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OUR VISION

Qulliq Energy Corporation's vision is to provide the communities of Nunavut with safe, reliable, sustainable and economical energy supply and service. Our foundation to achieve our vision is based on an empowered and accountable workforce, representative of Nunavut's population, and reflective of Inuit Societal Values, Inuit Qaujimajatuqangit and *Sivumut Abluqta*, the mandate document of the fourth Legislative Assembly of the Government of Nunavut. We operate as an enterprise with transparency, accountability and integrity.

MISSION STATEMENT

QEC provides safe, reliable and efficient electricity and plans long-term affordable energy for Nunavummiut.

GUIDING PRINCIPLES

QEC is guided in every facet of its operations by Inuit Societal Values and adheres to the Inuit Guiding Principles set out by the Government of Nunavut's *Sivumut Abluqta*.

CHAIRPERSON'S MESSAGE

The past year has brought positive changes within the Corporation. Along with new direction is the opportunity for continuous improvement through the implementation of QEC's new Strategic Goals; Being a Leading Employer in Nunavut, Reducing our Dependence on Fossil Fuels, Ensuring Cost Effective Energy Generation and Demonstrating Leadership by Providing Transparent Communication to Nunavummiut. The Board of Directors is proud of our employees and their many accomplishments outlined in this annual report.

QEC is proudly building on its past achievements such as the Apprenticeship Program and the Inuit Employment Plan. The initiatives being promoted and implemented are in support of the Government's mandate of reaching a representative Inuit workforce and at the same time ensuring that all employees are capable and qualified. The Board of Directors' Human Resources Committee has been evaluating priorities and ensuring that recruitment, retention and accountability is at the forefront of its future objectives. This will provide us with the foundation to build our staff and provide the best customer service.

The reduction of Nunavut's dependence on fossil fuels has been given priority at the Board level with the creation of the Alternative Energy Committee. Having a dedicated committee focused on alternative energy ensures that decisions made take into account various alternative energy options and technologies that are proven effective in the north. The return on investment must be measured in dollar and cents but also must take into account the benefits for the environment.

As stated in QEC's mission statement, cost-effective energy is paramount in successfully achieving our obligation to Nunavummiut. Building on lesson's learned from the past, so that we can make improvements for the future is at the heart of our business objectives. Ensuring that QEC and its stakeholders are getting value for their money at every level of operations is a priority with the Board of Directors in fulfilling our mandate for the shareholder.

The Corporation is striving to ensure that information is available when required in a concise and transparent format so that accountability and transparency can be achieved in all our transactions both internal and external. By providing accountability and transparency, QEC seeks to foster confidence and pride in the public's opinion of their territorial utility.

Along with my fellow Board members, we will work hard to take advantage of the opportunities that have been presented to us. We are strongly committed to seeing QEC become a source of pride for our shareholder, employees and all Nunavummiut.



Julie-Anne Miller
Chairperson
Dated: August 28, 2015

PRESIDENT'S MESSAGE

In 2014-2015, Qulliq Energy Corporation underwent an extensive leadership transition. The Corporation was appointed a new president along with a change in Minister as well as experiencing the resignation of the Board Chair.

Turnover of the Corporation's Management was also echoed with continued turnover of staff. This is not a new challenge for QEC but a challenge that we continually meet and work towards improving. Turnover also has positive effects as it provides opportunities for advancement within the Corporation for future leaders and mentors.

The replacement of QEC's infrastructure was also the subject of a first change for the Corporation in that the first new power plants to be built solely by QEC started in the communities of Qikiqtarjuaq and Taloyoak. The last time a new plant was built in Nunavut was in 2003 in Baker Lake. The new power plants are expected to be commissioned in the summer of 2016. These new power plants are the start of what will be many changes over the coming years to the infrastructure of QEC.

In keeping with changes to technology, QEC has been working to implement the Advance Metering Infrastructure commonly called a Smart Grid for the last few years. The meters are now 99% installed and monitoring of the project will continue over the next year.

On May 1st 2014, the Corporation implemented a 7.1% increase to our rates across all rate classes and communities. This increase allows the Corporation to receive the necessary revenues to fund its operations and continue changes to its infrastructure.

In order to continue the security of the Corporation's environmental footprint, this past year saw the replacement of single walled pipelines to a double walled pipelines to help protect the environment. This work started in Iqaluit and will be expanded to other communities over the next few years.

It's my great pleasure to reiterate that QEC was the recipient of two Safety Awards from the North American Occupation Safety and Health: Employer Recognition and Best Representation of Theme.

As the Government of Nunavut has set the priorities of *Sivumut Abluqta: Stepping Forward Together*, QEC is also working together to move forward and I would like to take this opportunity to thank all of the employees both short-term and long-term who work hard on a daily basis to provide energy to Nunavummiut.



Peter Tumilty
President and CEO
Dated: August 28, 2015

KEY ACTIVITIES IN 2014-2015

- Newly appointed Board of Directors and President/CEO
- Newly appointed Minister responsible for Qulliq Energy Corporation
- General Rate Application
- Construction of Qikiqtarjuaq and Taloyoak power plants
- Inuit Language Appreciation Award
- 99.85 percent reliability rate
- Completion of Iqaluit main plant capacity increase and facility upgrade
- Installation of Smart Meters in Iqaluit
- Commissioning of emergency generator set in Pangnirtung
- Replacement of generator sets or gensets in Arviat and Resolute Bay
- 54 percent Inuit employment
- QEC employee Siobhan Iksiktaaryuk, first Inuk to receive Supply Management Diploma
- Shortlisted for the 2015 edition of Canada's Top 100 Employer for Recent Graduates
- North American Occupational Safety and Health Awards – Territorial and National
- Strengthening of procurement and contracting practices

OUTLOOK FOR 2015-2016 AND BEYOND

QEC is looking ahead to future opportunities by focusing on the following key areas: monitoring of efficiencies; promotion of conservation; staff capacity and retention; and, monitoring of finances for future fiscal stability. The Board of Directors along with Senior Management are working together to address these opportunities with the purpose of fulfilling QEC's mission of providing safe, efficient and reliable electricity for the betterment of Nunavummiut.

CORPORATE PROFILE

Following Nunavut's division from the Northwest Territories, the Nunavut Power Corporation took up the mandate



Photo credit: Sara Statham

to supply electricity to communities in the territory of Nunavut on April 1, 2001.

Renamed Qulliq Energy Corporation (QEC) in 2003, this territorial corporation is 100 per cent owned by the Government of Nunavut, and operates at arm's length from the government, reporting to the territorial Minister responsible for QEC.

The Corporation is the only generator, transmitter and distributor of electrical energy in Nunavut.

QEC is incorporated and operates under the Qulliq Energy Corporation Act and its energy pricing is regulated pursuant to the Utility Rates Review Council Act. The Corporation is committed to supplying safe, reliable and efficient energy through responsive and respectful interaction with all stakeholders.

QEC delivers electricity to approximately 14,400 electrical customers across Nunavut. QEC generates and distributes power to Nunavummiut through the operation of 25 stand-alone diesel power plants in 25 communities, with a total installed capacity of 76,848 kW. The Corporation also provides mechanical, electrical and line maintenance from three regional centres: Iqaluit, Rankin Inlet and Cambridge Bay. The Corporation's business activities are maintained at the Head Office located in Baker Lake and corporate offices in Iqaluit. QEC has 178 employees across the territory.

All electricity needs in Nunavut are met by imported fossil fuel supplies. Each community in Nunavut has its own independent electricity generation and distribution system. There is no back-up grid. QEC is the only energy corporation in Canada without developed local energy resources or regional electricity transmission capability, creating a situation of high dependency on fossil fuel.

CHANGES IN LEADERSHIP

MINISTER RESPONSIBLE FOR QULLIQ ENERGY CORPORATION (QEC)

The Honourable Keith Peterson assumed the role of Minister responsible for Qulliq Energy Corporation on December 5, 2014. Minister Peterson replaced the Honourable Paul Okalik.

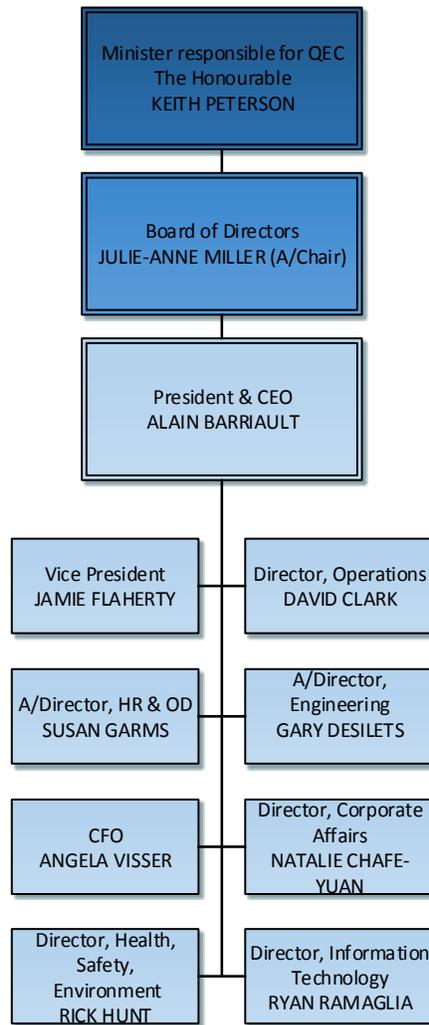
CHAIRPERSON

QEC's board chair, David Omilgoitok, resigned on February 13, 2015. On an interim basis, Vice-chairperson Julie-Anne Miller filled the chair position until her appointment as board chair on June 29, 2015.

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Alain Barriault replaced Peter Ma as QEC president and CEO on October 14, 2014. Effective June 15, 2015, Peter Tumilty assumed the role of interim president and CEO of the Corporation until the position is officially filled.

ORGANIZATIONAL STRUCTURE



As of March 31, 2015

BOARD OF DIRECTORS

Qulliq Energy Corporation's Board of Directors is appointed by the Minister responsible for QEC. Under the Qulliq Energy Corporation Act, the Board of Directors must be composed of no fewer than six directors, and no more than ten directors. The terms for board members are staggered at two or three year appointments, which helps the Corporation maintain business continuity, allowing for growth in experience and knowledge.

Julie-Anne Miller – Acting-Chair (appointed on February 16, 2015)

Julie-Anne Miller served as chairperson to the Employment Insurance Board of Referees for six years. Prior to that, Ms. Miller served as Senior Advisor to Members of Parliament for thirteen years. Ms. Miller has served in community volunteerism and governance for more than 20 years and is a graduate of Carleton University, Bachelor of Arts program and Heritage College in the Business Administration/Commerce program. Currently Ms. Miller is a small business owner in Iqaluit.

Joshua Arreak

Joshua Arreak has forty years of progressive financial and management experience and is currently the acting Regional Supervisor for the Department of Justice in Pond Inlet. With a long history of volunteerism he understands the needs of the communities. He has a breadth of experience in governance, including serving for seven years on hamlet council, and serving as Diocese of the Arctic's executive council for six years. He studied at Algonquin College.

Philip Clark

Philip Clark has more than twenty five years of progressive corporate financial experience serving public companies, government entities and owner managed businesses. For twelve years he served as a partner of Lester Landau (formerly MacKay Landau). He also served as the Chief Financial Officer for the Oxford City Football Club, Incorporated and the American Rare Earths and Materials Corporation. In the past he has served as a director for the Qulliq Energy Corporation's Board of Directors. Mr. Clark brings an extensive wealth of financial knowledge to the Board. Mr. Clark holds a degree from McMaster University. He currently resides in Mississauga, Ontario.

Elijah Evaluarjuk

Elijah Evaluarjuk owns and operates Tujurmivik Hotel and Pizzeria in Igloolik, a business he's run since 2002. He is a shareholder of Savik Enterprises Limited and is currently a board member representing Baffin Business Development Corporation and Nunavut Business Credit Corporation. In the past he has served on the board of Nunasi Corporation and Norterra, and served a four-year term as mayor of Igloolik.

George Hickes Sr.

George Hickes Sr. was an elected Member of the Legislative Assembly of Manitoba for 21 years from 1990 until his retirement in 2011. He was elected by the House members to serve as Speaker of the Legislative Assembly for 12 years and prior to this, he served as Party Whip and Deputy House Leader. Mr. Hickes Sr. also served as critic for Manitoba Hydro a crown corporation for nine years. He was employed as Executive Director of the Limestone Training and Employment Agency which trained northerners and aboriginal people to obtain the skills required for employment on the construction of the Limestone Dam in northern Manitoba and also has extensive experience in adult education.

Roy Mullins

Roy Mullins is the Chief Financial Officer of Chesterfield Inlet Holding Corporation, a position he has held since

2007. Since the early 1980s, he has held various levels of government and government related jobs throughout Nunavut. He studied Community Administration at Thebacha College.

