

January 2019



**2018 Yearend Report to Stakeholders  
Report from the CEO**



We at North Shore Power Group are a municipal green energy developer headquartered in Blind River, Ontario, on Lake Huron's North Channel.

## 2018 in Review

In January of 2018 we were pleased to report that Plasco had paid us the full interest due for 2017 in the amount of \$781,815 thus maintaining the Promissory Note in good standing. This brought our total interest income since Plasco regained solvency in 2015 to \$1.797 million.

In May we reported that we had begun the final phase of construction on the last two 500 kW fixed ground mount solar projects at the Industrial Park. Completed during the second quarter of 2018, this brought our total project generating capacity to 4.34 mW of which 83% is in our local area.

In June we reported that we had completed these two projects. These projects were subsequently granted Commercial Operation status by the IESO on July 20<sup>th</sup>.

This completed all of our contracted solar projects, all under long term contract with the IESO.

We have built 200 acres of solar projects at the Industrial park and 69 more at various homes and buildings around Blind River.

## 2018 in Review

In August we posted our 2017 Audited Financial Statements on our web site.

We were pleased to report:

A growth in retained cash from \$1,194,931 to \$2,446,920.

Net earnings of \$569,934, up from \$474,471 in the prior year.

Recently we were pleased to advise that Plasco had paid us the entire amount of our 2018 interest on December 27<sup>th</sup>. The amount due was \$781,815.

This payment brings our cumulative interest income, since Plasco regained solvency in 2015, to approximately \$2.58 million.

Our Promissory Note from Plasco remains in good standing as to all payments due.

This income will augment our ability to contribute to our Balloon Reserve fund, established in cooperation with the Town of Blind River in June of 2018, for the purpose of building an asset to offset our 2037 final payment to the Town so that it might make its final payment to the CMHC.

