BORALEX

December 13, 2019

Sent by email (commission.secretary@bcuc.com)

Mr. Patrick Wruck
Commission Secretary
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

Re: Boralex Ocean Falls Limited Partnership (Boralex LP)
Application for Rates and Terms and Conditions for Service to British Columbia Hydro and Power Authority (BC Hydro) (Application)
Boralex LP Reply Submission on Regulatory Process
Project No. 1599046

Dear Mr. Wruck,

Boralex LP writes in response to the submissions dated November 29, 2019 from BC Hydro and BCOAPO et al. (BCOAPO) and to the submission dated December 6, 2019 from the Zone IB Ratepayers Group (ZIBRG) regarding Directive 3 of BCUC Order G-265-19. Directive 3 requests submissions from Boralex LP and registered interveners addressing the three specific regulatory process questions set out in Appendix B to Order G-265-19. Following is Boralex LP's reply to the submissions of BC Hydro, BCOAPO and ZIBRG regarding each of these questions.

1. Whether interveners intend to file intervener evidence and, if so, the subject matter of the evidence and proposed timing of this evidence in the regulatory process.

BC Hydro, BCOAPO and ZIBRG indicate that any decision by them to file intervener evidence will depend on the information provided by Boralex LP during the information request process. Boralex LP submits that if intervener evidence is filed, then the

Boralex – Ocean Falls
General Delivery
Ocean Falls, British Columbia VOT 1P0
Canada

T. 250-289-3868

regulatory process adopted by the Commission should also allow for information requests on that evidence and the opportunity for Boralex LP to file reply evidence following the responses to the information requests.

2. Whether any supplemental information in addition to the item requested in Directive 5 of Order G-265-19 is required at the beginning of the regulatory process. If so, please identify the specific supplemental information and provide a rationale to us to why it is required.

Each of BC Hydro and BCOAPO has provided a description of supplemental information that they say is required at the beginning of the regulatory process prior to the submission of information requests. As alluded to by BCOAPO, it is not clear what is considered supplemental information required at the outset of the regulatory process as opposed to information that could be sought through the information request process. Nevertheless, Boralex LP has responded to the requested supplemental information in Appendix A (BCOAPO) and Appendix B (BC Hydro) to this letter. Boralex LP submits that the Commission should now proceed to establish the regulatory process and associated timetable for the Application.

ZIBRG submits that Boralex LP (and presumably BC Hydro) should identify "the major issues that prevented Boralex and BC Hydro from successfully reaching an agreement on terms for a new EPA and a reasonably detailed explanation of the efforts on both sides to resolve those issues and the reasons those attempts were ultimately unsuccessful". In reply, Boralex LP submits that the various positions and views of Boralex LP and BC Hydro in seeking to negotiate a new long-term EPA are not relevant to the Commission's consideration of the Application. Negotiations, by their very nature, involve give and take and each party will have its own views on what constituted a "major issue" in the negotiations and why the negotiations were "ultimately unsuccessful". Furthermore, the negotiations between Boralex LP and BC Hydro were undertaken pursuant to a confidentiality agreement with the express agreement and understanding of the parties that the negotiations would be strictly confidential.

3. Whether the review of the Application should proceed by way of written public hearing, or some other process. If some other process is proposed, please identify the specific process and the rationale.

Both BC Hydro and BCOAPO propose that initially the Application be reviewed by a written public hearing process with further process to be determined after the information request process. ZIBRG submits that "the presumption should be that an oral hearing will be required", but then says that this determination should be made by the Commission after the information request process.

Boralex LP continues to believe that the most efficient and cost effective regulatory review process for the Application is a written hearing process, and one that

Boralex – Ocean Falls
General Delivery
Ocean Falls, British Columbia VOT 1P0
Canada

T. 250-289-3868

recognizes that Boralex LP is a very small utility and that there is only one customer (i.e., BC Hydro) whose rates are the subject of the Application.

BC Hydro is already extremely familiar with the Ocean Falls facilities. BC Hydro has been acquiring power from these facilities for over 30 years. Most recently BC Hydro was also involved in extensive negotiations with Boralex LP between the fall of 2015 and the spring of 2019 regarding the terms and conditions, including rates, for a new EPA, which included a site visit to the Ocean Falls facilities by BC Hydro staff and third-party engineering experts retained by BC Hydro[1]. Given the detailed information contained in the Application and BC Hydro's knowledge of the facilities, Boralex LP submits that one round of information requests, and not two as proposed by BC Hydro, should be sufficient for BC Hydro to obtain any further information necessary to clarify the information provided in the Application and facilitate a better understanding of the applied-for rates.

ZIBRG cites public hearings held by the Commission to consider BC Hydro's 2007 Rate Design Application, and the establishment of BC Hydro Rate Zone IB as part of those proceedings, to support an oral hearing for the present Application. It is not apparent why the nature of the process adopted by the Commission to consider a broad BC Hydro rate design application in 2007 is relevant to the appropriate process for Boralex LP's Application. Moreover, ZIBRG is a customer group of BC Hydro, not of Boralex LP. The rates charged by BC Hydro to its customers, and the rate design for those rates (including customers in Zone IB and Zone II), are not issues in this proceeding.

Yours truly,

Boralex Ocean Falls Limited Partnership

Maxime Tremblay, ing.
Regional Manager, wind and hydro
maxime.tremblay@boralex.com

[1] BC Hydro letter to the Commission dated July 31, 2018 (Project 1598947).

Boralex – Ocean Falls
General Delivery
Ocean Falls, British Columbia VOT 1P0
Canada

T. 250-289-3868

Appendix A
Information Requested by BCOAPO

1. The rates currently applicable to BC Hydro under the existing EPA.

The most recent rates that were applicable to BC Hydro under the EPA that expired on July 31, 2019 were set out in an EPA amending agreement dated July 1, 2018 between Boralex LP and BC Hydro (Amendment Agreement #3) that was filed by BC Hydro with the Commission under Section 71 of the Utilities Commission Act. The Commission accepted Amendment Agreement #3 for filing pursuant to Order E-18-18 dated June 18, 2018, which also ordered that the Commission will hold confidential the un-redacted version of Amendment Agreement #3 (which contains the pricing provisions) that was filed by BC Hydro. The EPA rates are not, in any event, comparable to the applied-for rates and therefore do not provide a basis on which to assess the reasonableness of the applied-for rates. The EPA rates were determined on a negotiated basis based on negotiations that took place over 20 years ago. In contrast, the applied-for rates have been determined on a utility cost of service basis based on the historical depreciated cost of the Ocean Falls facilities and Boralex's forecast revenue requirement for each of 2019 (six months), 2020, 2021 and 2022.

For the foregoing reasons, Boralex LP has not provided the rates that were applicable to BC Hydro under the expired EPA. However, to allow parties to assess the reasonableness of the applied-for rates, the Application does contain detailed historical financial information, including annual capital expenditures incurred by Boralex LP from the time it acquired the Ocean Falls facilities in 2009, historic operating and maintenance costs, and historic revenue and energy sales from Boralex LP's service to BC Hydro and its other customers in Ocean Falls.

2. The rate increase (%) for BC Hydro associated with the proposed rates for each year of the Application (i.e., the ratio of revenues at proposed rates vs. revenues at current rates using forecast BC Hydro usage).

Please see response 1 above.

3. Affiliate Transaction Details:

(a) More detailed breakdown of the Corporate Services sub-component of Corporate Services (per Table 27);

A more detailed breakdown of the Corporate Services sub-component of Corporate Services (Table 27) is as follows:

Corporate Services by Department				
Department	**2019 (Q3-Q4)**	**2020**	**2021**	**2022**
Accounting	$47,297	$97,432	$100,355	$103,366
Finance & Tax	$1,550	$3,193	$3,289	$3,388
Communications	$1,059	$2,182	$2,248	$2,315
Human Resources	$4,711	$9,704	$9,995	$10,295

Legal	$1,485	$3,059	$3,151	$3,245
Information Technology	$1,832	$3,773	$3,886	$4,003
Development	$2,640	$5,438	$5,602	$5,770
Regulatory Affairs	$0	$137,863	$141,999	$146,259
TOTAL	**$60,574**	**$262,646**	**$270,525**	**$278,641**

(b) Detailed breakdown of historic Corporate Services costs (Table 26) equivalent to forecast (per Table 27).

The historic amounts for Corporate Services costs shown in Table 26 reflects only a small general fee for corporate services (approximately $35,000 per annum) and an allocation of certain engineering costs. The historic amounts do not reflect the actual cost of the various services provided by Boralex Inc. to Boralex LP. Historically, Boralex Inc. did not charge Boralex LP for the full cost of the Corporate Services because Boralex Inc. owns 100% of Boralex LP and Boralex LP's rates for sales to BC Hydro were fixed under the 1986 EPA (and not determined on a utility cost of service basis). Consequently, charging for these services would have simply increased Boralex LP's costs with no corresponding increase in revenue and would have had no net financial impact on Boralex Inc.'s consolidated earnings.

Accordingly, a breakdown of the 2016, 2017 and 2018 costs (Table 26) equivalent to the forecast costs (Table 27) is not possible. The forecast amount of these costs has now been included in the revenue requirement (determined on the basis described in response 4 below), as they constitute the forecast cost of services that are required by Boralex LP to carry on its utility business and operations at Ocean Falls.

4. Corporate Services Allocation Model – a description of the methodology used to determine the portion of Boralex Inc.'s Corporate Services cost that would be recovered from Boralex LP in each of the test years.

The methodology used to determine the portion of Boralex Inc.'s Corporate Services cost to be recovered from Boralex LP is based on a forecast of the amount of time spent by each Boralex Inc. department on Boralex L.P. and Ocean Falls matters in each of the test years. The methodology and process used to determine the cost can be summarized as follows:

(a) All Boralex Inc. department heads were canvassed to ascertain whether the department, and if so who in the department, provides support or services to Boralex LP on a regular basis.

(b) All individuals within each identified department who provide support or services to Boralex LP on a regular basis were contacted to obtain (i) the nature of the support or services provided or work performed, and (ii) the estimated number of hours on an annual basis. The estimated number of hours had regard for the forecast level of activity, including the capital program to be undertaken over the

period covered by the Application and Commission regulation of the rates and terms and conditions of service to BC Hydro.

(c) An average hourly rate (including benefits) per employee category was then applied based on the salary (and benefits) of that employee category.

(d) The estimated hours by department employee were then multiplied by the applicable average hourly rates for the employee to arrive at individual employee costs.

(e) The individual employee costs within each department were then totaled to arrive at the total department cost.

(f) The total Corporate Services costs to be recovered from Boralex LP were then arrived at by totalling the individual department costs.

5. Working Capital Requirements documentation supporting the $400,000 working capital allowance (page 29).

Boralex LP estimated its working capital requirements of $400,000 by first calculating the difference between its balance sheet receivables and its balance sheet payables over the past five years. The calculation is presented in the table below which shows an average working capital requirement of $380,000 from 2014 to 2017. Boralex LP excluded 2018 from the calculation due to the abnormally higher payables recorded on the balance sheet at year end.

In estimating its forecast working capital requirements, Boralex LP then added only $20,000 to the past average working capital amount notwithstanding the planned capital program which is expected to create a significant additional demand for working capital over the forecast period.

	Receivables	Payables	Working Capital Need
2018	$ 259	$ 1,689	$ 1,430
2017	$ 366	$ 799	$ 433
2016	$ 247	$ 403	$ 156
2015	$ 243	$ 726	$ 483
2014	$ 278	$ 727	$ 449
2014-17 Working Capital Requirement			**$ 380**

6. Asset Condition Assessment, Engineering Assessments and Inspection Reports – at various places in the Application (e.g., pages 22, 23, 24 and 27) reference is made to engineering assessments, inspections and asset condition assessments that support the proposed spending on capital additions.

The following third party engineering assessment and inspection reports support the planned capital projects and associated forecast costs set out in the Application:

1. GAP Analysis dated May 31, 2016 prepared by Prime Engineering Ltd. which informs the planned upgrades and replacements to the powerhouse and substation electrical facilities and equipment described in the Application.

2. Penstock 2 Technical Inspection and Assessment Report dated July 3, 2019 prepared by BBA Engineering.

3. Penstock 2 Failure Mode and Effects Analysis (FMEA) dated September 23, 2019 prepared by BBA Engineering which, together with the above Engineering Technical Inspection and Assessment Report, informs the planned multi-year Penstock 2 Rehabilitation Project and associated forecast costs set out in the Application.

4. Dam Condition Assessment Report and Dam Stability Report each dated August 2019 prepared by CIMA+ Engineering which will inform future dam related work to be undertaken by Boralex LP.

These reports contain commercially sensitive technical and financial information and as such have been filed confidentially with the Commission by separate letter. Boralex LP has no objection to the reports been made available to interveners in this proceeding who sign and file a Confidentiality Declaration and Undertaking Form with the Commission in accordance with the Commission's Rules of Practice and Procedure.

Appendix B
Information Requested by BC Hydro

1. Actual operating expenditures, by category of expense, for the last five years.

The Application contains operating expenditures, by category of expense, for the last three years (i.e., 2016, 2017 and 2018) (Table 26). The requested actual operating expenditures for 2014 and 2015 are as follows:

O&M Line Item	**2014**	**2015**
Employee Costs	$478	$625
Maintenance and Repairs		
Control Systems	$82	$110
Machinery	$26	$35
Turbines-Generators	$76	$97
Heavy machinery & Mobile Equipment	$20	$26
Dam, Buildings and Land	$27	$28
Oil, Fuel and BC Hydro Power	$7	$17
Health, Safety and Environment	$7	$6
Insurance	$130	$137
Permits and Land Rights	$4	$6
Third Party Services	$25	$30
Regulatory Costs	$52	$23
Total O&M Expenses	**$934**	**$1,139**

2. Corporate financial statements (i.e., balance sheets, income statements, and cash flow statements), prepared by a Certified Accountant for the last five years.

Boralex LP's Audited Financial Statements for 2018 are attached as Appendix C to the Application. Boralex LP's Audited Financial Statements for each of 2014, 2015, 2016 and 2017 are attached.

