June 11, 2024

Form 51-102F4
Business Acquisition Report

This Business Acquisition Report has been prepared by Revolve Renewable Power Corp. (the "**Company**" or "**Revolve**") regarding its acquisition of all of the issued and outstanding common shares of WindRiver Power Corporation ("**WindRiver**") on February 12, 2024 (the "**Acquisition**"). The Acquisition was completed by way of a court-approved plan of arrangement (the "**Arrangement**") under the *Business Corporations Act* (Alberta), in accordance with the terms of the arrangement agreement between the Company, Revolve Acquisition Corp. (the "**Purchaser**") a wholly owned Alberta subsidiary of Revolve, and WindRiver dated October 3, 2023 ("**Arrangement Agreement**"). Following the Arrangement, WindRiver became an indirect wholly-owned subsidiary of Revolve.

ITEM 1 – IDENTITY OF COMPANY

1.1 Name and Address of Company

Revolve Renewable Power Corp.
700 West Georgia Street, Suite 2200
Vancouver, British Columbia, V7Y 1K8, Canada

1.2 Executive Officer

Steve Dalton
Chief Executive Officer and Director
admin@revolve-renewablepower.com
(403) 629-0262

ITEM 2 – DETAILS OF ACQUISITION

2.1 Nature of Business Acquired

On February 12, 2024, Revolve acquired all of the issued and outstanding common shares of WindRiver (the "**WindRiver Shares**") pursuant to a court-approved plan of arrangement (the "**Arrangement**") under the *Business Corporations Act* (Alberta), in accordance with the terms of the arrangement agreement between the Company, the Purchaser and WindRiver dated October 3, 2023. Following the Arrangement, WindRiver became an indirect wholly-owned subsidiary of Revolve.

WindRiver is a Canadian based owner, operator and developer of wind and hydro projects in the Provinces of British Columbia and Alberta.

The portfolio of projects acquired as part of the Acquisition includes a combination of operating projects (collectively the "**Operating Projects**") and development projects (collectively the "**Development Projects**").

Operating Projects

6MW Box Springs Windfarm Project

(Located in Medicine Hat, Alberta)

Commissioned in 2014 and consists of three Gamesa G90 2MW turbines.

- The project sells electricity under a 20-year fixed price power purchase agreement with the City of Medicine Hat.
- Revolve is now an indirect 51% shareholder in this project.

11MW Hunter Creek Hydro Project

(A run-of-river hydro facility located in Hope, British Columbia)

- The project was developed by WindRiver and was commissioned in June 2018.
- It sells electricity to B.C. Hydro under a long-term power purchase agreement.
- Revolve is now an indirect 21% shareholder in this project.

6MW Sakwi Hydro

(Located in Harrison Hot Springs, British Columbia)

- WindRiver is the developer of this project and the project was commissioned in Dec 2014.
- The project sells electricity to B.C. Hydro under a long-term power purchase agreement.
- Revolve is now an indirect 21% shareholder in the project.

Development Projects

There are two hydro Development Projects that has been progressing through the development cycle for several years. These projects are:

- ***15MW Tahimi Creek Hydro Project***, located in the Chilliwack River Valley near Chilliwack, British Columbia. Currently, Revolve has 100% indirect ownership of the project and if the project moves forward, Revolve will have 70% indirect interest in the project.
- ***75MW Kinskuch Lake Hydro Project***, located north of Terrace, British Columbia. The project has the potential to develop significant storage capacity, beyond "run-of-river", at Kinskuch Lake. Currently, Revolve has 100% indirect ownership of the project and if the project moves forward, Revolve will have 87.5% indirect interest in the project.

2.2 Acquisition Date

The Company acquired WindRiver on February 12, 2024.

2.3 Consideration

Upon completion of the Acquisition, Revolve acquired all of the WindRiver Shares in exchange for C$0.21787175502 for each WindRiver Share. This was paid in cash for a total gross upfront consideration of approximately C$4,850,000 (the "**Effective Date Consideration**").

