ANNUAL REPORT TO UNITHOLDERS – DECEMBER 31, 2022

SKYLINE
CLEAN ENERGY FUND

SKYLINE CLEAN ENERGY FUND

2022

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

Back row from left to right: **Matt Kennedy,** Director, Skyline Clean Energy Asset Management Inc.; **Brent Boss,** General Manager of Biogas, Skyline Clean Energy Asset Management Inc.; **Tanner Derjugin,** Senior Associate, Skyline Clean Energy Asset Management Inc.

Front row from left to right: **R. Jason Ashdown,** Co-Founder & Chief Sustainability Officer; **Martin Castellan,** Co-Founder & Chief Administrative Officer; **Rob Stein,** President, Skyline Clean Energy Fund; **Jason Castellan,** Co-Founder & Chief Executive Officer; **Wayne Byrd,** Chief Financial Officer.

CONTENTS

OVERVIEW

$294.81MM	$14.65	10.65%
Total Value of 77 Solar Assets & 2 Biogas Assets (As at December 31, 2022)	Current Unit Value (As at January 1, 2023)	Compounded Annual Growth Rate (As at January 1, 2023)

For the year ended December 31, 2022:

58,874,349	$20.01MM	11.7%
kWh of Electricity Generated	Earnings Before Interest, Tax, Depreciation & Amortization	Net Operating Margin

96,326	114,191
Gigajoules (GJ) of Renewable Natural Gas (RNG) Produced	Tonnes of Waste Processed

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

Homes Powered for 1 Year	Barrels of Oil Consumed	Passenger Vehicles Taken off the Road for 1 Year
18,242	71,280	12,020

(1) Metrics are estimated based on expected annual energy production from SCEF's solar and biogas assets and are calculated using the same methodology as the Natural Resource Canada's greenhouse gas equivalencies calculator but with the most up-to-date data. Please note that for ease of comparing different forms of renewable energy production in the Fund, the gigajoules (GJ) of renewable natural gas produced at our Lethbridge biogas facility has been converted into kWh of electricity produced using a factor of 277.778.

SKYLINE GROUP OF COMPANIES AWARDS

Best Managed Companies

Platinum Member — Skyline Group of Companies

Skyline has retained its Best Managed Companies status for eight years. Platinum Member Winners demonstrate leadership in strategy, capabilities and innovation, culture and commitment, and financials.

Canadian Property Management Magazine 2022 "Who's Who" Ranking

Top 10 Apartment Owners & Managers (#7) — Skyline Apartment REIT

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

RHB Magazine 2022 "The Annual" Edition

Canada's Top 10 REITs List (#5) — Skyline Apartment REIT

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

IPOANS 2022 Innovation & Excellence Awards

Winner, Community Service — Skyline Group of Companies

Commemorating above-and-beyond achievement in community service over the previous year, awarding companies that go the extra mile in helping their surrounding communities.

FRPO 2022 MAC Awards

Winner, Property Manager of the Year (Michelle Twiss) — Skyline Living

Recognizing a Property Manager that has demonstrated excellence and professionalism, and has successfully managed their portfolio, staff, capital projects, and budgets while ensuring a high level of customer service and resident satisfaction over the past year.

Waterloo Area Top Employers 2022

Evaluating workplaces in the Kitchener-Waterloo area on eight criteria, including performance management, training and skills development, communications, community involvement, and more.

Report on Business 2022 Changemakers

Winner (Rob Stein, President, Skyline Energy)

Showcasing the emerging leaders transforming business today, with winners selected for their ideas, accomplishments, and impact.

Report on Business 2022 Canada's Top Growing Companies

Winner (ranked #314) — Skyline Group of Companies

Celebrating the boldest entrepreneurial achievement by identifying and bringing the accomplishments of innovative businesses in Canada to the forefront.

Guelph Chamber of Commerce 2022 Awards of Excellence

Winner, Community Builder — Skyline Group of Companies

Recognizing an outstanding business or organization that has a positive impact on the business, community, and social well-being within the city of Guelph.

CFAA 2022 Rental Housing Awards

Winner, Rental Housing Provider of the Year — Skyline Living
Recognizing a rental housing provider who has demonstrated exceptional leadership in the rental housing industry through an action, exceptional practice, or a dedicated initiative.

Winner, Rental Development of the Year (Carrington View Apartments, West Kelowna, BC) — Skyline Living
Recognizing a company that has achieved excellence in the development of a new rental housing project.

2022 TRANSACTIONS

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

OUR PURPOSE

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

OUR MISSION

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

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

Professionalism
Respect
Integrity
Drive
Efficiency

CEO ADDRESS TO UNITHOLDERS

Sitting down to write about this year in review, I had a memory flash before my eyes of my high school French class. Time in that classroom passed very slowly: I would look at the clock, thinking 20 minutes had passed, only to find out that, in reality, it was 2 minutes. Fast forward to today, and I am experiencing the opposite phenomenon: the past year flew by so quickly, it felt like only a month had passed. Perhaps this can be partly attributed to my age, but I would like to think it is more so because Skyline is a lot more fun than high school French!

We have all had to contend with a year of rising interest rates, something for which many people share the same ennui I had toward French class. Still, 2022 seemed to pass by rapidly, because the effects of inflation have, in fact, been beneficial to our asset values and our revenue generation. We have seen bottom-line growth from this revenue; now we are watching the market move in our favour while we patiently wait to realize upon the turnover of residential suites, new leases, or new power contracts.

Like most of you, I am no longer in high school and, therefore, not as eager to see time fly, but there is an undeniable anticipation and excitement for these impending lifts—so much so that I would have been happy to see them happen yesterday.

We are continuing to prioritize risk mitigation wherever possible, looking at aspects of our operations like fixed interest rates, contracts, and wages. Going forward, we are focusing on unlocking Mark to Market revenue which, when it flows through to the bottom line, results in an increase to the value of our assets. This is true no matter which way capitalization rates may be adjusted for an increase in interest rates, as long as our growing income exceeds our cap rate offset.

While rising interest rates can have a negative effect on value, they can be offset by rising income, which is exactly what we have been seeing over the past year. Inflation is beneficial for tangible investments and for income sources that are driven by it—with the compromise that interest rates will also rise. That is the nature of inflation. Recently, interest rate increases have slowed down, and there has been a cooldown of both wage pressures and the cost of goods required to operate our businesses. We still have that coiled-up income that we are seeing come online month after month, which is a definite positive for Skyline.

For the remainder of 2023, we are looking forward to interest rates continuing to cool off and to further realizing our Mark to Market revenue. We will continue to improve our fund portfolios through the disposition of older assets for which we have achieved maximum potential, redeploying that equity into newer opportunities with greater upside. We are also continuing to seek accretive acquisitions and surface value for our investors. What we have all endured for the past three years has only fortified Skyline further, and in the past year, the path forward has become much more certain. We confront business challenges head-on and swiftly so that when opportunities present themselves, we are poised to take advantage of them.

On behalf of Skyline's leadership team, thank you for being a part of what makes Skyline and our funds successful. We look forward to sharing another year of growth and opportunity with you. *Merci beaucoup!*

"The effects of inflation have, in fact, been beneficial to our asset values and our revenue generation. We have seen bottom-line growth from this revenue; now we are watching the market move in our favour while we patiently wait to realize upon the turnover of residential suites, new leases, or new power contracts."

Jason Castellan

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

PRESIDENT'S REPORT

I am pleased to report that 2022 was Skyline Clean Energy Fund's ("SCEF") strongest year of growth to date. The Fund delivered solid financial performance and continued its track record of positive Unit Value growth since inception.

Steady and consistent growth has always been a part of SCEF's DNA. Our disciplined approach to investing, together with our "boots on the ground" operating expertise, resulted in strong financial performance and double-digit returns for unitholders in 2022. With key transactions in the solar and biogas spaces, SCEF acquired $113.8M of Total Assets Under Management (TAUM) in 2022. Our Unit Value grew from $13.24 per Unit as of January 1, 2022, to $14.65 per Unit as of January 1, 2023, resulting in a 1-year Annualized Return of 10.65% and a 3-year Annualized Return of 8.87%.

In 2022, SCEF invested in eight operating solar photovoltaic (PV) systems, one biogas facility (Lethbridge, AB), and a utility-scale solar PV development in Alberta, all of which have significant growth potential to create further value for Unitholders.

As we look ahead to 2023, energy security concerns, electricity grid decarbonization, and the electrification of anything and everything continue to be key trends that are accelerating renewable deployment in Canada and around the world. As a result, Canadian investors are presented with opportunities to participate in the development of additional clean energy capacity while potentially receiving great investment returns.

Against this backdrop, SCEF is continuing to build tremendous momentum. The Fund's operating assets have historically generated steady and predictable cash flow, supported by a weighted average of 12 years remaining on our energy offtake contracts. SCEF's loan-to-value of total assets ratio currently sits at 26.91%, which has allowed the Fund to seek out additional project-level non-recourse debt with term lengths that substantially match the energy offtake contract length. As we secure long-term financing across the business and move into the prime energy generation months of the year (May-October), our access to liquidity is an asset, providing significant flexibility to fund our growth plans.

With a full pipeline of accretive assets, we are excited about the opportunities that lie ahead in 2023. As always, we intend to be selective, only pursuing projects that meet the Fund's strategic objectives and targeted returns. All the opportunities currently in our pipeline are complementary to SCEF's core renewable assets and utilize the team's core competencies. We are also investing capital through organic growth within our existing businesses and through the acquisition of new complementary assets and platforms that enhance SCEF's current portfolio.

On the back of the Federal Government's 2023 Budget that introduced an Investment Tax Credit ("ITC") for renewable energy and strong corporate demand for energy contracts, we are actively pursuing repowering and "brownfield" development opportunities in 2023. This has the potential to increase SCEF's yields on existing assets beyond our original underwriting. We believe the Federal Government's 2023 budget presents monumental opportunities for renewables in Canada and could significantly accelerate the Fund's growth in the coming years. In 2023, we will continue to seek accretive clean energy assets in stable energy markets with predictable cash flows that generate a minimum rate of return of 7.5%. We will also continue our disciplined method of capital deployment and leverage our expertise and operational capability to mitigate risk and enhance the Fund's value. We strive to deploy capital ahead of our targets and grow in every market where we operate, while maximizing our facility performance, expanding our renewable operations, and advancing our strategic priorities.

While SCEF's assets power the communities in which we operate, the Fund itself is truly powered by our people. Our ambition for growth requires a robust human capital strategy to ensure we have the knowledge and skill sets to deliver on the Fund's strategy. Our team continued to grow in 2022, with key talent added to both our biogas and solar divisions. By enhancing our already strong management team, we aim to mitigate risk further and enable even more growth for the Fund. On behalf of Skyline Clean Energy Fund's team and Trustees, I would like to thank you, our Unitholders, for your ongoing support. We look forward to building a cleaner and brighter future together!

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

Rob Stein
President,
Skyline Clean Energy Fund

SENIOR MANAGEMENT

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

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

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

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

Rob Stein
President,
Skyline Clean Energy Fund

Matt Kennedy
Director,
Skyline Clean Energy
Asset Management Inc.

Brent Boss
General Manager
of Biogas,
Skyline Clean Energy
Asset Management Inc.

