AQUATERA UTILITIES INC.

Non-Consolidated Financial Statements

December 31, 2024

AQUATERA UTILITIES INC.

Index to Non-Consolidated Financial Statements

Year Ended December 31, 2024

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation and fair presentation of the non-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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The non-consolidated financial statements of Aquatera Utilities Inc. have been prepared in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These non-consolidated financial statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the non-consolidated financial statements are presented fairly in all material respects.

The integrity and reliability of Aquatera Utilities Inc.'s reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the non-consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and meets periodically with management and the shareholders' auditors to review significant accounting, reporting and internal control matters. Following its review of the non-consolidated financial statements and discussions with the auditors, the Audit Committee reports to the Board of Directors prior to its approval of the non-consolidated financial statements. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The non-consolidated financial statements have been audited on behalf of the shareholders by Fletcher Mudryk LLP, in accordance with International Financial Reporting Standards.

CEO

CFO

Grande Prairie, Alberta
March 26, 2025

FLETCHER MUDRYK LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Aquatera Utilities Inc.

Opinion

We have audited the non-consolidated financial statements of Aquatera Utilities Inc., which comprise the non-consolidated statement of financial position as at December 31, 2024, and the non-consolidated statements of income and comprehensive income and changes in equity and cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2024 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Independent Auditors' Responsibilities for the Audit of the Non-consolidated Financial Statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those 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 Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

(continues)

Independent Auditors' Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 non-consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-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 the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the non-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 auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Fletcher Mudryk LLP

Grande Prairie, Alberta
March 26, 2025

Chartered Professional Accountants

AQUATERA UTILITIES INC.

Non-Consolidated Statement of Financial Position

December 31, 2024

	2024	2023
ASSETS		
CURRENT		
Cash and cash equivalents *(Note 4)*	**$ 10,326,160**	$ 9,744,558
Trade and other receivables *(Note 5)*	**10,990,163**	15,971,097
Inventory and work in progress *(Note 6)*	**5,206,011**	3,500,161
Investments maturing in one year *(Note 8)*	**39,758,190**	37,060,918
	66,280,524	66,276,734
LONG-TERM INVESTMENTS *(Note 8)*	**13,149,435**	23,365,494
INVESTMENT IN SUBSIDIARY *(Note 9)*	**100**	100
SOFTWARE-AS-A-SERVICE (SAAS) ARRANGEMENTS *(Note 10)*	**3,074,789**	3,085,413
PROPERTY, PLANT AND EQUIPMENT, NET *(Note 11)*	**424,568,689**	412,579,668
	$ 507,073,537	$ 505,307,409
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities *(Note 12)*	**$ 9,718,486**	$ 10,461,172
Dividends payable	**5,665,334**	5,547,045
Current portion of other long-term liabilities *(Note 13)*	**240,686**	438,068
Customer deposits	**2,122,301**	1,964,056
Callable debt due in one year *(Note 14)*	**4,006,805**	4,269,700
	21,753,612	22,680,041
Callable debt due thereafter *(Note 14)*	**24,372,021**	38,927,180
	46,125,633	61,607,221
DEFERRED REVENUE OF CAPITAL CONTRIBUTIONS *(Note 15)*	**218,685,620**	219,387,257
LANDFILL CLOSURE AND OTHER LONG-TERM LIABILITIES *(Note 13)*	**7,595,191**	7,356,563
DEFERRED INFRASTRUCTURE CHARGES *(Note 16)*	**7,814,228**	7,843,884
STOCK DIVIDEND PAYABLE *(Note 17)*	**17,070,177**	15,551,113
SHARES TO BE ISSUED *(Note 18)*	**591,643**	39,183
PREFERRED SHARES *(Note 19)*	**209,189,047**	193,520,347
	507,071,539	505,305,568
CONTINGENT LIABILITIES *(Note 29)*		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
COMMON SHARES *(Note 19)*	**1,998**	1,841
	$ 507,073,537	$ 505,307,409

ON BEHALF OF THE BOARD

_______________ *Director* Mark Wiltzen _______________ *Director*

Please see accompanying notes to financial statements

AQUATERA UTILITIES INC.

Non-Consolidated Statement of Income and Comprehensive Income and Changes in Equity

Year Ended December 31, 2024

	2024	2023
REVENUE		
Sale of services	**$ 66,654,817**	$ 60,966,696
Other revenue *(Note 21)*	**8,607,574**	9,622,102
Recognition of deferred revenue for capital contributions	**5,081,257**	4,736,573
Franchise revenue	**4,947,259**	4,557,890
	85,290,907	79,883,261
EXPENSES		
Salaries, wages and benefits *(Note 22)*	**22,682,899**	21,097,920
General and administrative	**4,308,874**	3,533,477
Contracted services	**10,234,926**	10,042,975
Utilities	**1,872,456**	2,945,944
Major maintenance	**305,847**	162,179
Materials, goods and supplies	**5,723,764**	5,906,249
Depreciation	**11,713,600**	11,050,046
Franchise fees	**4,947,259**	4,557,890
	61,789,625	59,296,680
OPERATING INCOME	**23,501,282**	20,586,581
Other income (expenses)		
Finance income	**2,685,418**	3,010,309
Fair value adjustment on investments	**-**	237,023
Finance costs *(Note 23)*	**(1,564,507)**	(1,464,235)
Fair value adjustment of interest rate swap	**(395,728)**	(269,535)
Dividends declared	**(5,671,334)**	(5,632,095)
Loss on disposal of property, plant and equipment	**(1,484,206)**	(575,436)
Net subsidiary operations *(Note 9)*	**(748)**	(341,499)
	(6,431,105)	(5,035,468)
NET INCOME AND COMPREHENSIVE INCOME	**17,070,177**	15,551,113
RETAINED EARNINGS - BEGINNING OF YEAR	**-**	-
Stock dividend *(Note 17)*	**(17,070,177)**	(15,551,113)
RETAINED EARNINGS - END OF YEAR	**$ -**	$ -

Please see accompanying notes to financial statements

AQUATERA UTILITIES INC.

Non-Consolidated Statement of Cash Flows

Year Ended December 31, 2024

	2024	2023
OPERATING ACTIVITIES		
Net income and comprehensive income	**$ 17,070,177**	$ 15,551,113
Reconciliation to cash from (used in) operating activities:		
Finance expense including fair market value of interest rate swap	**1,960,235**	1,733,770
Dividends declared	**5,671,334**	5,632,095
Finance income including fair market value adjustments	**(2,685,418)**	(3,247,332)
Depreciation of property, plant and equipment	**11,713,600**	11,050,046
Recognition of deferred revenue for capital contributions	**(5,081,257)**	(4,736,573)
Amortization of software intangible asset	**322,669**	29,090
Loss on disposal of property, plant and equipment	**1,484,206**	575,436
Net subsidiary operations	**748**	341,499
	30,456,294	26,929,144
Changes in non-cash working capital:		
Trade and other receivables	**4,980,934**	4,443,677
Inventory and work in progress	**(1,705,850)**	(1,591,200)
Accounts payable and accrued liabilities	**(742,688)**	(717,474)
Customer deposits	**158,245**	194,858
Changes in current provisions	**(197,382)**	(503,347)
	2,493,259	1,826,514
Cash from operating activities	**32,949,553**	28,755,658
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(10,606,771)**	(19,707,800)
Construction in progress	**(12,656,811)**	(6,615,248)
Proceeds on disposal of property, plant and equipment	**1,256,381**	2,021,315
Capital contributions from external parties	**1,853,572**	7,924,260
Investment in software	**(312,045)**	(3,114,503)
Loan repayments from subsidiary	**-**	625,000
Investment income earned	**2,685,418**	2,910,644
Investment purchases	**(73,109,981)**	(29,892,022)
Maturity of investments	**80,628,768**	37,575,063
Cash used by investing activities	**(10,261,469)**	(8,273,291)
FINANCING ACTIVITIES		
Infrastructure charges collected	**1,266,364**	1,545,810
Infrastructure charges expended	**(1,296,020)**	(8,268,513)
Repayment of callable debt	**(15,213,782)**	(4,536,718)
Changes in non-current provisions	**(39,782)**	(438,068)
Issuance of shares	**157**	133
Dividends paid on preferred shares	**(5,553,045)**	(5,403,701)
Interest expense	**(1,270,374)**	(1,089,624)
Cash used by financing activities	**(22,106,482)**	(18,190,681)
INCREASE IN CASH	**581,602**	2,291,686
CASH - BEGINNING OF YEAR	**9,744,558**	7,452,872
CASH - END OF YEAR *(Note 4)*	**$ 10,326,160**	$ 9,744,558

Please see accompanying notes to financial statements

1. REPORTING ENTITY

Aquatera Utilities Inc. (the company or Aquatera) provides water, wastewater and solid waste services to residents and commercial customers of the City of Grande Prairie, the Town of Sexsmith, the Town of Wembley and to residents residing in specific service areas within the County of Grande Prairie No. 1. The company also provides water and wastewater management services to other small municipalities across Alberta.