Revolve may also pay up to C$14,000,000 in contingent consideration to the former WindRiver shareholders depending on whether WindRiver's Tamihi Creek and Kinskuch Lake hydro projects achieve certain milestones, including, the signing of power purchase agreements, the commencement of construction, and commercial operations, or are sold to a third party by the Purchaser. In addition, the Company has agreed to reimburse certain historic development costs related to these projects, to be reimbursed once construction has commenced on the respective project.

Revolve has also agreed to pass through contingent payments of up to C$5,700,000 expected to be received by WindRiver from development assets previously sold to third parties by WindRiver.

Further information about the Acquisition can be found in the Arrangement Agreement and Company's news releases dated October 23, 2023, December 15, 2023, and February 13, 2024 which documents are filed under the Company's profile on SEDAR+ at https://www.sedarplus.ca/

2.4 Effect on Financial Position

There are no plans or proposals for material changes to the business affairs of the Company, or the business affairs of WindRiver, that may have a significant effect on the results of operations and financial position of the Company.

2.5 Prior Valuations

To the best knowledge of the Company, there have not been any valuation opinions obtained within the last twelve months by WindRiver or the Company required by securities legislation or a Canadian exchange or market to support the consideration paid by the Company in connection with the Arrangement.

2.6 Parties to acquisition

This acquisition is an Arm's Length acquisition and the terms were negotiated between arm's length parties and did not involve an informed person, associate, or affiliate of Revolve as defined under National Instrument 51-102 – *Continuous Disclosure Obligations* ("**NI 51-102**").

2.7 Date of Report

June 11, 2024.

ITEM 3 – FINANCIAL STATEMENTS AND OTHER INFORMATION

As required by Part 8 of NI 51-102, WindRiver's audited annual financial statements for the year ended December 31, 2023 and 2022, together with the notes thereto and the auditor's report thereon are included in this Business Acquisition Report and are attached hereto as Schedule "A".

SCHEDULE "A"

[See attached]

Consolidated Financial Statements of

WINDRIVER POWER CORPORATION

And Independent Auditor’s Report thereon

Years ended December 31, 2023 and 2022

KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB T2P 4B9
Tel 403-691-8000
Fax 403-691-8008
www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Revolve Renewable Power Corp.

Opinion

We have audited the consolidated financial statements of WindRiver Power Corporation (the "Entity"), which comprise:

- the consolidated balance sheets as at December 31, 2023 and 2022
- the consolidated statements of operations for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and December 31, 2022, and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

June 11, 2024

WINDRIVER POWER CORPORATION

Consolidated Balance Sheets
December 31, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash	$ 6,800,868	$ 9,276,135
Restricted cash (note 2)	175,000	175,000
Accounts receivable (note 8)	431,985	269,166
Related party loan receivable (note 8)	459,239	–
Derivative instrument (note 4)	352,796	488,749
Prepaid expenses and deposits (note 11)	1,037,038	70,746
	9,256,926	10,279,796
Property and equipment (note 3)	6,445,420	7,060,733
Investments (note 5)	–	–
Restricted cash (note 2)	526,439	522,285
Deposits	850	850
Total assets	$ 16,229,635	$ 17,863,664
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 11)	$ 2,008,736	$ 249,072
Government sales taxes payable	13,637	6,553
Related party loan payable (note 8)	264,295	264,295
Current portion of long-term debt (note 4)	522,076	475,607
	2,808,744	995,527
Future income tax liability (note 7)	328,392	275,377
Long-term debt (note 4)	6,104,801	6,626,878
Total liabilities	9,241,937	7,897,782
Shareholders' equity:		
Share capital	37,449,944	37,449,944
Contributed surplus (note 6)	4,086,095	4,086,095
Deficit	(35,132,284)	(32,426,316)
Equity attributable to owner of the Company	6,403,755	9,109,723
Non-controlling interests	583,943	856,159
Total shareholders' equity	6,987,698	9,965,882
Total liabilities and shareholders' equity	$ 16,229,635	$ 17,863,664

Commitments and contingency (note 9)
Guarantees (note 2)
Subsequent events (notes 4(a) and 11)

See accompanying notes to consolidated financial statements.