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

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

Wayne Byrd

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

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

Deborah Whale - Independent Trustee

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

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

SUSTAINABILITY AT SKYLINE GROUP OF COMPANIES

2022 SUSTAINABILITY HIGHLIGHTS

160
newly installed EV Charging Stations.

90.8%
adoption rate of "going paperless" among investors.

238
refugee families supported through Refugee Assistance Program.

$379K+
raised for charities through four major fundraisers.

32
Permanent Supportive Housing Units in development.

201
tenancies saved through R.I.S.E. Tenant Support Program.

38,869 MWh[1]
of electricity generated by solar assets equivalent to powering 5,044 homes for one year[2].

21,005 MWh
of renewable electricity produced at Skyline Clean Energy Fund's Elmira, Ontario and Lethbridge, Alberta biogas facilities, equivalent to powering 2,873 homes for one year.[2]

[1] MWh: A measurement of energy usage; the amount of energy one would use if keeping a 1,000-kilowatt machine running for an hour.

[2] The number of powered homes equivalency figure is calculated by dividing the historical 2022 Annual Generation of the asset(s) by the average electricity use per Ontario and Alberta household. The average electricity use per Ontario and Alberta household is determined through Natural Resource Canada's data on the total electricity consumption of the Ontario and Alberta residential sector, divided by the total number of Ontario and Alberta households.

SKYLINE GROUP OF COMPANIES FOCUS AREAS FOR 2023

Develop a plan to internally and externally communicate mental health resources and encourage healthy living and wellness.

PERTAINS TO ALL SDGs

Submit to the GRESB Benchmark in July 2023 in an effort to assess and improve sustainability performance across the REIT portfolios (Apartment REIT, Retail REIT, Industrial REIT). We aim to utilize our GRESB score to inform our sustainability strategy, improving our Sustainability Program and GRESB scoring yearly.

Reduce contamination of residential recycling and organic streams by 15%.

Establish energy use intensity (EUI) thresholds for energy efficiency, e.g., properties with electricity use intensity of or greater than "10" are considered for improvements in the efficiency of building features to reduce consumption/improve intensity rating.

Determine climate disaster risk reduction strategies appropriate for exposure levels.

Source and provide training and workshops related to **DEI initiatives** (require mandatory attendance of key groups).

Understand the waste generation profile of Industrial & Retail tenants to determine possible risks to assets.

Continue to invest in rental housing stock. In doing so, we will add much-needed supply, while ensuring longevity of current rental stock for Canadian communities.

Support charitable organizations through volunteering and monetary donations that focus on eliminating homelessness, hurt, and hunger in our communities and exceed our 2022 fundraising total.

Evaluate the hiring process to ensure continued **opportunity for diverse representation** at all levels of the organization.

Obtain downstream verification reports from trades/suppliers on where our waste is going (i.e., recycling/landfill).

Develop a carbon reduction and offsetting plan.

View Skyline's 2023 Sustainability Report
SkylineGroupOfCompanies.ca/Sustainability

FINANCIAL REPORTING

Woolwich Bio-En

35 Earl Martin Dr, Elmira, ON

Forward-Looking Disclaimer

The following Management's Discussion and Analysis ("MD&A") of the results of operations and conditions for the year ended December 31, 2022, should be read in conjunction with Skyline Clean Energy Fund's (the "Fund" or "SCEF") audited consolidated financial statements. Certain statements in this MD&A could be considered forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the Fund's control, which could cause actual results to differ materially from those disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions, energy market volatility, changing regulations, our ability to refinance maturing debt, our ability to source and complete accretive acquisitions, and interest rates.

The information in this MD&A is based on information available to Management as of April 30, 2023, 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, 2022, 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 income from investments in a diversified portfolio of clean energy assets, located in Canada.

Management Strategy

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

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

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

- **Maintenance and Repair Programs.** Management is fundamentally driven by efficiencies and cost-effective programs that are accretive to the Fund's short-term and long-term value proposition. Management has positioned the Fund to take full advantage of efficiency programs and capital investments that will enhance the overall value of the portfolio. Furthermore, a related party corporation (the "Solar Asset Operator") oversees and manages the operations and maintenance activities of the Fund. 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 longer-term loan maturities with natural staggering due to financing terms being tied to revenue contract lengths, within maximum leverage amounts set out in the Declaration of Trust, ensures that the Fund's exposure to fluctuating interest rates over the short and long term are both minimized and utilized to the greatest benefit.

- **Communications.** Skyline Wealth Management Inc. (the "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 website and quarterly newsletters that are included with Unitholders' quarterly statements. Wealth manager communications cover relevant topics as they relate to the Fund, including; new acquisitions and dispositions, existing property repositioning, special investor events and general corporate news.

Key Performance Indicators

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

- **Net Operating Income ("NOI").** This is defined as operating revenues less direct operating expenses, and is a key measure of operating performance. It is a key non-International Financial Reporting Standards ("**IFRS**") financial measure of the operating performance of the Fund. For the year ended December 31, 2022, the Fund's NOI margin was 11.7% (2021 – 22.3%).
- **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 and amortization of solar and biogas equipment and prepaid leases, net finance costs, unrealized gain on swap agreements 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, 2022, the Fund's EBITDA was $20,007 (2021 - $14,577).
- **Total Assets Under Management ("TAUM").** Total assets under management is calculated as the total assets on the Fund's statement of financial position, with joint venture assets otherwise reported on a net asset basis by way of International Financial Reporting Standard 11 – Joint Arrangements ("IFRS 11"), being instead reflected as if the proportionately owned assets and liabilities were consolidated into the Fund's total assets and total liabilities separately rather than on a net basis (i.e. accounted for if "joint control" was established under IFRS 11).
- **Active Portfolio Management.** Management is targeting both stabilized and distressed clean energy assets offering accretive returns generated through stable cash flows in strong energy markets. The Fund's Asset Manager aims to implement margin enhancement initiatives, manage system performance and improve system optimization to increase cash flows. By maximizing the performance, each asset increases in value leading to equity growth and the acquisitions of new assets.
- **Financing.** Management is continually managing and planning its financing strategies for the portfolio. This ensures that the portfolio is well-positioned to mitigate interest rate uncertainty as well as to responsibly ladder the maturities of the portfolio's mortgages over the long term.
- **Loan to Value ("LTV").** The Portfolio is regularly evaluated based upon key leverage ratios, comprised of total indebtedness against solar and biogas assets, and total indebtedness against total assets (inclusive of non-solar-and-biogas assets). The Declaration of Trust requires that the total indebtedness against total assets ratio not exceed 85%, and at the close of 2022, that ratio was 26.91% (2021 – 33.13%).

Goals And Objectives Of The Fund

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

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

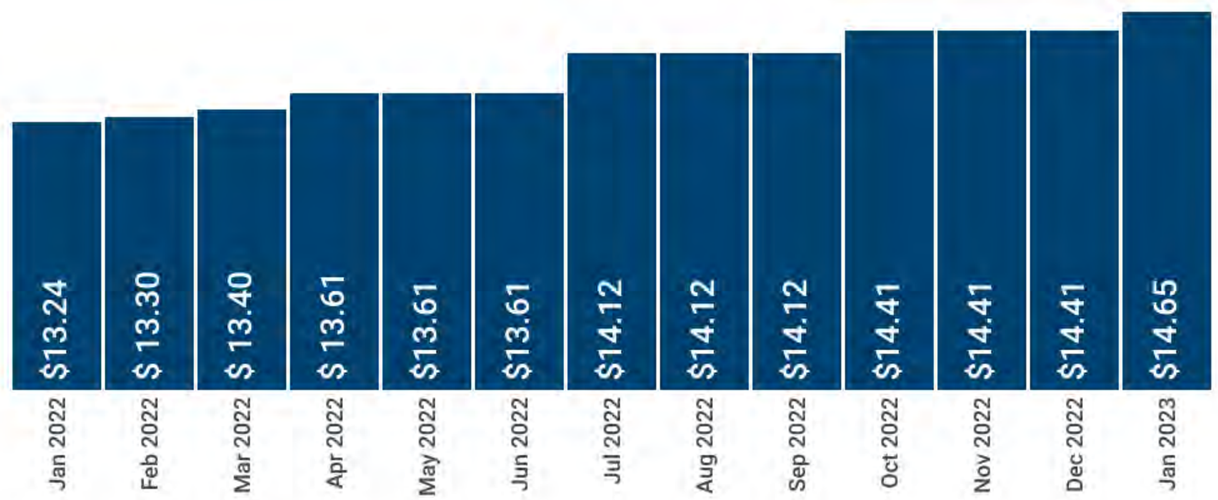
ii. To enhance operating income; and

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

2022 Highlights

- Raised $37.0MM in investor equity during 2022, while growing the value per SCEF unit to $14.65 at January 1, 2023 which resulted in a 1-year annual return of 10.65%.
- Purchased 8 operating solar assets and 1 operating biogas asset, adding $113.8 to TAUM as detailed by the Acquisitions on page 25. These assets generated 6,185,134 kWh, 96,326 GJ of renewable natural gas ("RNG") and processed 41,085 tonnes of waste during the Fund's 2022 ownership period, resulting in an additional $1.2MM in solar income, $1.4MM in hydro revenue, $3.0MM in RNG revenue and $1.3MM in tipping fees revenue generated for the 2022 year.
- The Fund increased annual power production by 29% during the year ended December 31, 2022, by generating 13,301,360 more kilowatt hours when compared to 2021; increasing solar income by $1.2MM and hydro revenue by $3.2MM. Further, the Fund increased annual waste processed by 266% during the year ended December 31, 2022, by processing 83,006 more tonnes when compared to 2021; increasing tipping fees revenue by $4.0MM
- Excluding non-controlling interests, generated $1.89 in EBITDA Per Unit

Financial Highlights **($ thousands, except where noted)**	**2022**	**2021**
Income	$31,516	$19,211
Direct operating expenses	27,833	14,924
Net operating income ("NOI")	**$3,683**	**$4,287**
Net income (loss)	**($540)**	**$4,166**
Earnings before interest, tax, depreciation and amortization ("EBITDA")	**$20,007**	**$14,577**
Weighted average units outstanding	**10,590,284**	**7,351,108**
Per Unit:		
EBITDA attributable to unitholders	**$1.89**	**$1.98**



SCEF's Unit Value Growth

Solar & Biogas Portfolio

At December 31, 2022, through active portfolio management; the portfolio consisted of 77 solar assets and one biogas asset located throughout Ontario, as well as one biogas asset located in Alberta. With a total portfolio size of 47.88 megawatts direct current (MW DC), the Fund's solar and biogas assets are expected to generate over 61,933 megawatt hours annually while the biogas assets are estimated to generate up to 224,000 GJ annually and process up to 184,000 tonnes of organic waste 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.

