SKYLINE

SKYLINE CLEAN ENERGY FUND 2019

ANNUAL REPORT TO UNITHOLDERS, DECEMBER 31 2019

CONTENTS

OVERVIEW

$42.89MM

Total Value of
38
Solar Assets
(As at December 31, 2019)

$11.51

Current Unit Value
(As at April 30, 2020)

8.56%

Compounded Annual Growth Rate
(As at April 30, 2020)

For the year ended December 31, 2019:

10,170,392

kWh of Solar Power Generated

$3.97MM

Net Operating Income Earned

57.5%

Net Operating Margin

SCEF solar assets' annual energy production equivalencies:

Powered Houses
(Homes Energy Use for 1 year)

1,545

Saplings (Planted Now and
Grown for 10 years)

2,314,435

Passenger Vehicles
(Removing For 1 Year)

29,993

AWARDS

Best Managed Companies - Gold Standard Winner 2019

Sponsored by Deloitte, CIBC, Canadian Business, Smith School of Business, TMX, and MacKay CEO Forums, Canada's Best Managed Companies program measures more than financial performance. Applicants are assessed by a panel of judges made up of the program sponsors. Emphasis is placed on people, culture, overall business performance, innovation, and sustained growth.

FRPO 2019 MAC Awards - Winner, Environmental Excellence

Skyline accepted top recognition in the category of Environmental Excellence, recognizing a rental housing provider who has demonstrated excellence in environmental practices. Skyline also received a Top-3 nomination in two other categories: Property Manager of the Year and Community Service Award of Excellence.

Growth 500 - Winner, 2019

Skyline Group of Companies ranked No. 332 on the 30th annual Growth 500, the definitive ranking of Canada's Fastest-Growing Companies. Produced by Canadian Business publication, the Growth 500 has been Canada's most respectable and influential ranking of entrepreneurial achievement.

Globe and Mail's Canada's Top Growing Companies

Skyline Group of Companies ranked no. 369 on the inaugural The Globe and Mail Report on Business ranking of Canada's Top Growing Companies. The Canada's Top Growing Companies ranking program aims to celebrate entrepreneurial achievement in Canada by identifying and amplifying the success of growth-minded, independent businesses in Canada.

Our Purpose

We exist to create meaningful value and an exceptional experience for each of our stakeholders, and to develop strong, supportive communities.

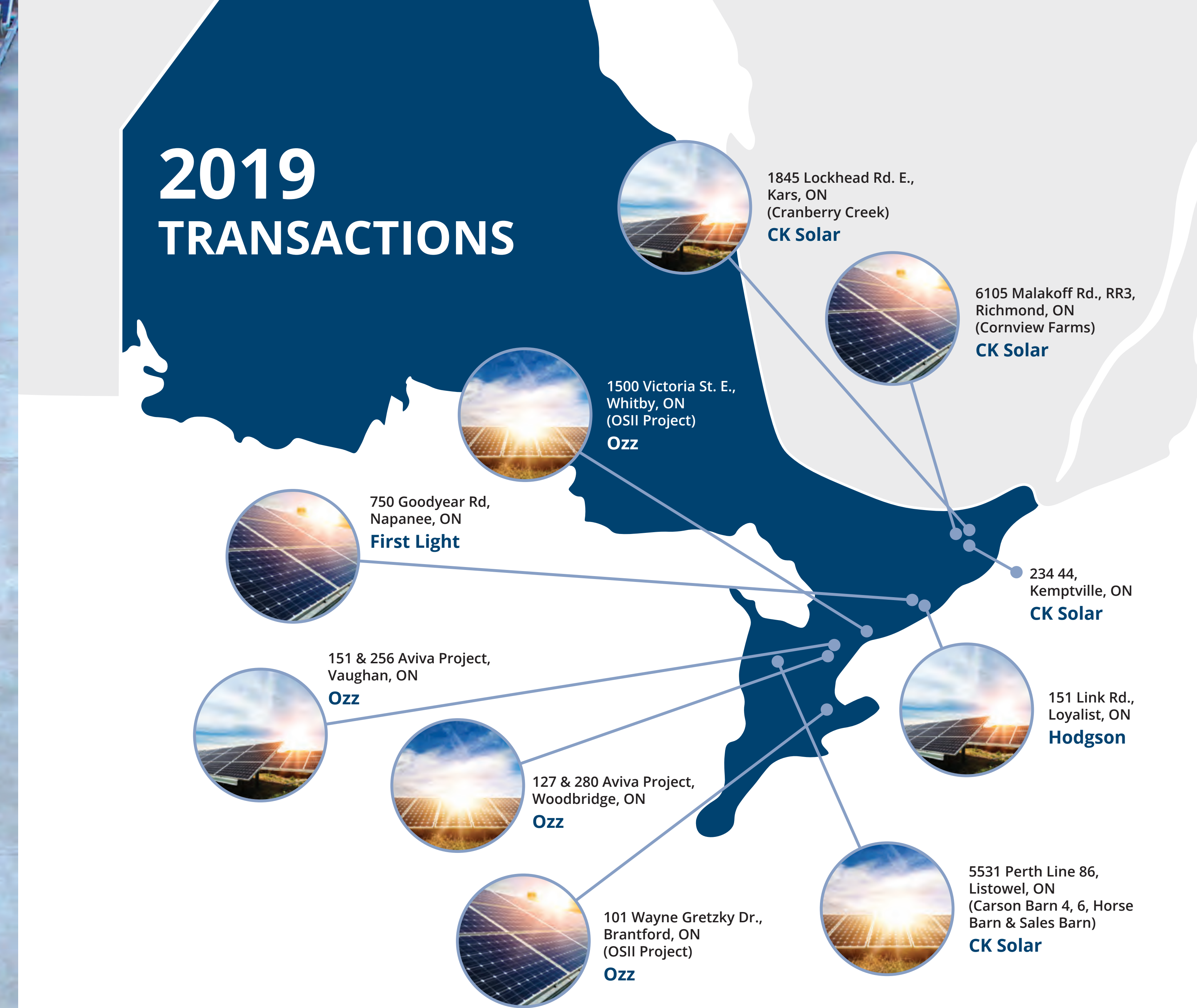
Our Values

Professionalism
Respect
Integrity
Drive
Efficiency

Our Mission

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

2019 TRANSACTIONS



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

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

Our engagement and enthusiasm stems from our knowledge that we have the best people in the industry helping us create and improve our systems, protocols, and sub-strategies to optimize revenue generation and growth.

From left to right: **Martin Castellan,** Co-Founder & Chief Administrative Officer; **Jason Castellan,** Co-Founder & Chief Executive Officer; **R. Jason Ashdown,** Co-Founder & Chief Sustainability Officer; **Wayne Byrd,** Chief Financial Officer.

CEO ADDRESS TO UNITHOLDERS

With yet another year behind us, and 2020 ahead, we are approaching our 15th Annual General Meeting as a business offering a REIT investment product. Further, it has now been more than 20 years since our first Syndication that was formed to hold a 15-unit apartment building, and more than 28 years since our rental business was first developed. That translates into approximately 340 months; or, as we call it, 340 rent cycles and bill payments. Although we have adapted and evolved our business over the years, our fundamentals have remained intact through all 340 months. To be clear, this does not translate to the idea that our work is monotonous. Our engagement and enthusiasm stems from our confidence that we have the best people in the industry helping us create and improve our systems, protocols, and sub-strategies to optimize revenue generation and growth. Maintaining the balance of minimizing our expenses and maintaining our assets for longevity is a challenge to which we rise every day.

For Skyline Apartment REIT, Skyline Commercial REIT, and Skyline Retail REIT, 2019 brought continuous improvement on the quality of assets within each portfolio through new acquisitions, strategic dispositions, and, in the case of the Skyline Apartment REIT, new build development. By selling assets at a premium to what we considered market value, and subsequently redeploying the capital for the benefit of each REIT, we saw stronger performance across each portfolio. However, growth is our mandate, and with interest rates at (yet again) historic lows, we have been able to add value to the REIT portfolios and thus improve the payout ratios to our investors. This strategy provides us with the ability to make decisions from a position of strength at all times.

This year also brought a distinct learning opportunity in that the historical stability and successful performance of the REITs made it difficult to raise capital for Skyline Mortgage Investment Trust (the "Trust"). In a low-interest rate environment, the REITs enjoy an advantageous position; at the same time, this environment hinders the ability to secure borrowers that are willing to pay interest rates that match our distribution payout levels. Taking this into consideration, along with the full taxation of the interest payments, the Trust was unable to effectively attract a meaningful level of investment. In late 2019, we began an orderly wind-up of the Trust, and all investors were subsequently paid out in full. We thank all investors who participated in Skyline Mortgage Investment Trust; although the investment was a success, it did not achieve an amount of growth at which we could continue to justify spending our resources.

In regard to Skyline Clean Energy Fund (the "Fund"), 2019 brought substantial growth, as an increasing number of investors sought alternative investment products that offer growth opportunities alongside sustainable, future-conscious practices. Skyline Clean Energy Fund's structure and management strategy allow the Fund to effectively offer each of these benefits.

While the assets within the Fund are backed with long-term government contracts, they also continue to benefit from the continuously improving technology in the clean energy sector. Through strategic adoption of this technology, where it provides the most value to the Fund, we have seen continuous improvement of the Fund's revenue streams. Additionally, we are seeing a global shift toward the decentralization of power production. In other words, there is a demand to move away from large centralized power generation facilities, and instead toward local energy production systems that offer more efficiency, customization, and control to the respective communities they serve. With Skyline Clean Energy Fund, Skyline is not only positioned to service the communities in which the Fund currently owns assets, but also in any community that uses power.

Since the Fund's performance depends on a resource that is virtually infinite—the sun—the growth opportunity for the Fund is effectually limitless, thus making it a bright opportunity for investors. By adopting the same general model and foundational strategies that we apply to the REITs (owning hard assets that produce monthly revenue), we can continuously optimize the Fund both for the short term and long term.

Overall, 2019 was a year of constant hard work that translated into improvement on a multitude of fronts: balance sheets, payout ratios, borrowing costs, and revenue generation, just to name a few. There was not a moment during the past year in which Skyline's operations companies or Funds sat idle; to the contrary, in 2019, the group of companies worked harder than ever before. Although we can look back with pride on a successful year, it is never an excuse to pause; we will continue to identify value-add opportunities, employ the strategies that allow us to flourish, and reshape those that do not. Our growth in 2019 has positioned us well to navigate 2020 with strength and fortitude.

