a receivable variable, pay fixed swap from November 25, 2024 to November 25, 2029. The interest rate swap agreement is in a net unfavourable position of \$234,469 (2023 - nil) as at December 31, 2024. This agreement has effectively converted variable interest rates on the unsecured daily CORRA's to an effective fixed interest rate 3.21% from November 25, 2024 to November 25, 2029, plus stamping fee of 1.08% for an all-in rate of 4.29% as disclosed in note 24. On maturity, the debt will return to the floating rate defined in the term loan.

The second term loan of \$35,000,000 is partially drawn in the amount of \$8,444,869 (2023 - nil). On this term loan the Corporation has an interest rate swap agreement on a notional principal of \$8,444,869 maturing November 25, 2029. The swap is held with the Bank of Nova Scotia and is a receivable variable, pay fixed swap from November 25, 2024 to November 25, 2029. The interest rate swap agreement is in a net unfavourable position of \$198,006 (2023 - nil) as at December 31, 2024. This agreement has effectively converted variable interest rates on the unsecured daily CORRA's to an effective fixed interest rate 3.21% from November 25, 2024 to November 25, 2029, plus stamping fee of 1.08% for an all-in rate of 4.29% as disclosed in note 24. On maturity, the debt will return to the floating rate defined in the term loan.

The associated unrealized gains and losses on the above swaps are included in the statement of operations in note 24.

Security on the loan is described in note 9.

**ERTH POWER CORPORATION
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15. Long-term debt (continued)

(b) Shareholder notes

The shareholder notes represent amounts owing to the municipal shareholders of ERTH Corporation for purchase of the respective Municipality's Hydro Electric Commission's net assets. The rate of interest is currently 7.25% and is set by the Board of Directors, from time to time. There are no fixed repayment terms associated with the principal outstanding. As the debt holder has not demanded repayment at December 31, 2024, the debt has been classified as long-term as the Corporation has eighteen months to repay the note when called. The principal amounts are convertible at the option of the Corporation into Class B shares. The loan is secured by a second position General Security Agreement covering accounts receivable, inventory and equipment, including motor vehicles.

The amounts owing to the municipalities are as follows:

	2024	2023
Aylmer	\$ 1,694,863	\$ 1,694,863
Central Elgin	806,436	806,436
East-Zorra-Tavistock	569,073	569,073
Goderich	3	-
Ingersoll	3,402,080	3,402,080
Municipality of West Perth	3	-
Norwich	763,755	763,755
South-West Oxford	192,062	192,062
Zorra	<u>610,255</u>	<u>610,255</u>
	<u>\$ 8,038,530</u>	<u>\$ 8,038,524</u>

(c) Shareholder demand notes

The Corporation has a demand promissory note payable to the Town of Goderich for \$2,974,454 (2023 - \$2,974,454) which bears interest at 7.25%. Interest is payable in quarterly installments of \$53,912. This note is unsecured with no fixed repayment terms associated with the principal outstanding. As the debt holder has not demanded repayment at December 31, 2024, the debt has been classified as long-term as the Corporation has eighteen months to repay the note when called.

The Corporation has a demand promissory note payable to the Municipality of West Perth for \$1,183,391 (2023 - \$1,183,391) which bears interest at 7.25%. Interest is payable in quarterly installments of \$21,449. This note is unsecured with no fixed repayment terms associated with the principal outstanding. As the debt holder has not demanded repayment at December 31, 2024, the debt has been classified as long-term as the Corporation has eighteen months to repay the note when called.

The Corporation has a demand promissory note payable to the Municipality of West Perth for \$900,000 (2023 - \$900,000) which bears interest at 7.25%. Interest is payable in quarterly installments of \$16,313. This note is unsecured with no fixed repayment terms associated with the principal outstanding. As the debt holder has not demanded repayment at December 31, 2024, the debt has been classified as long-term as the Corporation has thirteen months to repay the note when called.

