ANNUAL REPORT TO UNITHOLDERS – DECEMBER 31, 2021

SKYLINE CLEAN ENERGY FUND

2021

Grounded in real estate,
powered by people,
and **growing** for the future...

Back row from left to right: **Christopher Carson**, Senior Marketing Manager, Marketing; **Geoffrey Hardacre**, Acquisitions Analyst, Skyline Energy; **R. Jason Ashdown,** Co-Founder & Chief Sustainability Officer; **Tyler Balding**, Director of Business Development, Skyline Energy; **Mathew Clark,** Project Coordinator, Skyline Energy; **Wayne Byrd,** Chief Financial Officer; **Jason Castellan,** Co-Founder & Chief Executive Officer; **Chris Mavity,** Project Manager, Skyline Energy.

Front row from left to right: **Tanner Derjugin**, Senior Associate, Skyline Energy; **Martin Castellan,** Co-Founder & Chief Administrative Officer; **Rob Stein,** President, Skyline Clean Energy Asset Management Inc.; **Matt Kennedy,** Associate Director, Skyline Energy.

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OVERVIEW

$220.68 MM

Total Value of 69 Solar Assets & 1 Biogas Asset (As at December 31, 2021)

$13.61

Current Unit Value (As at April 30, 2022)

8.97%

Compounded Annual Growth Rate (As at April 30, 2022)

For the year ended December 31, 2021:

50,389,611

kWh of Power Generated

$14.58 MM

Earnings Before Interest, Tax, Depreciation & Amortization

22.3%

Net Operating Margin

SCEF solar & biogas assets' annual energy production equivalencies:(1)

Homes Powered for 1 Year	Barrels of Oil Consumed	Passenger Vehicles Taken off the Road for 1 Year
6,860	31,890	4,845

(1) Metrics are estimated based on expected energy production from SCEF's solar and biogas assets and are calculated using the Natural Resources Canada's greenhouse gas equivalencies calculator

SKYLINE GROUP OF COMPANIES AWARDS

SHELLDALE FAMILY GATEWAY

Shelldale Family Gateway 2021 Volunteer of the Year – R. Jason Ashdown, Co-Founder & Chief Sustainability Officer, Skyline Group of Companies

Presented to a community member representing Shelldale Family Gateway's mission, making a substantial positive impact, and contributing to the betterment of the Shelldale Family Gateway community.

IPOANS 2021 Awards

IPOANS 2021 Innovation & Excellence Awards – Winner, Property Manager of the Year (Ashley Morine) – Skyline Living

Recognizing an IPOANS member's Property Manager who demonstrates innovation, teamwork, leadership skills, and excellence by continuously going above and beyond their duties.

CANADA BEST MANAGED COMPANIES Platinum member

Best Managed Companies – Platinum Member – Skyline Group of Companies

Platinum Member Winners have retained their Best Managed Companies status for seven years. They demonstrate leadership in strategy, capabilities and innovation, culture and commitment, and financials.

2021 AWARDS

CFAA 2021 Rental Housing Awards:
Winner, Off-Site Employee of the Year (Kevin McIntosh) – Skyline Living

Recognizing an individual employee nominated by their employer who has demonstrated excellence and professionalism in the rental housing industry.

Winner, Property Manager of the Year (Karolina Bagienski) – Skyline Living

Recognizing a staff member who solved a long-standing problem seen to be intractable or handled one or more difficult issues with great skill and tact.

ANNUAL 2021

RHB Magazine 2021 "The Annual" Edition – Canada's Top 10 REITs List (#5) – Skyline Apartment REIT

Skyline Apartment REIT ranked #5 in Canada (number of apartment suites owned and managed within its portfolio). RHB "The Annual" is "the complete market perspective for the Canadian rental housing industry."

TOP 10

Canadian Property Management Magazine 2021 "Who's Who" Ranking – Top 10 Apartment Owners & Managers (#7) – Skyline Apartment REIT

Skyline Apartment REIT ranked among Canada's Top 10 owners and managers of apartment real estate, based on total square footage within its portfolio.

2021 CANADIAN HR AWARDS FINALIST

2021 Canadian HR Awards – Finalist, Gallagher Award for HR Team of the Year (500+ employees) – Skyline Group of Companies

Skyline made the finals for this award recognizing a team that has excelled within the HR function and across their business by partnering with different business functions.

2021 WINNER

FRPO 2021 MAC Awards:
Winner, Environmental Excellence -Skyline Group of Companies

Presented to a rental housing provider that demonstrates excellence in the areas of energy and water conservation, waste management, net zero/ positive developments, or other sustainable initiatives.

Winner, Impact Award - Skyline Living

Recognizing a rental housing provider that has achieved extraordinary social outcomes related to one initiative or project in Ontario. 2021 was the inaugural year for the Impact Award category.

HeForShe at U of G IMPACT AWARD WINNER

University of Guelph 2021 HeForShe Impact Award – Skyline Group of Companies

Recognizing a Guelph-Wellington region business that actively promotes and improves gender equality, resulting in positive change within the organization and greater community.

SUSTAINABILITY AT SKYLINE GROUP OF COMPANIES

2021 SUSTAINABILITY HIGHLIGHTS

Environmental

1,286 trees and shrubs planted
in partnership with Tree Canada, with 105 Skyline volunteers participating in tree planting events.

41,819 MWh[1]
in clean energy generated by Skyline-owned solar assets. Equivalent to electricity use by 3,645[2] homes for one year.

90,000 tonnes
of organic waste capable of being diverted from landfill and converted to nearly 25,000 MWh of clean energy annually at Skyline Clean Energy Fund's biogas facility acquired in 2021 (one of Canada's largest). Equivalent to electricity use by 2,179[2] homes for one year.

Social

$260,000+
raised through Coldest Night of the Year, annual Golf Tournament, and Season's Givings campaigns.

900+ hours
donated by Skyline staff by way of volunteerism or participation on external non-profit boards and the Kindle supportive housing project.

420 tenancies saved
through R.I.S.E. (Reach, Impact, Support, Elevate) program and provided a total of $55,467 in financial relief/grocery gift cards.

Governance

80 points achieved
in Investor Net Promoter Score (NPS) - a 16% improvement from 2020, indicating high satisfaction of investors with Skyline's business practices, including ESG practices.

10 awards won
in recognition of company ESG practices and apartment buildings designed with sustainable features.

Launched internal 15-member ESG Taskforce
responsible for strategic development and monitoring of Skyline's ESG goals across all levels of the organization.

[1] A megawatt-hour (MWh) is a unit of energy equal to one megawatt of power sustained for one hour.
[2] Calculated using Natural Resource Canada's Greenhouse Gas equivalencies calculator:
https://oee.nrcan.gc.ca/corporate/statistics/neud/dpa/calculator/ghg-calculator.cfm#results

OUR FOCUS AREAS FOR 2022

Environmental	Expand organic and ewaste diversion programs across our properties	Install 800+ EV chargers at Skyline properties	Establish a formal tree planting program across the group of companies
Social	Exceed our 2021 fundraising total	Reach 80% usage of Skyline's Volunteer Day	Increase visibility of our R.I.S.E. Tenant Assistance program
Governance	Develop a centralized ESG database	Establish an employee ESG Training Program	Prepare to submit to Global ESG Benchmark for Real Assets (GRESB) in 2023

OUR SUSTAINABILITY PARTNERS

Tenants
Rent from us

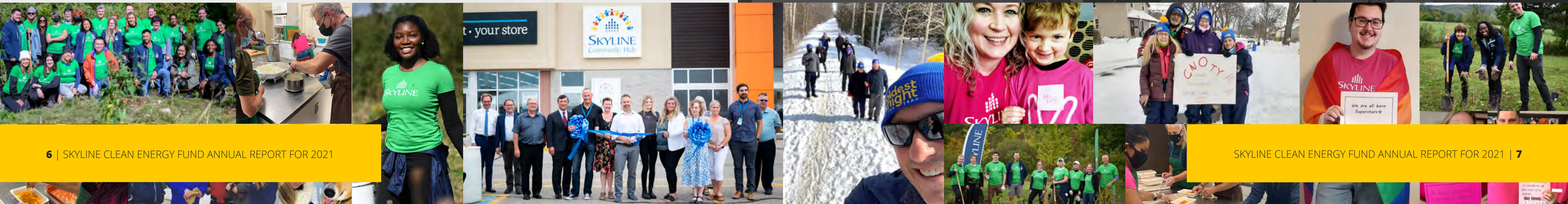
Employees
Work with us

Investors
Invest with us

Communities
Grow stronger with us

Suppliers
Build with us

View Skyline's 2022 Sustainability Plan at
SkylineGroupOfCompanies.ca/Sustainability



2021 TRANSACTIONS

Skyline Clean Energy Fund is a privately managed, growth-oriented investment product, focused on renewable and clean energy production — uniting investor capital, green initiatives, and historically reliable returns into a growth-oriented equity investment.

OUR PURPOSE

To provide meaningful value and an exceptional experience for each of our stakeholders, while developing strong, supportive, and sustainable communities.

OUR MISSION

We bring passion, energy, and determination to make a positive impact with every interaction.

OUR P.R.I.D.E. VALUES

Professionalism
Respect
Integrity
Drive
Efficiency

CEO ADDRESS TO UNITHOLDERS

The year 2022 marks more than 30 years since my father helped my brother Martin and I buy our first student house in Guelph, ON. Shortly thereafter, at a party in that very house, we met our business partner, R. Jason Ashdown, and the rest is history.

In starting our real estate business, we agreed that our most substantial risk was interest rates. In the early days, we struggled with the choice between floating our interest rates or fixing them for the longer term. At that time, rates were decreasing, so floating would seemingly be the winning choice. However, we'd be able to sleep better knowing we had eliminated interest rate risk at the cost of marginal gains. We chose in favour of that peace of mind.

Fast forward to the past two years, which have seen the largest money printing period by both the Canadian and USA governments since we started this business. Inflation is upon us, and to an extent that we haven't seen before. Our biggest risk remains the same as it was more than 30 years ago: interest rates. However, our diligent strategizing in the past has trained us for these times.

We have always taken the stance that, as stewards of our investors' money, we must mitigate risk of things we cannot control; this includes interest rates as well as taxes, utilities, and other variables. We have spent our careers working diligently on those expenses; during the past two years we've especially focused on early "blending-and-extending" of our mortgages, pushing out the expiry of those terms as long as we can (usually 10 years). As an investor in one or more of Skyline's investments, you can be assured that we are prioritizing the mitigation of any potential risk accompanying the recent inflation we've seen.

Inflation may require a great deal of attention on the cost side, but there is plenty to be optimistic about, as inflation brings opportunity as well. Rents are one of our greatest hedges against inflation. Apartment rents are mostly protected by modest increases by tenants who stay; however, we can adjust the rent to market rates upon turnover when the tenant moves out. Retail and industrial rent rates are contractual obligations that may be fixed for longer terms than their residential counterparts, but as the market rent escalates for those retail and industrial units, the potential increases coil up and become realized once the terms on those rental contracts expire.

Within each of Skyline's three REITs, we have rents that are, in most cases, below what the market is currently achieving, but are being realized monthly upon turnover and renewal of leases. I know that I would rather own an investment with substantial growth opportunity than the opposite in a deflationary or stagnant environment—because rising rents bring rising property values to realization. The same holds true for our clean energy infrastructure assets within Skyline Clean Energy Fund; why not hedge against rising utility costs by investing in utility-scale assets? There, too, we will continually negotiate higher gas and electricity rates based on projects we buy at a fixed price today. As all the components that comprise a physical asset increase in value, so too does the approximately $7 billion enterprise value of the assets we hold across our four funds.

With the current market environment, now is an optimal time to own physical assets that will appreciate in value. Skyline's investments hedge against inflation due to the rents and rates that can be earned and present an opportunity for a rise in the assets' underlying value.

Through all the events, large and small, that we've seen over the 30-plus years we have owned and managed assets, we have continued our strategy to mitigate the risks we cannot control and capitalize on opportunities that present themselves. That strategy has stood us in great stead, and it is the reason why each of our four funds has provided historical growth and stability since its inception.

"As all the components that comprise a physical asset increase in value, so too does the approximately $7 billion enterprise value of the assets we hold across our four funds."

Jason Castellan

Co-Founder & Chief Executive Officer,
Skyline Group of Companies

PRESIDENT'S REPORT

I'm pleased to report that Skyline Clean Energy Fund (SCEF) continues to demonstrate an unwavering commitment to delivering clean energy in Canada. Despite the extraordinary challenges 2021 brought on both a local and global scale, SCEF resolutely continued to serve our communities through providing essential energy services. We are focused on growth and delivering stable and consistent returns to our Unitholders.

SCEF is an essential service; as such, its facilities have remained open and fully operational over the past 28 months. The SCEF team has ensured that we are operating safely and with maximum availability in order to deliver the energy and waste solutions our communities require. Throughout this time (and since SCEF's inception) we have seen no interruption to our energy generation or our returns.

Despite the challenging environment we experienced in 2021, SCEF is pleased to report another year of solid financial results. We are proud to have been able to grow our team and our business over the past year, in addition to supporting our communities during a time of so much uncertainty. We achieved strong performance across our operating portfolio, increased our Ontario footprint through the acquisition of four solar rooftop assets, and positioned SCEF to embark on its next growth chapter—diversification into the biogas space—with its first biogas facility acquisition.

We grew SCEF's Total Assets Under Management (TAUM) by $78.7MM, representing an increase of 55% from 2020. Our Unit Value grew from $12.14 per Unit as of December 31, 2020, to $13.15 per Unit as of December 31, 2021, resulting in a 1-year Annualized Return of 8.32% and a 3-year Annualized return of 8.55%. This past year's achievements were underpinned by our focus on enhanced asset management, system optimization, and accretive acquisition opportunities, which will continue to provide the foundation for SCEF's success in the years ahead.

Diversity is another significant component of SCEF's strategy. It has been a key factor in SCEF's strength, resiliency, and success—not only in terms of asset types, but also the assets' geographic locations, the skill sets and types of experience within SCEF's management team, and more.

Since SCEF's inception, we have been building a foundation of core solar photovoltaic (PV) assets that would support asset diversification: the expansion into new asset classes and net new generation in the future. In August 2021, we achieved a diversification milestone with the acquisition of an 80% interest in SBE Limited Partnership, taking ownership of our first biogas facility in Elmira, Ontario.

This acquisition will provide SCEF with complementary new revenue streams via fees from receiving organic waste, the potential to generate renewable natural gas (RNG), and the opportunity to deliver strong returns to our Unitholders. During the transaction, we developed a strong relationship with the original developer and operator of the Elmira facility, and we are pleased to report that they have decided to participate in SBE Limited Partnership as a 20% equity partner. Our partner's professionalism and operating expertise will provide our team with additional support to pursue new opportunities in the biogas space.

Biogas is projected to grow quickly in Canada in the coming years, as our country's need for an environmentally friendly solution to our waste problem becomes front and center on provincial, national, and global levels. We consider our biogas capabilities and talent to be key assets in developing new projects, as well as in securing new partnerships with municipalities, the agricultural industry, and corporate waste providers. SCEF is now strategically positioned as an owner in the biogas space, allowing us the opportunity to capitalize on the decarbonization of our provincial electricity grids from coast to coast that will occur over the next five to ten years.

We see tremendous strategic growth opportunities across both the solar PV and biogas areas of our business. Through this strategic growth plan, we remain focused on leveraging our expertise to secure, develop, and operate high-quality, sustainable projects supported by long-term revenue contracts that deliver predictable cash flows.

Skyline Energy, the asset manager for SCEF, continues to source opportunities in new technologies and jurisdictions that are seeking increased energy independence, reductions in CO2 emissions, and overall promotion of sustainability. In fact, as part of Skyline Group of Companies, we are committed to embedding sustainability in our investing and operating activities; it is integral to allow us to safely and reliably deliver waste solutions and renewable energy that creates a positive impact on our communities, while delivering value to our Unitholders for the long term.

