Claystone Waste
Limited Partnership
Financial Statements
For the period from formation on
August 20, 2020 to December 31, 2020

Y&A LLP
Chartered Professional Accountants

Independent Auditor's Report

To the Partners of Claystone Waste Limited Partnership

Opinion

We have audited the financial statements of Claystone Waste Limited Partnership (the "Limited Partnership"), which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of partnership equity and statement of cash flows for the period from formation on August 20, 2020 to December 31, 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Limited Partnership as at December 31, 2020, and its financial performance and its cash flows for the period from formation on August 20, 2020 to December 31, 2020 in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 19 to the financial statements, concerning the world wide spread of a novel coronavirus known as COVID-19 and its effect on the global economy. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting 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 Limited Partnership'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 Limited Partnership or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Limited Partnership'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 Partnership'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 Limited Partnership'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 Limited Partnership 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.

Yaremchuk & Annicchiarico LLP
Chartered Professional Accountants

Edmonton, Alberta
February 18, 2021

Claystone Waste Limited Partnership
Statement of Financial Position
December 31, 2020

	2020
	$
Assets	
Current assets	
Cash	17,291,702
Accounts receivable (Note 5)	2,713,955
Investments (Note 6)	8,102,912
Inventory (Note 7)	866,515
Prepaid expenses	478,236
	29,453,320
Non-current assets	
Landfill closure and post closure fund (Note 11)	8,428,565
Property and equipment (Note 8)	35,887,841
	73,769,726
Liabilities	
Current liability	
Accounts payable and accrued liabilities (Note 10)	1,700,537
Non-current liability	
Landfill closure and post closure obligation (Note 11)	15,978,311
Contingent liability (Note 12)	
Commitment (Note 13)	
Partnership equity	
Partnership equity (Note 14)	56,090,878
	73,769,726

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

These financial statements were approved by the Board of Directors of the General Partner on February 18, 2021.

______________________________, Director **______________________________, Director**

Claystone Waste Limited Partnership

Statement of Comprehensive Income

For the period from formation on August 20, 2020 to December 31, 2020

	2020
	$
Revenue	
Disposal fees, hauling and other	8,617,247
Collection system fees	167,008
Interest and rental	134,574
	8,918,829
Expenses	
Collection system (Schedule 1)	387,980
Hauling (Schedule 2)	643,699
Landfill (Schedule 3)	1,575,150
General and administrative (Schedule 4)	1,316,427
Biosolids project	2,663
Depreciation	1,823,986
Finance expense	66,488
	5,816,393
Income from operations	3,102,436
Other item	
Gain on disposal of property and equipment	81,611
Net and comprehensive income for the period	3,184,047

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

Claystone Waste Limited Partnership

Statement of Partnership Equity

Period ended December 31, 2020

	Claystone Waste Ltd.	Limited Partners	2020 Total
	$	$	$
Partnership equity, beginning of period	-	-	-
Capital contributions from unit issuances on formation	1	1,600	1,601
Contribution on acquisition of landfill net assets and operations (Note 4)	52,905,230	-	52,905,230
Net income for the period	212	3,183,835	3,184,047
Partnership equity, end of period	52,905,443	3,185,435	56,090,878

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

Claystone Waste Limited Partnership

Statement of Cash Flows

For the period from formation on August 20, 2020 to December 31, 2020

	2020
	$
Cash flows from operating activities	
Net income for the period	3,184,047
Items not affecting cash	
Depreciation of property and equipment	1,823,986
Gain on disposal of property and equipment	(81,611)
Investments accrued interest adjustment	(44,455)
Landfill closure and post closure fund accrued interest adjustment	(14,726)
Landfill closure and post closure fund market value adjustment	(1,535)
Finance expense	66,488
Changes in non-cash working capital	
Accounts receivable	1,359,587
Inventory	85,139
Prepaid expenses	(72,286)
Accounts payable and accrued liabilities	676,162
	6,980,796
Cash flows from (used in) investing activities	
Purchase of property and equipment	(3,857,521)
Proceeds on sale of property and equipment	89,613
Proceeds on sale of investments	5,667
Purchase of landfill closure and post closure fund	(44,836)
Proceeds on sale of landfill closure and post closure fund	2,555
	(3,804,522)
Cash flows from financing activities	
Proceeds from unit issuances	1,601
Cash acquired on acquisition of landfill net assets and operations	14,113,827
	14,115,428
Change in cash during the period	17,291,702
Cash, beginning of period	-
Cash, end of period	17,291,702