3. All annual and long term capital plans that have been prepared in the last five years and the most recent capital expenditure forecast for the next 20 years.

Boralex LP does not have formal long term capital plans for the Ocean Falls facilities outside of the information, which is no longer current, that was provided to BC Hydro during the course of the confidential EPA negotiations between Boralex LP and BC Hydro. With regard to assessing Boralex LP's forecast capital expenditures through to the end of 2022, Boralex LP has provided in the Application a year-by-year description of the capital projects and associated expenditures required to maintain safe and reliable service at Ocean Falls. Further details regarding the planned capital projects and

expenditures are set out in the financial model filed by Boralex LP with the Commission on November 25, 2019.

4. The capital plan at the time of Boralex's acquisition of the Ocean Falls facility in 2009.

A formal capital plan was not prepared at the time of Boralex's acquisition of the Ocean Falls facilities in 2009. Details regarding the actual capital projects undertaken by Boralex LP since 2009 are set out in Section 7.2 of the Application. These include projects that were anticipated at the time of acquisition and projects that were not anticipated at the time of acquisition.

5. All asset condition assessments completed by Professional Engineers since Boralex considered acquiring the facility in 2007/08 through to the present.

Please see response to BCOAPO request 6 for the most recent and relevant third party engineering reports.

Audited Financial Statements
2014 - 2017

2014 Audited Financial Statements

Boralex Ocean Falls Limited Partnership

Financial Statements

As at December 31, 2014

(Expressed in thousands of Canadian dollars)

March 16, 2015

Independent Auditor's Report

To the Partners of Boralex Ocean Falls Limited Partnership

We have audited the accompanying financial statements of Boralex Ocean Falls Limited Partnership, which comprise the statement of financial position as at December 31, 2014 and the statements of earnings and comprehensive income, changes in equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2800, Montréal, Quebec, Canada H3B 2G4
T: +1 514 205 5000, F: +1 514 876 1502, www.pwc.com/ca

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Boralex Ocean Falls Limited Partnership as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, public accountancy permit No. A126402

Table of contents

Statements of Financial Position

(in thousands of Canadian dollars)	Note	As at December 31, 2014	As at December 31, 2013
ASSETS			
Cash		572	459
Trade and other receivables	5	278	298
Other current assets		23	17
CURRENT ASSETS		873	774
Property, plant and equipment	6	17,416	17,580
Energy sales contract	7	770	824
Water rights	7.	2,278	2,437
Other non-current assets		217	205
NON-CURRENT ASSETS		20,681	21,046
TOTAL ASSETS		21,554	21,820
LIABILITIES			
Trade and other payables	8	727	760
Current portion of debt	9	711	666
CURRENT LIABILITIES		1,438	1,426
Non-current debt	9	7,969	8,614
NON-CURRENT LIABILITIES		7,969	8,614
TOTAL LIABILITIES		9,407	10,040
EQUITY			
Equity attributable to partners		12,147	11,780
TOTAL EQUITY		12,147	11,780
TOTAL LIABILITIES AND EQUITY		21,554	21,820

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

Statements of Earnings and Comprehensive Income

(in thousands of Canadian dollars)	Note	2014	2013
REVENUES			
Revenues from energy sales		2,797	2,774
		2,797	2,774
COSTS AND OTHER EXPENSES			
Operating	11	992	1,191
Administrative	11	35	73
Amortization		739	748
		1,766	2,012
OPERATING INCOME		1,031	762
Financing costs	12	664	662
NET EARINGS AND COMPREHENSIVE INCOME		367	100

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

Statements of Changes in Equity

(in thousands of Canadian dollars)	Partners' capital (note 10)	Deficit	2014 Total equity
BALANCE AS AT JANUARY 1, 2014	13,440	(1,660)	11,780
Net earnings and comprehensive income	—	367	367
BALANCE AS AT DECEMBER 31, 2014	13,440	(1,293)	12,147

(in thousands of Canadian dollars)	Partners' capital (note 10)	Deficit	2013 Total equity
BALANCE AS AT JANUARY 1, 2013	13,440	(1,760)	11,680
Net earnings and comprehensive income	—	100	100
BALANCE AS AT DECEMBER 31, 2013	13,440	(1,660)	11,780

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

Statements of Cash Flows

(in thousands of Canadian dollars)	Note	2014	2013
Net earnings		367	100
Financing costs	12	664	662
Interest paid		(600)	(643)
Non-cash items in earnings:			
Amortization		739	748
		1,170	867
Change in non-cash items related to operating activities	13	14	(127)
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES		1,184	740
Additions to property, plant and equipment		(353)	(384)
Change in reserve funds		(52)	—
NET CASH FLOWS RELATED TO INVESTING ACTIVITIES		(405)	(384)
Repayments on non-current debt		(666)	(624)
NET CASH FLOWS RELATED TO FINANCING ACTIVITIES		(666)	(624)
NET CHANGE IN CASH		113	(268)
CASH - BEGINNING OF YEAR		459	727
CASH - END OF YEAR		572	459

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

Notes to Financial Statements

As at December 31, 2014

(Tabular amounts are in thousands of Canadian dollars, unless otherwise specified.)

Note 1. Nature of Business

Boralex Ocean Falls Limited Partnership (the "Partnership") was formed on May 22, 2008 as a limited partnership under the *Partnership Act* (British Columbia). The registered office of the Partnership is located at 1500-1040 West Georgia Street, Vancouver, British Columbia, Canada. The General Partner of the Partnership is Boralex Western Energy Inc., incorporated under the *Canada Business Corporations Act*, and the Limited Partner of the Partnership is Boralex. Inc., incorporated under the *Canada Business Corporations Act*. The Partnership is dedicated to the operation of a hydroelectric power station with a total installed capacity of 14.5 megawatts ("MW").

(The data expressed in MW contained in note 1 have not been audited by the auditors.)

Note 2. Basis of presentation

These audited financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB") and set out in the *CPA Canada Handbook*, including International Accounting Standards ("IAS") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of financial statements, and IAS 1, *Presentation of Financial Statements*. The Partnership has consistently applied the same accounting policies for all of the periods presented except for the new standards adopted during the year.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Partnership's accounting policies. These areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The Management Committee approved these financial statements on March 16, 2015.

Note 3. Significant Accounting Policies

The significant accounting policies used to prepare these audited financial statements are as follows:

Measurement Basis

The financial statements have been prepared on a going concern basis, under the historical cost method.

Functional and Reporting Currency

These financial statements are presented in Canadian dollars, which is the Partnership's functional currency.

Financial Instruments

Financial assets and liabilities are recognized when the Partnership becomes a party to the contractual provisions of the instrument. Financial assets are removed from the statement of financial position when the rights to receive cash flows from the assets have expired or have been transferred and the Partnership has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is extinguished, cancelled or terminated.

Classification of Financial Instruments

The Partnership classifies its financial instruments by category according to their nature and their characteristics. Management determines the classification of its financial assets and liabilities upon initial recognition. The Partnership classifies its financial assets and liabilities in the following categories:

(a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented in current assets when recoverable within 12 months following the end of the reporting period. Otherwise, they are classified as non-current assets. Financial instruments classified in this category include *Cash* and *Trade and other receivables*. Loans and receivables are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method less allowances for doubtful accounts.

(b) Other Liabilities at Amortized Cost

Other liabilities are recognized initially at fair value and transaction costs are deducted from this fair value. Subsequently, other liabilities are measured at amortized cost. The difference between the initial carrying amount of other liabilities and their repayment value is recognized in net earnings over the term of the contract using the effective interest method. Other liabilities are presented in current liabilities when they are repayable within 12 months following the end of the reporting period. Otherwise, they are classified as non-current liabilities. This item includes *Trade and other payables* and *Non-current debt*.

Cash

Cash includes cash on hand and bank balances.

Property, Plant and Equipment

Property, plant and equipment, consisting mainly of the power station, are recorded at cost less accumulated amortization and impairment losses, including interest incurred during the construction period. Amortization begins on the date the assets are commissioned using the following methods:

Hydroelectric Power Station

The hydroelectric power station is amortized by component using the straight-line method over his useful life of 40 years.

Major Maintenance

Major maintenance work is capitalized and amortized using the straight-line method over the scheduled maintenance frequency, that is a useful life of approximately five years.

Useful lives, residual values and amortization methods are reviewed every year according to asset type, expected usage and changes in technology.

Energy Sales Contract

Acquisition costs for the power sales contract is amortized on a straight-line basis over the remaining contract terms, which is 20 years.

Water Rights

The water rights are amortized on a straight-line basis over the remaining contract term, which is 20 years.

Borrowing Costs

The Partnership capitalizes costs directly attributable to the acquisition, construction or production of qualifying assets during their active construction. Other borrowing costs are expensed during the period in which they are incurred.

Impairment of Assets

Non-current assets with finite useful lives are tested for impairment when particular events or changes in circumstances indicate that their carrying amount might not be recoverable. An impairment loss is recognized when the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is the higher of that asset's fair value less costs of disposal and its value in use.

At the end of each reporting period, if there is any indication that an impairment loss recognized in a prior period no longer exists or has decreased, the loss is reversed up to its recoverable amount. The carrying amount following the reversal must not be higher than the carrying amount that would have prevailed (net of amortization) had the original impairment has not been recognized in prior periods.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. To calculate value in use, estimated future cash flows are discounted to their present value using a discount rate that reflects changes in the time value of money and the risks specific to the asset. When determining fair value less cost to sell, the Partnership considers whether there is a current market price for the asset. Otherwise, the Partnership uses a revenue approach, which is based on the present value of future cash flows generated by an asset. The discounted cash flow method consists of projecting cash flows and converting them into present values by applying discount rates.

Provisions

A provision is recognized in the statement of financial position when the Partnership has a legal or constructive obligation as a result of a past event and it is probable that settlement of the obligation will require a financial payment or cause a financial loss, and a reliable estimate can be made of the amount of the obligation. If the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recorded in the statement of financial position as a separate asset, but only if it is virtually certain that reimbursement will be received. Provisions are measured using the Partnership management's best estimate as to the outcome based on known facts as at the reporting date.

Decommissioning Liability

A decommissioning liability is recognized at fair value in the period during which a legal or constructive obligation is incurred, when the amount of the liability can be reliably estimated and it is probable that the settlement of the obligation will require a financial payment. Decommissioning costs are capitalized into the value of the related asset, and are amortized over the asset's remaining useful life. The liability is discounted using a risk-free interest rate.

The Partnership has no obligation to decommission the hydroelectric power station. The likelihood of such an obligation arising is low since the decommissioning of such facilities would have significant consequences on the ecosystem and economic life in surrounding areas. It is usually more beneficial for the environment, local residents and companies to keep the dam. Given this low likelihood, no provision has been recognized.

Taxes

Income taxes attributable to the earnings of the Partnership are assumed by its Partners.

Distributions

Distributions are recognized in the financial statements in the period in which the distributions are approved by the Partners.

Equity

Partners' capital is presented at the value at which the units were issued. Costs related to the issuance of units attributable to the Partners are presented in equity as a deduction from issuance proceeds.

Revenues from Energy Sales

The Partnership recognizes its revenues, which consist of product sales, when persuasive evidence of an arrangement exists, the goods are delivered, the significant risks and benefits of ownership are transferred, the price is fixed or determinable and collection of the resulting receivable is reasonably assured.

Changes in Accounting Policies

IFRIC 21, *Levies*

In May 2013, the IASB issued IFRIC 21, *Levies*, which is an interpretation of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, on the accounting for levies imposed by governments. IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and must be applied retrospectively. On January 1, 2014, the Partnership adopted this new standard, and this change had no material impact on the Partnership's financial statements.

IFRS 13, *Fair Value Measurement*

In December 2013, the IASB amended IFRS 13 to clarify that an entity is not required to recognize short-term receivables and current debt with no stated interest rate at an amount lower than the stated invoice amount when the impact of discounting is immaterial.

The IASB also amended this standard to clarify that the exception for portfolios applies to all contracts that fall within the scope of IAS 39, *Financial Instruments: Recognition and Measurement*, or IFRS 9, *Financial Instruments*, whether or not these contracts meet the definition of a financial asset or liability pursuant to IAS 32, *Financial Instruments: Presentation*.

On June 1, 2014, the Partnership early adopted this amended standard, and this change had no impact on the Partnership's financial statements.

Future Changes in Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, IASB completed its three-phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, by issuing IFRS 9, *Financial Instruments*. IFRS 9 addresses the classification and measurement of financial assets and liabilities, and introduces a forward-looking expected credit loss impairment model and a substantially reformed hedge accounting model.

To determine whether a financial asset should be measured at amortized cost or at fair value, IFRS 9 uses a new approach that replaces the multiple rules of IAS 39. The approach recommended by IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of financial assets. Most of the requirements of IAS 39 for the classification and measurement of financial liabilities are carried forward in IFRS 9. However, the portion of the changes in fair value related to the entity's own credit risk, in measuring a financial liability at fair value through profit or loss, will be presented in *Accumulated other comprehensive income (loss)* instead of in the statement of earnings (loss).

IFRS 9 also sets out an expected credit loss impairment model that will require more timely recognition of credit losses. More specifically, the new standard requires entities to account for expected credit losses upon initial recognition of financial instruments, and to recognize lifetime credit losses on a timely basis.

Last, IFRS 9 introduces a new hedge accounting model together with corresponding disclosure requirements about risk management activities. The new hedge accounting model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements.

IFRS 9 will be effective for the Partnership's fiscal year beginning on or after January 1, 2018, but earlier adoption is permitted. The Partnership is currently assessing the impact of adopting this standard on its financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, a new standard that specifies the steps and timing for issuers to recognize revenue as well as requiring them to provide more informative, relevant disclosures. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. This standard supersedes IFRS 11, *Construction Contracts*, IAS 18, *Revenue*, as well as various interpretations regarding revenue. IFRS 15 is effective for fiscal years beginning on or after January 1, 2017 with earlier adoption permitted. The Partnership is currently assessing the impact of adopting this standard on its financial statements.