# What has North Shore Power Group accomplished?

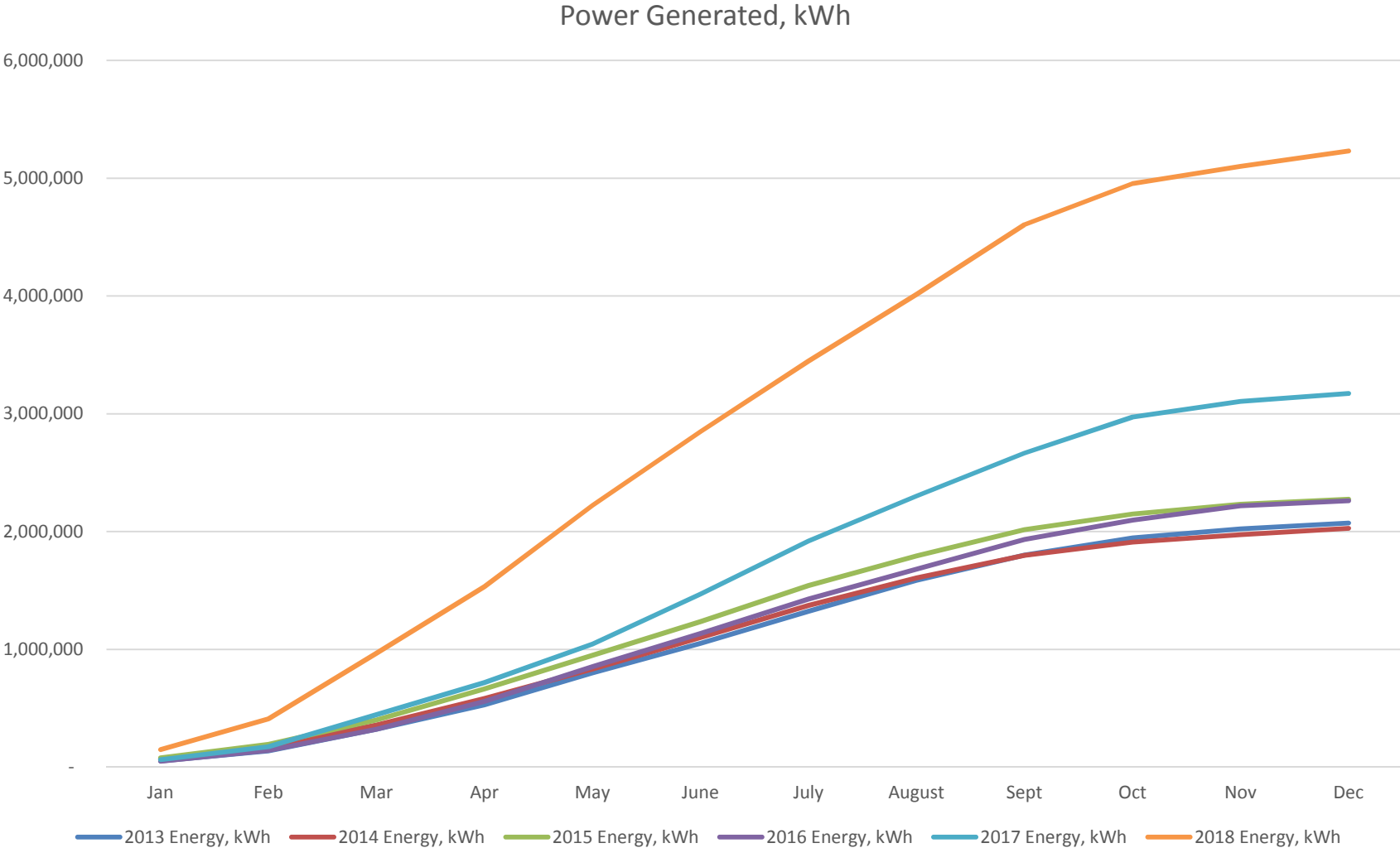
## Power Project Portfolio

1. 124 Built Projects, 4.34 mW installed capacity
2. 13 External-Client, Long-Term Operation & Maintenance Contracts
  - a) 10 Solar Plants
  - b) 3 Waterpower Plants

Total Project Count	Projects per Type	Solar Project Location or Type (for Privacy)	Total kW AC	Micro FIT or FIT	Roof or Gnd	NSPG Role	Capacity as % of Portfolio
1	1	Blind River Fire Hall	10	MF		R Equipment Lessor	0.2%
2	1	Blind River Golf Course - Maintenance Building	10	MF		R Equipment Lessor	0.2%
3	1	Blind River Public Library	10	MF		R Equipment Lessor	0.2%
4	1	Blind River Marina	10	MF		R Equipment Lessor	0.2%
5	1	Blind River Seniors Cultural Centre	10	MF		R Equipment Lessor	0.2%
6	1	Blind River Sewage Treatment Plant	10	MF		R Equipment Lessor	0.2%
7	1	Blind River Tennis Courts	7	MF		R Equipment Lessor	0.2%
8	1	Blind River Town Hall	10	MF		R Equipment Lessor	0.2%
9	1	Blind River Water Treatment Plant	10	MF		R Equipment Lessor	0.2%
10	1	Blind River Community Centre	150	F		R Equipment Lessor	3.5%
11	1	Blind River GTEC	106	F		G Equipment Lessor	2.5%
12	1	Blind River Landfill	10	MF		G Equipment Lessor	0.2%
24	12	Blind River & MFN Residential	68	MF		G Equipment Lessor	1.6%
68	44	Blind River & MFN Residential	281	MF		R Equipment Lessor	6.5%
99	31	Rainy River District	310	MF		G Project Owner	7.1%
109	10	Sudbury-Maintoulin Region	100	MF		G Project Owner	2.3%
117	8	London-Waterloo Region	80	MF		G Project Owner	1.8%
118	1	Blind River North Shore Health Network	400	F		R 51% Project Partner	9.2%
119	1	Blind River Fixed 200 Project	500	F		G 51% Project Partner	11.5%
120	1	Blind River Fixed 300 Project	500	F		G 51% Project Partner	11.5%
121	1	Blind River Fixed 400 Project	500	F		G 51% Project Partner	11.5%
122	1	Blind River Fixed 100 Project	500	F		G 51% Project Partner, 2018 Q2 Completion	11.5%
123	1	Blind River Tracker Project	500	F		G 51% Project Partner, 2018 Q2 Completion	11.5%
124	1	Delta Project	250	F		G Equipment Lessor	5.8%
			4,341				
	74	Total Blind River Area Projects	3,601				83.0%

# Growth in Generating Assets

Power production for 2013 to 2016 averaged approximately 2.2 million kilowatt-hours. In 2017 our production exceeded 3,000,000 kilowatt-hours with new project additions and in 2018 we hit a record-setting power generation of over 5 million kWh with the completion of all contracted projects.