The company has a wholly owned subsidiary, 25 By 20 Holdings Inc., which currently has no active operations.

The company operates in Canada with its registered office located in Grande Prairie, Alberta.

The common shares of the company are owned by the City of Grande Prairie, the County of Grande Prairie No. 1, the Town of Sexsmith and the Town of Wembley.

2. BASIS OF PRESENTATION

(a) Statement of compliance

The non-consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

These non-consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 26, 2025.

(b) Basis of measurement

The company's non-consolidated financial statements are prepared on the historical cost basis except for the landfill closure and post-closure liability which is based on the present value of future cash flows. In prior years the company held certain investments that were subject to market price fluctuations and an interest rate swap which were recorded at fair value through profit or loss. Revenue and expenses are recognized in the period in which the transactions or events occurred that gave rise to the revenue and expenses and when a liability is incurred.

(c) Additional IFRS financial measure

The company uses “operating income” as an additional IFRS financial measure. In management’s opinion, the measure is a more effective indicator of the company's reportable business segments’ operating performance than net income because it only includes items directly related to or resulting from management’s operating decisions and actions.

(d) Functional and presentation currency

These non-consolidated financial statements are presented in Canadian dollars, which is the company's functional currency.

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2. BASIS OF PRESENTATION *(continued)*

(e) Use of estimates and judgments

The preparation of the non-consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may differ from prior estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

Significant estimates made by the company include the allowance for doubtful accounts, the cost of the carbon dioxide equivalent (CO2e) offsets inventory, the useful life of property, plant and equipment and software-as-a-service arrangements and the provision for landfill closure and post-closure. In prior years, significant estimates were made for the fair value of interest rate swaps and certain of its investments which were recorded at fair value. Information about criteria and assumptions used in making these judgments is included in the specific notes that follow related to these areas.

(f) Separate financial statements

The company has elected to prepare these separate non-consolidated financial statements as its only financial statements in accordance with IFRS 10.4(a). The shareholders of the company prepare their financial statements in accordance with Canadian Public Sector Accounting Standards and account for their investments in the company on the modified equity basis in accordance with those standards.

The financial statements of our shareholders are posted on their respective websites.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these non-consolidated financial statements.

(a) Cash and cash equivalents

Cash and cash equivalents include cash or guaranteed investment certificates less than a year in term and are recorded at amortized cost.

(continues)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

(b) Inventory

Small parts and other consumables, the majority of which are consumed by the company in the provision of its goods and services, are valued at the lower of cost and net realizable value with cost being determined on a weighted average basis, except for meter and remote inventory which is determined on the specific item basis. Cost includes the purchase price, transportation and other costs incurred to bring the inventories to their present location and condition.

Work in progress consists of supplies and labour costs related to contracting work that have not been included in progress billings and is valued at the lower of cost and net realizable value, with cost being determined on a specific project basis.

CO2e offsets are a byproduct of the landfill and power generation operations and the cost of creating these credits is valued at the lower of cost and net realizable value. Cost is determined as an allocation of the costs of the landfill and power generation activities that relate to the creation of carbon credits.

(c) Investment in subsidiary

The company's subsidiary, 25 By 20 Holdings Inc., of which it owns 100% of the outstanding voting shares, is not consolidated as the company has met all conditions under IFRS to account for its investment using the equity method. Accordingly, the investment is recorded at acquisition cost and is increased for the proportionate share of post-acquisition earnings and decreased by post-acquisition losses and dividends received. Cumulative losses in excess of the company's investment in shares are applied to the loan receivable from the subsidiary. Intercorporate transactions and balances are not eliminated.

(d) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, contracted services, borrowing costs and any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Depreciation

Depreciation is charged on a straight-line basis over the estimated economic useful lives of items of each depreciable component of property, plant and equipment, from the date they become available for use, as this most closely reflects the expected usage of the assets. Land and construction work in progress are not depreciated. Estimating the appropriate useful lives of assets requires significant judgment and is generally based on estimates of life characteristics of similar assets. The useful economic lives, methods of depreciation and residual values are reviewed periodically with any changes adopted on a prospective basis.

The range of estimated useful lives used is as follows:

Engineering structures	15 – 75 years
Buildings	50 years
Leasehold improvements	Terms of lease
Machinery and equipment	5 – 40 years
Vehicles and mobile equipment	5 years
Right-of-use assets	Terms of lease

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount.

(e) Capitalization of borrowing costs

Borrowing costs are eligible for capitalization if they are directly attributable to the construction of assets for which a substantial period of time is required to prepare the asset for its intended use. The borrowing costs are capitalized until construction is completed, at a rate based on the actual costs of debt.

(f) Software-as-a-service (SaaS) arrangements

SaaS arrangements are service contracts providing the company with the right to access application software over the internet. The ongoing fees to obtain access to the cloud provider's application software are recognized as operating expenses when the services are received.

The costs incurred to configure or customize the application and integrate to other SaaS applications are recognized as a software intangible asset and amortized to general and administrative expense over the expected useful life.

Amortization is charged on a straight-line basis over the estimated economic useful life of 10 years from the date they become available for use, as this most closely reflects the expected usage of the assets. Estimating the appropriate useful life of these assets requires significant judgement. The useful economic life, method of amortization and residual values are reviewed annually with any changes adopted on a prospective basis.

(continues)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

(g) Leased assets (Right-of-Use assets)

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time.

The company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the future lease payments under the contract, discounted using the interest rate implicit in the lease contract. Where the implicit rate cannot be readily determined, the company uses the incremental borrowing rate. When terms of a lease change, the company remeasures the lease liability by discounting the revised lease payments. The amount of the remeasurement of the lease liability is recognized as an adjustment to the right-of-use asset.

Lease payments include fixed payments, including in-substance fixed payments, variable lease payments that depend on an index or a rate, the exercise price under a purchase option or optional renewal period that the company is reasonably certain to exercise and penalties for early termination of a lease unless the company is reasonably certain not to terminate early. The lease liability is remeasured to reflect any reassessments or lease modifications.

The company has elected not to recognize right-of-use assets and lease liabilities for lease contracts where the total term of the respective lease contract is less than or equal to 12 months or for low value lease contracts. The company recognizes the payments relating to such leases (including principal and interest associated with these leases) as an expense on a straight-line basis over the lease term.

(h) Managed operations

The company has entered arrangements where the company manages the water and wastewater facilities owned by certain municipalities (Managed Operations) for a fee. The arrangements are typically annual contracts that are renewed annually and revenues from most contracts are priced on a cost plus a profit margin basis resulting in a flow through of direct costs associated with operating the assets. In a limited number of cases, the contracts have revenues based on an asset's through-put as opposed to the cost to operate the assets.

These Managed operation arrangements fall under IFRS's service concession arrangements and are classified as financial assets. The financial asset is measured at the fair value of consideration received or receivable.

(continues)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

(i) Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the company on terms that the company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security.

The company considers evidence of impairment for receivables and held to maturity investment securities at both a specific asset and collective level. All individually significant receivables and held to maturity investment securities are assessed for specific impairment. All individually significant receivables and held to maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held to maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held to maturity investment securities with similar risk characteristics.

In assessing collective impairment the company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect or a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income.

Non-financial assets

The carrying amounts of the company's non-financial assets, consisting of property, plant and equipment, software-as-a-service arrangements, inventory and its investment in 25 By 20 Holdings Inc., are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is based on estimated market values based on actual market transactions, if available, or a fair value estimation model. The value in use is the present value of estimated future cash flows that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash generating unit, or CGU).

(continues)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

The company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount and is recorded in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss will be recorded in net income for the period as the excess of the carrying amount of the asset over its recoverable amount. Impairment losses recognized in respect of CGUs are allocated to the carrying amounts of the other assets in the unit or group of units on a pro rata basis.

At the end of each reporting period, the company makes an assessment as to whether there is any indication that any previously incurred impairment losses have reversed. If such an indication exists, the company estimates the asset's recoverable amount, and compares it to the carrying amount, including accumulated depreciation that would have been determined had no impairment loss been recognized. Any reversal is limited to this latter amount.

(j) Deferred revenue

Deferred revenue consists of levies and infrastructure charges collected from developers and customers to be utilized for future capital or other projects, capital contributions from developers, government grants and other deferrals.

Certain assets may be acquired or constructed using non-repayable government grants or infrastructure charges. Contributions received towards construction or acquisition of an item of property, plant and equipment which are used to provide ongoing service to a customer are recorded as deferred revenue and are amortized on a straight-line basis over the estimated economic useful lives of the assets to which they relate.