Nelson Pisco

Nelson Pisco currently works for the Government of Nunavut's Department of Community and Government Services as the Director of Technical Services in Iqaluit. He has extensive public service experience at the territorial level. Prior to working for the government, Mr. Pisco worked as an engineer in Iqaluit, Nunavik and Montreal. His extensive background in leadership, engineering and experience in the energy industry will be valuable assets to the Board of Directors. He is a graduate of Concordia University and holds a bachelor of Civil Engineering. Mr. Pisco currently resides in Iqaluit.

Bert Rose

Bert Rose has lived and worked in the north for five decades. Mr. Rose has worked for the Department of Education for the Government of Northwest Territories for twenty four years in various management roles. Following that, he became Dean of Campus Programs at Nunavut Arctic College. From 2000 to 2013 he successfully ran Graybeard Consulting. He is currently retired and sits as Chair of the Nunavut Surface Rights Tribunal. Mr. Rose brings his knowledge of working in the north, his strong leadership skills and management background to QEC's Board. He was trained in Education at the post-secondary level. Mr. Rose resides in Iqaluit.

Allysha Sateana

Allysha Sateana has worked for the Government of Nunavut since 2008 until 2014 as the Assistant Operations Manager for the Petroleum Products Division in Rankin Inlet. She is a graduate of Nunavut Arctic College and has a certificate in Management Studies and Human Services Program, and Tenders, Contracts, and Proposals. Ms. Sateana is currently studying Social Work at Nunavut Arctic College in Cambridge Bay.

BOARD COMMITTEES

HUMAN RESOURCES COMMITTEE

The Human Resources Committee provides recommendations relating to the Corporation's organizational workforce. The Committee reviews human resources and compensation matters pertaining to the Senior Management Team. In addition, the Committee evaluates: programs and initiatives related to Inuit employment, training and development; employee and labour relation environments; implementation of collective agreements; and initiatives aimed to improve the capability and capacity of employee performance results.

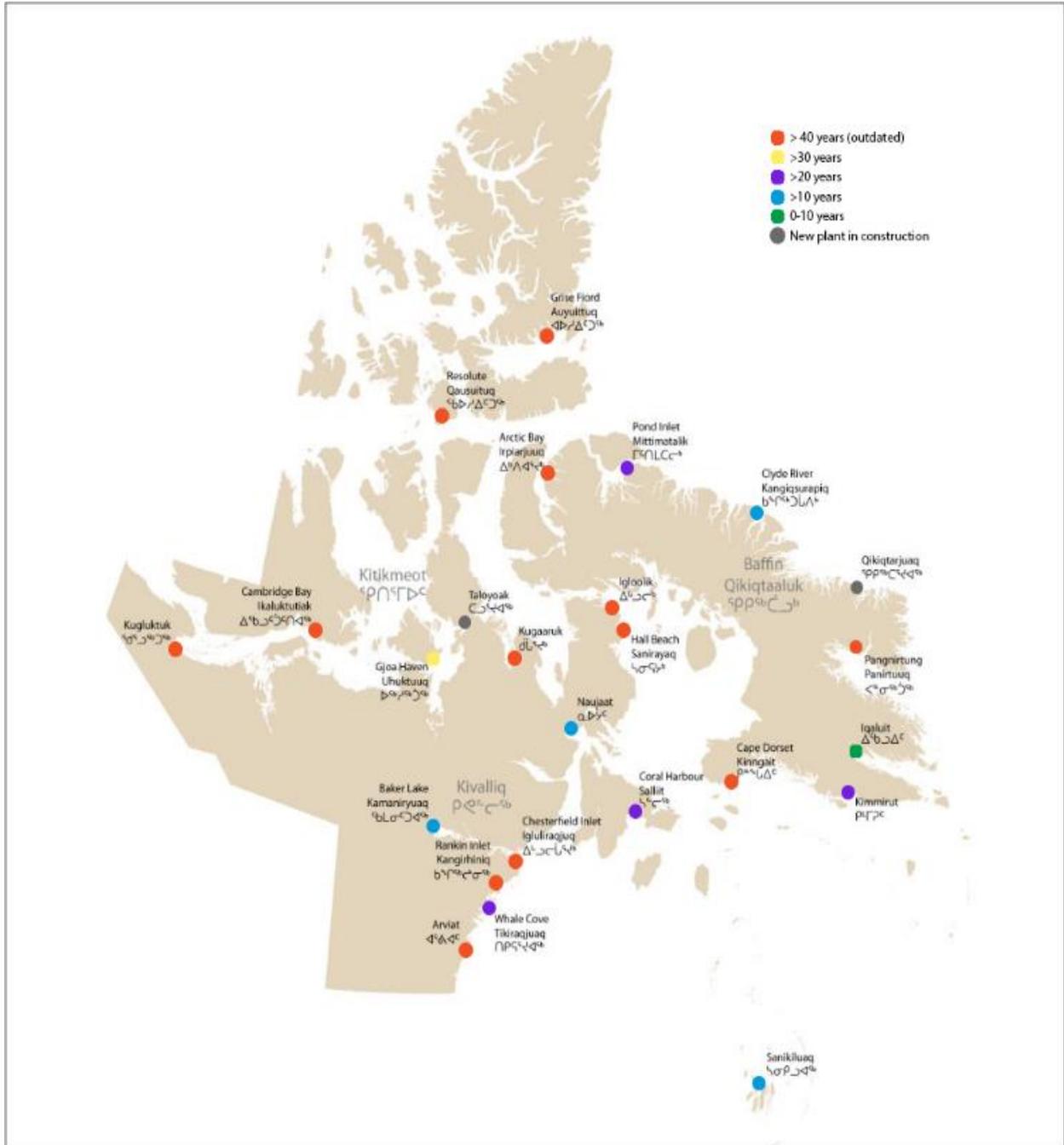
FINANCE AND AUDIT COMMITTEE

The Finance and Audit Committee assists the Board in meeting its oversight and financial responsibilities and accountabilities to the Corporation and its stakeholders: the Government of Nunavut and the ratepayers of Nunavut. The Committee facilitates communication between the Board and the external auditor and is the presiding body related to the activities of the internal auditor.

ALTERNATIVE ENERGY COMMITTEE

The Alternative Energy Committee provides recommendations to the Board regarding the viability of alternative or renewable energy technologies in the North. The Committee also provides input on financing options and financing sources for development, demonstration projects, research initiatives, collaboration opportunities, and supportive and overlapping mandates of other organizations.

NUNAVUT POWER PLANTS BY AGE



REPORT ON PERFORMANCE

OPERATIONS

In a unique geographical location such as Nunavut, where 25 isolated communities are spread out across 1,932,255 square kilometres and experience temperatures below -50 degrees Celsius and wind gusts above 150 kilometres per hour, generating and distributing electricity to our customers often poses significant challenges. However, the department of Operations continues to build an accountable team with the skill set and willingness to address operational concerns presented by our environment, and our aging, failing and obsolete infrastructure. Operations is proud of our diverse team and their on-going commitment to QEC and our customers.

The department of Operations' areas of focus support QEC's Corporate Vision to provide Nunavummiut with safe, reliable, sustainable and economical energy supply and service; the following sub-categories demonstrate the positive results Operations has achieved in upholding QEC's core values.

RELIABILITY

Reliability is one of Operation's top priorities. During the 2014-2015 fiscal year, QEC maintained power supply to all customers on average 99.85 percent of the time surpassing the previous year's reliability rate of 99.74 percent. By continuing to improve preventative maintenance practices, Operations was able to increase power supply reliability while meeting increased demand for electricity with aging, failing and obsolete infrastructure.

QEC calculates its reliability on the number of planned and unplanned outages that occur during the year, and the length of time that customers are without power. Planned outages are necessary when work is needed on power plant equipment, and plant support or electrical distribution systems. In addition, these outages are required to ensure the safety of our Operations & Maintenance (O&M) technicians. Unplanned outages generally occur due to extreme weather, physical outside influences or unexpected failures to our aging power plant equipment.

The Iqaluit main plant capacity increase and facility upgrade reached final completion in September 2014. This project increased the generating capacity of our largest power plant in the territory. In addition, the voltage regulation and protective relays have been upgraded and the line fusing and control system has been reviewed to ensure increased power generation and distribution reliability. The main plant upgrade also expanded and retrofitted the facility to accommodate our regional trades staff and provided them with adequate workspace and tooling to support all of the power plants in the Qikiqtaaluk region. Both improvements will help QEC increase the reliability of electricity supply in Iqaluit and the Qikiqtaaluk region.

The following communities had the most reliable power supply in the territory during the year:

- [Kugaaruk](#) had zero power outages for the second consecutive year.
- [Kugluktuk](#) and [Chesterfield Inlet](#) both had an average power supply of 99.99 percent.
- [Gjoa Haven](#) and [Taloyoak](#) both had average power supply of 99.98 percent.
- [Baker Lake](#) and [Kimmirut](#) with an average power supply of 99.97 percent.

As a result of the extended outages that took place in Cambridge Bay over the past year, new equipment was installed into an aging plant that required increased fuel supply to the generators. Upgrading the fuel system and adjusting the maintenance procedure were also required to maintain the reliability of electricity supply in Cambridge Bay.

Improvements in reliability are an ongoing focus of Operations and the reliability numbers above reflect the diligence of our Operations & Maintenance technicians. In addition, the department strives to improve operational and maintenance practices that involves various measures such as pro-active inspections of our plants and equipment.

EFFICIENCY

Operations' enhancements in fuel efficiency come from a combination of upgraded generators, improvements in generator maintenance practices, and modifications to the Programmable Logic Controller (PLC) program to balance the daily power demand profile in each community.

QEC's fuel efficiency was 3.71 kWh per litre at the end of the fiscal year. QEC strives for continual increase in fuel efficiency, however, periodic equipment breakdowns prevent the plants from running their most efficient equipment. Iqaluit's all-time peak load was 10.008 MW on January 31, 2011. Even though the number of customers has increased, the peak load has remained approximately the same due to the 25kV upgrade, minimizing line loss.

QEC's efficiency efforts aim to minimize the amount of required diesel fuel the Corporation consumes to generate electricity, thereby reducing the amount of greenhouse gas emissions released into the atmosphere.

GENERATION

In fiscal 2014 - 2015, two generator set or gensets upgrades were completed. The first genset replacement project was in Arviat as part of the planned capital expenditures. This project was necessary because the existing genset had reached the end of its useful life. The second upgrade was implemented in Resolute Bay as a result of an unexpected failure on one of the engines which rendered the unit inoperable and unreparable. This upgrade improved the reliability of the Resolute Bay's electricity supply.

To manage the challenges presented by our aging, failing and obsolete infrastructure across the territory, QEC adheres to a strict maintenance schedule on all of the gensets and equipment within the Corporation's fleet. The department of Operations works in close collaboration with the Engineering department on upgrades to existing plants and construction of new plants in a number of communities.

DISTRIBUTION

QEC's Power Line Technicians (PLTs) spend most of the winter months flying into our outlying communities and repairing damage to power lines and poles, and issues with customers' connections. Most often these issues are caused by blizzards, wind storms or physical contact by vehicles. During the spring and summer months, the PLTs focused on maintaining infrastructure on distribution systems, performing preventative maintenance, and preparing our systems for new customer connections as demand for electricity continues to grow in our communities.

During the 2014-15 fiscal year, Operations has been involved in a variety of distribution projects in an effort to minimize line loss, improve reliability, and meet electricity demand in each community. Most notably, QEC's Operations and Engineering departments started the implementation of the Advanced Metering Infrastructure (AMI) Project in Iqaluit. The installation of smart meters will allow QEC to automatically read our customers' meters in Iqaluit which was previously performed by PLTs. Having the ability to read these meters automatically allows our PLTs to focus on maintaining our distribution systems and improving reliability. The AMI project is

expected to be operational by May 2015 and will be monitored and reported on throughout the calendar year. Smart meters use a two way power line carrier to automatically read meters and are able to send automatic notifications for localized outages resulting in a faster response to power outages by field staff.

Other projects in 2014-2015 took place in the communities of Sanikiluaq, Rankin Inlet, Grise Fiord, Coral Harbor, Repulse Bay and Whale Cove. Upgrades to the distribution system, also known as feeders, power poles and substations were performed in an effort to improve overall distribution and reliability of power supply in these communities. Enhanced distribution systems will improve reliability while reducing line loss resulting in generation costs savings. QEC is planning future distribution projects to grow with Nunavut's communities, minimize line loss, improve reliability and ensure the Corporation will be able to meet future electricity demands across the Territory.

ENGINEERING

The primary function of the Engineering department is to provide: engineering planning, design, project management, technical support services and life cycle analysis for new and existing power plant facilities for the Corporation. The Engineering department is also responsible for developing and implementing technical standards, project management procedures, Computer Aided Design and the maintenance of the engineering document management system. The strategic partnership between the Engineering and Operations departments ensures support for daily operational issues, long term planning, and execution of QEC's Corporate Plan.