Jason Castellan

Co-Founder, Chief Executive Officer & Trustee,
Skyline Clean Energy Fund.

PRESIDENT'S REPORT

I am pleased to report that Skyline Clean Energy Fund ("SCEF") has enjoyed another successful year of steady growth and performance.

Skyline Clean Energy Fund purchased 14 new assets during 2019, which increased Total Assets Under Management by $32MM. The Fund's total assets on its statement of financial position had doubled from $33.1M at the end of 2018 to $72.8M at the end of 2019 ($72.8M includes cash on hand). The 2019 asset purchases range in size from 100 Kilowatt (KW) to 10 Megawatt (MW). We anticipate these assets to generate approximately $4.4M in additional revenue in 2020. The revenue will be re-invested into new accretive opportunities and in enhancing current systems for optimal power production and reliability. Additionally, several of the assets we purchased in 2019 have tremendous opportunity to be both enhanced (by the removal of old equipment and installation of newer, more efficient technology) and re-financed, which is expected to result in unit value growth for SCEF through 2020.

In addition to new asset acquisitions, Skyline Clean Energy Fund also deployed $593K back into operating assets in 2019 in order to further optimize performance, increase power generation, and reduce downtime. The SCEF management team believes that investing in these margin-enhancing initiatives will continue to generate organic cash flow growth, reduce operating costs, and provide better system reliability for the life of the assets within the SCEF portfolio.

In 2019, all assets in the portfolio performed to 99.8% of predicted generation as Skyline Clean Energy Fund's Operations and Maintainance team ensured the systems were performing to expectations. As a result of successful performance, SCEF's unit value grew month over month over the past year, from $10.28 at December 1st, 2018 to $11.29 at December 1st, 2019. As at year-end 2019, the 1-Year Annualized Return is 9.82%.

In 2020, Skyline Clean Energy Fund will continue to focus on acquiring new accretive solar photovoltaic (PV) systems with bankable long-term contracts. SCEF's current portfolio assets are spread out across Ontario, a strategy that diversifies geographical risks and provides more underwriting analytics, and allows SCEF to expand into new markets. SCEF will continue to seek acquisitions with geographic diversification as a key consideration.

At this time, SCEF is also in the due diligence process of potential investment in Battery Energy Storage Systems (BESS). These systems provide backup power during peak demand times and grid resilience that will be vital to Ontario's electrical infrastructure. There has been a mass global shift toward decentralized and decarbonized electrical grids, and I believe SCEF is the right investment product, with the right team and the right group of future-minded investors, to effectively capitalize on this market opportunity.

Through well-maintained renewable assets, re-powering opportunities, low interest rates, and stable cash flows, SCEF expects to see continued strength, stability, and unit value growth.

To explain our strategy further: Skyline Clean Energy Fund owns assets that generate green electricity, and the power is consumed in close proximity to where it is being produced by the SCEF asset. BESS systems will store this power on site and rapidly send it to the grid when it is needed the most. These systems reduce power wastage, create backup power for the grid, and ultimately reduce the costs of consumer hydro bills.

I believe the clean energy industry will continue to see massive growth as it checks two boxes for society: the potential for solid returns, and great environmental benefits. The future of power is here, and SCEF's management team is very excited to be a part of this movement toward a cleaner and brighter future. Through well-maintained renewable assets, re-powering opportunities, low interest rates, and stable cash flows, SCEF expects to see continued strength, stability, and unit value growth.

On behalf of Skyline Clean Energy Fund's management team, we consider it a privilege to manage the clean energy assets that comprise the portfolio in which you are invested. We will continue to seek out clean energy opportunities to maximize your return, while providing a benefit to society and the environment in the process.

Rob Stein
President,
Skyline Clean Energy Fund

SENIOR MANAGEMENT

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

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

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

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

Rob Stein
President,
Skyline Clean Energy
Asset Management Inc

Krish Vadivale
Vice President,
Finance
Skyline Group
of Companies

Karyn Sales
General Counsel,
Skyline Group
of Companies

TRUSTEES

Jason Castellan

With over 25 years of hands-on experience, Jason's combination of expertise, knowledge, and passion for the real estate investment management business has served him well as the CEO for the Skyline Group of Companies since it's inception in 1999. Jason's thirst for growth and success are insatiable. His primary loyalty is always to his investors. Meeting and speaking with investors are the aspect of his job that he loves the most.

Mr. Castellan also sits on the Board of Trustees of Skyline Apartment REIT, Skyline Retail REIT and Skyline Commercial REIT.

Wayne Byrd

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

Mr. Byrd also sits on the Board of Trustees of Skyline Retail REIT.

Mike Bonneveld

Mike Bonneveld is the Vice President of Skyline Asset Management Incorporated ("SAMI"). He leads the Skyline Acquisitions Team, and is responsible for sourcing all new acquisitions and dispositions, property due diligence and closing investment transactions for Skyline Apartment REIT, Skyline Commercial REIT and Skyline Retail REIT. Mike has over 18 years of real estate experience. He has worked with a number of Canadian investment banks in the field of real estate corporate finance, as well as public real estate companies running acquisitions. He is focused on the continued growth and expansion of the REITs' real estate portfolios throughout both its existing communities and quality acquisitions. Mike holds an Honours BA in Urban Development from the University of Western Ontario, and is a registered Real Estate Agent in Ontario.

Deborah Whale - Independent Trustee

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

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

FINANCIAL REPORTING

Forward-Looking Disclaimer

The following Management's Discussion and Analysis ("**MD&A**") of the results of operations and conditions for the year ended December 31, 2019, should be read in conjunction with Skyline Clean Energy Fund's (the "Fund") audited consolidated financial statements. Certain statements in this MD&A could be considered forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the Fund's control, which could cause actual results to differ materially from those disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions, the financial condition of tenants, our ability to refinance maturing debt, rental risks, including those associated with the ability to rent vacant suites, our ability to source and complete accretive acquisitions, and interest rates.

The information in this MD&A is based on information available to Management as of April 30, 2020, except where otherwise noted. The Fund does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise.

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

Non-IFRS Measures

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

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

MD&A Overview

This MD&A focuses on key areas from the consolidated financial statements and pertains to major known risks and uncertainties relating to the real estate industry, in general, and the Fund's business, in particular. This discussion should not be considered all-inclusive as it excludes changes that may occur in general economic, political, and environmental conditions. Additionally, other elements may or may not occur, which could affect the organization in the future. To ensure that the reader is obtaining the best overall perspective, this discussion should be read in conjunction with material contained in the audited consolidated financial statements for the year ended December 31, 2019, along with all other information regarding the Fund publicly posted by the Fund or its affiliates. It is not our intent to reproduce information that is located in these other reported documents, but rather to highlight some of the key points and refer you to these documents for more detailed information.

Business Overview

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

Management Strategy

As managers of the Fund; Skyline Clean Energy Asset Management Inc. (the "**Asset Manager**") and Skyline Wealth Management Inc. (the "**Wealth Manager**") implement their unique values and proprietary strategies as they fulfill their responsibilities. The Fund's mandate is clear and focused on the following strategies:

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

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

- **Solar Opportunity.** Currently, there are over 33,000 solar contracts in Ontario representing $8.4 billion in assets for potential acquisition. 41% of Ontario's contracted capacity is from a renewable energy source. Management believes the Fund can capitalize on this market and the available clean energy opportunities.

- **Maintenance and Repair Programs.** Management is fundamentally driven by efficiencies and cost-effective programs that are accretive to the Fund's short-term and long-term value proposition. Management has positioned the Fund to take full advantage of efficiency programs and capital investments that will enhance the overall value of the portfolio. Furthermore, as of November 9, 2018 an operations and maintenance agreement was in place between the Fund and a related party corporation (the "Solar Asset Operator"). The Solar Asset Operator is responsible for providing routine preventative and corrective maintenance for SCEF's solar assets in order to ensure that the solar assets are operating efficiently and at their full production capacity.

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

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

- **Communications.** The Wealth Manager delivers current and relevant information to prospective and existing Unitholders in order to keep them informed and engaged. Ongoing communications occur through regular mass email updates, online postings to the investor-only website portal and quarterly newsletters that are included with Unitholders' quarterly statements. Communications cover relevant topics as they relate to the Fund, including; new acquisitions and dispositions, existing property repositioning, the launch of new Offering Memorandums, special investor events and general corporate news.

Key Performance Indicators

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

- **Net Operating Income ("NOI").** This is defined as operating revenues less direct operating expenses, and is a key measure of operating performance. It is a key non-International Financial Reporting Standards ("**IFRS**") financial measure of the operating performance of the Fund. For the year ended December 31, 2019, the Fund's NOI margin was 57.5% (2018 – 63.2%).

- **Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA").** This is calculated as the Fund's net income (loss) in accordance with IFRS adjusted for non-cash items, including the depreciation of solar equipment and prepaid leases, net finance costs, fair value gain on solar assets and other adjustments as appropriate. Management believes adjusted EBITDA is a meaningful measure of SCEF's operating performance because it excludes certain items included in the calculation of net income (loss) that may not be appropriate determinants of long-term operating performance. For the year ended December 31, 2019, the Fund's EBITDA was $3.97 million (2018 - $402 thousand).

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

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

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

- **Loan to Value ("LTV").** The Portfolio is regularly evaluated based upon key leverage ratios, comprised of total indebtedness against solar assets, and total indebtedness against total assets (inclusive of non-solar assets). The Declaration of Trust requires that the total indebtedness against total assets ratio not exceed 85%, and at the close of 2019, that ratio was 38.36% (2018 – 53.63%). Total indebtedness against solar assets at the close of 2019 was 60.49% (2018 – 59.53%).

Goals And Objectives Of The Fund

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

i. To provide Unitholders with a growing investment opportunity in a diversified portfolio of income-producing clean energy assets located in North America; unit holders with stable and consistent unit growth realized monthly from its monthly

ii. To enhance operating income; and

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

2019 Highlights

- Raised $32.1MM in investor equity during 2019, while growing the value per SCEF unit to $11.29 at December 31, 2019 which resulted in a 1-year annual return of 9.82%.
- Purchased 14 assets, adding $32.1MM to TAUM. These assets generated 905,261 kWh during the Fund's 2019 ownership period.
- The Fund tripled annual solar production during the year ended December 31, 2019, by generating 7,691,040 more kilowatts per hour when compared to 2018; increasing solar income by $2.5MM.
- Excluding non-controlling interests, generated $1.42 in EBITDA Per Unit.