(d) Financing loans

The Corporation has six vehicles under loan. The vehicle loans bear interest from 2.44% - 5.98%, with monthly principal payments of \$886 to \$8,722, maturing from November 2025 to August 2029. All loans are secured by the vehicles under their respective loans.

ERTH POWER CORPORATION
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15. Long-term debt (continued)

(e) Finance lease obligations

The Corporation has one capital lease which bears interest at 3.65%, with monthly principal payments of \$8,314 maturing in December 2028.

The following table sets out a maturity analysis of lease payables, showing the undiscounted lease payments to be made after the reporting date.

	2024	2023
2024	\$ -	\$ 374,216
2025	99,763	347,397
2026	99,763	352,406
2027	99,763	357,514
2028	99,763	362,726
Thereafter	-	1,409,958
Total undiscounted lease payable	399,052	3,204,217
Interest	28,268	494,392
Present value of minimum lease payments	<u>\$ 370,784</u>	<u>\$ 2,709,825</u>

The corresponding right of use asset for the finance lease obligations has been disclosed in note 9.

(f) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Notes and loans	Finance leases	Total
Balance at Jan. 1, 2024	\$ 29,028,134	\$ 2,709,825	\$ 31,737,959
Proceeds from loans	18,942,350	-	18,942,350
Repayment of loans	(15,622,700)	-	(15,622,700)
Payments of finance leases	-	(2,339,041)	(2,339,041)
Interest paid	(3,019,126)	(96,370)	(3,115,496)
	29,328,658	274,414	29,603,072
Capitalised borrowing	273,386	-	273,386
Interest expense	2,745,741	96,370	2,842,111
Balance at Dec. 31, 2024	<u>\$ 32,347,785</u>	<u>\$ 370,784</u>	<u>\$ 32,718,569</u>
Balance at Jan. 1, 2023	\$ 23,620,015	\$ 3,009,049	\$ 26,629,064
Proceeds from loans	5,566,459	-	5,566,459
Repayment of loans	(158,339)	-	(158,339)
Payments of finance leases	-	(299,224)	(299,224)
Interest paid	(2,243,004)	(107,331)	(2,350,335)
	26,785,131	2,602,494	29,387,625
Capitalised borrowing	90,896	-	90,896
Interest expense	2,152,107	107,331	2,259,438
Balance at Dec. 31, 2023	<u>\$ 29,028,134</u>	<u>\$ 2,709,825</u>	<u>\$ 31,737,959</u>

ERTH POWER CORPORATION
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16. Customer deposits

Customer deposits represent cash deposits from electricity distribution customers as well as construction deposits. These customer deposits bear interest at the OEB's prescribed interest rate, which is the Bank of Canada's prime business rate less 2%.

Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service. Due to the demand nature of these deposits, they are classified as current liabilities.

Construction deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to deferred revenue.

Customer deposits comprised of:

	2024	2023
Electricity deposits	\$ 617,522	\$ 922,598
Construction deposits	<u>901,044</u>	<u>1,994,810</u>
	1,518,566	2,917,408
Less: Current portion	<u>1,400,835</u>	<u>2,405,896</u>
	<u>\$ 117,731</u>	<u>\$ 511,512</u>

17. Deferred revenue

Deferred revenue relates to the capital contributions received from customers and others. The amount of deferred revenue received from customers is \$16,110,915 (2023 - \$12,551,721). Deferred revenue is recognized as revenue on a straight-line basis over the life of asset for which the contribution was received. Amortization commences when the asset is available for use. During 2024, deferred revenue of \$256,084 (2023 - \$208,080) was recognized in income.

18. Post-employment benefits

(a) OMERS pension plan

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2024, the Corporation made employer contributions of \$433,051 to OMERS (2023 - \$413,406). The Corporation expects to contribute a similar amount to the OMERS plan in 2025.