As we close another successful year for SCEF, the team expresses many thanks to Mike Bonneveld, who is stepping down from our Board of Trustees at the end of June. Mike's knowledge and entrepreneurial drive were instrumental in SCEF's inception and will continue to be a great resource for our team.

Lastly, on behalf of our team and Trustees, we would like to express our sincere appreciation to you, our Unitholders, for the confidence you continue to demonstrate while we pursue our growth objectives. Thank you for your continued support of SCEF. We look forward to building a cleaner and brighter future together!

"We consider our biogas capabilities and talent to be key assets in developing new projects, as well as in securing new partnerships with municipalities, the agricultural industry, and corporate waste providers."

Rob Stein
President,
Skyline Clean Energy Fund

SENIOR MANAGEMENT

Jason Castellan
Co-Founder &
Chief Executive Officer,
Skyline Group of
Companies

Martin Castellan
Co-Founder &
Chief Administrative
Officer, Skyline Group of
Companies

R. Jason Ashdown
Co-Founder &
Chief Sustainability Officer,
Skyline Group of
Companies

Wayne Byrd, CPA, CMA
Chief Financial Officer,
Skyline Group of
Companies

Rob Stein
President,
Skyline Clean Energy
Asset Management Inc.

Krish Vadivale
Vice President,
Finance,
Skyline Group
of Companies

Karyn Sales
General Counsel,
Skyline Group
of Companies

Tyler Balding
Director of Business
Development,
Skyline Energy

Matt Kennedy
Associate Director,
Skyline Energy

TRUSTEES

Jason Castellan

With over 30 years of hands-on experience, Jason's combination of expertise, knowledge, and passion for the clean energy and real estate investment management business has served him well as the CEO for Skyline Group of Companies since its inception in 1999. Jason's thirst for growth and success are insatiable. His primary loyalty is always to his investors. Meeting and speaking with investors are the aspect of his job that he loves the most.

Jason also sits on the Board of Trustees for Skyline Apartment REIT, Skyline Retail REIT, and Skyline Commercial REIT.

Wayne Byrd

Wayne is dedicated to the responsible financial performance of Skyline Group of Companies and all its associated assets. With over 25 years in private sector finance, Wayne's proven business experience and insight make him an integral leader within Skyline Group of Companies as it vigorously pursues its vision for growth. Wayne's financial expertise and commitment to Skyline Group of Companies' vision result in a balanced approach to managing fiscal obligations and operational responsibility. His unique blend of analytical and leadership skills is fundamental to leading Skyline Group of Companies' operations and growth beyond the numbers.

Wayne also sits on the Board of Trustees for Skyline Retail REIT.

Mike Bonneveld

Mike is the Vice President of Skyline Asset Management Inc. ("SAMI"). He leads the Skyline Acquisitions team and is responsible for sourcing all new acquisitions and dispositions, property due diligence, and closing investment transactions for Skyline Commercial REIT and Skyline Retail REIT. Mike has over 25 years of real estate experience. He has worked with a number of Canadian investment banks in the field of real estate corporate finance, as well as public real estate companies running acquisitions. He is focused on the continued growth and expansion of the REITs' real estate portfolios throughout both its existing communities and quality acquisitions. Mike holds an Honours BA in Urban Development from the University of Western Ontario.

Deborah Whale - Independent Trustee

Deborah is a seasoned ambassador of Ontario's clean energy and agriculture sectors, having served on the Boards of Directors of the Ontario Power Authority (OPA) and the Independent Electricity System Operator (IESO), as well as on the Finance Committees of Farm Credit Canada, IESO, and the Grand River Agricultural Society.

Deborah's clean energy expertise extends to the installation of biodigesters and solar net metering systems for farm and residential use. Inducted into the Ontario Agricultural Hall of Fame in 2016, Deborah has also been designated an Honourary Professional Agrologist (2011) by the Ontario Institute of Agrology, and an Honourary Doctor of Laws (2017) by the University of Guelph.

FINANCIAL REPORTING

Woolwich Bio-En
35 Earl Martin Dr, Elmira, ON

Forward-Looking Disclaimer

The following Management's Discussion and Analysis ("**MD&A**") of the results of operations and conditions for the year ended December 31, 2021, should be read in conjunction with Skyline Clean Energy Fund's (the "**Fund**" or "**SCEF**") audited consolidated financial statements. Certain statements in this MD&A could be considered forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the Fund's control, which could cause actual results to differ materially from those disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions, energy market volatility, changing regulations, our ability to refinance maturing debt, our ability to source and complete accretive acquisitions, and interest rates.

The information in this MD&A is based on information available to Management as of April 30, 2022, except where otherwise noted. The Fund does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise.

In some instances, forward-looking information can be identified by the use of terms such as "may", "should", "expect", "will", "anticipate", "believe", "intend", "estimate", "predict", "potentially", "starting", "beginning", "begun", "moving", "continue", or other similar expressions concerning matters that are not historical facts. Forward-looking statements in this MD&A include, but are not limited to, statements related to acquisitions or dispositions, development activities, future maintenance expenditures, financing and the availability of financing, tenant incentives, and occupancy levels.

Non-IFRS Measures

The Fund releases audited consolidated annual financial statements in accordance with International Financial Reporting Standards ("**IFRS**"). In this MD&A, as a complement to results provided in accordance with IFRS, the Fund also discloses and discusses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS. These include adjusted earnings before interest, income taxes, depreciation and amortization ("**adjusted EBITDA**"), and applicable per unit amounts (collectively, the "**Non-IFRS Measures**").

These Non-IFRS Measures are further defined and discussed in the "Key Performance Indicators" section of this MD&A. Since EBITDA and per unit amounts are not measures recognized under IFRS, they may not be comparable to similarly titled measures reported by other issuers. The Fund has presented the Non-IFRS measures because Management believes these Non-IFRS measures are relevant measures of the ability of the Fund to earn revenue and to evaluate the Fund's performance. A reconciliation of the Non-IFRS measures is provided in the "EBITDA" section. The Non-IFRS measures should not be construed as alternatives to net income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of the Fund's performance or the sustainability of our distributions.

MD&A Overview

This MD&A focuses on key areas from the consolidated financial statements and pertains to major known risks and uncertainties relating to the clean energy industry, in general, and the Fund's business, in particular. This discussion should not be considered all-inclusive as it excludes changes that may occur in general economic, political, and environmental conditions. Additionally, other elements may or may not occur, which could affect the organization in the future. To ensure that the reader is obtaining the best overall perspective, this discussion should be read in conjunction with the material contained in the audited consolidated financial statements for the year ended December 31, 2021, along with all other information regarding the Fund publicly posted by the Fund or its affiliates. It is not our intent to reproduce information that is located in these other reported documents, but rather to highlight some of the key points and refer you to these documents for more detailed information.

Business Overview

The Fund is an unincorporated, open-ended investment trust created by a declaration of trust made as of May 3, 2018 and Amended and Restated as of June 1, 2018 (the "**Declaration of Trust**" or "**DOT**"), and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Fund earns income from investments in a diversified portfolio of clean energy assets located in Canada.

Management Strategy

As Manager of the Fund; Skyline Clean Energy Asset Management Inc. (the "**Asset Manager**") implements its unique values and proprietary strategies as it fulfills its responsibilities. The Fund's mandate is clear and focused on the following strategies:

- **Enhancement of the Fund's Clean Energy Asset Portfolio.** The Asset Manager will focus its acquisition strategy on good quality clean energy assets in strong markets across North America, and will use the strength of its extensive market relationships to obtain more competitive financing, construction and maintenance services, and higher quality assets. The Asset Manager's goal is to build a strong and growth-oriented clean energy portfolio, enhancing overall portfolio incomes by diversifying the asset type and geography of the assets purchased.

- **Growth Potential.** The Asset Manager believes that clean energy assets offer an attractive investment opportunity with significant growth potential. The ability to acquire good quality, well located assets, with a focus on long-term government contracts, will allow the Asset Manager to potentially enhance the underlying portfolio's cash flow and investor returns. The Asset Manager will also look to acquire clean energy assets in markets where the Asset Manager has existing platforms to build off of existing market relationships to capitalize on local economies of scale. As the Fund grows through the acquisition of new clean energy assets and the issuance of additional Units, as a result the Fund will likely increase the stability of its income stream.

- **Maintenance and Repair Programs.** Management is fundamentally driven by efficiencies and cost-effective programs that are accretive to the Fund's short-term and long-term value proposition. Management has positioned the Fund to take full advantage of efficiency programs and capital investments that will enhance the overall value of the portfolio. Furthermore, various operations and maintenance agreements are in place between the Fund and a related party corporation (the "**Solar Asset Operator**"). The Solar Asset Operator is responsible for providing routine preventative and corrective maintenance for SCEF's solar assets in order to ensure that the solar assets are operating efficiently and at their full production capacity.

- **Detailed Financial Reporting.** Management utilizes sophisticated financial tools to maximize the Fund's income and to measure the effectiveness of cost control and other efficiency programs. Management distributes in-depth financial reporting to those involved and who have a direct impact on the financial success and control of those particular incomes and expenses.

- **Strategic Debt Management.** The Asset Manager works diligently to seek out financing opportunities to optimize the Fund's leveraged returns. Attention to staggered loan maturities and financing terms, within maximum leverage amounts, set out in the Declaration of Trust, ensures that the Fund's exposure to fluctuating interest rates over the short and long term are both minimized and utilized to the greatest benefit.

- **Communications.** Skyline Wealth Management Inc. (the "**Exempt Market Dealer**") delivers current and relevant information to prospective and existing Unitholders in order to keep them informed and engaged. Ongoing communications occur through regular mass email updates, online postings to the website and quarterly newsletters that are included with Unitholders' quarterly statements. Exempt Market Dealer communications cover relevant topics as they relate to the Fund, including; new acquisitions and dispositions, existing property repositioning, special investor events and general corporate news.

Key Performance Indicators

To meet its objectives and to evaluate the success of its strategies, the Fund uses several key operating and performance indicators:

- **Net Operating Income ("NOI").** This is defined as operating revenues less direct operating expenses, and is a key measure of operating performance. It is a key non-International Financial Reporting Standards ("**IFRS**") financial measure of the operating performance of the Fund. For the year ended December 31, 2021, the Fund's NOI margin was 22.3% (2020 – 40.9%).

- **Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA").** This is calculated as the Fund's net income (loss) in accordance with IFRS adjusted for non-cash items, including the amortization of solar and biogas assets, net finance costs, and other adjustments as appropriate. Management believes adjusted EBITDA is a meaningful measure of SCEF's operating performance because it excludes certain items included in the calculation of net income (loss) that may not be appropriate determinants of long-term operating performance. For the year ended December 31, 2021, the Fund's EBITDA was $14,577 (2020 - $6,141).

- **Total Assets Under Management ("TAUM").** Total assets under management is calculated as the total assets on the Fund's statement of financial position, with joint venture assets otherwise reported on a net asset basis by way of International Financial Reporting Standard 11 – Joint Arrangements ("IFRS 11"), being instead reflected as if the proportionately owned assets and liabilities were consolidated into the Fund's total assets and total liabilities separately rather than on a net basis (i.e. accounted for if "joint control" was established under IFRS 11).

- **Active Portfolio Management.** Management is targeting both stabilized and distressed clean energy assets offering accretive returns generated through stable cash flows in strong energy markets. The Fund's Asset Manager aims to implement margin enhancement initiatives, manage system performance and improve system optimization to increase cash flows. By maximizing the performance, each asset increases in value, leading to equity growth and the acquisitions of new assets.

- **Financing.** Management is continually managing and planning its financing strategies for the portfolio. This ensures that the portfolio is well-positioned to mitigate interest rate uncertainty as well as to responsibly ladder the maturities of the portfolio's mortgages over the long term.

- **Loan to Value ("LTV").** The Portfolio is regularly evaluated based upon key leverage ratios, comprised of total indebtedness against solar and biogas assets, and total indebtedness against total assets (inclusive of non-solar-and-biogas assets). The Declaration of Trust requires that the total indebtedness against total assets ratio not exceed 85%, and at the close of 2021, that ratio was 28.92% (2020 – 55.31%).

Goals And Objectives Of The Fund

In accordance with the Declaration of Trust, the goals and objectives of the Fund are:

i. To provide Unitholders with a growing investment opportunity in a diversified portfolio of income-producing clean energy assets located in North America;

ii. To enhance operating income; and

iii. To maximize unit value through the ongoing management of the Fund's assets, through the future acquisition, repositioning and disposition of assets.

2021 Highlights

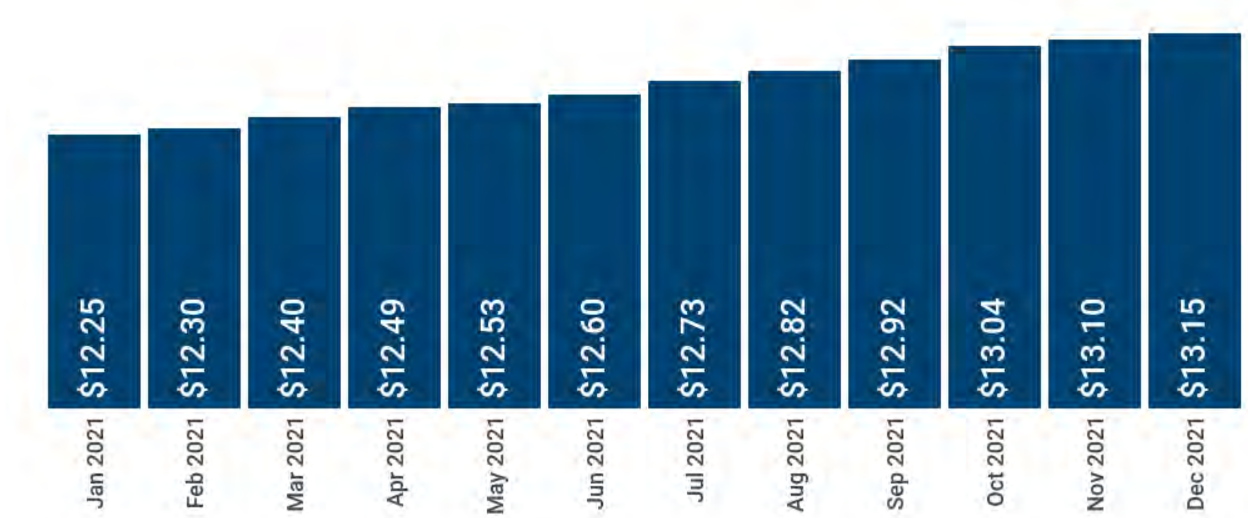
- Raised $73.9MM in investor equity during 2021, while growing the value per SCEF unit to $13.15 at December 31, 2021 which resulted in a 1-year annual return of 8.32%.

- Purchased 4 solar and 1 biogas assets, adding $58.4MM to TAUM. These assets generated 11,393,649 kWh during the Fund's 2021 ownership period, resulting in an additional $0.1MM in solar income and $2.0MM in hydro revenue generated for the 2021 year. The biogas asset also processed 38,981 tonnes of waste during the Fund's 2021 ownership period, resulting in an additional $2.8MM in tipping fees revenue.

- The Fund increased annual power production by 184% during the year ended December 31, 2021, by generating 28,088,559 more kilowatt hours when compared to 2020; increasing solar income by $5.0MM and hydro revenue by $2.0MM.

- Excluding non-controlling interests, generated $1.98 in EBITDA Per Unit.

Financial Highlights **($ thousands, except where noted)**	**2021**	**2020**
Income	$19,211	$6,914
Direct operating expenses	14,924	4,085
Net operating income ("NOI")	**$4,287**	**$2,829**
Net income (loss)	**$4,116**	**($2,199)**
Earnings before interest, tax, depreciation and amortization ("EBITDA")	**$14,577**	**$6,141**
Weighted average units outstanding	**7,351,108**	**4,410,135**
Per Unit:		
EBITDA attributable to unitholders	**$1.98**	**$1.39**



SCEF's 2021 Unit Value Growth

Solar and Biogas Asset Portfolio

At December 31, 2021, through active portfolio management; the portfolio consisted of 69 solar assets and 1 biogas asset located throughout Ontario. With a total portfolio size of 37.75 megawatts direct current (MW DC), the Fund's solar and biogas assets are expected to generate over 55,546 megawatt hours annually while the biogas asset is permitted to process up to 90,000 tonnes of organic waste annually.