Government grants are recognized initially as deferred revenue at fair value when there is reasonable assurance that they will be received, and the company will comply with the conditions associated with the grant. Grants that compensate the company for expenses incurred are recognized in net income as other income on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the company for the cost of an item of property, plant and equipment are recorded as deferred revenue of capital contributions and recognized in net income on a systematic basis over the useful life of the asset.

Infrastructure charges levied on customers are available to be used for future capital or other projects, as determined by management. Infrastructure charges relating to the acquisition or construction of property, plant and equipment are deferred until the related asset is available for use and then recorded as deferred revenue of capital contributions and recognized in revenue over the estimated useful life of the related asset. Other infrastructure levies are recorded as revenue in net income in the period in which the related expense is incurred.

(continues)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

(k) Provisions

A provision is recognized if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Landfill closure obligation

The company recognizes a decommissioning liability relating to estimated landfill closure and post-closure costs for which it has a legal obligation to restore. The provision is determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The accretion of the provision is recognized as a finance cost.

Other long-term liabilities

Other long-term liabilities consist of contractor financing agreements not payable within the next fiscal year.

(l) Loans and borrowings

The company's callable debt consists of loans that are measured on an amortized cost basis. Demand debt is treated as a current liability.

(m) Revenue recognition

Revenue from customers is recognized once the company's performance obligations have been satisfied and the product or service is delivered to the customer. Revenue is measured at the transaction price agreed to between the parties for each performance obligation and when collection is probable. For contracts where non-cash consideration is received, revenue is measured at fair value when determinable.

Sale of services

Revenues from the sale of water and other services are recognized upon delivery or provision of the services to the customer. The company provides a series of distinct services, which are simultaneously received and consumed by the customers. Customers are generally billed on a monthly basis based on the usage at the applicable rates set by the company periodically and payment is due within 30 days of billing. These revenues include an estimate of unbilled revenue. Unbilled revenue is the value of services consumed by customers in the year but billed subsequent to year-end.

Franchise fees

Franchise fee revenue is recognized on this same basis and as part of the same billing process as sale of services. Franchise fees are collected from customers on behalf of, and remitted to, the municipality in which the goods or services were provided in accordance with franchise agreements between the company and its shareholders.

Penalties

Revenue from penalties is earned at a rate of 3% per month on trade receivable balances after the due date.

(continues)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Other revenue

Other revenue is recognized consistently with sale of services, other than the sale of CO2e offset credits.

The company recognizes CO2e offset credit revenue once the risks and rewards of the offsets produced are transferred to a customer. The number of offsets available for transfer is verified by an independent review in accordance with the Standard for Greenhouse Gas Verification prior to the transfer occurring.

(n) Finance income and finance costs

Finance income comprises interest income, dividend income, and realized and unrealized gains and losses on its investments in publicly traded preferred or common shares. Interest income is accrued monthly. Dividend income is accrued when the company has the right to receive payment.

Finance costs comprise interest expense on borrowings (other than costs capitalized to assets under construction), changes in the fair market value of interest rate swap agreements, accretion of provisions, dividends on preferred shares classified as liabilities and impairment losses recognized on financial assets.

(o) Income taxes

The company is exempt from income taxes as long as it is municipally owned and the revenue earned from non-municipal customers outside the geographical boundaries of its shareholders does not exceed 10% of net income before dividends. The company's subsidiary, 25 By 20 Holdings Inc. is a taxable corporation.

The company did not record a tax provision in 2024 as it was exempt from tax in accordance with the above.

(p) Employee future benefits

Pension plans

Selected employees of the company are members of the Local Authorities Pension Plan (LAPP), a multi-employer defined benefit pension plan. The President of the Alberta Treasury Board and the Minister of Finance are the legal trustees and administrators of the Plan, which is governed by a Board of Trustees. Since the plan is a multi-employer plan, it is accounted for as a defined contribution plan and, accordingly, the company does not recognize its share of any plan surplus or deficit.

A supplementary plan (APEX) is available through the Alberta Urban Municipalities Association for certain employees conditional upon the company being a member of the LAPP. The plan is a top-up of the LAPP.

Other long-term employee benefits

The company's obligation in respect of long-term employee benefits other than pension plans is the amount of future benefits that employees have earned for their service in the current and past periods. That benefit is discounted to determine its present value and adjusted based on probability analysis of all eligibility factors.

(continues)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Employee benefits

The company provides no post-retirement benefits other than the pension plans described above. Other employee benefits are expensed as incurred.

Sick leave benefits

The company recognizes a liability for sick leave benefits as a constructive obligation to its employees as defined by International Accounting Standard (IAS) 37. This liability is measured at its net present value using historical usage of the benefits.

(q) Non-derivative financial assets and liabilities

Non-derivative financial assets and liabilities are comprised of financial assets or liabilities that are recognized either at amortized cost or at fair value through profit or loss.

The company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the company is recognized as a separate asset or liability.

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Amortized cost

Cash and cash equivalents, trade and other receivables and certain long-term investments are classified as financial assets measured at amortized cost. These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held to maturity financial assets are measured at amortized cost when they are held for collection of cash flows using the effective interest method, less any impairment losses.

The company recognizes all financial liabilities initially at fair value on the trade date at which the company becomes a party to the contractual provisions of the instrument, plus any directly attributable transaction costs. Subsequently, these liabilities are measured at amortized cost using the effective interest method. Other liabilities are comprised of callable debt, accounts payable and accrued liabilities, other long-term liabilities and preferred shares.

Financial assets or liabilities at fair value through profit or loss

The company does not currently have any financial assets or liabilities recorded at fair value through profit or loss. In prior years, the company had certain investments, as disclosed in *Note 8*, that were subject to market price fluctuation and the interest swap agreement, as disclosed in *Note 14*.

(r) Derivative financial instruments

The company presently has no derivative financial instruments. The company previously held an interest rate swap agreement which was recognized at fair market value with all changes in the fair value recorded in net income.

(continues)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

(s) Share capital

Common shares

Common share capital is classified as equity.

Preferred share capital

Preferred share capital is classified as equity if it is non-redeemable, or redeemable only at the company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity.

Preferred share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if the dividend payments are not discretionary. Dividends thereon are recognized as a financing expense in profit or loss as accrued.

(t) Segment reporting

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the company's components. All operating segments' operating results are reviewed regularly by the company's management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(u) New standards and interpretations in effect

The following standards, amendments and interpretations have been issued but are not yet effective:

The International Accounting Standards Board (IASB) has issued IFRS 18: Presentation and Disclosure in Financial Statements which is effective for periods beginning on or after January 1, 2027. IFRS 18 replaces IAS 1 and introduces requirements to classify income and expenses into operating, investing, and financing categories, with subtotals for operating profit or loss and profit or loss before financing and income taxes. It also enhances guidance on aggregation and disaggregation of information and introduces new disclosure requirements for management-defined performance measures. The company is evaluating the impact this standard will have on future reporting requirements.

The IASB has issued IFRS 19: Subsidiaries without Public Accountability: Disclosures which is effective for periods beginning on or after January 1, 2027. IFRS 19 is a voluntary standard that applies to entities without public accountability but whose parents prepare consolidated financial statements under IFRS. This standard is not expected to have a material impact on the company.

4. CASH AND CASH EQUIVALENTS

	2024	2023
Cash on hand	**$ 2,755**	$ 2,600
Cash in banks	**10,323,405**	9,741,958
	$ 10,326,160	$ 9,744,558

Cash in banks bears interest at the bank's prime rate less a discount that varies between banks. At December 31, 2024, the company was earning approximately 3.7% per annum on cash in banks.

5. TRADE AND OTHER RECEIVABLES

	2024	2023
Trade accounts receivable	**$ 5,342,607**	$ 9,197,805
Unbilled revenue	**3,759,481**	3,059,551
Grants receivable	**-**	141,310
Accrued investment earnings	**782,028**	2,779,383
Goods and services tax receivable	**245,765**	61,561
Other receivables	**976,282**	866,487
	11,106,163	16,106,097
Allowance for doubtful accounts	**(116,000)**	(135,000)
	$ 10,990,163	$ 15,971,097

6. INVENTORY AND WORK IN PROGRESS

	2024	2023
Consumables and supplies	**$ 1,401,852**	$ 1,373,618
Meters and meter components	**532,691**	526,620
Work in progress	**85,000**	132,003
CO2e offsets credits	**3,186,468**	1,467,920
	$ 5,206,011	$ 3,500,161

In 2024, the write-down of inventories to net realizable value amounted to $129,322 (2023 - $98,811). In 2024, inventory consumables recognized as materials, goods and supplies expense amounted to $1,101,969 (2023 - $1,006,413). Included in inventory for CO2e offset credits is $538,667 of depreciation of tangible assets utilized in the production of this inventory (2023 - $376,096).