As at December 31, 2024, OMERS had approximately 640,000 members, of whom 46 are current employees of the Corporation. The most recently available OMERS annual report is for the year ended December 31, 2024, which reported that the plan was 98% funded, with an unfunded liability of \$2.9 billion. This unfunded liability is likely to result in future payments by participating employers and members.

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18. Post-employment benefits (continued)

(b) Post-employment benefits other than pension

The Corporation pays certain medical and life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-employment benefits in the year in which employees' services were rendered. The Corporation is recovering its post-employment benefits in rates based on the expenses and remeasurements recognized for post-employment benefit plans.

Reconciliation of the obligation

	2024	2023
Defined benefit obligation, beginning of year	\$ 1,139,900	\$ 1,115,700
Included in profit or loss		
Current service cost	20,600	18,000
Interest cost	<u>50,600</u>	<u>55,300</u>
	71,200	73,300
Included in OCI		
Actuarial gains (losses) arising from:		
Changes in experience	(22,300)	(5,300)
Changes in financial assumptions	<u>5,400</u>	<u>56,800</u>
	(16,900)	51,500
Benefits paid	<u>(81,400)</u>	<u>(100,600)</u>
Defined benefit obligation, end of year	<u>\$ 1,112,800</u>	<u>\$ 1,139,900</u>

(b) Post-employment benefits other than pension (continued)

Actuarial assumptions

	2024	2023
Discount rate	4.60%	4.65%
Medical costs	4.71%	4.71%
Dental costs	5.14%	5.14%

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by \$117,900 similarly, a 1% decrease in the assumed discount rate would result in the defined benefits obligation increasing by \$117,900.

19. Share capital

Authorized

Unlimited number of common shares

	2024	2023
Issued capital		
10,000 Common shares	<u>\$ 14,265,677</u>	<u>\$ 14,265,677</u>

Dividends

The holders of the common shares are entitled to receive dividends as declared from time to time.

No dividends were declared or paid in 2024 and 2023.

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20. Revenue from Contracts with Customers

The Corporation generates revenue primarily from the sale and distribution of electricity to its customers. In the following table, revenue from contracts with customers is disaggregated by type of customer.

Sale of Energy

	2024	2023
Residential	\$ 20,792,240	\$ 17,084,046
Commercial	14,429,220	12,483,567
Large users	10,007,268	9,605,321
Other	<u>26,548,411</u>	<u>22,806,073</u>
	<u>\$ 71,777,139</u>	<u>\$ 61,979,007</u>

Distribution Revenue

	2024	2023
Residential	\$ 9,692,593	\$ 9,211,815
Commercial	3,869,250	3,798,437
Large users	1,280,547	937,978
Other	<u>672,617</u>	<u>539,042</u>
	<u>\$ 15,515,007</u>	<u>\$ 14,487,272</u>

21. Other revenue

	2024	2023
Service	\$ 546,404	\$ 591,477
Amortization of deferred revenue	<u>256,084</u>	<u>208,080</u>
	<u>\$ 802,488</u>	<u>\$ 799,557</u>

22. Employee salaries and benefits

	2024	2023
Salaries, wages and benefits	\$ 2,544,866	\$ 2,420,071
CPP and EI remittances	214,830	204,458
Contributions to OMERS	433,051	413,406
Post-employment benefit plans	<u>71,200</u>	<u>73,300</u>
	<u>\$ 3,263,947</u>	<u>\$ 3,111,235</u>

23. Operating expenses

	2024	2023
Contracting and consulting	\$ 794,679	\$ 506,330
Materials and supplies	1,265,297	1,133,532
Vehicle recovery	(341,054)	(219,605)
Billing and collecting	1,278,129	1,214,994
Office administration	2,086,352	2,059,692
Community relations	270,720	270,634
Gain on sale of assets	(361,483)	(52,601)
Other	<u>156,831</u>	<u>194,753</u>
	<u>\$ 5,149,471</u>	<u>\$ 5,107,729</u>