Through its active asset management strategies and proactive capital investment programs, the Fund strives to achieve the highest possible solar income in accordance with the weather conditions.

Management also strives, through a focused, hands-on approach to its business, to achieve solar and hydro generation production that is in line with, or higher than, market conditions in each of the geographical regions in which the Fund operates while enhancing the overall efficiency of its solar and biogas assets.

Regional Solar Energy Production

		2021 Solar Generation				2020 Solar Generation		
City	Region	Asset Size (in kW DC)	Solar Generation (in KwH)	Solar Income ($ thousands)	Increase (Decrease) in Solar Income ($ thousands)	Asset Size (in kW DC)	Solar Generation (in KwH)	Solar Income ($ thousands)
Acton	West Ontario	588	1,315,270	$523	$519	588	10,637	4
Ajax	Central East Ontario	105	239,655	130	128	105	2,867	2
Belle River	South West Ontario	298	376,807	124	1	298	376,077	123
Brampton	West Ontario	604	615,223	390	385	604	7,341	5
Brantford	Mid West Ontario	784	517,924	534	84	784	452,134	450
Brockville	East Ontario	298	312,608	103	(3)	298	322,131	106
Cache Bay	North Ontario	298	240,421	80	(17)	298	292,363	97
Cambridge	Mid West Ontario	1,099	249,241	30	30	-	-	-
Chatham	South West Ontario	1,003	1,153,323	409	94	1,003	996,337	315
Dundalk	North West Ontario	299	325,796	108	(5)	299	343,629	113
Earlton	East Ontario	298	306,932	101	7	298	286,287	94
Ingersoll	Mid West Ontario	600	716,809	149	(8)	600	744,408	157
Kearney	North Ontario	298	270,024	89	1	298	267,942	88
Leamington	South West Ontario	153	201,063	109	108	153	2,476	1
Listowel	North West Ontario	537	495,839	163	(28)	537	517,319	191
London	Mid West Ontario	1,295	2,770,438	1,494	1,480	1,295	26,303	14
Loyalist	Central East Ontario	299	339,724	150	47	299	235,623	103

(table continued on next page)

Regional Solar Energy Production (continued)

		2021 Solar Generation				2020 Solar Generation		
City	Region	Asset Size (in kW DC)	Solar Generation (in KwH)	Solar Income ($ thousands)	Increase (Decrease) in Solar Income ($ thousands)	Asset Size (in kW DC)	Solar Generation (in KwH)	Solar Income ($ thousands)
McDonalds Corners	East Ontario	298	302,807	99	10	298	271,570	89
Mississauga	West Ontario	137	116,168	81	80	137	1,284	1
Murillo	North Ontario	298	307,835	101	(11)	298	338,806	112
Newburgh	Central East Ontario	298	304,755	100	(11)	298	335,986	111
North York	West Ontario	225	258,657	140	5	225	250,064	135
Oldcastle	South West Ontario	299	367,675	121	(4)	299	377,884	125
Ottawa	East Ontario	896	826,578	273	(5)	896	754,552	278
Pontypool	Central East Ontario	298	307,418	102	(5)	298	324,684	107
Renfrew	East Ontario	299	315,450	103	1	299	308,696	102
Strathroy	Mid West Ontario	2,372	2,490,576	-	-	2,372	1,404,254	-
Sturgeon Falls	North Ontario	298	290,067	96	7	298	269,704	89
Tecumseh	South West Ontario	299	378,565	124	(1)	299	382,310	125
Teeswater	North West Ontario	134	-	91	84	134	10,064	7
Thomasburg	Central East Ontario	298	313,809	104	(1)	298	319,706	105
Tilbury	South West Ontario	600	719,734	228	(1)	600	725,749	229
Tillsonburg	Mid West Ontario	1,449	1,412,561	944	932	1,449	17,567	12
Vaughan	West Ontario	1,502	2,175,175	1,144	33	1,502	1,716,556	1,111
Wallaceburg	South West Ontario	995	1,109,297	350	(17)	995	1,161,502	367
Waterford	Mid West Ontario	597	722,350	237	(9)	597	739,222	246
West Nipissing	North Ontario	298	313,305	103	(3)	298	321,846	106
Whitby	Central East Ontario	397	470,966	365	123	397	339,593	242
Windsor	South West Ontario	493	673,073	402	398	493	7,379	4

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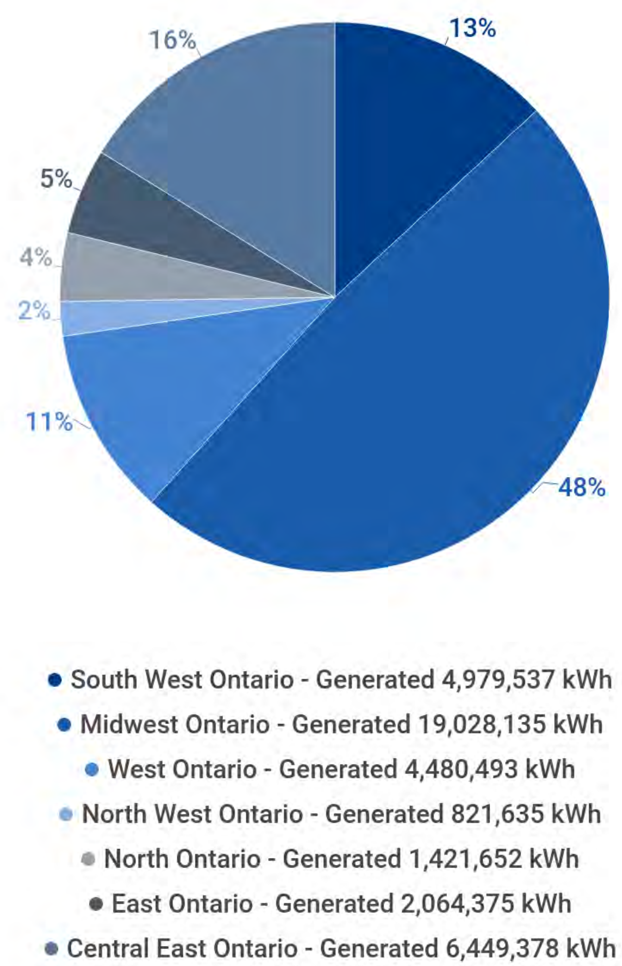
Regional Solar Energy Production (continued)

City	Region	2021 Solar Generation: Asset Size (in kW DC)	Solar Generation (in KwH)	Solar Income ($ thousands)	Increase (Decrease) in Solar Income ($ thousands)	2020 Solar Generation: Asset Size (in kW DC)	Solar Generation (in KwH)	Solar Income ($ thousands)
Total - Solar Assets		**21,636**	**24,623,918**	**$9,994**	**$4,428**	**20,537**	**15,262,852**	**$5,566**
Napanee [1]	Central East Ontario	4,540	4,473,051	N/A	N/A	4,540	4,599,400	N/A
Simcoe [1]	Mid West Ontario	9,290	10,148,236	N/A	N/A	9,290	2,438,800	N/A
Total - portfolio		**35,466**	**39,245,204**	**$9,994**	**$4,428**	**34,367**	**22,301,052**	**$5,566**

(1) The Fund holds a 50% interest in SunE Sky First Light LP, which owns a solar asset located in Napanee, Ontario. It also holds a 50% interest in both SunE Sky 13th Sideroad LP and SunE Sky Ryerse LP, which each own a solar asset located in Simcoe, Ontario. These 50% interests are all accounted for as investments in joint ventures, and therefore the Fund records its share of net earnings from SunE Sky First Light LP, SunE Sky 13th Sideroad LP, and SunE Sky Ryerse LP, rather than the gross solar income and operating expenses. The above asset size and generation amounts have been reported at 50% of each limited partnerships' total solar asset size and generation to reflect the Fund's 50% ownership.

Regional Solar Production during the year ended December 31, 2021



Regional Biogas Production

City	Region	Biogas Hydro Generation and Waste Processed for 2021: Asset Size (in kW DC)	Asset Size (in Tonnes of Organic Waste Processing Capacity)	Hydro Generation (in KwH)	Hydro Revenue ($ thousands)	Increase (Decrease) in Hydro Revenue ($ thousands)	Waste Processed (in tonnes)	Tipping Fees Revenue ($ thousands)	Increase (Decrease) in Tipping Fees Revenue ($ thousands)
Elmira	North West Ontario	2,282	88,000	11,144,407	$2,026	$2,026	38.981	$2,799	$2,799
Total - biogas assets		**2,282**	**88,000**	**11,144,407**	**$2,026**	**$2,026**	**38.981**	**$2,799**	**$2,799**

Acquisitions

Acquisitions completed during the year ended December 31, 2021
($ thousands, except where noted)

Asset Name	SBE LP	SC&G LP	Blue Circle Energy	TOTAL
Purchase Date	24-Aug-21	10-Sep-21	21-Sep-21	
Size of Portfolio (Kw DC)	2,282	1,099	-	3,381
Organic Waste Capacity (tonnes)	88,000	-	-	88,000
Number of Assets	1	4	-	5
Province	Ontario	Ontario	N/A-Barbados	
Region	Mid West	Mid West	Foreign	
Total Assets Under Management Acquired	**$55,398**	**$1,625**	**$1,333**	**$58,356**
Total Net Assets Acquired	$55,398	$1,625	$1,333	$58,356

2021 Operating Highlights

Operational Highlights ($ thousands, except where noted)	2021	% [1]	2020	% [1]
Income				
Solar income	$11,336	59.0%	$6,324	91.5%
Biogas income	4,864	25.3%	-	0.0%
Other income	-	0.0%	590	8.5%
Battery sales	3,011	15.7%	-	0.0%
Total income	**$19,211**	**100.0%**	**$6,914**	**100.0%**
Direct operating expenses				
Utilities	$462	2.4%	$119	1.7%
Insurance	396	2.1%	159	2.3%
Roof lease	-	0.0%	-	0.0%
Amortization	7,752	40.4%	3,467	50.1%
Operations and maintenance fees	892	4.6%	163	2.4%
Management fees	664	3.5%	72	1.0%
Property tax	59	0.3%	1	0.0%
Royalty expense	10	0.1%	11	0.2%
Other direct operating expenses	1,811	9.4%	93	1.3%
Battery cost of sales	2,878	15.0%	-	0.0%
Total direct operating expenses	**$14,924**	**77.7%**	**$4,085**	**59.1%**
Net operating income ("NOI")	**$4,287**	**22.3%**	**$2,829**	**40.9%**

(1) As a percentage of total income

Regional Highlights

Regional Location of Solar and Biogas Assets ($ thousands, except where noted)	2021		2020	
	EBITDA	%	EBITDA	%
South West Ontario	$1,657	14%	$1,148	20%
Mid West Ontario	4,303	37%	1,729	31%
West Ontario	2,058	18%	948	17%
North West Ontario	294	3%	289	5%
North West Ontario (Biogas)	1,594	14%	-	0%
North Ontario	385	3%	412	7%
East Ontario	555	5%	550	10%
Central East Ontario	828	7%	587	10%
Total EBITDA generated from solar and biogas assets	**$11,674**	**100%**	**$5,663**	**100%**
Less: Corporate-level activity and EBITDA adjustments	**2,903**		**478**	
Total consolidated EBITDA	**$14,577**		**$6,141**	

Financial Results

A reconciliation of IFRS comprehensive income to EBITDA is as follows:

($ thousands, except where noted)	2021	2020
Profit & Loss		
Income	$19,211	$6,914
Direct operating expenses	(14,924)	(4,085)
Net operating income	**$4,287**	**$2,829**
Share of net earnings from investments	$4,033	$240
Financing costs	(4,064)	(1,972)
Administrative expenses	(840)	(345)
Asset management fees	(305)	(135)
Property management fees	(114)	(79)
Wealth management fees	(351)	(185)
Interest income	476	291
Fair value loss on investments	-	(830)
Unrealized gain (loss) on swap agreements	1,012	(2,013)
Foreign exchange gain	4	-
Loss on disposed assets	(22)	-
Income (loss) and comprehensive income (loss) for the year	**$4,116**	**($2,199)**
Net income (loss) attributable to:		
Unitholders	$3,773	($2,140)
Non-controlling interests	343	(59)
Income (loss) and comprehensive income (loss) for the year	**$4,116**	**($2,199)**
Non-cash add-backs:		
Amortization	$7,752	$3,467
Fair value loss on investments	-	830
Unrealized gain (loss) on swap agreements	(1,012)	2,013
Financing costs	4,064	1,972
Elimination of non-controlling interests	(343)	59
Earnings before interest, tax, depreciation and amortization	**$14,577**	**$6,141**

Changes in SCEF's financial position are summarized as follows:

($ thousands, except where noted)	December 31, 2021	December 31, 2020
Assets		
Solar equipment and structures	$48,974	$50,734
Biogas equipment	14,577	-
Clean energy contracts	62,143	25,305
Prepaid leases	1,387	1,478
Right-of-use assets	8,801	7,887
Investments in joint ventures	8,520	4,512
Investments in associates	1,350	-
Convertible debenture receivable	3,249	-
Loans receivable	788	765
Due from related party	1,000	1,546
Inventory	1,016	3,998
Other assets	22,462	405
Accounts receivable	2,756	1,260
Restricted cash	1,287	2,738
Cash	13,448	6,226
Total assets	**$191,758**	**$106,854**
Liabilities and unitholders' equity		
Loans payable	$45,850	48,646
Note payable	8,073	-
Interest rate swap agreements	1,050	2,662
Lease liability	8,551	7,796
Decommissioning liability	914	882
Due to related parties	2,074	3
Accounts payable and accrued liabilities	3,860	3,167
Total liabilities	70,372	63,156
Unitholders' equity	108,322	41,047
Non-controlling interests	13,064	2,651
Total equity	121,386	43,698
Total liabilities and unitholders' equity	**$191,758**	**$106,854**

Solar and Biogas Assets

The Fund's solar and biogas assets are comprised of solar equipment and structures, biogas equipment, clean energy contracts, prepaid leases, and right-of-use assets (with corresponding lease liabilities) as disclosed in SCEF's consolidated Financial Statements for the year ended December 31, 2021.

Under International Financial Reporting Standards ("IFRS"), the solar equipment and structures and biogas equipment are accounted for under the cost model as prescribed by International Accounting Standard ("IAS") 16 – Property, Plant and Equipment ("IAS 16"). These assets are recorded at cost, net of accumulated depreciation.

Under International Financial Reporting Standards ("IFRS"), the clean energy contracts are accounted for under the cost model as prescribed by International Accounting Standard ("IAS") 38 – Intangible Assets ("IAS 38"). These assets are recorded at cost, net of accumulated depreciation.

The Fund's prepaid leases and right-of-use assets are accounted for under IFRS 16 – Leases ("IFRS 16") and are amortized on a straight-line basis over the length of the related lease agreements. Right-of-use assets are recorded with a corresponding lease liability at the date that the leased asset is available for the Fund.