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

1. **Operations**

Claystone Waste Limited Partnership (The "Limited Partnership") was formed on August 20, 2020 under the laws of Alberta. The Limited Partnership was formed for the purpose of providing waste management services to partner municipalities and others. The General Partner of the Limited Partnership is Claystone Waste Ltd. and the Limited Partners are Beaver County, Village of Holden, Village of Ryley, Town of Tofield and Town of Viking.

The Partnership's registered address is 50117 Range Road 173, Beaver County, Alberta.

2. **Basis of presentation**

Statement of compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

Basis of preparation
The financial statements have been prepared on a historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value.

3. **Significant accounting policies**

Critical judgments and sources of estimation uncertainty
The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgments
The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

(i) The Limited Partnership applied judgement to determine if a good or service that is promised to a customer is distinct based on whether the customer can benefit from the good or service on its own or together with other readily available resources and whether the good or service is separately identifiable.

3. **Significant accounting policies** - continued

Critical judgments (continued)

(ii) For performance obligations satisfied at a point in time, judgement is required to determine when transfer of control occurs relating to the provision of waste disposal and hauling services to its customers. Management based its assessment on a number of indicators of control, which include, but are not limited to whether the Limited Partnership has present right of payment, whether the contracted service has been performed and whether significant risks and rewards have been transferred. The Limited Partnership determined that control is transferred on acceptance of waste at the landfill facility, either directly from the customer or via serviced delivery.

(iii) The Limited Partnership applied judgement in its methodology used to calculate the landfill closure and post closure obligation. These judgements included the timing of cash flows, appreciation of discount rate and how to attribute cash flows to the existing landfill sitework and usage.

Critical estimates
The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

(i) Depreciation expense is allocated based on the assumed useful life of property and equipment. Should the useful life differ from the initial estimate, an adjustment would be made in the statement of operations.

(ii) Landfill closure and post closure obligation is determined by estimating the expected total cost to complete remediation work as described in Note 11. Actual amounts could differ significantly from this estimate. Changes to estimates are recorded and amortized prospectively.

Cash
Cash is comprised of cash in bank and demand deposits.

Property and equipment
Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property and equipment are depreciated annually over the estimated useful life of the asset, as follows:

Landfill site work	- percentage of consumption
Facility buildings	- 3.3% straight line
Transfer station buildings and site work	- 3.3% straight line
Landfill and office equipment	- 10% - 33.3% straight line or percentage of useful life
Paving	- 5% straight line

3. **Significant accounting policies** - continued

Property and equipment (continued):
Property and equipment under development represent capital projects under construction. Cost includes purchase price of raw materials, consumables used, direct labour and other costs directly attributable to the assets. Depreciation of these assets, on the same basis as other property and equipment assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the statement of comprehensive income.

Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection or overhaul expenditures, are capitalized.

The Limited Partnership compares the carrying value of property and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

Leases
At the inception of a contract, the Limited Partnership determines whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

<u>As a lessee</u>
On initial identification of a lease contract, the Limited Partnership recognizes a right-of-use (ROU) asset and a lease liability at the commencement of the lease contract. The lease liability is initially measured at the present value of the future unavoidable lease payments under the contract, discounted using the interest rate implicit in the lease contract. Where the implicit rate cannot be readily determined, the Limited Partnership uses the incremental borrowing rate of the legal entity entering into the lease contract. Lease payments include fixed payments including in-substance fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, the exercise price of a purchase option or optional renewal period that the Limited Partnership is reasonably certain to exercise and penalties for early termination of a lease contract unless the Limited Partnership is reasonably certain not to terminate early. Subsequently, the lease liability is measured at amortized cost, using the effective interest method. The lease liability is re-measured to reflect any reassessments or lease modifications. Lease payments are allocated between the principal repayment of the lease liability and finance expense. The finance expense on the lease liability is charged to net income over the term of the lease contract to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period.