7. DUE FROM SUBSIDIARY

	2024	2023
Loan	**$ 3,335,000**	$ 3,335,000
Advances	**4,822,635**	4,488,387
Cumulative investment losses applied *(Note 9)*	**(8,157,635)**	(7,823,387)
	$ -	$ -

The loan to the company's 100% owned subsidiary, 25 By 20 Holdings Inc., is unsecured, bears interest at 10% per annum and has no fixed terms of repayment. 25 By 20 Holdings Inc. has no business operations and no material assets or liabilities except amounts due to Aquatera.

8. LONG-TERM INVESTMENTS

	2024	2023
Investments	**$ 52,907,625**	$ 60,426,412
Investments maturing in one year	**(39,758,190)**	(37,060,918)
	$ 13,149,435	$ 23,365,494

Investments consist of held to maturity fixed income investments, bear interest at rates between 0.9% and 5.3% and mature between January, 2024 and January, 2028.

Until early 2024, the company held investments including exchange-traded funds (ETF) and publicly traded common shares which were recorded at fair value through profit and loss. In early 2024, the company re-balanced its portfolio to only cash and fixed income investments.

9. INVESTMENT IN SUBSIDIARY

The company holds 100% of the voting share capital of 25 By 20 Holdings Inc. 25 By 20 Holdings Inc. has no business operations and no material assets or liabilities except amounts due to Aquatera.

	2024	2023
Investment in subsidiary	**$ 100**	$ 100
Cumulative share of losses	**(8,157,635)**	(7,823,387)
Cumulative losses applied to loan receivable from subsidiary *(Note 7)*	**8,157,635**	7,823,387
	$ 100	$ 100

10. SOFTWARE-AS-A-SERVICE (SAAS) ARRANGEMENTS

	2024	2023
Cost	**$ 3,426,548**	$ 3,114,503
Accumulated amortization	**(351,759)**	(29,090)
	$ 3,074,789	$ 3,085,413

Costs are incurred to configure or customize SaaS arrangements and amortized to general and administrative expense over the expected useful life of the software on a straight-line basis.

11. PROPERTY, PLANT AND EQUIPMENT

	Cost	**Accumulated depreciation**	**2024 Net book value**
Land	**$ 4,824,587**	**$ -**	**$ 4,824,587**
Buildings	**94,052,256**	**25,344,172**	**68,708,084**
Leasehold improvements	**2,714,491**	**2,521,509**	**192,982**
Engineering structures	**319,279,512**	**42,228,035**	**277,051,477**
Equipment	**82,127,875**	**31,293,386**	**50,834,489**
Vehicles and mobile equipment	**14,399,210**	**10,069,756**	**4,329,454**
Construction in progress	**16,797,109**	**-**	**16,797,109**
Right-of-use assets - building	**4,328,048**	**2,497,541**	**1,830,507**
	$ 538,523,088	**$ 113,954,399**	**$ 424,568,689**

	Cost	Accumulated depreciation	2023 Net book value
Land	$ 4,824,587	$ -	$ 4,824,587
Buildings	93,537,826	23,025,089	70,512,737
Leasehold improvements	2,714,491	2,493,351	221,140
Engineering structures	308,949,155	37,724,190	271,224,965
Equipment	78,911,619	28,127,924	50,783,695
Vehicles and mobile equipment	12,014,984	9,155,714	2,859,270
Construction in progress	10,107,084	-	10,107,084
Right-of-use assets - building	4,274,537	2,228,347	2,046,190
	$ 515,334,283	$ 102,754,615	$ 412,579,668

Borrowing costs capitalized during the year ended December 31, 2024 were $NIL (2023 - $584,466).

There are no restrictions on assets.

See *Schedule 1* for additional information.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2024	2023
Trade payables	**$ 4,485,929**	$ 5,898,016
Payables associated with capital projects	**2,687,869**	3,130,896
Accrued employee benefits	**2,544,688**	1,432,260
	$ 9,718,486	$ 10,461,172

13. PROVISIONS

	Landfill Closure and Post-Closure Liability	Other Long-Term Liabilities	2024 Total
Balance at the beginning of year	**$ 6,623,259**	**$ 1,171,372**	**$ 7,794,631**
Provisions made during the year	**-**	**200,904**	**200,904**
Provisions used during the year	**-**	**(438,068)**	**(438,068)**
Change in estimate	**80,592**	**-**	**80,592**
Accretion of liability	**197,818**	**-**	**197,818**
Balance at December 31, 2024	**6,901,669**	**934,208**	**7,835,877**
Current	**-**	**240,686**	**240,686**
Non-current	**6,901,669**	**693,522**	**7,595,191**

	Landfill Closure and Post-Closure Liability	Other Long-Term Liabilities	2023 Total
Balance at the beginning of year	$ 6,418,262	$ 2,112,787	$ 8,531,049
Provisions used during the year	-	(941,415)	(941,415)
Accretion of liability	204,997	-	204,997
Balance at December 31, 2023	6,623,259	1,171,372	7,794,631
Current	-	438,068	438,068
Non-current	6,623,259	733,304	7,356,563

(continues)

13. PROVISIONS *(continued)*

Landfill closure and post-closure liability

The company has recognized a decommissioning liability for the estimated expected costs for closure and post-closure activities the landfill site. The estimated costs are based on estimates and assumptions related to future events and using information currently available to management. Future events may result in significant changes to the estimated total costs and the estimated liability.

The company estimates the discounted amount of cash flow required to settle its decommissioning liability is approximately $6,901,669 (2023 – $6,623,259), calculated using long-term inflation rates of 2.0% and a long-term discount rate of 5.0%.

The closure costs liability related to cells 1 - 9 of the landfill is estimated to commence in 2036, approximately five years after reaching capacity in 2031. Post-closure monitoring is expected to extend 25 years beyond closure of the active landfill cells in accordance with Alberta Environment regulations. Based on changes to estimated future capacity, the expected capacity remaining in cells 1 through 9 is now 615,066 metric tonnes at the end of 2024 (485,064 in 2023). Aquatera estimates to receive 84,000 metric tonnes of solid waste for disposal in the landfill in 2025. The current year liability and capacity reflect cells 1 - 9 with a total further capacity of approximately 9.6 million metric tonnes for a total lifespan of 65 years with the development of cells 10 – 17.

In 2024, the company completed an external review of its landfill closure and post-closure liability. The previous review had been completed in 2019. Based on this review, the timing and amount of the decommissioning obligation has been revised resulting in a change in the estimated liability. This change in estimate has been applied prospectively as an increase of $80,592 in the carrying amount of the landfill asset and liability.

Other long-term liabilities

The company has entered into two oversizing agreements with contractors on long-term construction projects. Under these agreements, the company is required to pay the contractors over time. One agreement required the balance to be paid in eight equal annual instalments from 2017 to 2024 and is now fully paid. The second agreement requires the company to pay an annual amount equal to half of the infrastructure charges collected for that year in a specific service area of the company and bears no interest.

Also included in other long-term liabilities is a liability for future costs of the company's employee sick time obligation. Additional information regarding the obligation can be found in *Note 22*.

14. CALLABLE DEBT

	2024	2023
Due to the Federation of Canadian Municipalities	**$ 1,000,000**	$ 1,516,490
Due to RBC Royal Bank	**7,690,000**	9,216,636
Due to CIBC	**17,600,003**	30,572,785
Fair value adjustment of interest rate swap	**-**	(395,728)
Lease liability	**2,088,823**	2,286,697
	28,378,826	43,196,880
Loans and borrowings due in one year	**(4,006,805)**	(4,269,700)
	$ 24,372,021	$ 38,927,180

Principal repayment terms of loans and borrowings if facilities are renewed at similar terms are as follows:

Less than one year	$ 4,006,805
Between one and five years	14,303,217
More than five years	10,068,804
	$ 28,378,826

Due to the Federation of Canadian Municipalities

A loan from the Federation of Canadian Municipalities is secured by a general security agreement and is repayable in semi-annual payments of $250,000 plus interest at a rate of 3.75% per annum and matures in 2026. The Federation of Canadian Municipalities has agreed to subordinate its loan to the company's credit facilities with RBC Royal Bank and CIBC.

Bank loans

Bank loans from RBC Royal Bank are due on demand, secured by a general security agreement and are repayable in monthly payments aggregating $126,072 plus interest. The loans bear interest at the relevant Canadian overnight repo rate average (CORRA) rates plus a 0.70% stamping fee.

Bank loans from CIBC are due on demand, secured by a general security agreement and are repayable in monthly payments aggregating $133,333 plus interest. $17.6 million of the loans bear interest at the relevant CORRA rates plus a 0.70% stamping fee.

As a condition of its bank facilities and Federation of Canadian Municipalities financing, the company is subject to restrictive bank covenants, whereby it is required to maintain a funded debt to total capital ratio not exceeding 0.5 to 1 and maintain a fixed charge coverage ratio to not be less than 1.25 to 1. The company is in compliance with these ratios. For 2024, the funded debt to total capital ratio is calculated at 0.11 to 1 (2023 – 0.14 to 1) and the fixed charge ratio is calculated at 2.65 to 1 (2023 – 2.44 to 1).