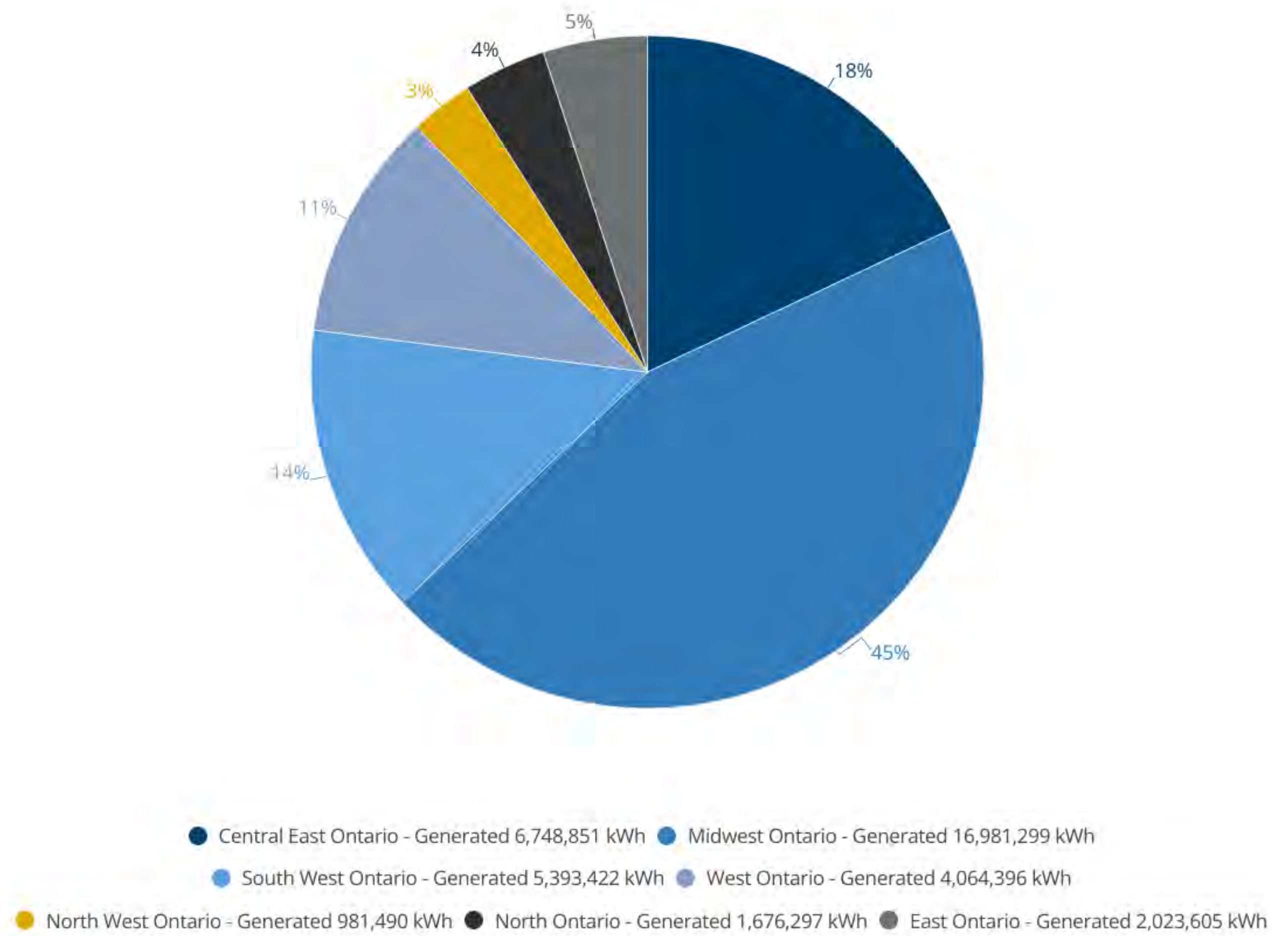
Management also strives, through a focused, hands-on approach to its business, to achieve solar, hydro and RNG generation production that is in line with, or higher than, market conditions in each of the geographical regions in which the Fund operates while enhancing the overall efficiency of its solar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

Regional Solar Energy Production

Region	2022 Solar Generation				2021 Solar Generation		
	Asset Size (in kW DC) (2)	Solar Generation (in kWh) (2)	Solar Income ($ thousands)	Increase (Decrease) in Solar Income ($ thousands) (3)	Asset Size (in kW DC) (2)	Solar Generation (in kWh) (2)	Solar Income ($ thousands)
South West Ontario	4,971	5,393,422	2,338	471	4,140	4,736,879	1,867
Mid West Ontario	8,196	8,237,384	4,894	164	8,196	7,441,959	4,730
West Ontario	3,663	4,064,396	2,446	168	3,056	3,810,363	2,278
North West Ontario	963	981,490	384	22	970	821,635	362
North Ontario	7,485	1,676,297	658	189	1,490	1,421,652	469
East Ontario	2,089	2,023,605	664	(15)	2,089	2,064,375	679
Central East Ontario	2,114	2,045,753	1,160	209	1,695	1,739,315	951
Total - solar assets	**29,481**	**24,422,347**	**$12,544**	**$1,208**	**21,636**	**22,036,178**	**$11,336**
Central East Ontario (1)	4,540	4,703,098	N/A	N/A	4,540	4,473,051	N/A
Mid West Ontario (1)	9,290	8,743,915	N/A	N/A	9,290	10,148,236	N/A
Total - solar portfolio	**43,311**	**37,869,360**	**$12,544**	**$1,208**	**35,466**	**36,657,464**	**11,336**

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

Regional Solar Production during the year ended December 31, 2022



Regional Biogas Production

City	Region	2022 Biogas Hydro Generation				2021 Biogas Hydro Generation		
		Asset Size (in kW DC) (1)	Hydro Generation (in kWh) (1)	Hydro Revenue ($ thousands)	Increase (Decrease) in Hydro Revenue ($ thousands) (2)	Asset Size (in kW DC) (1)	Hydro Generation (in kWh) (1)	Hydro Revenue ($ thousands)
Elmira	North West Ontario	2,282	16,708,297	3,828	1,802	2,282	8,915,526	2,026
Lethbridge	Alberta	2,280	4,296,692	1,395	1,395	-	-	-
Total - bio-gas assets		**4,562**	**21,004,989**	**$5,223**	**$3,197**	**2,282**	**8,915,526**	**$2,026**

City	Region	2022 Biogas Waste Processed				2021 Biogas Waste Processed		
		Asset Size (in Tonnes of Organic Waste Processing Capacity) (1)	Waste Processed (in tonnes) (1)	Tipping Fees Revenue ($ thousands)	Increase (Decrease) in Tipping Fees Revenue ($ thousands) (2)	Asset Size (in Tonnes of Organic Waste Processing Capacity) (1)	Waste Processed (in tonnes) (1)	Tipping Fees Revenue ($ thousands)
Elmira	North West Ontario	88,000	73,106	5,526	2,727	88,000	31,185	2,799
Lethbridge	Alberta	96,000	41,085	1,315	1,315	-	-	-
Total - bio-gas assets		**184,000**	**114,191**	**$6,841**	**$4,042**	**88,000**	**31,185**	**$2,799**

City	Region	2022 Biogas RNG Production			
		Asset Size (in GJ) (1)	RNG Production (in GJ) (1)	RNG Revenue ($ thousands)	Increase (Decrease) in RNG Revenue ($ thousands) (2)
Elmira	North West Ontario	-	-	-	-
Lethbridge	Alberta	224,000	96,326	2,981	2,981
Total - bio-gas assets		**224,000**	**96,326**	**$2,981**	**$2,981**

(1) These values are adjusted for the Fund's economic ownership in the assets.
(2) Large increases (decreases) are attributable to new assets acquired during the current year.

Acquisitions

Acquisitions completed during the year ended December 31, 2022
($ thousands, except where noted)

Asset Name	St Regis	Lethbridge Biogas	Marbro Land	Sky Solar	Real -Flex	Balsam Lake	Bassano	Bassano Land	TOTAL
Purchase Date	03-May-22	31-May-22	31-May-22	29-Jul-22	26-Aug-22	31-Oct-22	31-Oct-22	31-Oct-22	
Size of Portfolio (Kw DC)	265	2,280	-	342	1,250	5,995	-	-	10,132
Size of Portfolio (GJ)	-	224,000	-	-	-	-	-	-	224,000
Organic Waste Capacity (tonnes)	-	96,000	-	-	-	-	-	-	96,000
Number of Assets	1	1	-	3	3	1	-	-	9
Province	Ontario	Alberta	Ontario	Ontario	Ontario	Ontario	Alberta	Alberta	
Region	West	Alberta	North West	West	South West & Central East	North	Alberta	Alberta	
Total Assets Under Management Acquired	**$1,435**	**$77,970**	**$3,750**	**$1,187**	**$7,868**	**$20,227**	**$684**	**$670**	**$113,791**
Total Net Assets Acquired	$1,435	$77,970	$3,750	$1,187	$7,868	$20,227	$684	$670	$113,791

2022 Operating Highlights

Operational Highlights **($ thousands, except where noted)**	**2022**	**% (1)**	**2021**	**% (1)**
Income				
Solar revenues	$12,544	39.8%	$11,336	59.0%
Biogas income	15,172	48.1%	4,864	25.3%
Other income	2,620	8.3%	-	0.0%
Battery sales	1,180	3.7%	3,011	15.7%
Total income	**$31,516**	**100.0%**	**$19,211**	**100.0%**
Direct operating expenses				
Utilities	$1,673	5.3%	$462	2.4%
Insurance	914	2.9%	396	2.1%
Amortization	15,177	48.2%	7,752	40.4%
Operations and maintenance fees	1,385	4.4%	892	4.6%
Management fees	1,158	3.7%	664	3.5%
Property tax	221	0.7%	59	0.3%
Royalty expense	16	0.1%	10	0.1%
Other direct operating expenses	6,270	19.9%	1,811	9.4%
Battery cost of sales	1,019	3.2%	2,878	15.0%
Total direct operating expenses	**$27,833**	**88.3%**	**$14,924**	**77.7%**
Net operating income ("NOI")	**$3,683**	**11.7%**	**$4,287**	**22.3%**

(1) As a percentage of total income

(table continued on next page)

Regional Highlights

Regional Location of Solar and Biogas Assets **($ thousands, except where noted)**	**2022**		**2021**	
	EBITDA	**%**	**EBITDA**	**%**
South West Ontario	2,072	13%	$1,657	14%
Mid West Ontario	4,408	28%	4,303	37%
West Ontario	2,190	14%	2,058	18%
North West Ontario	309	2%	294	3%
North Ontario	459	3%	385	3%
East Ontario	504	3%	555	5%
Central East Ontario	968	6%	828	7%
Elmira, Ontario (Biogas)	2,646	17%	1,594	14%
Lethbridge, Alberta (Biogas)	2,410	15%	-	0%
Total EBITDA generated from solar and biogas assets	**$15,966**	**100%**	**$11,674**	**100%**
Less: Corporate-level activity and EBITDA adjustments	**4,041**		**2,903**	
Total consolidated EBITDA	**$20,007**		**$14,577**	

Financial Results

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

($ thousands, except where noted)	2022	2021
Profit & Loss		
Income	$31,516	$19,211
Direct operating expenses	(27,833)	(14,924)
Net operating income	**$3,683**	**$4,287**
Share of net earnings from investments	$3,383	$4,033
Financing costs	(7,217)	(4,064)
Administrative expenses	(1,572)	(840)
Asset management fees	(506)	(305)
Property management fees	(186)	(114)
Wealth management fees	(465)	(351)
Interest income	404	476
Income tax provision	(94)	-
Unrealized gain on swap agreements	2,399	1,012
Foreign exchange (loss) gain	(7)	4
Loss on disposed assets	(362)	(22)
Income (loss) and comprehensive income (loss) for the year	**$(540)**	**$4,116**

($ thousands, except where noted)	2022	2021
Income (loss) and comprehensive income (loss) for the year	**$(540)**	**$4,116**
Net income (loss) attributable to:		
Unitholders	$(82)	$3,773
Non-controlling interests	(458)	343
Income (loss) and comprehensive income (loss) for the year	**$(540)**	**$4,116**
Non-cash add-backs:		
Amortization	$15,177	$7,752
Unrealized gain on swap agreements	(2,399)	(1,012)
Financing costs	7,217	4,064
Income tax provision	94	-
Elimination of non-controlling interests	458	(343)
Earnings before interest, tax, depreciation and amortization	**$20,007**	**$14,577**

Solar and Biogas Assets

The Fund's solar and biogas assets are comprised of solar equipment and structures, biogas equipment, clean energy contracts, prepaid leases, right-of-use assets (with corresponding lease liabilities) and land as disclosed in SCEF's consolidated financial statements for the year ended December 31, 2022.