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24. Finance costs

	2024	2023
Finance costs		
Interest expense on long-term debt	\$ 736,988	\$ 725,000
Shareholder note interest	949,487	949,487
Interest expense on customer deposits	32,006	37,819
Interest expense on finance leases	96,370	107,331
Overdraft and other bank charges	<u>562,778</u>	<u>401,983</u>
Total finance costs	2,377,629	2,221,620
Unrealized loss on interest rate swap	<u>432,475</u>	<u>-</u>
Net finance costs and unrealized swap loss recognized in profit or loss	<u>\$ 2,810,104</u>	<u>\$ 2,221,620</u>

25. Contingencies

General

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

General Liability Insurance

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2024, no assessments have been made.

26. Guarantee

The Corporation has guaranteed the operating and term loans of its parent Corporation ERTH Corporation up to 25% of the Corporation's equity or \$9,748,258. The loans are secured by a General Security Agreement covering all assets of the Corporation and a pledge of the shares of the Corporation. As the Corporation does not expect to be in a position where it would need to honour this guarantee, no liability has been recorded in these financial statements.

27. Operating leases

The Corporation is committed to lease agreements for low value or short-term leased equipment.

The future minimum non-cancelable annual lease payments for these low value or short-term leases are as follows:

	2024	2023
Less than one year	\$ 7,140	\$ 7,140
Between one and five years	<u>1,190</u>	<u>8,330</u>
	<u>\$ 8,330</u>	<u>\$ 15,470</u>

During the year ended December 31, 2024 an expense of \$7,140 (2023 - \$18,616) was recognized in operating expenses in the statement of comprehensive income in respect of operating leases.

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NOTES TO THE FINANCIAL STATEMENTS
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28. Related party transactions

The transactions between the Corporation and its related parties, other than electricity delivery charges as noted below, are measured at the exchange amount, which is the amount of consideration paid or received as established and agreed to by the related parties, unless otherwise noted.

(a) Shareholders and ultimate controlling party

The sole shareholder of the Corporation is ERTH Corporation, which in turn is wholly-owned by nine municipalities consisting of Aylmer, Central Elgin, East-Zorra-Tavistock, Goderich, Ingersoll, Norwich, South-West Oxford, Zorra and West Perth.

(b) Companies under common control

ERTH Corporation owns 100% of the issued and outstanding shares of ERTH Limited.

ERTH Business Technologies Inc. and ERTH (Holdings) Inc. are wholly-owned subsidiaries of ERTH Limited.

(c) Outstanding balances with related parties

The following represent due from/to in the normal course of operations:

	2024	2023
Due from:		
ERTH Corporation	\$ 131,907	\$ 97,988
ERTH (Holdings) Inc.	92,040	21,291
ERTH Business Technologies Inc.	<u>782</u>	<u>1,325</u>
	<u>\$ 224,729</u>	<u>\$ 120,604</u>
	2024	2023
Due to:		
ERTH Corporation	\$ 295,461	\$ 29,983
ERTH (Holdings) Inc.	414,972	124,329
ERTH Business Technologies Inc.	200	190
Town of Goderich	876,589	800,457
Town of Aylmer	<u>481,113</u>	<u>960,324</u>
	<u>\$ 2,068,335</u>	<u>\$ 1,915,283</u>

The Corporation has contracted ERTH (Holdings) Inc. and ERTH Business Technologies Inc., to provide maintenance and upgrades to the existing capital infrastructure of the Corporation and administrative services.

(d) Transactions with parent

The Corporation has a contract with ERTH Corporation, the parent company, for management services and rental of facilities used by the Corporation.

During the year, the Corporation paid management services, consulting services and lease fees for right-of-use assets to its parent in the amount of \$1,150,000, \$213,500 and \$246,000 respectively (2023 - \$1,153,000, \$209,000 and \$241,000).