Approved by the Board:

______________________________ Director

______________________________ Director

WINDRIVER POWER CORPORATION

Consolidated Statements of Operations
Years ended December 31, 2023 and 2022

	2023	2022
Revenue		
Energy sales	$ 2,136,074	$ 2,142,666
Asset management income (note 8)	320,190	513,614
	2,456,264	2,656,280
Cost of sales – energy (note 11)	740,484	716,936
Gross profit	1,715,780	1,939,344
Other expenses (income):		
Unrealized loss (gain) on derivative instrument (note 4)	135,953	(786,222)
Project development costs (recovery)	33,434	(7,803)
General and administrative (notes 8 and 11)	2,937,857	1,208,068
Interest on long-term debt	301,011	404,248
Depreciation (note 3)	615,313	614,474
Share of loss from investments (note 5)	258,196	–
Stock-based compensation (note 6)	–	2,543
	4,281,764	1,435,308
(Loss) income before income taxes	(2,565,984)	504,036
Income taxes		
Future income taxes (note 7)	(53,015)	(249,393)
Net (loss) income	(2,618,999)	254,643
Attributable to:		
Equity attributable to owner of the Company	(2,705,968)	(154,471)
Non-controlling interests	86,969	409,114
Net (loss) income	$ (2,618,999)	$ 254,643

See accompanying notes to consolidated financial statements.

WINDRIVER POWER CORPORATION

Consolidated Statements of Cash Flows

Years ended December 31, 2023 and 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Net (loss) income	$ (2,618,999)	$ 254,643
Items not involving cash:		
Depreciation	615,313	614,473
Unrealized loss (gain) on derivative contract	135,953	(786,222)
Stock-based compensation	–	2,543
Share of loss from investments	258,196	–
Future income taxes	53,015	249,393
Change in non-cash operating working capital:		
Accounts receivable	(162,819)	10,533
Prepaid expenses and deposits	(966,292)	(3,561)
Accounts payable and accrued liabilities	1,759,664	(98,927)
Deposits	–	7,151
Government sales taxes payable	7,084	(2,432)
	(918,885)	247,594
Financing:		
Stock option exercises	–	34,880
Repayment of long-term debt	(475,608)	(431,799)
Dividends paid to non-controlling interest	(359,185)	–
	(834,793)	(396,919)
Investing:		
Advance to related party	(459,239)	–
Additions of property and equipment	–	(4,552)
Increase in restricted cash	(4,154)	(7,268)
Contribution to equity investment	(258,196)	–
	(721,589)	(11,820)
Change in cash	(2,475,267)	(161,145)
Cash, beginning of year	9,276,135	9,437,280
Cash, end of year	$ 6,800,868	$ 9,276,135

See accompanying notes to consolidated financial statements.

WINDRIVER POWER CORPORATION

Consolidated Statements of Changes in Shareholders' Equity

Years ended December 31, 2023 and 2022

	Share capital					
	Number of shares #	Amount $	Contributed surplus $	Non-controlling interests $	Deficit $	Total Shareholders' equity $
Balance, December 31, 2021	21,860,810	37,251,166	4,247,450	447,045	(32,271,845)	9,673,816
Shares issued (note 6(b))	400,000	198,778	(163,898)	–	–	34,880
Stock-based compensation	–	–	2,543	–	–	2,543
Net income (loss) for the year	–	–	–	409,114	(154,471)	254,643
Balance, December 31, 2022	22,260,810	37,449,944	4,086,095	856,159	(32,426,316)	9,965,882
Dividends	–	–	–	(359,185)	–	(359,185)
Net income (loss) for the year	–	–	–	86,969	(2,705,968)	(2,618,999)
Balance, December 31, 2023	22,260,810	37,449,944	4,086,095	583,943	(35,132,284)	6,987,698

See accompanying notes to consolidated financial statements.