Financial Highlights **($ thousands, except where noted)**	**2019** (12 Months)	**2018** (8 Months)
Income	$3,886	$998
Direct operating expenses	1,653	367
Net operating income ("NOI")	**$2,233**	**$631**
Net (loss) income	**$(866)**	**$1,129**
Earnings before interest, tax, depreciation and amortization ("EBITDA")	**$3,970**	**$402**
Weighted average units outstanding	**2,793,991**	**1,132,080**
Per Unit:		
EBITDA attributable to unitholders	**$1.42**	**$0.36**

Solar Asset Portfolio

At December 31, 2019, through active portfolio management; the portfolio consisted of 38 solar assets and 1 investment located throughout Ontario. With a total portfolio size of 17.32 megawatts direct current (MW DC), the Fund's solar assets are expected to generate over 18,900 megawatt hours annually.

The Fund continues to look at further expanding and enhancing the portfolio in markets across Canada.

Through its active asset management strategies and proactive capital investment programs, the Fund strives to achieve the highest possible solar income in accordance with the weather conditions. Management also strives, through a focused, hands-on approach to its business, to achieve solar generation production that is in line with, or higher than, market conditions in each of the geographical regions in which the Fund operates while enhancing the overall efficiency of its solar assets.

Regional Solar Energy Production

		Solar Generation for the 2019 Year				Solar Generation for the 8 months ended Dec.31, 2018		
City	Region	Asset Size (in kW DC)	Solar Generation (in KwH)	Solar Income ($ thousands)	Increase in Solar Income ($ thousands)	Asset Size (in kW DC)	Solar Generation (in KwH)	Total Solar Income ($ thousands)
Belle River	Southern Ontario	298	360,711	$119	$102	298	50,867	$17
Brantford	Southern Ontario	632	4,655	3	3	-	-	-
Brockville	Eastern Ontario	298	341,174	112	98	298	43,703	14
Cache Bay	Northern Ontario	298	269,649	89	82	298	22,124	7
Chatham	Southern Ontario	825	923,634	292	156	825	429,074	136
Dundalk	Southern Ontario	299	336,933	111	100	299	32,255	11
Earlton	Northern Ontario	298	265,651	87	79	298	25,560	8
Ingersoll	Southern Ontario	600	679,419	143	39	600	471,104	104
Kearney	Northern Ontario	298	254,010	84	77	298	20,043	7
Listowel	Southern Ontario	537	311,500	102	102	-	-	-
Loyalist	Eastern Ontario	299	26,028	12	12	-	-	-
McDonalds Corners	Eastern Ontario	298	309,723	102	91	298	33,164	11
Murillo	Northern Ontario	298	302,559	100	88	298	35,173	12
Newburgh	Eastern Ontario	298	344,711	113	100	298	39,556	13
North York	Southern Ontario	225	232,881	126	62	225	117,959	64
Oldcastle	Southern Ontario	299	341,136	112	98	299	42,425	14

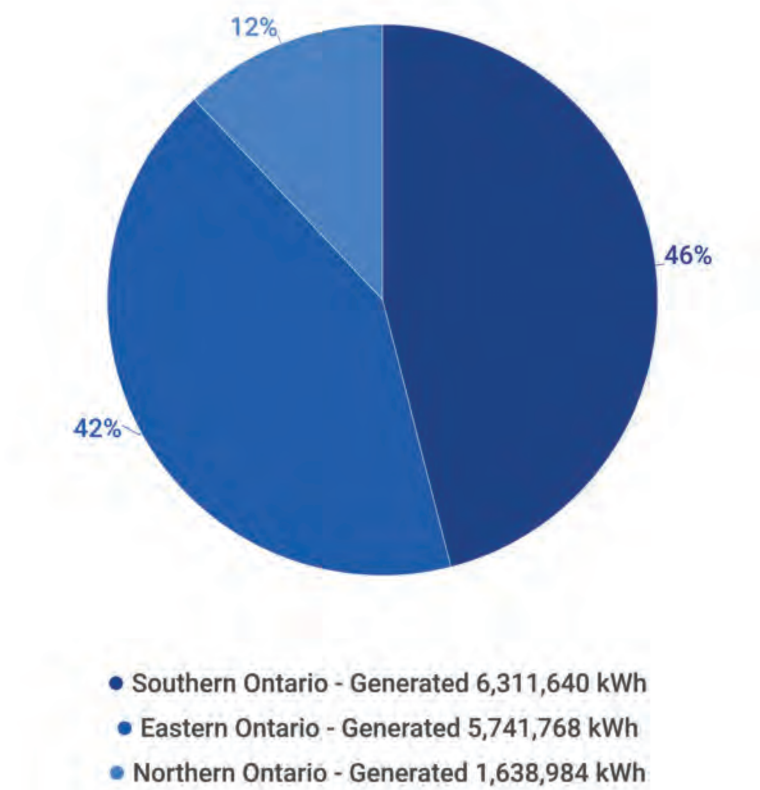
(table continued on next page)

Regional Solar Energy Production (continued)

		Solar Generation for the 2019 Year				Solar Generation for the 8 months ended Dec.31, 2018		
City	Region	Asset Size (in kW DC)	Solar Generation (in KwH)	Solar Income ($ thousands)	Increase in Solar Income ($ thousands)	Asset Size (in kW DC)	Solar Generation (in KwH)	Total Solar Income ($ thousands)
Ottawa	Eastern Ontario	896	548,415	180	180	-	-	-
Pontypool	Southern Ontario	298	336,931	111	98	298	40,956	13
Renfrew	Eastern Ontario	299	300,053	99	87	299	35,791	12
Sturgeon Falls	Northern Ontario	298	262,332	86	80	298	18,953	6
Tecumseh	Southern Ontario	299	364,049	120	103	299	51,434	17
Thomasburg	Eastern Ontario	298	349,664	115	102	298	38,715	13
Tilbury	Southern Ontario	600	695,531	220	120	600	317,555	100
Vaughan	Southern Ontario	1,502	12,273	8	8	-	-	-
Wallaceburg	Southern Ontario	995	1,046,542	331	176	995	497,699	155
Waterford	Southern Ontario	597	663,056	216	186	597	92,379	30
West Nipissing	Northern Ontario	298	284,783	94	86	298	22,863	8
Whitby	Southern Ontario	298	2,389	2	2	-	-	-
Total - solar assets		**12,778**	**10,170,392**	**$3,289**	**$2,517**	**8,614**	**2,479,352**	**$772**
Napaneee [(1)]	Eastern Ontario	4,540	3,522,000	N/A	N/A	-	-	-
Total - portfolio		**17,318**	**13,692,392**	**$3,289**	**$2,517**	**8,614**	**2,479,352**	**$772**

(1) The Fund holds a 50% interest in SunE Sky First Light LP, which owns a solar asset located in Napanee. This 50% interest is accounted for as an investment in a joint venture and therefore the Fund records its net earnings from First Light, rather than the related solar income. The above asset size and generation amounts have been reported at 50% of the First Light's total asset size and generation to reflect the Fund's 50% ownership.

Regional Solar Production during the year ended December 31, 2019



Acquisitions

($ thousands, except where noted)

Asset Name	**CK Solar**	**First Light**	**Hodgson**	**Ozz**	**TOTAL**
Purchase Date	12-Apr-19	06-May-19	21-Oct-19	23-Dec-19	
Size of Portfolio (Kw DC)	1,432	4,540	299	2,431	8,702
Number of Assets	6	1	1	6	14
Province	Ontario	Ontario	Ontario	Ontario	
Total Assets Under Management Acquired [(1)]	**$3,640**	**$13,313**	**$1,145**	**$13,966**	**$32,064**
Total Net Assets Acquired	$3,640	$1,050	$1,145	$13,966	$19,801

(1) The Fund acquired a 50% interest in SunE Sky First Light LP ("First Light") which is accounted for as an investment in a joint venture. Therefore, upon acquisition, the Fund record its First Light investment value as 50% of the net assets of First Light. Included in the net asset value was $13.3MM of total assets, therefore for analysis purposes the Asset Manager includes this $13.3MM in the TAUM.

2019 Operating Highlights

Operational Highlights **($ thousands, except where noted)**	**2019** (12 Months)	**%** [(1)]	**2018** (8 Months)	**%** [(1)]
Income				
Solar income	$3,289	84.6%	$772	77.4%
Other income	310	8.0%	171	17.1%
Interest income	287	7.4%	55	5.5%
Total income	**$3,886**	**100.0%**	**$998**	**100.0%**
Direct operating expenses				
Utilities	$50	1.3%	$14	1.4%
Insurance	83	2.1%	21	2.1%
Roof lease	1	0.0%	8	0.8%
Amortization	1,336	34.4%	320	32.1%
Operations and maintenance fees	86	2.2%	-	0.0%
Royalty expense	9	0.2%	4	0.4%
Repairs and maintenance	88	2.3%	-	0.0%
Total direct operating expenses	**$1,653**	**42.5%**	**$367**	**36.8%**
Net operating income ("NOI")	**$2,233**	**57.5%**	**$631**	**63.2%**

[(1)] As a percentage of total income

Regional Highlights

Regional Location of Solar Assets **($ thousands, except where noted)**	**2019** (12 Months)		**2018** (8 Months)	
	EBITDA	**%**	**EBITDA**	**%**
Eastern Ontario	**$671**	**21%**	**$45**	**7%**
Northern Ontario	**471**	**15%**	**28**	**4%**
Southern Ontario	**2,082**	**65%**	**586**	**89%**
Total EBITDA generated from solar assets	**$3,224**	**100%**	**$659**	**100%**
Less: Corporate-level activity and EBITDA adjustments	**746**		**(257)**	
Total consolidated EBITDA	**$3,970**		**$402**	

Financial Results

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

($ thousands, except where noted)	2019 (12 Months)	2018 (8 Months)
Profit & Loss		
Income	$3,886	$998
Direct operating expenses	(1,653)	(367)
Net operating income	**$2,233**	**$631**
Share of net earnings from First Light	$507	$-
Financing costs	(447)	(408)
Administrative expenses	(119)	(200)
Asset management fees	(128)	(15)
Wealth management fees	(93)	(26)
Fair value (loss) gain	(2,819)	1,147
(Loss) Income and comprehensive (loss) income for the year	**$(866)**	**$1,129**
Net (loss) income attributable to:		
Unitholders	$(632)	$821
Non-controlling interests	$(234)	$308
(Loss) Income and comprehensive (loss) income for the year	**$(866)**	**$1,129**
Non-cash add-backs:		
Amortization	$1,336	$320
Fair value loss (gain)	2,819	(1,147)
Financing costs	447	408
Elimination of non-controlling interests	234	(308)
Earnings before interest, tax, depreciation and amortization	**$3,970**	**$402**

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

($ thousands, except where noted)	December 31, 2019	December 31, 2018
Assets		
Solar equipment and structures	$24,032	$17,892
Solar contracts	17,275	10,244
Prepaid leases	1,570	1,661
Right-of-use assets	3,261	-
Investment in First Light	1,557	-
Loans receivable	610	568
Due from related party	13,686	-
Deposit on future acquisition	-	50
Other assets	125	-
Accounts receivable	494	146
Restricted cash	1,005	-
Cash	9,152	2,513
Total assets	**$72,767**	**$33,074**
Liabilities and unitholders' equity		
Loans payable	$24,553	$281
Lease liability	3,251	-
Due to related parties	107	17,458
Accounts payable and accrued liabilities	325	324
	$28,236	$18,063
Unitholders' equity	45,105	13,361
Non-controlling interests	2,426	1,650
Total liabilities and unitholders' equity	**$72,767**	**$33,074**

Solar Assets

The Fund's solar assets are comprised of solar equipment and structures, solar contracts, prepaid leases and right-of-use assets (with corresponding lease liabilities) as disclosed in SCEF's consolidated Financial Statements for the year ended December 31, 2019.