Note 4. Main Sources of Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that can materially affect the recognized amounts of revenues, expenses, comprehensive income, assets and liabilities, and the information reported in the financial statements.

The following items require management to make the most critical estimates and judgments.

Main Sources of Uncertainty Relating to Management's Estimates

Management determines its estimates based on a number of factors, namely its experience, current events and measures the Partnership could subsequently take, as well as other assumptions it deems reasonable given the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results may differ from them. Underlying estimates and assumptions are periodically reviewed and the impact of any changes is recognized immediately.

Impairment of Assets

At each reporting date, if any evidence of impairment exists, the Partnership must perform impairment tests on its assets with finite useful lives to assess whether their carrying amounts are recoverable. Impairment tests require the use of various assumptions based on management's best estimates.

Recoverable Amount

Recoverable amounts are determined using value-in-use calculations based on cash flows discounted over a five-year period that factor in current economic conditions and management's estimates based on past experience. Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including market and production estimates, together with economic factors such as selling prices, production cost estimates, future capital expenditure, after-tax discount rates, the growth rate and useful lives.

Discount Rate

The discount rate estimated and used by management represents the weighted average cost of capital. The growth rate is determined based on past experience, economic trends as well as market and industry trends. Management believe that such assumptions are reasonable.

Useful Lives of Property, Plant and Equipment and Intangible Assets with Finite Useful Lives

In determining the useful lives of property, plant and equipment and intangible assets with finite useful lives, management takes into account estimates of the expected use period of the asset. Such estimates are reviewed annually and the impacts of any changes are accounted for prospectively.

Fair Value of Financial Instruments

Fair value is determined using discounted cash flow models. Fair value determined using such valuation models requires the use of assumptions concerning the amount and timing of estimated future cash flows, as well as for numerous other variables. These assumptions are determined using external, readily observable market inputs. Since they are based on estimates, fair values may not be realized in an actual sale or immediate settlement of the instruments. See note 14 for a more detailed explanation of the bases for the calculations and estimates used.

Main Sources of Uncertainty Relating to Management's Key Judgments

Evidence of Asset Impairment

At each reporting date, management is required to use its judgment to assess whether there is any evidence that property, plant and equipment and intangible assets may be impaired. If applicable, the Partnership performs impairment tests on its assets to assess whether the carrying amounts of assets are recoverable. As described in the previous section, various estimates made by management are used in the impairment tests.

Management is required to exercise judgment and assess whether any events or changes in circumstances could have affected the recoverability of the carrying amount of assets. In making these assessments, management uses various indicators including, but not limited to, adverse changes in the industry or economic conditions, changes in the degree or method of use of the asset, a lower-than-expected economic performance of the asset or a significant change in market returns or interest rates.

Note 5. Trade and Other Receivables

	As at December 31, 2014	As at December 31, 2013
Trade receivables - net	266	295
Other receivables	12	3
	278	298

All these amounts have current maturities. Their net carrying amounts reasonably approximate their fair values.

The Partnership has not recorded any provision for these receivables given the clients' high credit ratings. As at December 31, 2014, approximately 4% of *Trade and other receivables* (2% as at December 31, 2013) were outstanding for more than 90 days since invoice date, while approximately 95% of accounts (87% as at December 31, 2013) were current (under 30 days).

Note 6. Property, Plant and Equipment

Year ended December 31, 2013	
Balance - beginning of year	17,757
Additions	357
Amortization	(534)
Balance - end of year	17,580
As at December 31, 2013	
Cost	19,814
Accumulated amortization	(2,234)
Net carrying amount	17,580
Year ended December 31, 2014	
Balance - beginning of year	17,580
Additions	362
Amortization	(526)
Balance - end of year	17,416
As at December 31, 2014	
Cost	20,176
Accumulated amortization	(2,760)
Net carrying amount	17,416

Amortization of property, plant and equipment is presented under *Amortization*.

An amount of $9,000 relating to additions to property, plant and equipment was still unpaid as at December 31, 2014 (nil as at December 31, 2013) and included under *Trade and other payables*.

Note 7. Energy Sales Contract and Water Rights

	Energy sales contract	Water rights
Year ended December 31, 2013		
Balance - beginning of year	878	2,597
Amortization	(54)	(160)
Balance - end of year	824	2,437
As at December 31, 2013		
Cost	1,080	3,197
Accumulated amortization	(256)	(760)
Net carrying amount	824	2,437
Year ended December 31, 2014		
Balance - beginning of year	824	2,437
Amortization	(54)	(159)
Balance - end of year	770	2,278
As at December 31, 2014		
Cost	1,080	3,197
Accumulated amortization	(310)	(919)
Net carrying amount	770	2,278

Amortization of energy sales contract and water rights are included under *Amortization*.

Note 8. Trade and Other Payables

	As at December 31, 2014	As at December 31, 2013
Trade payables	48	22
Related party payables (note 18)	610	663
Accrued liabilities and other payables	69	75
	727	760

Note 9. Non-Current Debt

	Maturity	Rate	As at December 31, 2014	As at December 31, 2013
Term loan payable	2024	6.55%	8,848	9,514
Current portion of debt			(711)	(666)
Borrowing cost, net of accumulated amortization			(168)	(234)
			7,969	8,614

This loan payable, secured by all of the assets, bears interest at a fixed rate of 6.55% with monthly payments of principal and interest. The credit agreement allows for early repayment, subject to the payment of a premium calculated on the date of repayment as the difference, if any, between the balance of the debt and the future cash flows discounted using the rate of Government of Canada bonds with a similar term plus 0.5%.

Financial Ratios and Guarantees

The debt agreement includes a debt service ratio, that the Partnership must meet on a quarterly, semi-annual and annual basis. As at December 31, 2014, the Partnership was in compliance with its financial ratio requirement.

Note 10. Partners' Capital

The authorized capital of the Partnership's capital consists of 1,000,100 units divided in two separate classes (100 General Partnership Units and 1,000,000 Limited Partnership Units).

The Partnership's capital consists of 601,286 units for a total amount of $13,440,000.

Note 11. Expenses by Nature

Operating and Administrative

	2014	2013
Maintenance and repairs	232	290
Employee benefits	214	217
Property and school taxes	94	91
Insurance	130	126
Management fees	262	396
Professional fees	63	13
Other expenses	32	131
	1,027	1,264

Employee Benefits

	2014	2013
Current salaries and benefits	156	157
Other post-employment benefits	58	60
	214	217

Note 12. Financing Costs

	2014	2013
Interest on non-current debt	600	642
Interest and other interest income	(2)	(3)
Amortization of borrowing costs	66	23
	664	662

Note 13. Change in Non-cash Items Related to Operating Activities

	2014	2013
Decrease (increase) in:		
Trade and other receivables	60	38
Other current assets	(6)	1
Decrease in:		
Trade and other payables	(40)	(166)
	14	(127)

Note 14. Financial Instruments

The classification of financial instruments, complete with the respective carrying amounts and fair values, is as follows:

	As at December 31, 2014		As at December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
OTHER LIABILITIES				
Non-current debt	8,680	10,036	9,280	10,480

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of *Cash, Trade and other receivables* and *Trade and other payables* approximate their carrying amounts due to their short-term maturities.

The fair value of *Non-current debt* is essentially based on the calculation of discounted cash flows. Discount rates of 3.77% were determined based on local government bond yields adjusted for the risks specific to the borrowing and for credit market liquidity conditions.

Hierarchy of Financial Assets and Liabilities Measured at Fair Value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Financial instruments for which fair value is disclosed in financial statements are classified according to the following hierarchy of levels:

- Level 1: Consists of measurements based on quoted prices (unadjusted) in markets for identical assets or liabilities;
- Level 2: Consists of measurement techniques based mainly on inputs, other than quoted prices, that are observable either directly or indirectly in the market;
- Level 3: Consists of measurement techniques that are not based mainly on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the financial instrument fair value measurement in its entirety.

For *Non-current debt*, the Partnership classified the fair value measurements as Level 2 since they are based mainly on observable market data, namely government bond yield.

The following table classifies the Partnership's financial instruments by level in the fair value hierarchy:

		Fair value hierarchy level		
	As at December 31, 2014	Level 1	Level 2	Level 3
OTHER LIABILITIES				
Non-current debt	10,036	—	10,036	—

		Fair value hierarchy level		
	As at December 31, 2013	Level 1	Level 2	Level 3
OTHER LIABILITIES				
Non-current debt	10,480	—	10,480	—

Note 15. Financial Risks

The Partnership is exposed, in the normal course of business, to various financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk.

Market Risk

Price Risk

The Partnership has a long-term indexed fixed-price power sale contract immune to fluctuations in electricity prices. The Partnership is thus not significantly exposed to price risk.

Interest Rate Risk

The term loan payable bears interest at a fixed rate. The Partnership is thus not significantly exposed to interest rate risk.

Credit Risk

Credit risk stems primarily from the potential inability of clients to meet their obligations. Given the nature of the Partnership's business, its clients are few in number and their credit ratings are generally high. The electricity markets that the Partnership serves are limited essentially to a monopole and, to a lesser degree, to private customers. The Partnership regularly monitors the financial condition of these clients.

Liquidity Risk

Liquidity risk is the risk that the Partnership will experience difficulty meeting its obligations as they fall due. The Partnership manages cash resources based on financial forecasts and expected cash flows.

The contractual maturities of the Partnership's financial liabilities are detailed in the following tables:

		Undiscounted cash flows (principal and interest)				
As at December 31, 2014	Carrying amount	Under 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Financial liabilities:						
Trade and other payables	727	727	—	—	—	727
Non-current debt	8,680	1,270	1,270	3,809	5,501	11,850
	9,407	1,997	1,270	3,809	5,501	12,577

		Undiscounted cash flows (principal and interest)				
As at December 31, 2013	Carrying amount	Under 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Financial liabilities:						
Trade and other payables	760	760	—	—	—	760
Non-current debt	9,280	1,270	1,270	3,809	6,770	13,119
	10,040	2,030	1,270	3,809	6,770	13,879

Undiscounted cash flows of financial liabilities are determined using expected principal repayments and interest payments.

Note 16. Capital Management

The Partnership's objectives, when managing its capital represented by Partners' investment and *Non-current debt*, are as follows:

- Safeguard its ability to pursue its operations;
- Maintain sufficient liquidity to meet its debt service ratio;
- Provide steady distributions to its Partners; and
- Mitigate the seasonal nature of hydroelectricity.

The Partnership monitors capital on a quarterly, semi-annual and annual basis based on various financial ratios and non-financial performance indicators. The Partnership is also required to meet a debt service ratio under its financing arrangement. More specifically, the Partnership must maintain a debt service coverage ratio of at least 1.28 before it can distribute cash to its Partners.

Note 17. Commitments

Energy Sales Contract

The Partnership is committed to selling 100% of its power output (subject to certain minimum criteria) under a long-term contract maturing in 2016. This contract provides for annual indexation based on the Consumer Price Index ("CPI").

Note 18. Related Party Transactions

Details of related party transactions are as follows:

	2014	2013
COSTS AND OTHER EXPENSES		
Operating - Cascades - Affiliate	15	(9)
Operating - Boralex Inc. - Partner	410	526

These transactions were made on terms equivalent to those that prevail under normal terms in arm's length transactions.

Payables arising from the above transactions at the end of the fiscal year are as follow:

	As at December 31, 2014	As at December 31, 2013
RELATED PARTY PAYABLE		
Boralex Inc. - Partner	608	663
Cascades - Affiliate	2	—
	610	663

Related party payables are due 30 and 45 days following the purchase.

2015 Audited Financial Statements

Boralex Ocean Falls Limited Partnership

Financial Statements

As at December 31, 2015

(Expressed in thousands of Canadian dollars)

March 31, 2016

Independent Auditor's Report

To the Partners of
Boralex Ocean Falls Limited Partnership

We have audited the accompanying financial statements of Boralex Ocean Falls Limited Partnership, which comprise the statement of financial position as at December 31, 2015 and the statements of earnings and comprehensive income, changes in equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502, www.pwc.com/ca

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Boralex Ocean Falls Limited Partnership as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, public accountancy permit No. A126402

Table of contents

Statements of Financial Position

(in thousands of Canadian dollars)	Note	As at December 31, 2015	As at December 31, 2014
ASSETS			
Cash		664	572
Trade and other receivables	5	243	278
Other current assets		22	23
CURRENT ASSETS		929	873
Property, plant and equipment	6	17,132	17,416
Energy sales contracts	7	716	770
Water rights	7	2,118	2,278
Other non-current assets		251	217
NON-CURRENT ASSETS		20,217	20,681
TOTAL ASSETS		21,146	21,554
LIABILITIES			
Trade and other payables	8	726	727
Current portion of debt	9	759	711
CURRENT LIABILITIES		1,485	1,438
Non-current debt	9	7,242	7,969
NON-CURRENT LIABILITIES		7,242	7,969
TOTAL LIABILITIES		8,727	9,407
EQUITY			
Equity attributable to partners		12,419	12,147
TOTAL EQUITY		12,419	12,147
TOTAL LIABILITIES AND EQUITY		21,146	21,554

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

Statements of Earnings and Comprehensive Income

(in thousands of Canadian dollars)	Note	2015	2014
REVENUES			
Revenues from energy sales		2,813	2,797
		2,813	2,797
COSTS AND OTHER EXPENSES			
Operating	11	1,190	992
Administrative	11	32	35
Amortization		746	739
		1,968	1,766
OPERATING INCOME		845	1,031
Financing costs	12	573	664
NET EARINGS AND COMPREHENSIVE INCOME		272	367

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

Statements of Changes in Equity

			2015
(in thousands of Canadian dollars)	Partners' capital (note 10)	Deficit	Total equity
BALANCE AS AT JANUARY 1, 2015	13,440	(1,293)	12,147
Net earnings and comprehensive income	—	272	272
BALANCE AS AT DECEMBER 31, 2015	13,440	(1,021)	12,419

			2014
(in thousands of Canadian dollars)	Partners' capital (note 10)	Deficit	Total equity
BALANCE AS AT JANUARY 1, 2014	13,440	(1,660)	11,780
Net earnings and comprehensive income	—	367	367
BALANCE AS AT DECEMBER 31, 2014	13,440	(1,293)	12,147

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

Statements of Cash Flows

(in thousands of Canadian dollars)	Note	2015	2014
Net earnings		272	367
Financing costs	12	573	664
Interest paid		(544)	(600)
Non-cash items in earnings:			
Amortization		746	739
Change in non-cash items related to operating activities	13	47	14
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES		1,094	1,184
Additions to property, plant and equipment		(257)	(353)
Change in reserve funds		(34)	(52)
NET CASH FLOWS RELATED TO INVESTING ACTIVITIES		(291)	(405)
Repayments on non-current debt		(711)	(666)
NET CASH FLOWS RELATED TO FINANCING ACTIVITIES		(711)	(666)
NET CHANGE IN CASH		92	113
CASH - BEGINNING OF YEAR		572	459
CASH - END OF YEAR		664	572

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

Notes to Financial Statements

As at December 31, 2015

(Tabular amounts are in thousands of Canadian dollars, unless otherwise specified.)