Nature of Business:

WindRiver Power Corporation (the “Company” or “WindRiver”) was incorporated on January 31, 2008 under the Business Corporation Act (Alberta) as 1378460 Alberta Ltd. and changed its name to WindRiver on March 7, 2008. The Company’s principal activities relate to the development, construction and operation of renewable energy projects in British Columbia and Alberta.

The Company continues to pursue additional options with investors and potential lenders to enable the Company to continue efforts to achieve its business objectives. To the extent the Company becomes committed to funding power projects in the future, the Company anticipates it will have various sources of liquidity available on a project-by-project basis.

These consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar except per share values. The functional currency of the Company and its subsidiaries is the Canadian dollar.

1. Significant accounting policies:

The consolidated financial statements were prepared in accordance with Canadian accounting standards for private enterprises (“ASPE”). The significant accounting policies are as follows:

a) Consolidation:

These consolidated financial statements include the accounts of the Company, and its subsidiaries of which it has control. All significant intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, have been eliminated. The Company’s subsidiaries are as follows:

	2023	2022	
	Ownership %	Ownership %	Jurisdiction
KMC Energy Corp.	100%	100%	BC, Canada
WPC Management Corp.	100%	100%	AB, Canada
Box Springs Wind Corp.	51%	51%	AB, Canada

b) Cash:

Cash consists of cash held at a major financial institution.

c) Restricted cash:

Restricted cash consists of cash held on term deposits, GICs and other savings accounts with major financial institutions.

1. Significant accounting policies (continued):

d) Project development costs:

The Company capitalizes direct costs associated with development of its power projects, including borrowing costs, when the project is clearly identified, the technical feasibility has been established, and management has indicated its intention to construct, operate and maintain the project, the future market is identified or a Power Purchase Agreement ("PPA") is awarded, and adequate resources exist or are expected to be available to complete the project. Prior to the above being established, development costs are expensed as incurred. Costs associated with successful projects will be reclassified as property and equipment and depreciated once in use over the useful life of the projects. Costs of unsuccessful projects are written off in the period the project is abandoned or the capitalization criteria are no longer satisfied.

The recovery of deferred development costs is dependent upon the successful completion of the projects. The success of the power projects is dependent upon obtaining the necessary licenses, the continued access to the development sites, regulatory approval, sufficient project financing and the successful commercialization of project sites to generate sufficient electrical power and to sell the electricity generated on a profitable basis.

Expenditures incurred to acquire, develop, maintain and enhance intangible resources are recognized as assets only when they are separable or arise from contractual or other legal rights regardless of whether these rights are transferable or separable and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost can be reliably measured. The assessment of the probability of the future economic benefits using reasonable and supportable assumptions represents management's best estimate of the set of economic conditions that will exist over the useful life of the asset. Subsequent expenditures to maintain such expected economic benefits are only capitalized to the carrying amount of the existing intangible asset if these expenditures separately meet the prescribed criteria for recognition as an intangible and that these costs could be directly attributable to a specific intangible rather than to the business as a whole.

The cost of internally-developed intangible assets comprises developmental costs that are directly attributable to creation, production and preparation of the asset to be capable of operating in the manner intended by management. Such developmental costs are only deferred if they meet the prescribed criteria for recognition.

Costs incurred for research activities are expensed as incurred in the statement of operations. Any costs incurred on intangible resources that have been previously recognized as an expense are not reversed subsequently at a later date.