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

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

The solar contracts give SCEF the ability to participate in the Feed-In Tariff ("FIT") program which allows it to sell electricity generated from its solar equipment to the Local Distribution Company ("LDC"). The solar contracts meet the definition of a financial asset, as they provide SCEF with the contractual right to receive cash from the LDC, in exchange for the electricity generated by the solar equipment. IFRS 9 – Financial Instruments ("IFRS 9") requires that the solar contracts are recorded at fair value through profit and loss.

Under International Financial Reporting Standard 13 – Fair Value Measurement ("IFRS 13") paragraph 2, fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants. As is the practice in the solar industry, fair value is determined as the net present value of the future cashflows expected to be generated from the asset. As the solar contracts form a cash-generating unit together with prepaid leases, solar equipment and structures, which are all recorded at amortized cost, the fair value of the solar contracts is determined to be the net present value of the solar assets' expected future cashflows less the carrying value of the prepaid leases, solar equipment and structures.

The following is Management's approach to the fair value of the portfolio's clean energy assets:

- The fair value of the solar contracts is determined using the discount rate adjustment technique as per IFRS 13. This technique is most appropriate as SCEF is able to predict its future expected income and expenses.
- Cash flows earned from solar income can be estimated based on historical weather data and trends, as this historical information provides a reference to base future solar production predictions on.
- Cash flows incurred to cover operating expenses are directly related to solar production and can be estimated as a function of the expected solar income that will be generated. These cash flows are conditional upon the occurrence of specified events (ie the solar equipment will continue to operate properly and generate solar production).
- The discount rate used will be SCEF's weighted average cost of capital.

During the year ended 2019, the Fund realized a $2.0 million fair value loss on its solar contracts (2018 - $1.1 million fair value gain) and recorded $1.3 million in amortization of its various solar assets (2018 - $320 thousand). Changes in fair value and amortization expense are expected to occur, as the current period's portion of the present value of cashflows that make up the solar assets fair value is realized.

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

($ thousands, except where noted)	**Opening balance at January 1, 2019**	**Additions through purchase of assets**	**Additions through capital expenditures**	**Other [1]**	**Amortization and fair value loss**	**Closing balance at December 31, 2019**
Solar equipment and structures	$17,892	$6,904	$374	$-	$(1,138)	$24,032
Prepaid leases	1,661	-	-	-	(91)	1,570
Right-of-use assets	-	3,368	-	-	(107)	3,261
Solar contracts	10,244	8,623	219	218	(2,029)	17,275
Lease liabilities	-	(3,368)	-	117	-	(3,251)
Total	**$29,797**	**$15,527**	**$593**	**$335**	**$(3,365)**	**$42,887**

[1] Includes Deferred financing costs, interest expense and lease payments

($ thousands, except where noted)	**Opening balance at May 3, 2018**	**Additions through purchase of assets**	**Additions through capital expenditures**	**Other**	**(Amortization) and fair value gain**	**Closing balance at December 31, 2018**
Solar equipment and structures	$-	$18,178	$-	$-	$(286)	$17,892
Prepaid leases	-	1,692	3	-	(34)	1,661
Right-of-use assets		-	-	-	-	-
Solar contracts	-	8,579	518	-	1,147	10,244
Lease liabilities	-	-	-	-	-	-
Total	**$-**	**$28,449**	**$521**	**$-**	**$827**	**$29,797**

Capital Expenditures

In general, the Fund is purchasing assets at substantially less than current replacement costs and is committed to increasing the value of these assets by investing in capital expenditure initiatives and other programs in order to improve the overall quality of the portfolio and ultimately to sustain and expand the portfolio's future solar income-producing potential over its expected life span.

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

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

During 2019, capital expenditures were minimal as Management focused primarily on acquiring and assessing its initial solar asset portfolios. Management is committed to the ongoing future maintenance and enhancement of the Fund's portfolio and a 2020 capital budget is in place for the upcoming fiscal year.

Capital Structure

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

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

The total capital of the Fund as at December 31, 2019 is summarized in the following chart:

As at December 31, **($ thousands, except where noted)**	**2019** (12 Months)	**2018** (8 months)
Total assets	**$72,767**	**$33,074**
Loan payable	$24,553	$281
Lease liability	3,251	-
Due to related parties	107	17,458
Total debt	**$27,911**	**$17,739**
Unitholders' equity	$42,105	$13,361
Non-controlling interests	2,426	1,650
Total capital	**$72,442**	**$32,750**
Total debt to total assets	**38.36%**	**53.63%**
Total debt to solar assets	**60.49%**	**59.53%**

Loans Payable **($ thousands, except where noted)**	**Future minimum principal payments**	**% of total loans**
2020	$1,360	5.6%
2021	1,417	5.8%
2022	1,580	6.5%
2023	1,557	6.4%
2024	1,625	6.7%
Thereafter	16,847	69.1%
Total loans payable as of December 31, 2019	**$24,386**	**100.0%**

Investment Summary

During the year ended December 31, 2019, the Fund received net proceeds of $31.2 million through new investments, net of redemptions.

During the year ended December 31, 2019, Management purchased redeemed units for $910 thousand at 100% of unit market value.

SCEF Unitholders - Investment Activity **($ thousands, except where noted)**	**2019** (12 Months)		**2018** (8 Months)	
	Number of Units	**Amount ($)**	**Number of Units**	**Amount ($)**
SCEF units outstanding, beginning of year	**1,453,372**	**$14,127**	**-**	**$-**
Proceeds from units issued	2,923,165	32,096	1,484,523	14,446
Redemption of units	(84,858)	(910)	(31,151)	(319)
SCEF units outstanding, end of year	**4,291,679**	**$45,313**	**1,453,372**	**$14,127**
Weighted average SCEF units outstanding	**2,793,991**		**1,132,080**	
Number of new investors	**167**	**$29,894**	**114**	**$14,446**
Number of repeat investors	**24**	**$2,202**	**-**	**-**
Number of redemptions	**6**	**$(910)**	**3**	**(319)**
New investment average ($)		$179		$127
Repeat investment average ($)		$92		-
Redemption average ($)		$(152)		(106)

Non-Controlling Interests

During the year ended December 31, 2019, the balance of non-controlling interests consisted of:

($ thousands, except where noted)	2019 (12 Months)	2018 (8 Months)
Opening balance at beginning of year	$1,650	$-
Income attributable to non-controlling interests, excluding fair value	147	222
Fair value gain on solar assets attributable to non-controlling interests	-	89
Fair value loss on solar assets attributable to non-controlling interests	(381)	(3)
Distribution to non-controlling interest	(47)	(22)
Non-controlling interests' ownership of solar assets acquired	1,057	1,364
Closing balance at end of year	**$2,426**	**$1,650**

Unitholder Taxation

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

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

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

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

During the year ended December 31, 2019, there were no distributions paid to unitholders and no net income was paid or payable. Therefore there was no tax impact to SCEF unitholders for fiscal 2019.

Related Party Transactions

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

GP Sharing

Distributions accrued as at December 31, 2019 are as follows:

($ thousands, except where noted)	2019 (12 Months)	2018 (8 Months)
General Partner sharing on net income	$32	$191
Total General Partner distribution payable	**$32**	**$191**

Distributions under the GP Sharing arrangement occur when SCEF's net income, excluding depreciation, for a fiscal year is greater than 5.5% of the weighted average retained earnings for such fiscal year. This variance is shared at a ratio of 20% to the general partner and 80% to the LP. A provision for the future distributions payable to SCEGPI has not been recorded since the timing and amount of the distributions payable cannot be reasonably estimated.
At December 31, 2019, there were distributions payable of $32 to SCEGPI.

Management Services

Fees incurred for the year ended December 31, 2019 are as follows:

($ thousands, except where noted)	2019 (12 Months)	2018 (8 Months)
Asset management fees	$128	$15
Wealth management and equity raise fees	810	165
Legal and administrative fees	42	24
Operations and maintenance fees	86	-
Total management fees	**$1,066**	**$180**

SCEF has an asset management agreement with Skyline Clean Energy Management Inc. (the "**Asset Manager**"), which provides for the payment of an annual asset management fee to the Asset Manager during the term in an amount equal to 2% of the gross revenues of the solar assets, which will be calculated and payable monthly. Under the asset management agreement, the Asset Manager is responsible for employment expenses of its personnel, rent, and other office expenses of the Asset Manager.

SCEF has a wealth management agreement that provides for the payment of a wealth management fee, payable monthly, equal to 1/12 of 0.3% of the Fund's equity under management (calculated as the product of the outstanding SCEF units multiplied by the then-market value of one SCEF unit). The Wealth Manager will also be entitled to an equity raise fee equal to a maximum of 2% on the capital raised in offerings of SCEF units, subject to adjustment. Under the Wealth Management Agreement, the Wealth Manager is responsible for employment expenses of its personnel, rent and other office expenses of the Wealth Manager in connection with providing services to the Fund under the Wealth Management Agreement.

SCEF has an agreement with Skyline Asset Management Inc. ("SAMI") which provides for the payment of legal and administrative services, including legal work related to acquisitions, financing and general corporate support. Under this agreement, SAMI is responsible for employment expenses of its personnel, rent, and other office expenses.

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

Risks And Uncertanties

The Fund must adhere to specific operating and investment guidelines as set out in the Declaration of Trust. These guidelines are established to limit to the best extent possible the risks and uncertainties that exist.