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

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

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

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

($ thousands, except where noted)	Opening balance at January 1, 2022	Additions through purchase of assets	Additions through capital expenditures	Amortization	Derecognition due to purchase of land	Disposals of assets	Interest expense and lease payments	Closing balance at December 31, 2022
Solar equipment and structures	$48,974	$15,553	$159	$(3,859)	$-	$-	$-	$60,827
Biogas equipment	14,577	25,173	1,332	(4,083)	-	(362)	-	36,637
Prepaid leases	1,387	-	-	(91)	-	-	-	1,296
Right-of-use assets (1)	8,801	5,842	138	(817)	(994)	-	-	12,970
Clean energy contracts	62,143	54,173	1,544	(6,293)	-	-	-	111,567
Land (2)(3)	-	5,984	-	-	-	-	-	5,984
Lease liabilities	(8,551)	(690)	(138)	-	973	-	574	(7,832)
Total	**$127,331**	**$106,035**	**$3,035**	**$(15,143)**	**$(21)**	**$(362)**	**$574**	**$221,449**

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

(1) Included in right-of-use assets are $4.7MM of intellectual property and licenses acquired as part of the Lethbridge Biogas acquisition.
(2) Land is owned as part of the SBE biogas asset, Lethbridge biogas asset, Balsam Lake solar asset and Bassano solar development project.
(3) Not included in land is the land owned in the Fund's investments in joint ventures. The Fund's 50% share is valued at $0.9MM.

Capital Expenditures

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

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

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

During 2022, capital expenditures were minimal as Management focused primarily on acquiring and assessing its initial solar and biogas asset portfolios. Management is committed to the ongoing future maintenance and enhancement of the Fund's portfolio and a 2023 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, 2022 is summarized in the following chart:

As at December 31, 2022 **($ thousands, except where noted)**	**2022**	**2021**
Total assets	**$270,312**	**$191,758**
Loan payable	60,311	45,850
Note payable	4,605	8,073
Interest rate swap agreements	-	1,050
Lease liability	7,832	8,551
Total debt	**$72,748**	**$63,524**
Unitholders' equity	135,481	108,322
Non-controlling interests	24,256	13,064
Total capital	**$232,485**	**$184,910**
Total debt to total assets	**26.91%**	**33.13%**
Total debt to solar and biogas assets	**31.49%**	**46.75%**

Loans Payable **($ thousands, except where noted)**	**Future minimum principal payments**	**% of total loans**
2023	$3,358	5.6%
2024	3,527	5.8%
2025	3,693	6.1%
2026	3,920	6.5%
2027	4,450	7.4%
Thereafter	41,363	68.6%
Total loans payable as at December 31, 2022	**$60,311**	**100.0%**

Investment Summary

During the year ended December 31, 2022, the Fund received net proceeds of $27.6MM through new investments, net of redemptions.

During the year ended December 31, 2022, Management purchased $9.5MM units for redemption at 100% of unit market value

SCEF Unitholders - Investment Activity **($ thousands, except where noted)**	**2022**		**2021**	
	Number of Units	**Amount ($)**	**Number of Units**	**Amount ($)**
SCEF units outstanding, beginning of year	**9,457,403**	**$111,467**	**4,380,323**	**$47,044**
Proceeds from units issued	2,693,880	37,038	5,436,481	68,789
Redemption of units	(689,934)	(9,475)	(359,401)	(4,366)
SCEF units outstanding, end of year	**11,461,349**	**$139,030**	**9,457,403**	**$111,467**
Weighted average SCEF units outstanding	**10,590,284**		**7,351,108**	

	Number of Investors	**Amount ($)**	**Number of Investors**	**Amount ($)**
Number of new investors	**157**	**$21,287**	**326**	**$47,728**
Number of repeat investors	**70**	**$15,751**	**80**	**$21,061**
Number of redemptions	**54**	**$(9,475)**	**21**	**$(4,366)**
New investment average ($)		$136		$146
Repeat investment average ($)		$225		$263
Redemption average ($)		$(175)		$(208)

Non-Controlling Interests

During the year ended December 31, 2022, the balance of non-controlling interests consisted of:

($ thousands, except where noted)	2022	2021
Opening balance at beginning of year	$13,064	$2,651
Net income (loss) attributable to non-controlling interests	(458)	343
Distributions to non-controlling interests	95	(807)
Non-controlling interests' ownership of net identifiable assets acquired	11,555	10,877
Closing balance at end of year	**$24,256**	**$13,064**

Unitholder Taxation

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

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

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

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

During the year ended December 31, 2022, 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 2022.

Related Party Transactions

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

GP Sharing

Distributions accrued as at December 31, 2022 are as follows:

($ thousands, except where noted)	2022	2021
General Partner sharing on net income	$1,261	$1,144
Total General Partner distribution payable	**$1,261**	**$1,144**

Distributions under the GP Sharing arrangement occur when SCEF's net income, excluding depreciation and unrealized gain or loss, for a fiscal year is greater than 7.5% of the weighted average retained earnings for such fiscal year. This variance is shared at a ratio of 20% to the general partner and 80% to the LP. A provision for the future distributions payable to SCEGPI has not been recorded since the timing and amount of the distributions payable cannot be reasonably estimated. At December 31, 2022, there were distributions payable of $1,261 owing to SCEGPI (2021 - $1,144).

Management Services

Fees incurred for the year ended December 31, 2022 are as follows:

($ thousands, except where noted)	2022	2021
Asset management fees	$506	$305
Property management fees	186	114
Acquisition fees	1,065	486
Wealth management and equity raise fees	782	1,066
Legal and administrative fees	222	588
Operations and maintenance fees	354	362
Advertising and promotion fees	190	-
Accounting and finance fees	435	-
Total management fees	**$3,740**	**$3,451**

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

SCEF has a wealth management agreement with Skyline Wealth Management Inc. (the "Wealth Manager") that provides for the payment of a wealth management fee, payable monthly, equal to 1/12 of 0.3% of the Fund's equity under management (calculated as the product of the outstanding SCEF units multiplied by the then-market value of one SCEF unit). During 2022, the Wealth Manager was entitled to an equity raise fee equal to a maximum of 1% on the capital raised in offerings of SCEF units, subject to adjustment. Under the 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 had an arrangement with Skyline Asset Management Inc. ("SAMI") under which it paid fees for access to legal management and administrative services. Subject to the receipt of the applicable fees, SAMI was responsible for employment expenses of its personnel, rent and other office expenses. Starting in March 2022, Skyline Private Investment Capital Inc. ("SPICI") provided these services.

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 these agreements, the O&M Provider is responsible for employment expenses of its personnel, rent, and other office expenses of the O&M Provider.

Starting in 2022, SCEF paid fees to the Wealth Manager for access to advertising and promotion services. Subject to the receipt of the applicable fees, the Wealth Manager is responsible for employment expenses of its personnel, rent and other office expenses.

Starting in 2022, SCEF paid fees to SPICI for access to accounting and finance services. Subject to the receipt of the applicable fees, SPICI is responsible for employment expenses of its personnel, rent and other office expenses.

Risks And Uncertanties

There are certain risk factors inherent in an investment in the units and in the activities of the Fund, which subscribers should carefully consider before subscribing for the units. If any such risks actually occur, the financial condition and results of operations of the Fund could be materially adversely affected and the financial performance of the Fund and the ability of the Fund to satisfy requests for redemptions of units could be materially adversely affected.

Energy Market Volatility

While revenue from the majority of the Fund's clean energy assets is currently derived from fixed-rate, long-term, 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 and renewable fuels markets; and the weather conditions that impact electrical load.

Waste / Feedstock / Digestate Market Volatility

Revenue from the Fund's Biogas Portfolio is derived from a combination of: (i) energy sales and (ii) fees under short, medium and long term contracts from various feedstock (waste) suppliers including municipalities, commercial and industrial partners, and individual farmers and (iii) sales of digestate as fertilizer. While energy sales are primarily based on fixed price contracts, market prices for feedstock may be impacted by a number of factors including: transportation costs; access to a closer processing facility; reduced carbon intensity; competition; regulatory changes (specifically landfill diversion policies); price of fertilizer; price of renewable fuels (renewable natural gas and electricity); cost of emitting CO2 (specifically to feedstock suppliers); and the structure of the electricity and renewable fuels markets.

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 and variable-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 and renewable fuels 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 and/or renewable fuel to its various counterparties, which could, in turn, negatively impact the Fund's financial position and operations.

Future Project Acquisitions

The acquisition of the Projects Under Consideration are not conditional upon completion of this Offering, however, there can be no assurance that the Fund will acquire any Projects Under Consideration or be able to acquire other projects with the net proceeds to the Fund of this Offering allocated for such purpose

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 may 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. In 2018, the government of the Province of Ontario passed legislation to 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 will impact existing FIT Contracts that are operational or in advanced stages of development, referred to by IESO as having received a "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. In addition, the Fund, in the future may be subject to the application of environmental and social governance ("ESG") legislation and/or regulation. Such ESG legislation and/or regulation may cause the Fund to incur costs to comply with same.

Regulatory and Political Risks

The Fund's business activities are subject to changes in governmental regulatory requirements and the applicable governing statutes, including regulations related to the environment, unforeseen environmental effects, general economic conditions and other matters beyond the control of the Fund. Moreover, the Fund's operations may be subject to extensive regulation by various government agencies at the municipal, provincial, state and federal levels. There is always the risk of changes being made in government policies and laws, which may result in increased rates, such as for water rentals, and for income, capital and municipal taxes.

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.

Access to and Dependence on Key Personnel

The Asset Operators and Asset Manager depend on the availability of qualified personnel and may be dependent upon the services of certain key personnel. The loss of or inability to hire qualified personnel or the loss of 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 competition for investment opportunities, financing, personnel, and feedstock supplies. As renewable energy markets expand and mature, competition may increase and have a material adverse effect on the Fund's business, financial condition and results of operations.

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.

Social Acceptance of Renewable Energy Projects

The social acceptance by local stakeholders, including, in some cases, First Nations and other Indigenous peoples, and local communities is critical to the Fund's ability to find and develop new sites suitable for viable renewable energy projects. Failure to obtain proper social acceptance for a project may prevent the development and construction of a project and lead to the loss of all investments made in the development and the write-off of such prospective project.

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 certain of the Trustees and senior officers of the Fund and certain senior officers of the Asset Manager and the Exempt Market Dealer are engaged in a wide range of other business activities. The Fund may become involved in transactions which conflict with the interests of the foregoing.