While turnover of staff and adjustments of priorities to meet urgent operational and maintenance requirements have presented some challenges to the department, the Engineering team has executed a number of key projects during the 2014-2015 fiscal year.

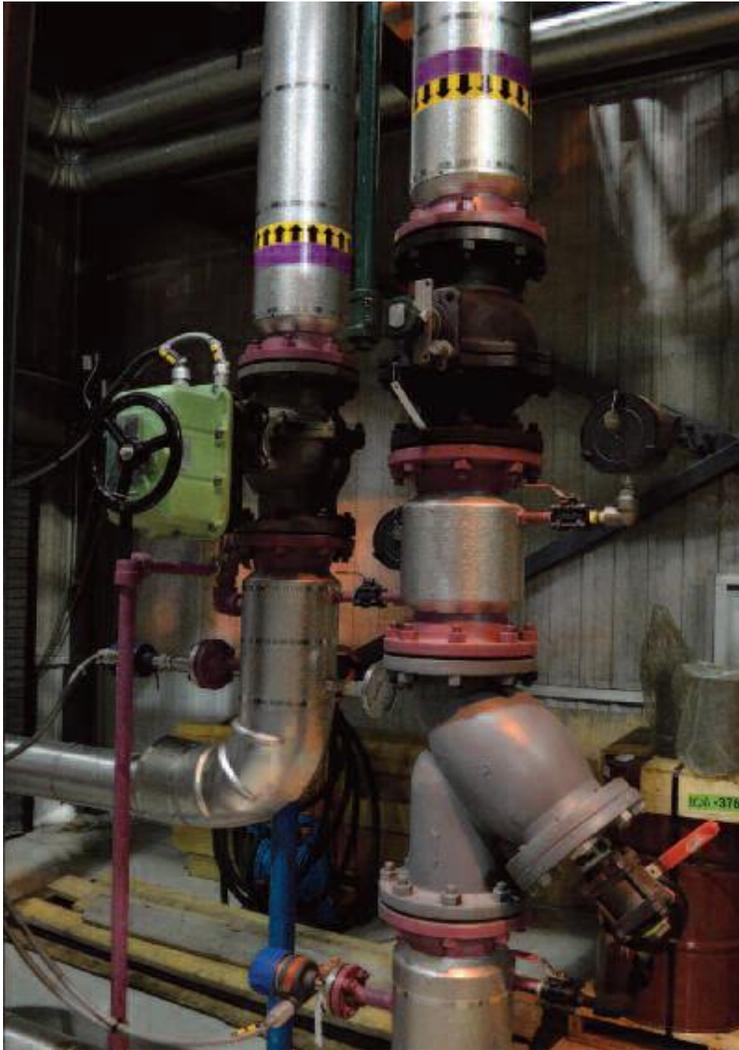


Qikiqtarjuak Power Plant Construction, November 2014

The Engineering department's accomplishments included:

- Final completion of the Iqaluit main power plant expansion and upgrade project.
- Implementation of civil works, sub-structures and building structures for the new Qikiqtarjuak and Taloyoak power plants. The new power plants will increase load capacity for the community and allow for expansion in the future. Completion of the projects is scheduled for the summer of 2015.

- Completion of capacity increase and generator set replacement in Arviat.
- Fulfillment of a geotechnical study for the new Grise Fiord power plant industrial lot located within the community. Planning and design work is scheduled to commence in the fall of 2015.
- Implementation of the Advanced Metering Infrastructure or Smart Grid Project for the city of Iqaluit. The new system will allow for the automatic reading of our customers' meters.
- Execution of the Supervisory Control and Data Acquisition (SCADA) project in the Kitikmeot Region and Iqaluit.
- Installation and commissioning of an emergency generator set in Pangnirtung in February 2015.
- Upgrades to the electrical distribution lines in Sanikiluaq, Rankin Inlet, Whale Cove and Taloyoak. Plans and designs have been completed for the 2015 implementation of distribution systems for Grise Fiord, Qikiqtarjuaq, Coral Harbor and Resolute Bay.
- Improvements to the fuel system (as per Canadian Environmental Protection Act) in Iqaluit. A design has been prepared for the 2015 implementation of fuel system improvements in Arviat, Whale Cove and Rankin Inlet.



District Heating System in Iqaluit

ALTERNATIVE ENERGY AND RENEWABLE ENERGY

The Engineering department's Energy Management (EM) section engages and collaborates with the Federal Government of Canada, the Government of Nunavut's Energy Secretariat and other government agencies to facilitate alternative and renewable energy initiatives and policy development for the territory.

Energy Management's objective is to decrease the Corporation's reliance on imported diesel fuel, and reduce greenhouse gas emissions and environmental hazards. EM partners with other organizations and agencies to carry out small scale demonstrative and pilot projects to become familiar with current alternative and renewable energy technologies, develop a knowledge base, and assess the reliability and performance of these alternative technologies in a unique and challenging environment.

DISTRICT HEATING SYSTEMS

The Corporation continues to improve fuel efficiency through our district heating systems (DHS) across the territory. DHS is the process of harnessing waste thermal

energy from generators while producing electricity in the power plant and supplying the captured thermal energy to the clients or to the power plant through the distribution system. This process allows institutional and commercial customers to heat their buildings without having to burn heating fuel and therefore conserving fuel and minimizing the required maintenance on customers' heating systems.

In an effort to provide reliable District Heating Systems (DHS), the Engineering department is continuously evaluating and assessing the existing DHS infrastructure throughout the territory. Currently, QEC has 18 customer accounts utilizing DHS in the communities of Iqaluit, Kugluktuk, Arviat, and in Rankin Inlet. Many of the DHS infrastructures are between ten and fifteen years old. As part of our ongoing improvements to the DHS, upgrades and modifications are performed to the existing mechanical and control systems.

QEC is working with the City of Iqaluit to reconnect the Water Treatment Plant, Reheat Station, and Booster Station to the DHS. In addition, the Corporation is working with the City to assess the possibility of connecting the Iqaluit Aquatic Center (IAC) with the DHS.

In 2014, the Hamlet of Sanikiluaq, with financial support from Aboriginal Affairs and Northern Development's (AANDC) ecoENERGY program and in coordination with QEC, conducted a feasibility study to connect the two schools near the power plant to the DHS. Future studies are planned for the Hamlets of Baker Lake and Cambridge Bay.

WIND

In early 2015, QEC applied for funding from AANDC's ecoENERGY program to conduct a desktop study for the territory to develop a short list of communities, which can be utilized for future in-depth analysis and pilot projects. QEC is also reviewing the final report from the Cape Dorset Wind Power Study received in 2014.

SOLAR

QEC is working with Natural Resources Canada (NRCan) to install solar panels to the main plant in Iqaluit and connect the solar panel to the grid. This is a demonstration project which will assist QEC to install solar panels in the future and provide technical knowledge on how to implement the Net Metering process using this alternative technology. Design and installation instructions for the solar panels will be developed by NRCan and QEC will be executing the installation of the panels as per NRCan's guideline. NRCan will also assist QEC during the commissioning of the project.

IQALUIT SMART GRID PROJECT

The Iqaluit Smart Grid Project is being implemented under the Natural Resources Canada (NRCan) ecoENERGY Innovation Initiative. The purpose of this initiative is to develop long term sustainable energy efficiency across Canada. As part of this initiative, NRCan contributes 49% (approx. \$1.6 M) towards the total budget of this project. The Iqaluit Smart Grid Project has two main components: smart meters that collect energy usage data, and the Supervisory Control and Data Acquisition component which monitors and communicates with those meters. Approximately 70% of the work required in order to develop a smart grid in Iqaluit is complete.

The majority of the smart meters have been installed during the 2014-2015 fiscal year. This technology will enable QEC to read any meter instantly through our SCADA system. This also allows for a higher level of load profile information to be recorded for each customer, which will enable QEC to manage demand more accurately and potentially lead to an increase in energy efficiency.

In addition, the Smart Grid Project will also support the Corporation's efforts to provide a higher level of customer service through increased reliability. The moment an outage occurs, notifications will be sent to the appropriate personnel. Not only will this facilitate a faster response to outages but it will provide QEC with information regarding how widespread the outage is, empowering QEC to make better decisions regarding restoration efforts.

The project is expected to be completed in the 4th quarter of the 2015-2016 fiscal year. Once complete Iqaluit will have the most advanced metering system in the Arctic. The project will enable QEC to undertake further alternative energy projects such as diesel hybrid systems which use hydro, solar, and/or wind to supplement our existing diesel generation systems.

HEALTH, SAFETY, ENVIRONMENT

QEC's Health, Safety, Environment department (HSE) is committed to providing a healthy and safe work environment for its employees, contractors, and customers. Our belief is that workplace incidents, illnesses and injuries are unacceptable and preventable.

QEC acquired the Certificate of Recognition (COR) distinctive endorsement from the Northern Safety Association (NSA) in 2013, subsequently becoming Nunavut's first recipient of this important accreditation. The department has made significant enhancements to its existing Health and Safety Program (HSP) to obtain the COR. To align itself to the requirements and standards of maintaining the accreditation, QEC has pledged to perform and submit an external audit on the program every three years and to successfully pass a yearly internal audit. In 2014, 40% of QEC's employees participated in the internal audit, resulting in the successful fulfillment of the audit requirements.

HSE's areas of focus include: continued development and revision of safe work practices and procedures, hazard analysis, risk mitigation, and the promotion of and compliance with our Health and Safety Program. These priorities are demonstrated by our continued efforts to create an HSP manual that is clear, current, accurate, and meets or supersedes national and territorial standards.

The North American Occupational Safety and Health (NAOSH) Week is a continent wide event spanning three countries; Canada, USA and Mexico. NAOSH Week highlights to the public, government, and industry the importance of increasing understanding, raising awareness and reducing injuries and illness in the workplace, at home and in the community.

The NAOSH Week Awards were established to recognize excellence amongst organizations and the Canadian Society of Safety Engineering (CSSE) chapters and members celebrating NAOSH Week within their organizations and communities. Each year, the CSSE gives out awards to employers who take part in the NAOSH Week. The Workers Safety and Compensation Commission of the Northwest Territories and Nunavut hosts this annual event on behalf of the CSSE.

In 2014, QEC won the "Employer Recognition" award which is the overall award for an employer in Nunavut with more than 51 employees. This recognition marks the fourth consecutive year QEC has won a territorial award.

QEC also won the "Best Representation of Theme" Award, one of only four awards given out at the national level. Receiving a national safety award is a significant step forward in bringing safety to the forefront of worksites across Nunavut. The award signifies the time and effort QEC has put into our safety program over the past few years and the level of buy-in from our employees who have accepted this safety culture shift.

During the 2014-2015 fiscal year, HSE staff trained:

- 61 employees in Fall Protection
- 11 employees in the Workers' Safety and Compensation Commissions "Go Safe: Work Smart" Program
- 55 employees in Standard First Aid, Level A with CPR Endorsement
- 52 employees in Workplace Hazardous Materials Information System (WHMIS)
- 16 employees in fire extinguisher inspection and maintenance
- 147 employees and contractors on our new internal Utility Work Protection Code.
- 9 employees in the Code of Practice for Traffic Control.

The Corporation continues to ensure new and existing staff receive safety training as required in their positions. To streamline HSE's orientation and training program, the department is currently developing a custom e-learning orientation courses for both employees and contractors. This important training initiative aims to ensure consistency, quality, and cost efficiency. The department's objective is to maintain a safe work environment so that every employee has a long injury-free career at QEC.

ENVIRONMENT

The Health, Safety, Environment department works hard to ensure that QEC's environmental footprint is minimized, in accordance with leading environmental industry practices and standards as well as applicable federal and territorial legislation. Generating and distributing electricity within a diesel power plant setting, with strict control measures in place, reduces the risk of everyday work activities from resulting in undesirable harm to the surrounding land and bodies of water.

Environmental Site Assessments (ESAs) are essential to determine the environmental condition and possible contamination of a property. In the summer of 2014, four ESAs were conducted on existing and historical QEC power plant sites in Baker Lake, Arctic Bay, Resolute, and Grise Fiord. The initial field investigations for all four ESAs agreed with previous assessments that identified the presence of contamination in the aforementioned plant sites. Some sites have shown limited natural reduction in contamination and movement of the contamination down gradient.

The original power plant site in Baker Lake has significant past contamination and required extensive test-pitting for proper delineation and site mapping of the contamination. Baker Lake also has a protective barrier system (Waterloo Emitter) built and maintained since 2008 to prevent hydrocarbons from reaching the lake. The system pushes oxygen into the ground water to boost the natural aeration and remediation of hydrocarbons which pass through the area. The Waterloo Emitter offers an added measure of protection to Baker Lake's only source of drinking water.

Assessments of the Arctic Bay, Resolute, and Grise Fiord power plant sites were initially conducted in 2003. The recent ESAs performed in 2014 showed limited movement of contamination in Arctic Bay while no movement of contamination was observed in Resolute or Grise Fiord.