COVID-19 Coronavirus Pandemic

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

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

The extent to which COVID-19 impacts SCEF will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others. If the outbreak of COVID-19 and related developments lead to a prolonged or significant impact on global, national or local markets or economic growth, SCEF's cash flows, financial condition or results of operations and its ability to raise additional financing may be materially and adversely affected. Further, the COVID-19 coronavirus pandemic may cause disruptions to SCEF's business and operational plans. These disruptions may severely impact SCEF's ability to carry out its business plans for 2020.

Energy Market Volatility

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

Changing Regulation

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

Contract Non-renewal

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

Equipment Failure

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

Infrastructure Inaccessibility

The Fund's ability to sell electricity is reliant on the availability of, and access to, the various transmission systems used to deliver power to the delivery points that will be stipulated by the Fund's energy fulfillment contracts. The absence of this availability and access to infrastructure, or the operational failure of existing transmission systems, may have a material adverse effect on the Fund's ability to deliver electricity to its various counterparties, which could, in turn, negatively impact the Fund's financial position and operations.

No Assurance of Achieving Investment Objectives

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

Health, Safety, Security and Environmental

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

Asset Impairment due to Changing Technologies

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

Interest Rates

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

Risk of Changes to Government Incentives

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

The government of the Province of Ontario has recently introduced legislation that would repeal the Green Energy Act, and thereby terminate the FIT Program. Nonetheless, the Fund believes that it is unlikely that the repeal of the Green Energy Act would impact existing FIT Contracts that are in advanced stages of development, referred to by IESO as "Notice to Proceed". Since the Fund would only acquire clean energy assets that were at or after this stage, the Fund believes that the risk of changes resulting from the repeal of the Green Energy Act is manageable.

Adverse Changes to the Availability of Investment Opportunities

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

Access to Capital

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

Unitholder Liability

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

Dependence on Key Personnel

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

Concentration and Composition of the Portfolio

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

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

Competition

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

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

Litigation Risk

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

General Economic Conditions

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

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

Impact of Climate Change, Natural Disasters and Other Events

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

Potential Conflicts of Interest

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

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

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

Tax Related Risks

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

If the Fund fails or ceases to qualify as a mutual fund trust for purposes of the Tax Act, the tax consequences described under Item 6 "Income Tax Consequences and RRSP Eligibility" would in some respects be materially and adversely different. Such adverse differences would include that if the Fund did not qualify as a mutual fund trust throughout a taxation year, it would be subject to a special tax under Part XII.2 of the Tax Act for such taxation year to the extent that it has designated income (which includes income from real property and income from businesses carried on in Canada) to an investor which is a designated beneficiary (which includes non-resident persons and certain tax-exempt persons).

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

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

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

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

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

Dilution

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

Liquidity

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

Financing

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

Nature of SCEF Units

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

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

Unexpected Costs or Liabilities Related to Acquisitions

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

Cybersecurity Risk

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

Redemptions

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

Critical Accounting Estimates

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

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

Additional information the significant estimates, judgments and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 3 in the audited annual consolidated financial statements for the period ended December 31, 2019.

Subsequent Events

Subsequent to December 31, 2019, SCEF issued 478,826 units for an aggregate value of $5.4 million and 252,498 units were redeemed for an aggregate value of $2.9 million.

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. This global pandemic has disrupted economic activities and has results in many organization implementing system-wide closure of programming and services. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. This may impact the timing and amounts realized in the organization’s cash flows and assets.

In response to the effects of COVID-19 mentioned above, on March 19, 2020 the Board of Trustees agreed to apply a monthly redemption limit of $50 thousand for all requests received, as outlined in SCEF’s Declaration of Trust, in an effort to safeguard the capital of SCEF, and mitigate its liquidity risk.

The following unit price changes occurred subsequent to year end:

Effective Date	Unit Price
January 2, 2020	**$11.35**
February 1, 2020	**$11.40**
March 1, 2020	**$11.48**
April 1, 2020	**$11.51**

SCEF Unitholders - 2020 Investment Activity (to date) **($ thousands, except where noted)**	**January 1, 2020 to April 30, 2020**	
	Number of Units	**Amount ($)**
SCEF units outstanding, January 1, 2020	**4,291,679**	**$45,313**
Proceeds from units issued	478,826	5,435
Redemption of units	(252,498)	(2,890)
SCEF units outstanding, April 30, 2020	**4,518,007**	**$47,858**
Weighted average SCEF units outstanding	**4,376,537**	

SKYLINE CLEAN ENERGY FUND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

SKYLINE CLEAN ENERGY FUND

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of: Skyline Clean Energy Fund

Opinion

We have audited the accompanying financial statements of Skyline Clean Energy Fund, which comprise the consolidated statement of financial position as at December 31, 2019 and December 31, 2018 and the consolidated statements of unitholders' equity, (loss) income and comprehensive (loss) income and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Skyline Clean Energy Fund as at December 31, 2019 and December 31, 2018 and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Skyline Clean Energy Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

A further description of the auditor's responsibilities for the audit of the condensed consolidated interim financial statements is located at RLB LLP’s website at: www.rlb.ca/additional-auditor-responsibilities. This description forms part of our auditor's report.

Guelph, Ontario
April 20, 2020

Chartered Professional Accountants
Licensed Public Accountants

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SKYLINE CLEAN ENERGY FUND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

(in thousands of Canadian dollars)

	2019	2018
A S S E T S		
Solar equipment and structures (notes 6, 7)	$ 24,032	$ 17,892
Solar contracts (notes 6, 8)	17,275	10,244
Prepaid leases (notes 6, 9)	1,570	1,661
Right-of-use assets (note 10)	3,261	0
Investment in First Light (notes 6, 11)	1,557	0
Loans receivable (notes 6, 12)	610	568
Due from related party (note 17)	13,686	0
Deposit on future acquisition	0	50
Other assets	125	0
Accounts receivable (note 13)	494	146
Restricted cash (note 16)	1,005	0
Cash	9,152	2,513
	$ 72,767	$ 33,074
L I A B I L I T I E S A N D U N I T H O L D E R S' E Q U I T Y		
Loans payable (notes 6, 14)	$ 24,553	$ 281
Lease liability (note 15)	3,251	0
Due to related parties (note 17)	107	17,458
Accounts payable and accrued liabilities	325	324
	28,236	18,063
Unitholders' equity (page 5)	42,105	13,361
Non-controlling interests (page 5) (note 23)	2,426	1,650
	44,531	15,011
	$ 72,767	$ 33,074

Trustee

Trustee

See notes to the consolidated financial statements

SKYLINE CLEAN ENERGY FUND

CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

(in thousands of Canadian dollars)

	Unitholders Equity	Non-Controlling Interests	Total
OPENING BALANCE - January 1, 2019	$ 13,361	$ 1,650	$ 15,011
Proceeds from units issued (note 24)	32,096	0	32,096
Issuance costs (notes 17, 24)	(753)	0	(753)
Loss and comprehensive loss for the year	(632)	(234)	(866)
Distribution to non-controlling interest (note 23)	0	(47)	(47)
Non-controlling interests ownership of solar assets acquired (note 23)	(1,057)	1,057	0
Redemptions (note 24)	(910)	0	(910)
CLOSING BALANCE - December 31, 2019	$ 42,105	$ 2,426	$ 44,531
OPENING BALANCE - May 3, 2018	$ 0	$ 0	$ 0
Proceeds from units issued (note 24)	14,446	0	14,446
Issuance costs (notes 17, 24)	(223)	0	(223)
Income and comprehensive income for the period	821	308	1,129
Distribution to non-controlling interest (note 23)	0	(22)	(22)
Non-controlling interests ownership of solar assets acquired (note 23)	(1,364)	1,364	0
Redemptions (note 24)	(319)	0	(319)
CLOSING BALANCE - December 31, 2018	$ 13,361	$ 1,650	$ 15,011

See notes to the consolidated financial statements

SKYLINE CLEAN ENERGY FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2019

(in thousands of Canadian dollars)

	2019 (12 months)	2018 (8 months)
INCOME		
Solar income	$ 3,289	$ 772
Other income (note 6)	310	171
Interest income (note 17)	287	55
	3,886	998
DIRECT OPERATING EXPENSES		
Utilities	50	14
Insurance	83	21
Roof lease	1	8
Amortization (notes 7, 9, 10)	1,336	320
Operations and maintenance fees (note 17)	86	0
Royalty expense	9	4
Repairs and maintenance	88	0
	1,653	367
NET OPERATING INCOME	2,233	631
OTHER EXPENSES (INCOME)		
Share of net earnings from First Light (note 11)	(507)	0
Financing costs (note 18)	447	408
Administrative expenses	119	200
Asset management fees (note 17)	128	15
Wealth management fees (note 17)	93	26
	280	649
INCOME (LOSS) BEFORE UNDERNOTED	1,953	(18)
Fair value (loss) gain on solar contracts (note 8)	(2,029)	1,147
Fair value loss on investment in First Light (note 11)	(623)	0
Unrealized loss on swap agreements (note 14)	(167)	0
	(2,819)	1,147
(LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME for the year	$ (866)	$ 1,129
Net (loss) income attributable to:		
Unitholders	$ (632)	$ 821
Non-controlling interests (note 23)	(234)	308
Net (loss) income and comprehensive (loss) income	$ (866)	$ 1,129

See notes to the consolidated financial statements

SKYLINE CLEAN ENERGY FUND

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

(in thousands of Canadian dollars)

	2019 (12 months)	2018 (8 months)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
(Loss) income and comprehensive (loss) income for the year	$ (866)	$ 1,129
Items not requiring an outlay of cash		
Amortization (notes 7, 9, 10)	1,336	320
Financing costs in operations (note 18)	447	408
Fair value loss (gain) on solar contracts (note 8)	2,029	(1,147)
Fair value loss on investment in First Light (note 11)	623	0
Unrealized loss on swap agreements (note 14)	167	0
	3,736	710
Changes in non-cash working capital		
Accounts receivable	(348)	(146)
Deposits	50	(50)
Other assets	(125)	0
Accounts payable and accrued liabilities	1	324
	3,314	838
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Due to/from related parties (note 17)	(31,037)	17,458
Loan proceeds, net of repayments (note 14)	24,054	0
Deferred financing costs (note 8)	(218)	0
Interest on debt (notes 14, 18)	(354)	(408)
Lease payments made on lease liability (note 15)	(210)	0
Restricted cash (note 16)	(1,005)	0
Accrued interest on loan payable (note 14)	51	36
Proceeds from units issued (note 24)	32,096	14,446
Redemptions (note 24)	(910)	(319)
Issuance costs (notes 17, 24)	(753)	(223)
Distribution to non-controlling interest (note 23)	(47)	(22)
Principal payment received on loan receivable (note 12)	47	22
	21,714	30,990
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Acquired solar assets (notes 7, 8, 9)	(15,527)	(28,449)
Additions to solar assets (notes 7, 8, 9)	(593)	(521)
Loan payable assumed on solar acquisition (note 14)	0	245
Loan receivable assumed on solar asset acquisition (note 12)	0	(535)
Acquired investment in First Light (note 11)	(1,050)	0
Share of net earnings from First Light (note 11)	(507)	0
Additions to investment in First Light (note 11)	(623)	0
Interest on loans receivable (note 12)	(89)	(55)
	(18,389)	(29,315)
NET INCREASE IN CASH	6,639	2,513
CASH, beginning of year	2,513	0
CASH, end of year	$ 9,152	$ 2,513

See notes to the consolidated financial statements

1. NATURE OF BUSINESS

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

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

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

2. BASIS OF PRESENTATION

(a) STATEMENT OF COMPLIANCE

The consolidated financial statements of SCEF for the year ended December 31, 2019 are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

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

The consolidated financial statements for the period ended December 31, 2019 were approved for issue by the Board of Trustees on April 20, 2020.