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

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

Tax Related Risks

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

In addition, SCEF Unitholders may become subject to provincial taxes in respect of their SCEF Units.

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

If investments in the Fund become publicly listed or traded, there can be no assurances that the Fund will not be subject to the Specified Investment Flow-Through Trust 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.

SCEF 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, SCEF Unitholders may be required to pay tax on such amounts although no cash was received from the Fund.

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

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

Tax Proposals released on February 4, 2022 and revised on November 3, 2022 relating to the EIFEL Rules are intended to limit the deductibility of certain interest and other financing expenses. Under the EIFEL Rules, effective for taxation years beginning on or after October 1, 2023, the amount of net interest and other financing expenses incurred by a corporation or trust, whether incurred directly or through a partnership (including Skyline Clean Energy LP), that may be deducted in computing its income for Canadian income tax purposes will generally be limited to no more than a fixed ratio of its "adjusted taxable income", which is intended to reflect the earnings before interest, taxes and depreciation generated by its activities in Canada. If the EIFEL Rules are enacted as proposed, the income of the Fund for Canadian income tax purposes may be increased which could have an adverse impact on the after tax return of a SCEF Unitholder and on the value of SCEF Units. The EIFEL Rules may also apply to a corporation or trust held directly or indirectly by the Fund. Further, a SCEF Unitholder who makes a leveraged investment in SCEF Units may be adversely affected. SCEF Unitholders and prospective unitholders should consult their own tax advisors in this regard.

Dilution

The number of SCEF Units that the Fund is authorized to issue is unlimited. The Trustees have the discretion to issue additional SCEF Units in other circumstances, pursuant to the Fund's various incentive plans. Any issuance of additional SCEF Units may have a dilutive effect on the holders of SCEF 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 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 clean energy contracts. Valuation of these clean energy contracts is one of the principal estimates and uncertainties of these financial statements.

Additional information on 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, 2022.

Subsequent Events

Subsequent to December 31, 2022, SCEF issued 302,844 units for an aggregate value of $4,437, 2,560 Class F units for an aggregate value of $38 and redeemed 159,714 units for an aggregate value of $2,340.

The following unit price changes occurred subsequent to year end:

Effective Date	Unit Price
January 1, 2023	**$14.65**
April 1, 2023	**$14.98**

SCEF Unitholders - 2023 Investment Activity (to date) ($ thousands, except where noted)	**January 1, 2023 to April 30, 2023**	
	Number of Units	**Amount ($)**
SCEF units outstanding, January 1, 2023	**11,461,349**	**$139,030**
Proceeds from units issued	439,733	6,487
Proceeds from Class F units issued	14,576	218
Redemption of units	(187,912)	(2,762)
SCEF units outstanding, April 30, 2023	**11,727,746**	**$142,973**

On March 31, 2023, SCEF paid $0.3MM as a deposit to acquire 50% of the Class A shares of the entity it holds the convertible debentures in.

SKYLINE CLEAN ENERGY FUND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

SKYLINE CLEAN ENERGY FUND

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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, 2022 and December 31, 2021 and the consolidated statements of changes in 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, 2022 and December 31, 2021 and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Skyline Clean Energy Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Skyline Clean Energy Fund to cease to continue as a going concern.

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

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

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

RLB LLP

Guelph, Ontario
April 6, 2023

Chartered Professional Accountants
Licensed Public Accountants

SKYLINE CLEAN ENERGY FUND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

(in thousands of Canadian dollars)

	2022	2021 (note 36)
ASSETS		
Solar equipment and structures (notes 6, 7)	$ 60,827	$ 48,974
Biogas equipment (notes 6, 8)	36,637	14,577
Clean energy contracts (notes 6, 9)	111,567	62,143
Prepaid leases (notes 6, 10)	1,296	1,387
Right-of-use assets (notes 6, 11)	12,970	8,801
Land (notes 6, 12)	5,984	0
Investments in joint ventures (notes 6, 13)	11,892	8,520
Investments in associates (notes 6, 14)	1,450	1,350
Convertible debenture receivable (note 15)	3,715	3,249
Interest rate swap agreements (note 23)	1,726	0
Loans receivable (note 16)	823	788
Due from related party (note 25)	0	1,000
Inventory (note 17)	1,997	2,783
Other assets (note 18)	2,729	20,695
Accounts receivable (note 19)	4,830	2,756
Restricted cash (note 20)	1,775	1,287
Cash	10,094	13,448
	$ 270,312	$ 191,758
LIABILITIES AND UNITHOLDERS' EQUITY		
Loans payable (notes 6, 21)	$ 60,311	$ 45,850
Note payable (note 22)	4,605	8,073
Interest rate swap agreements (note 23)	0	1,050
Lease liability (notes 6, 24)	7,832	8,551
Decommissioning liability (notes 6, 27)	1,175	914
Unamortized government assistance (notes 6, 28)	6,784	0
Due to related parties (note 25)	19,869	2,074
Accounts payable and accrued liabilities (note 26)	3,581	3,860
Revolving credit facilities (note 31)	6,418	0
	110,575	70,372
Unitholders' equity (page 6)	135,481	108,322
Non-controlling interests (page 6) (note 34)	24,256	13,064
	159,737	121,386
	$ 270,312	$ 191,758

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, 2022

(in thousands of Canadian dollars)

	Unitholders' Equity	Non-Controlling Interests	Total
OPENING BALANCE - January 1, 2022	$ 108,322	$ 13,064	$ 121,386
Proceeds from units issued (note 35)	37,038	0	37,038
Issuance costs (notes 25, 35)	(322)	0	(322)
Loss and comprehensive loss for the year	(82)	(458)	(540)
Recovery of distribution to non-controlling interest (note 34)	0	95	95
Non-controlling interests ownership of biogas assets acquired (note 34)	0	11,555	11,555
Redemptions (note 35)	(9,475)	0	(9,475)
CLOSING BALANCE - December 31, 2022	$ 135,481	$ 24,256	$ 159,737
OPENING BALANCE - January 1, 2021	$ 41,047	$ 2,651	$ 43,698
Proceeds from units issued (note 35)	68,889	0	68,889
Issuance costs (notes 25, 35)	(720)	0	(720)
Income and comprehensive income for the year	3,773	343	4,116
Distribution to non-controlling interest (note 34)	0	(807)	(807)
Non-controlling interests ownership of biogas assets acquired (note 34)	0	10,877	10,877
Redemptions (note 35)	(4,667)	0	(4,667)
CLOSING BALANCE - December 31, 2021	$ 108,322	$ 13,064	$ 121,386

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, 2022

(in thousands of Canadian dollars)

	2022	2021
INCOME		
Solar income	$ 12,544	$ 11,336
Biogas income	15,172	4,864
Other income	2,620	0
Battery sales	1,180	3,011
	31,516	19,211
DIRECT OPERATING EXPENSES		
Utilities	1,673	462
Insurance	914	396
Amortization (notes 7, 8, 9, 10, 11, 27)	15,177	7,752
Operations and maintenance fees (note 25)	1,385	892
Management fees	1,158	664
Property tax	221	59
Royalty expense	16	10
Other direct operating expenses	6,270	1,811
Battery cost of sales (note 17)	1,019	2,878
	27,833	14,924
NET OPERATING INCOME	3,683	4,287
OTHER EXPENSES (INCOME)		
Share of net earnings from investments (notes 13, 14)	(3,383)	(4,033)
Financing costs (notes 25, 29)	7,217	4,064
Administrative expenses (note 25)	1,572	840
Asset management fees (note 25)	506	305
Property management fees (note 25)	186	114
Wealth management fees (note 25)	465	351
Interest income (note 25)	(404)	(476)
	6,159	1,165
(LOSS) INCOME BEFORE UNDERNOTED	(2,476)	3,122
Income tax provision	(94)	0
Unrealized gain on swap agreements (note 23)	2,399	1,012
Foreign exchange (loss) gain	(7)	4
Loss on disposed assets	(362)	(22)
	1,936	994
(LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME for the year	$ (540)	$ 4,116
Net (loss) income attributable to:		
Unitholders	$ (82)	$ 3,773
Non-controlling interests (note 34)	(458)	343
Net (loss) income and comprehensive (loss) income	$ (540)	$ 4,116

See notes to the consolidated financial statements

SKYLINE CLEAN ENERGY FUND

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

(in thousands of Canadian dollars)

	2022	2021 (note 36)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
(Loss) income and comprehensive (loss) income for the year	$ (540)	$ 4,116
Items not requiring an outlay of cash:		
Amortization (notes 7, 8, 9, 10, 11)	15,143	7,720
Amortization of financing costs (note 29)	478	445
Accretion on decommissioning liability (note 27)	34	32
Financing costs in operations (note 29)	6,739	3,619
Unrealized gain on swap agreements (note 23)	(2,399)	(1,012)
Interest rate swap payments (note 23)	(377)	(600)
Loss on disposed assets (note 8)	362	22
Non-controlling interests in ownership of biogas assets acquired (note 34)	11,555	10,877
Share of net earnings from investments (notes 13, 14)	(3,383)	(4,033)
Derecognition of ROU and lease liability due to purchase of land (notes 11, 24)	21	0
Unamortized government assistance recognized in income (note 28)	(407)	0
	27,226	21,186
Changes in non-cash working capital		
Accounts receivable (note 19)	(2,074)	(1,496)
Inventory (note 17)	786	1,215
Other assets (note 18)	17,966	(20,290)
Accounts payable and accrued liabilities (note 26)	(279)	693
	43,625	1,308
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Due to/from related parties (note 25)	18,795	2,617
Note payable proceeds	(3,468)	8,073
Loan proceeds, net of repayments (note 21)	13,953	(3,293)
Accrued interest on loan payable (note 21)	30	52
Revolving credit facility advances (note 31)	6,418	0
Interest paid on debt (note 29)	(5,048)	(2,064)
Distribution paid to general partner (note 29)	(1,261)	(1,144)
Lease payments made on lease liability (note 24)	(1,004)	(946)
Restricted cash (note 20)	(488)	1,451
Proceeds from units issued (page 6)	37,038	68,889
Redemptions (page 6)	(9,475)	(4,667)
Issuance costs (note 25) (page 6)	(322)	(720)
Recovery of (distribution to) non-controlling interest (note 34)	95	(807)
Principal payment received on loan receivable (note 16)	48	61
	55,311	67,502

See notes to the consolidated financial statements

SKYLINE CLEAN ENERGY FUND

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED DECEMBER 31, 2022

(in thousands of Canadian dollars)

	2022	**2021** (note 36)
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Acquired solar assets, biogas assets and clean energy contracts (note 6)	(94,899)	(54,978)
Additions to solar and biogas assets (notes 7, 8, 9)	(3,035)	(1,952)
Decommissioning liability (note 27)	227	0
Acquired convertible debenture (note 15)	(182)	(3,040)
Accrued interest on convertible debentures (note 15)	(284)	(209)
Purchase of Investor LP units in associate (note 14)	0	(1,399)
Investment in associate (note 14)	(320)	0
Acquired unamortized government assistance (note 28)	7,191	0
Acquired land (note 12)	(5,984)	0
Distribution from investments in joint ventures (note 13)	231	74
Acquired right-of-use assets (note 11)	(5,152)	0
Interest on loans receivable (note 16)	(83)	(84)
	(102,290)	(61,588)
NET (DECREASE) INCREASE IN CASH	(3,354)	7,222
CASH, beginning of year	13,448	6,226
CASH, end of year	$ 10,094	$ 13,448

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, 2022 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 consolidated statement of income and comprehensive income in one statement.