The effective interest rate of each loan currently equals the actual interest rate attached to the loan.

Fair value adjustment of interest rate swap

The company has recognized the effect of an interest rate swap agreement at fair market value, determined by the net present value of future cash flows of the difference between the agreed upon interest rate and current prevailing interest rates available to the company. The agreement settled December 31, 2024.

(continues)

14. CALLABLE DEBT (*continued)*

Credit facilities

The company has available bank credit facilities from RBC Royal Bank consisting of revolving demand facilities limited to $30.0 million, none of which was used at December 31, 2024 (2023 - $30.0 million unused).

The company has available bank facilities from CIBC consisting of revolving demand facilities limited to $2.0 million, none of which was used at December 31, 2024 (2023 - $2.0 million unused).

Lease liability

The company has recognized a lease liability in regard to their corporate head office lease, effective January 1, 2019. The lease was initially recognized at net present value of future cash flows for the term of the lease. The lease is repayable in monthly payments of $24,641 including interest at an implied rate of 4.4% per annum and matures in 2031.

The company has recognized a lease liability in regard to a warehouse lease, effective January 1, 2012 with a one year extension agreement signed July 1, 2024. The lease is initially recognized at net present value of future cash flows for the term of the lease and is repayable in monthly payments of $4,333 including interest at an implied rate of 4.4% per annum and now matures in 2025.

During the year, the company remeasured the lease liabilities in the amount of $53,511 with a corresponding adjustment to the right-of-use assets.

15. DEFERRED REVENUE OF CAPITAL CONTRIBUTIONS

	Developer Contributions	**Government Grants and Infrastructure Charges**	**Total Deferred Revenue of Capital Contributions**
Balance at the beginning of the year	**$ 77,188,108**	**$ 142,199,149**	**$ 219,387,257**
Contributions received	**2,526,048**	**2,962,686**	**5,488,734**
Disposals	**-**	**(1,109,114)**	**(1,109,114)**
Revenue recognized	**(1,172,733)**	**(3,908,524)**	**(5,081,257)**
Balance at December 31, 2024	**$ 78,541,423**	**$ 140,144,197**	**$ 218,685,620**

	Developer Contributions	Government Grants and Infrastructure Charges	Total Deferred Revenue of Capital Contributions
Balance at the beginning of the year	$ 76,720,336	$ 138,174,264	$ 214,894,600
Contributions received	1,579,265	7,649,965	9,229,230
Revenue recognized	(1,111,493)	(3,625,080)	(4,736,573)
Balance at December 31, 2023	$ 77,188,108	$ 142,199,149	$ 219,387,257

16. DEFERRED INFRASTRUCTURE CHARGES

	2024	2023
Balance at the beginning of the year	**$ 7,843,884**	$ 14,566,587
Infrastructure charges received	**1,266,364**	1,545,810
Transfer to deferred revenue of capital contributions	**(1,296,020)**	(8,268,513)
Balance at December 31, 2024	**$ 7,814,228**	$ 7,843,884

17. STOCK DIVIDEND PAYABLE

In accordance with the Unanimous Shareholders Agreement, a preferred share stock dividend is declared prior to any cash contribution or asset transfer to the company, effectively distributing common and preferred shares and not cash, equal to the retained earnings of the company to the existing shareholders based on their common shares. As the stock dividend is paid via share issuance on the day following the year-end in accordance with the Unanimous Shareholders Agreement, the amounts have been excluded from current liabilities to ensure consistent treatment with all other preferred shares issues by the company.

	2024	2023
City of Grande Prairie		
12,091 Class C common shares and Class H preferred shares	**$ 12,090,797**	$ 11,015,238
County of Grande Prairie No. 1		
3,529 Class C common shares and Class H preferred shares	**3,528,819**	3,213,570
Town of Sexsmith		
1,384 Class C common shares and Class H preferred shares	**1,383,715**	1,261,378
Town of Wembley		
67 Class C common shares and Class I preferred shares	**66,846**	60,927
	$ 17,070,177	$ 15,551,113

18. SHARES TO BE ISSUED

Effective December 31, 2024, the County of Grande Prairie transferred infrastructure assets with an agreed value of $591,643 to the company in exchange for 591 Class A common shares and 591 Class F preferred shares. In accordance with the Unanimous Shareholders Agreement, these shares were issued on January 1, 2025.

19. SHARE CAPITAL

Authorized:

Unlimited	Class A voting common shares
Unlimited	Class B common shares with restricted voting rights
Unlimited	Class C common shares with restricted voting rights
Unlimited	Class D non-cumulative, redeemable, retractable, non-voting preferred shares
Unlimited	Class E non-cumulative, redeemable, retractable, non-voting preferred shares
Unlimited	Class F non-cumulative, redeemable, retractable, non-voting preferred shares
Unlimited	Class G non-cumulative, redeemable, retractable, non-voting preferred share
Unlimited	Class H non-cumulative, redeemable, retractable, non-voting preferred shares
Unlimited	Class I non-cumulative, redeemable, retractable, non-voting preferred shares

		2024	2023
The following common and preferred shares have been issued:			
Common shares			
61,851	Class A shares (2023 - 61,734)	**$ 619**	$ 617
555	Class B shares (2023 - 555)	**6**	6
137,291	Class C shares (2023 - 121,741)	**1,373**	1,218
		$ 1,998	$ 1,841
Preferred shares			
52,589	Class D shares (2023 - 52,589)	**$ 52,588,292**	$ 52,588,292
555	Class E shares (2023 - 555)	**554,473**	554,473
9,248	Class F shares (2023 - 9,131)	**9,247,763**	9,130,175
146,571	Class H shares (2023 - 131,081)	**146,571,705**	131,081,519
227	Class I shares (2023 - 166)	**226,814**	165,888
		$ 209,189,047	$ 193,520,347

The holders of redeemable Class D and E preferred shares are entitled to receive dividends in accordance with the Unanimous Shareholders Agreement. Redeemable preferred shares do not carry the right to vote. All shares rank equally with regard to the company's residual assets, except that holders of redeemable preferred shares participate only to the extent of the face value of the shares. The redeemable preferred shares are classified as financial liabilities (see *Note 26*). As no amounts are expected to be redeemed in the next fiscal year and the fact that the company would not be able to fund any redemption request, the shares are presented as a long-term liability.

There is a dividend restriction on preferred shares issued in consideration for a cash or asset transfer into the company such that dividends cannot be declared on these shares for two years from the effective date of any such asset transfer.

During the year, shares were issued in respect of the prior year stock dividends. In addition, 78 Class A common shares and 78 Class F preferred shares were issued to the City of Grande Prairie in exchange for infrastructure assets transferred effective January 1, 2024.

20. COMMITMENTS

Dividends

In accordance with the Unanimous Shareholders Agreement, the company has committed to pay annual non-cumulative dividends on the outstanding Class D and E preferred shares, subject to the dividends not putting the company in violation of its bank covenants as discussed in *Note 14*.

A dividend will become payable in 2025 to the shareholders as follows:

City of Grande Prairie	$ 1,808,050
County of Grande Prairie No. 1	454,650
Town of Sexsmith	216,750
Town of Wembley	27,750

Operational commitments

The company has various outstanding purchase orders and commitments as part of the ordinary course of business. The company has also entered into contracts related to residential waste and recycling pickups as follows:

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Less than one year	$ 2,777,201
Between one and five years	15,182,275
More than five years	-

21. OTHER REVENUE

	2024	2023
Service connections	**$ 501,670**	$ 360,941
Managed Operations	**6,504,246**	7,145,371
Engineering fees on infrastructure charges	**133,604**	142,985
Distribution and collection commercial services	**190,878**	307,451
Customer shut-off fees	**237,725**	163,778
Landfill gas sales	**275,836**	796,352
Miscellaneous revenues and sales	**763,615**	705,224
	$ 8,607,574	$ 9,622,102

22. EMPLOYEE BENEFITS

	2024	2023
Salaries, wages and short-term benefits	**$ 20,268,592**	$ 18,852,598
Post-employment benefits	**1,649,569**	1,441,457
Termination benefits	**123,356**	304,145
Other long-term benefits	**641,383**	499,720
	$ 22,682,899	$ 21,097,920

(a) Salaries, wages and short-term benefits

Short-term benefits consist of wages and salaries paid or payable to employees, accrued vacation and other benefits paid or payable within twelve months.

(b) Post-employment benefits

Local Authorities Pension Plan

Employees of the company participate in the LAPP, which is covered by the Public Sector Pension Plans Act. LAPP serves over 304,000 people and over 440 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund. Contributions for current service are recorded as expenditures in the year in which they become due.