Changes in the carrying amounts of the solar assets are summarized as follows:

($ thousands, except where noted)	Opening balance at January 1, 2021	Additions through purchase of assets	Additions through capital expenditures	Amortization	Disposals of Assets	Interest expense and lease payments	Closing balance at December 31, 2021
Solar equipment and structures	$50,734	$1,099	$635	$(3,494)	$-	$-	$48,974
Biogas equipment	-	14,913	187	(501)	(22)	-	14,577
Prepaid leases	1,478	-	-	(91)	-	-	1,387
Right-of-use assets	7,887	1,290	-	(376)	-	-	8,801
Clean energy contracts	25,305	38,966	1,130	(3,258)	-	-	62,143
Lease liabilities	(7,796)	(1,290)	-	-	-	535	(8,551)
Total	**$77,608**	**$54,978**	**$1,952**	**$(7,720)**	**$(22)**	**$535**	**$127,331**

($ thousands, except where noted)	Opening balance at January 1, 2020	Additions through purchase of assets	Additions through capital expenditures	Amortization	Disposals of Assets	Interest expense and lease payments	Closing balance at December 31, 2020
Solar equipment and structures	$24,032	$28,174	$335	$(1,807)	$-	$-	$50,734
Biogas equipment	-	-	-	-	-	-	-
Prepaid leases	1,570	-	-	(92)	-	-	1,478
Right-of-use assets	3,261	4,852	-	(226)	-	-	7,887
Solar contracts	17,233	8,739	674	(1,341)	-	-	25,305
Lease liabilities	(3,251)	(4,852)	-	-	-	307	(7,796)
Total	**$42,845**	**$36,913**	**$1,009**	**$(3,466)**	**$-**	**$307**	**$77,608**

Capital Expenditures

In general, the Fund is committed to increasing the value of these assets by investing in capital expenditure initiatives and other programs in order to improve the overall quality of the portfolio and ultimately to sustain and expand the portfolio's future clean energy income-producing potential over its expected life span.

In correlation with industry peers, the Fund has two types of capital expenditures: maintenance capital expenditures and stabilizing and value-enhancing capital expenditures. The main difference between these two types of capital expenditures is whether the costs incurred are to maintain existing cash flows, or to achieve the longer-term goal of producing enhanced cash flows and unitholder returns.

Stabilizing and value-enhancing capital expenditures are made with the intention of increasing the productivity of the portfolio. They improve the economic life span and value of the assets and are mainly long-term in nature. The timing of these expenditures varies according to Management's capital plans, and they are funded with mortgage advances, refinancing, equity issuances, and cash flow from existing assets.

During 2021, capital expenditures were minimal as Management focused primarily on acquiring and assessing its initial solar and biogas asset portfolios. Management is committed to the ongoing future maintenance and enhancement of the Fund's portfolio and a 2022 capital budget is in place for the upcoming fiscal year.

Capital Structure

"Capital" is defined as the aggregate of debt and unitholders' equity. Management's objectives with respect to capital is to maintain its ongoing ability to meet its debt repayment obligations, and to ensure there are sufficient funds available to meet the capital requirements of the portfolio.

The Fund's Declaration of Trust permits the maximum amount of total debt to be 85% of the Fund's total assets. Under IFRS reporting, Management still continues to evaluate LTV ratios on both a market value basis and a traditional historical cost basis, whereby historical cost is defined as the acquisition cost of the properties plus the capital improvements expended thereon.

The total capital of the Fund as at December 31, 2021 is summarized in the following chart:

As at December 31, 2021 ($ thousands, except where noted)	2021	2020
Total assets	**$191,758**	**$106,854**
Loan payable	45,850	48,646
Interest rate swap agreements	1,050	2,662
Lease liability	8,551	7,796
Total debt	**$55,451**	**$59,104**
Unitholders' equity	108,322	41,047
Non-controlling interests	13,064	2,651
Total capital	**$176,837**	**$102,802**
Total debt to total assets	**28.92%**	**55.31%**
Total debt to solar and biogas assets	**40.81%**	**69.21%**

Loans Payable ($ thousands, except where noted)	Future minimum principal payments	% of total loans
2022	$2,904	6.3%
2023	3,016	6.6%
2024	3,113	6.8%
2025	3,226	7.0%
2026	3,684	8.0%
Thereafter	29,910	65.2%
Total loans payable as at December 31, 2021	**$45,850**	**100.0%**

Investment Summary

During 2021, units of SCEF were issued under the accredited investor exemption. During the year ended December 31, 2021, the Fund received net proceeds of $64.4MM through new investments, net of redemptions.

During the year ended December 31, 2021, Management purchased $4.4MM units for redemption at 100% of unit market value.

SCEF Unitholders - Investment Activity ($ thousands, except where noted)	2021		2020	
	Number of Units	Amount ($)	Number of Units	Amount ($)
SCEF units outstanding, beginning of year	**4,380,323**	**$47,044**	**4,291,679**	**$45,313**
Proceeds from units issued	5,436,481	68,789	842,731	9,838
Redemption of units	(359,401)	(4,366)	(754,087)	(8,872)
SCEF units outstanding, end of year	**9,457,403**	**$111,467**	**4,380,323**	**$47,044**
Weighted average SCEF units outstanding	**7,351,108**		**4,410,135**	

	Number of Investors	Amount ($)	Number of Investors	Amount ($)
Number of new investors	**326**	**$47,728**	**29**	**$2,441**
Number of repeat investors	**80**	**$21,061**	**21**	**$7,397**
Number of redemptions	**21**	**$(4,366)**	**26**	**$(8,872)**
New investment average ($)		$146		$84
Repeat investment average ($)		$263		$352
Redemption average ($)		$(208)		$(341)

Non-Controlling Interests

During the year ended December 31, 2021, the balance of non-controlling interests consisted of:

($ thousands, except where noted)	2021	2020
Opening balance at beginning of year	$2,651	$2,281
Net income (loss) attributable to non-controlling interests	343	(59)
Distributions to non-controlling interests	(807)	(238)
Non-controlling interests' ownership of net identifiable assets acquired	10,877	667
Closing balance at end of year	**$13,064**	**$2,651**

Unitholder Taxation

Each SCEF unit represents an undivided beneficial interest in distributions by the Fund, whether of net income, net realized capital gains or other amounts, and, in the event of a liquidation, dissolution, winding-up or other termination of the Fund, in the net assets of the Fund remaining after satisfaction of all liabilities. The distribution entitlement of each SCEF unit is intended to and will be derived from the same sources.

The Declaration of Trust provides that the Fund may distribute to unitholders as determined by the Trustees in their discretion for each calendar month or other calendar period selected by the Trustees.

It is the current intention of the Trustees that, until such time as the Trustees determine otherwise, any distributions received by the Fund from Skyline Clean Energy Limited Partnership ("SCELP") will be reinvested so that additional clean energy assets may be acquired by SCELP. As a result, it is anticipated that the payment of distributions from the Fund to its unitholders, for the time being, will be made by the issuance of additional SCEF units or fractions thereof having a fair market value as determined by the trustees equal to the amount of the taxable distribution amount for the relevant taxation year.

Unitholders will be taxed on net income of the Fund, which is paid or payable to them whether it is paid or payable in cash or by issuance of additional SCEF units to the extent that the Fund deducts such amounts in computing its income. As a result, unitholders may be required to pay tax on such amounts, although no cash was received from the fund.

During the year ended December 31, 2021, there were no distributions paid to unitholders, and no net income was paid or payable. Therefore, there was no tax impact to SCEF unitholders for fiscal 2021.

Related Party Transactions

The executive officers of the Fund do not receive direct salary compensation from the Fund. Rather, Skyline Clean Energy General Partner Inc. ("**SCEGPI**"), as General Partner of SCELP, is entitled to distributions under the limited partnership agreement ("**GP Sharing**"). Additionally, the executive officers receive compensation from the related management companies that service the Fund and SCELP ("**Management Services**").

GP Sharing

Distributions accrued as at December 31, 2021 are as follows:

($ thousands, except where noted)	2021	2020
General Partner sharing on net income	$1,144	$-
Total General Partner distribution payable	**$1,144**	**$-**

Distributions under the GP Sharing arrangement occur when SCEF's net income, excluding depreciation and unrealized gain or loss, for a fiscal year is greater than 7.5% of the weighted average retained earnings for such fiscal year. This variance is shared at a ratio of 20% to the general partner and 80% to the LP. A provision for the future distributions payable to SCEGPI has not been recorded since the timing and amount of the distributions payable cannot be reasonably estimated. At December 31, 2021, there were distributions payable of $1,144 owing to SCEGPI.

Management Services

Fees incurred for the year ended December 31, 2021 are as follows:

($ thousands, except where noted)	2021	2020
Asset management fees	$305	$135
Property management fees	114	79
Acquisition fees	486	360
Wealth management and equity raise fees	1,066	388
Legal management and administrative fees	588	253
Operations and maintenance fees	892	163
Total management fees	**$3,451**	**$1,378**

SCEF has an asset management agreement with Skyline Clean Energy Asset Management Inc. (the "**Asset Manager**"), which provides for the payment of an annual asset management fee to the Asset Manager during the term in an amount equal to 2% of the gross revenues of the solar and biogas assets which will be calculated and payable monthly, a property management fee that varies from $2 per kW DC to $5 per kW DC, plus an annual flat fee of $1 to $3 per asset, and an acquisition fee calculated as up to 1% of the asset value acquired. Under the asset management agreement, the Asset Manager is responsible for employment expenses of its personnel, rent, and other office expenses of the Asset Manager.

SCEF has an Exempt Market Dealer Agreement with Skyline Wealth Management Inc. (the "**Exempt Market Dealer**") that provides for the payment of a wealth management fee, payable monthly, equal to 1/12 of 0.3% of the Fund's equity under management (calculated as the product of the outstanding SCEF units multiplied by the then-market value of one SCEF unit). During 2021, the Exempt Market Dealer was entitled to an equity raise fee equal to a maximum of 1% on the capital raised in offerings of SCEF units, subject to adjustment. Under the Exempt Market Dealer Agreement, the Exempt Market Dealer is responsible for employment expenses of its personnel, rent and other office expenses of the Exempt Market Dealer in connection with providing services to the Fund under the Exempt Market Dealer Agreement.

SCEF has an arrangement with Skyline Asset Management Inc. ("**SAMI**") under which it pays fees for access to legal management and administrative services. Subject to the receipt of the applicable fees, SAMI is responsible for employment expenses of its personnel, rent and other office expenses.

SCEF has agreements with Anvil Crawler Development Corp. (the "**Solar Asset Operator**"), which provides for the payment of operations and maintenance services for the solar assets. Under these agreements, the O&M Provider is responsible for employment expenses of its personnel, rent, and other office expenses of the O&M Provider.

Risks And Uncertanties

The Fund must adhere to specific operating and investment guidelines as set out in the Declaration of Trust. These may have a material adverse effect on the Fund's ability to deliver electricity to its various counterparties. Guidelines are established to limit to the best extent possible the risks and uncertainties that exist, in turn, which could negatively impact the Fund's financial position and operations.

COVID-19 Coronavirus Pandemic

The COVID-19 coronavirus pandemic may adversely affect trade and local, national or global economies, and could result in a general or acute decline in economic activity in the markets in which Skyline Clean Energy Fund operates.

The fluctuation in interest rates or other financial market volatility may adversely affect SCEF's ability to finance indebtedness on terms that are as favourable as the terms of existing indebtedness, which may negatively impact SCEF's performance, or may adversely affect the ability of the Fund to complete acquisitions on financially desirable terms.

The extent to which COVID-19 impacts SCEF will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others. If the outbreak of COVID-19 and related developments lead to a prolonged or significant impact on global, national or local markets or economic growth, SCEF's cash flows, financial condition or results of operations and its ability to raise additional financing may be materially and adversely affected. Further, the COVID-19 coronavirus pandemic may cause disruptions to SCEF's business and operational plans. These disruptions may severely impact SCEF's ability to carry out its business plans for 2022.

Energy Market Volatility

While the Fund's clean energy assets are currently secured with fixed-rate, long-term, government contracts, the Fund may, from time to time, invest in clean energy assets that are in markets that may have exposure, either directly or indirectly, to a wholesale market price for energy. Wholesale market prices are impacted by a number of factors including: the price of fuel (e.g. natural gas) that is used to generate electricity; the distribution of electricity generation and excess generation capacity relative to load in a particular market; the cost of controlling emissions of pollution, including the cost of emitting CO2 (specifically to other market participants); the structure of the electricity markets; and the weather conditions that impact electrical load.

Changing Regulation

Assets in the clean energy market are often subject to extensive regulation by various government agencies and regulatory bodies. As legal requirements commonly change and are the subject of varying interpretation and discretion, the Fund may be unable to predict the ultimate cost of compliance with these requirements or their long-term effects on operations. Any new law, rule or regulation may require additional unforeseen expenditures to achieve or maintain compliance or could negatively impact the Fund's ability to generate and deliver energy. Also, operations that are not currently regulated may become subject to regulation which could ultimately result in additional cost to the Fund's business model.

Contract Non-renewal

The Fund proposes to hold multiple fixed-rate, long-term contracts to generate and sell energy. Alongside these contracts are long-term lease agreements to the facilities on which certain clean energy assets are housed. The Fund generally expects that such contracts will be renewed; however, if the Fund is not granted such renewal rights, or if such renewal rights are subject to conditions, which would result in additional costs, or would impose additional restrictions to income (e.g., a cap on energy production), the profitability and operational activity of the Fund could be negatively impacted.

Equipment Failure

The Fund's clean energy assets may not sustain continued levels of performance because of the risk of equipment failure due to, among other factors, wear and tear, design error, operator error, latent defect, or early obsolescence, all or any of which could have materially adverse effects to the Fund's financial position and operations.

Infrastructure Inaccessibility

The Fund's ability to sell electricity is reliant on the availability of, and access to, the various transmission systems.

No Assurance of Achieving Investment Objectives

There is no assurance the Fund will be able to achieve its investment objectives or be able to preserve capital. There is no assurance that the Fund's portfolio of clean energy assets will earn any return. An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and who can withstand the effect of distributions not being paid in any period or at all.

Health, Safety, Security and Environmental

The ownership and operation of the Fund's clean energy assets carries inherent risks related to health, safety, security, and the environment, including the risk of government-imposed orders to remedy unsafe conditions. The Fund could be exposed to potential penalties and civil liability if health, safety, security, and environmental laws are contravened.

Asset Impairment due to Changing Technologies

There exist other competing technologies for clean energy production, and while many of these still rely on subsidies to compete with conventional energy generation, research and development activities will aid such technologies in reducing production cost. In such an event, those technologies may compete directly or indirectly with the Fund for favourable energy fulfillment contracts, which may in turn have an adverse effect on the Fund's long-term financial position and operations.

Interest Rates

It is anticipated that the market price for the SCEF units at any given time may be affected by the level of interest rates prevailing at that time. A rise in interest rates may have a negative effect on the market price of the SCEF units.

Risk of Changes to Government Incentives

Development of new clean energy sources and the overall growth of the clean energy industry has recently been supported by provincial and/or national policies and incentives. Some of the Fund's projects may benefit from such incentives. The attractiveness of clean energy to purchasers of clean energy assets, as well as the economic return available to project sponsors, is often enhanced by such incentives. There is a risk that regulations that provide incentives for clean energy could change or expire in a manner that adversely impacts the market for renewables generally. Any such changes may impact the competitiveness of clean energy generally and the economic value of clean energy projects in particular.

Adverse Changes to the Availability of Investment Opportunities

The Fund's strategy for building value for its unitholders is to seek out and acquire or develop high-quality clean energy assets and businesses that generate sustainable, growing cash flows, with the objective of achieving appropriate risk-adjusted returns over the long term. However, no certainty can be provided that the Fund will be able to find sufficient investment opportunities and complete transactions that meet the desired investment criteria. As of the date of this report, the Fund's main competitor in respect to the investment in solar energy assets is Grasshopper Solar, a Canadian solar energy company focused on the acquisition, development, engineering, procurement, construction, and long-term ownership of solar projects. Competition for assets may grow significantly, and competition from other well-capitalized investors or companies may significantly increase the purchase price of desired investments, which may inhibit the Fund's ability to compete for future acquisitions.

Access to Capital

The clean energy industry is highly capital intensive. The Fund will require access to capital to maintain its clean energy assets, as well as to fund its growth. There is no assurance that capital will be available when needed or on favourable terms.

Unitholder Liability

Because of uncertainties in the law relating to investment trusts, there is a risk, which is considered by counsel to be remote in the circumstance, that a Unitholder could be held personally liable for obligations of the Fund (to the extent that claims are not satisfied by the Fund) in respect of contracts which the Fund enters into and for certain liabilities arising other than out of contract, including claims in tort, claims for taxes, and possibly certain other statutory liabilities. The Trustees intend to cause the Fund's operations to be conducted in such a way as to minimize any such risk including by obtaining appropriate insurance and, where feasible, attempting to have every material written contract or commitment of the Fund contain an express disavowal of liability against Unitholders.