The consolidated financial statements for the year ended December 31, 2022 were approved for issue by the Board of Trustees on April 6, 2023.

(b) BASIS OF MEASUREMENT

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

(c) FUNCTIONAL CURRENCY AND PRESENTATION

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

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

2. BASIS OF PRESENTATION (continued)

(d) USE OF ESTIMATES

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Accounting standards implemented in 2022

On January 1, 2022, SCEF adopted the following amendment to IAS 16 - Property, plant and equipment. The amendment updated the elements of the cost of property, plant and equipment as it refers to the costs of testing whether the asset is functioning properly and disclosures surrounding this. There is no material impact from the adoption of this amendment.

On January 1, 2022, SCEF adopted the following amendment to IAS 37 - Provisions, contingent liabilities and contingent assets. The amendment updated the definition of the costs associated with fulfilling the obligations of an onerous contract. There is no material impact from the adoption of this amendment.

On January 1, 2022, SCEF adopted the following amendment to IFRS 9 - Financial instruments. The amendment updated the definition of what constitutes substantially different when referring to the exchange of debt instruments. There is no material impact from the adoption of this amendment.

Significant accounting policies

(a) CLEAN ENERGY CONTRACTS

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 ("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 consolidated statement of (loss) income and comprehensive (loss) income 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.

(d) DECOMMISSIONING LIABILITY

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

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

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

(e) REVENUE RECOGNITION

Under IFRS 15, solar and biogas income is recognized over time as the related electricity is delivered. SCEF's solar and biogas equipment generates electricity, which is then either sold to the LDC at fixed rates (or initially fixed rates, indexed to inflation), or through the open market in the case of the Lethbridge Biogas facility. The fixed rates are determined by the Ontario Power Authority ("OPA") or Independent Electricity System Operator ("IESO") contracts, on a per kilowatt basis. This solar or biogas income is recognized at the time the electricity is transferred to the LDC.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) REVENUE RECOGNITION (continued)

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

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

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

Revenue from sale of electricity, carbon offsets, generator credits, bioenergy producer credits, disposal of organic material, operator contract, renewable natural gas and income from parts and labour is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

In accordance with IAS 20 - Accounting for government grants and disclosure of government assistance, government assistance is deferred and is amortized into revenue at the same basis as the related fixed assets.

(f) SOLAR AND BIOGAS EQUIPMENT

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

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

(g) STRUCTURES

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) STRUCTURES (continued)

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

(h) FINANCIAL INSTRUMENTS

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

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

Financial Assets

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

SCEF’s financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or substantially the entity loses control of all or part of the assets.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) FINANCIAL INSTRUMENTS (continued)

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 consolidated 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.

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

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

(i) INCOME TAXES

SCEF qualifies as a mutual fund trust pursuant to the Income Tax Act. Under current legislation, a mutual fund trust is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided its taxable income is fully distributed to unitholders. SCEF intends to continue to qualify as a mutual fund trust and to make distributions not less than the amount necessary to ensure that SCEF will not be liable to pay income taxes.

(j) FAIR VALUE MEASUREMENT

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

Assets and liabilities measured at fair value in the consolidated 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:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) FAIR VALUE MEASUREMENT (continued)

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

Level 3 inputs
Unobservable inputs for the asset or liability.

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

(k) JOINT ARRANGEMENTS

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

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

(l) INVENTORY

Inventory includes energy storage systems that are held for sale by SCEF and are carried at the lesser of cost and net realizable value. In addition inventory includes supplies that are to be used in the production of solar and biogas income that are held at the lower of cost and net realizable value.

(m) INVESTMENTS IN ASSOCIATES

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) LAND

In accordance with IAS 16, land is recorded at cost.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

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

IAS 1 - In October 2022, the IASB issued an amendment to IAS 1 - Presentation of financial statements which will be effective for years beginning on or after January 1, 2024. The amended standard will update the criteria for classifying liabilities with covenants as current or non-current.

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

IAS 28 - In May 2014, the IASB issued an amendment to IAS 28 - Investments in associates and joint ventures. The amended standard will update the equity method procedures for recognizing the sale or contribution of assets between an investor and its associate or joint venture. The effective date has been deferred indefinitely.

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

5. PRINCIPLES OF CONSOLIDATION

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

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

6. ACQUISITIONS

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

St Regis Acquisition - On May 3, 2022, SCEF acquired all of the common shares of St. Regis Solar Power Corporation. St. Regis Solar Power Corporation owns one solar asset, which is comprised of solar equipment, a solar contract and a right-of-use asset.

Lethbridge Biogas Acquisition - On May 31, 2022, SCEF acquired all of the outstanding Class A Units and Class B Units of Lethbridge Biogas LP. Lethbridge Biogas LP owns one biogas asset, which is comprised of biogas equipment and structures, a biogas contract, intellectual property and land. A minority interest holds Units in Lethbridge Biogas LP, therefore a portion of the identifiable net assets acquired from Lethbridge Biogas LP has been allocated to the respective non-controlling interest. See note 34.

Marbro Land Acquisition - On May 31, 2022, SCEF acquired the land that the SBE Limited Partnership biogas asset sits on. A minority interest holds units in SBE Limited Partnership, therefore a portion of the acquired land has been allocated to the respective non-controlling interest. See note 34.

Sky Solar Acquisition - On July 29, 2022, SCEF acquired three solar assets. The solar assets consist of solar equipment, solar contracts, and a right-of-use asset.

Real-Flex Acquisition - On August 26, 2022, SCEF acquired three solar assets. The solar assets consist of solar equipment, solar contracts, and right-of-use assets.

Balsam Lake Acquisition - On October 31, 2022, SCEF acquired all of the outstanding common shares of 2426628 Ontario Inc. and all of the outstanding Class A and Class B limited partnership units of Balsam Lake LP. Balsam Lake LP owns one solar asset consisting of solar equipment, a solar contract and land.

Bassano Acquisition - On October 31, 2022, SCEF acquired all of the outstanding common shares of 2289994 Alberta Inc. 2289994 Alberta Inc. owns one solar development project which consists of development costs. In addition on October 31, 2022, land was acquired from 1867559 Alberta Ltd.

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

6. ACQUISITIONS (continued)

The following table contains details of SCEF's 2022 and 2021 acquisitions:

	2022	2021
Net assets acquired:		
Solar equipment	$ 15,553	$ 1,099
Biogas equipment	25,173	14,913
Clean energy contracts	54,173	38,966
Right-of-use assets	5,842	1,290
Investor LP units	0	1,333
Land	5,984	0
Solar development costs	791	0
Debt assumed:		
Loan payable	(35,591)	0
Unamortized government assistance	(7,191)	0
Decommissioning liability	(227)	0
Net working capital:	6,275	755
Total identifiable net assets	$ 70,782	$ 58,356
Consideration paid, funded by:		
Lease liability	$ 690	$ 1,290
SCEF units	1,200	0
Non-controlling interest	11,455	10,877
Cash on hand	57,437	46,189
Total consideration paid	$ 70,782	$ 58,356

7. SOLAR EQUIPMENT AND STRUCTURES

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

	2022	2021
Opening balance	$ 48,974	$ 50,734
Additions through purchase of assets (note 6)	15,553	1,099
Additions through capital expenditures	159	635
Amortization	(3,859)	(3,494)
Closing balance	$ 60,827	$ 48,974

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

8. BIOGAS EQUIPMENT

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

	2022	2021
Opening balance	$ 14,577	$ 0
Additions through purchase of assets (note 6)	25,173	14,913
Additions through capital expenditures	1,332	187
Disposal of assets	(362)	(22)
Amortization	(4,083)	(501)
Closing balance	$ 36,637	$ 14,577

9. CLEAN ENERGY CONTRACTS

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

	2022	2021
Opening balance	$ 62,143	$ 25,305
Additions through purchase of assets (note 6)	54,173	38,966
Additions through capital expenditures	1,544	1,130
Amortization	(6,293)	(3,258)
Closing balance	$111,567	$ 62,143

10. PREPAID LEASES

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

	2022	2021
Opening balance	$ 1,387	$ 1,478
Amortization	(91)	(91)
Closing balance	$ 1,296	$ 1,387

11. RIGHT-OF-USE ASSETS

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

	2022	2021
Opening balance	$ 8,801	$ 7,887
Derecognition due to purchase of land	(994)	0
Additions through purchase of assets (note 6)	5,842	1,290
Additions through capital expenditures	138	0
Amortization	(817)	(376)
Closing balance	$ 12,970	$ 8,801

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

12. LAND

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

	2022	2021
Opening balance	$ 0	$ 0
Additions through purchase of assets (note 6)	5,984	0
Closing balance	$ 5,984	$ 0

13. INVESTMENTS IN JOINT VENTURES

On December 31, 2022, SCEF has invested in 50% ownership of three joint ventures which hold solar assets.

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

	2022	2021
Opening balance	$ 8,520	$ 4,512
Share of net earnings	3,603	4,082
Distributions	(231)	(74)
Closing balance	$ 11,892	$ 8,520

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

As at December 31, 2022:

	SunE Sky First Light LP	SunE Sky 13th Sideroad LP	SunE Sky Ryerse LP	Total
Solar equipment	$ 12,180	$ 10,385	$ 10,244	$ 32,809
Land	447	286	159	892
Current assets	1,111	3,560	3,468	8,139
Total assets	13,738	14,231	13,871	41,840
Non-current liabilities	6,465	8,548	8,575	23,588
Current liabilities	3,827	1,267	1,266	6,360
Net equity	$ 3,446	$ 4,416	$ 4,030	$ 11,892

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

13. INVESTMENTS IN JOINT VENTURES (continued)

For the year ended December 31, 2022:

	SunE Sky First Light LP	SunE Sky 13th Sideroad LP	SunE Sky Ryerse LP	Total
Solar revenue	$ 1,876	$ 1,838	$ 1,861	$ 5,575
Operating expenses	1,630	1,423	1,474	4,527
Net operating income	246	415	387	1,048
Other income	679	984	892	2,555
Net income	$ 925	$ 1,399	$ 1,279	$ 3,603

As at December 31, 2021:

	SunE Sky First Light LP	SunE Sky 13th Sideroad LP	SunE Sky Ryerse LP	Total
Solar equipment	$ 12,907	$ 10,965	$ 10,815	$ 34,687
Land	447	286	159	892
Current assets	957	2,906	2,823	6,686
Total assets	14,311	14,157	13,797	42,265
Non-current liabilities	7,763	9,843	9,768	27,374
Current liabilities	3,784	1,303	1,284	6,371
Net equity	$ 2,764	$ 3,011	$ 2,745	$ 8,520

For the year ended December 31, 2021:

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

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

14. INVESTMENTS IN ASSOCIATES

On December 31, 2022, SCEF has significant influence over one associate.