1. Significant accounting policies (continued):

e) Property and equipment:

Property and equipment is recorded at cost. Depreciation is based on the cost of an asset less its estimated residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation is provided over the estimated useful lives of the assets. Box Springs wind project assets are depreciated based on the term of its PPA with the City of Medicine Hat. Depreciation is recorded using the methods as follows:

Asset	Rate/method
Box Springs wind project	20 year straight-line
Computer equipment and software	3 years straight-line

f) Impairment of long-lived assets:

Long-lived assets, including property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Impairment charges are not reversed if the asset's fair value increases subsequently.

g) Stock-based compensation plan:

The Company has a stock-based compensation plan. The Company uses the fair value method of accounting for stock-based compensation for all stock-based payments and awards. Under this method, all stock options awarded are measured at fair value and compensation expense is recognized over the period related to the service, usually the vesting period. Upon exercise of stock options, the amount of compensation expense previously recorded in contributed surplus is moved to share capital.

h) Revenue recognition:

Electricity revenue is recognized upon the delivery of energy generated from the Box Springs Project in accordance with the PPA with the City of Medicine Hat. Recognition occurs when delivery has taken place, and the sale price and rate are fixed or determinable. Additionally, collectability of the revenue is reasonably assured.

Asset management revenue is recognized when services are provided and when there is persuasive evidence that an arrangement exists, delivery has occurred, and collectability is reasonably assured.

1. Significant accounting policies (continued):

i) Income taxes:

The Company uses the future income taxes method of accounting for income taxes. Under the future income taxes method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. Income tax expense or benefit is the sum of the Company’s provision for the current income taxes and the difference between the opening and ending balances of the future income tax assets and liabilities.

j) Investments:

The Company accounts for its investments in entities subject to significant influence using the equity method. Under the equity method, the initial investment is recorded at cost and subsequently adjusted for the Company's share of the investment's net income or loss, as well as any capital transactions applicable to post-acquisition periods. Profit distributions received or receivable from investees reduce the carrying amount of the investments. When the Company’s share of losses exceeds the carrying amount of the investment, the carrying amount of that investment is reduced to $nil and the recognition of future losses is discontinued except to the extent that the Company has guaranteed an obligation of the investee or is otherwise committed to provide further financial support to the investee or the investee seems assured of imminently returning to profitability.

The Company’s determination of significant influence is based on consideration of voting interest in the investees along with other indicators such as representation on the board of directors, participation in policy-making processes, material intercompany transactions, interchange of managerial personnel or provision of technical information.

Investments in entities subject to significant influence are assessed individually for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment the Company determines if there is a significant adverse change in the expected timing or amount of future cash flows from the investment. If there is a significant adverse change in the expected cash flows, the carrying amount of the investment is reduced to the higher of the present value of the expected cash flows and the amount that could be realized from selling the investment. When the extent of impairment of a previously written down investment decreases and the decrease can be related to an event occurring after the impairment was recognized, the impairment loss is reversed to the extent of the improvement.

1. Significant accounting policies (continued):

k) Use of estimates:

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

Significant areas requiring the use of management estimates relate to the estimated useful lives of property and equipment, the determination of the fair value of stock options and the determination of the valuation allowance relating to future income tax assets.

l) Financial instruments:

(i) Initial measurement:

Financial instruments are measured at fair value on origination or acquisition, adjusted by, in the case of financial instruments that will not be subsequently measured at fair value, financing fees and transaction costs. All other transaction costs are recognized in net income in the period incurred.

When the Company issues a financial instrument that contains both a liability and an equity element, it allocates the entire proceeds to the liability component.

(ii) Subsequent to initial recognition:

Investments in equity instruments that are quoted in an active market and free-standing derivatives that are not designated in a qualifying hedging relationship are measured at fair value without any adjustment for transaction costs that may be incurred on sale or other disposal. Changes in fair value are recognized in net loss in the period incurred. Investments in equity instruments that are not quoted in an active market are measured at cost, less any reduction for impairment. Other financial instruments are measured at amortized cost.

(iii) Impairment:

At year end, the Company assesses whether there are any indications that a financial asset measured at cost or amortized cost may be impaired. For purposes of impairment testing, each individually significant asset is assessed individually; the balance of the assets are grouped on the basis of similar credit risk characteristics. When there is an indication of impairment, the Company determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset.