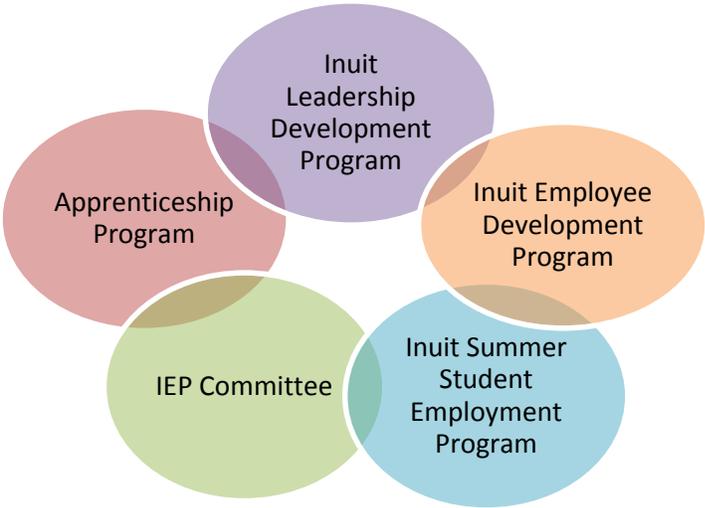
PEOPLE

Qulliq Energy Corporation's Human Resources and Organizational Development team (HROD) collaborates with each department to support the Corporation's vision and business objectives, and the Government of Nunavut's mandate, *Sivumut Abluqta*: Stepping Forward Together, which recognizes that each community in Nunavut has

distinct needs and is equipped with a unique set of resources and skills. All aspects of HROD’s programs and services are grounded in the growth and promotion of accountability and respect in the work place. While this year was especially challenging with the loss of six out of our eight HROD personnel, we provided the best customer service possible by re-evaluating our priorities and focusing on the basics, such as recruitment, and the Inuit Employment Plan and accountability reporting to the Government of Nunavut. Next year will provide an opportunity to build our staff and revitalize our services.

INUIT EMPLOYMENT PLAN

QEC’s Inuit Employment Plan (IEP) consists of five programs. Each program is an independent but interconnected recruitment or development opportunity for beneficiaries.



Each program was developed to meet the goals of Article 23 of the Nunavut Land Claims Agreement and builds on the foundation of QEC’s vision of an empowered and accountable workforce, representative of Nunavut’s population, and reflective of Inuit Societal Values, Inuit Qaujimajutangit and *Pilimmaksarniq*, the development of skills through observation, mentoring, practice and effort.

As of March 31, 2015, QEC has an Inuit employment rate of 54 per cent, and continues to be one of the most successful organizations in Nunavut in hiring, training and retaining beneficiary employees.

The Inuit Summer Student Employment Program (ISSEP) represents a valuable opportunity for students as a springboard into a professional career. ISSEP allows them to acquire practical experience while working in a business environment. Summer Students are hired for positions in their own communities, which give them an exposure to local opportunities. In the summer of 2014, the ISSEP supported nine students who worked in various departments across the Corporation.

In 2013, the Inuit Leadership Development Program (ILDP) was launched as part of QEC’s innovative approach to increase employment for NLCA beneficiaries at the professional, management, and senior management levels. QEC sponsors students so they can focus on their academic studies. The Corporation has three students enrolled in university leading to degrees in accounting, engineering and human resource management.



Pictured from left: IEP Administrator Jamie McCarthy, CFO Angela Visser, Siobhan Iksiktaaryuk, and Supply Chain Manager Earl Tugwood. Photo courtesy of Kevin Iksiktaaryuk.

As part of QEC’s commitment to lifelong learning, the Corporation established the Inuit Employee Development Program (IEDP). Inuit employees, their manager or supervisor, and the IEP Administrator/Intern partner to create career development plans that build on participating employees’ strengths and focus on the needs of the Corporation.

In March 2015, Siobhan Iksiktaaryuk from our Baker Lake office became the first Inuk to receive a Supply Chain Management diploma from the Supply Chain Management Association (SCMA) Program in the Northwest Territories. A full-time

employee since 2009, Ms. Iksiktaaryuk began the program in 2010 with full support from QEC’s IEDP program. As of March 31, 2015, 30 per cent of QEC beneficiary employees were enrolled in long-term career development plans.



Pictured: Elisapi Nowdlak

Competition for skilled tradespeople from organizations in Nunavut and across Canada has resulted in extended positional vacancies. The Apprenticeship Program was developed to reduce the dependency of hiring trades people outside of Nunavut. It has allowed us to fill positions in communities with Nunavut residents. QEC is currently reviewing the Apprenticeship Program and deciding on a strategy for future intakes of apprentices. The IEP Committee is currently under review and we look forward to selecting members in the near future. The support of this committee is invaluable to the overall Inuit Employment Program in such areas as recruitment and career fairs.

ORGANIZATIONAL ACCOUNTABILITY

QEC LEADERSHIP AND DEVELOPMENT

With a goal of identifying and developing talent including rising leaders, individual performance is about creating performance accountability within QEC while increasing organizational effectiveness and building individual capacity.

Our corporate and leadership training is defined within our five tiered platform anchored to our functional plans. Extensive needs assessments are conducted to determine the most appropriate and effective solutions. Within the

training curriculum we continue to build on our commitment to cultural awareness and respect. In 2014, HROD facilitated a highly interactive workshop on *'Effective Communication'* in Iqaluit and Baker Lake with a 63% beneficiary participation. In addition, a customized version of the workshop was delivered to our executives to ensure common language and awareness. All sessions were very well received and scored five out of five in all categories for rate of satisfaction.

PERFORMANCE MANAGEMENT

Performance management is a corporate initiative that is fundamental in creating performance accountability for everyone at QEC. HROD is committed to evolve the program with best practices and our changing business requirements towards organizational and individual performance success.

EMPLOYMENT SUMMARY

Qulliq Energy Corporation March 31, 2015

Employment Summary, by category:

	Total Positions				Beneficiaries	
	Total Positions	Vacancies	Filled	% Capacity	Hired	% IEP
Executive	2	0	2	100%	1	50%
Senior Management	8	0	8	100%	0	0%
Middle Management	10	2	8	80%	0	0%
Professional	32	8	24	75%	2	8%
Paraprofessional	84	11	73	87%	37	51%
Administrative Support	76	13	63	83%	57	90%
Total Department	212	34	178	84%	97	54%

Employment Summary, by Community:

Arctic Bay	200	2	0	2	100%	2	100%
Qikiqtarjuaq	205	2	0	2	100%	2	100%
Cape Dorset	210	2	0	2	100%	2	100%
Clyde River	215	2	0	2	100%	2	100%
Grise Fiord	220	2	0	2	100%	2	100%
Hall Beach	225	2	0	2	100%	2	100%
Igloolik	230	2	0	2	100%	2	100%
Iqaluit	235	90	16	74	82%	22	30%
Kimmitut	240	2	1	1	50%	0	0%
Nanisivik	245	0	0	0	0%	0	0%
Pangirtung	250	2	0	2	100%	2	100%
Pond Inlet	255	2	0	2	100%	2	100%
Resolute Bay	260	3	1	2	67%	2	100%
Sanikiluaq	265	2	0	2	100%	2	100%
Arviat	300	2	0	2	100%	2	100%
Baker Lake	305	44	9	35	80%	19	54%
Chesterfield Inlet	310	3	1	2	67%	1	50%
Coral Harbor	315	2	0	2	100%	2	100%
Rankin Inlet	320	21	4	17	81%	13	76%
Repulse Bay	325	2	0	2	100%	2	100%
Whale Cove	330	2	0	2	100%	2	100%
Bathurst Inlet	400	0	0	0	0%	0	0%
Umingmakotok	405	0	0	0	0%	0	0%
Cambridge Bay	410	13	2	11	85%	4	36%
Gjoa Haven	415	2	0	2	100%	2	100%
Kugluktuk	420	2	0	2	100%	2	100%
Kugaaruk	425	2	0	2	100%	2	100%
Taloyoak	430	2	0	2	100%	2	100%
Yellowknife	505	0	0	0	0%	0	0%
Ottawa	605	0	0	0	0%	0	0%
Winnipeg	602	0	0	0	0%	0	0%
Churchill	601	0	0	0	0%	0	0%
Total Other	0	0	0	0	0%	0	0%
Total Community	212	34	178	84%	97	54%	

Employment summary, by Headquarters & Region

Headquarters	45	7	38	84%	3	8%
Regions	167	27	140	84%	94	67%
Total	212	34	178	84%	97	54%

INFORMATION TECHNOLOGY

The Information Technology department provides support to other corporate departments through a series of services that include data communications, enterprise applications, application development, integrated computer systems and technology assistance and support. The goal of the department is to enable QEC to achieve its business objectives through the use of Information Technology.

During the 2014-2015 fiscal year, we partnered with various departments on a number of initiatives:

- Collaborated with Finance in implementing electronic procurement software to ensure adherence to the Corporation's approved signing authorities and reporting structure.
- Assisted Operations and Engineering in the fulfillment of a new Supervisory Control and Data Acquisition (SCADA) system in the Kitikmeot region.
- Supported Operations and Engineering in the implementation of the Advanced Metering Infrastructure or Smart Grid Project in Iqaluit.

We also completed major upgrades to the Corporation's technology infrastructure:

- Modernized the telephone systems in our Head Office in Baker Lake and across our regional offices in Iqaluit, Rankin Inlet, and Cambridge Bay.
- Upgraded the computer hardware, software, and networking equipment of all the Corporation's power plants.
- Implemented a major upgrade of our Enterprise Resource Planning and Utility Billing software.

The IT department has started working with a web design consultant to develop a new website for the Corporation. To ensure that the needs of our customers are met, the department has been collaborating with Customer Care and Corporate Affairs in designing QEC's new website.

CONTRIBUTING TO OUR COMMUNITIES

As the exclusive generator and distributor of electricity in Nunavut, Qulliq Energy Corporation's commitment to Nunavummiut includes supporting and building relationships throughout the territory by actively participating in community events and providing financial and in-kind contributions to community and non-profit organizations. We take pride in our employees' ongoing dedication to these community events and their engagement with our goal to conduct our business in a socially responsible manner.

CONTRIBUTING TO OUR COMMUNITIES THROUGH INUIT GUIDING PRINCIPLES

The Corporation's business practices are steered by the Inuit Guiding Principles of:

Pijitsirniq: serving and providing for family and/or community

Ikajuqtigiinni: working together for a common cause

Pilimmaksarniq: development of skills through observation, mentoring, practice and effort

Avatittinnik Kamatsiarniq: respect and care for the land, animals and the environment

PIJITSIRNIQ

During the 2014-2015 fiscal year, QEC contributed to the following community events and organizations:

- Sanavik Co-op's Canada Day Celebration - Baker Lake
- Wellness Centre - Cambridge Bay
- RCMP Elders Christmas Dinner - Iqaluit
- Hospice Society's Christmas Elder's Party - Baker Lake
- Alianait Arts Festival and Community Outreach Programs
- Inukshuk High School Career Fair Iqaluit
- Kitikmeot Mayors Meeting



Pictured: Sanavik Co-op's Canada Day Celebration in Baker Lake

IKAJUQTIGIINNIQ

QEC promotes collective fundraising initiatives orchestrated by its employees. For the second consecutive year, employees engaged in the Movember Canada Foundation's Movember campaign and the Canadian Cancer Society's Relay for Life.

MOVEMBER

QEC's Generating Mo-Power Team raised over \$20,000 for the Movember Canada Foundation during the month of November. The team was awarded the Movember Cup for raising the most money at the Fourth Annual Movember Party hosted by the Rotary Club in Iqaluit. In an effort to promote Movember's vision to improve the mental and physical health of boys and men in Nunavut, this year QEC invited non-QEC staff to join the Corporation's fundraising team. Building on last year's community event, QEC hosted its second 'donate what you can' public skating event at the Iqaluit Arnaitok Arena.



QEC's Relay for Life team. Pictured back row from left: David Coulombe, Dave Clark, Gemma Braun, Carol Plante, Chad Willcott, Catherine McIntyre, Peter McIntyre. Front row from left: Stephanie Maragna, Natalie Chafe-Yuan.

management team on the Board of the organization. Skills Canada's promotion of the skilled trades and technology sector as a viable career for Nunavut's youth supports QEC's commitment to education and training as well as our vision of an empowered and accountable workforce, representative of Nunavut's population.

LAURA ULLURIAQ GAUTHIER SCHOLARSHIP AWARD

QEC's Laura Ulluriaq Gauthier Scholarship is awarded to a remarkable Nunavummiut pursuing post-secondary education. Laura Ulluriaq Gauthier was a visionary who recognized the importance of a locally managed electrical utility for Nunavut. Presented annually, the \$5,000 scholarship honours Ms. Gauthier's foresight, achievements, and sense of community.