The company is required to make current service contribution to the LAPP of 8.45% of pensionable payroll up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.65% on the excess.

Employees of the company are required to make current service contributions to the LAPP of 7.45% of pensionable payroll up to the year's maximum pensionable earnings under the Canada Pension Plan and 10.65% on the excess.

Total current and past service contributions by the company to the LAPP in 2024 were $1,570,037 (2023 - $1,370,671). Total current and past service contributions by the employees of the company to the LAPP in 2024 were $1,320,774 (2023 - $1,228,487).

At December 31, 2023, the LAPP disclosed an actuarial surplus of $15.1 billion (2022 - $12.7 billion).

The LAPP has announced that member contribution rates will remain the same in 2025.

APEX Supplementary Pension Plan

Eligible employees may also elect to participate in the voluntary APEX Plan. It is funded by employer and employee contributions and investment earnings of the APEX fund.

The company is required to make current service contributions to the APEX of 2.96% of pensionable payroll above the LAPP maximum pensionable earnings up to the year's maximum pensionable earnings of $180,500 for employees who have elected to participate in the APEX. No contributions are required on earnings above the maximum threshold.

(continues)

22. EMPLOYEE BENEFITS *(continued)*

Employees electing to participate in the APEX are required to make current service contributions of 2.42% of pensionable payroll service above the LAPP maximum pensionable earnings up to the year's maximum pensionable earnings of $180,500 with no contributions on earnings above the maximum threshold.

Total current and past service contributions by the company to APEX in 2024 were $79,532 (2023 - $70,786). Total current and past service contributions by the employees of the company to APEX in 2024 were $65,023 (2023 - $57,442).

At December 31, 2023, the APEX disclosed an actuarial surplus of $10.3 million (2022 - $3.3 million).

APEX has announced that member contribution rates will remain the same in 2025.

(c) Termination benefits

Termination benefits consist of retirement allowances/severance payments paid or payable to employees upon cessation of employment with the company.

(d) Other long-term benefits

The company provides a sick leave benefit to employees which carries over to future periods until termination or use. The obligation is measured recognizing service cost over the period in which the employee renders services with current year costs recognized in profit in the current year. The measurement of this obligation uses assumptions including discount rate, expected length of service, and historical usage. The changes in the obligation during the year can be found in *Note 13*.

23. FINANCE COSTS

	2024	2023
Interest expense	**$ 1,270,374**	$ 1,089,624
Accretion of landfill provision	**197,818**	204,997
Unwinding of discount on right-of-use assets	**96,315**	169,614
	$ 1,564,507	$ 1,464,235

24. RELATED PARTY TRANSACTIONS

The following is a summary of the company's related party transactions and balances:

	2024	2023
City of Grande Prairie (the majority shareholder)		
Sale of services	**$ 723,773**	$ 912,801
General and administrative services expense	**108,305**	51,886
Expense reimbursements	**6,800**	8,989
Franchise fees paid	**4,042,963**	3,702,766
Special dividends declared	**2,263,060**	2,193,223
Regular dividends declared	**1,808,050**	1,808,050
Common shares issued	**110**	74
Preferred shares issued	**11,093,644**	7,435,444
Deposits and holdbacks receivable	**378,500**	331,500
Trade receivables	**2,514**	322,416
Trade payables	**296,416**	641,715
Dividends payable	**4,071,110**	4,001,273
Stock dividend payable	**12,090,796**	10,854,140
County of Grande Prairie No. 1 (a minority shareholder)		
Sale of services	**192,948**	298,474
General and administrative services expense	**127,637**	110,119
Franchise fees paid	**467,066**	334,601
Special dividends declared	**635,302**	602,463
Regular dividends declared	**454,650**	454,650
Common shares issued	**32**	50
Preferred shares issued	**3,213,570**	5,037,263
Trade receivables	**737**	13,250
Trade payables	**39,464**	106,720
Dividends payable	**1,089,952**	1,057,113
Stock dividend payable	**3,528,819**	3,166,571
Town of Sexsmith (a minority shareholder)		
Sale of services	**29,891**	29,860
General and administrative services expense	**255,234**	238,051
Franchise fees paid	**121,807**	110,510
Special dividends declared	**247,958**	238,810
Regular dividends declared	**216,750**	216,750
Common shares issued	**13**	9
Preferred shares issued	**1,261,378**	841,473
Trade receivables	**323**	522
Trade payables	**31,294**	14,698
Dividends payable	**464,708**	455,560
Stock dividend payable	**1,383,716**	1,242,931

(continues)

24. RELATED PARTY TRANSACTIONS *(continued)*

	2024	2023
Town of Wembley (a minority shareholder)		
Sale of services	**16,162**	19,535
General and administrative services expense	**159,573**	155,882
Franchise fees paid	**77,988**	74,784
Special dividends declared	**11,815**	11,348
Regular dividends declared	**27,750**	27,750
Common shares issued	**1**	-
Preferred shares issued	**60,926**	41,074
Trade receivables	**348**	617
Trade payables	**19,220**	10,996
Dividends payable	**39,565**	39,098
Stock dividend payable	**66,846**	60,036
Transactions with key management personnel		
Salaries, wages and short-term benefits	**1,833,537**	1,606,117
Post-employment and termination benefits	**76,986**	138,810

These transactions and balances are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

25. SEGMENTED DISCLOSURE

	Water	Wastewater	Solid Waste	**2024**
Revenue				
Sales of service	$ 24,740,853	$ 27,330,285	$ 14,583,679	**$ 66,654,817**
Other revenue	6,097,325	2,255,598	254,651	**8,607,574**
Recognition of deferred revenue for capital contributions	1,825,689	3,217,956	37,612	**5,081,257**
Franchise fees	1,984,570	2,378,130	584,559	**4,947,259**
	34,648,437	35,181,969	15,460,501	**85,290,907**
Expenses				
Salaries, wages and benefits	10,300,874	8,186,520	4,195,505	**22,682,899**
General and administrative	1,714,666	1,630,534	963,674	**4,308,874**
Contracted services	2,406,841	2,407,590	5,420,495	**10,234,926**
Utilities	1,346,396	368,411	157,649	**1,872,456**
Major maintenance	199,287	106,560	-	**305,847**
Materials, goods and supplies	3,212,314	1,973,534	537,916	**5,723,764**
Depreciation	4,137,099	6,383,657	1,192,844	**11,713,600**
Franchise fees	1,984,570	2,378,130	584,559	**4,947,259**
	25,302,047	23,434,936	13,052,642	**61,789,625**
Other items				
Finance income	841,779	841,231	531,304	**2,214,314**
Fair value adjustments on investments	179,019	179,020	113,065	**471,104**
Finance costs	(522,135)	(522,065)	(520,307)	**(1,564,507)**
Fair value adjustment of interest rate swap	(150,376)	(150,377)	(94,975)	**(395,728)**
Loss on disposal of property, plant and equipment	(334,711)	(1,062,302)	(87,193)	**(1,484,206)**
	13,576	(714,493)	(58,106)	**(759,023)**
Net income	$ 9,359,966	$ 11,032,540	$ 2,349,753	**22,742,259**
Net subsidiary operations - 25 By 20 Holdings Inc.				**(748)**
Dividends				**(5,671,334)**
				$ 17,070,177

(continues)

25. SEGMENTED DISCLOSURE *(continued)*

	Water	Wastewater	Solid Waste	2023
Revenue				
Sale of services	$ 22,564,682	$ 24,758,934	$ 13,643,080	$ 60,966,696
Other revenue	6,763,824	2,538,888	319,390	9,622,102
Recognition of deferred revenue for capital contributions	1,730,050	2,971,584	34,939	4,736,573
Franchise fees	1,798,461	2,196,080	563,349	4,557,890
	32,857,017	32,465,486	14,560,758	79,883,261
Expenses				
Salaries, wages and benefits	9,616,224	7,547,431	3,934,265	21,097,920
General and administrative	1,537,975	1,272,686	722,816	3,533,477
Contracted services	2,553,415	2,342,770	5,146,790	10,042,975
Utilities	1,884,906	1,013,117	47,921	2,945,944
Major maintenance	-	162,179	-	162,179
Materials, goods and supplies	4,141,045	1,537,027	228,177	5,906,249
Depreciation	3,818,273	6,202,344	1,029,429	11,050,046
Franchise fees	1,798,461	2,196,080	563,349	4,557,890
	25,350,299	22,273,634	11,672,747	59,296,680
Other items				
Finance income	1,144,017	1,143,856	722,436	3,010,309
Fair value adjustments on investments	90,069	90,069	56,885	237,023
Finance costs	(480,632)	(480,545)	(503,058)	(1,464,235)
Fair value adjustment of interest rate swap	(102,423)	(102,423)	(64,689)	(269,535)
Loss on disposal of property, plant and equipment	(245,097)	(236,978)	(93,361)	(575,436)
	405,934	413,979	118,213	938,126
Net income	$ 7,912,652	$ 10,605,831	$ 3,006,224	21,524,707
Net subsidiary operations - 25 By 20 Holdings Inc.				(341,499)
Dividends				(5,632,095)
				$ 15,551,113

26. FINANCIAL INSTRUMENTS

Categories of financial instruments

The classification of the company's financial instruments, as well as their carrying amounts and fair values, are shown in the tables below.