1. Significant accounting policies (continued):

l) Financial instruments (continued):

(iii) Impairment (continued):

When there has been a significant adverse change, the carrying value of the asset is reduced to the highest of:

(i) The present value of expected cash flows,

(ii) The amount that could be realized by selling the asset, and

(iii) The amount that could be realized by exercising its right to any collateral held as security.

When the extent of impairment decreases and the decrease can be related to an event occurring after the impairment was recognized, the impairment is reversed.

m) Related party transactions:

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is an exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

2. Restricted cash:

Pursuant to the completion of the Box Springs wind project, the long-term debt financing agreement requires the Company to provide $400,000 on deposit. The agreement also requires the Company maintain a major maintenance reserve account (“MMR”) in the initial amount of $100,000. The MMR is recalculated annually, based on amounts reasonably prescribed by the lender. At December 31, 2023, the total amount funded for the two reserve accounts amounted to $526,439 (2022 – $522,285).

The Company also holds cash in a guaranteed investment certificate account (“GIC”) with a chartered Canadian bank in the amount of $175,000 as collateral for a letter of guarantee issued to the Fisheries and Wildlife Agency in British Columbia relating to the Tamihi hydroelectric project for implementation of fish habitat offsetting measures. The Company has guaranteed the amount on behalf of KMC.

3. Project and equipment:

	Box Springs – wind assets $	Computer and Software $	Equipment $	Total $
Cost:				
December 31, 2021	11,965,102	24,489	57,685	12,047,276
Additions	–	4,552	–	4,552
December 31, 2023 and 2022	**11,965,102**	**29,041**	**57,685**	**12,051,828**
Accumulated Depreciation:				
December 31, 2021	4,295,656	24,335	56,631	4,376,622
Depreciation	612,407	1,919	147	614,473
December 31, 2022	4,908,063	26,254	56,778	4,991,095
Depreciation	612,407	2,785	121	615,313
December 31, 2023	**5,520,470**	**29,039**	**56,899**	**5,606,408**
Net Book Value:				
December 31, 2022	7,057,039	2,787	907	7,060,733
December 31, 2023	6,444,632	2	786	6,445,420

4. Long-term debt and derivative instrument:

(a) Long-term debt:

The Company has a term loan facility with ATB Financial (”ATB”). The term loan bears interest at a daily variable CORRA rate plus an applicable margin, with quarterly payments of accrued interest and principal required. The obligation under the facility is limited recourse, with shares in the Company pledged as security, as well as a general security agreement. At December 31, 2023, the outstanding amount on the facility totaled $6,626,877 (2022 – $7,102,485) of which $522,076 (2022 – $475,607) is classified as a current liability.

The Company is required to comply with certain covenants, under the terms of the long-term debt agreement including a minimum debt service coverage ratio of 1:1. At December 31, 2023, the Company was in compliance with these covenants.

On March 7, 2024, the Company entered into a second amended and restated credit agreement, which extended the expiry date of the credit agreement, from March 8, 2024 to March 8, 2025. Assuming the Company’s term loan facility is renewed on terms similar to those existing currently, the scheduled principal repayment amounts are as follows:

4. Long-term debt and derivative instrument (continued):

(a) Long-term debt (continued):

	Long-term debt principal repayments
2024	$ 522,076
2025	571,348
2026	623,574
2027	678,913
2028	737,529
Thereafter	3,493,437

(b) Derivative instrument:

During 2019, the Company entered into an interest rate swap arrangement to fix the interest rate on its term loan facility. The swap fixes the interest rate at 2.46% plus a three-month bankers' acceptance credit spread, fixed until March 8, 2024. The interest rate swap is designated to mature every three months. The fair market value as at December 31, 2023 is an asset of $352,796 (2022 – asset of $488,749). During the year, the Company recognized an unrealized loss of $135,953 (2022 – unrealized gain of $786,222).