Note 1. Nature of Business

Boralex Ocean Falls Limited Partnership (the "Partnership") was formed on May 22, 2008 as a limited partnership under the *Partnership Act* (British Columbia). The registered office of the Partnership is located at 1500-1040 West Georgia Street, Vancouver, British Columbia, Canada. The General Partner of the Partnership is Boralex Western Energy Inc., incorporated under the *Canada Business Corporations Act*, and the Limited Partner of the Partnership is Boralex. Inc., incorporated under the *Canada Business Corporations Act*. The Partnership is dedicated to the operation of a hydroelectric power station with a total installed capacity of 14.5 megawatts ("MW").

(The data expressed in MW contained in note 1 have not been reviewed by the auditors.)

Note 2. Basis of presentation

These audited financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB") and set out in the *CPA Canada Handbook*, including International Accounting Standards ("IAS") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of financial statements, and IAS 1, *Presentation of Financial Statements*. The Partnership has consistently applied the same accounting policies for all of the periods presented except for the new standards adopted during the year.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Partnership's accounting policies. These areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The Management Committee approved these financial statements on March 31, 2016.

Note 3. Significant Accounting Policies

The significant accounting policies used to prepare these audited financial statements are as follows:

Measurement Basis

The financial statements have been prepared on a going concern basis, under the historical cost method.

Functional and Reporting Currency

These financial statements are presented in Canadian dollars, which is the Partnership's functional currency.

Financial Instruments

Financial assets and liabilities are recognized when the Partnership becomes a party to the contractual provisions of the instrument. Financial assets are removed from the statement of financial position when the rights to receive cash flows from the assets have expired or have been transferred and the Partnership has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is extinguished, cancelled or terminated.

Classification of Financial Instruments

The Partnership classifies its financial instruments by category according to their nature and their characteristics. Management determines the classification of its financial assets and liabilities upon initial recognition. The Partnership classifies its financial assets and liabilities in the following categories:

(a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented in current assets when recoverable within 12 months following the end of the reporting period. Otherwise, they are classified as non-current assets. Financial instruments classified in this category include *Cash* and *Trade and other receivables*. Such instruments are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method less allowances for doubtful accounts.

(b) Other Liabilities at Amortized Cost

Other liabilities are recognized initially at fair value and transaction costs are deducted from this fair value. Subsequently, other liabilities are measured at amortized cost. The difference between the initial carrying amount of other liabilities and their repayment value is recognized in net earnings over the term of the contract using the effective interest method. Other liabilities are presented in current liabilities when they are repayable within 12 months following the end of the reporting period. Otherwise, they are classified as non-current liabilities. This item includes *Trade and other payables* and *Non-current debt*.

Cash

Cash includes cash on hand and bank balances.

Property, Plant and Equipment

Property, plant and equipment, consisting mainly of the power station, are recorded at cost less accumulated amortization and impairment losses, including interest incurred during the construction period. Amortization begins on the date the assets are commissioned using the following methods:

Hydroelectric Power Station

The hydroelectric power station is amortized by component using the straight-line method over his useful life of 40 years.

Major Maintenance

Major maintenance work is capitalized and amortized using the straight-line method over the scheduled maintenance frequency, that is a useful life of approximately five years.

Useful lives, residual values and amortization methods are reviewed every year according to asset type, expected usage and changes in technology.

Energy Sales Contracts

Acquisition costs for energy sales contracts is amortized on a straight-line basis over the contract terms, which is 20 years.

Water Rights

The water rights are amortized on a straight-line basis over the contract term, which is 20 years.

Borrowing Costs

The Partnership capitalizes borrowing costs directly attributable to the acquisition, construction or production of qualifying assets during their active construction. Other borrowing costs are expensed during the period in which they are incurred.

Impairment of Assets

Non-current assets with finite useful lives are tested for impairment when particular events or changes in circumstances indicate that their carrying amount might not be recoverable. An impairment loss is recognized when the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is the higher of that asset's fair value less costs of disposal and its value in use.

At the end of each reporting period, if there is any indication that an impairment loss recognized in a prior period no longer exists or has decreased, the loss is reversed up to its recoverable amount. The carrying amount following the reversal must not be higher than the carrying amount that would have prevailed (net of amortization) had the original impairment not been recognized in prior periods.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. To calculate value in use, estimated future cash flows are discounted to their present value using a discount rate that reflects changes in the time value of money and the risks specific to the asset. When determining fair value less costs of disposal, the Partnership considers whether there is a current market price for the asset. Otherwise, the Partnership uses an income approach, which is based on the present value of future cash flows generated by an asset. The discounted cash flow method consists of projecting cash flows and converting them into present values by applying discount rates.

Provisions

A provision is recognized in the statement of financial position when the Partnership has a legal or constructive obligation as a result of a past event and it is probable that settlement of the obligation will require a financial payment or cause a financial loss, and a reliable estimate can be made of the amount of the obligation. Provisions are measured using the Partnership management's best estimate as to the outcome based on known facts as at the reporting date.

Decommissioning Liability

A decommissioning liability is recognized at fair value in the period during which a legal or constructive obligation is incurred, when the amount of the liability can be reliably estimated and it is probable that the settlement of the obligation will require a financial payment. Decommissioning costs are capitalized into the value of the related asset, and are amortized over the asset's remaining useful life. The liability is discounted using a pre-tax interest rates that reflect the assessment of the risks specific to the liability.

The Partnership has no obligation to decommission the hydroelectric power station. The likelihood of such an obligation arising is low since the decommissioning of such facilities would have significant consequences on the ecosystem and economic life in surrounding areas. It is usually more beneficial for the environment, local residents and companies to keep the dam. Given this low likelihood, no provision has been recognized.

Income Taxes

Income taxes attributable to the earnings of the Partnership are assumed by its Partners.

Distributions

Distributions are recognized in the financial statements in the period in which the distributions are approved by the Partners.

Equity

Partners' capital is presented at the value at which the units were issued. Costs related to the issuance of units are presented in equity as a deduction from issuance proceeds.

Revenues from Energy Sales

The Partnership recognizes its revenues, which consist of energy sales, when persuasive evidence of an arrangement exists, the goods are delivered, the significant risks and benefits of ownership are transferred, the price is fixed or determinable and collection of the resulting receivable is reasonably assured.

Future Changes in Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, IASB completed its three-phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, by issuing IFRS 9, *Financial Instruments*. IFRS 9 addresses the classification and measurement of financial assets and liabilities, and introduces a forward-looking expected credit loss impairment model and a substantially reformed hedge accounting model.

To determine whether a financial asset should be measured at amortized cost or at fair value, IFRS 9 uses a new approach that replaces the multiple rules of IAS 39. The approach recommended by IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of financial assets. Most of the requirements of IAS 39 for the classification and measurement of financial liabilities are carried forward in IFRS 9. However, the portion of the changes in fair value related to the entity's own credit risk, in measuring a financial liability at fair value through profit or loss, will be presented in *Accumulated other comprehensive income (loss)* instead of in the statement of earnings (loss).

IFRS 9 also sets out an expected credit loss impairment model that will require more timely recognition of credit losses. More specifically, the new standard requires entities to account for expected credit losses upon initial recognition of financial instruments, and to recognize lifetime credit losses on a timely basis.

IFRS 9 will be effective for the Partnership's fiscal year beginning on or after January 1, 2018, but earlier adoption is permitted. The Partnership is currently assessing the impact of adopting this standard on its financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, a new standard that specifies the steps and timing for issuers to recognize revenue as well as requiring them to provide more informative, relevant disclosures. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. This standard supersedes IFRS 11, *Construction Contracts*, IAS 18, *Revenue*, as well as various interpretations regarding revenue. IFRS 15 is effective for fiscal years beginning on or after January 1, 2018 with earlier adoption permitted. The Partnership is currently assessing the impact of adopting this standard on its financial statements.

IAS 7, *Statement of Cash Flows*

On February 2, 2016, the IASB issued narrow-scope amendments to IAS 7, *Statement of Cash Flows*, to require companies to provide information on changes in their financing liabilities. The changes apply to fiscal years beginning on or after January 1, 2017 with earlier adoption permitted. The Partnership is currently assessing the impact of adopting this standard on its financial statements.

IAS 1, *Presentation of Financial Statements*

In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, as part of its its initiative to improve presentation and disclosure requirements for financial reporting. The amendments to IAS 1 provide further guidance on the current presentation and disclosure requirements for materiality, notes structure, subtotals, accounting policies and disaggregation. The amendments also provide additional guidance on the exercise of professional judgment when determining what information to disclose in the preparation of notes to the financial statements. These amendments, which will apply to fiscal years beginning on or after January 1, 2016, are not expected to have a significant impact on the financial statements of the Partnership.

Note 4. Main Sources of Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that can materially affect the revenues, expenses, comprehensive income, assets and liabilities, and the information reported in the financial statements.

The following items require management to make the most critical estimates and judgments.

Main Sources of Uncertainty Relating to Management's Estimates

Management determines its estimates based on a number of factors, namely its experience, current events and measures the Partnership could subsequently take, as well as other assumptions it deems reasonable given the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results may differ from them. Underlying estimates and assumptions are periodically reviewed and the impact of any changes is recognized immediately.

Impairment of Assets

At each reporting date, if any evidence of impairment exists, the Partnership must perform impairment tests on its assets with finite useful lives to assess whether their carrying amounts are recoverable. Impairment tests require the use of various assumptions based on management's best estimates.

Recoverable Amount

Recoverable amounts are determined using value-in-use calculations based on cash flows discounted over a five-year period that factor in current economic conditions and management's estimates based on past experience. Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including market and production estimates, together with economic factors such as selling prices and contract renewal prices, production cost estimates, future capital expenditure, after-tax discount rates, the growth rate and useful lives.

Discount Rate

The discount rate estimated and used by management represents the weighted average cost of capital. The growth rate is determined based on past experience, economic trends as well as market and industry trends.

Useful Lives of Property, Plant and Equipment and Intangible Assets with Finite Useful Lives

In determining the useful lives of property, plant and equipment and intangible assets with finite useful lives, management takes into account estimates of the expected use period of the asset. Such estimates are reviewed annually and the impacts of any changes are accounted for prospectively.

Fair Value of Financial Instruments

Fair value is determined using discounted cash flow models. Fair value determined using such valuation models requires the use of assumptions concerning the amount and timing of estimated future cash flows, as well as for numerous other variables. These assumptions are determined using external, readily observable market inputs. Since they are based on estimates, fair values may not be realized in an actual sale or immediate settlement of the instruments. See note 14 for a more detailed explanation of the bases for the calculations and estimates used.

Main Sources of Uncertainty Relating to Management's Key Judgments

Evidence of Asset Impairment

At each reporting date, management is required to use its judgment to assess whether there is any evidence that property, plant and equipment and intangible assets may be impaired. If applicable, the Partnership performs impairment tests on its assets to assess whether the carrying amounts of assets are recoverable. As described in the previous section, various estimates made by management are used in the impairment tests.

Management is required to exercise judgment and assess whether any events or changes in circumstances could have affected the recoverability of the carrying amount of assets. In making these assessments, management uses various indicators including, but not limited to, adverse changes in the industry or economic conditions, changes in the degree or method of use of the asset, a lower-than-expected economic performance of the asset or a significant change in market returns or interest rates.

Note 5. Trade and Other Receivables

	As at December 31, 2015	As at December 31, 2014
Trade receivables - net	239	266
Other receivables	4	12
	243	278

All these amounts have current maturities. Their net carrying amounts reasonably approximate their fair values.

The Partnership has not recorded a provision for the accounts in the above table given the clients' high credit ratings. As at December 31, 2015, approximately 3% of *Trade and other receivables* (4% as at December 31, 2014) were outstanding for more than 90 days since invoice date, while approximately 95% of accounts (95% as at December 31, 2014) were current (under 30 days).

Note 6. Property, Plant and Equipment

Year ended December 31, 2014	
Balance - beginning of year	17,580
Additions	362
Amortization	(526)
Balance - end of year	17,416
As at December 31, 2014	
Cost	20,176
Accumulated amortization	(2,760)
Net carrying amount	17,416
Year ended December 31, 2015	
Balance - beginning of year	17,416
Additions	248
Amortization	(532)
Balance - end of year	17,132
As at December 31, 2015	
Cost	20,424
Accumulated amortization	(3,292)
Net carrying amount	17,132

Amortization of property, plant and equipment is presented under *Amortization*.

No amount relating to additions to property, plant and equipment was unpaid as at December 31, 2015 ($9,000 as at December 31, 2014) and included under *Trade and other payables*.

Note 7. Energy Sales Contracts and Water Right

	Energy sales contracts	Water right
Year ended December 31, 2014		
Balance - beginning of year	824	2,437
Amortization	(54)	(159)
Balance - end of year	770	2,278
As at December 31, 2014		
Cost	1,080	3,197
Accumulated amortization	(310)	(919)
Net carrying amount	770	2,278
Year ended December 31, 2015		
Balance - beginning of year	770	2,278
Amortization	(54)	(160)
Balance - end of year	716	2,118
As at December 31, 2015		
Cost	1,080	3,197
Accumulated amortization	(364)	(1,079)
Net carrying amount	716	2,118

Amortization of energy sales contracts and water right is included under *Amortization*.