Dependence on Key Personnel

The management of the Fund depends on the services of certain key personnel. The end of employment of any of these key personnel could have a material adverse effect on the Fund.

Concentration and Composition of the Portfolio

The Fund will primarily invest in clean energy assets, although the Fund may also hold clean energy-related investments and some cash and cash equivalents. Given the concentration of clean energy assets, the Fund will be more susceptible to adverse economic or regulatory occurrences affecting clean energy assets than investment vehicles such as investment funds that hold a diversified portfolio of securities. Investments in clean energy assets are relatively illiquid. Such illiquidity will tend to limit the Fund's ability to vary its portfolio of clean energy assets promptly in response to changing economic or investment conditions.

The investment objectives and investment restrictions of the Fund permit the Fund to invest in a broad spectrum of clean energy assets. Therefore, the composition of the Fund's asset, may vary widely from time to time. As a result, the returns generated by the Fund's clean energy assets may change as the portfolio of assets changes.

Competition

The Fund will experience competition in all aspects of its business, including price competition. If price competition increases, the Fund may not be able to raise the capital it needs in response to a rising cost of funds. Price-cutting or discounting by competitors may reduce profits. This could have a material adverse effect on the Fund's business, financial condition, and results of operations.

Additionally, the ability of the Fund to make investments in accordance with its investment objectives and investment strategies depends, upon the availability of suitable investments and the amount of funds available to make such investments.

Litigation Risk

The Fund or SCELP may, from time to time, become involved in legal proceedings in the course of its business. The costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole or at all. The unfavourable resolution of any legal proceedings could have an adverse effect on the Fund's and its financial position and results of operations that could be material.

General Economic Conditions

There are economic trends and factors that are beyond the Fund's control. Such trends and factors include adverse changes in the conditions of the clean energy market, changes in the conditions of the broader energy market and the conditions of the domestic or global economy generally.

It is not possible for the Fund to accurately predict economic fluctuations and the impact of such fluctuations on the Fund's performance.

Impact of Climate Change, Natural Disasters, and Other Events

Various events, including climate change, natural disasters, extreme weather conditions, war, and terrorism, may cause a significant decline in the value of the Fund's assets, thereby having a material adverse effect on the Fund's business, financial condition, and results of operations.

Potential Conflicts of Interest

The Fund may be subject to various conflicts of interest because of the fact that the trustees and senior officers of the Fund and certain senior officers of the Asset Manager and the Exempt Market Dealer are engaged in a wide range of other business activities. The Fund may become involved in transactions which conflict with the interests of the foregoing.

The trustees may, from time to time, deal with persons, firms, institutions, or corporations with which the Fund may be dealing, or which may be seeking investments similar to those desired by the Fund. The interests of these persons could conflict with those of the Fund. In addition, from time to time, these persons may be competing with the Fund for available investment opportunities.

The Declaration of Trust contains "conflicts of interest" provisions requiring trustees to disclose material interests in material contracts and transactions and to refrain from voting thereon.

Tax Related Risks

There can be no assurance that income tax laws and the treatment of mutual fund trusts will not be changed in a manner which adversely affects the Fund or the SCEF unitholders.

If the Fund fails or ceases to qualify as a mutual fund trust for purposes of the Tax Act, the tax implications for the Fund would in some respects be materially and adversely different. Such adverse differences would include that if the Fund did not qualify as a mutual fund trust throughout a taxation year, it would be subject to a special tax under Part XII.2 of the Tax Act for such taxation year to the extent that it has designated income (which includes income from real property and income from businesses carried on in Canada) to an investor which is a designated beneficiary (which includes non-resident persons and certain tax-exempt persons).

If investments in the Fund become publicly listed or traded, there can be no assurances that the Fund will not be subject to the SIFT Rules, as described under "Income Tax Consequences and RRSP Eligibility – SIFT Rules", at that time.

The Fund or its subsidiaries may be reassessed for taxes from time to time. Such reassessments together with associated interest and penalties could adversely affect the Fund.

Unitholders will be taxable on net income of the Fund, which is paid or payable to them in cash or by issuance of additional SCEF units to the extent that the Fund deducts such amounts in computing its income. As a result, unitholders may be required to pay tax on such amounts although, no cash was received from the Fund.

Since the net income of the Fund may be distributed in any given month, a purchaser of a unit may become taxable on a portion of the net income of the Fund accrued or realized by the Fund in a month before the time the unit was purchased but which was not paid or made payable to SCEF unitholders until the end of the month and after the time the unit was purchased. A similar result may apply on an annual basis in respect of a portion of capital gains accrued or realized in a year before the time the unit was purchased, but which is paid or made payable to SCEF unitholders at year-end and after the time the unit was purchased.

The Loss Restriction Event Rules could potentially apply to the Fund if a person (or group of persons) was to acquire more than 50% of the fair market value of the units.

Dilution

The number of units that the Fund is authorized to issue is unlimited. The trustees have the discretion to issue additional units in other circumstances, pursuant to the Fund's various incentive plans. Any issuance of additional units may have a dilutive effect on the holders of units.

Liquidity

An investment in SCEF units is an illiquid investment. There is currently no market through which SCEF units may be sold, and redemptions are subject to restrictions imposed in the Declaration of Trust and applicable securities regulation. The Fund is not a "reporting issuer" in any jurisdiction, and a prospectus has not qualified the issuance of SCEF units. Accordingly, investors will be unable to sell their SCEF units, subject to some limited exceptions.

Financing

The Fund may utilize debt financing, and will be subject to the risks associated with debt financing, including the risk that the Fund may be unable to make interest or principal payments or meet loan covenants, the risk that defaults under a loan could result in cross defaults or other lender rights or remedies under other loans, and the risk that existing indebtedness may not be able to be refinanced or that the terms of such refinancing may not be as favourable as the terms of existing indebtedness.

Nature of SCEF Units

SCEF units are not the same as shares of a corporation. As a result, SCEF unitholders will not have the statutory rights and remedies normally associated with share ownership, such as the right to bring "oppression" or "derivative" actions.

SCEF units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act and are not insured under the provisions of that act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, it is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Unexpected Costs or Liabilities Related to Acquisitions

A risk associated with acquisitions is that there may be an undisclosed or unknown liability concerning an acquired asset, and the Fund may not be indemnified for some or all of these liabilities. Following an acquisition, the Fund may discover that it has acquired undisclosed liabilities, which may be material. The due diligence procedures performed by the Asset Manager are designed to address this risk. The Asset Manager will perform what it believes to be an appropriate level of investigation in connection with the acquisition of clean energy assets by the Fund and seeks through contract to ensure that risks lie with the appropriate party.

Cybersecurity Risk

The efficient operation of the Fund's business is dependent on computer hardware and software systems. Information systems are vulnerable to cybersecurity incidents. A cybersecurity incident is considered to be any material adverse event that threatens the confidentiality, integrity or availability of the Fund's information resources. A cybersecurity incident is an intentional attack or an unintentional event including, but not limited to, malicious software, attempts to gain unauthorized access to data or information systems, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. The Fund's primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, the disclosure of confidential information including personally identifiable information, potential liability to third parties, loss of revenue, additional regulatory scrutiny and fines, as well as litigation and other costs and expenses. The Fund takes data privacy and protection seriously and has implemented processes, procedures, and controls to help mitigate these risks. Access to personal data is controlled through physical security and IT security mechanisms. For information stored with or processed by third parties, the Fund undertakes due diligence prior to working with them and uses contractual means to ensure compliance to standards set by the Fund. Additionally, the Fund monitors and assesses risks surrounding collection, usage, storage, protection, and retention/ destruction practices of personal data. These measures, as well as its increased awareness of a risk of a cyber incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

Redemptions

The entitlement of SCEF unitholders to receive cash in respect of SCEF units tendered for redemption is subject to a monthly limit. Where the monthly limit is exceeded, a portion of the redemption amount to which the unitholder would otherwise be entitled shall be paid and satisfied in cash and, subject to receipt of all necessary regulatory approvals, the remainder shall be paid and satisfied by way of issuance to the SCEF unitholder of a trust note in accordance with the Declaration of Trust.

Critical Accounting Estimates

Preparing the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimates are revised, and the revision affects both current and future periods.

Significant estimates and assumptions include the fair values assigned to clean energy contracts. Valuation of these clean energy contracts is one of the principal estimates and uncertainties of these financial statements.

Additional information the significant estimates, judgments and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 3 in the audited annual consolidated financial statements for the period ended December 31, 2021.

Subsequent Events

Subsequent to December 31, 2021, SCEF issued 744,564 units for an aggregate value of $9,904 and 334,248 units were redeemed for an aggregate value of $4,151.

The following unit price changes occurred subsequent to year end:

Effective Date	Unit Price
January 1, 2022	**$13.24**
February 1, 2022	**$13.30**
March 1, 2022	**$13.40**
April 1, 2022	**$13.61**

SCEF Unitholders - 2021 Investment Activity (to date) **($ thousands, except where noted)**	**January 1, 2022 to April 30, 2022**	
	Number of Units	**Amount ($)**
SCEF units outstanding, January 1, 2022	**9,457,403**	**$111,467**
Proceeds from units issued	744,564	9,904
Redemption of units	(334,248)	(4,151)
SCEF units outstanding, April 30, 2022	**9,867,719**	**$117,221**

SKYLINE CLEAN ENERGY FUND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

SKYLINE CLEAN ENERGY FUND

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of: Skyline Clean Energy Fund

Opinion

We have audited the accompanying financial statements of Skyline Clean Energy Fund, which comprise the consolidated statement of financial position as at December 31, 2021 and December 31, 2020 and the consolidated statements of changes in unitholders' equity, income (loss) and comprehensive income (loss) and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Skyline Clean Energy Fund as at December 31, 2021 and December 31, 2020 and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Skyline Clean Energy Fund 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 consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing Skyline Clean Energy Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

GUELPH OFFICE 103-197 HANLON CREEK BLVD, GUELPH, ON • TEL: 519-822-9933 • FAX: 519-822-9212 • RLB.CA

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

- Identify and assess the risks of material misstatement of the consolidated 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 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 Skyline Clean Energy Fund'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 Skyline Clean Energy Fund'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 consolidated 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 Skyline Clean Energy Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Guelph, Ontario
March 23, 2022

Chartered Professional Accountants
Licensed Public Accountants

SKYLINE CLEAN ENERGY FUND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

(in thousands of Canadian dollars)

	2021	2020
ASSETS		
Solar equipment and structures (notes 6, 7)	$ 48,974	$ 50,734
Biogas equipment (notes 6, 8)	14,577	0
Clean energy contracts (notes 6, 9)	62,143	25,305
Prepaid leases (notes 6, 10)	1,387	1,478
Right-of-use assets (notes 6, 11)	8,801	7,887
Investments in joint ventures (notes 6, 12)	8,520	4,512
Investments in associates (notes 6, 13)	1,350	0
Convertible debenture receivable (note 14)	3,249	0
Loans receivable (note 15)	788	765
Due from related party (note 24)	1,000	1,546
Inventory (note 16)	1,016	3,998
Other assets (note 17)	22,462	405
Accounts receivable (note 18)	2,756	1,260
Restricted cash (note 19)	1,287	2,738
Cash	13,448	6,226
	$ 191,758	$ 106,854
LIABILITIES AND UNITHOLDERS' EQUITY		
Loans payable (notes 6, 20)	$ 45,850	$ 48,646
Note payable (note 21)	8,073	0
Interest rate swap agreements (notes 6, 22)	1,050	2,662
Lease liability (notes 6, 23)	8,551	7,796
Decommissioning liability (notes 6, 26)	914	882
Due to related parties (note 24)	2,074	3
Accounts payable and accrued liabilities (note 25)	3,860	3,167
	70,372	63,156
Unitholders' equity (page 6)	108,322	41,047
Non-controlling interests (page 6) (note 32)	13,064	2,651
	121,386	43,698
	$ 191,758	$ 106,854

Trustee

Trustee

See notes to the consolidated financial statements

SKYLINE CLEAN ENERGY FUND

CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2021

(in thousands of Canadian dollars)

	Unitholders' Equity	Non-Controlling Interests	Total
OPENING BALANCE - January 1, 2021	$ 41,047	$ 2,651	$ 43,698
Proceeds from units issued (note 33)	68,889	0	68,889
Issuance costs (notes 24, 33)	(720)	0	(720)
Income and comprehensive income for the year	3,773	343	4,116
Distribution to non-controlling interest (note 32)	0	(807)	(807)
Non-controlling interests ownership of biogas assets acquired (note 32)	0	10,877	10,877
Redemptions (note 33)	(4,667)	0	(4,667)
CLOSING BALANCE - December 31, 2021	$ 108,322	$ 13,064	$ 121,386
OPENING BALANCE - January 1, 2020	$ 42,426	$ 2,281	$ 44,707
Proceeds from units issued (note 33)	9,838	0	9,838
Issuance costs (notes 24, 33)	(205)	0	(205)
Loss and comprehensive loss for the year	(2,140)	(59)	(2,199)
Distribution to non-controlling interest (note 32)	0	(238)	(238)
Non-controlling interests assumed (notes 6, 32)	0	667	667
Redemptions (note 33)	(8,872)	0	(8,872)
CLOSING BALANCE - December 31, 2020	$ 41,047	$ 2,651	$ 43,698

See notes to the consolidated financial statements

SKYLINE CLEAN ENERGY FUND

CONSOLIDATED STATEMENT OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

FOR THE YEAR ENDED DECEMBER 31, 2021

(in thousands of Canadian dollars)

	2021	2020
INCOME		
Solar income	$ 11,336	$ 6,324
Biogas income	4,864	0
Other income (note 6)	0	590
Battery sales (note 16)	3,011	0
	19,211	6,914
DIRECT OPERATING EXPENSES		
Utilities	462	119
Insurance	396	159
Amortization (notes 7, 8, 9, 10, 11, 26)	7,752	3,467
Operations and maintenance fees (note 24)	892	163
Management fees	664	72
Property tax	59	1
Royalty expense	10	11
Other direct operating expenses	1,811	93
Battery cost of sales (note 16)	2,878	0
	14,924	4,085
NET OPERATING INCOME	4,287	2,829
OTHER EXPENSES (INCOME)		
Share of net earnings from investments (notes 12, 13)	(4,033)	(240)
Financing costs (notes 24, 27)	4,064	1,972
Administrative expenses	840	345
Asset management fees (note 24)	305	135
Property management fees (note 24)	114	79
Wealth management fees (note 24)	351	185
Interest income (note 24)	(476)	(291)
	1,165	2,185
INCOME BEFORE UNDERNOTED	3,122	644
Fair value loss on investments (note 12)	0	(830)
Unrealized gain (loss) on swap agreements (note 22)	1,012	(2,013)
Foreign exchange gain	4	0
Loss on disposed assets	(22)	0
	994	(2,843)
INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) for the year	$ 4,116	$ (2,199)
Net income (loss) attributable to:		
Unitholders	$ 3,773	$ (2,140)
Non-controlling interests (note 32)	343	(59)
Net income (loss) and comprehensive income (loss)	$ 4,116	$ (2,199)

See notes to the consolidated financial statements

SKYLINE CLEAN ENERGY FUND

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

(in thousands of Canadian dollars)