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

	2022	2021
Opening balance	$ 1,350	$ 0
Additions through purchase of LP units (note 6)	0	1,333
Additions through capital contribution	320	0
Additions through transaction costs expenditures	0	66
Share of net loss	(220)	(49)
Closing balance	$ 1,450	$ 1,350

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

As at December 31, 2022:

	Blue Circle Energy Fund I LP
Non-current assets	$ 0
Current assets	1,496
Total assets	1,496
Non-current liabilities	0
Current liabilities	46
Net equity	$ 1,450

For the year ended December 31, 2022:

	Blue Circle Energy Fund I LP
Revenue	$ 0
Operating expenses	220
Net operating loss	(220)
Other income	0
Net loss	$ (220)

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

14. INVESTMENTS IN ASSOCIATES (continued)

As at December 31, 2021:

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

For the year ended December 31, 2021:

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

15. CONVERTIBLE DEBENTURE RECEIVABLE

During the year ended December 31, 2021, SCEF paid $3,040 to purchase convertible debentures. These debentures are convertible anytime after September 1, 2021 but before May 1, 2023 at a conversion price of $10.00 per Class A share, being the ratio of 100 Class A shares per $1,000 of principal amount of debentures. The debenture bears interest at an annual rate of 9% and has a maturity date of June 30, 2036. Changes to the aggregate carrying value of SCEF’s convertible debenture receivable is summarized as follows:

	2022	**2021**
Opening balance	$ 3,249	$ 0
Additions through capital contribution	182	3,040
Accrued interest	284	209
Closing balance	$ 3,715	$ 3,249

16. LOANS RECEIVABLE

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

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

16. LOANS RECEIVABLE (continued)

On August 20, 2018, SCEF assumed a $535 loan receivable from the non-controlling interest of 601 Canarctic Solar LP (note 34). 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.

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

	2022	2021
Opening balance	$ 788	$ 765
Interest receivable	83	84
Distribution payable to non-controlling interest, applied to principal balance of loan receivable (note 34)	(48)	(61)
Closing balance	$ 823	$ 788

17. INVENTORY

As at December 31, 2022, SCEF owned zero energy storage systems (2021 - one), the total historical cost of which is $nil (2021 - $1,016) and $1,997 (2021 - $1,767) in supplies to be used to produce solar and biogas income. The amount of inventory expensed in 2022 was $1,016 (2021 - $2,878).

18. OTHER ASSETS

The components of other assets are as follows:

	2022	2021 (note 36)
Prepaid expenses	$ 1,136	$ 357
Deposits on potential acquisitions	320	320
Deposit on bonding contract	0	20,000
Pre-acquisition costs	50	18
Development costs	1,223	0
Balance at the end of the year	$ 2,729	$ 20,695

19. ACCOUNTS RECEIVABLE

The components of accounts receivable are as follows:

	2022	2021
Solar income receivable	$ 986	$ 703
Biogas income receivable	2,786	1,421
Carbon emissions rebate receivable	433	0
HST receivable	181	346
Other receivable	444	286
Balance at the end of the year	$ 4,830	$ 2,756

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

20. RESTRICTED CASH

On December 4, 2020, in connection with the Vine Fresh Equitable Bank Loan financing (note 21), SCEF established two reserve accounts. The debt service reserve acts as additional assurance to the lender that all quarterly repayments will be made in accordance with the credit agreement, as the lender can direct withdrawals for any debt payment shortfalls from the debt service reserve account. Similarly, the lender can direct withdrawals from the major maintenance reserve to be applied towards rehabilitation, replacement, maintenance or repairs to the secured solar assets.

On December 23, 2020, in connection with the Ozz Acquisition and PNC Loan financing (note 21), SCEF assumed six debt reserve accounts. The debt service reserve acts as additional assurance to the lender that all quarterly repayments will be made in accordance with the credit agreement, as the lender can direct withdrawals for any debt payment shortfalls from the debt service reserve account.

On August 23, 2019, in connection with the Equitable Bank Loan financing (note 21), SCEF established two reserve accounts. The debt service reserve acts as additional assurance to the lender that all quarterly repayments will be made in accordance with the credit agreement, as the lender can direct withdrawals for any debt payment shortfalls from the debt service reserve account. Similarly, the lender can direct withdrawals from the major maintenance reserve to be applied towards rehabilitation, replacement, maintenance or repairs to the secured solar assets.

On August 31, 2022, in connection with the loan payable to Rabobank loan financing (note 21), SCEF established a major maintenance reserve account. The lender can direct withdrawals from the major maintenance reserve to be applied towards rehabilitation, replacement, maintenance or repairs to the secured solar assets.

The components of restricted cash are as follows:

	2022	2021
Debt service reserve (note 21)	$ 1,339	$ 1,026
Major maintenance reserve	436	261
Balance at the end of the year	$ 1,775	$ 1,287

21. LOANS PAYABLE

SCEF has the following loans outstanding:

(a) Loan payable to Equitable Bank that is secured by one solar asset (the “Vine Fresh Equitable Bank Loan”). The loan bears an interest rate of 3.827% and matures on March 4, 2033. The agreement with Equitable Bank requires that SCEF maintain a debt service coverage ratio of 1.68:1. SCEF is in compliance with this covenant as at December 31, 2022.

(b) Loan payable to Rabobank that is secured by twenty-two solar assets (the “NSNW Loan”). The NSNW Loan has an interest rate swap agreement, matures in 2026 and bears interest at the Canadian Dollar Offered Rate ("CDOR") plus 2.625% per annum, repayable in blended semi-annual payments. The NSNW Loan requires a debt service reserve which is funded by a debt service reserve line of credit. This line of credit is undrawn as at December 31, 2022 and the annual interest of 2.625% is charged on the unused balance.

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

21. LOANS PAYABLE (continued)

(c) Loan payable to Equitable Bank that is secured by eighteen solar assets (the "Hay Solar 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. As at December 31, 2022, SCEF's debt service coverage ratio is 1.24:1. As a result of not meeting the ratio of 1.35:1, SCEF has contributed $301 to the debt service reserve relating to this loan during 2022. The debt service reserve relating to this loan as of December 31, 2022 is $620 (2021 - $309) (note 20).

(d) Six loans payable to PNC Bank. These loans are secured by six solar assets (the "PNC Bank Loan"). Four loans have interest rate swap agreements (note 23) and bear interest at the CDOR plus 3.07%. One loan has an interest rate swap agreement (note 23) and bears interest at the CDOR plus 3.35%. One loan has a fixed interest at rate of 5.45%. All six loans mature in 2030.

(e) Loan payable to the general partner of the non-controlling interest of SPN LP 2 (note 34) through its ownership of SPN LP 2 (the "SFN loan"). No payments were 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.

(f) Loans payable to the Alberta Treasury Branch. These loans are secured by property, land, a guarantee from Lethbridge Biogas General Partnership and an assignment of claims from SBE LP. These loans mature in 2034. Interest is charged at prime plus 3.00%.

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

2023	$ 3,358
2024	3,527
2025	3,693
2026	3,920
2027	4,450
Thereafter	41,363
	$ 60,311

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

21. LOANS PAYABLE (continued)

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

	2022	2021
Balance at the beginning of the year	$ 45,850	$ 48,646
Proceeds from new debt	17,979	0
Repayment of existing debt	(3,640)	(3,240)
Change in deferred financing costs	(386)	(53)
Total changes from financing cash flows	13,953	(3,293)
Amortization of financing costs (note 29)	478	445
Interest expense included in operations (note 29)	2,797	1,833
Interest and financing costs paid	(2,767)	(1,781)
Total liability-related charges	508	497
Balance at end of the year	$ 60,311	$ 45,850

22. NOTE PAYABLE

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

23. INTEREST RATE SWAP AGREEMENTS

SCEF has entered into various interest rate swap agreements to limit its interest rate exposure from floating to fixed for the terms of certain mortgages. The interest rate swap agreements expire co-terminously upon the maturity of the corresponding mortgages. The notional principal amount of the outstanding interest rate swap agreements at December 31, 2022 was $24,618 (2021 - $26,884). The fair value of the interest rate swap agreements as determined by the financial institution is reflected on the consolidated statement of financial position.

	2022	2021
Balance at the beginning of the year	$ 1,050	$ 2,662
Change in fair value of interest rate swap agreements	(2,776)	(1,612)
Balance at end of the year	$ (1,726)	$ 1,050

During the year ended December 31, 2022, the gain on the interest rate swap agreements was comprised of the following:

	2022	2021
Interest rate swap payments	$ 377	$ 600
Change in fair value of interest rate swap agreements	(2,776)	(1,612)
Balance at end of the year	$ (2,399)	$ (1,012)

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

24. LEASE LIABILITY

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

		2022		2021
Balance at the beginning of the year	$	8,551	$	7,796
Additions due to purchase of assets (note 6)		690		1,290
Additions due to capital expenditure		138		0
Derecognition due to purchase of land		(973)		0
Interest expense (note 29)		430		411
Lease payments		(1,004)		(946)
Balance at end of the year	$	7,832	$	8,551

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, 2022:

2023	$	1,129
2024		1,129
2025		1,124
2026		1,120
2027		1,107
Thereafter		8,692
Balance at end of the year	$	14,301

25. RELATED PARTY TRANSACTIONS

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

Interest earned on related party loans during 2022 was $nil (2021 - $178).

During the year ended December 31, 2022, SCEF had subscriptions receivable from Skyline Wealth Management Inc. ("SWMI"), These funds bear no interest and are due on demand.

The balance at year end consists of the following:

		2022		2021
Subscriptions due from SWMI	$	0	$	1,000

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

25. RELATED PARTY TRANSACTIONS (continued)

Due to related parties

Amounts due to related parties are unsecured, non-interest bearing and have no set terms of repayment except for the balance due to Skyline Retail Real Estate Investment Trust ("Skyline Retail REIT") and Skyline Transfer Funds Inc. ("STFI"). The balance due to Skyline Retail REIT bears interest at 7% with no set terms of repayment and the balance due to STFI bears interest at 9% with no set terms of repayment. All of these entities qualify as a related entity under IAS 24. Interest paid on related party loans during 2022 was $1,718 (2021 - $116) The balance consists of the following:

	2022	2021
Due to STFI	$ 15,969	$ 0
Due to Skyline Clean Energy Asset Management Inc.	2,047	0
Due to Skyline Asset Management Inc.	0	451
Due to SWMI	69	138
Due to Skyline Private Investment Capital Inc.	128	0
Due to Skyline Clean Energy General Partner Inc.	1,625	1,143
Due to Skyline Retail REIT	31	342
Balance at the end of the year	$ 19,869	$ 2,074

Asset management fees

SCEF has an asset management agreement with Skyline Clean Energy Asset Management Inc. ("SCEAMI"), an entity that is controlled by a person or persons that qualify as a related person under IAS 24. Fees payable under the asset management agreement are 2% of gross revenue, a property management fee that varies from $2 per kW DC to $5 per kW DC, plus an annual flat fee of $1 to $3 per asset, and an acquisition fee calculated as up to 1% of the asset value acquired. For the year ended December 31, 2022, SCEF incurred $506 in asset management fees (2021 - $305), $186 in property management fees (2021 - $114) and $1,065 in acquisition fees (2021 - $486).

Wealth management fees

SCEF has a wealth management agreement with Skyline Wealth Management Inc. ("SWMI"), an entity that is controlled by a person or persons that qualify as a related person under IAS 24. Fees payable under the wealth management agreement include wealth management fees of 0.3% of unitholders' equity, and equity raise fees ranging from 0.5% to 1% of proceeds on units issued and redeemed during the year. For the year ended December 31, 2022, SCEF incurred $465 in wealth management fees and $317 in equity raise fees (2021 - $351 and $715 respectively).