Note 8. Trade and Other Payables

	As at December 31, 2015	As at December 31, 2014
Trade payables	35	48
Related party payables (note 18)	615	610
Accrued liabilities and other payables	76	69
	726	727

Note 9. Non-Current Debt

	Maturity	Rate	As at December 31, 2015	As at December 31, 2014
Term loan payable	2024	6.55%	8,136	8,848
Current portion of debt			(759)	(711)
Borrowing cost, net of accumulated amortization			(135)	(168)
			7,242	7,969

This loan payable, secured by all of the assets, bears interest at a fixed rate of 6.55% with monthly payments of principal and interest. The credit agreement allows for early repayment, subject to the payment of a premium calculated on the date of repayment as the difference, if any, between the balance of the debt and the future cash flows discounted using the rate of Government of Canada bonds with a similar term plus 0.5%.

Financial Ratios and Guarantees

The debt agreement includes a debt service ratio, that the Partnership must meet on a quarterly, semi-annual and annual basis. As at December 31, 2015, the Partnership was in compliance with its financial ratio requirement.

Note 10. Partners' Capital

The authorized capital of the Partnership's capital consists of 1,000,100 units divided in two separate classes (100 General Partnership Units and 1,000,000 Limited Partnership Units).

The Partnership's capital consists of 601,286 units for a total amount of $13,440,000.

Note 11. Expenses by Nature

Operating and Administrative

	2015	2014
Maintenance and repairs	295	232
Employee benefits	220	214
Property and school taxes	86	94
Insurance	137	130
Management fees	402	262
Professional fees	34	63
Other expenses	48	32
	1,222	1,027

Employee Benefits

	2015	2014
Current salaries and benefits	148	156
Other post-employment benefits	72	58
	220	214

Note 12. Financing Costs

	2015	2014
Interest on non-current debt	555	600
Interest and other interest income	(15)	(2)
Amortization of borrowing costs	33	66
	573	664

Note 13. Change in Non-cash Items Related to Operating Activities

	2015	2014
Decrease (increase) in:		
Trade and other receivables	38	60
Other current assets	1	(6)
Increase (Decrease) in:		
Trade and other payables	8	(40)
	47	14

Note 14. Financial Instruments

The classification of financial instruments, complete with the respective carrying amounts and fair values, is as follows:

	As at December 31, 2015		As at December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
OTHER LIABILITIES				
Non-current debt	8,001	9,111	8,680	10,036

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of *Cash, Trade and other receivables* and *Trade and other payables* approximate their carrying amounts due to their short-term maturities.

The fair value of *Non-current debt* is essentially based on the calculation of discounted cash flows. Discount rates of 3.79% were determined based on local government bond yields adjusted for the risks specific to the borrowing and for credit market liquidity conditions.

Hierarchy of Financial Assets and Liabilities Measured at Fair Value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Financial instruments measured at fair value in financial statements are classified according to the following hierarchy of levels:

- Level 1: Consists of measurements based on quoted prices (unadjusted) in markets for identical assets or liabilities;
- Level 2: Consists of measurement techniques based mainly on inputs, other than quoted prices, that are observable either directly or indirectly in the market;
- Level 3: Consists of measurement techniques that are not based mainly on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the financial instrument fair value measurement in its entirety.

For *Non-current debt*, the Partnership classified the fair value measurements as Level 2, as they are based mainly on observable market data, namely government bond yields.

The following table classifies the Partnership's financial instruments by level in the fair value hierarchy:

		Fair value hierarchy levels		
	As at December 31, 2015	Level 1	Level 2	Level 3
OTHER LIABILITIES				
Non-current debt	9,111	—	9,111	—

		Fair value hierarchy levels		
	As at December 31, 2014	Level 1	Level 2	Level 3
OTHER LIABILITIES				
Non-current debt	10,036	—	10,036	—

Note 15. Financial Risks

The Partnership is exposed, in the normal course of business, to various financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk.

Market Risk

Price Risk

The Partnership has an indexed fixed-price energy sales contact fixed price for 97% of its production until December 31, 2016. The Partnership is thus not significantly exposed to price risk until the maturity of its energy sales contract. Discussions have been initiated for the renewal fixed-price energy sales contract prior the end of 2016.

Interest Rate Risk

The term loan payable bears interest at a fixed rate. The Partnership is thus not significantly exposed to interest rate risk.

Credit Risk

Credit risk stems primarily from the potential inability of clients to meet their obligations. Given the nature of the Partnership's business, its clients are few in number and their credit ratings are generally high. The electricity markets that the Partnership serves are limited essentially to a monopole and, to a lesser degree, to private customers. The Partnership regularly monitors the financial condition of these clients.

Liquidity Risk

Liquidity risk is the risk that the Partnership will experience difficulty meeting its obligations as they fall due. The Partnership manages cash resources based on financial forecasts and expected cash flows.

The contractual maturities of the Partnership's financial liabilities as at December 31, 2015 and 2014 are detailed in the following tables:

As at December 31,		Undiscounted cash flows (principal and interest)				
2015	Carrying amount	Current portion	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Financial liabilities:						
Trade and other payables	726	726	—	—	—	726
Non-current debt	8,001	1,270	1,270	3,809	4,232	10,581
	8,727	1,996	1,270	3,809	4,232	11,307

As at December 31,		Undiscounted cash flows (principal and interest)				
2014	Carrying amount	Current portion	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Financial liabilities:						
Trade and other payables	727	727	—	—	—	727
Non-current debt	8,680	1,270	1,270	3,809	5,501	11,850
	9,407	1,997	1,270	3,809	5,501	12,577

Undiscounted cash flows of financial liabilities are determined using expected principal repayments and interest payments.

Note 16. Capital Management

The Partnership's objectives, when managing its capital represented by Partners' investment and *Non-current debt*, are as follows:

- Safeguard the Partnership's ability to pursue its operations;
- Maintain sufficient liquidity to meet its debt service ratio;
- Provide steady distributions to its Partners; and
- Mitigate the seasonal nature of hydroelectricity.

The Partnership monitors capital on a quarterly, semi-annual and annual basis based on various financial ratios and non-financial performance indicators. The Partnership is also required to meet a debt service ratio under its financing arrangement. More specifically, the Partnership must maintain a debt service coverage ratio of at least 1.28 before it can distribute cash to its Partners.

Note 17. Commitment

Energy Sales Contracts

The Partnership is committed to selling approximately 97% of its power output (subject to certain minimum criteria) under long-term contracts maturing in 2016 and 2017. These contracts provides for annual indexation based on the Consumer Price Index ("CPI").

Note 18. Related Party Transactions

Details of related party transactions are as follows:

	2015	2014
COSTS AND OTHER EXPENSES		
Operating - Cascades - Affiliate	4	15
Operating - Boralex Inc. - Partner	531	410

These transactions were made on terms equivalent to those that prevail under normal terms in arm's length transactions.

Payables arising from the above transactions at the end of the fiscal year were as follows:

	As at December 31, 2015	As at December 31, 2014
RELATED PARTY PAYABLE		
Boralex Inc. - Partner	615	608
Cascades - Affiliate	—	2
	615	610

Related party payables are due between 30 and 45 days following the purchase.

2016 Audited Financial Statements

Boralex Ocean Falls Limited Partnership

Financial Statements

As at December 31, 2016

(Expressed in thousands of Canadian dollars)

April 28, 2017

Independent Auditor's Report

To the Partners of
Boralex Ocean Falls Limited Partnership

We have audited the accompanying financial statements of Boralex Ocean Falls Limited Partnership, which comprise the statement of financial position as at December 31, 2016 and the statement of earnings (loss) and comprehensive income (loss), changes in equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502, www.pwc.com/ca

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Boralex Ocean Falls Limited Partnership as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, public accountancy permit No. A126402

Table of contents

Statements of Financial Position

(in thousands of Canadian dollars)	Note	As at December 31, 2016	As at December 31, 2015
ASSETS			
Cash		460	664
Trade and other receivables	5	247	243
Other current assets		22	22
CURRENT ASSETS		729	929
Property, plant and equipment	6	17,980	17,132
Energy sales contract	7	662	716
Water rights	7	1,958	2,118
Reserve funds		279	251
NON-CURRENT ASSETS		20,879	20,217
TOTAL ASSETS		21,608	21,146
LIABILITIES			
Trade and other payables	8	951	726
Current portion of debt	9	810	759
CURRENT LIABILITIES		1,761	1,485
Non-current debt	9	6,462	7,242
NON-CURRENT LIABILITIES		6,462	7,242
TOTAL LIABILITIES		8,223	8,727
EQUITY			
Equity attributable to partners		13,385	12,419
TOTAL EQUITY		13,385	12,419
TOTAL LIABILITIES AND EQUITY		21,608	21,146

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

The financial statements were authorized for issue by the Management Committee on April 28, 2017 and were signed on its behalf.

Sylvain Aird, Secretary

Statements of Earnings (Loss) and Comprehensive Income (Loss)

(in thousands of Canadian dollars)	Note	2016	2015
REVENUES			
Revenues from energy sales		2,875	2,813
		2,875	2,813
COSTS AND OTHER EXPENSES			
Operating	11	1,597	1,190
Administrative	11	76	32
Development		26	—
Amortization		779	746
		2,478	1,968
OPERATING INCOME		397	845
Foreign exchange gain		(2)	—
Financing costs	12	533	573
NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)		(134)	272

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

Statements of Changes in Equity

			2016
(in thousands of Canadian dollars)	Partners' capital (note 10)	Deficit	Total equity
BALANCE AS AT JANUARY 1, 2016	13,440	(1,021)	12,419
Net loss and comprehensive loss	—	(134)	(134)
Capital contribution	1,100	—	1,100
BALANCE AS AT DECEMBER 31, 2016	14,540	(1,155)	13,385

			2015
(in thousands of Canadian dollars)	Partners' capital (note 10)	Deficit	Total equity
BALANCE AS AT JANUARY 1, 2015	13,440	(1,293)	12,147
Net earnings and comprehensive income	—	272	272
BALANCE AS AT DECEMBER 31, 2015	13,440	(1,021)	12,419

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

Statements of Cash Flows

(in thousands of Canadian dollars)	Note	2016	2015
Net earnings (loss)		(134)	272
Financing costs	12	533	573
Interest paid		(503)	(544)
Non-cash items in earnings:			
Amortization		779	746
Change in non-cash items related to operating activities	13	221	47
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES		896	1,094
Additions to property, plant and equipment	6	(1,413)	(257)
Change in reserve funds		(28)	(34)
NET CASH FLOWS RELATED TO INVESTING ACTIVITIES		(1,441)	(291)
Repayments on non-current debt	9	(759)	(711)
Capital contribution	10	1,100	—
NET CASH FLOWS RELATED TO FINANCING ACTIVITIES		341	(711)
NET CHANGE IN CASH		(204)	92
CASH - BEGINNING OF YEAR		664	572
CASH - END OF YEAR		460	664

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

Notes to Financial Statements

As at December 31, 2016

(Tabular amounts are in thousands of Canadian dollars, unless otherwise specified.)

Note 1. Nature of Business

Boralex Ocean Falls Limited Partnership (the "Partnership") was formed on May 22, 2008 as a limited partnership under the *Partnership Act* (British Columbia). The registered office of the Partnership is located at 1500-1040 West Georgia Street, Vancouver, British Columbia, Canada. The General Partner of the Partnership is Boralex Western Energy Inc., incorporated under the *Canada Business Corporations Act*, and the Limited Partner of the Partnership is Boralex. Inc., incorporated under the *Canada Business Corporations Act*. The Partnership is dedicated to the operation of a hydroelectric power station with a total installed capacity of 14.5 megawatts ("MW").

(The data expressed in MW contained in note 1 have not been reviewed by the auditors.)

Note 2. Basis of presentation

These audited financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB") and set out in the *CPA Canada Handbook*, including International Accounting Standards ("IAS") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of financial statements, and IAS 1, *Presentation of Financial Statements*. The Partnership has consistently applied the same accounting policies for all of the periods presented except for the new standards adopted during the year.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Partnership's accounting policies. These areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The Management Committee approved these financial statements on April 28, 2017.

Note 3. Significant Accounting Policies

The significant accounting policies used to prepare these audited financial statements are as follows:

Measurement Basis

The financial statements have been prepared on a going concern basis, under the historical cost method.

Functional and Reporting Currency

These financial statements are presented in Canadian dollars, which is the Partnership's functional currency.

Financial Instruments

Financial assets and liabilities are recognized when the Partnership becomes a party to the contractual provisions of the instrument. Financial assets are removed from the statement of financial position when the rights to receive cash flows from the assets have expired or have been transferred and the Partnership has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is extinguished, cancelled or terminated.

Classification of Financial Instruments

The Partnership classifies its financial instruments by category according to their nature and their characteristics. Management determines the classification of its financial assets and liabilities upon initial recognition. The Partnership classifies its financial assets and liabilities in the following categories:

(a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented in current assets when recoverable within 12 months following the end of the reporting period. Otherwise, they are classified as non-current assets. Financial instruments classified in this category include *Cash* and *Trade and other receivables* and *Reserve funds*. Such instruments are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method less allowances for doubtful accounts.

(b) Other Liabilities at Amortized Cost

Other liabilities are recognized initially at fair value and transaction costs are deducted from this fair value. Subsequently, other liabilities are measured at amortized cost. The difference between the initial carrying amount of other liabilities and their repayment value is recognized in net earnings over the term of the contract using the effective interest method. Other liabilities are presented in current liabilities when they are repayable within 12 months following the end of the reporting period. Otherwise, they are classified as non-current liabilities. This item includes *Trade and other payables* and *Non-current debt*.

Cash

Cash includes cash on hand and bank balances.

Property, Plant and Equipment

Property, plant and equipment, consisting mainly of the power station, are recorded at cost less accumulated amortization and impairment losses, including interest incurred during the construction period. Amortization begins on the date the assets are commissioned using the following methods:

Hydroelectric Power Station

The hydroelectric power station is amortized by component using the straight-line method over its useful life of 40 years.