	2021	2020
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Income (loss) and comprehensive income		
(loss) for the year	$ 4,116	$ (2,199)
Items not requiring an outlay of cash:		
Amortization (notes 7, 8, 9, 10, 11)	7,720	3,466
Amortization of financing costs (note 27)	445	31
Accretion on decommissioning liability (note 26)	32	1
Financing costs in operations (note 27)	3,619	1,941
Fair value loss on investments (note 12)	0	830
Unrealized (gain) loss on swap agreements (note 22)	(1,012)	388
Interest rate swap payments (note 22)	(600)	(74)
Loss on disposed assets	22	0
Non-controlling interests in ownership of biogas assets		
acquired (note 32)	10,877	0
Share of net earnings from investments (notes 12, 13)	(4,033)	(240)
	21,186	4,144
Changes in non-cash working capital		
Accounts receivable (note 18)	(1,496)	(766)
Inventory (note 16)	2,982	(3,998)
Other assets (note 17)	(22,057)	(280)
Accounts payable and accrued liabilities (note 25)	693	2,842
	1,308	1,942
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Due to/from related parties (note 24)	2,617	12,036
Note payable proceeds	8,073	0
Loan proceeds, net of repayments (note 20)	(3,293)	24,399
Accrued interest on loan payable (note 20)	52	48
Interest rate swap agreements (note 22)	0	2,181
Interest paid on debt (note 27)	(2,064)	(1,263)
Distribution paid to general partner (note 27)	(1,144)	(464)
Lease payments made on lease liability (note 23)	(946)	(521)
Restricted cash (note 19)	1,451	(1,733)
Proceeds from units issued (page 6)	68,889	9,838
Redemptions (page 6)	(4,667)	(8,872)
Issuance costs (note 24) (page 6)	(720)	(205)
Distribution to non-controlling interest (note 32)	(807)	(238)
Non-controlling interest assumed with acquisition (note 6)	0	667
Principal payment received on loan receivable (note 15)	61	59
	67,502	35,932

See notes to the consolidated financial statements

SKYLINE CLEAN ENERGY FUND

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED DECEMBER 31, 2021

(in thousands of Canadian dollars)

	2021	**2020**
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Acquired solar and biogas assets (note 6)	(54,978)	(36,913)
Additions to solar and biogas assets (notes 7, 8, 9)	(1,952)	(1,009)
Decommissioning liability (note 26)	0	881
Acquired convertible debenture (note 14)	(3,040)	0
Accrued interest on convertible debentures (note 14)	(209)	0
Purchase of Investor LP units in associate (note 13)	(1,399)	0
Acquired investments in joint ventures (note 12)	0	(2,865)
Distribution from investments in joint ventures (note 12)	74	150
Additions to investments in joint ventures (note 12)	0	(830)
Loan receivable issued (note 15)	0	(130)
Interest on loans receivable (note 15)	(84)	(84)
	(61,588)	(40,800)
NET INCREASE (DECREASE) IN CASH	7,222	(2,926)
CASH, beginning of year	6,226	9,152
CASH, end of year	$ 13,448	$ 6,226

See notes to the consolidated financial statements

1. NATURE OF BUSINESS

Skyline Clean Energy Fund ("SCEF") is an unincorporated, open ended mutual fund trust established under the laws of the Province of Ontario that was created pursuant to a Declaration of Trust dated May 3, 2018.

Skyline Clean Energy Limited Partnership ("SCELP") was created on May 3, 2018 as a limited partnership under the laws of the Province of Ontario. The general partner is Skyline Clean Energy GP Inc. and the majority limited partner is SCEF.

SCEF is domiciled in Ontario, Canada. The address of SCEF's registered office and its principal place of business is 5 Douglas Street, Suite 301, Guelph, Ontario, N1H 2S8.

2. BASIS OF PRESENTATION

(a) STATEMENT OF COMPLIANCE

The consolidated financial statements of SCEF for the year ended December 31, 2021 are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise judgment in applying SCEF's accounting policies.

The consolidated financial statements are presented in accordance with International Accounting Standard "IAS" 1 - Presentation of Financial Statements. SCEF has elected to present the Statement of Income and Comprehensive Income in one statement.

The consolidated financial statements for the year ended December 31, 2021 were approved for issue by the Board of Trustees on March 23, 2022.

(b) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a historical cost basis, as modified by the revaluation of certain financial instruments, as set out in the relevant accounting policies.

(c) FUNCTIONAL CURRENCY AND PRESENTATION

The consolidated financial statements are presented in Canadian dollars, which is also SCEF's functional currency.

SCEF presents its consolidated statement of financial position based on the liquidity method, where all assets and liabilities are presented in the ascending order of liquidity.

2. BASIS OF PRESENTATION (continued)

(d) USE OF ESTIMATES

The preparation of these consolidated financial statements requires SCEF to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimates are revised and the revision affects both current and future periods.

Significant estimates and assumptions include the useful life of solar equipment, structures, biogas equipment and clean energy contracts, the valuation of right-to-use assets and lease liabilities and the valuation of the decommissioning liability and accounts payable and accrued liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS and include the following significant accounting policies (and any changes thereto):

Significant accounting policies

(a) CLEAN ENERGY CONTRACTS

The clean energy contracts give SCEF the ability to participate in the Feed-In Tariff (“FIT”) program which allows it to sell electricity generated from its solar and biogas equipment to the Local Distribution Company ("LDC"). The clean energy contracts meet the definition of an intangible asset under IAS 38 Intangible assets (“IAS 38”). The clean energy contracts are accounted for under the cost model of IAS 38 and are recorded at cost, net of accumulated amortization and/or impairment losses, if any. In accordance with IFRS 15 Revenue from contracts with customers ("IFRS 15"), amortization is recorded on a straight-line basis at rates designed to amortize the cost of clean energy contracts over the length of the contracts.

(b) PREPAID LEASES

The prepaid leases are agreements that allow SCEF to lease the land from a landlord, to build a structure upon which solar equipment and structures can be installed for the purposes of generating income. The prepaid leases are amortized straight-line over the length of the lease agreement.

(c) LEASES

Under IFRS 16, leases are recognized as a right-of-use asset with a corresponding liability at the date of which the leased asset is available for use by SCEF. Each lease payment is allocated between the lease liability and financing costs. The financing cost is charged to the Statement of Income (Loss) and Comprehensive Income (Loss) over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability for each reporting period. The right-of-use asset is depreciated over the term of the lease agreement on a straight-line basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) DECOMMISSIONING LIABILITY

A decommissioning liability is recognized at the best estimate of the expenditure required to settle the present obligation at the statement of financial position date when the liability for a decommissioning liability is incurred and a reasonable estimate of the obligation is determinable. The best estimate of the decommissioning liability is the present value of the amount SCEF would rationally pay to settle the obligation, or transfer it to a third party, at the statement of financial position date.

When a liability is recognized, a corresponding decommissioning cost is capitalized to the carrying amount of the related asset. The decommissioning cost is amortized over the estimated useful life of the related asset.

SCEF recognizes changes to the liability due to the passage of time in operating expenses, as accretion. Changes due to passage of time are calculated by applying an interest method of allocation using the discount rate used in the original calculation of the decommissioning liability. SCEF recognizes changes to the liability arising from revisions to the timing, amount of expected undiscounted cash flows or discount rate as an increase or decrease to the carrying amounts of the decommissioning liability and the related decommissioning capitalized cost.

(e) REVENUE RECOGNITION

Under IFRS 15, solar and biogas income is recognized over time as the related electricity is delivered. SCEF's solar and biogas equipment generates electricity, which is then sold to the LDC at fixed rates as per the Ontario Power Authority ("OPA") or Independent Electricity System Operator ("IESO") contracts, on a per kilowatt basis. This solar or biogas income is recognized at the fixed rate paid by the LDC at the time the electricity is transferred to the LDC.

Each of SCEF's clean energy contracts contain a distinct performance obligation for the delivery of electricity. Determining what goods or services promised to the customer constitute a distinct performance obligation requires significant judgment. SCEF considered all goods and services promised in its clean energy contracts and determined that, while certain promises do have stand-alone value to the customer, they are not distinct in the context of the contract. SCEF views each kilowatt hour (kWh) of electricity delivered to be a series of distinct goods that are substantially the same and have the same pattern of transfer to the customer as measured using an output method. The amount that SCEF has a right to bill the customer reflects the pattern of transfer and value of the completed performance to the customer. As a result, SCEF applies the "right to invoice" practical expedient under IFRS 15 to measure and recognize revenue.

Biogas income is also recognized as tipping fees upon the receipt or pick up of organic waste from the customer. Biogas income is recognized as the service is performed.

Battery sales are recognized as the batteries are delivered and SCEF no longer controls the assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) SOLAR AND BIOGAS EQUIPMENT

Solar and biogas equipment is utilized to earn solar and biogas income, respectively, and is accounted for using the cost model as prescribed under IAS 16 – Property, Plant and Equipment (“IAS 16”). The equipment is recorded at cost, net of accumulated amortization and/or impairment losses, if any. The cost of solar and biogas equipment includes the cost of replacing part of the solar or biogas equipment and borrowing costs for long term construction projects, if the recognition criteria are met.

Amortization is recorded on a straight-line basis at rates designed to amortize the cost of solar and biogas equipment over its estimated useful life.

(g) STRUCTURES

Structures are used to mount and house the solar equipment that are utilized to generate solar income. The structures are accounted for using the cost model as prescribed under IAS 16. The structures are recorded at cost, net of accumulated depreciation and/or impairment losses, if any. The cost of the structures includes the cost of replacing part of the solar equipment and borrowing costs for long term construction projects, if the recognition criteria are met.

Amortization is recorded on a straight-line basis at rates designed to amortize the cost of the structures over their estimated useful lives.

(h) FINANCIAL INSTRUMENTS

SCEF's financial instruments and their respective classification and measurement characteristics, are as follows:

Asset/Liability	Classification/Measurement
Cash	Amortized cost
Restricted cash	Amortized cost
Accounts receivable	Amortized cost
Loans receivable	Amortized cost
Convertible debenture receivable	Amortized cost
Due from related party	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost
Note payable	Amortized cost
Interest rate swap agreements	FVTPL
Due to related parties	Amortized cost

Financial Assets
Financial assets are classified at initial recognition, as either financial assets at fair value through profit or loss ("FVTPL") or amortized cost. Financial assets that give rise to specified payments of principal and interest are carried at amortized cost when they are held to collect contractual cash flows. All other financial assets are carried at FVTPL. When financial assets are recognized initially, they are measured at fair value, plus directly attributable transaction costs for those financial assets not subsequently measured at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) FINANCIAL INSTRUMENTS (continued)

Financial Assets (continued)
SCEF's financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or substantially the entity loses control of all or part of the assets.

SCEF's financial assets that are classified as amortized cost include cash, restricted cash, accounts receivable, loans receivable, convertible debenture receivable and due to related party. They are initially recognized at fair value and subsequently measured at amortized cost less provision for impairment.

Provision for impairment is made based on the simplified expected credit loss ("ECL") model. Under the simplified ECL model, SCEF estimates lifetime expected losses for its receivables at each statement of financial position date based on available information. To measure the expected losses, amounts receivable are grouped based on days past due. The results of the simplified ECL model are used to reduce the carrying amount of the financial asset through an allowance account, and the changes in the measurement of the allowance account are recognized through the profit and loss. Bad debt write-offs occur when SCEF determines collection is not possible. If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring in the subsequent period, the impairment loss is reversed to no more than its previous carrying amount by adjusting the allowance. The reversal is recognized through profit and loss. Impaired receivables are derecognized when they become uncollectible.

Financial Liabilities
Financial liabilities are classified at initial recognition as either financial liabilities at fair value through profit and loss or amortized cost, as appropriate. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

SCEF's financial liabilities classified as amortized cost include accounts payable and accrued liabilities, loans payable, note payable and due to related parties. These financial liabilities are measured initially at fair value and subsequently at amortized cost. The fair value of a non-interest bearing liability is its discounted payment amount. If the due date of the liability is less than one year, discounting is omitted.

(i) INCOME TAXES

SCEF qualifies as a mutual fund trust pursuant to the Income Tax Act. Under current legislation, a mutual fund trust is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided its taxable income is fully distributed to unitholders. SCEF intends to continue to qualify as a mutual fund trust and to make distributions not less than the amount necessary to ensure that SCEF will not be liable to pay income taxes. Accordingly, no provision for income taxes has been made.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. In estimating the fair value of an asset or a liability, SCEF considers the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

Assets and liabilities measured at fair value in the statement of financial position are categorized by level according to the significance of the inputs used in making the measurements. The levels of inputs are defined as follows:

Level 1 inputs
Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs
Inputs other than quoted prices (included within Level 1) that are observable for the asset or the liability, either directly or indirectly.

Level 3 inputs
Unobservable inputs for the asset or liability.

SCEF's policy is to recognize transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

(k) JOINT ARRANGEMENTS

In accordance with IFRS 11 – Joint Arrangements ("IFRS 11"), SCEF has investments over which SCEF has joint control and whereby the parties that share joint control have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in joint ventures are accounted using the equity method. Under the equity method, the investment is carried on the consolidated statement of financial position at cost, adjusted for SCEF's proportionate share of post-acquisition profits and losses and for post-acquisition changes in excess of SCEF's carrying amount of its investment over the net assets of the equity accounted investments, less any identified impairment loss. SCEF's share of profits and losses is recognized in the consolidated statement of income (loss) and comprehensive income (loss).

(l) INVENTORY

Inventory includes energy storage systems that are held for sale by SCEF and are carried at the lesser of cost and net realizable value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) INVESTMENTS IN ASSOCIATES

In accordance with IAS 28 - Investments in Associates ("IAS 28"), SCEF has investments over which SCEF has significant influence. Generally, SCEF is considered to exert significant influence when it holds more than a 20% interest in an entity or partnership. However, determining significant influence is a matter of judgment and specific circumstances. The financial results of SCEF's investments in associates are included in SCEF's consolidated financial statements using the equity method, whereby the investment is carried on the consolidated statement of financial position at cost, adjusted for SCEF's proportionate share of post-acquisition profits and losses and for post-acquisition changes in excess of SCEF's carrying amount of its investment over the net assets of the equity accounted investments, less any identified impairment loss. SCEF's share of profits and losses is recognized in the consolidated statement of income (loss) and comprehensive income (loss).

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of SCEF’s consolidated financial statements are disclosed below. SCEF intends to adopt these standards, if applicable, when they become effective.

IAS 1 - In January 2020, the IASB issued an amendment to IAS 1 - Presentation of financial statements which will be effective for years beginning on or after January 1, 2023. The amended standard will update the definition of a liability and the classification of liabilities between current and non-current.

IAS 1 - In February 2021, the IASB issued an amendment to IAS 1 - Presentation of financial statements which will be effective for years beginning on or after January 1, 2023. The amended standard will update the definition of accounting policy information.

IAS 8 - In February 2021, the IASB issued an amendment to IAS 8 - Accounting policies, changes in accounting estimates and errors which will be effective for years beginning on or after January 1, 2023. The amended standard clarifies the difference between an accounting estimate and an accounting policy.

IAS 16 - In May 2020, the IASB issued an amendment to IAS 16 - Property, Plant and Equipment which will be effective for years beginning on or after January 1, 2022. The amended standard will update the elements of the cost of property, plant and equipment as it refers to the costs of testing whether the asset is functioning properly and disclosures surrounding this.

IAS 28 - In May 2020, the IASB issued an amendment to IAS 28 - Investments in Associates and Joint Ventures. The amended standard will update the equity method procedures for recognizing the sale or contribution of assets between an investor and its associate or joint venture. The effective date has been deferred indefinitely.

IAS 37 - In May 2020, the IASB issued an amendment to IAS 37 - Provisions, contingent liabilities and contingent assets which will be effective for years beginning on or after January 1, 2022. The amended standard will be updated to include a definition of the costs associated with fulfilling the obligations of an onerous contract.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 - In May 2020, the IASB issued an amendment to IFRS 9 - Financial Instruments which will be effective for years beginning on or after January 1, 2022. The amended standard will update the definition of what constitutes substantially different when referring to the exchange of debt instruments.

SCEF does not expect any significant impact as a result of these amendments.

5. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the consolidated financial statements of Skyline Clean Energy Fund and its subsidiary, SCELP.

Subsidiaries are entities over which Skyline Clean Energy Fund has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Subsidiaries are fully consolidated from the date control is transferred to Skyline Clean Energy Fund, and are de-consolidated from the date control ceases. Intercompany transactions between subsidiaries are eliminated on consolidation. All subsidiaries have a reporting date of December 31.