3. **Significant accounting policies** - continued

As a lessee (continued)
The ROU asset is initially measured at cost which includes the initial lease liability, any lease payments made at or before commencement date less any lease incentives received, any initial direct costs and restoration costs. The ROU assets are depreciated on a straight-line basis over the shorter of the respective asset's useful life and the remaining term of the lease contract. The ROU assets are subsequently re-measured to reflect any reassessments or lease modifications. At each reporting date, ROU assets are reviewed for indications of impairment. In case it is determined that indications of impairment exist, the recoverable amount is estimated for ROU assets, which is the greater of value in use and fair value the Limited Partnership expects to recover from sub-lease of the asset.

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

As a lessor
On initial identification of a lease contract, the Limited Partnership determines whether the contract is a finance lease or an operating lease. If a contract transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the customer, the contract is classified as a finance lease; otherwise, it is classified as an operating lease. Finance income related to contracts accounted for as finance leases is recognized in a manner that produces a constant rate of return on the net investment in the lease. The net investment in the lease is the aggregate of net minimum lease payments and unearned finance income discounted at the interest rate implicit in the lease. Unearned finance income is deferred and recognized in net income over the lease term. Lease payments received by the Limited Partnership under operating leases are recognized as lease revenue on a straight-line basis over the lease term.

Impairment of assets
Impairment tests for long-lived assets are performed when there is an indication of impairment. At each reporting date, an assessment is made to determine whether there are any indications of impairment. If any indication of impairment exists, an estimate of the long-lived assets recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less direct costs to sell and the asset's value in use. If the carrying value of long-lived assets exceeds its recoverable amount, the assets are impaired and an impairment loss is charged to profit and loss so as to reduce the carrying amount of the long-lived assets to their recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Revenue recognition

Waste Disposal and Collection
The Limited Partnership generates revenues primarily from provision of waste disposal and waste hauling services. Other sources of revenues include waste collection services and property and equipment rental. Disposal, hauling and collection service revenues are earned when the performance obligations are satisfied, which is the acceptance of waste at the landfill facility, either directly from the customer or via serviced delivery.

3. **Significant accounting policies** - continued

The transaction price is determined on a stand-alone basis and is dependent on the type of service performed: disposal fees are based on weight of waste accepted at the facility, hauling fees are based on frequency of deliveries and mileage, and collection system fees are based on weight of waste accepted at the facility or number of residents being serviced. The service rates are based on contracts, which vary in duration, and the fees are billed to clients once the service has been performed on at least a monthly basis. No transaction price is allocated to unsatisfied performance obligations, as the Limited Partnership has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Limited Partnership's performance completed to date.

Most of the revenues are earned at point-in-time, except for certain collection system services under long-term contracts which are earned over time. For collection system services where the Limited Partnership has contracts with customers to provide services at a certain frequency over a pre-determined period for a fixed rate, the Limited Partnership has a right to invoice the customer in the amount that corresponds directly with the value of the Limited Partnership's performance completed to date.

Rental
Rental revenue is recognized when earned over the term of the lease agreement and when collection is reasonably assured. Rental revenue is collected at the beginning or end of each rental period, with performance obligations satisfied at the end of the respective rental period. It is at this time that rental revenue is earned.

Interest Income
Interest income on investments and cash deposits is recognized over time, taking into account the applicable interest rates.

Inventory
Small parts and other consumables, the majority of which are consumed by the Limited Partnership in the provision of its services, are valued at the lower of cost and net realizable value with cost being determined on a weighted average basis. Cost includes the purchase price, transportation and other costs incurred to bring the inventories to their present location and condition.

Employee future benefits
Employees of the Limited Partnership are members of the Local Authorities Pension Plan ("LAPP"). The LAPP is a multi-employer defined benefit pension plan. LAPP Corporation, which includes a Corporate Board that is appointed by Plan Sponsors, is the administrator and trustee of LAPP. The LAPP is accounted for as a defined contribution plan as the LAPP is unable to provide specific information in relation to the Limited Partnership's portion of the defined benefit obligation or plan assets. As a result, the Limited Partnership does not recognize its share of any plan surplus or deficit.