5. Investments:

In 2011, the Company formed PSPLP with Connor, Clark & Lunn Infrastructure to develop and operate various hydro development projects located in British Columbia. As at December, 31, 2023, the Company owns 1,803,095 units (2022 – 1,803,095), or 30% (2022 – 30%), of PSPLP. PSPLP owns 70% of both Sakwi Creek Hydro LP ("SCHLP") and Hunter Creek Hydro LP ("HCHLP"), in partnership with local First Nations, who own the remaining 30% of SCHLP and HCHLP, respectively. The Company operates both the Sakwi Creek hydro project and the Hunter Creek hydro project.

As at December 31, 2023, the Company recognized its investment in PSPLP under the equity method of accounting at $nil (2022 – $nil), due to the Company's share of PSPLP's accounting losses exceeding the amount of its historical investment capital. During the year ended December 31, 2023, the Company invested an additional $258,196 (2022 – $nil) in PSPLP, and recorded an offsetting expense of $258,196 (2022 – $nil) representing the Company's share of PSPLP's annual loss up to the Company's additional investment.

6. Share capital:

(a) Authorized:

Unlimited number of common voting shares without nominal or par value.

(b) Share issuance:

During the year ended December 31, 2023, the Company issued nil (2022 – 400,000) common shares for gross proceeds of $nil (2022 – $34,880) for options exercised. Accordingly, $nil (2022 – $163,898) was transferred from contributed surplus to share capital.

(c) Stock option plan:

The Company has reserved for issuance 15% of the issued and outstanding common shares pursuant to a stock option plan. Options to purchase one common share of the Company per option under the plan may be granted by the Board of Directors to the directors, officers, employees and consultants of the Company. All outstanding options are fully vested.

At December 31, 2023, the number of options outstanding and their weighted average exercise price are as follows:

	December 31, 2023		December 31, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	2,095,000	$ 1.08	2,495,000	$ 0.92
Exercised	–	–	(400,000)	0.08
Outstanding, end of year	2,095,000	$ 1.08	2,095,000	$ 1.08

	Options outstanding			Options exercisable	
Exercise price	Number outstanding at December 31, 2023	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable at December 31, 2023	Weighted average exercise price
$ 1.08	2,095,000	6.53	$ 1.08	2,095,000	$ 1.08

6. Share capital (continued):

(c) Stock option plan (continued):

	Options outstanding			Options exercisable	
Exercise price	Number outstanding at December 31, 2022	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable at December 31, 2022	Weighted average exercise price
$ 1.08	2,095,000	7.53	$ 1.08	2,095,000	$ 1.08

(d) Contributed surplus:

	2023	2022
Balance, beginning of year	$ 4,086,095	$ 4,247,450
Stock-based compensation	–	2,543
Options exercised	–	(163,898)
Balance, end year	$ 4,086,095	$ 4,086,095

7. Income taxes:

The income tax effects of the temporary differences that give rise to the Company's future income tax assets (liabilities) at December 31, 2023 and 2022 are as follows:

	2023	2022
Future income tax assets (liabilities):		
Plant and equipment	$ (1,358,952)	$ (1,447,718)
Resource pools	812,112	804,422
Non-capital losses carried forward	3,436,931	3,006,228
Investment in partnership	242,787	184,159
Derivative instrument	(81,143)	(112,412)
Valuation allowance	(3,380,127)	(2,710,056)
Net future income tax liability	$ (328,392)	$ (275,377)

At December 31, 2023, the Company has non-capital losses of $14,943,178 (2022 – $13,070,556) and resource pool deductions of $3,530,923 (2022 – $3,497,489) available to reduce future taxable income. Under current income tax legislation, the non-capital losses expire between 2026 and 2042.

8. Related party transactions:

The Company has the following related party transactions:

During the year ended December 31, 2023, the Company generated revenue of $320,190 (2022 – $513,614) by providing asset management services to PSPLP (note 5). As at December 31, 2023, $61,999 (2022 – $101,876) were included in accounts receivable.

During the year ended December 31, 2023, the Company provided advances totaling $459,239 (2022 – $nil) to PSPLP for the funding of the SCHLP and HCHLP project entities. These advances are provided by two promissory notes that are due on demand, unsecured, and non-interest bearing.