This year, QEC's selection committee has chosen to award the Laura Gauthier Scholarship to Nadia Sammurtok of Rankin Inlet. Ms. Sammurtok has been a dedicated advocate of youth initiatives such as the National Inuit Youth Council and the Isaksimagiit Inuusirmi Katujjiqatigiit Embrace Life Council for the Kivalliq Region. She has successfully completed the Nunavut Teacher Education Program in 2015 at the Nunavut Arctic College in Iqaluit. Ms. Sammurtok will begin teaching at Nakasuk School in Iqaluit in the fall of 2015.

AVATITTINNIK KAMATSIARNIQ

As a territorial corporation operating in all communities across Nunavut, QEC takes a proactive role in the annual Nunavut-wide community clean-up initiative led by the GN's Department of Environment. The Corporation encourages its employees to take part in this community building initiative to foster universal respect towards our shared environment.

AWARDS AND RECOGNITION

INUIT LANGUAGE APPRECIATION AWARD

In July 2014, the Corporation was the proud recipient of the Inuit Language Appreciation Award presented by the Inuit Uqausinginnik Taigusiliuqtiit. This recognition commends QEC's continued efforts to serve our customers in

RELAY FOR LIFE

The QEC Power Generator Team raised a grand total of \$8,960.75 for the Canadian Cancer Society's Relay for Life. All the money raised remains in the territory and supports cancer research and care for families in need. Various activities (barbeque, bake sale, 50/50) were organized by our employees to help fundraise for the Corporation's team.

PILIMMAKSARNIQ

SKILLS CANADA NUNAVUT

In our 8th year of sponsoring Skills Canada Nunavut, the Corporation's support for the organization is further demonstrated by the active involvement of QEC's

the official language of their choice and to comply with the Nunavut Official Languages Act and the Inuit Language Protection Act. During the 2014-2015 fiscal year, QEC's Communications division has made significant improvements to keeping our customers informed of interruption of services and corporate activities through the use of Facebook and Twitter. Emphasis was placed on posting timely information in Inuktitut, Inuinnaqtun, English, and French.

NORTH AMERICAN OCCUPATIONAL SAFETY AND HEALTH (NAOSH) WEEK AWARDS

For the fourth successive year, QEC has won a territorial award from NAOSH. This year, the Corporation was presented the 'Employer Recognition' award which is given to an eligible Nunavut employer with more than 51 employees. QEC was also awarded the 'Best Representation of Theme' which is one of only four awards given out at the national level. These awards demonstrate QEC's dedication to provision of a safe workplace and promotion of a culture of safe work practices.

THE CAREER DIRECTORY 2015, CANADA'S TOP 100 EMPLOYER FOR RECENT GRADUATES

QEC was short-listed for the 2015 edition of Canada's Top 100 Employers. QEC's nomination for Canada's Best Employers for Recent Graduates category ranked the Corporation as "an industry leader in attracting and retaining quality employees" and "as an organization that offers reasonable employment prospects". The Corporation endeavours to offer innovative training and career development programs for Nunavut's youth as the upcoming leaders and professionals in the territory

SUSTAINABLE IQALUIT AWARD

In May 2014, QEC received the *Sustainable Iqaluit Award*, from the City of Iqaluit, for the Corporation's support and commitment to the City's long-term plan to move Iqaluit towards a sustainable future. QEC is working with the City on a number of projects with the aim of reducing the capital's carbon footprint.

MOVEMBER CUP

QEC's Generating Mo-Power Team was awarded the Movember Cup by the Rotary Club of Iqaluit at the 4th Annual Movember Party. The Corporation's team was the top fundraising group in Nunavut during the 2014 Movember fundraiser.

FINANCE

The Finance department is located at the Head Office in Baker Lake, with regional employees in our offices in Iqaluit, Rankin Inlet, and Cambridge Bay. Finance is viewed by the Corporation as a critical department requiring significant resources to meet its corporate service requirements. Our focus is to make the department more efficient and effective as it strives to improve functional and governance requirements and services.

Key functions of Finance department include:

1. Financial Accounting – Accounting and Financial Reporting; Budgeting, Planning, Forecasting and Analysis; Regulatory and Governance Reporting
2. Customer Care – Customer Service; Billing and Collections
3. Supply Chain Management – Logistics; Procurement and Contracting; Inventory Management and Warehousing
4. Payroll, Pension and Benefits

2014-2015 is another busy year for the Finance department. Our key activities included:

- Implementation of the third general rate increase
- Completed the implementation of a new requisition system
- Data integration of meter reads from the smart meters in Iqaluit to our billing system
- Improvement of customer service and collections process
- Enhancement of existing contracting and procurement procedures
- Performed physical inventory counts to update and correct inventory records

During the year, the department has also been working to improve our capital budgeting process and reporting, including the review of our capital budget requirements within the constraints of its capital funding availability. A credit facility amount of \$74 million was approved for QEC to finance capital expenditures over a three year period. The amount will be issued in three tranches for fiscal years ending March 31st of 2014, 2015, and 2016. The first tranche of \$16 million had been allocated for previous fiscal year ending March 31, 2014. Another \$24 million had been allocated for this reporting fiscal year ending March 31, 2015, leaving a third tranche balance of \$34 million to fund 2015-2016 capital expenditures. To date, the Government of Nunavut has provided a limited guarantee amount of \$144 million for QEC.

The QEC 2015-2016 Capital Plan of \$28 million includes multi-year projects for major power plant replacements in Qikiqtarjuaq, Taloyoak, Cape Dorset, and Grise Fiord.

2015-2016 CAPITAL PLAN SUMMARY

Region	Projects with Prior		Total
	Years Activity	New Projects	All Projects
Kitikmeot	\$3,927	\$4,137	\$8,064
Kivalliq	\$1,633	\$1,604	\$3,237
Qikiqtaaluk	\$11,884	\$3,561	\$15,445
Nunavut	\$0	\$1,123	\$1,123
Total	\$17,444	\$10,425	\$27,869

The Corporation's third General Rate Application (GRA) was approved by the Utility Rates Review Council (URRC) with a general rate increase of 7.1 per cent effective May 1, 2014 for all electricity rate classes and communities, which allows QEC to generate \$130.9 million to cover:

	<u>\$ Millions</u>
Fuel and Lubricants	56.4
Operations and Maintenance Expenses	<u>53.5</u>
	109.9
Amortization	8.9
Return on Debt (4.81 per cent)	5.3
Return on Equity (9.00 per cent)	<u>6.8</u>
	<u>130.9</u>

QEC continues to maintain the Fuel Stabilization Rate (FSR) Fund in accordance with Ministerial Instruction dated March 28, 2011, as a part of QEC's 2010-2011 Phase I GRA. In May 2013, QEC filed a FSR application and received Ministerial Instruction to implement a 5.31 cent per kWh rider for the period June 1, 2013 to November 30, 2013. In December 2013, QEC filed another FSR application for the period December 1, 2013 to March 31, 2014, and was approved for a 3.92 cent per kWh rider. Subsequently, QEC requested for the FSR to be extended to April 30, 2014 to coincide with the third GRA implementation date of May 1, 2014.

As of May 1, 2014, the FSR of 3.92 cent per kWh rider has been removed as the current fuel prices have been reflected in the May 1, 2014 GRA rates. The ongoing low oil prices in the world market could potentially lead to a FSR rider refund to customer in the fall of 2015.

The Corporation administers two programs for the Government of Nunavut: the Public Housing Power Support Program (PHPSP) and the Nunavut Electricity Subsidy Program (NESP). The PHPSP subsidizes qualifying residential customers living in public housing by supplementing to the customer the difference between the approved residential rate and 6.0 cents per kWh. The Corporation invoices the Nunavut Housing Corporation on a monthly basis for the power subsidies and applies the amounts to the individual customer invoices. The NESP subsidizes qualifying residential customers up to 50 per cent of the Iqaluit base rate on the first 700 kWh consumed each month between April and September, and on the first 1,000 kWh consumed each month between October and March. The Corporation invoices the Government of Nunavut on a monthly basis for the power subsidies and applies the amounts to the individual customer invoices.

In our Corporate Plan to provide consistent and good customer service to Nunavummiut, we have successfully rolled out major initiatives during the year. Some of our major initiatives included:

- Delivery of Customer Care Guides to share tips on safety, conservation and general customer service information
- Usage of Public Service Announcements and social media to keep our customers informed of interruption of services
- Reduction of the territorial collection cycle from three months to one month with timely notification of arrears and changing bill due dates from 60 days to 30 days for all communities to help customers manage their bills

We are currently in the process of creating a Customer Satisfaction Survey. The results obtained from this survey will be used as a benchmark to measure our customer service performance and to understand our customers' needs. Future initiatives to improve customer experience include: equal payment billings, expand payment options for customers, and user friendly web services.

The Finance department's Supply Chain Management division has completed the implementation of a web-based requisition system. This corporation-wide project had been rolled out in stages over two reporting years to ensure a smooth transition. Baker Lake, Cambridge Bay and Rankin Inlet went live in our previous reporting year with the final leg of implementation completed for Iqaluit in late fall of 2014.

As part of our improvements on internal controls and accurate valuations of our assets, the Supply Chain Management division undertook a complete review of its inventory at all twenty five power plant locations in the summer of 2014. At the completion of the counts and the review, the division identified a number of inventory control issues. They are mostly related to procedures on verifying sealift deliveries, storage and protection of inventory, and timely reporting of usage. Finance is currently reviewing both long and short term strategies to address these control issues and to strengthen asset management for the Corporation.

The financial highlights and key performance indicators of the Corporation for fiscal year ending March 31, 2015 are presented below.

HIGHLIGHTS OF OPERATIONS AND ACCUMULATED SURPLUS

Highlights of Operations and Accumulated Surplus (\$ in thousands)					
For the year ended March 31st	2015	2014	2013	2012	2011
Revenues					
Sale of Power	\$124,010	\$115,334	\$107,867	\$104,833	\$ 87,377
Other Revenue	\$ 8,606	\$ 7,035	\$ 5,305	\$ 6,453	\$ 11,146
Funding from Government of Nunavut	\$ -	\$ -	\$ 2,422	\$ 2,349	\$ 13,120
Capital Funding from Governments	\$ -	\$ -	\$ 611	\$ 396	\$ 296
Total Revenues	\$132,616	\$122,369	\$116,205	\$114,031	\$111,939
Total Expenses	\$125,520	\$118,809	\$108,680	\$106,557	\$ 96,165
Surplus for the Year	\$ 7,096	\$ 3,560	\$ 7,525	\$ 7,474	\$ 15,774

Revenue from sale of power increased by 7.5 per cent from \$115.33 million to \$124.01 million (2014: 6.9 per cent) with an increase in fuel and lubricants purchases of 9.1 per cent from \$51.42 million to \$56.08 million (2014: 3.7 per cent).

Net decrease in expenses excluding fuel and lubricants, interest expense, and bad debt expense was 4.5 per cent from \$62.27 million to \$65.07 million (2014: increase of 9.7 per cent). The major expense category that contributed to this net decrease was from supplies and services.

HIGHLIGHTS OF OPERATIONS AND MAINTENANCE EXPENSES

Highlights of Operations and Maintenance Expenses					
For the year ended March 31st	2015	2014	2013	2012	2011
Expenses by Object or Type					
Fuel and Lubricants	44.6%	43.4%	45.6%	44.9%	44.3%
Salaries, Wages and Benefits	23.6%	24.4%	25.1%	25.1%	26.6%
Supplies and Services	15.7%	17.7%	16.6%	16.4%	16.2%
Amortization and Disposal of Tangible Capital Assets	8.8%	6.6%	6.5%	5.4%	7.0%
Travel and Accommodations	3.8%	3.6%	4.0%	3.7%	4.2%
Interest Expense	3.6%	4.2%	2.7%	3.4%	3.5%
Bad Debt (Recovery) Expense	-0.1%	0.1%	-0.5%	1.1%	-1.8%
	100.0%	100.0%	100.0%	100.0%	100.0%

The Corporation's debt to accumulated surplus, referred to as the borrowing limit under Section 25 of the *Qulliq Energy Corporation Act*, remained within the 3:1 ratio. QEC has been in compliance since March 31, 2004.

HIGHLIGHTS OF FINANCIAL POSITION

Highlights of Financial Position (\$ in thousands)					
As at March 31st	2015	2014	2013	2012	2011
Financial Assets	\$ 36,050	\$ 25,537	\$ 29,559	\$ 33,698	\$ 42,609
Liabilities	179,905	161,225	152,829	136,614	133,095
Net Debt	(143,855)	(135,688)	(123,270)	(102,916)	(90,486)
Non-financial Assets	250,055	234,792	218,814	177,196	157,292
Accumulated Surplus	\$106,200	\$ 99,104	\$ 95,544	\$ 74,280	\$ 66,806

In 2014-2015 QEC paid principal amounts totaling \$7.50 million (2014: \$6.46 million) towards the long-term debt. Interest paid on long-term debt was \$4.39 million (2014: \$4.67 million).

