MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

Financial Statements
For the year ended March 31, 2020

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Contents

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Independent Auditor's Report

To the Members of Manitoba Hazardous Waste Management Corporation

Opinion

We have audited the financial statements of Manitoba Hazardous Waste Management Corporation (the "Corporation"), which comprise the balance sheet as at March 31, 2020 and the statements of operations and deficit, and cash flows for the year then ended, and notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Manitoba Hazardous Waste Management Corporation as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
December 7, 2020

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Balance Sheet

March 31		2020		2019
Assets				
Current Assets				
Cash and bank	**$**	**939,727**	$	868,600
Long-term Investment				
Miller Environmental Corporation (Note 3)		**1,509,486**		1,509,486
Capital Assets				
Land, at cost		**170,305**		170,305
	$	**2,619,518**	$	2,548,391
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**10,326**	$	10,298
Contingencies (Note 6)				
Net Assets				
Share capital (Note 4)		**7,500,000**		7,500,000
Deficit		**(4,890,808)**		(4,961,907)
		2,609,192		2,538,093
	$	**2,619,518**	$	2,548,391

On behalf of the Board:

Original Document Signed ______________ Director

______________________________ Director

The accompanying notes are an integral part of these financial statements.

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Statement of Operations and Deficit

For the year ended March 31	2020	2019
Revenue		
Rent - Miller Environmental Corporation (Note 5)	**$ 90,000**	$ 90,000
Pattern Energy Wind Rent	**854**	833
Interest	**13,120**	9,929
	103,974	100,762
Expenses		
Board of Directors	**12,938**	4,067
Bank charges and interest	**222**	238
Office	**15,070**	15,393
Professional fees	**4,645**	5,065
Travel	**-**	1,895
	32,875	26,658
Excess of revenue over expenses	**71,099**	74,104
Deficit, beginning of year	**(4,961,907)**	(5,036,011)
Deficit, end of year	**$ (4,890,808)**	$ (4,961,907)

The accompanying notes are an integral part of these financial statements.

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Statement of Cash Flows

For the year ended March 31	2020	2019
Cash Flows from Operating Activities		
Excess of revenue over expenses	**$ 71,099**	$ 74,104
Changes in non-cash working capital balances		
Accounts payable and accrued liabilities	**28**	(54)
Increase in cash and bank for the year	**71,127**	74,050
Cash and bank, beginning of year	**868,600**	794,550
Cash and bank, end of year	**$ 939,727**	$ 868,600

The accompanying notes are an integral part of these financial statements.

1. Nature of Organization and Summary of Significant Accounting Policies

(a) Nature of the Organization

The Manitoba Hazardous Waste Management Corporation was established under the Manitoba Hazardous Waste Management Corporation Act. The Corporation, as an agent of the Government of the Province of Manitoba, is responsible to establish, operate, and maintain in accordance with all applicable laws in the province, a hazardous waste management system in Manitoba. This system must be operated and maintained in a manner that will protect the health and safety of the public and preserve the environment. Effective January 1, 1996, the Corporation entered into various agreements with Miller Waste Systems, a division of Miller Paving Limited and Miller Environmental Corporation ("Miller") for the continued operation of the hazardous waste management system in Manitoba.

These agreements provide for the transfer of certain assets and liabilities to Miller in exchange for 50% of the common shares and all the Class A special preferred shares of Miller. Under the agreements, the Corporation retains title to its land holdings which are being leased to Miller for an indefinite term, contingent on Miller's continued existence and operation of the hazardous waste management system.

(b) Management's Responsibility for the Financial Statements and Basis of Accounting

The financial statements of the Corporation are the responsibility of management. The financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations as established by the Public Sector Accounting Board.

(c) Revenue Recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Rental revenue is recognized over the term which it applies and when collectibility is reasonably assured. Interest revenue is recognized as revenue in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

(d) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

(e) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Financial Instruments and Financial Risk Management

The Corporation is exposed to different types of risk in the normal course of operations. There have been no changes in risk exposure since the prior year.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Corporation to credit risk consist principally of cash and bank and long-term investments.

The maximum exposure of the Corporation to credit risk at March 31, 2020 is:

Cash and bank	$ 939,727
Long-term investment	1,509,486
	$ 2,449,213

Cash and bank: The Corporation is not exposed to significant credit risk as the cash and bank deposits are primarily held by a Canadian chartered bank.

Long-term investment: The Corporation is not exposed to significant credit risk as the long-term investment is in another reliable organization that had positive cash flows and net earnings for the past year. The long-term investment represents an investment in Miller and was written down to $1,000,000 in 2003 due to it being impaired. Since 2003, the shareholders' equity of Miller has increased, which has resulted in the investment not being a significant credit risk to the Corporation. During the 2011 year end, an additional $509,486 was invested in Miller in settlement of rent arrears owing to the corporation.

2. Financial Instruments and Financial Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting financial obligations as they become due, and arises from the Corporation's management of working capital. The Corporation's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Corporation’s income or the fair values of its financial instruments. The significant market risks the Corporation is exposed to are interest rate risk and foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and bank.

The interest rate risk on cash and bank is considered to be low because of the short-term nature of these financial instruments.

3. Long-term Investment - Miller Environmental Corporation

The investment in Miller is recorded at cost of $3,000,000 less $2,000,000 writedown in 2003 to represent the estimated value of the investment after taking into consideration an impairment in value at that time. In addition, on August 12, 2010 the outstanding rent receivable of $509,486 (net of a $45,000 payment received) from Miller was converted into an additional 1,242,648 Class A special preferred shares in Miller Environmental Corporation for a total of 4,242,648 shares.

For the year ended March 31, 2020

4. Share Capital

The authorized capital of the Corporation is 350,000 shares for a maximum consideration of $35,000,000.

The issued capital is as follows:

	2020	2019
75,000 common shares	**$ 7,500,000**	$ 7,500,000

5. Related Party Transactions - Miller Environmental Corporation

On March 1, 2008, a rental agreement was entered into with Miller requiring fixed monthly rent payments of $7,500. The agreement was renewed for the period from March 1, 2018 to February 28, 2023 with no change to the rent payments.

These transactions are in the normal course of operations and are measured at the exchange value, the amount of consideration establised and agreed to by related parties.

6. Contingencies

Under the terms of the agreements with Miller, the corporation would be responsible for any claims prior to January 1, 1996 not disclosed during the due diligence process. Any future removal and site restoration costs would be the responsibility of Miller and the Province of Manitoba. An estimate of these costs cannot be determined and therefore no provision has been made in the financial statements for any such costs.

7. Economic Dependence

The Corporation is economically dependent on Miller. The Corporation's main future sources of revenue are site lease rental revenue and dividend income from its affiliate.

8. Public Sector Compensation

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, the remuneration paid to Board members during the year, in aggregate, totalled $12,938 ($4,067 in 2019). No employee's compensation exceeded $75,000 per year.

9. Uncertainty Due to Covid-19

On March 11, 2020 the World Health organization declared COVID-19 a global pandemic which has disrupted economic activities and supply chains. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time.

If the impacts of COVID-19 continue beyond current expectations, there could be further impact on the corporation, its related party and other third-party businesses that could impact the timing and amounts realized on the corporation’s assets and future financial position. The corporation’s ability to continue to service debt and other obligations as they come due is dependent on the continued ability to generate funds and cash flows.

10. Comparative Amounts

Certain comparative amounts presented in the financial statements have been reclassified to conform with current year's presentation.