6. ACQUISITIONS

The following assets were acquired during the year. The results of the acquisitions are included in these consolidated financial statements from the date of acquisition:

SBE Limited Partnership Acquisition - On August 24, 2021, SCEF acquired LP units in SBE Limited Partnership. SBE Limited Partnership owns one biogas asset comprised of biogas equipment, a right-of-use asset and a biogas contract. A minority interest holds units in SBE Limited Partnership, therefore a portion of the total identifiable net assets acquired from SBE Limited Partnership has been allocated to the respective non-controlling interest. See note 32.

SC&G Acquisition - On September 10, 2021, SCEF acquired the beneficial interest in four solar assets. The solar assets consist of solar equipment, solar contracts and right-of-use assets.

Blue Circle Acquisition - On September 21, 2021 SCEF acquired 1,040,000 investor LP units of Blue Circle Energy Fund 1 LP.

(in thousands of Canadian dollars, except per unit amounts)

6. ACQUISITIONS (continued)

The following table contains details of SCEF's 2021 and 2020 acquisitions:

	2021	2020
Net assets acquired:		
Solar equipment	$ 1,099	$ 28,174
Biogas equipment	14,913	0
Clean energy contracts	38,966	8,739
Right-of-use assets	1,290	4,852
Investor LP units	1,333	0
Class A units	0	2,862
Common shares	0	3
Debt assumed:		
Loan payable	0	(28,061)
Deferred financing costs	0	2,048
Interest rate swap agreements	0	(2,181)
Decommissioning liability	0	(881)
Due to related parties	0	(421)
Non-controlling interests assumed	0	(667)
Net working capital:	755	4,645
Total identifiable net assets	$ 58,356	$ 19,112
Consideration paid, funded by:		
Lease liability	$ 1,290	$ 4,852
Tax holdback	0	1,496
Non-controlling interest	10,877	0
Cash on hand	46,189	12,764
Total consideration paid	$ 58,356	$ 19,112

7. SOLAR EQUIPMENT AND STRUCTURES

Changes to the carrying amounts of the solar equipment and structures presented in the statement of financial position are summarized as follows:

	2021	2020
Opening balance	$ 50,734	$ 24,032
Additions through purchase of assets (note 6)	1,099	28,174
Additions through capital expenditures	635	335
Amortization	(3,494)	(1,807)
Closing balance	$ 48,974	$ 50,734

(in thousands of Canadian dollars, except per unit amounts)

8. BIOGAS EQUIPMENT

Changes to the carrying amounts of the biogas equipment presented in the statement of financial position are summarized as follows:

	2021	2020
Opening balance	$ 0	$ 0
Additions through purchase of assets (note 6)	14,913	0
Additions through capital expenditures	187	0
Disposal of assets	(22)	0
Amortization	(501)	0
Closing balance	$ 14,577	$ 0

9. CLEAN ENERGY CONTRACTS

Changes to the carrying amounts of the solar contracts presented in the statement of financial position are summarized as follows:

	2021	2020
Opening balance	$ 25,305	$ 17,233
Additions through purchase of assets (note 6)	38,966	8,739
Additions through capital expenditures	1,130	674
Amortization	(3,258)	(1,341)
Closing balance	$ 62,143	$ 25,305

10. PREPAID LEASES

Changes to the carrying amounts of the prepaid leases presented in the statement of financial position are summarized as follows:

	2021	2020
Opening balance	$ 1,478	$ 1,570
Amortization	(91)	(92)
Closing balance	$ 1,387	$ 1,478

11. RIGHT-OF-USE ASSETS

Changes to the carrying amounts of the right-of-use assets presented in the statement of financial position are summarized as follows:

	2021	2020
Opening balance	$ 7,887	$ 3,261
Additions through purchase of assets (note 6)	1,290	4,852
Amortization	(376)	(226)
Closing balance	$ 8,801	$ 7,887

(in thousands of Canadian dollars, except per unit amounts)

12. INVESTMENTS IN JOINT VENTURES

On December 31, 2021, SCEF has invested in 50% ownership of three joint ventures (2020 - three) which hold solar assets.

Changes to the aggregate carrying value of SCEF's investment is summarized as follows:

	2021	2020
Opening balance	$ 4,512	$ 1,557
Additions through purchase of Class A units (note 6)	0	2,862
Additions through purchase of common shares (note 6)	0	3
Additions through transaction costs expenditures	0	830
Share of net earnings	4,082	240
Distributions	(74)	(150)
Fair value loss	0	(830)
Closing balance	$ 8,520	$ 4,512

The following details SCEF's share of the limited partnership's aggregated assets, liabilities, and results of operations accounted for under the equity method

As at December 31, 2021:

	SunE Sky First Light LP	SunE Sky 13th Sideroad LP	SunE Sky Ryerse LP	Total
Solar equipment	$ 13,354	$ 11,251	$ 10,974	$ 35,579
Current assets	957	2,906	2,823	6,686
Total assets	14,311	14,157	13,797	42,265
Non-current liabilities	7,763	9,843	9,768	27,374
Current liabilities	3,784	1,303	1,284	6,371
Net equity	$ 2,764	$ 3,011	$ 2,745	$ 8,520

For the year ended December 31, 2021:

	SunE Sky First Light LP	SunE Sky 13th Sideroad LP	SunE Sky Ryerse LP	Total
Solar revenue	$ 1,883	$ 2,176	$ 2,091	$ 6,150
Operating expenses	1,186	1,069	1,059	3,314
Net operating income	697	1,107	1,032	2,836
Other income	417	403	426	1,246
Net income	$ 1,114	$ 1,510	$ 1,458	$ 4,082

(in thousands of Canadian dollars, except per unit amounts)

12. INVESTMENT IN JOINT VENTURES (continued)

As at December 31, 2020:

	SunE Sky First Light LP	SunE Sky 13th Sideroad LP	SunE Sky Ryerse LP	Total
Solar equipment	$ 14,056	$ 11,833	$ 11,545	$ 37,434
Current assets	732	2,625	2,638	5,995
Total assets	14,788	14,458	14,183	43,429
Non-current liabilities	9,358	11,627	11,536	32,521
Current liabilities	3,781	1,330	1,285	6,396
Net equity	$ 1,649	$ 1,501	$ 1,362	$ 4,512

For the year ended December 31, 2020:

	SunE Sky First Light LP	SunE Sky 13th Sideroad LP	SunE Sky Ryerse LP	Total
Solar revenue	$ 1,887	$ 513	$ 484	$ 2,884
Operating expenses	1,234	429	426	2,089
Net operating income	653	84	58	795
Other income (expense)	(562)	3	4	(555)
Net income	$ 91	$ 87	$ 62	$ 240

13. INVESTMENTS IN ASSOCIATES

On December 31, 2021, SCEF has significant influence over one associate (2020 - none).

Changes to the aggregate carrying value of SCEF's investment is summarized as follows:

	2021	**2020**
Opening balance	$ 0	$ 0
Additions through purchase of LP units (note 6)	1,333	0
Additions through transaction costs expenditures	66	0
Share of net loss	(49)	0
Closing balance	$ 1,350	$ 0

(in thousands of Canadian dollars, except per unit amounts)

13. INVESTMENTS IN ASSOCIATES (continued)

The following details SCEF's share of the associate's aggregated assets, liabilities, and results of operations accounted for under the equity method

As at December 31, 2021:

	Blue Circle Energy Fund I LP
Non-current assets	$ 1,367
Current assets	9
Total assets	1,376
Non-current liabilities	0
Current liabilities	26
Net equity	$ 1,350

For the year ended December 31, 2021:

	Blue Circle Energy Fund I LP
Revenue	$ 0
Operating expenses	51
Net operating loss	(51)
Other income	2
Net loss	$ (49)

14. CONVERTIBLE DEBENTURE RECEIVABLE

During the year ended December 31, 2021, SCEF paid $3,040 to purchase convertible debentures. These debentures are convertible anytime after September 1, 2021 but before May 1, 2023 at a conversion price of $10.00 per Class A share, being the ratio of 100 Class A shares per $1,000 of principal amount of debentures. The debenture bears interest at an annual rate of 9% and has a maturity date of June 30, 2036. The balance as at December 31, 2021 is $3,249 (2020 - $nil).

15. LOANS RECEIVABLE

On June 12, 2020, SCEF issued a $130 loan receivable to a third party to provide financial assistance to replace a prior loan. The loan bears interest at an annual rate of 4% and is due on demand.

On August 20, 2018, SCEF assumed a $535 loan receivable from the non-controlling interest of 601 Canarctic Solar LP (note 32). The non-controlling interest is required to make annual blended payments of $91 to SCEF starting in 2019, with interest charged at 15.54%. The loan will be fully repaid by 2035.

(in thousands of Canadian dollars, except per unit amounts)

15. LOANS RECEIVABLE (continued)

Changes to the carrying amount of the loan receivable presented in the consolidated statement of financial position can be summarized as follows:

	2021	2020
Opening balance	$ 765	$ 610
Issued in connection with acquisition	0	130
Interest receivable	84	84
Distribution payable to non-controlling interest, applied to principal balance of loan receivable (note 32)	(61)	(59)
Closing balance	$ 788	$ 765

16. INVENTORY

As at December 31, 2021 SCEF owned one energy storage system (2020 - six), the total historical cost of which is $1,016 (2020 - $3,998). The amount of inventory expensed in 2021 was $2,878 (2020 - $nil).

17. OTHER ASSETS

The components of other assets are as follows:

	2021	2020
Prepaid expenses	$ 1,920	$ 161
Deposits on potential acquisitions	320	0
Deposit on bonding contract	20,000	0
Pre-acquisition costs	18	2
Capital reserve	204	242
Balance at the end of the year	$ 22,462	$ 405

18. ACCOUNTS RECEIVABLE

The components of accounts receivable are as follows:

	2021	2020
Solar income receivable	$ 703	$ 605
Biogas income receivable	1,421	0
HST receivable	346	353
Other receivable	286	302
Balance at the end of the year	$ 2,756	$ 1,260

(in thousands of Canadian dollars, except per unit amounts)

19. RESTRICTED CASH

On December 4, 2020, in connection with the Vine Fresh Equitable Bank Loan financing (note 20), SCEF established two reserve accounts. The debt service reserve acts as additional assurance to the lender that all quarterly repayments will be made in accordance with the credit agreement, as the lender can direct withdrawals for any debt payment shortfalls from the debt service reserve account. Similarly, the lender can direct withdrawals from the major maintenance reserve to be applied towards rehabilitation, replacement, maintenance or repairs to the secured solar assets.

On December 14, 2020 in connection with the NSNW Acquisition (note 6), SCEF held back a portion of the NSNW Acquisition purchase price as security for the purposes of satisfying the vendors' indemnification obligations regarding the potential Canada Revenue Agency ("CRA") requirement to remit withholding tax. In the event that a remittance is required, SCEF will utilize the tax holdback to remit any amounts owing to the CRA. This was paid back during the year ended December 31, 2021.

On December 23, 2020, in connection with the Ozz Acquisition (note 6) and PNC Loan financing (note 20), SCEF assumed six debt reserve accounts. The debt service reserve acts as additional assurance to the lender that all quarterly repayments will be made in accordance with the credit agreement, as the lender can direct withdrawals for any debt payment shortfalls from the debt service reserve account.

On August 23, 2019, in connection with the Equitable Bank Loan financing (note 20), SCEF established two reserve accounts. The debt service reserve acts as additional assurance to the lender that all quarterly repayments will be made in accordance with the credit agreement, as the lender can direct withdrawals for any debt payment shortfalls from the debt service reserve account. Similarly, the lender can direct withdrawals from the major maintenance reserve to be applied towards rehabilitation, replacement, maintenance or repairs to the secured solar assets.

The components of restricted cash are as follows:

	2021	2020
Debt service reserve	$ 1,026	$ 1,024
Major maintenance reserve	261	218
Tax holdback	0	1,496
Balance at the end of the year	$ 1,287	$ 2,738

(in thousands of Canadian dollars, except per unit amounts)

20. LOANS PAYABLE

On June 1, 2020, as part of the Vine Fresh acquisition (note 6), SCEF assumed a $5,270 loan payable to the Royal Bank of Canada that is secured by one solar asset (the “RBC Loan”). On December 4, 2020, SCEF refinanced its existing RBC Loan with a $5,594 loan payable to Equitable Bank that is secured by one solar asset (the “Vine Fresh Equitable Bank Loan”). The loan bears an interest rate of 3.827% and matures on March 4, 2033. The agreement with Equitable Bank requires that SCEF maintain a debt service coverage ratio of 1.68:1. SCEF is in compliance with this covenant as at December 31, 2021.

On December 14, 2020, in connection with the NSNW Acquisition (note 6), SCEF assumed a loan payable to Rabobank of $22,791 that is secured by twenty-two solar assets (the “NSNW Loan”). The NSNW Loan matures in 2026 and bears interest at the Canadian Dollar Offered Rate ("CDOR") plus 2.375% per annum, repayable in blended semi-annual payments. The NSNW Loan requires a debt service reserve, which is funded by a debt service reserve line of credit. This line of credit is undrawn as at December 31, 2021 and the annual interest of 2.625% is charged on the unused balance.

On August 23, 2019, SCEF obtained a $14,933 loan payable to Equitable Bank that is secured by eighteen solar assets (the “Equitable Bank Loan”). The loan bears an interest rate of 4.058% and matures in September 2036. The agreement with Equitable Bank requires that SCEF maintain a debt service coverage ratio of 1.35:1. SCEF is in compliance with this covenant as at December 31, 2021.

On December 23, 2019, in connection with the Ozz Acquisition, SCEF assumed six loans payable to PNC Bank. These loans total $9,221 and are secured by six solar assets (the “PNC Bank Loan”). Four loans have interest rate swap agreements (note 22) and bear interest at the CDOR plus 3.07%. One loan has an interest rate swap agreement (note 22) and bears interest at the CDOR plus 3.35%. One loan has a fixed interest at rate of 5.45%. All six loans mature in 2030.

On August 20, 2018, as part of the MPI Acquisition, SCEF assumed a $245 loan payable to the general partner of the non-controlling interest of SPN LP 2 (note 32) through its ownership of SPN LP 2 (the "SFN loan"). No payments are due until 2022, with interest accruing at 15% annually. Commencing in 2022, SCEF is required to make annual blended payments of $47, with interest charged at 7% annually, to the general partner of the non-controlling interest.

Future minimum principal payments on these debt obligations are as follows:

2022	$	2,904
2023		3,016
2024		3,113
2025		3,223
2026		3,684
Thereafter		29,910
	$	45,850

(in thousands of Canadian dollars, except per unit amounts)

20. LOANS PAYABLE (continued)

Changes to the carrying amount of the loan payable presented in the consolidated statement of financial position can be summarized as follows:

	2021	2020
Balance at the beginning of the year	$ 48,646	$ 24,168
Proceeds from new debt	0	33,655
Repayment of existing debt	(3,240)	(6,630)
Change in deferred financing costs	(53)	(2,626)
Total changes from financing cash flows	(3,293)	24,399
Amortization of financing costs (note 27)	445	31
Interest expense included in operations (note 27)	1,833	1,240
Interest and financing costs paid	(1,781)	(1,192)
Total liability-related charges	497	79
Balance at end of the year	$ 45,850	$ 48,646

21. NOTE PAYABLE

The note payable is due to a minority partner of SBE Limited Partnership. This note payable bears interest at 9% with no set terms of repayment.

22. INTEREST RATE SWAP AGREEMENTS

SCEF has entered into various interest rate swap agreements to limit its interest rate exposure from floating to fixed for the terms of certain mortgages. The interest rate swap agreements expire co-terminously upon the maturity of the corresponding mortgages. The notional principal amount of the outstanding interest rate swap agreements at December 31, 2021 was $26,884 (2020 - $28,712). The fair value of the interest rate swap agreements as determined by the financial institution is reflected on the consolidated statement of financial position.