Income taxes
The Limited Partnership is not liable for income taxes. The taxable income of the Limited Partnership is determined as if the Limited Partnership were a separate person resident in Canada, and is allocated to each partner on December 31st of each year.

3. **Significant accounting policies** - continued

Provisions

Provisions are recognized when the Limited Partnership has a present legal or constructive obligation as a result of a past event, it is probable that the Limited Partnership will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as a finance cost over the estimated period until settlement of the obligation. Significant judgment is required to determine whether a past event results in a liability that is recognized in the statement of financial position. In addition, quantifying such a provision also involves certain amount of estimation in respect of the amount and timing of outflows of economic benefits and therefore it is possible that the assumptions used in measuring the provision may differ from future outcomes and the impact of such variations could be material.

The Limited Partnership recognizes a decommissioning liability relating to estimated landfill closure and post-closure costs for which it has a legal obligation to restore. A corresponding asset for the decommissioning cost is added to the carrying amount of the associated property and equipment, and is depreciated over the estimated useful life of the asset.

Financial instruments

The Limited Partnership classifies its financial instruments in the following measurement categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVOCI") or at amortized cost. The Limited Partnership determines the classification of financial assets at initial recognition. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition).

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Accounts receivable and accounts payable and accrued liabilities are classified as amortized cost.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise. Cash and investments are classified as FVTPL.

3. **Significant accounting policies** - continued

Financial instruments (continued)

The Limited Partnership recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Limited Partnership measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Limited Partnership measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. Regardless of whether credit risk has increased significantly, the loss allowance for trade receivables without a significant financing component classified at amortized cost, are measured using the lifetime expected credit loss approach. The Limited Partnership shall recognize in the statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized. As of December 31, 2020, management has not identified any indications of impairment gain or loss.

Standards and interpretations not yet applied

The International Accounting Standards Board and the International Financial Interpretations Committee have issued new standards and amendments to standards as well as interpretations of standards which are to be applied January 1, 2021. There is not expected to be a significant impact of these pronouncements on the accounting policies of the Limited Partnership.

4. **Acquisition and transfer of landfill net assets and operations**

The General Partner of the Limited Partnership entered into a Master Transfer Agreement (“MTA”) on behalf of the Limited Partnership effective September 1, 2020 with Beaver Regional Waste Management Services Commission (“the Commission”). Pursuant to the MTA the General Partner, on behalf of the Limited Partnership, acquired all of the Commission’s assets, contracts and all other assets required to operate the landfill and provide related services as well as assuming all liabilities. The total consideration paid for the assets was $1.

This acquisition was considered a business combination under common control, as the two entities, the Limited Partnership and the Commission, are controlled by the same group of municipalities. As a result, the assets acquired have been recorded at their book value amounts under IFRS on the acquisition date. The value of the liabilities assumed has been determined by applying the initial recognition criteria of the relevant IFRS standards. Transaction costs have been expensed in the period incurred.

4. **Acquisition and transfer of landfill net assets and operations:** - continued

The net equity contribution from the common control acquisition of assets and assumption of liabilities is as follows:

	$
Value of assets acquired and liabilities assumed	
Cash acquired	14,113,827
Other assets acquired	55,550,980
Liabilities assumed	(16,759,576)
Less:	
Fair value of cash consideration	(1)
Net equity contribution from common control acquisition	52,905,230

5. **Accounts receivable**

	2020 $
Trade receivables	2,529,917
GST receivable	184,038
	2,713,955
Allowance for doubtful accounts	-
	2,713,955

6. **Investments**

	2020 $
Investment in fixed income	8,002,449
Accrued interest	100,463
	8,102,912
Amount maturing within one year	8,102,912
	-

Investments consist of fixed income investments classified as FVTPL, bear interest at rates between 1.6% and 1.7% and mature between March 2021 and May 2021.

7. **Inventory**

	2020 $
Inventory for consumption	354,186
Inventory for future closure costs	512,329
	866,515

8. **Property and equipment**

	Cost	Accumulated depreciation	2020 $ Net
Landfill site work	45,171,225	28,972,785	16,198,440
Facility buildings	6,931,320	1,978,392	4,952,928
Transfer station buildings and site work	1,133,410	520,255	613,155
Landfill and office equipment	21,330,575	13,646,757	7,683,818
Paving	2,247,429	146,680	2,100,749
Property and equipment under development	2,339,955	-	2,339,955
Land	1,998,796	-	1,998,796
	81,152,710	45,264,869	35,887,841

9. **Bank indebtedness**

The Limited Partnership has negotiated a bank line of credit in the amount of $560,000 which bears interest at the bank prime rate plus 0.5%. The balance outstanding on the line of credit is NIL.