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28. Related party transactions (continued)

(e) Transactions with companies under common control

During the year, the Corporation had the following transactions with related parties as follows:

- purchased capitalized distribution system items of \$509,865 (2023 - \$534,334), operations, maintenance and administration services of \$1,368,397 (2023 - \$1,105,086), sold capitalized items of \$40,000 (2023 - nil), operations, maintenance and admission services of \$201,981 (2023 - \$146,755) to ERTH (Holdings) Inc.

In the ordinary course of business, the Corporation delivers electricity to ERTH (Holdings) Inc. Electricity is billed to ERTH (Holdings) Inc. at prices and under terms approved by the OEB.

(f) Transactions with ultimate parents

The Corporation delivers electricity to the nine municipalities throughout the year for the electricity needs of the municipalities and their related organizations. Electricity delivery charges are at prices under terms approved by the OEB. The Corporation also provides additional supports to its shareholders for various services and capital work in the amount of \$268,611 (2023 - \$318,101).

The Town of Goderich charges the Corporation for annual rent.

29. Financial instruments and risk management

Fair value disclosure

The carrying values of accounts receivable, unbilled revenue, due from/to related parties, bank indebtedness and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The fair value of the long-term debt is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The fair values and interest rates used to calculate fair values are as follows:

	December 31, 2024			December 31, 2023		
	Carrying Value	Fair value	Interest rate	Carrying Value	Fair value	Interest rate
Term loan	\$ 18,444,869	\$ 19,258,178	4.05%	\$ 5,400,000	\$ 5,742,574	5.00%
Shareholder notes	13,096,369	13,935,599	4.16%	13,096,369	13,900,994	5.00%
Demand promissory notes	-	-	-	<u>10,000,000</u>	<u>10,614,413</u>	5.00%
	<u>\$ 31,541,238</u>	<u>\$ 33,193,777</u>		<u>\$ 28,496,369</u>	<u>\$ 30,257,981</u>	

The fair value of available for sale financial assets is based on the closing value of the equity in publicly traded markets.

Interest rate swaps are recorded at their fair value, which is provided at the measurement date by a third party Canadian commercial bank.

ERTH POWER CORPORATION
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29. Financial instruments and risk management (continued)

Financial risks

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

(a) Credit risk

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the municipalities of Aylmer, Central Elgin, East-Zorra Tavistock, Goderich, Ingersoll, Norwich, South-West Oxford, Zorra and West Perth. As a result, the Corporation did not earn a significant amount of revenue from any one individual customer.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2024 is \$592,257 (2023 - \$479,594). An impairment loss of \$112,946 (2023 - \$52,838) was recognized during the year.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. The Corporation has estimated the expected credit losses using its historical loss rates and recent trends for customer collections along with current and forecasted economic conditions and data. Due to current uncertain economic conditions, the estimates and judgments made by management in the preparation of the expected credit losses allowance are subject to estimation uncertainty. The Corporation determines the expected credit loss allowance based on current estimates and assumptions, including but not limited to, recent trends for customer collections and current forecasted economic conditions. The Corporation continues to actively monitor its exposure to credit risk. At December 31, 2024, approximately \$210,968 (2023 - \$145,811) is considered 60 days past due. The Corporation has over 25,000 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits and service disconnections from customers in accordance with directions provided by the OEB. As at December 31, 2024, the Corporation holds security deposits in the amount of \$617,522 (2023 - \$922,598).

(b) Market risk

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

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29. Financial instruments and risk management (continued)

(c) Liquidity risk

The Corporation's ultimate parent company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The ultimate parent's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a \$78.8 million credit facility, which is held by the parent and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. As at December 31, 2024, \$36 million has been drawn under the parent's credit facility.

The Corporation also has a bilateral facility for \$2.9 million for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which \$2,828,800 has been drawn and posted with the IESO (2023 - \$2,828,800).