## The Economic Relationship of North Shore Power Group Inc. and the Town of Blind River

Of the \$49.5 million booked as having been borrowed by NSPG from the Town, the actual amount advanced to NSPG was \$44,469,442. The difference of \$5,030,558 was retained by the Town in order to pay the first CMCH blended loan instalment and to pay toward the GTEC building.

All of the funds advanced to NSPG were allocated to pre-approved projects and operating costs.

NSPG has been making its payments on the full \$49.5 million since 2010. To date, NSPG has paid \$13,054,461 in Principal and \$9,252,550 in Interest. This represents 100% of the payments due to date by the Town to CMHC. NSPG has covered all payments to date and expects to continue to be able to do so.

NSPG has posted several positive financial years in a row. As a result, in June of 2018 the Town and NSPG concluded an Amending Agreement to the loan from the Town to NSPG, whereby NSPG will allocate surplus cash to a Balloon Reserve fund. It is anticipated that the 2018 allocation to this fund will be approximately \$2 million. It will require less than \$1.2 million per year in additional contributions to this account in order for the Balloon Reserve to exceed the Balloon Payment of \$23.4 million due in 2037. Thus, NSPG is prudently saving for the final payment, which is due 18 years from now.

In addition, since 2010 NSPG has paid to the Town:

\$482,407.43 to the BRDC in rent for the use of the GTEC building (Since 2013)

\$205,435.45 to the Town in project Lessee payments where NSPG paid for the generating equipment on Town buildings and the Town leased the equipment

\$89,731.11 to the Town (commencing in 2018) in project revenue sharing arrangements for power plants at the Industrial Park (related to SS5 LP where NSPG is the 51% Partner)

\$34,096.62 in project revenue sharing arrangements for property use at the Industrial Park (related to Saturn and VCT)

And to local residents:

\$214,445 in Equipment Lessee payouts to Blind River area project owners since 2013, on projects where they made zero investment

Total to date: \$1,026,120.61

Thus, NSPG has generated a significant net economic benefit for the Town in addition to:

covering all its own operating costs,

covering all the current CMHC payments,

saving for the deferred Balloon payment,

providing over 30,000 person-hours of construction employment,

providing long term operating and maintenance employment,

facilitating \$23 million worth of power project investments in Blind River,

paying property taxes and water bills.

- On behalf of the entire team at NSPG, we thank you for your interest in our progress and for taking some of your valuable time to come out and hear our presentation.
- Printed presentation copies available for any media, and presentation available for viewing and download on our web site.
- It is now my pleasure to introduce a well-known local executive, Mr. Chris Astles, to provide his views and outlook as our Chair at NSPG.



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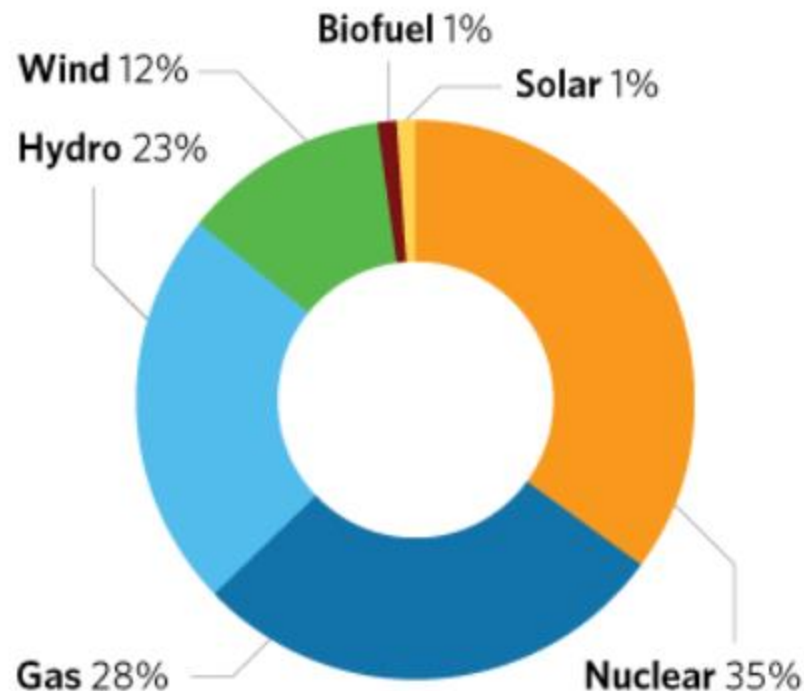
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## NSPG, the Town of Blind River, and the Energy Sector