Legal and administrative fees

Skyline Asset Management Inc. ("SAMI"), an entity that is controlled by a person or persons that qualify as a related person under IAS 24, provided legal and administrative services until February 2022. For the year ended December 31, 2022, SCEF recovered $156 in legal and administrative fees (2021 - incurred $588).

Starting in March 2022, Skyline Private Investment Capital Inc. ("SPICI"), an entity that is controlled by a person or persons that qualify as a related person under IAS 24, provided legal and administrative services. For the year ended December 31, 2022, SCEF incurred $378 in legal and administrative fees (2021 - $nil).

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

25. RELATED PARTY TRANSACTIONS (continued)

Operations and maintenance fees
SCEF has an agreement with Anvil Crawler Development Corp., an entity that is controlled by a person or persons that qualify as a related person under IAS 24, to provide operations and maintenance services for the solar assets. For the year ended December 31, 2022, SCEF incurred $354 in operations and maintenance fees (2021 - $362)

Administrative expenses
Starting in 2022, SWMI provided advertising and promotion services to SCEF. For the year ended December 31, 2022, SCEF incurred $190 in advertising and promotion fees (2021 - $nil).

Starting in 2022, SPICI provided accounting and finance services to SCEF. For the year ended December 31, 2022, SCEF incurred $435 in accounting and finance fees (2021 - $nil).

Distribution to partners
Skyline Clean Energy General Partner Incorporated (“SCEGPI”) is the general partner of SCEF and is entitled to distributions under the limited partnership agreement. This occurs when SCEF's net income, excluding depreciation and unrealized gain or loss, for a fiscal year is greater than 7.5% of the weighted average retained earnings for such fiscal year. This surplus is shared at a ratio of 20% to the general partner and 80% to the limited partner. A provision for the future distributions payable to SCEGPI has not been recorded since the timing and amount of the distributions payable cannot be reasonably estimated. For the year ended December 31, 2022, there were distributions payable of $1,261 owing to SCEGPI (2021 - $1,144)

Purchase from related party
During 2021, solar assets were purchased from Skyline Commercial Real Estate Limited Partnership, an entity that is controlled by a person or persons that qualify as a related person under IAS 24, at the exchange amount for $1,350.

26. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2022	2021
Operating accruals	$ 2,413	$ 2,186
Interest accruals	467	441
Distribution payable to non-controlling interest (note 34)	574	949
Other	127	284
Balance at the end of the year	$ 3,581	$ 3,860

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

27. DECOMMISSIONING LIABILITY

SCEF is contractually obligated to dismantle and remove the twenty-two solar assets acquired in connection with the NSNW Acquisition at the end of the 20-year FIT contracts. In 2022, in connection with the Balsam Lake acquisition, SCEF is contractually obligated to dismantle and remove the solar asset at the end of its FIT contract. Upon initial recognition of the decommissioning liability, a corresponding amount was capitalized as a decommissioning cost and added to the carrying value of solar equipment.

The components of the decommissioning liability are as follows:

	2022	2021
Balance at the beginning of the year	$ 914	$ 882
Decommissioning liability acquired (note 6)	227	0
Accretion	34	32
Balance at the end of the year	$ 1,175	$ 914

28. UNAMORTIZED GOVERNMENT ASSISTANCE

As part of the Lethbridge Biogas acquisition, there was unamortized government assistance acquired.

The components of the unamortized government assistance are as follows:

	2022	2021
Balance at the beginning of the year	$ 0	$ 0
Unamortized government assistance acquired (note 6)	7,191	0
Recognized in income	(407)	0
Balance at the end of the year	$ 6,784	$ 0

29. FINANCING COSTS

During the years ended December 31, 2022 and December 31, 2021, SCEF paid the following financing costs:

	2022	2021
Interest on loans payable (note 21)	$ 2,797	$ 1,833
Interest on lease liability (note 24)	430	411
Interest to related parties (note 25)	1,718	116
Amortization of deferred financing costs (note 21)	478	445
Distribution to general partner (note 25)	1,261	1,144
Other interest	533	115
	$ 7,217	$ 4,064

30. 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 consolidated statement of financial position is as follows:

As at	**December 31, 2022**			**December 31, 2021**		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Interest rate swap agreements	$ 0	$ 1,726	$ 0	$ 0	$ 0	$ 0
Liabilities						
Interest rate swap agreements	$ 0	$ 0	$ 0	$ 0	$ 1,050	$ 0

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

Financial assets and liabilities carried at amortized cost

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

The fair value of loans payable and the decommissioning 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 approximate their carrying amounts.

31. FINANCIAL RISK MANAGEMENT

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

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

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

i) Market risk

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

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

31. FINANCIAL RISK MANAGEMENT (continued)

i) Market risk (continued)

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

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

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

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

SCEF has access to an operating facility to a maximum of $10,000 (2021 - $nil) and an acquisitions facility of $25,000 (2021 - $nil) with interest at prime + 1.50% or, at the option of the borrower, a fixed rate equal to the floating bankers acceptance rate plus 2.50%. At December 31, 2022, the total drawn on the operating facility was $6,418 (2021 - $nil) and the amount drawn on the acquisitions facility was $nil (2021 - $nil). The facilities are secured by an unlimited guarantee from SCELP and its general partner, SCEGPI and 15 solar assets.

Under the financing agreement, SCEF is required to maintain an asset specific debt service coverage ratio of 1.20 or higher, a consolidated debt service coverage ratio of 1.20 or higher, SCELP must constitute more than 95% of the revenue of SCEF and SCELP must constitute more than 95% of the assets of SCEF. At December 31, 2022, SCEF was in compliance with these covenants.

Financial liabilities and their maturities are as follows:

December 31, 2022	On demand	Less than one year	One to five years	More than five years	**Total**
Loans payable	$ 0	$ 0	$ 0	$ 60,311	$ 60,311
Note payable	4,605	0	0	0	4,605
Due to related parties	19,869	0	0	0	19,869
Decommissioning liability	0	0	0	1,175	1,175
Accounts payable and accrued liabilities	0	3,581	0	0	3,581
	$ 24,474	$ 3,581	$ 0	$ 61,486	$ 89,541

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

31. FINANCIAL RISK MANAGEMENT (continued)

ii) Liquidity risk (continued)

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

32. 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, 2022, the loan to value ratio was 31% (2021 - 41%).

33. SEGMENTED DISCLOSURE

For the year ended December 31, 2022, the operating results of the Canadian solar assets and the Canadian biogas assets are reviewed regularly by SCEF's management to make decisions about resources to be allocated to the segment and to assess its performance. SCEF's management has chosen to identify the reportable segments based on differences in how energy is generated.

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

33. SEGMENTED DISCLOSURE (continued)

For the year ended December 31, 2022:

	Canadian Solar	Canadian Biogas	Total
Income from energy production	$ 12,544	$ 15,172	$ 27,716
Other income	1,701	919	2,620
Battery sales	1,180	0	1,180
Total income	15,425	16,091	31,516
Amortization expense	6,234	8,943	15,177
Other operating expenses	3,071	9,585	12,656
Net operating income (loss)	6,120	(2,437)	3,683
Income from joint ventures and investments in associates	(3,383)	0	(3,383)
Other income and expenses	5,083	2,523	7,606
Net income (loss)	$ 4,420	$ (4,960)	$ (540)

Selected consolidated statement of financial position information for the year ended December 31, 2022:

	Canadian Solar	Canadian Biogas	Total
Biogas equipment	$ 0	$ 36,637	$ 36,637
Clean energy contracts	33,186	78,381	111,567
Right-of-use assets	7,680	5,290	12,970
Land	1,519	4,465	5,984
Inventory	223	1,774	1,997
Other assets	1,359	1,370	2,729
Accounts receivable	1,570	3,260	4,830
Cash	6,478	3,616	10,094
	$ 52,015	$ 134,793	$ 186,808
Lease liability	$ 7,708	$ 124	$ 7,832
Note payable	0	4,605	4,605
Unamortized government assistance	0	6,784	6,784
Accounts payable and accrued liabilities	1,610	1,971	3,581
	$ 9,318	$ 13,484	$ 22,802

For the year ended December 31, 2022, for all assets and liabilities not otherwise disclosed separately, relate to Canadian solar assets.

Additions through purchases to non-current assets for the year ended December 31, 2022:

	Canadian Solar	Canadian Biogas	Total
Solar equipment and structures	$ 15,553	$ 0	$ 15,553
Biogas equipment	0	25,173	25,173
Clean energy contracts	10,154	44,019	54,173
Land	1,519	4,465	5,984
Right-of-use assets	690	5,152	5,842

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

33. SEGMENTED DISCLOSURE (continued)

For the year ended December 31, 2021:

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

Selected consolidated statement of financial position information for the year ended December 31, 2021:

	Canadian Solar	Canadian Biogas	Total
Biogas equipment	$ 0	$ 14,577	$ 14,577
Clean energy contracts	23,638	38,505	62,143
Right-of-use assets	7,807	994	8,801
Other assets	542	20,153	20,695
Inventory	1,220	1,563	2,783
Accounts receivable	1,158	1,598	2,756
Cash	12,882	566	13,448
	$ 47,247	$ 77,956	$ 125,203
Lease liability	$ 7,557	$ 994	$ 8,551
Note payable	0	8,073	8,073
Accounts payable and accrued liabilities	2,188	1,672	3,860
	$ 9,745	$ 10,739	$ 20,484

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

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

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

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

34. NON-CONTROLLING INTERESTS

The components of non-controlling interests are as follows:

	2022	2021
Balance at the beginning of the year	$ 13,064	$ 2,651
80% of SBE LP net identifiable assets acquired (note 6)	11,555	10,877
Total net identifiable assets allocated to non-controlling interests	24,619	13,528
14.9985% of SPN LP 2 net loss	(50)	(74)
50.9% of 601 Canarctic Solar LP net income	19	19
50.1% of CK Solar Projects LP net loss	(16)	(31)
50.9% of N&G LP net income	696	522
15% of Nautilus Eagle Lake Solar I LP net income	39	24
20% of SBE LP net loss	(1,146)	(117)
Total net (loss) income allocated to non-controlling interest	(458)	343
Distribution to 601 Canarctic Solar LP non-controlling interest	(48)	(61)
Distribution to CK Solar Projects LP non-controlling interest	(157)	(162)
(Recovery of) Distribution to N&G LP non-controlling interest	299	(592)
Recovery of distribution to Nautilus Eagle Lake I LP non-controlling interest	1	8
	95	(807)
Balance at the end of the year	$ 24,256	$ 13,064

35. 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, 2022 the price per unit for newly issued units and units to be redeemed was $14.41 (2021 - $13.15). The units issued and outstanding are as follows:

	2022	2021
Units outstanding, beginning of year	9,457,403	4,380,323
Units issued	2,694,826	5,436,481
Redemptions during the year	(689,934)	(359,401)
Units outstanding, end of year	11,462,295	9,457,403

36. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform to the current year's presentation. The supplies inventory previously included within other assets has been reclassified to inventory.

37. SUBSEQUENT EVENTS

Effective January 1, 2023, the price at which SCEF units are subscribed and redeemed, increased to $14.65 from $14.41.

On March 31, 2023, SCEF paid $271 as a deposit to acquire 50% of the Class A shares of the entity it holds the convertible debentures in.


SKYLINE
CLEAN ENERGY FUND