	2021	2020
Balance at the beginning of the year	$ 2,662	$ 167
Additions (note 6)	0	2,181
Change in fair value of interest rate swap agreements	(1,612)	314
Balance at end of the year	$ 1,050	$ 2,662

(in thousands of Canadian dollars, except per unit amounts)

22. INTEREST RATE SWAP AGREEMENTS (continued)

During the year ended December 31, 2021, the (gain) loss on the interest rate swap agreements was comprised of the following:

	2021	2020
Interest rate swap payments	$ 600	$ 74
Unrealized loss on interest rate swap agreement acquired in connection with the NSNW Acquisition (note 6)	0	1,625
Change in fair value of interest rate swap agreements	(1,612)	314
Balance at end of the year	$ (1,012)	$ 2,013

23. LEASE LIABILITY

Changes to the carrying amount of the lease liability presented in the consolidated statement of financial position can be summarized as follows:

	2021	2020
Balance at the beginning of the year	$ 7,796	$ 3,251
Additions (note 6)	1,290	4,852
Interest expense (note 27)	411	214
Lease payments	(946)	(521)
Balance at end of the year	$ 8,551	$ 7,796

SCEF incurs lease payments related to agreements that allow SCEF to lease the land from a landlord, to build a structure upon which solar equipment and structures can be installed for the purposes of generating income. SCEF has recognized a lease liability in relation to all lease agreements measured at the present value of the remaining lease payments.

The following table details the undiscounted cash flows and contractual maturities of SCEF's lease liability as at December 31, 2021:

2022	$ 1,011
2023	1,011
2024	1,011
2025	1,006
2026	1,002
Thereafter	9,109
Balance at end of the year	$ 14,150

(in thousands of Canadian dollars, except per unit amounts)

24. RELATED PARTY TRANSACTIONS

Due from related party

Amounts due from related parties are all entities controlled by a person or persons that qualify as a related person under IAS 24 - Related Party Disclosures ("IAS 24").

During the year ended December 31, 2020, SCEF issued a promissory note to Anvil Crawler Development Corp ("ACDC"). This promissory note bears 9% interest and is payable on demand. This was repaid in 2021. Interest earned on related party loans during 2021 was $178 (2020 - $202)

During the year ended December 31, 2021, SCEF had subscriptions receivable from Skyline Wealth Management Inc. ("SWMI"), These funds bear no interest and are due on demand.

The balance at year end consists of the following:

	2021	2020
Subscriptions due from SWMI	$ 1,000	$ 0
Promissory note issued	0	1,500
Accrued interest on promissory note	0	46
Balance at end of the year	$ 1,000	$ 1,546

Due to related parties

Amounts due to related parties are unsecured, non-interest bearing and have no set terms of repayment except for the balance due to Skyline Retail Real Estate Investment Trust ("Skyline Retail REIT"). The balance due to Skyline Retail REIT bears interest at 7% with no set terms of repayment. All of these entities qualify as a related entity under IAS 24. Interest paid on related party loans during 2021 was $116 (2020 - $nil) The balance consists of the following:

	2021	2020
Due to Skyline Clean Energy Asset Management Inc.	$ 0	$ 3
Due to Skyline Asset Management Inc.	451	0
Due to SWMI	138	0
Due to Skyline Clean Energy General Partner Inc.	1,143	0
Due to Skyline Retail REIT	342	0
Balance at the end of the year	$ 2,074	$ 3

Asset management fees

SCEF has an asset management agreement with Skyline Clean Energy Asset Management Inc. (“SCEAMI”), an entity that is controlled by a person or persons that qualify as a related person under IAS 24. Fees payable under the asset management agreement are 2% of gross revenue, a property management fee that varies from $2 per kW DC to $5 per kW DC, plus an annual flat fee of $1 to $3 per asset, and an acquisition fee calculated as up to 1% of the asset value acquired. For the year ended December 31, 2021, SCEF incurred $305 in asset management fees (2020 - $135), $114 in property management fees (2020 - $79) and $486 in acquisition fees (2020 - $360).

(in thousands of Canadian dollars, except per unit amounts)

24. RELATED PARTY TRANSACTIONS (continued)

Wealth management fees
SCEF has a wealth management agreement with Skyline Wealth Management Inc. (“SWMI”), an entity that is controlled by a person or persons that qualify as a related person under IAS 24. Fees payable under the wealth management agreement include wealth management fees of 0.3% of unitholders’ equity, and equity raise fees ranging from 0.5% to 1% (2020 - 2%) of proceeds on units issued and redeemed during the year. For the year ended December 31, 2021, SCEF incurred $351 in wealth management fees and $715 in equity raise fees (2020 - $185 and $203 respectively).

Legal and administrative fees
SCEF has an agreement with Skyline Asset Management Inc. (“SAMI”), an entity that is controlled by a person or persons that qualify as a related person under IAS 24, to provide legal and administrative services. For the year ended December 31, 2021, SCEF incurred $588 in legal and administrative fees (2020 - $253).

Operations and maintenance fees
SCEF has an agreement with Anvil Crawler Development Corp., an entity that is controlled by a person or persons that qualify as a related person under IAS 24, to provide operations and maintenance services for the solar assets. For the year ended December 31, 2021, SCEF incurred $892 in operations and maintenance fees (2020 - $163)

Distribution to partners
Skyline Clean Energy General Partner Incorporated (“SCEGPI”) is the general partner of SCEF and is entitled to distributions under the limited partnership agreement. This occurs when SCEF's net income, excluding depreciation and unrealized gain or loss, for a fiscal year is greater than 7.5% of the weighted average retained earnings for such fiscal year. This surplus is shared at a ratio of 20% to the general partner and 80% to the limited partner. A provision for the future distributions payable to SCEGPI has not been recorded since the timing and amount of the distributions payable cannot be reasonably estimated. For the year ended December 31, 2021, there were distributions payable of $1,144 owing to SCEGPI (2020 - $nil)

Purchase from related party
During the year, solar assets were purchased from Skyline Commercial Real Estate Limited Partnership, an entity that is controlled by a person or persons that qualify as a related person under IAS 24, at the exchange amount for $1,350.

25. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The components of accounts payable and accrued liabilities are as follows:

	2021	2020
Tax holdback (note 19)	$ 0	$ 1,496
Operating accruals	2,186	1,182
Interest accruals	441	0
Distribution payable to non-controlling interest (note 32)	949	179
Other	284	310
Balance at the end of the year	$ 3,860	$ 3,167

(in thousands of Canadian dollars, except per unit amounts)

26. DECOMMISSIONING LIABILITY

SCEF is contractually obligated to dismantle and remove the twenty-two solar assets acquired in connection with the NSNW Acquisition at the end of the 20-year FIT contracts. Upon initial recognition of the decommissioning liability, a corresponding amount was capitalized as a decommissioning cost and added to the carrying value of solar equipment.

The components of the decommissioning liability are as follows:

	2021	2020
Balance at the beginning of the year	$ 882	$ 0
Decommissioning liability acquired (note 6)	0	881
Accretion	32	1
Balance at the end of the year	$ 914	$ 882

27. FINANCING COSTS

During the year ended December 31, 2021 and December 31, 2020, SCEF paid the following financing costs:

	2021	2020
Interest on loans payable (note 20)	$ 1,833	$ 1,240
Interest on lease liability (note 23)	411	214
Interest to related parties (note 24)	116	0
Amortization of deferred financing costs (note 20)	445	31
Distribution to general partner (note 24)	1,144	464
Other interest	115	23
	$ 4,064	$ 1,972

28. FAIR VALUE MEASUREMENT

Assets and liabilities measured at fair value

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the statement of financial position is as follows:

As at	**December 31, 2021**			**December 31, 2020**		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Liabilities						
Interest rate swap agreements	$ 0	$ 1,050	$ 0	$ 0	$ 2,662	$ 0

Transfers between levels in the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer. For liabilities measured at fair value there were no transfers between Level 1, Level 2 and Level 3 liabilities.

28. FAIR VALUE MEASUREMENT (continued)

Financial assets and liabilities carried at amortized cost

The fair values of SCEF's cash, restricted cash, accounts receivable, loans receivable, due from related party, convertible debenture receivable, note payable, accounts payable and accrued liabilities and due to related parties approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

The fair value of loans payable have been determined by discounting the cash flows of these financial obligations using year end market rates for debt of similar terms and credit risks. The fair value of the loans payable approximate their carrying amounts.

29. FINANCIAL RISK MANAGEMENT

Financial risks are risks arising from the financial instruments to which SCEF is exposed during or at the end of the reporting period. Financial risk comprises market risk, credit risk and liquidity risk.

Risk management is carried out by Management and the Board of Trustees of SCEF. Management identifies and evaluates financial risks and the Board provides oversight on overall risk management, including specific areas such as interest rate risk, liquidity and investing policies.

Key financial risk management reports are produced on a monthly basis and key indicators are reviewed by Management and the Board of Trustees of SCEF.

i) Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. SCEF's market risks arise from open positions in interest bearing assets and liabilities, to the extent that these are exposed to market fluctuations.

a. Interest rate risk
SCEF is exposed to interest rate risk arising from its fixed rate loans payable. As fixed rate debt matures, SCEF will be further exposed to cash flow risk.

b. Price risk
SCEF has no significant exposure to price risk with respect to financial instruments as it does not hold any equity securities or commodities.

c. Foreign exchange risk
SCEF is exposed to foreign exchange risk on the investments in associates.

ii) Liquidity risk
Liquidity risk management entails maintaining sufficient cash and credit facilities available to close out market positions. SCEF ensures flexibility in funding by keeping committed credit lines available, and raising capital from partners when needed. SCEF's liquidity position is monitored on a regular basis by Management.

(in thousands of Canadian dollars, except per unit amounts)

29. FINANCIAL RISK MANAGEMENT (continued)

ii) Liquidity risk (continued)

Financial liabilities and their maturities are as follows:

December 31, 2021	On demand	Less than one year	One to five years	More than five years	**Total**
Loans payable	$ 0	$ 0	$ 0	$ 45,850	$ 45,850
Note payable	8,073	0	0	0	8,073
Interest rate swap agreements	0	0	0	1,050	1,050
Due to related parties	2,074	0	0	0	2,074
Decommissioning liability	0	0	0	914	914
Accounts payable and accrued liabilities	0	3,860	0	0	3,860
	$ 10,147	$ 3,860	$ 0	$ 47,814	$ 61,821

December 31, 2020	On demand	Less than one year	One to five years	More than five years	**Total**
Loans payable	$ 0	$ 0	$ 0	$ 48,646	$ 48,646
Interest rate swap agreements	0	0	0	2,662	2,662
Due to related parties	3	0	0	0	3
Decommissioning liability	0	0	0	882	882
Accounts payable and accrued liabilities	0	3,167	0	0	3,167
	$ 3	$ 3,167	$ 0	$ 52,190	$ 55,360

30. CAPITAL RISK MANAGEMENT

SCEF's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to provide returns for partners, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, SCEF has the ability to adjust the amount of distributions paid to partners, return capital to partners, issue additional units, refinance existing debt or sell investment property to reduce debt.

SCEF monitors capital primarily using a loan to value ratio, which is calculated as the amount of outstanding debt divided by the valuation of the assets within the portfolio. As of December 31, 2021, the loan to value ratio was 41% (2020 - 69%).

(in thousands of Canadian dollars, except per unit amounts)

31. SEGMENTED DISCLOSURE

For the year ended December 31, 2021, the operating results of the Canadian solar assets and the Canadian biogas assets are reviewed regularly by SCEF's management to make decisions about resources to be allocated to the segment and to assess its performance. SCEF's management has chosen to identify the reportable segments based on differences in how energy is generated.

For the year ended December 31, 2021:

	Canadian Solar	Canadian Biogas	Total
Income from energy production	$ 11,336	$ 4,864	$ 16,200
Battery sales	3,011	0	3,011
Total income	14,347	4,864	19,211
Amortization expense	5,928	1,824	7,752
Other operating expenses	3,999	3,173	7,172
Net operating income (loss)	4,420	(133)	4,287
Income from joint ventures and investments in associates	(4,033)	0	(4,033)
Other income and expenses	3,776	428	4,204
Net income (loss)	$ 4,677	$ (561)	$ 4,116

Selected Statement of Financial Position Information for the year ended December 31, 2021:

	Canadian Solar	Canadian Biogas	Total
Biogas equipment	$ 0	$ 14,577	$ 14,577
Clean energy contracts	23,638	38,505	62,143
Right-of-use assets	7,807	994	8,801
Other assets	746	21,716	22,462
Accounts receivable	1,158	1,598	2,756
Cash	12,882	566	13,448
	$ 46,231	$ 77,956	$ 124,187
Lease liability	$ 7,557	$ 994	$ 8,551
Note payable	0	8,073	8,073
Accounts payable and accrued liabilities	2,188	1,672	3,860
	$ 9,745	$ 10,739	$ 20,484

For the year ended December 31, 2021, for all assets and liabilities not otherwise disclosed separately, relate to Canadian solar assets.

(in thousands of Canadian dollars, except per unit amounts)

31. SEGMENTED DISCLOSURE (continued)

Additions to non-current assets for the year ended December 31, 2021:

	Canadian Solar	Canadian Biogas	Total
Solar equipment and structures	$ 1,099	$ 0	$ 1,099
Biogas equipment	0	14,913	14,913
Clean energy contracts	251	38,715	38,966
Right-of-use assets	275	1,015	1,290

For the year ended December 31, 2020, all of SCEF's assets and liabilities are in, and its revenues are derived from, Canadian solar assets. SCEF's solar assets are, therefore, considered by Management to have similar economic characteristics. Thus, SCEF has one reportable segment for disclosure purposes.

32. NON-CONTROLLING INTERESTS

The components of non-controlling interests are as follows:

	2021	**2020**
Balance at the beginning of the year	$ 2,651	$ 2,281
80% of SBE LP net identifiable assets acquired (note 6)	10,877	0
50.9% of N&G LP net identifiable assets acquired (note 6)	0	566
15% of Nautilus Eagle Lake Solar I LP net identifiable assets acquired (note 6)	0	101
Total net identifiable assets allocated to non-controlling interests	13,528	2,948
14.9985% of SPN LP 2 net loss	(74)	(64)
50.9% of 601 Canarctic Solar LP net income	19	23
50.1% of CK Solar Projects LP net (loss) income	(31)	8
50.9% of N&G LP net income (loss)	522	(31)
15% of Nautilus Eagle Lake Solar I LP net income	24	5
20% of SBE LP net loss	(117)	0
Total net income (loss) allocated to non-controlling interest	343	(59)
Distribution to 601 Canarctic Solar LP non-controlling interest	(61)	(59)
Distribution to CK Solar Projects LP non-controlling interest	(162)	(179)
Distribution to N&G LP non-controlling interest	(592)	0
Distribution to Nautilus Eagle Lake I LP non-controlling interest	8	0
	(807)	(238)
Balance at the end of the year	$ 13,064	$ 2,651

(in thousands of Canadian dollars, except per unit amounts)

33. UNITHOLDERS' EQUITY

SCEF is authorized to issue an unlimited number of units. Each unit represents an undivided beneficial interest in the distributions of SCEF, whether of net income, net realized capital gains or other amounts, and in the event of a liquidation, dissolution, winding-up or other termination of SCEF, in the net assets of SCEF remaining after satisfaction of all liabilities. As at December 31, 2021 the price per unit for newly issued units and units to be redeemed was $13.15 (December 31, 2020 - $12.14). The units issued and outstanding are as follows:

	2021	**2020**
Units outstanding, beginning of year	4,380,323	4,291,679
Units issued	5,436,481	842,731
Redemptions during the year	(359,401)	(754,087)
Units outstanding, end of year	9,457,403	4,380,323

34. IMPACT OF COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 was a global pandemic which has resulted in the federal and provincial governments enacting a series of public health and emergency measures to combat the spread of the virus thus impacting business operations both nationally and internationally. While some uncertainty still exists around the future impact of COVID-19 on the timing and amounts of realizable cash flows and assets, the impact of COVID-19 has largely been immaterial for the years ended December 31, 2021 and December 31, 2020.

35. SUBSEQUENT EVENTS

The following unit price changes occurred subsequent to December 31, 2021:

Effective Date	Unit Price
January 1, 2022	$13.24
February 1, 2022	$13.30
March 1, 2022	$13.40

SKYLINE
CLEAN ENERGY FUND