- I am Chris Astles and I am the GM of the Cameco Uranium refinery here in Blind River
- I also serve as the Board Chair of NSPG and have done so since 2015
- As such, I have had the opportunity to work with our CEO for four years now and I would not hesitate to say that my opinion of his performance is high, and his tireless efforts to create and build NSPG are producing tangible and positive results
- Blind River is the host community to our refinery, which is the world's largest
- Blind River also owns NSPG, which has experienced remarkable growth since it was founded in 2007, and is the leading municipal green energy developer in the north
- This puts our Town in an enviable position as being firmly tied into, and profiting from, the energy sector from different tangents
- This is a core strength for our community, and differentiates us from many other communities in Northern Ontario

## Trends and Opportunities in the Energy Sector

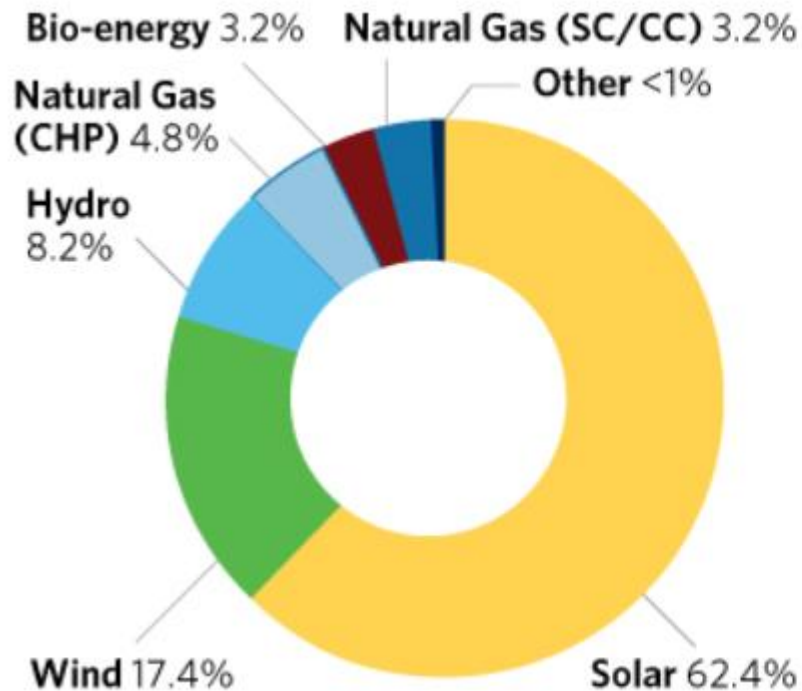
- Cameco has been fortunate to acquire refinery throughput recently from former competitors, which is a positive sign for the our corporate future here.
- There are some interesting broad trends in the energy sector and some significant events on the horizon for Ontario, Cameco and NSPG.
- Of Ontario's total **installed generating capacity on the Transmission System**, nuclear represents 35%, wind 12%, waterpower 23%, gas 28% and solar and biofuels less than 1%



Nuclear	13,009 MW or 35%
Gas/Oil	10,277 MW or 28%
Hydro	8,482 MW or 23%
Wind	4,486 MW or 12%
Biofuel	295 MW or 1%
Solar	380 MW or 1%