December 31, 2024	Fair Value through Profit or Loss (fair value)	Held to Maturity (amortized cost)	Loans and Receivables (amortized cost)	Other Financial Liabilities (amortized cost)	Financial Liabilities (assets) (fair value)	Total Carrying Amount	Fair Value
Financial assets							
Cash	-	10,326,005	-	-	-	**10,326,005**	**10,326,005**
Trade and other receivables	-	-	10,990,163	-	-	**10,990,163**	**10,990,163**
Investments	-	52,907,625	-	-	-	**52,907,625**	**52,907,625**
Due from subsidiary	-	-	-	-	-	**-**	**-**
Financial liabilities							
Trade and other payables	-	-	-	9,718,486	-	**9,718,486**	**9,718,486**
Dividends payable	-	-	-	5,665,334	-	**5,665,334**	**5,665,334**
Bank loans	-	-	-	25,290,003	-	**25,290,003**	**25,290,003**
Other long-term liability	-	-	-	934,208	-	**934,208**	**934,208**
Lease liability	-	-	-	2,088,823	-	**2,088,823**	**2,088,823**
Federation of Canadian Municipalities loan	-	-	-	1,000,000	-	**1,000,000**	**1,000,000**
Stock dividend payable	-	-	-	17,070,177	-	**17,070,177**	**17,070,177**
Preferred shares	-	-	-	209,189,047	-	**209,189,047**	**209,189,047**
Shares to be issued	-	-	-	591,643	-	**591,643**	**591,643**

December 31, 2023	Fair Value through Profit or Loss (fair value)	Held to Maturity (amortized cost)	Loans and Receivables (amortized cost)	Other Financial Liabilities (amortized cost)	Financial Liabilities (assets) (fair value)	Total Carrying Amount	Fair Value
Financial assets							
Cash	-	9,744,558	-	-	-	9,744,558	9,744,558
Trade and other receivables	-	-	15,971,097	-	-	15,971,097	15,971,097
Investments	8,618,410	51,808,002	-	-	-	60,897,516	60,897,516
Financial liabilities							
Trade and other payables	-	-	-	10,461,172	-	10,461,172	10,461,172
Due from subsidiary	-	-	-	-	-	-	-
Dividends payable	-	-	-	5,547,045	-	5,547,045	5,547,045
Bank loans				39,789,421	(395,728)	39,393,693	39,393,693
Other long-term liability	-	-	-	1,171,372	-	1,171,372	1,171,372
Lease liability				2,286,697		2,286,697	2,286,697
Federation of Canadian Municipalities loan	-	-	-	1,516,490	-	1,516,490	1,516,490
Stock dividend payable	-	-	-	15,551,113	-	15,551,113	15,551,113
Preferred shares	-	-	-	193,520,883	-	193,520,883	193,520,883
Shares to be issued	-	-	-	39,183	-	39,183	39,183

(continues)

26. FINANCIAL INSTRUMENTS *(continued)*

Determination of fair values and accounting treatment

A number of the company's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following assumptions and methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

For cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, their fair values approximate their carrying values due to the immediate or short-term maturities of these instruments.

The fair value of the investments at amortized cost approximates their carrying value as the interest rates are consistent with current rates available to the company in the investment market for such investment instruments. The estimated fair value is disclosed above.

The fair value of term loans and borrowings approximates the carrying value as the interest rates are consistent with the current rates offered to the company for debt with similar terms.

The fair value of Class D and E preferred shares approximates the carrying value as the shares are carried at the fixed redemption value and bear 5% dividend rights in accordance with the terms of the Unanimous Shareholders Agreement.

The fair value of the Class F, H and I preferred shares are less than the carrying value, as the amounts bear no fixed dividend rate. The difference is likely insignificant and it has been assumed that fair value approximates carrying value.

Financial risk management

The company is exposed to various risks associated with its financial instruments. These risks are categorized as credit risk, liquidity risk and market risk. The risks related to the company's financial instruments are discussed below.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The company's risk management policies are established to identify and analyze the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The company’s Audit and Risk Committee oversees how management monitors compliance with the company’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company.

Credit risk

Credit risk arises from the potential that a customer will fail to perform its obligations. The following table summarizes the company’s maximum exposure to credit risk related to financial instruments. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

(continues)

26. FINANCIAL INSTRUMENTS *(continued)*

	2024	2023
Trade accounts receivable	**$ 5,342,607**	$ 9,197,804
Unbilled revenue	**3,759,481**	3,059,551
Grants receivable	**-**	141,310
Accrued investment earnings	**782,028**	2,779,383
Goods and services tax receivable	**245,765**	61,561
Other receivables	**976,282**	866,487
	11,106,163	16,106,907
Allowance for doubtful accounts	**(116,000)**	(135,000)
	$ 10,990,163	$ 15,971,097

The company is exposed to credit risk from customers. In order to reduce its credit risk, the company conducts regular reviews of its existing customers' credit performance. New customers are required to pay a deposit which may be applied against any future unpaid amounts. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The company has a significant number of customers which minimizes concentration of credit risk. No one customer makes up a significant portion of either revenue or the trade receivables balance at year-end.

Amounts are considered past due when payment has not been received in accordance with a customer agreement, which is typically 30 days. The trade receivable balances include $718,242 that is past due as at December 31, 2024 (2023 - $1,585,912).

At December 31, 2024, there are no financial assets that the company deems to be impaired or that are past due according to their terms and conditions, for which allowances have not been recorded. Aging of trade receivables and the related impairment allowances are provided in the following table:

	December 31, 2024	**Gross Impairment Allowance December 31, 2024**	December 31, 2023	Gross Impairment Allowance December 31, 2023
Not past due	**4,624,365**	**-**	7,926,145	-
Past due 0-30 days	**596,106**	**95,413**	1,072,549	100,162
Past due 31-90 days	**122,136**	**20,587**	110,228	18,109
More than 91 days	**-**	**-**	88,882	16,730
	5,342,607	**116,000**	9,197,804	135,000

(continues)

26. FINANCIAL INSTRUMENTS *(continued)*

The movement in the allowance for doubtful accounts in respect of accounts receivable during the year was as follows:

	2024	2023
Balance at the beginning of year	**$ 135,000**	$ 74,000
Impairment losses recognized	**(126,570)**	(82,459)
Amounts written off as uncollectible	**126,570**	82,459
Increase (decrease) in allowance	**(19,000)**	61,000
	$ 116,000	$ 135,000

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The purpose of liquidity risk management is to maintain sufficient amounts of cash and cash equivalents, and authorized credit facilities, to fulfill obligations associated with financial liabilities. To manage liquidity risk, the company prepares budgets and cash forecasts and monitors its performance against these. Management also monitors cash and working capital efficiency given current sales levels and seasonal variability. The company measures and monitors its liquidity risk by regularly evaluating its cash inflows and outflows under expected conditions through cash flow reporting such that it anticipates certain funding mismatches and ensures the cash management of the business within certain tolerable levels. These cash flow forecasts are reviewed on regular basis by management. The company mitigates liquidity risk through continuous monitoring of its credit facilities and the diversification of its funding sources, both in the short-term, as well as the long-term.

(continues)

26. FINANCIAL INSTRUMENTS *(continued)*

The following table presents the contractual maturities of financial liabilities:

	Carrying amount	**Contractual cash flow**	**Under 1 year**	**Between 2-3 years**	**Between 4-5 years**	**More than 5 years**
December 31,2024						
Accounts payable and accrued liabilities	**9,718,486**	**9,718,486**	**9,718,486**	**-**	**-**	**-**
Dividends payable	**5,665,334**	**5,665,334**	**5,665,334**	**-**	**-**	**-**
Loans and borrowings	**28,378,826**	**28,378,826**	**4,006,805**	**7,401,609**	**6,901,608**	**10,068,804**
Other long-term liabilities	**934,208**	**934,208**	**240,686**	**693,522**	**-**	**-**
Stock dividend payable	**17,070,177**	**17,070,177**	**-**	**-**	**-**	**17,070,177**
Preferred shares	**209,189,047**	**209,189,047**	**-**	**-**	**-**	**209,189,047**
Shares to be issued	**591,643**	**591,643**	**-**	**-**	**-**	**591,643**
	271,547,721	**271,547,721**	**19,631,311**	**8,095,131**	**6,901,609**	**236,919,671**

	Carrying amount	Contractual cash flow	Under 1 year	Between 2-3 years	Between 4-5 years	More than 5 years
December 31, 2023						
Accounts payable and accrued liabilities	10,461,172	10,461,172	10,461,172	-	-	-
Dividends payable	5,547,045	5,547,045	5,547,045	-	-	-
Loans and borrowings	43,196,880	43,592,608	4,665,431	9,368,589	8,385,079	21,173,508
Other long-term liabilities	1,171,373	1,171,373	438,069	733,304	-	-
Stock dividend payable	15,551,113	15,551,113	-	-	-	15,551,113
Preferred shares	193,520,347	193,520,347	-	-	-	193,520,347
Shares to be issued	39,183	39,183				39,183
	269,487,113	269,882,841	21,111,717	10,101,893	8,385,079	230,284,151

It is not expected that the cash flows included in the maturity analysis will occur significantly earlier, or at significantly different amounts.