Included in general and administrative expenses for the year ended December 31, 2023 are legal fees of $407,243 (2022 – $90,057) paid to law firms where some of the Company's shareholders are partners or employees. At December 31, 2023 included in accounts payable and accrued liabilities is $49,870 (2022 – $8,652) due to a law firm associated with a shareholder. These transactions 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.

In February 2019, the Company received an interest-free loan from PSPLP in the amount of $182,949. A second disbursement of $81,346 was received in August 2019. The loan has no fixed term or maturity date and is secured by the Company's ownership position in PSPLP. The loan is considered to be in the normal course of operations and is measured at the exchange amount.

9. Commitments and contingency:

The Company has an operating lease agreement with the City of Medicine Hat in respect of the land associated with the Box Springs Project. The annual lease commitment is $335,000, with the term of the lease to 2034 being twenty years from the completion of the project. The Company's commitment under this annual lease arrangement and other annual commitments are as follows:

	Land	Office	Vehicle
2024	$ 335,000	$ 12,325	$ 18,322
2025	335,000	13,200	4,108
2026	335,000	13,200	–
2027	335,000	5,500	–
2028	335,000	–	–
Thereafter	1,954,167	–	–

In December 2021, a statement of claim was filed against the Company. At this time, no estimate can be made as to the amount of any loss or its outcome. Management does not believe that this action will have a material adverse effect on the business or financial condition of the Company.

10. Financial instruments and risk management:

(a) Liquidity risk:

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company manages its liquidity risk by monitoring its operating requirements. The Company prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. The Company is dependent on its ability to secure sufficient sources of liquidity to complete its development activities.

(b) Interest rate risk:

Interest rate risk is the possibility that the value of financial instruments will change in value due to future fluctuations in market interest rates. The Company is not exposed to significant interest rate risk on its long-term debt as the Company uses derivative instruments to manage its exposure to interest rate risk (note 4).

(c) Credit risk:

The Company is not significantly exposed to credit risk. Cash is held with a chartered Canadian bank, and the Company has not identified significant credit risk relating to its accounts receivable, which is owing primarily from the City of Medicine Hat under the terms of the PPA and from PSPLP.

(d) Economic dependence:

For the year ended December 31, 2023, the Company earned revenue from in the amount of $2,136,074 (2022 – $2,142,666), representing 100% of energy sales, to the City of Medicine Hat. Operating revenue of the Company depend on the PPA in place with the City of Medicine Hat, which expires in 2034 and asset management fees charged to PSPLP.

11. Subsequent events:

During February 2024, the Company entered into a settlement agreement and mutual release with the City of Medicine Hat regarding a disagreement that occurred in relation to the transfer of credits or benefits arising from environmental attributes. The settlement agreement resulted in the Company agreeing to pay the City of Medicine Hat $100,000 in cash as well as deliver $962,500 of emission credits in lieu of delivering any renewable energy certificates generated from the project for the period of July 1, 2023 to December 31, 2023. The emission credits were acquired prior to December 31, 2023; however, they were not transferred to the City of Medicine Hat until February 2024. As part of the settlement and release agreement, the Company and the City of Medicine Hat agreed that the PPA remains fully in-force in accordance with its terms. As at and for the year ended December 31, 2023, the Company has recorded $100,000 in cost of sales, $962,500 in general & administrative expenses, $962,500 in prepaid expenses and deposits, and $1,062,500 in accounts payable and accrued liabilities.

11. Subsequent events (continued):

Subsequent to year-end, all of the outstanding common shares of the Company were acquired by Revolve Renewable Power Corp. (“Revolve”) for cash consideration of $0.22 per common share for a gross total of $4,850,000, as well as contingent consideration of up to $14,000,000 depending on the future achievement of milestones relating to certain hydro projects. Revolve has also agreed to reimburse certain historic development costs relating to these hydro projects (contingent on future development activities) and to pass through contingent payments of up to $5,700,000 anticipated to be received by the Company from development assets sold previously to third parties.