Major Maintenance

Major maintenance work is capitalized and amortized using the straight-line method over the scheduled maintenance frequency, that is a useful life of approximately five years.

Useful lives, residual values and amortization methods are reviewed every year according to asset type, expected usage and changes in technology.

Energy Sales Contract

Acquisition costs for energy sales contract is amortized on a straight-line basis over the contract terms, which is 20 years.

Water Rights

The water rights are amortized on a straight-line basis over the contract term, which is 20 years.

Reserve Funds

Reserve funds represent funds held in trust for the purpose of meeting the requirements of certain non-current debt agreements including the maintenance of reserves for debt servicing and to maintain property, plant and equipment. The reserve funds, consists of deposit certificates, and are valued at amortized cost.

Borrowing Costs

The Partnership capitalizes borrowing costs directly attributable to the acquisition, construction or production of qualifying assets during their active construction. Other borrowing costs are expensed during the period in which they are incurred.

Impairment of Assets

Non-current assets with finite useful lives are tested for impairment when particular events or changes in circumstances indicate that their carrying amount might not be recoverable. An impairment loss is recognized when the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is the higher of that asset's fair value less costs of disposal and its value in use.

At the end of each reporting period, if there is any indication that an impairment loss recognized in a prior period no longer exists or has decreased, the loss is reversed up to its recoverable amount. The carrying amount following the reversal must not be higher than the carrying amount that would have prevailed (net of amortization) had the original impairment not been recognized in prior periods.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. To calculate value in use, estimated future cash flows are discounted to their present value using a discount rate that reflects changes in the time value of money and the risks specific to the asset. When determining fair value less costs of disposal, the Partnership considers whether there is a current market price for the asset. Otherwise, the Partnership uses an income approach, which is based on the present value of future cash flows generated by an asset. The discounted cash flow method consists of projecting cash flows and converting them into present values by applying discount rates.

Provisions

A provision is recognized in the statement of financial position when the Partnership has a legal or constructive obligation as a result of a past event and it is probable that settlement of the obligation will require a financial payment or cause a financial loss, and a reliable estimate can be made of the amount of the obligation. Provisions are measured using the Partnership management's best estimate as to the outcome based on known facts as at the reporting date.

Decommissioning Liability

A decommissioning liability is recognized at fair value in the period during which a legal or constructive obligation is incurred, when the amount of the liability can be reliably estimated and it is probable that the settlement of the obligation will require a financial payment. Decommissioning costs are capitalized into the value of the related asset, and are amortized over the asset's remaining useful life. The liability is discounted using a pre-tax interest rates that reflect the assessment of the risks specific to the liability.

The Partnership has no obligation to decommission the hydroelectric power station. The likelihood of such an obligation arising is low since the decommissioning of such facilities would have significant consequences on the ecosystem and economic life in surrounding areas. It is usually more beneficial for the environment, local residents and companies to keep the dam. Given this low likelihood, no provision has been recognized.

Income Taxes

Income taxes attributable to the earnings of the Partnership are assumed by its Partners.

Distributions

Distributions are recognized in the financial statements in the period in which the distributions are approved by the Partners.

Equity

Partners' capital is presented at the value at which the units were issued. Costs related to the issuance of units are presented in equity as a deduction from issuance proceeds.

Revenues from Energy Sales

The Partnership recognizes its revenues, which consist of energy sales, when persuasive evidence of an arrangement exists, the goods are delivered, the significant risks and benefits of ownership are transferred, the price is fixed or determinable and collection of the resulting receivable is reasonably assured.

Change in Accounting Policies

IAS 1, *Presentation of Financial Statements*

In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, as part of its its initiative to improve presentation and disclosure requirements for financial reporting. The amendments to IAS 1 provide further guidance on the current presentation and disclosure requirements for materiality, notes structure, subtotals, accounting policies and disaggregation. The amendments also provide additional guidance on the exercise of professional judgment when determining what information to disclose in the preparation of notes to the financial statements. These amendments apply to fiscal years beginning on or after January 1, 2016, date at which the Partnership adopted this new standard, and this change had no material impact on the Partnership's consolidated financial statements.

Future Changes in Accounting Policies

IAS 7, *Statement of Cash Flows*

On February 2, 2016, the IASB issued narrow-scope amendments to IAS 7, *Statement of Cash Flows*, to require companies to provide information on changes in their financing liabilities. The changes apply to fiscal years beginning on or after January 1, 2017 with earlier adoption permitted.

IFRS 9, *Financial Instruments*

In July 2014, IASB completed its three-phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, by issuing IFRS 9, *Financial Instruments*. IFRS 9 addresses the classification and measurement of financial assets and liabilities, and introduces a forward-looking expected credit loss impairment model and a substantially reformed hedge accounting model.

To determine whether a financial asset should be measured at amortized cost or at fair value, IFRS 9 uses a new approach that replaces the multiple rules of IAS 39. The approach recommended by IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of financial assets. Most of the requirements of IAS 39 for the classification and measurement of financial liabilities are carried forward in IFRS 9. However, the portion of the changes in fair value related to the entity's own credit risk, in measuring a financial liability at fair value through profit or loss, will be presented in *Accumulated other comprehensive income* instead of in the statement of earnings.

IFRS 9 also sets out an expected credit loss impairment model that will require more timely recognition of credit losses. More specifically, the new standard requires entities to account for expected credit losses upon initial recognition of financial instruments, and to recognize lifetime credit losses on a timely basis.

Last, IFRS 9 introduces a new hedge accounting model together with corresponding disclosure requirements about risk management activities. The new hedge accounting model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements.

IFRS 9 will be effective for the Partnership's fiscal year beginning on or after January 1, 2018, but earlier adoption is permitted. The Partnership is currently assessing the impact of adopting this standard on its financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, a new standard that specifies the steps and timing for issuers to recognize revenue as well as requiring them to provide more informative, relevant disclosures. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. This standard supersedes IFRS 11, *Construction Contracts*, IAS 18, *Revenue*, as well as various interpretations regarding revenue. IFRS 15 is effective for fiscal years beginning on or after January 1, 2018 with earlier adoption permitted. The Partnership is currently assessing the impact of adopting this standard on its financial statements.

IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16, *Leases*, which supersedes IAS 17, *Leases*, as well as several interpretations on leases. IFRS 16 eliminates the classification of leases by a lessee between operating and finance leases. Instead, all leases will be classified as finance leases and recognized in the statement of financial position under lease assets and financial liabilities, with certain exceptions. IFRS 16 is effective for fiscal years beginning on or after January 1, 2019, with earlier adoption permitted provided that IFRS 15, *Revenue from Contracts with Customers*, is also applied. The Partnership is currently assessing the impact of adopting this standard on its financial statements.

Note 4. Main Sources of Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that can materially affect the revenues, expenses, comprehensive income, assets and liabilities, and the information reported in the financial statements.

The following items require management to make the most critical estimates and judgments.

Main Sources of Uncertainty Relating to Management's Estimates

Management determines its estimates based on a number of factors, namely its experience, current events and measures the Partnership could subsequently take, as well as other assumptions it deems reasonable given the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results may differ from them. Underlying estimates and assumptions are periodically reviewed and the impact of any changes is recognized immediately.

Impairment of Assets

At each reporting date, if any evidence of impairment exists, the Partnership must perform impairment tests on its assets with finite useful lives to assess whether their carrying amounts are recoverable. Impairment tests require the use of various assumptions based on management's best estimates.

Recoverable Amount

Recoverable amounts are determined using value-in-use calculations based on cash flows discounted over a five-year period that factor in current economic conditions and management's estimates based on past experience. Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including market and production estimates, together with economic factors such as selling prices and contract renewal prices, production cost estimates, future capital expenditure, after-tax discount rates, the growth rate and useful lives.

Discount Rate

The discount rate estimated and used by management represents the weighted average cost of capital.

Growth Rate

The growth rate is determined based on past experience, economic trends as well as market and industry trends.

Useful Lives of Property, Plant and Equipment and Intangible Assets with Finite Useful Lives

In determining the useful lives of property, plant and equipment and intangible assets with finite useful lives, management takes into account estimates of the expected use period of the asset. Such estimates are reviewed annually and the impacts of any changes are accounted for prospectively.

Fair Value of Financial Instruments

Fair value is determined using discounted cash flow models. Fair value determined using such valuation models requires the use of assumptions concerning the amount and timing of estimated future cash flows, as well as for numerous other variables. These assumptions are determined using external, readily observable market inputs. Since they are based on estimates, fair values may not be realized in an actual sale or immediate settlement of the instruments. See note 14 for a more detailed explanation of the bases for the calculations and estimates used.

Main Sources of Uncertainty Relating to Management's Key Judgments

Evidence of Asset Impairment

At each reporting date, management is required to use its judgment to assess whether there is any evidence that property, plant and equipment and intangible assets may be impaired. If applicable, the Partnership performs impairment tests on its assets to assess whether the carrying amounts of assets are recoverable. As described in the previous section, various estimates made by management are used in the impairment tests.

Management is required to exercise judgment and assess whether any events or changes in circumstances could have affected the recoverability of the carrying amount of assets. In making these assessments, management uses various indicators including, but not limited to, adverse changes in the industry or economic conditions, changes in the degree or method of use of the asset, a lower-than-expected economic performance of the asset or a significant change in market returns or interest rates.

Note 5. Trade and Other Receivables

	As at December 31, 2016	As at December 31, 2015
Trade receivables - net	237	239
Other receivables	10	4
	247	243

All these amounts have current maturities. Their net carrying amounts reasonably approximate their fair values.

The Partnership has not recorded a provision for the accounts in the above table given the clients' high credit ratings. As at December 31, 2016, approximately 5% of *Trade and other receivables* (3% as at December 31, 2015) were outstanding for more than 90 days since invoice date, while approximately 95% of accounts (95% as at December 31, 2015) were current (under 30 days).

Note 6. Property, Plant and Equipment

Year ended December 31, 2015	
Balance - beginning of year	17,416
Additions	248
Amortization	(532)
Balance - end of year	17,132
As at December 31, 2015	
Cost	20,424
Accumulated amortization	(3,292)
Net carrying amount	17,132
Year ended December 31, 2016	
Balance - beginning of year	17,132
Additions	1,413
Amortization	(565)
Balance - end of year	17,980
As at December 31, 2016	
Cost	21,837
Accumulated amortization	(3,857)
Net carrying amount	17,980

Amortization of property, plant and equipment is presented under *Amortization*.

Note 7. Energy Sales Contract and Water Rights

	Energy sales contracts	Water right
Year ended December 31, 2015		
Balance - beginning of year	770	2,278
Amortization	(54)	(160)
Balance - end of year	716	2,118
As at December 31, 2015		
Cost	1,080	3,197
Accumulated amortization	(364)	(1,079)
Net carrying amount	716	2,118
Year ended December 31, 2016		
Balance - beginning of year	716	2,118
Amortization	(54)	(160)
Balance - end of year	662	1,958
As at December 31, 2016		
Cost	1,080	3,197
Accumulated amortization	(418)	(1,239)
Net carrying amount	662	1,958

Amortization of energy sales contract and water right is included under *Amortization*.

Note 8. Trade and Other Payables

	As at December 31, 2016	As at December 31, 2015
Trade payables	—	35
Related party payables (note 18)	870	615
Accrued liabilities and other payables	81	76
	951	726

Note 9. Non-Current Debt

	Maturity	Rate	As at December 31, 2016	As at December 31, 2015
Term loan payable	2024	6.55%	7,377	8,136
Current portion of debt			(810)	(759)
Borrowing cost, net of accumulated amortization			(105)	(135)
			6,462	7,242

This loan payable, secured by all of the assets, bears interest at a fixed rate of 6.55% with monthly payments of principal and interest. The credit agreement allows for early repayment, subject to the payment of a premium calculated on the date of repayment as the difference, if any, between the balance of the debt and the future cash flows discounted using the rate of Government of Canada bonds with a similar term plus 0.5%.

Financial Ratios and Guarantees

The debt agreement includes a debt service ratio, that the Partnership must meet on a quarterly, semi-annual and annual basis. As at December 31, 2016, the Partnership was in compliance with its financial ratio requirement.

Note 10. Partners' Capital

The authorized capital of the Partnership's capital consists of 1,000,100 units divided in two separate classes (100 General Partnership Units and 1,000,000 Limited Partnership Units).

The following changes occurred in the *Partners' capital* between December 31, 2015 and 2016:

	Note	Number of Units	Amount
Balance as at January 1, 2015		601,286	13,440
Balance as at December 31, 2015		601,286	13,440
Capital contribution		1,100	1,100
Balance as at December 31, 2016		602,386	14,540

Note 11. Expenses by Nature

Operating and Administrative

	2016	2015
Maintenance and repairs	392	295
Employee benefits	225	220
Property and school taxes	380	86
Insurance	104	137
Management fees	470	402
Professional fees	56	34
Other expenses	46	48
	1,673	1,222

Employee Benefits

	2016	2015
Current salaries and benefits	127	148
Other post-employment benefits	98	72
	225	220

Note 12. Financing Costs

	2016	2015
Interest on non-current debt	510	555
Interest and other interest income	(7)	(15)
Amortization of borrowing costs	30	33
	533	573

Note 13. Change in Non-cash Items Related to Operating Activities

	2016	2015
Decrease (increase) in:		
Trade and other receivables	(4)	38
Other current assets	—	1
Increase in:		
Trade and other payables	225	8
	221	47

Note 14. Financial Instruments

The classification of financial instruments, complete with the respective carrying amounts and fair values, is as follows:

	As at December 31, 2016		As at December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
OTHER LIABILITIES				
Non-current debt	7,272	8,344	8,001	9,111

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of *Cash, Cash restricted, Trade and other receivables* and *Trade and other payables* approximate their carrying amounts due to their short-term maturities.

The fair value of *Non-current debt* is essentially based on the calculation of discounted cash flows. Discount rates of 3.13% were determined based on local government bond yields adjusted for the risks specific to the borrowing and for credit market liquidity conditions.