The company's trade payables are all current and due within 75 days of the statement of financial position. The company's future obligations under operating leases are discussed in Note 3(g).

The company's loans and borrowings are further discussed in *Note 14*.

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26. FINANCIAL INSTRUMENTS *(continued)*

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of interest rate risk, currency risk and publicly traded equity market risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is exposed to interest rate risk as a result of the issuance of variable rate debt, as disclosed in *Note 14*.

The interest rate risk related to investment portfolios is managed by investing in fixed rate investments. The sensitivity rate is determined using the historical annualized standard deviation for the total portfolio over a five-year period as determined by the company's investment advisors. If interest rates or market prices increase or decrease by 0.85%, and all other variables are held constant, the potential impact to the company would be approximately $14,004.

Interest rate risk on long-term debt is managed through fixed rate, variable rate interest based on the 30-day bankers' acceptance rate and an interest rate swap agreement. If interest rates increased by 1.0% and all other variables are held constant, the potential impact to the company would be $325,397.

Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates.

The company is not directly exposed to significant foreign currency exchange risk.

27. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	December 31, 2024	**Issued or received**	**Adjustments/ Repayments**	**December 31, 2024**
Federation of Canadian Municipalities	**1,516,490**	**-**	**(516,490)**	**1,000,000**
RBC Royal Bank	**9,216,636**	**-**	**(1,526,636)**	**7,690,000**
CIBC	**30,572,785**	**-**	**(12,972,782)**	**17,600,003**
Fair value adjustment of interest rate swap	**(395,728)**	**-**	**395,728**	**-**
Lease liabilities	**2,286,697**	**53,511**	**(251,385)**	**2,088,823**
Total long-term debt (including current portion)	**43,196,880**	**53,511**	**(14,871,565)**	**28,378,826**
Deferred infrastructure charges	**7,843,884**	**1,266,364**	**(1,296,020)**	**7,814,228**

	December 31, 2023	Issued or received	Adjustments/ Repayments	December 31, 2023
Federation of Canadian Municipalities	2,000,000	-	(483,510)	1,516,490
RBC Royal Bank	10,716,153	-	(1,499,517)	9,216,636
CIBC	32,933,328	-	(2,360,543)	30,572,785
Fair value adjustment of interest rate swap	(665,263)	-	269,535	(395,728)
Lease liabilities	2,160,715	49,689	76,293	2,286,697
Total long-term debt (including current portion)	47,144,933	49,689	(3,997,742)	43,196,880
Deferred infrastructure charges	14,566,587	1,545,810	(8,268,513)	7,843,884

28. CAPITAL MANAGEMENT

The capital structure of the company includes cash, shareholders' equity and loans and borrowings. The company's objectives when managing capital are:

- to safeguard the company's ability to continue as a going concern; and
- to provide a stable low risk return to shareholders on capital investments.

The company manages the capital structure and makes adjustments based on planned expenditures for property, plant and equipment acquisitions and construction.

The Board-approved capital budget for 2025 approves total spending of approximately $40 million. It is expected that the funding for the capital will be generated primarily by operating cash flow, liquidation of a portion of the company's investment portfolio, infrastructure charges and developer contributions. Additional debt may also be accessed, if necessary. Future capital programs will be similarly financed with the potential for additional debt where warranted. As described in *Note 14*, the company has unused credit facilities if required.

29. CONTINGENT LIABILITIES

The company has been named as a defendant in various lawsuits as of year-end. Based on the opinion of management and through consultation with legal counsel and the company's insurers, the amounts cannot currently be determined but any liability is likely to be insignificant to the company.

The company expects that any settlement or awards in relation to the above-noted claims will not exceed available insurance coverage. A settlement of any of these claims above insurance coverage, if any, will be recorded in the period in which it becomes known.

Aquatera Utilities Inc. is a member of the Alberta Municipal Insurance Exchange. Under the terms of the membership, Aquatera could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

30. SUBSEQUENT EVENTS

In January, 2025, the company repaid $7.6 million of callable debt using investments.

31. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

AQUATERA UTILITIES INC.

Non-Consolidated Property, Plant and Equipment

(Schedule 1)

Year Ended December 31, 2024

	Land	Buildings	Leasehold Improvements	Engineering Structures	Equipment	Vehicles and Mobile Equipment	Construction in Progress	Right-of-use Assets	Total
Cost or deemed cost									
Balance at December 31, 2023	$ 4,824,587	$ 93,537,826	$ 2,714,491	$ 308,949,155	$ 78,911,619	$ 12,014,984	$ 10,107,084	$ 4,274,537	$ 515,334,283
Additions	-	-	-	4,152,398	1,702,831	2,763,246	19,109,366	53,511	27,781,352
Disposals	-	-	-	(708,117)	(907,193)	(379,020)	(1,798,740)	-	(3,793,070)
Transfer to assets available for use	-	514,430	-	6,886,076	2,420,618	-	(10,620,601)	-	(799,477)
Balance at December 31, 2024	4,824,587	94,052,256	2,714,491	319,279,512	82,127,875	14,399,210	16,797,109	4,328,048	538,523,088
Accumulated depreciation									
Balance at December 31, 2023	-	(23,025,089)	(2,493,351)	(37,724,190)	(28,127,924)	(9,155,714)	-	(2,228,347)	(102,754,615)
Depreciation for year	-	(2,319,083)	(28,158)	(4,756,048)	(3,586,720)	(1,293,064)	-	(269,194)	(12,252,267)
Disposals	-	-	-	252,203	421,258	379,022	-	-	1,052,483
Balance at December 31, 2024	-	(25,344,172)	(2,521,509)	(42,228,035)	(31,293,386)	(10,069,756)	-	(2,497,541)	(113,954,399)
Net book value at December 31, 2024	**$ 4,824,587**	**$ 68,708,084**	**$ 192,982**	**$ 277,051,477**	**$ 50,834,489**	**$ 4,329,454**	**$ 16,797,109**	**$ 1,830,507**	**$ 424,568,689**

Please see accompanying notes to financial statements

AQUATERA UTILITIES INC.

Non-Consolidated Property, Plant and Equipment

(Schedule 1)

Year Ended December 31, 2023

	Land	Buildings	Leasehold Improvements	Engineering Structures	Equipment	Vehicles and Mobile Equipment	Construction in Progress	Right-of-use Assets	Total
Cost or deemed cost									
Balance at December 31, 2022	$ 2,190,961 $	95,894,972 $	2,551,939 $	286,981,178 $	76,628,981 $	11,161,484 $	10,922,037 $	3,955,407 $	490,286,959
Additions	2,633,626	-	-	1,347,037	1,429,305	1,107,932	24,364,874	319,130	31,201,904
Disposals	-	(2,429,034)	-	-	(248,814)	(254,432)	(218,518)	-	(3,150,798)
Transfer to assets available for use	-	71,888	162,552	20,620,940	1,102,147	-	(24,961,309)	-	(3,003,782)
Balance at December 31, 2023	4,824,587	93,537,826	2,714,491	308,949,155	78,911,619	12,014,984	10,107,084	4,274,537	515,334,283
Accumulated depreciation									
Balance at December 31, 2022	-	(20,954,398)	(2,477,967)	(33,387,841)	(24,592,802)	(8,483,351)	-	(1,980,851)	(91,877,210)
Depreciation for year	-	(2,314,989)	(15,384)	(4,336,349)	(3,590,437)	(926,795)	-	(247,496)	(11,431,450)
Disposals	-	244,298	-	-	55,315	254,432	-	-	554,045
Balance at December 31, 2023	-	(23,025,089)	(2,493,351)	(37,724,190)	(28,127,924)	(9,155,714)	-	(2,228,347)	(102,754,615)
Net book value at December 31, 2023	$ 4,824,587 $	70,512,737 $	221,140 $	271,224,965 $	50,783,695 $	2,859,270 $	10,107,084 $	2,046,190 $	412,579,668

Please see accompanying notes to financial statements