KEY PERFORMANCE INDICATORS

Key Performance Indicators (\$ in thousands)					
For the year ended March 31st	2015	2014	2013	2012	2011
Interest Coverage Ratio					
Surplus before Interest on Long-term Debt	\$ 10,945	\$ 7,876	\$ 10,367	\$ 10,747	\$ 18,698
Interest on Long-term Debt	\$ 4,392	\$ 4,666	\$ 4,931	\$ 4,327	\$ 3,875
Debt Expense Burden (<i>critical below 1.50</i>)	2.49	1.69	2.10	2.48	4.83
Debt Ratio					
Assets	\$286,105	\$260,329	\$248,373	\$210,894	\$199,901
Liabilities	\$179,905	\$161,225	\$152,829	\$136,614	\$133,095
Ability to pay Long-term Debt	1.59	1.61	1.63	1.54	1.50
Debt to Accumulated Surplus					
Bank Indebtedness	\$ 13,376	\$ 14,665	\$ 4,114	\$ 1,894	\$ 16,314
Long-term Debt	\$117,498	\$101,994	\$ 94,451	\$ 79,952	\$ 66,727
Total Debt	\$130,874	\$116,659	\$ 98,565	\$ 81,846	\$ 83,041
Accumulated Surplus	\$106,200	\$ 99,104	\$ 95,544	\$ 74,280	\$ 66,806
Debt	0.55	0.54	0.51	0.52	0.55
Accumulated Surplus	0.45	0.46	0.49	0.48	0.45
Debt to Accumulated Surplus Ratio (max. 3:1)	1.23	1.18	1.03	1.10	1.24

DISCLOSURE OF ELECTRICITY ACCOUNT RECEIVABLE WRITE-OFFS OVER \$500 FOR 2014-2015

Under Section 84 of the *Financial Administration Act* of the Government of Nunavut, the Corporation is required to publicly disclose any asset, debt or obligation written off during the financial year that exceeds \$500 in its annual report.

QEC wrote off bad debts amounting to \$208,017 [62 customers] of which \$202,678 [21 customers] exceeded \$500 in fiscal year ended March 31, 2015.

STATUS	CUSTOMER NAME	AMOUNT
ESTATE	ESTATE OF EYAITUK JOANASIE	\$502.96
ESTATE	ESTATE OF HASLEM JENNY	\$512.67
BANKRUPT	DOYLE LISA	\$549.33
ESTATE	ESTATE OF KOOMAK JEAN	\$564.64
BANKRUPT	LANE BRIAN	\$614.44
ESTATE	ESTATE OF KOOTOO JAMESSIE	\$655.51
ESTATE	ESTATE OF ETTUK KALLUK	\$706.95
ESTATE	ESTATE OF TOOKALOOK SILAS	\$712.83
ESTATE	ESTATE OF KAKEE PAULOOSIE	\$740.85
ESTATE	ESTATE OF KOOCHIAJUK OOLOOTA	\$949.23
ESTATE	ESTATE OF AWA IONA	\$950.02
ESTATE	ESTATE OF KALLUK TOMMY	\$1,067.65
ESTATE	ESTATE OF KILLIKTEE JOSHUA	\$1,170.15
ESTATE	ESTATE OF PITSEOLAK SEANNA	\$1,177.11
BANKRUPT	VERMILLION MARY	\$1,293.47
ESTATE	ESTATE OF SHAIMAYUK ROSIE	\$1,315.76
ESTATE	ESTATE OF NOOKIGUAK MINNIE	\$1,378.89
ESTATE	ESTATE OF VEEVEE DAVIDEE SR	\$1,517.71
ESTATE	ESTATE OF QAQQASIQ TOMMY	\$1,525.60
BANKRUPT	DOWLAND CONTRACTING LTD	\$76,566.20
BANKRUPT	POLAR SUPPLIES	\$108,206.59
21	TOTAL	\$202,678.56

QULLIQ ENERGY CORPORATION

FINANCIAL STATEMENTS

March 31, 2015

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MANAGEMENT STATEMENT

July 10, 2015

The Financial Statements and related information presented in this Annual Report have been prepared by the management of Qulliq Energy Corporation. Management is responsible for the integrity, consistency and reliability of all such information presented.

The Financial Statements have been prepared in accordance with Canadian public sector accounting standards. The preparation of the Financial Statements involves the use of estimates and assumptions based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience, current conditions and various other assumptions believed to be reasonable in the circumstances, with critical analysis of the significant accounting policies followed by the Corporation.

In meeting its responsibility for the reliability of financial information, management maintains and relies on a comprehensive system of internal controls and internal audit. The system includes a written corporate conduct policy; implementation of a risk management framework; effective segregation of duties and delegation of authority; and sound and conservative accounting policies that are reviewed regularly. This structure is designed to provide reasonable assurance that assets are safeguarded, transactions are authorized, proper records are maintained, and the Corporation conducts its affairs in accordance with the requirements of applicable laws.

Qulliq Energy Corporation's Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The external auditors have full and open access to the Board of Directors, with and without the presence of management.

Qulliq Energy Corporation's independent external auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and issuing his report thereon.

On behalf of Qulliq Energy Corporation's management:



Peter Tumilty
President and Chief Executive Officer



Angela Visser, CPA, CGA
Chief Financial Officer



Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Qulliq Energy Corporation and the Minister responsible for Qulliq Energy Corporation

Report on the Financial Statements

I have audited the accompanying financial statements of Qulliq Energy Corporation, which comprise the statement of financial position as at 31 March 2015, and the statement of operations and accumulated surplus, statement of change in net debt and statement of cash flow for the year then ended, and 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 Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Qulliq Energy Corporation as at 31 March 2015, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act* of Nunavut, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by Qulliq Energy Corporation and the financial statements are in agreement therewith. In addition, the transactions of Qulliq Energy Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* of Nunavut and regulations, the *Qulliq Energy Corporation Act* and regulations and the by-laws of Qulliq Energy Corporation.



Terrance DeJong, CPA, CA
Assistant Auditor General
for the Auditor General of Canada

10 July 2015
Ottawa, Canada

FINANCIAL STATEMENTS

QULLIQ ENERGY CORPORATION

Statement of Financial Position

As at March 31

(in thousands of dollars)

	2015	2014
Financial assets		
Accounts receivable (Note 3)	\$ 36,050	\$ 25,537
Liabilities		
Bank indebtedness (Note 4)	13,376	14,665
Accounts payable and accrued liabilities (Note 5)	14,719	12,364
Deposits payable (Note 6)	3,343	3,500
Due to Petroleum Products Division (Note 18 and Schedule A)	27,309	25,202
Debt (Note 7)	117,498	101,994
Due to the Government of Nunavut (Note 8)	521	1,031
Due to the Government of Canada (Note 9)	667	97
Employee future benefits (Note 10)	2,472	2,372
	179,905	161,225
Net debt	(143,855)	(135,688)
Non-financial assets		
Tangible capital assets (Schedule B)	226,835	211,853
Inventories for use (Note 11)	22,484	22,164
Prepaid expenses	736	775
	250,055	234,792
Accumulated surplus	\$ 106,200	\$ 99,104

Contractual obligations and contingencies (Note 16)

Approved on behalf of the Board:



Julie-Anne Miller
Chair, Board of Directors



Philip Clark
Board Director

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

QULLIQ ENERGY CORPORATION

Statement of Operations and Accumulated Surplus

For the year ended March 31

(in thousands of dollars)

	2015	2015	2014
	Budget	Actual	Actual
Revenues			
Sales of power (Note 12)	\$ 126,711	\$ 124,010	\$ 115,334
Sales of heat	1,716	1,920	1,820
Other revenue (Note 13)	4,905	6,686	5,215
Total revenues	133,332	132,616	122,369
Expenses by department (Note 14)			
Plant Operations	76,011	73,923	69,219
Shared (Corporate)	12,245	15,041	14,350
Regional Operations	6,273	7,047	5,868
Property Management	6,481	6,635	6,142
Finance and Payroll	6,552	6,599	6,432
Information Technology	3,628	2,737	2,792
Human Resources	3,697	2,546	4,069
Territorial Operations	2,371	2,408	1,712
Line	2,658	2,154	2,149
Iqaluit Administration & Board	2,255	2,320	3,204
Engineering	2,171	1,590	1,213
Safety & Environment	1,814	2,303	1,329
Energy Management	574	217	330
Total expenses	126,730	125,520	118,809
Surplus for the year	6,602	7,096	3,560
Accumulated surplus, beginning of the year	99,104	99,104	95,544
Accumulated surplus, end of the year	\$ 105,706	\$ 106,200	\$ 99,104

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

QULLIQ ENERGY CORPORATION

Statement of Change in Net Debt

For the year ended March 31

(in thousands of dollars)

	2015 Budget	2015 Actual	2014 Actual
Surplus for the year	\$ 6,602	\$ 7,096	\$ 3,560
Tangible capital assets			
Additions	(27,368)	(22,623)	(19,242)
Capitalized interest (Note 15)	(510)	(543)	(350)
Capitalized overhead	(4,200)	(2,101)	(1,506)
Insurance adjustment	-	(733)	-
Transfer to inventories for use	-	-	783
Disposals	-	57	43
Amortization	8,742	10,961	7,864
	(23,336)	(14,982)	(12,408)
Additions to inventories for use	(52,198)	(55,846)	(55,208)
Use of inventories for use	56,362	55,526	51,859
Use (additions) of prepaid expenses	-	39	(221)
	4,164	(281)	(3,570)
Change in net debt for the year	(12,570)	(8,167)	(12,418)
Net debt, beginning of the year	(135,688)	(135,688)	(123,270)
Net debt, end of the year	\$ (148,258)	\$ (143,855)	\$ (135,688)

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

QULLIQ ENERGY CORPORATION

Statement of Cash Flow

For the year ended March 31
(in thousands of dollars)

	2015	2014
		Restated (Note 2(o))
Cash provided by (used for) operating activities:		
Cash received from customers	\$ 121,496	\$ 125,163
Cash paid to suppliers	(76,675)	(91,907)
Cash paid to employees	(31,747)	(29,237)
Interest paid	(5,051)	(5,336)
Cash provided by (used for) operating activities	8,023	(1,317)
Cash provided by (used for) capital activities:		
Tangible capital asset acquisitions	(22,328)	(17,469)
Proceeds on disposition of tangible capital assets	30	24
Cash (used for) capital activities	(22,298)	(17,445)
Cash provided by investing activities:		
Restricted cash	-	1,081
Cash provided by investing activities	-	1,081
Cash provided by (used for) financing activities:		
Increase in debt	23,000	14,000
Repayment of debt	(7,496)	(6,457)
Repayment to the Government of Nunavut	(510)	(510)
Funds received from the Government of Canada	570	97
Cash provided by financing activities	15,564	7,130
Decrease (increase) in bank indebtedness	1,289	(10,551)
Bank indebtedness, beginning of year	(14,665)	(4,114)
Bank indebtedness, end of year	\$ (13,376)	\$ (14,665)

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

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2015
(in thousands of dollars)

1 The Corporation

Authority - The Qulliq Energy Corporation (the Corporation) is a territorial corporation and operates in accordance with Part IX of the *Financial Administration Act of Nunavut* and the *Qulliq Energy Corporation Act*. The Corporation is exempt from the payment of income taxes.

Mandate - The Corporation's mandate is to provide energy to residents and businesses in Nunavut on a safe, reliable and efficient basis and in a manner which minimizes the impact on the environment. The Corporation is also mandated to plan and provide for energy self-reliance for Nunavut and to inform consumers on conservation opportunities.

The Corporation supplies electricity to its customers through the operation of 25 independent diesel generation plants and distribution systems in 25 communities in Nunavut. The Corporation supplies heat through 5 residual heat systems connected to 5 of those plants.

Economic dependence - The Corporation is economically dependent on the Government of Nunavut which, directly and indirectly, accounts for the majority of the Corporation's sales of power. The Government of Nunavut also guarantees the Corporation's debt.

The Corporation is subject to the *Utilities Rate Review Council Act* for the establishment of rates and terms and conditions of service. The purpose of the Utilities Rate Review Council (URRC) is to advise the Minister of Energy on rates and terms and conditions of service. Final approval of the rates and terms and conditions of service rests with the Minister and the Government of Nunavut. As the URRC is appointed by the Government of Nunavut and the Corporation is a territorial corporation, the Corporation and the URRC are related parties. The rate recommendations of the URRC are based on a cost of service mechanism, where the objective is to i) establish revenue that is sufficient to recover the forecasted operating costs of providing regulated services, including amortization; and ii) to provide a fair and reasonable return on utility investments.