(b) BASIS OF MEASUREMENT

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

(c) FUNCTIONAL CURRENCY AND PRESENTATION

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

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

2. BASIS OF PRESENTATION (continued)

(d) USE OF ESTIMATES

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

Significant estimates and assumptions include the fair values assigned to Solar contracts. Valuation of Solar contracts is one of the principal estimates and uncertainties of these consolidated financial statements. Refer to note 8 for further information on estimates and assumptions made in the determination of the fair value of Solar contracts.

Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. Management applies judgment in determining whether the facts and circumstances involved in a joint arrangement result in the arrangement being classified as a joint venture or a joint operation. The Fund has classified its joint arrangements as joint ventures.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Accounting standards implemented in 2019

Effective January 1, 2019, SCEF has adopted IFRS 16 - Leases ("IFRS 16") which replaces existing lease guidance in IAS 17 - Leases and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability for all leases, with exception for short-term leases and leases of low value assets. The requirements for lessor accounting have been carried forward substantially unchanged from IAS 17. The adoption of IFRS 16 was applied using the modified retrospective approach and, thus, there was no restatement of comparative information. Instead, the cumulative effect of applying this standard was recognized at the date of initial application, January 1, 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies

(a) SOLAR CONTRACTS

The solar contracts give SCEF the ability to participate in the Feed-In Tariff ("FIT") program which allows it to sell electricity generated from its solar equipment to the Local Distribution Company ("LDC"). The solar contracts meet the definition of a financial asset, as they provide SCEF with the contractual right to receive cash from the LDC, in exchange for the electricity generated by the solar equipment. IFRS 9 – Financial Instruments ("IFRS 9") requires that the solar contracts are recorded at fair value through profit and loss.

Under IFRS 13 – Fair Value Measurement ("IFRS 13") paragraph 2, fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants. As is the practice in the solar industry, fair value is determined as the net present value of the future cash flows expected to be generated from the asset. As the solar contracts form a CGU together with prepaid leases, solar equipment and structures, which are all recorded at amortized cost, the fair value of the solar contracts is determined to be the net present value of the solar assets' expected future cash flows less the carrying value of the solar equipment, structures and prepaid leases.

The fair value of the solar contracts is determined using the discount rate adjustment technique as per IFRS 13. This technique is most appropriate as SCEF is able to predict its future expected income and expenses. Cash flows earned from solar income can be estimated based on historical weather data and trends, as this historical information provides a reference to base future solar production predictions on. Cash flows incurred to cover operating expenses are directly related to solar production and can be estimated as a function of the expected solar income that will be generated. These cash flows are conditional upon the occurrence of specified events (ie. the solar equipment will continue to operate properly and generate solar production). The discount rate used will be SCEF's weighted average cost of capital.

(b) PREPAID LEASES

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

(c) LEASES

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) REVENUE RECOGNITION

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

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

(e) SOLAR EQUIPMENT

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

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

(f) STRUCTURES

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) FINANCIAL INSTRUMENTS

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

Asset/Liability	Classification/Measurement
Cash	Amortized cost
Restricted cash	Amortized cost
Accounts receivable	Amortized cost
Loans receivable	Amortized cost
Solar contracts	Fair value through profit or loss
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost
Lease liability	Amortized cost

Financial Assets

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

SCEF’s financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or substantially all of the risks and rewards of ownership are transferred.

SCEF’s financial assets that are classified as amortized cost include cash, restricted cash, accounts receivable. and loans receivable. They are initially recognized at fair value and subsequently measured at amortized cost less provision for impairment.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) FINANCIAL INSTRUMENTS (continued)

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

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

(h) INCOME TAXES

SCEF is taxed as a 'Mutual Fund Trust' for income tax purposes. SCEF, pursuant to its Declaration of Trust, will distribute substantially all of its taxable income to unitholders and does not deduct such distributions or designations for income tax purposes. Accordingly, no provision for income taxes has been made. Income tax obligations relating to the distributions of SCEF are the obligation of unitholders.

(i) FAIR VALUE MEASUREMENT

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

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

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

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

Level 3 inputs
Unobservable inputs for the asset or liability.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) JOINT ARRANGEMENTS

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

Investments in joint ventures are accounted using the equity method. Under the equity method, the investment is initially recorded at cost and adjusted by the Fund's share of the post-acquisition net earnings and changes in the net assets of the joint venture.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

In March 2018, the IASB issued the revised Conceptual Framework for Financial Reporting (Conceptual Framework). Definitions of financial statement elements were updated, and a new disclosure and presentation section was added. The revised Conceptual Framework is effective for annual periods beginning on or after January 1, 2020.

The IASB issued Definition of Material (Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors) in October 2018. The amendments clarify the definition of "material" and provide guidance to improve consistency for the application of materiality. The amended definition includes the concept of "obscuring" material information and clarifies that materiality is assessed for primary users of general purpose financial statements about a specific reporting entity. Amendments are effective for annual periods beginning January 1, 2020 and are applied prospectively with earlier application permitted.

In October 2018 the IASB issued Definition of a Business (Amendments to IFRS 3 – Business Combinations). The amendments provide guidance to help companies determine if an acquisition is of a business or a group of assets. The amendments confirm that an acquired set of activities and assets must include both an input and a process that contribute to the ability to create outputs but clarify that the process must be substantive. The amendments also introduce an optional concentration test that facilitates determination of whether a company has acquired a business. The amendments apply prospectively to acquisitions that occur on or after January 1, 2020. Earlier application is permitted.

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

5. PRINCIPLES OF CONSOLIDATION

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

5. PRINCIPLES OF CONSOLIDATION (continued)

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

6. ACQUISITIONS

On August 20, 2018, SCEF acquired units in three limited partnerships; 601 Canarctic Solar LP, MPI RT 1 Solar LP and SPN LP2 and common shares in 2332852 Ontario Inc. (collectively, the “MPI Acquisition”). These three limited partnerships own seven solar assets, comprised of solar equipment, prepaid leases and solar contracts. The results of this acquisition are included in these consolidated financial statements from the date of acquisition. Minority interests hold units in both 601 Canarctic Solar LP and SPN LP2, therefore a portion of the total identifiable net assets acquired in the MPI Acquisition have been allocated to the respective non controlling interests. See note 23.

On September 29, 2018, SCEF purchased the beneficial interest in eighteen solar assets. These eighteen solar assets are comprised of solar equipment, prepaid leases and solar contracts (the “Hay Solar Acquisition”). As per the purchase agreement, SCEF was entitled to the net operating earnings from July 1, 2018. The net earnings in the amount of $171 were included in other income for the period from May 3, 2018 to December 31, 2018. On September 29, 2018, SCEF purchased the Class A special voting share of Skyline Private Opportunities Corporation (“SPOC”) from Skyline Transfer Funds Inc. (“STFI”) for $0.001. STFI is considered to be a related party to SCEF, as it is a company controlled by a person or persons considered related parties to SCEF, in accordance with IAS 24 – Related Parties (“IAS 24”). SPOC holds legal title to the eighteen solar assets acquired in the Hay Solar Acquisition.

On April 12, 2019, SCEF acquired units in CK Solar Projects LP and common shares in CK Solar GP Inc. (collectively, the “CK Solar Acquisition”). CK Solar Projects LP owns six solar assets, comprised of solar equipment, prepaid leases and solar contracts. The results of this acquisition are included in these consolidated financial statements from the date of acquisition. A minority interest holds units in CK Solar Projects LP, therefore a portion of the total identifiable net assets acquired in the CK Solar Acquisition has been allocated to the respective non-controlling interest. See note 23.

On May 6, 2019, SCEF acquired units in SunE Sky First Light LP (“First Light LP”) and common shares in SunE Sky First Light GP (collectively, the “First Light Acquisition”). SunE Sky First Light LP owns one solar power generating unit. The results of this acquisition are included in these consolidated financial statements from the date of acquisition. SCEF has classified its investment in First Light as a joint venture which is, therefore, accounted for under the equity method. See note 11.

On October 21, 2019, SCEF purchased the beneficial interest in one solar asset (the “Hodgson Acquisition”). This solar asset is comprised of solar equipment, a prepaid lease and a solar contract. As per the purchase agreement, SCEF was entitled to the net operating earnings from August 1, 2019 to October 21, 2019. The net earnings in the amount of $40 were included in other income for the year ended December 31, 2019. The results of this acquisition are included in these consolidated financial statements from the date of acquisition.

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

6. ACQUISITIONS (continued)

On December 23, 2019, SCEF purchased the beneficial interest in six solar assets (the "Ozz Acquisition"). These six solar assets are comprised of solar equipment and solar contracts. As per the purchase agreement, SCEF was entitled to the net operating earnings from August 1, 2019 to December 23, 2019. The net earnings in the amount of $270 were included in other income for the year ended December 31, 2019. The results of this acquisition are included in these consolidated financial statements from the date of acquisition.