The Limited Partnership has negotiated a credit card line of credit in the amount of $40,000 which bears interest at the bank prime rate plus 3.0%.

The lines of credit are secured by a general security agreement.

Among other provisions, the Limited Partnership's banking agreement requires maintenance of certain covenants including partner withdrawals being maintained within available cash flow after debt servicing and a minimum debt service ratio of 1.25 to 1. The banking agreement is subject to annual review.

10. **Accounts payable and accrued liabilities**

	2020 $
Trade payables	1,189,926
Wages and benefits payable	510,611
	1,700,537

11. **Landfill closure and post closure assets and liabilities**

Landfill closure and post closure obligation	2020 $
Balance, beginning of period	-
Liability assumed on acquisition (Note 4)	15,735,201
Prospective change to provision	176,622
Accretion of liability (finance expense)	66,488
Balance, end of period	15,978,311

11. **Landfill closure and post closure assets and liabilities** - continued

Alberta environmental law requires closure and post closure care of landfill sites. The Limited Partnership is required to fund the closure of its landfill site and provide for post closure care of the facility. Closure and post closure activities includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance. Based on surveying completed and using independent engineering reports management has estimated the closure and post closure liability of the landfill site at December 31, 2020. The liability is an estimate of the present value of expenditures to settle the obligation relating to the landfill's usage to December 31, 2020.

The estimated total liability is based on the sum of cash flows for remaining closure and post closure activities using a discount rate of 3.2% and assuming annual inflation of 2%. Cash flows related to closure have been estimated based on surveys of the area requiring capping due to accumulated waste accepted to December 31, 2020. Due to the uncertainty of the timing of cash flows for closure, the estimate has not had inflation or discounting applied. The total cash flow for closure costs are estimated as $8,944,080. Post closure activities are expected to continue for 25 years after closure. Estimated cash flows for post closure activities have been discounted from 2026, which is the year in which the estimate of yearly waste accepted would fill the capacity attributed to the current landfill sitework. The total discounted cash flows for post closure costs are estimated as $7,034,231.

The existing and future landfill sitework capacity and utilization estimates project that capacity will be reached in approximately 2043. Post closure care and maintenance would continue for 25 years after closure. There was $3,450,000 received for post closure obligations from the private waste disposal company that operated the landfill site to December 31, 2005.

Landfill closure and post closure fund
Claystone Trustee Association ("CTA") was established on September 1, 2020 and administers the landfill closure and post closure fund related to the Limited Partnership's landfill closure and post closure obligation. The Limited Partnership accounts for the landfill closure and post closure fund in accordance with IFRIC 5 – *Rights to Interests Arising From Decommissioning, Restoration, and Environmental Rehabilitation Funds* ("IFRIC 5"). IFRIC 5 states that the fund assets are measured at the lower of fair value or the value of the related liability since the Partnership does not have control or joint control of CTA.

Upon termination of CTA any remaining assets after deducting the landfill closure and post closure obligation and any outstanding unpaid administrative expenses shall vest to the Limited Partnership. No assets have been recorded on the balance sheet of the Limited Partnership relating to the residual interest in CTA beyond the landfill closure and post closure fund.

12. **Contingent liability**

Under the Technology Innovation and Emissions Reduction Regulation, a landfill site can become a registered and regulated facility when the estimated equivalent carbon dioxide emissions exceed 100,000 tonnes based on the regulation's prescribed method. The prescribed method calculated that the landfill site had emissions in excess of the threshold. Field tests completed using emission detection equipment measured carbon dioxide below the 100,000 tonne threshold and therefore a request was submitted to have the landfill site removed from the registry of regulated facilities and to have payments made returned. The request was successful. The landfill site will continue to be monitored to ensure the threshold is not reached.