2 Significant accounting policies

These financial statements are prepared in accordance with Canadian public sector accounting standards (PSAS) as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada). The following is a summary of significant accounting policies:

(a) Adoption of new Public Sector Accounting Standards

Effective April 1, 2014, the Corporation adopted PS 3260 - Liability for Contaminated Sites. This section establishes recognition, measurement and disclosure standards for liabilities related to contaminated sites. The Corporation has adopted the policy on a prospective basis. There is no impact for the current year, other than required disclosure.

(b) Budget

PSAS require a territorial corporation to present in its financial statements a comparison of the results of operations and changes in net debt for the period with those originally planned. Budgeted figures have been provided for comparison purposes and have been derived from the corporate plan approved by the Board of Directors and tabled before the legislature.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2015
(in thousands of dollars)

2 Significant accounting policies (continued)

(c) Use of estimates and measurement uncertainty

The preparation of financial statements in accordance with PSAS requires the Corporation to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. By their nature, these estimates and assumptions are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these financial statements, the Corporation believes the estimates and assumptions to be reasonable.

The more significant management assumptions relate to employee future benefits liabilities, allowance for doubtful accounts, environmental liabilities, the useful life of tangible capital assets, valuation of inventories for use and contingencies.

(d) Bank indebtedness

Bank indebtedness is comprised of bank account balances in an overdraft position, net of outstanding cheques.

(e) Accounts receivable

Accounts receivable are valued at cost. Valuation allowances, if necessary, are recorded based on all circumstances known at the date the financial statements are prepared including past events and current conditions.

A provision for impairment of accounts receivable is established when there is objective evidence that the Corporation will not be able to collect all amounts due, according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganization, default or delinquency in payment and inability to locate the debtor are considered indicators that accounts receivable are impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the Statement of Operations and Accumulated Surplus as bad debt expense. When an account receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against bad debt expense in the Statement of Operations and Accumulated Surplus. Write offs of accounts receivable are approved by the corporation's Board of Directors, and, if the individual account exceeds \$20 by the Financial Management Board of the Government of Nunavut.

(f) Inventories for use

Inventories for use consist mainly of fuel, supplies, lubricants and spare parts. Fuel is valued at the lower of cost and net realizable value, with the cost being determined on a weighted average cost method. Supplies and lubricants are valued at the lower of cost and net realizable value, with the cost being determined on a first-in first-out basis. Spare parts are valued at the lower of cost or replacement value.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2015
(in thousands of dollars)

2 Significant accounting policies (continued)

(g) Tangible capital assets

Tangible capital assets represent property, plant and equipment and are recorded at original cost less accumulated amortization. Costs include contracted services, direct labour, materials and supplies, development costs, a proportionate share of overhead costs and an allowance for interest capitalized on construction projects. Amortization of tangible capital assets is provided on a straight-line average group useful life basis using the following range of rates:

	Rates
Generation assets	20 - 35 years
Distribution assets	15 - 40 years
Other assets	1 - 40 years
Non-plant buildings	45 years
Vehicles	12 years
Residual heat assets	25 years

Assets under construction are not amortized until put into production.

Intangible assets are not recognized as assets in these financial statements.

(h) Project development costs

The Corporation undertakes certain projects whose objective is to pursue development of alternate energy generation. While in progress, these development costs are included under work in progress in tangible capital assets. If it is later determined that a project will not proceed to completion, that project is closed out and recorded as an expense. The costs of completed projects are transferred to the costs of the resultant tangible capital assets when that asset is placed into productive use.

(i) Government funding

Government funding is obtained in relation to operations and is recognized as revenue when the funding is authorized and any eligibility criteria are met, except to the extent that funding stipulations give rise to an obligation that meets the definition of a liability. Funding is recognized as deferred revenue when funding stipulations give rise to a liability or as a loan when the amount is repayable. Funding revenue is recognized in the Statement of Operations and Accumulated Surplus as the stipulation liabilities are settled.

(j) Employee future benefits liabilities

(i) Pension plan - Eligible employees participate in the Public Service Pension Plan (the Plan), a multi-employer pension plan administered by the Government of Canada. The Corporation's contributions to the Plan are expressed as a percentage of employees' contributions. The percentage may fluctuate from year to year depending on the experience of the Plan. The Corporation's contributions are recorded as an expense on a current year basis and represent the total pension obligations of the Corporation. The Corporation is not required to make contributions with respect to any past service or funding deficiencies of the Plan. The Corporation's contributions reflect the full costs as employer.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2015
(in thousands of dollars)

2 Significant accounting policies (continued)

(ii) Severance for resignation and retirement and removal benefits - Under the terms and conditions of employment, eligible employees may earn severance and removal benefits for resignation, retirement and removal costs based on years of service and final salary. The Corporation provides severance and retirement benefits to eligible employees based on years of service and final salary, and removal benefits based on years of service and their community of residence. The benefits are paid upon resignation, retirement or death of an employee. The expected cost of providing these benefits is based on management's best estimates and is accrued as a liability as employees render service.

(k) Revenues

Sales of power and heat are recognized in the period in which the transactions and events have occurred and are calculated based on utility meters. The majority of other revenue is recognized when the services are provided and is calculated on a per unit, fee-for-service basis. Revenues include an accrual for services provided but not yet billed which is based on historical consumption.

(l) Financial instruments

The following is a list of the Corporation's financial instruments and their related measurement bases as at March 31, 2015.

Financial Assets	Measurement Basis
Accounts receivable	Cost
Financial Liabilities	Measurement Basis
Bank indebtedness	Cost
Accounts payable and accrued liabilities	Cost
Deposits payable	Cost
Due to Petroleum Products Division	Cost
Debt	Amortized cost
Due to the Government of Nunavut	Cost
Due to the Government of Canada	Cost

As all financial instruments are measured at cost or amortized cost, there have been no remeasurement gains or losses. Therefore, the Statement of Remeasurement Gains and Losses has been excluded.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Statement of Operations and Accumulated Surplus.

Transaction costs are incremental costs directly attributable to the acquisition or issue of a financial asset or a financial liability. Transaction costs are added to the carrying value of the instruments when they are initially recognized.

(m) Environmental liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2015
(in thousands of dollars)

2 Significant accounting policies (continued)

A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. the Corporation is directly responsible or accepts responsibility;
- iv. it is expected that future economic benefits will be given up; and
- v. a reasonable estimate of the amount can be made.

The liability reflects the Corporation's best estimate of the amount required to remediate the sites to the current minimum standard for its use prior to contamination. When the cash flows required to settle or otherwise extinguish a liability are expected to occur over extended future periods, a present value technique is used.

The liability is recorded net of any expected recoveries and includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring.

The liabilities are adjusted each year for the passage of time, new obligations, changes in management estimates and actual costs incurred.

If the likelihood of a future event that would confirm the Corporation's responsibility is not determinable, a contingent liability is disclosed in the notes to the financial statements.

(n) Contingencies

Contingent liabilities result from pending lawsuits and like items. The contingencies of the Corporation are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur and the costs can be reasonably estimated, an estimated liability is accrued. If the likelihood is not determinable or the amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements and no liability is accrued.

(o) Restatement of cash flow

In the year, the Corporation noted the inclusion of non-cash items in its Statement of Cash Flow and has restated comparative figures. There was no impact on the net result of operations. The impact of these restatements on the comparative figures is as follows:

Summary of adjustments

Operating activities

Net cash through operating activities, as at March 31, 2014:		
As previously reported	\$	2,409
Adjustments to cash paid (employees)		(984)
Adjustments to cash paid (supplier)		(2,371)
Adjustments to interest paid		(371)
<hr/>		
Net cash through operating activities	\$	(1,317)

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2015
(in thousands of dollars)

2 Significant accounting policies (continued)

Investing activities

Net cash through investing activities, as at March 31, 2014:	
As previously reported	\$ (21,074)
Adjustments to tangible capital asset acquisitions	3,629
Net cash through investing activities	\$ (17,445)

Financing activities

Net cash through financing activities, as at March 31, 2014:	
As previously reported	\$ 7,033
Adjustments to Funds received from the Government of Canada	97
Net cash through financing activities	\$ 7,130

3 Accounts receivable

	2015			2014	
	Gross	Allowance for Doubtful Accounts	Net		Net
Trade receivables	\$ 41,163	\$ (5,217)	\$ 35,946	\$	25,480
Employee advances	3	-	3		5
GST receivable	101	-	101		52
	\$ 41,267	\$ (5,217)	\$ 36,050	\$	25,537

4 Bank indebtedness

The Corporation has a bank credit facility with a limit of \$20,000 (2014 - \$20,000). Interest charged on the overdraft is at prime minus 0.5% (2015 - 2.35%; 2014 - 2.50%). The facility allows for the use of Bankers' Acceptances (BAs) for borrowing. The BAs have a stamping fee of 50 basis points per annum and the interest rate is approximately prime minus 1.9%, subject to market, with terms not less than 7 days and not more than 365 days and issued and reissued in minimum aggregate amounts of Canadian \$1,000 and multiples thereof. The Corporation held \$10,000 of the bank debt in BAs at year-end (2014 - \$10,000). The credit facility is secured by a CIBC indemnity/operating agreement and guaranteed by the Government of Nunavut.

5 Accounts payable and accrued liabilities

	2015		2014	
Trade payables and accrued liabilities	\$	12,343	\$	10,469
Payroll taxes and benefits payable		2,376		1,895
	\$	14,719	\$	12,364

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2015
(in thousands of dollars)

6 Deposits payable

	2015	2014
Project deposits payable	\$ 1,081	\$ 447
Holdbacks	1,025	2,011
Customer utility deposits payable	1,237	1,042
	\$ 3,343	\$ 3,500

7 Debt

	2015	2014
6.809% redeemable 20 year amortizing debenture, due September 27, 2021. Blended semi-annual payments of \$2,848 with a balloon payment of \$17,502 at the end of the term.	\$ 39,392	\$ 42,259
Facility B non-revolving committed loan with interest calculated at a fixed rate of 4.24% per annum, with blended payments of \$42 due monthly, beginning on August 1, 2011 with the final payment due on May 1, 2021.	2,711	3,089
Facility C non-revolving committed loan with interest calculated at a fixed rate of 4.24% per annum, with blended payments of \$53 due monthly, beginning on August 1, 2011 with the final payment due on May 1, 2021.	3,462	3,943
Facility D non-revolving committed loan with interest calculated at a fixed rate of 4.24% per annum, with blended payments of \$74 due monthly, beginning on August 1, 2011 with the final payment due on June 1, 2021.	4,868	5,539
Facility E non-revolving committed loan with interest calculated at a fixed rate of 4.24% per annum, with blended payments of \$30 due monthly, beginning on March 1, 2012 with the final payment due on February 1, 2022.	4,283	4,454
Facility F non-revolving committed loan with interest calculated at a fixed rate of 4.24% per annum, with blended payments of \$133 due monthly, beginning on August 1, 2011 with the final payment due on July 1, 2021.	8,849	10,043
Facility G non-revolving committed loan with interest calculated at a variable rate of prime minus .5% per annum, with principal payments of \$83 plus interest due monthly, beginning on December 1, 2012 with the final payment due on November 30, 2022. This facility has an option to utilize BAs with stamping fees calculated at 50 bps per annum with terms not less than 7 days and not more than 365 days and issued and reissued in minimum aggregate amounts of \$1,000 and multiples thereof.	17,667	18,667

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2015
(in thousands of dollars)

10 Employee future benefits

The Corporation provides resignation, retirement and removal benefits, continuous service bonuses and senior management bonuses to its eligible employees based on years of service and final salary. These benefits are not pre-funded and thus have no assets, resulting in a plan deficit equal to the accrued benefits obligation. The liability for these benefits is as follows:

	2015		2014
Accrued benefit obligation, beginning of year	\$ 2,372	\$	1,621
Costs for year	928		1,714
Benefits paid during year	(828)		(963)
Accrued benefit obligation, end of year	\$ 2,472	\$	2,372

The Corporation and all eligible employees contribute to the Public Service Pension Plan (the Plan). The Plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index.

Contributions to the Plan were as follows:

	2015		2014
Employer's contributions	\$ 2,134	\$	2,323
Employees' contributions	1,508		1,419
Total contributions	\$ 3,642	\$	3,742

11 Inventories for use

	2015		2014
Spare parts	\$ 11,674	\$	9,525
Fuel	8,841		10,371
Supplies and lubricants	1,969		2,268
	\$ 22,484	\$	22,164

An allowance for obsolescence of \$1,300 (2014-\$1,300) is recorded to reduce net realizable value. There have been no reversals of previous write-downs to net realizable value. No inventories have been pledged as security for liabilities.