The majority of accounts payable, as reported on the statement of financial position, are due within 30 days.

The following are the remaining contractual maturities of the financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments.

	Carrying amount	Due within one year	Due within two to five years	Due more than five years
December 31, 2024				
Term loans	\$ 18,444,869	\$ 813,419	\$ 21,630,759	\$ -
Shareholder notes	8,038,524	602,889	8,339,969	-
Shareholder demand notes	5,057,845	379,338	5,247,514	-
Financing loans	806,547	301,308	587,023	-
Finance lease obligations	370,784	-	399,052	-
Bank indebtedness	9,852,811	9,852,811	-	-
Trade payables and accrued liabilities	12,066,007	12,066,007	-	-
Due to related parties	2,068,335	2,068,335	-	-
Customer deposits	1,518,566	1,400,835	117,731	-
	<u>\$ 58,224,288</u>	<u>\$ 27,484,942</u>	<u>\$ 36,322,048</u>	<u>\$ -</u>

	Carrying amount	Due within one year	Due within two to five years	Due more than five years
December 31, 2023				
Demand note	\$ 10,000,000	\$ 750,000	\$ 10,375,000	\$ -
Shareholder notes	8,038,524	602,889	8,339,969	-
Shareholder demand notes	5,057,845	379,338	5,247,514	-
Financing loans	531,765	191,516	376,487	-
Bankers acceptances	5,400,000	5,721,503	-	-
Finance lease obligations	2,709,825	374,216	1,420,043	1,409,958
Bank indebtedness	2,495,101	2,495,101	-	-
Trade payables and accrued liabilities	11,065,322	-	-	-
Due to related parties	1,915,283	1,915,283	-	-
Customer deposits	2,917,408	2,405,896	511,512	-
	<u>\$ 45,298,382</u>	<u>\$ 21,579,885</u>	<u>\$ 25,759,013</u>	<u>\$ 1,409,958</u>

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29. Financial instruments and risk management (continued)

Financial risks (continued)

(d) Capital disclosures

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2024, shareholder's equity amounts to \$38,993,031 (2023 - \$37,152,905) and long-term debt amounts to \$32,365,094 (2023- \$25,883,509).

APPENDIX H
Earnings Sharing Mechanism Deferral Account – Draft Accounting Order

Accounting Order 2435 - Accrued Rate-Payer Benefit (Earnings Sharing Mechanism)

The Applicant has proposed Earnings Sharing Mechanism (the Westario ESM) along with the establishment of a new deferral account (ESM Deferral Account) to ensure that a portion of any achieved post-closing earnings above an approved regulatory threshold is shared with ratepayers pursuant to Section 2.2.5 of the *Filing Requirements for Consolidation Applications*. The ESM Deferral Account will record 50% of earnings above the 300-basis point deadband that will be shared with ratepayers of WPI.

The account will be established as Account 2435, Accrued Rate-Payer Benefit, and will record the ESM benefits WPI customers will be entitled to beginning on fifth anniversary of the closing date of the Phase 1 Transaction. WPI will record interest on the balance recorded in this deferral account using OEB-prescribed interest rates. Disposition of balances in this account are subject to review through future rebasing applications and are expected to be achieved through a rate rider.

Accounting Entries:

WPI will share overearnings 300 basis points above the OEB-approved ROE on a 50:50 basis with ratepayers effective the fifth anniversary of the closing date of the Phase 1 Transaction.

The sample journal entries are provided below:

Dr. 4395 Rate-Payer Benefit Including Interest

Cr. 2435 - Accrued Rate-Payer Benefit

To record 50% of the amounts over the return on equity ceiling that will be returned to ratepayers.

Dr. 4395 Rate-Payer Benefit Including Interest

Cr. 2435 - Accrued Rate-Payer Benefit

To record the carrying charges, at the OEB approved amount, on the opening balance of the monthly principal amount in 2435 - Accrued Rate-Payer Benefit.