Hierarchy of Financial Assets and Liabilities Measured at Fair Value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Financial instruments measured at fair value in financial statements are classified according to the following hierarchy of levels:

- Level 1: Consists of measurements based on quoted prices (unadjusted) in markets for identical assets or liabilities;
- Level 2: Consists of measurement techniques based mainly on inputs, other than quoted prices, that are observable either directly or indirectly in the market;
- Level 3: Consists of measurement techniques that are not based mainly on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the financial instrument fair value measurement in its entirety.

For *Non-current debt*, the Partnership classified the fair value measurements as Level 2, as they are based mainly on observable market data, namely government bond yields.

Note 15. Financial Risks

The Partnership is exposed, in the normal course of business, to various financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk.

Market Risk

Price Risk

The Partnership has an indexed fixed-price energy sales contract fixed price for 97% of its production until June 30, 2017. The Partnership is thus not significantly exposed to price risk until the maturity of its energy sales contract. Discussions have been initiated for the renewal of the fixed-price energy sales contract.

Interest Rate Risk

The term loan payable bears interest at a fixed rate. The Partnership is thus not significantly exposed to interest rate risk.

Credit Risk

Credit risk stems primarily from the potential inability of clients to meet their obligations. Given the nature of the Partnership's business, its clients are few in number and their credit ratings are generally high. The electricity markets that the Partnership serves are limited essentially to a monopoly and, to a lesser degree, to private customers. The Partnership regularly monitors the financial condition of these clients.

Liquidity Risk

Liquidity risk is the risk that the Partnership will experience difficulty meeting its obligations as they fall due. The Partnership manages cash resources based on financial forecasts and expected cash flows.

Despite the negative working capital, the Partnership is entirely supported by the parent company, Boralex Inc.

The contractual maturities of the Partnership's financial liabilities as at December 31, 2016 and 2015 are detailed in the following tables:

As at December 31,		Undiscounted cash flows (principal and interest)				
2016	Carrying amount	Current portion	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Financial liabilities:						
Trade and other payables	951	951	—	—	—	951
Non-current debt	7,272	1,270	1,270	3,809	2,962	9,311
	8,223	2,221	1,270	3,809	2,962	10,262

As at December 31,		Undiscounted cash flows (principal and interest)				
2015	Carrying amount	Current portion	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Financial liabilities:						
Trade and other payables	726	726	—	—	—	726
Non-current debt	8,001	1,270	1,270	3,809	4,232	10,581
	8,727	1,996	1,270	3,809	4,232	11,307

Undiscounted cash flows of financial liabilities are determined using expected principal repayments and interest payments.

Note 16. Capital Management

The Partnership's objectives, when managing its capital represented by Partners' investment and *Non-current debt*, are as follows:

- Safeguard the Partnership's ability to pursue its operations;
- Maintain sufficient liquidity to meet its debt service ratio;
- Provide steady distributions to its Partners; and
- Mitigate the seasonal nature of hydroelectricity.

The Partnership monitors capital on a quarterly, semi-annual and annual basis based on various financial ratios and non-financial performance indicators. The Partnership is also required to meet a debt service ratio under its financing arrangement. More specifically, the Partnership must maintain a debt service coverage ratio of at least 1.28 before it can distribute cash to its Partners.

Note 17. Commitment

Energy Sales Contracts

The Partnership is committed to selling approximately 97% of its power output (subject to certain minimum criteria) under long-term contracts in June 2017. These contracts provide for annual indexation based on the Consumer Price Index ("CPI").

Note 18. Related Party Transactions

Details of related party transactions are as follows:

	2016	2015
COSTS AND OTHER EXPENSES		
Operating - Cascades - Affiliate	—	4
Operating - Boralex Inc. - Partner	695	531

These transactions were made on terms equivalent to those that prevail under normal terms in arm's length transactions.

Payables arising from the above transactions at the end of the fiscal year were as follows:

	As at December 31, 2016	As at December 31, 2015
RELATED PARTY PAYABLES		
Boralex Inc. - Partner	870	615
	870	615

Related party payables are due between 30 and 45 days following the purchase.

2017 Audited Financial Statements

Boralex Ocean Falls Limited Partnership

Financial Statements

As at December 31, 2017

(Expressed in thousands of Canadian dollars)

April 30, 2018

Independent Auditor's Report

To the Partners of
Boralex Ocean Falls Limited Partnership

We have audited the accompanying financial statements of Boralex Ocean Falls Limited Partnership, which comprise the statement of financial position as at December 31, 2017 and the statements of earnings (loss) and comprehensive income (loss), changes in partners' equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502, www.pwc.com/ca

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Boralex Ocean Falls Limited Partnership as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, public accountancy permit No. A126402

Table of contents

Statements of Financial Position

(in thousands of Canadian dollars)	Note	As at December 31, 2017	As at December 31, 2016
ASSETS			
Cash		458	460
Trade and other receivables	5	259	247
Other current assets		21	22
CURRENT ASSETS		738	729
Property, plant and equipment	6	17,799	17,980
Energy sales contract	7	640	662
Water rights	7	1,798	1,958
Reserve funds		306	279
NON-CURRENT ASSETS		20,543	20,879
TOTAL ASSETS		21,281	21,608
LIABILITIES			
Trade and other payables	8	799	403
Current portion of debt	9	865	810
CURRENT LIABILITIES		1,664	1,213
Advance from a Partner		548	548
Non-current debt	9	5,625	6,462
NON-CURRENT LIABILITIES		6,173	7,010
TOTAL LIABILITIES		7,837	8,223
PARTNERS' EQUITY			
Partners' equity		13,444	13,385
TOTAL PARTNERS' EQUITY		13,444	13,385
TOTAL LIABILITIES AND EQUITY		21,281	21,608

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

The financial statements were authorized for issue by the Management Committee on April 30, 2018 and were signed on its behalf.

Pascal Hurtubise, Secretary

Statements of Earnings (Loss) and Comprehensive Income (Loss)

(in thousands of Canadian dollars)	Note	2017	2016
REVENUES			
Revenues from energy sales		3,079	2,875
		3,079	2,875
COSTS AND OTHER EXPENSES			
Operating	11	1,577	1,597
Administrative	11	164	76
Development		6	26
Amortization		778	779
		2,525	2,478
OPERATING INCOME		554	397
Foreign exchange gain		—	(2)
Financing costs	12	495	533
NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)		59	(134)

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

Statements of Changes in Partners' Equity

			2017
(in thousands of Canadian dollars)	Partners' capital (note 10)	Deficit	Total Partners' equity
BALANCE AS AT JANUARY 1, 2017	14,540	(1,155)	13,385
Net earnings and comprehensive income	—	59	59
BALANCE AS AT DECEMBER 31, 2017	14,540	(1,096)	13,444

			2016
(in thousands of Canadian dollars)	Partners' capital (note 10)	Deficit	Total Partners' equity
BALANCE AS AT JANUARY 1, 2016	13,440	(1,021)	12,419
Net loss and comprehensive loss	—	(134)	(134)
Capital contribution	1,100	—	1,100
BALANCE AS AT DECEMBER 31, 2016	14,540	(1,155)	13,385

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

Statements of Cash Flows

(in thousands of Canadian dollars)	Note	2017	2016
Net earnings (loss)		59	(134)
Financing costs	12	495	533
Interest paid		(471)	(503)
Non-cash items in earnings:			
Amortization		778	779
Change in non-cash items related to operating activities	13	389	221
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES		1,250	896
Additions to property, plant and equipment	6	(415)	(1,413)
Change in reserve funds		(27)	(28)
NET CASH FLOWS RELATED TO INVESTING ACTIVITIES		(442)	(1,441)
Repayments on non-current debt	9	(810)	(759)
Capital contribution	10	—	1,100
NET CASH FLOWS RELATED TO FINANCING ACTIVITIES		(810)	341
NET CHANGE IN CASH		(2)	(204)
CASH - BEGINNING OF YEAR		460	664
CASH - END OF YEAR		458	460

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

Notes to Financial Statements

As at December 31, 2017

(Tabular amounts are in thousands of Canadian dollars, unless otherwise specified.)

Note 1. Nature of Business

Boralex Ocean Falls Limited Partnership (the "Partnership") was formed on May 22, 2008 as a limited partnership under the *Partnership Act* (British Columbia). The registered office of the Partnership is located at 1500-1040 West Georgia Street, Vancouver, British Columbia, Canada. The General Partner of the Partnership is Boralex Western Energy Inc., incorporated under the *Canada Business Corporations Act*, and the Limited Partner of the Partnership is Boralex. Inc., incorporated under the *Canada Business Corporations Act*. The Partnership is dedicated to the operation of a hydroelectric power station with a total installed capacity of 14.5 megawatts ("MW").

(The data expressed in MW contained in note 1 have not been reviewed by the auditors.)

Note 2. Basis of presentation

These audited financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB") and set out in the *CPA Canada Handbook*, including International Accounting Standards ("IAS") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of financial statements, and IAS 1, *Presentation of Financial Statements*. The Partnership has consistently applied the same accounting policies for all of the periods presented except for the new standards adopted during the year.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Partnership's accounting policies. These areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Note 3. Significant Accounting Policies

The significant accounting policies used to prepare these audited financial statements are as follows:

Measurement Basis

The financial statements have been prepared on a going concern basis, under the historical cost method.

Functional and Reporting Currency

These financial statements are presented in Canadian dollars, which is the Partnership's functional currency.

Financial Instruments

Financial assets and liabilities are recognized when the Partnership becomes a party to the contractual provisions of the instrument. Financial assets are removed from the statement of financial position when the rights to receive cash flows from the assets have expired or have been transferred and the Partnership has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is extinguished, cancelled or terminated.

Classification of Financial Instruments

The Partnership classifies its financial instruments by category according to their nature and their characteristics. Management determines the classification of its financial assets and liabilities upon initial recognition. The Partnership classifies its financial assets and liabilities in the following categories:

(a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented in current assets when recoverable within 12 months following the end of the reporting period. Otherwise, they are classified as non-current assets. Financial instruments classified in this category include *Cash* and *Trade and other receivables* and *Reserve funds*. Such instruments are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method less allowances for doubtful accounts.

(b) Other Liabilities at Amortized Cost

Other liabilities are recognized initially at fair value and transaction costs are deducted from this fair value. Subsequently, other liabilities are measured at amortized cost. The difference between the initial carrying amount of other liabilities and their repayment value is recognized in net earnings over the term of the contract using the effective interest method. Other liabilities are presented in current liabilities when they are repayable within 12 months following the end of the reporting period. Otherwise, they are classified as non-current liabilities. This item includes *Trade and other payables* and *Non-current debt*.

Cash

Cash includes cash on hand and bank balances.

Property, Plant and Equipment

Property, plant and equipment, consisting mainly of the power station, are recorded at cost less accumulated amortization and impairment losses, including interest incurred during the construction period. Amortization begins on the date the assets are commissioned using the following methods:

Hydroelectric Power Station

The hydroelectric power station is amortized by component using the straight-line method over its useful life of 40 years.

Major Maintenance

Major maintenance work is capitalized and amortized using the straight-line method over the scheduled maintenance frequency, that is a useful life of approximately five years.

Useful lives, residual values and amortization methods are reviewed every year according to asset type, expected usage and changes in technology.

Energy Sales Contract

Acquisition costs for energy sales contract is amortized on a straight-line basis over the contract terms, which is 20 years.

Water Rights

The water rights are amortized on a straight-line basis over the contract term, which is 20 years.

Reserve Funds

Reserve funds represent funds held in trust for the purpose of meeting the requirements of certain non-current debt agreements including the maintenance of reserves for debt servicing and to maintain property, plant and equipment. The reserve funds, consists of deposit certificates, and are valued at amortized cost.

Borrowing Costs

The Partnership capitalizes borrowing costs directly attributable to the acquisition, construction or production of qualifying assets during their active construction. Other borrowing costs are expensed during the period in which they are incurred.

Impairment of Assets

Non-current assets with finite useful lives are tested for impairment when particular events or changes in circumstances indicate that their carrying amount might not be recoverable. An impairment loss is recognized when the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is the higher of that asset's fair value less costs of disposal and its value in use.

At the end of each reporting period, if there is any indication that an impairment loss recognized in a prior period no longer exists or has decreased, the loss is reversed up to its recoverable amount. The carrying amount following the reversal must not be higher than the carrying amount that would have prevailed (net of amortization) had the original impairment not been recognized in prior periods.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. To calculate value in use, estimated future cash flows are discounted to their present value using a discount rate that reflects changes in the time value of money and the risks specific to the asset. When determining fair value less costs of disposal, the Partnership considers whether there is a current market price for the asset. Otherwise, the Partnership uses an income approach, which is based on the present value of future cash flows generated by an asset. The discounted cash flow method consists of projecting cash flows and converting them into present values by applying discount rates.

Provisions

A provision is recognized in the statement of financial position when the Partnership has a legal or constructive obligation as a result of a past event and it is probable that settlement of the obligation will require a financial payment or cause a financial loss, and a reliable estimate can be made of the amount of the obligation. Provisions are measured using the Partnership management's best estimate as to the outcome based on known facts as at the reporting date.

Decommissioning Liability

A decommissioning liability is recognized at fair value in the period during which a legal or constructive obligation is incurred, when the amount of the liability can be reliably estimated and it is probable that the settlement of the obligation will require a financial payment. Decommissioning costs are capitalized into the value of the related asset, and are amortized over the asset's remaining useful life. The liability is discounted using a pre-tax interest rates that reflect the assessment of the risks specific to the liability.

The Partnership has no obligation to decommission the hydroelectric power station. The likelihood of such an obligation arising is low since the decommissioning of such facilities would have significant consequences on the ecosystem and economic life in surrounding areas. It is usually more beneficial for the environment, local residents and companies to keep the dam. Given this low likelihood, no provision has been recognized.

Income Taxes

Income taxes attributable to the earnings of the Partnership are assumed by its Partners.

Distributions

Distributions are recognized in the financial statements in the period in which the distributions are approved by the Partners.

Partners' Equity

Partners' capital is presented at the value at which the units were issued. Costs related to the issuance of units are presented in equity as a deduction from issuance proceeds.