12. **Contingent liability** - continued

Should the partnership be added to the registry in the future, annual payments would be required based partially on emissions for waste accepted at the landfill site up to December 31, 2020. An estimate of the total of these annual payments or the likelihood of becoming registered in the future cannot be made and therefore an estimate of its financial effect cannot be measured.

13. **Commitment**

The Limited Partnership has entered into a commitment to build a new administration building for cash consideration of $2,713,419 of which $1,946,860 was paid or payable at December 31, 2020.

14. **Partner units**

The capital of the Limited Partnership is comprised of voting units and dividend units.

Voting units represent a partnership interest that provides one vote per unit. Voting units have no rights or entitlement to receive any distribution of Limited Partnership assets.

Dividend units represent a partnership interest that provides an entitlement to receive distributions of Limited Partnership profits and assets. Distributions will be made in accordance with each Limited Partners' proportionate interest of the total Dividend units issued. Dividends units have no voting rights.

On formation, the Limited Partnership issued one voting unit for $ 0.10 and one dividend Unit for $0.10 to the General Partner.

On formation, the Limited Partnership also issued 10,000 voting units for $100 and 15,000 dividend units for $1,500 to the Limited Partners. The voting units were issued in proportions agreed to by the Limited Partners. The dividend units were issued as follows:

1) 5,000 units divided equally between each of the Limited Partners.
2) 10,000 units issued in proportion of each Limited Partners' proportionate municipal population over the total population of all municipalities.

The proportionate units described above will be recalculated every four years such that each Limited Partner has their respective interest in the proportionate dividend units.

The profit or loss shall be allocated on a pro-rata basis based on each Partners' partnership interest.

15. **Employee benefits**

Employees of the Limited Partnership participate in the Local Authorities Pension Plan ("LAPP"), LAPP Corporation, which includes a Corporate Board that is appointed by Plan Sponsors, is the administrator and trustee of LAPP. LAPP is unable to provide information relating to each individual employer's portion of the plan's obligations and assets. Accordingly, the Limited Partnership accounts for the plan using the method for defined contribution plans.

15. **Employee benefits** - continued

The Limited Partnership is required to make current service contributions to the LAPP of 9.39% of pensionable payroll up to the yearly maximum pensionable earnings (“YMPE”) and 13.84% on the excess. Employees of the Limited Partnership are required to make current service contributions to the LAPP of 8.39% of pensionable payroll up to the YMPE and 12.84% on the excess.

Total current and past service contributions by the Limited Partnership to the LAPP in 2020 were $166,363. Total current and past service contributions by the employees of the Limited Partnership to the LAPP in 2020 were $150,548.

At December 31, 2020, the Plan disclosed an actuarial surplus of $7.913 billion. LAPP has announced that member contribution rates will remain the same in 2021.

16. **Related party disclosures**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Limited Partnership. The Limited Partnership has determined that its key management personnel are its executive officers and the directors of the General Partner.

During the period ended December 31, 2020, the Limited Partnership incurred the following transactions with key management personnel:

	2020 $
Salary and other short-term benefits	178,330
Post-employment benefits	22,534
	200,864

16. **Related party disclosures** - continued

During period-ended December 31, 2020, the Limited Partnership incurred the following transactions with other related parties:

	2020 $
Beaver County, Limited Partner	
Revenue - collection system fees	7,100
Village of Holden, Limited Partner	
Revenue - disposal fees, hauling and other	29,429
Revenue - collection system fees	6,764
Village of Ryley, Limited Partner	
Revenue - disposal fees, hauling and other	666
Revenue - collection system fees	7,304
Town of Tofield, Limited Partner	
Revenue - disposal fees, hauling and other	540
Revenue - collection system fees	33,510
Town of Viking, Limited Partner	
Revenue - collection system fees	18,344
	103,657

Included in accounts receivable as at December 31, 2020 is $16,141 related to the above noted transactions.

17. **Financial instruments**

The carrying values of the Partnership's financial instruments are classified into the following categories:

Financial instrument	Category	December 31, 2020 $
Cash	FVTPL	17,291,702
Accounts receivable	Amortized cost	2,713,955
Investments	FVTPL	8,102,912
Accounts payable and accrued liabilities	Amortized cost	1,700,537

The Limited Partnership's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

17. **Financial instruments** - continued

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market price.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash and investments are measured using Level 1 inputs.