The following table contains details of SCEFs 2019 acquisitions:

	CK Solar April 12	**First Light** May 6	**Hodgson** Oct 21	**Ozz** Dec 23	**Total 2019**
Net assets acquired:					
Right-of-use assets	$ 1,705	$ 0	$ 83	$ 1,217	$ 3,005
Solar equipment	1,689	0	353	4,862	6,904
Solar contracts	260	0	749	7,614	8,623
Class A units	0	1,050	0	0	1,050
Restricted cash	0	0	0	574	574
Debt assumed:					
Loan payable	0	0	0	(9,221)	(9,221)
Net working capital:	(14)	0	(40)	(301)	(355)
Total identifiable net assets	$ 3,640	$ 1,050	$ 1,145	$ 4,745	$ 10,580
Consideration paid, funded by:					
Cash	$ 1,935	$ 1,050	$ 1,062	$ 3,528	$ 7,575
Lease liability	1,705	0	83	1,217	3,005
Total consideration paid	$ 3,640	$ 1,050	$ 1,145	$ 4,745	$ 10,580

The following table contains details of SCEF's 2018 acquisitions:

	MPI Aug 20	**Hay Solar** Sept 29	**Total 2018**
Net assets acquired:			
Structures	$ 1,692	$ 2,441	$ 4,133
Solar equipment	3,245	12,492	15,737
Solar contracts	4,319	4,260	8,579
Loan receivable	535	0	535
Debt assumed:			
Related party debts	0	(19,125)	(19,125)
Loan payable	(245)	0	(245)
Net working capital:	(31)	(68)	(99)
Total identifiable net assets	$ 9,515	$ 0	$ 9,515
Consideration paid, funded by:			
Cash	$ 9,515	$ 0	$ 9,515
Total consideration paid	$ 9,515	$ 0	$ 9,515

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

7. SOLAR EQUIPMENT AND STRUCTURES

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

	2019	2018
Opening balance	$ 17,892	$ 0
Additions through purchase of assets	6,904	18,178
Additions through capital expenditures	374	0
Amortization	(1,138)	(286)
Closing balance	$ 24,032	$ 17,892

8. SOLAR CONTRACTS

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

	2019	2018
Opening balance	$ 10,244	$ 0
Additions through purchase of assets	8,623	8,579
Additions through capital expenditures	219	518
Deferred financing costs	218	0
Fair value (loss) gain	(2,029)	1,147
Closing balance	$ 17,275	$ 10,244

9. PREPAID LEASES

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

	2019	2018
Opening balance	$ 1,661	$ 0
Additions through purchase of assets	0	1,692
Additions through capital expenditures	0	3
Amortization	(91)	(34)
Closing balance	$ 1,570	$ 1,661

10. RIGHT-OF-USE ASSETS

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

	2019
Opening balance	$ 0
Adjustment due to application of IFRS 16 (note 3)	363
Additions	3,005
Amortization	(107)
Closing balance	$ 3,261

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

11. INVESTMENT IN JOINT VENTURE

SCEF holds a 50% ownership in SunE Sky First Light LP and SunE Sky First Light GP (collectively, "First Light") and shares joint control with a third party who owns the remaining 50% of First Light. SCEF has classified its investment in First Light as a joint venture as decisions about First Light's relevant activities require unanimous consent of both parties.

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

	2019	2018
Balance at the beginning of the period	$ 0	$ 0
Additions through purchase of Class A units	1,050	0
Additions through transaction costs expenditures	623	0
Share of net earnings	507	0
Accumulated fair value adjustments	(623)	0
Balance at end of the year	$ 1,557	$ 0

12. LOAN RECEIVABLE

On August 20, 2018, as part of the MPI Acquisition (see note 6), SCEF assumed a $535 loan receivable from the non-controlling interest of 601 Canarctic Solar LP (see note 23). The non-controlling interest is required to make annual blended payments of $91 to SCEF starting in 2019, with interest charged at 15.54%. The loan will be fully repaid by 2035.

On January 28, 2019, SCEF issued a $137 loan receivable to a third party in order for the third party to carry out its proposal to develop and install a renewable gas project. SCEF is in the process of negotiating the purchase of limited partnership units in the third party. The loan bears interest at an annual rate of 10% and was repaid in full on September 5, 2019.

	2019	2018
Balance at the beginning of the period	$ 568	$ 0
Issued in connection with MPI Acquisition (note 6)	0	535
Issued in connection with potential acquisition	137	0
Interest receivable	89	55
Loan repayment	(137)	0
Distribution payable to non-controlling interest, applied to principal balance of loan receivable (note 23)	(47)	(22)
Balance at end of the year	$ 610	$ 568

13. ACCOUNTS RECEIVABLE

The components of accounts receivable are as follows:

	2019	2018
Solar income receivable	$ 379	$ 105
Other receivable	115	41
Balance at the end of the year	$ 494	$ 146

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

14. LOANS PAYABLE

On August 20, 2018, as part of the MPI Acquisition (see note 6), SCEF assumed a $245 loan payable to the general partner of the non-controlling interest of SPN LP 2 (see note 23) through its ownership of SPN LP 2 (the "SFN loan"). No payments are due until 2022, with interest accruing at 15% annually. Commencing in 2022. SCEF is required to make annual blended payments of $47, with interest charged at 7% annually, to the general partner of the non-controlling interest.

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

On December 23, 2019, in connection with the Ozz Acquisition, SCEF assumed six loans payable to PNC Bank. These loans total $9,221 and are secured by six solar assets (the “PNC Bank Loan”). Five loans have interest rate swap agreements and have a fixed interest rates of 5.75% and mature in 2030. One loan has an interest rate swap agreement and has a fixed interest at rate of 5.45% and matures in 2030.

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

2020	$ 1,360
2021	1,417
2022	1,580
2023	1,557
2024	1,625
Thereafter	16,847
	$ 24,386

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

	2019	2018
Balance at the beginning of the year	$ 281	$ 0
Proceeds from Equitable Bank loan	14,933	0
Repayment of Equitable Bank loan	(100)	0
Proceeds from PNC Bank loan	9,221	0
Unrealized loss on PNC interest rate swap agreement	167	0
Assumption of SFN loan (note 6)	0	245
Total changes from financing cash flows	24,502	245
Interest expense included in operations (note 18)	263	36
Interest and financing costs paid	(212)	0
Total liability-related charges	51	36
Balance at end of the year	$ 24,553	$ 281

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

15. LEASE LIABILITY

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

		2019
Balance at the beginning of the year	$	0
Adjustment due to the application of IFRS 16 (note 3)		363
Additions		3,005
Interest expense (note 18)		93
Lease payments		(210)
Balance at end of the year	$	3,251

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

The following table details the undiscounted cash flows and contractual maturities of SCEF's lease liability as at December 31, 2019:

		2019
2020	$	340
2021		340
2022		340
2023		340
2024		340
Thereafter		3,470
Balance at end of the year	$	5,170

16. RESTRICTED CASH

In connection with the Equitable Bank Loan financing (see note 14), SCEF established two reserve accounts. The debt service reserve acts as additional assurance to the lender that all quarterly repayments will be made in accordance with the credit agreement, as the lender can direct withdrawals for any debt payment shortfalls from the debt service reserve account. Similarly, the lender can direct withdrawals from the major maintenance reserve to be applied towards rehabilitation, replacement, maintenance or repairs to the secured solar assets.

In connection with the Ozz Acquisition (see note 6) and PNC Loan financing (see note 14), SCEF assumed six debt reserve accounts. The debt service reserve acts as additional assurance to the lender that all quarterly repayments will be made in accordance with the credit agreement, as the lender can direct withdrawals for any debt payment shortfalls from the debt service reserve account.

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

16. RESTRICTED CASH (continued)

The components of restricted cash are as follows:

	2019	2018
Debt service reserve	$ 879	$ 0
Major maintenance reserve	126	0
Balance at the end of the year	$ 1,005	$ 0

17. RELATED PARTY TRANSACTIONS

Due from related party

During the year, SCEF issued a short-term loan to Skyline Apartment Real Estate Investment Trust ("APT REIT"), an entity that is controlled by a person or persons that qualify as a related person under IAS 24. This short-term loan bears 6% interest and includes a 1% commitment fee. This short-term loan was repaid subsequent to year end in February 2020. The balance at year end consists of the following:

	2019	2018
Short-term loan issued	$ 13,500	$ 0
Accrued interest income on short-term loan	51	0
Commitment fee on short-term loan	135	0
Balance at end of the year	$ 13,686	$ 0

Due to related parties

Amounts due to related parties are unsecured, non-interest bearing and have no set terms of repayment. All of these entities are controlled by a person or persons that qualify as a related person under IAS 24. The balance consists of the following:

	2019	2018
Skyline Transfer Funds Inc., promissory note payable interest free	$ 0	$ 17,041
Due to Skyline Clean Energy Asset Management Inc.	9	33
Due to Skyline Wealth Management Inc.	12	18
Due to Skyline Clean Energy General Partner Inc.	32	191
Anvil Crawler Development Inc., promissory note payable interest free	54	175
Balance at the end of the year	$ 107	$ 17,458

Asset management fees

SCEF has an asset management agreement with Skyline Clean Energy Asset Management Inc. (“SCEAMI”), an entity that is controlled by a person or persons that qualify as a related person under IAS 24. Fees payable under the asset management agreement are 2% of gross revenue. For the year ended December 31, 2019, SCEF incurred $128 in asset management fees. During the period from May 3, 2018 to December 31, 2018, SCEF incurred $15 in asset management fees.

17. RELATED PARTY TRANSACTIONS (continued)

Wealth management fees

SCEF has a wealth management agreement with Skyline Wealth Management Inc. ("SWMI"), an entity that is controlled by a person or persons that qualify as a related person under IAS 24. Fees payable under the wealth management agreement include wealth management fees of 0.3% of unitholders' equity, and equity raise fees of 2% of proceeds on units issued and redeemed during the year. For the year ended December 31, 2019, SCEF incurred $93 in wealth management fees and $717 in equity raise fees. During the period from May 3, 2018 to December 31, 2018, SCEF incurred $26 in wealth management fees and $139 equity raise fees.

Legal and administrative fees

The Fund has an agreement with Skyline Asset Management Inc. ("SAMI"), an entity that is controlled by a person or persons that qualify as a related person under IAS 24, to provide legal and administrative services. For the year ended December 31, 2019, the Fund incurred $42 in legal and administrative fees. During the period from May 3, 2018 to December 31, 2018, SCEF incurred $24 in legal and administrative fees.

Operations and maintenance fees

SCEF has an agreement with Anvil Crawler Development Corp. ("ACDC"), an entity that is controlled by a person or persons that qualify as a related person under IAS 24, to provide operations and maintenance services for the solar assets. For the year ended December 31, 2019, SCEF incurred $86 in operations and maintenance fees. During the period from May 3, 2018 to December 31, 2018, SCEF incurred no operations and maintenance fees.