Revenues from Energy Sales

The Partnership recognizes its revenues, which consist of energy sales, when persuasive evidence of an arrangement exists, the goods are delivered, the significant risks and benefits of ownership are transferred, the price is fixed or determinable and collection of the resulting receivable is reasonably assured.

Change in Accounting Policies

IAS 7, *Statement of Cash Flows*

On February 2, 2016, the IASB issued narrow-scope amendments to IAS 7, *Statement of Cash Flows*, to require companies to provide information on changes in their financing liabilities. The changes apply to fiscal years beginning on or after January 1, 2017. The Partnership adopted this new standard on January 1, 2017 and this change impacted presentation at the end of the year ended December 31, 2017 in the form of a new note to the financial statements (note 14 - *Statement of Cash Flows*).

Future Changes in Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, IASB completed its three-phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, by issuing IFRS 9, *Financial Instruments*. IFRS 9 addresses the classification and measurement of financial assets and liabilities, and introduces a forward-looking expected credit loss impairment model and a substantially reformed hedge accounting model.

To determine whether a financial asset should be measured at amortized cost or at fair value, IFRS 9 uses a new approach that replaces the multiple rules of IAS 39. The approach recommended by IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of financial assets. Most of the requirements of IAS 39 for the classification and measurement of financial liabilities are carried forward in IFRS 9. However, the portion of the changes in fair value related to the entity's own credit risk, in measuring a financial liability at fair value through profit or loss, will be presented in *Accumulated other comprehensive income* instead of in the statement of earnings.

IFRS 9 also sets out an expected credit loss impairment model that will require more timely recognition of credit losses. More specifically, the new standard requires entities to account for expected credit losses upon initial recognition of financial instruments, and to recognize lifetime credit losses on a timely basis.

IFRS 9 will be effective for the Partnership's fiscal year beginning after January 1, 2018. The Partnership's analysis identified no significant differences in results or financial position following adoption of this standard.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, a new standard that specifies the steps and timing for issuers to recognize revenue as well as requiring them to provide more informative, relevant disclosures. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. This standard supersedes IFRS 11, *Construction Contracts*, IAS 18, *Revenue*, as well as various interpretations regarding revenue. IFRS 15 is effective for fiscal years beginning after January 1, 2018 with earlier adoption permitted. The Partnership's analysis identified no significant differences in results or financial position following adoption of this standard.

Note 4. Main Sources of Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that can materially affect the revenues, expenses, comprehensive income, assets and liabilities, and the information reported in the financial statements.

The following items require management to make the most critical estimates and judgments.

Main Sources of Uncertainty Relating to Management's Estimates

Management determines its estimates based on a number of factors, namely its experience, current events and measures the Partnership could subsequently take, as well as other assumptions it deems reasonable given the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results may differ from them. Underlying estimates and assumptions are periodically reviewed and the impact of any changes is recognized immediately.

Impairment of Assets

At each reporting date, if any evidence of impairment exists, the Partnership must perform impairment tests on its assets with finite useful lives to assess whether their carrying amounts are recoverable. Impairment tests require the use of various assumptions based on management's best estimates.

Recoverable Amount

Recoverable amounts are determined using value-in-use calculations based on cash flows discounted over a five-year period that factor in current economic conditions and management's estimates based on past experience. Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including market and production estimates, together with economic factors such as selling prices and contract renewal prices, production cost estimates, future capital expenditure, after-tax discount rates, the growth rate and useful lives.

Discount Rate

The discount rate estimated and used by management represents the weighted average cost of capital.

Growth Rate

The growth rate is determined based on past experience, economic trends as well as market and industry trends.

Useful Lives of Property, Plant and Equipment and Intangible Assets with Finite Useful Lives

In determining the useful lives of property, plant and equipment and intangible assets with finite useful lives, management takes into account estimates of the expected use period of the asset. Such estimates are reviewed annually and the impacts of any changes are accounted for prospectively.

Fair Value of Financial Instruments

Fair value is determined using discounted cash flow models. Fair value determined using such valuation models requires the use of assumptions concerning the amount and timing of estimated future cash flows, as well as for numerous other variables. These assumptions are determined using external, readily observable market inputs. Since they are based on estimates, fair values may not be realized in an actual sale or immediate settlement of the instruments. See note 14 for a more detailed explanation of the bases for the calculations and estimates used.

Main Sources of Uncertainty Relating to Management's Key Judgments

Evidence of Asset Impairment

At each reporting date, management is required to use its judgment to assess whether there is any evidence that property, plant and equipment and intangible assets may be impaired. If applicable, the Partnership performs impairment tests on its assets to assess whether the carrying amounts of assets are recoverable. As described in the previous section, various estimates made by management are used in the impairment tests.

Management is required to exercise judgment and assess whether any events or changes in circumstances could have affected the recoverability of the carrying amount of assets. In making these assessments, management uses various indicators including, but not limited to, adverse changes in the industry or economic conditions, changes in the degree or method of use of the asset, a lower-than-expected economic performance of the asset or a significant change in market returns or interest rates.

Note 5. Trade and Other Receivables

	As at December 31, 2017	As at December 31, 2016
Trade receivables	247	237
Other receivables	12	10
	259	247

All these amounts have current maturities. Their net carrying amounts reasonably approximate their fair values.

The Partnership has not recorded a provision for the accounts in the above table given the clients' high credit ratings. As at December 31, 2017, approximately 9% of *Trade and other receivables* (5% as at December 31, 2016) were outstanding for more than 90 days since invoice date, while approximately 91% of accounts (95% as at December 31, 2016) were current.

Note 6. Property, Plant and Equipment

Year ended December 31, 2016	
Balance - beginning of year	17,132
Additions	1,413
Amortization	(565)
Balance - end of year	17,980
As at December 31, 2016	
Cost	21,837
Accumulated amortization	(3,857)
Net carrying amount	17,980
Year ended December 31, 2017	
Balance - beginning of year	17,980
Additions	383
Amortization	(564)
Balance - end of year	17,799
As at December 31, 2017	
Cost	22,220
Accumulated amortization	(4,421)
Net carrying amount	17,799

Note 7. Energy Sales Contract and Water Rights

	Energy sales contracts	Water right
Year ended December 31, 2016		
Balance - beginning of year	716	2,118
Amortization	(54)	(160)
Balance - end of year	662	1,958
As at December 31, 2016		
Cost	1,080	3,197
Accumulated amortization	(418)	(1,239)
Net carrying amount	662	1,958
Year ended December 31, 2017		
Balance - beginning of year	662	1,958
Additions	32	—
Amortization	(54)	(160)
Balance - end of year	640	1,798
As at December 31, 2017		
Cost	1,112	3,197
Accumulated amortization	(472)	(1,399)
Net carrying amount	640	1,798

Note 8. Trade and Other Payables

	Note	As at December 31, 2017	As at December 31, 2016
Trade payables		49	—
Related party payables	19	699	322
Accrued liabilities and other payables		51	81
		799	403

Note 9. Non-Current Debt

	Maturity	Rate	As at December 31, 2017	As at December 31, 2016
Term loan payable	2024	6.55%	6,567	7,377
Current portion of debt			(865)	(810)
Borrowing cost, net of accumulated amortization			(77)	(105)
			5,625	6,462

This loan payable, secured by all of the assets, bears interest at a fixed rate of 6.55% with monthly payments of principal and interest. The credit agreement allows for early repayment, subject to the payment of a premium calculated on the date of repayment as the difference, if any, between the balance of the debt and the future cash flows discounted using the rate of Government of Canada bonds with a similar term plus 0.5%.

Financial Ratios and Guarantees

The debt agreement includes a debt service ratio, that the Partnership must meet on a quarterly and semi-annual. As at December 31, 2017, the Partnership was in compliance with its financial ratio requirement.

Note 10. Partners' Capital

The authorized capital of the Partnership's capital consists of 1,000,100 units divided in two separate classes (100 General Partnership Units and 1,000,000 Limited Partnership Units).

The following changes occurred in the *Partners' capital* between January 1, 2016 and December 31, 2017:

	Number of Units	Amount
Balance as at January 1, 2016	601,286	13,440
Capital contribution	1,100	1,100
Balance as at December 31, 2016	602,386	14,540
Balance as at December 31, 2017	602,386	14,540

Note 11. Expenses by Nature

Operating and Administrative

	2017	2016
Maintenance and repairs	379	392
Employee benefits	231	225
Property and school taxes	388	380
Insurance	104	104
Management fees	441	470
Professional fees	144	56
Other expenses	54	46
	1,741	1,673

Employee Benefits

	2017	2016
Current salaries and benefits	110	127
Other post-employment benefits	121	98
	231	225

Note 12. Financing Costs

	2017	2016
Interest on non-current debt	472	510
Interest and other interest income	(5)	(7)
Amortization of borrowing costs	28	30
	495	533

Note 13. Change in Non-cash Items Related to Operating Activities

	2017	2016
Decrease (Increase) in:		
Trade and other receivables	(12)	(4)
Other current assets	1	—
Increase in:		
Trade and other payables	400	225
	389	221

Note 14. Statement of Cash Flows

					As at December, 2017
			Non-cash item		
	Balance - Beginning of year	Cash	Amortization of borrowing costs	Comprehensive income	Balance - End of year
Non-current debt	7,272	(810)	28	—	6,490
Partners' Equity	13,385	—	—	59	13,444
	20,657	(810)	28	59	19,934

Note 15. Financial Instruments

The classification of financial instruments, complete with the respective carrying amounts and fair values, is as follows:

	As at December 31, 2017		As at December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
OTHER LIABILITIES				
Non-current debt	6,490	7,254	7,272	8,344

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of *Cash, Trade and other receivables, Trade and other payables* and *Reserve Funds* approximate their carrying amounts due to their short-term maturities.

The fair value of *Non-current debt* is essentially based on the calculation of discounted cash flows. A discount rate of 3.41% was determined based on local government bond yields adjusted for the risks specific to the borrowing and for credit market liquidity conditions.

Hierarchy of Financial Assets and Liabilities Measured at Fair Value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Financial instruments measured at fair value in financial statements are classified according to the following hierarchy of levels:

- Level 1: Consists of measurements based on quoted prices (unadjusted) in markets for identical assets or liabilities;
- Level 2: Consists of measurement techniques based mainly on inputs, other than quoted prices, that are observable either directly or indirectly in the market;
- Level 3: Consists of measurement techniques that are not based mainly on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the financial instrument fair value measurement in its entirety.

For *Non-current debt*, the Partnership classified the fair value measurements as Level 2, as they are based mainly on observable market data, namely government bond yields.

Note 16. Financial Risks

The Partnership is exposed, in the normal course of business, to various financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk.

Market Risk

Price Risk

The Partnership has an indexed fixed-price energy sales contract fixed price for 97% of its production until June 30, 2018. The Partnership is thus not significantly exposed to price risk until the maturity of its energy sales contract. Discussions have been initiated for the renewal of the fixed-price energy sales contract.

Interest Rate Risk

The term loan payable bears interest at a fixed rate. The Partnership is thus not significantly exposed to interest rate risk.

Credit Risk

Credit risk stems primarily from the potential inability of clients to meet their obligations. Given the nature of the Partnership's business, its clients are few in number and their credit ratings are generally high. The electricity markets that the Partnership serves are limited essentially to a monopoly and, to a lesser degree, to private customers. The Partnership regularly monitors the financial condition of these clients.

Liquidity Risk

Liquidity risk is the risk that the Partnership will experience difficulty meeting its obligations as they fall due. The Partnership manages cash resources based on financial forecasts and expected cash flows.

Discussions have been initiated for the renewal of the fixed-price energy sales contract due in June 2018. Management expects to renew the contract under similar or better conditions.

Nothing suggests that the Company will not be able to meet its financial obligation for the next 12-month period.

The contractual maturities of the Partnership's financial liabilities as at December 31, 2017 and 2016 are detailed in the following tables:

As at December 31,		Undiscounted cash flows (principal and interest)				
2017	Carrying amount	Current portion	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Financial liabilities:						
Trade and other payables	799	799	—	—	—	799
Non-current debt	6,490	1,270	1,270	3,809	1,692	8,041
	7,289	2,069	1,270	3,809	1,692	8,840

As at December 31,		Undiscounted cash flows (principal and interest)				
2016	Carrying amount	Current portion	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Financial liabilities:						
Trade and other payables	403	403	—	—	—	403
Non-current debt	7,272	1,270	1,270	3,809	2,962	9,311
	7,675	1,673	1,270	3,809	2,962	9,714

Undiscounted cash flows of financial liabilities are determined using expected principal repayments and interest payments.

Note 17. Capital Management

The Partnership's objectives, when managing its capital represented by Partners' investment and *Non-current debt*, are as follows:

- Safeguard the Partnership's ability to pursue its operations;
- Maintain sufficient liquidity to meet its debt service ratio;
- Provide steady distributions to its Partners; and
- Mitigate the seasonal nature of hydroelectricity.

The Partnership monitors capital on a quarterly, semi-annual and annual basis based on various financial ratios and non-financial performance indicators. The Partnership is also required to meet a debt service ratio under its financing arrangement. More specifically, the Partnership must maintain a debt service coverage ratio of at least 1.28 before it can distribute cash to its Partners.

Note 18. Commitment

Energy Sales Contract

The Partnership is committed to selling approximately 97% of its power output (subject to certain minimum criteria) under a contract maturing in June 2018. This contract provides for annual indexation based on the Consumer Price Index ("CPI").

Note 19. Related Party Transactions

Details of related party transactions are as follows:

	2017	2016
COSTS AND OTHER EXPENSES		
Operating - Boralex Inc. - Partner	669	695

Payables arising from the above transactions at the end of the fiscal year were as follows:

	As at December 31, 2017	As at December 31, 2016
RELATED PARTY PAYABLES		
Boralex Inc. - Partner	699	322

Note 20. Prior Period Adjustment

The comparative figures for 2016 have been restated to present separately *Advance from a Partner* which was previously included under *Trade and other payables*. This restatement had no impact on *Net earnings, Comprehensive Loss* and *Cash Flows* for the year ended December 31, 2016.