## Trends and Opportunities in the Energy Sector

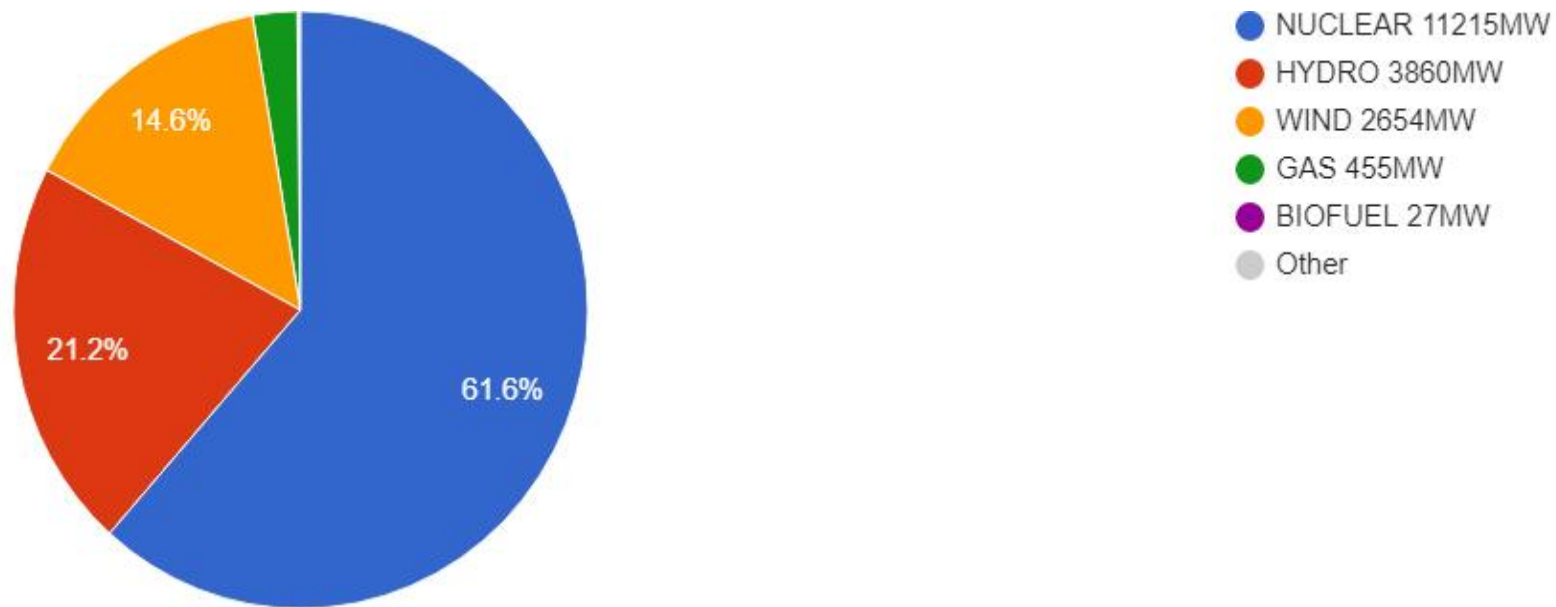
- Most solar projects (over 2,000 mW - including those here in Blind River) are connected to the Distribution System, not the Transmission System
- Solar dominates these generating assets
- Thus they are known as Embedded Generation, as they are connected to the system which was built to deliver power to customers. Here is the **installed generating capacity on the Distribution System**



Solar	2,112.8 MW or 62.4%
Wind	590.5 MW or 17.4%
Hydro	278.3 MW or 8.2%
N. Gas (CHP)	163.1 MW or 4.8%
Bio-energy	110 MW or 3.2%
N. Gas (SC/CC)	108.4 MW or 3.2%
Other	24.2 MW or <1%

## Trends and Opportunities in the Energy Sector

- Of total **generating output**, nuclear is a much higher portion, due to its constant availability and base load utility
- Given the dominance of nuclear power generation in serving Ontario's base load and overall power needs, it is an extremely important part of our energy mix, along with renewables.



## Trends and Opportunities in the Energy Sector

- Ontario will face some tough decisions as the Pickering Nuclear Generating Station continues to age. It can generate 3,100 mW and is one of the largest in the world.
- The Pickering site — which supplies power for 1.5 million homes every day — is responsible for 14 per cent of electricity in our province.
- Ontario Power Generation (OPG) has applied to the federal nuclear safety commission to extend operations at Pickering. The site has six reactors, two of which are expected to be shut down in 2022, and the remaining four are to remain in use until 2024. The first four Pickering reactors began operating in 1971, according to OPG.
- The decisions which must be made in the next five years with regard to replacing the generation from Pickering may produce interesting changes and opportunities for both Cameco and NSPG, and both companies will have Blind River in mind as we move into our energy future.