Distribution to partners

Skyline Clean Energy General Partner Incorporated ("SCEGPI") is the general partner of SCEF and is entitled to distributions under the limited partnership agreement. This occurs when the Fund's net income, excluding depreciation, for a fiscal year is greater than 5% of the weighted average retained earnings for such fiscal year. This surplus is shared at a ratio of 20% to the general partner and 80% to the limited partner. A provision for the future distributions payable to SCEGPI has not been recorded since the timing and amount of the distributions payable cannot be reasonably estimated. For the year ended December 31, 2019, there was distributions payable of $32 owing to SCEGPI. For the period ended May 3, 2018 to December 31, 2018, there were distributions payable of $191 owing to SCEGPI.

Interest paid to Skyline Management Inc.("SMI")

During the period from May 3, 2018 to December 31, 2018, SCEF paid $135 in interest on a short term loan of $10,000 from SMI bearing an interest rate of 9% per annum. The interest of $135 paid to SMI was to offset $135 of interest paid by SMI to First National Financial LP ("First National"), a third party lender, who originated the funding for the loan from SMI to SCEF. The loan from First National to SMI also bears interest at a rate of 9% per annum. SMI is an entity controlled by a person or persons that qualify as a related person under IAS 24. On November 23, 2018, Skyline Transfer Funds Inc. ("STFI") paid $10,000 to SMI in exchange for a non-interest bearing $10,000 promissory note from SCEF to extinguish the $10,000 short term loan from SMI to SCEF.

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

18. FINANCING COSTS

During the year ended December 31, 2019 and December 31, 2018, SCEF paid the following financing costs:

	2019	2018
Interest on loans payable (note 14)	$ 263	$ 36
Interest on lease liability (note 15)	93	0
Interest due to related parties (note 17)	0	135
Amortization of deferred financing costs	6	0
Arrears interest paid on HST remittances	25	0
Assessment fees for solar assets to be financed	24	0
Interest adjustment on MPI Acquisition (note 6)	0	33
Distribution accrued for general partner (note 17)	32	191
Interest on short-term loan	0	13
Bank charges	4	0
	$ 447	$ 408

19. FAIR VALUE MEASUREMENT

Assets and liabilities measured at fair value

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

As at	December 31, 2019			December 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Solar contracts	$ 0	$ 0	$ 17,275	$ 0	$ 0	$ 10,244

Transfers between levels in the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer. For solar contracts measured at fair value as at December 31, 2019 and December 31, 2018, there were no transfers between Level 1, Level 2 and Level 3 assets.

Financial assets and liabilities carried at amortized cost

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

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

20. FINANCIAL RISK MANAGEMENT

Financial risks are risks arising from the financial instruments to which SCEF is exposed during or at the end of the reporting period. Financial risk comprises market risk, credit risk and liquidity risk. SCEF considers real estate risk as a financial risk as well, even though investment property is not classified as a financial instrument.

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

20. FINANCIAL RISK MANAGEMENT (continued)

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

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

i) Market risk

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

a. Interest rate risk

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

b. Price risk

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

c. Foreign exchange risk

SCEF is not subject to foreign exchange risk. All of its financial instruments are denominated in Canadian dollars.

ii) Liquidity risk

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

Financial liabilities and their maturities are as follows:

December 31, 2019	On demand	Less than one year	One to five years	More than five years	Total
Loans payable	$ 0	$ 0	$ 0	$ 24,553	$ 24,553
Lease liability	0	0	0	3,251	3,251
Accounts payable and accrued liabilities	0	325	0	0	325
	$ 0	$ 325	$ 0	$ 27,804	$ 28,129

December 31, 2018	On demand	Less than one year	One to five years	More than five years	Total
Loans payable	$ 0	$ 0	$ 0	$ 281	$ 281
Accounts payable and accrued liabilities	0	324	0	0	324
	$ 0	$ 324	$ 0	$ 281	$ 605

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

21. CAPITAL RISK MANAGEMENT

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

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

SCEF monitors capital primarily using a loan to value ratio, which is calculated as the amount of outstanding debt divided by the valuation of the assets within the portfolio. As of December 31, 2019, the loan to value ratio was 60% (2018 - 60%).

22. SEGMENTED DISCLOSURE

All of SCEF's assets and liabilities are in, and its revenues are derived from, Canadian solar assets. SCEF's solar assets are, therefore, considered by Management to have similar economic characteristics. Thus, SCEF has one reportable segment for disclosure purposes.

23. NON-CONTROLLING INTERESTS

The components of non-controlling interests are as follows:

	2019	2018
Balance at the beginning of the period	$ 1,650	$ 0
14.9985% of SPN LP 2 net identifiable assets acquired (note 6)(i)	0	1,135
50.9% of 601 Canarctic Solar LP net identifiable assets acquired (note 6)(ii)	0	229
50.1% of CK Solar Projects LP net identifiable assets acquired (note 6)(iii)	1,057	0
Total net identifiable assets allocated to non-controlling interests	2,707	1,364
14.9985% of SPN LP 2 net loss(i)	(85)	(13)
50.9% of 601 Canarctic Solar LP net (loss) income(ii)	(14)	321
50.1% of CK Solar Projects LP net loss(iii)	(135)	0
Total net (loss) income allocated to non-controlling interest	(234)	308
Distribution to 601 Canarctic Solar LP(ii) non-controlling interest	(47)	(22)
	$ 2,426	$ 1,650

(i) SPN LP 2

On August 20, 2018, SCEF acquired 8,499 Class A units (and 84.9915% ownership interest) in an existing partnership, SPN LP 2, as well as 10 common shares (and 100% ownership) in 2332852 Ontario Inc., the general partner of SPN LP 2. Through its ownership of SPN LP 2, SCEF also assumed a $245 loan payable from SPN LP 2 to the general partner of its non-controlling interest. The minority interest was allocated $1,135 of the total net identifiable assets acquired in the MPI Acquisition with respect to SPN LP 2.

23. NON-CONTROLLING INTERESTS (continued)

(i) SPN LP2 (continued)

All decision making in respect of SPN LP 2, including day-to-day and material decisions, are made exclusively by SCEF through its ownership of 2332852 Ontario Inc., in accordance with the SPN LP 2 limited partnership agreement. Accordingly, SCEF has control over SPN LP 2 and has consolidated this subsidiary into its financial position and results of operations using the equity method.

As at December 31, 2019, the SPN LP 2 non-controlling interest amount of $1,037 was represented by a $1,135 allocation of SPN LP 2's net identifiable assets, and a $98 share of SPN LP 2's cumulative net loss.

(ii) 601 Canarctic Solar LP

On August 20, 2018, SCEF acquired 490 LP units (and a 49.0% ownership interest) in an existing partnership, 601 Canarctic Solar LP, as well as 10 common shares (and 100% ownership) in 2332852 Ontario Inc., the general partner of 601 Canarctic Solar LP. In connection with the MPI Acquisition, SCEF also assumed a $535 loan receivable from the non-controlling interest (see note 9). The minority interest was allocated $229 of the total net identifiable assets acquired in the MPI Acquisition with respect to 601 Canarctic Solar LP.

All decision making in respect of 601 Canarctic Solar LP, including day-to-day and material decisions, are made exclusively by SCEF through its ownership of 2332852 Ontario Inc., in accordance with the 601 Canarctic Solar LP agreement. Accordingly, SCEF has control over 601 Canarctic Solar LP and has consolidated this subsidiary into its financial position and results of operations using the equity method.

As at December 31, 2019 the non-controlling interest net amount of $467 was represented by a $229 allocation of 601 Canarctic Solar LP's net identifiable assets, a $307 share of 601 Canarctic Solar LP's cumulative net income, less $69 of cumulative distributions payable to the non-controlling interest. The distribution payable was applied against the principal balance of SCEF's loan receivable from the non-controlling interest (note 12).

(iii) CK Solar Projects LP

On April 12, 2019, SCEF acquired 498 limited partnership units (and 49.8% ownership interest) in an existing partnership, CK Solar Projects LP, as well as 1,000 common shares (and 100% ownership) in CK Solar Projects GP Inc., the general partner of CK Solar Projects LP. The minority interest was allocated $1,057 of the total net identifiable assets acquired in the CK Solar Acquisition with respect to CK Solar Projects LP.

All decision making in respect of CK Solar Projects LP, including day-to-day and material decisions, are made exclusively by SCEF through its ownership of CK Solar Projects GP Inc., in accordance with the CK Solar Projects' limited partnership agreement. Accordingly, SCEF has control over CK Solar Projects LP and has consolidated this subsidiary into its financial position and results of operations using the equity method.

As at December 31, 2019, the CK Solar Projects LP non-controlling interest amount of $922 was represented by a $1,057 allocation of CK Solar Projects LP's net identifiable assets, less a $135 share of CK Solar Project LP's cumulative net loss.

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

24. UNITHOLDERS' EQUITY

SCEF is authorized to issue an unlimited number of units. Each unit represents an undivided beneficial interest in the distributions of SCEF, whether of net income, net realized capital gains or other amounts, and in the event of a liquidation, dissolution, winding-up or other termination of SCEF, in the net assets of SCEF remaining after satisfaction of all liabilities. As at December 31, 2019 the price per unit for newly issued units and units to be redeemed was $11.29 (December 31, 2018 - $10.28). The units issued and outstanding are as follows:

	2019	**2018**
Units outstanding, beginning of year	1,453,372	0
Units issued	2,923,165	1,484,523
Redemptions during the year	(84,858)	(31,151)
Units outstanding, end of year	4,291,679	1,453,372

25. SUBSEQUENT EVENTS

In February 2020, the APT REIT repaid SCEF $13,707 for its short-term loan. In March 2020, SCEF loaned an additional $6,500 to APT REIT.

In March 2020, SCEF loaned $4,000 to the Skyline Retail Real Estate Investment Trust ("RTL REIT"), an entity that is controlled by a person or persons that qualify as a related person under IAS 24.

Subsequent to December 31, 2019, SCEF issued 478,826 trust units for an aggregate value of $5,435 and 6,760 trust units were redeemed for an aggregate value of $77.

The following unit price changes occurred subsequent to December 31, 2019:

Effective Date	Unit Price
January 1, 2020	$11.35
February 1, 2020	$11.40
March 1, 2020	$11.48

26. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform to the current year's presentation. The solar assets have been reclassified into their components which are solar equipment and structures, solar contracts and prepaid leases. This has been reflected on the Consolidated Statement of Financial Position and in the Notes to the Consolidated Financial Statements.


SKYLINE