The fair values of accounts receivable and accounts payable and accrued liabilities are approximated by the carrying amount due to their short-term nature.

The Limited Partnership’s financial instruments are exposed to credit risk, liquidity risk and market risk.

(a) **Credit risk**
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Limited Partnership’s cash, accounts receivable and investments are exposed to credit risk.

Approximately 40% of the Limited Partnership's sales were to one customer in 2020 and $739,279 from this customer is included in accounts receivable at December 31, 2020. This receivable is not considered credit-impaired at the reporting date. In order to reduce its credit risk, the Limited Partnership has adopted credit policies which include the analysis of the financial position of debtors and the regular review of their credit limits

The Limited Partnership’s maximum credit exposure is represented by the carrying amount of cash, investments and accounts receivable.

(b) **Market risk**
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Limited Partnership is mainly exposed to interest rate risk.

Interest rate risk
The Limited Partnership is exposed to interest rate risk as changes in rates of interest could affect the fair value of investments that bear interest at fixed-rates. The Limited Partnership is also exposed to cash flow risk as its operating line of credit bears interest at a floating rate. As at December 31, 2020, the balance of the operating line of credit was Nil.

18. **Capital risk management**

The Limited Partnership manages, as capital, the includes its short-term and long-term obligations and partnership equity. The Limited Partnership’s objectives, when managing capital, are to safeguard its ability to continue as a going concern and to ensure that stable low risk returns are provided to the Limited Partners.

18. **Capital risk management** - continued

The Limited Partnership monitors capital from time-to-time using a variety of measures. Monitoring procedures are typically performed as a part of the overall management of operations and are performed with the goal of enhancing the ability of the Limited Partnership to access capital and/or reduce the cost of capital.

In order to maintain or adjust the capital structure, the Limited Partnership may adjust the amount of distributions paid to the Limited Partners, return capital to the Limited Partners or request additional contributions from the Limited Partners.

19. **Other Matter**

On March 11, 2020, the World Health Organization declared a global pandemic due to a novel coronavirus identified as "COVID-19". In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets.

Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of Claystone Waste Limited Partnership and its operations in future periods.

Schedule 1

Claystone Waste Limited Partnership

Schedule of Collection System Expenses

For the period from formation on August 20, 2020 to December 31, 2020

	2020
	$
Dues and fees	233
Fuel	27,989
Repairs and maintenance	53,640
Shop supplies	19,703
Subcontracts and equipment rental	2,045
Travel	6,791
Utilities	4,561
Wages and benefits	273,018
Total collection system expenses	387,980

Schedule 2

Claystone Waste Limited Partnership

Schedule of Hauling Expenses

For the period from formation on August 20, 2020 to December 31, 2020

	2020
	$
Dues and fees	243
Fuel	129,933
Repairs and maintenance	39,645
Shop supplies	27,892
Subcontracts and equipment rental	1,992
Travel	1,078
Utilities	1,137
Wages and benefits	441,779
Total hauling expenses	643,699

Schedule 3

Claystone Waste Limited Partnership

Schedule of Landfill Expenses
For the period from formation on August 20, 2020 to December 31, 2020

	2020 $
Consulting and engineering	139,935
Dues and fees	938
Fuel	164,341
Repairs and maintenance	284,983
Subcontracts and equipment rental	67,620
Supplies	62,615
Travel	14,153
Utilities	10,801
Wages and benefits	829,764
Total landfill expenses	1,575,150

Schedule 4

Claystone Waste Limited Partnership

Schedule of General & Administrative Expenses
For the period from formation on August 20, 2020 to December 31, 2020

	2020 $
Advertising and donations	68,905
Bad debts (recovered)	(80)
Computer	38,279
Consulting	230,067
Dues and fees	32,153
Fuel	3,860
Insurance	37,079
Interest and bank charges	24,610
Meetings	17,146
Professional fees	75,796
Repairs and maintenance	4,901
Salaries	670,429
Subcontracts and equipment rental	13,647
Supplies, postage and other	44,466
Travel and promotion	18,339
Utilities	36,830
Total general and administrative expenses	1,316,427