12 Sales of power

	2015		2014
Commercial customers	\$ 71,739	\$	66,326
Residential customers	50,541		47,349
Electrical streetlights and private area lighting	1,730		1,659
	\$ 124,010	\$	115,334

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2015
(in thousands of dollars)

12 Sales of power (continued)

Sales to residential customers are broken down as follows:

	2015	2014
Earned from Public Housing Support Subsidy on behalf of customers	\$ 24,206	\$ 24,353
Charged directly to residential customers	16,227	12,938
Earned from Territorial Power Support Subsidy on behalf of customers	10,108	10,058
	\$ 50,541	\$ 47,349

The Corporation is paid to administer the Public Housing Support Subsidy for the Government of Nunavut. This program subsidizes qualifying residential customers living in public housing by supplementing the customer the difference between the approved residential rate and 6.0 cents per kWh. The Corporation invoices the Nunavut Housing Corporation on a monthly basis for the power subsidies and applies the amounts to the individual customer invoices.

The Corporation administers the Nunavut Territorial Power Support Subsidy for the Government of Nunavut. This program subsidizes qualifying residential customers up to 50% of the Iqaluit base rate on the first 700 kWh consumed each month between April and September, and on the first 1,000 kWh consumed each month between October and March. The Corporation invoices the Government on a monthly basis for the power subsidies and applies the amounts to the individual customer invoices.

13 Other revenue

	2015	2014
Insurance proceeds	\$ 2,098	\$ -
Administration and other service fees	1,641	1,641
Housing recoveries from employees	1,286	1,099
Capital funding from customers	986	1,978
Pole rentals	675	497
	\$ 6,686	\$ 5,215

14 Expenses

The following is a summary of the expenses by object or type:

	2015	2014
Fuel and lubricants	\$ 56,077	\$ 51,422
Salaries, wages and benefits	29,611	29,004
Supplies and services	19,743	21,081
Amortization of tangible capital assets	10,961	7,864
Travel and accommodations	4,732	4,307
Interest expense (Note 15)	4,495	4,965
Loss on disposal of assets	26	19
Bad debt (recoveries) expense	(125)	147
	\$ 125,520	\$ 118,809

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2015
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15 Interest expense

		2015		2014
Interest on debt	\$	4,392	\$	4,666
Interest and bank charges		646		649
Less: Interest capitalized on construction projects		(543)		(350)
	\$	4,495	\$	4,965

16 Contractual obligations and contingencies

Operating leases

The Corporation has leased property and equipment under various long-term operating leases. The minimum annual payments for these leases are as follows:

2016		\$		2,440
2017				1,538
2018				1,227
2019				345
2020				-
Total		\$		5,550

Fuel purchase commitments

The Corporation has made purchase commitments of \$15,396 to purchase fuel in the fiscal year ending March 31, 2016. This amount is due to be paid in fiscal 2016. The Corporation has committed to the purchase of an additional 54,830,000 litres of fuel in the next fiscal year.

Capital purchase commitments

Commitments in the amount of \$2,560 have been made in relation to upcoming capital expenditures.

Other operating commitments

Commitments in the amount of \$623 have been made in relation to other upcoming operating expenditures.

Litigation

In the normal course of operations, the Corporation could become party to future claims and legal proceedings. Management is of the opinion that adequate provisions have been made for any disbursements that could stem from future legal actions and does not foresee any adverse affect of such potential legal actions on the financial position or operating results of the Corporation.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
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16 Contractual obligations and contingencies (continued)

Liability for contaminated sites

The Corporation's activities are subject to various federal and territorial laws and regulations, such as the *Environmental Protection Act* of Nunavut and the Environmental Guideline for Contaminated Site Remediation - 2010, governing the protection of the environment or to minimize any adverse impact thereon. The Corporation conducts its operations so as to protect public health and the environment and believes its operations are in compliance with all applicable laws and regulations.

The Corporation has identified 24 sites where the concentration of petroleum hydrocarbons and other pollutants in the soil exceeds environmental standards. The contamination of certain of these sites occurred when other parties were responsible for the use of and/or held tenure to the sites.

Management has estimated that remediation would cost approximately \$38 million. No environmental liability provision for remediation of these sites has been recognized in these financial statements as there is no legal requirement to remediate these sites; nor does management have the intention to remediate any of the sites. Going forward, an environmental liability provision for the remediation of any of these sites will be recognized if it is determined that public health is at risk.

Management has a monitoring program in place to ensure that the 24 identified contaminated sites do not harm persons or the environment. The Corporation's ongoing efforts to assess contaminated sites, and determine responsibility, may result in environmental liabilities related to newly identified sites or changes in the assessments of existing sites.

Environmental Protection Compliance Orders

In April 2014, the Corporation received a Notice of Intent from Environment Canada to issue Environmental Protection Compliance Orders (EPCOs) related to contraventions of regulations for Storage Tank Systems for Petroleum Products at the Corporation's facilities in Iqaluit, Rankin Inlet and Whale Cove. The Corporation completed the necessary pipeline replacements in Iqaluit during the year and advised Environment Canada that it would complete the work required in Rankin Inlet and Whale Cove in the 2015-16 fiscal year. Environment Canada agreed to postpone the issuance of the EPCOs related to Rankin Inlet and Whale Cove until the 2015-16 fiscal year and stated that the Iqaluit facility was now in compliance based on the work completed.

17 Financial instruments

The Corporation is exposed to certain risks as a result of holding financial instruments. There has been no change to the level of risk compared to prior year and no change in the methods and practises used to manage these risks. The following risks have no significant impact on the Corporation's financial statements.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2015
(in thousands of dollars)

17 Financial instruments (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation is exposed to credit risk through cash deposits with financial institutions and the sale of electricity and related services to domestic customers. For cash in interest-bearing accounts and accounts receivable, the maximum exposure to credit risk is the carrying amount on the Statement of Financial Position. At the end of 2015 and 2014, there were no known relevant concentrations of credit risk by type of customer or geography. Instead, the Corporation's credit risk exposure is mainly influenced by individual customer characteristics.

The credit risk related to accounts receivable is reduced by taking cash deposits from new customers. The size of the deposit varies depending on the risk exposure. Established customers or those with good credit are waived from having to provide a deposit.

Accounts receivable are generally due in 30 days and interest is charged after 60 days at the rate disclosed in the terms and conditions of service. The Corporation utilizes an allowance account for potential credit losses related to accounts receivable. The movement in the allowance account during the year was as follows:

	2015		2014	
Balance, beginning of year	\$	5,294	\$	5,486
Receivables recovered (written off)		48		(377)
Increase (decrease) in allowance during year		(125)		185
Balance, end of year	\$	5,217	\$	5,294

The aging analysis of unimpaired accounts receivable, aged by billing date, is as follows:

	Days Past Billing Date			2015		2014	
	31 - 60	61-90	Over 90				
March 31, 2015	\$ 10,306	\$ 3,095	\$ 8,062	\$	21,463	\$	11,133

With respect to accounts receivable past due but not impaired, based on credit history and credit ratings, there are no indications that customers will not be able to meet their obligations.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk to ensure sufficient liquid financial resources to finance operations and to meet long-term debt repayments. The Corporation believes that it has access to sufficient capital through internally generated cash flows, government support and external resources including borrowing facilities to meet current spending forecasts.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2015
(in thousands of dollars)

17 Financial instruments (continued)

The following table shows the maturity risk analysis of the financial liabilities based on the remaining contractual maturities (assuming no renewals):

	Less than 1 year	Between 1 and 4 years	Greater than 4 years	2015	2014
Bank indebtedness	\$ 13,376	\$ -	\$ -	\$ 13,376	\$ 14,665
Accounts payable and accrued liabilities	14,719	-	-	14,719	12,364
Deposits payable	3,343	-	-	3,343	3,500
Due to Petroleum Products Division	27,309	-	-	27,309	25,202
Debt	13,318	39,697	86,579	139,594	125,082
Due to the Government of Nunavut	521	-	-	521	1,031
Due to the Government of Canada	56	611	-	667	97
	\$ 72,642	\$ 40,308	\$ 86,579	\$ 199,529	\$ 181,941

Market Risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate, because of changes in market prices. The Corporation is exposed to interest rate risk on its fixed and variable rate long-term debt.

The Corporation's intention is to hold the fixed rate debt to maturity.

The Corporation is subject to interest rate cash flow risk on its variable rate debt and bank indebtedness. For each 1% change in the rate of interest on loans subject to floating rates, the change in annual interest expense is as follows:

	2015	2014
Bank indebtedness	\$ 140	\$ 69
Debt	433	262
	\$ 573	\$ 331

The Corporation is not subject to other significant market risks pertaining to its financial instruments.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2015
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18 Related party transactions

Qulliq Energy Corporation is a territorial corporation and consequently is related to the Government of Nunavut and its agencies and territorial corporations. The Corporation provides utility services to, and purchases fuel, primarily from the Petroleum Products Division, materials, supplies and other services from these related parties in the normal course of its operations. These transactions are at the same rates and terms as those with similar unrelated customers. See attached Schedule A for details.

19 Subsequent event

On April 2, 2015 the Corporation's electrical generation plant at Pangnirtung was destroyed by fire. There were no injuries. Partial power was restored, using temporary generators, within one day. Power was restored across the community within four days. The cost of the cleanup, the short term facilities, the medium term facilities and, in the longer term, the new plant that will be built are substantially covered by insurance. The remaining net book value of the plant at March 31 2015 was \$1,600. The amount that will need to be written off in 2016 is not known at this time but will likely be a substantial portion of the net book value.

20 Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation.

QULLIQ ENERGY CORPORATION
SCHEDULE A
Schedule of Related Party Balances
As at March 31, 2015
(in thousands of dollars)

	Asset Balances	Liability Balances	Revenue Balances	Expense Balances
Consolidated Revenue Fund				
Office of the Legislative Assembly	\$ -	\$ -	\$ -	\$ -
Departments				
- Community and Government Services	4,960	-	24,105	-
- Culture and Heritage	71	-	80	-
- Economic Development and Transportation	49	-	192	-
- Education	10	-	5	-
- Environment	-	-	-	-
- Executive and Intergovernmental Affairs	4	-	-	-
- Family Services	-	-	-	-
- Finance	5,957	5	10,063	2,407
- Health	85	-	196	-
- Justice	-	-	3	-
Territorial Corporations				
Nunavut Arctic College	37	-	83	-
Nunavut Business Credit Corporation	-	-	-	-
Nunavut Development Corporation (including subsidiaries)	-	-	490	-
Nunavut Housing Corporation (including LHO subsidiaries)	8,622	-	28,686	-
Revolving Funds				
Liquor Revolving Fund	-	-	-	-
Petroleum Products Revolving Fund	177	27,309	252	47,717
Other Public Service Bodies				
District Education Authorities	-	-	36	-
Human Rights Tribunal	-	-	-	-
Labour Standards Board	-	-	-	-
Legal Services Board	-	-	-	-
Nunavut Liquor Licensing Board	-	-	16	-
Quillit Nunavut Status of Women Council	-	-	-	-
Total Related Party Balances	\$ 19,972	\$ 27,314	\$ 64,207	\$ 50,124

QULLIQ ENERGY CORPORATION
SCHEDULE B
Schedule of Tangible Capital Assets
for the year ended March 31, 2015
(in thousands of dollars)

	Land	Generation	Distribution	Residual heat assets	Non Plant buildings	Vehicles	Other assets	2015	2014
Cost of tangible capital assets									
Opening balance	\$ 591	\$ 193,196	\$ 57,516	\$ 19,764	\$ 15,165	\$ 6,314	\$ 5,455	\$ 298,001	\$ 255,590
Assets transferred to Inventory at book value	-	-	-	-	-	-	-	-	(1,240)
Transferred from work in progress	-	6,709	2,278	39	293	462	558	10,339	44,073
Disposals	-	-	-	-	-	(313)	-	(313)	(422)
Closing balance	591	199,905	59,794	19,803	15,458	6,463	6,013	308,027	298,001
Accumulated amortization									
Opening balance	-	(78,208)	(17,811)	(6,532)	(4,254)	(2,665)	(3,645)	(113,115)	(106,087)
Amortization	-	(7,900)	(1,328)	(779)	(319)	(499)	(136)	(10,961)	(7,864)
Adjustment for insurance proceeds	-	733	-	-	-	-	-	733	-
Assets transferred to Inventory at book value	-	-	-	-	-	-	-	-	457
Disposals	-	-	-	-	-	256	-	256	379
Closing balance	-	(85,375)	(19,139)	(7,311)	(4,573)	(2,908)	(3,781)	(123,087)	(113,115)
Work in progress									
Opening balance	-	22,412	1,954	39	-	-	2,562	26,967	49,942
Additions	-	19,304	4,694	-	337	463	469	25,267	21,098
Transferred to cost of tangible capital assets	-	(6,709)	(2,278)	(39)	(293)	(462)	(558)	(10,339)	(44,073)
Closing balance	-	35,007	4,370	-	44	1	2,473	41,895	26,967
Net book value	\$ 591	\$ 149,537	\$ 45,025	\$ 12,492	\$ 10,929	\$ 3,556	\$ 4,705	\$ 226,835	\$ 211,853

Change in estimates

During the year ended March 31 2015, the estimated useful life of certain assets was revised to better reflect the anticipated life-cycle management of these assets. The change in accounting estimate is being accounted for on a prospective basis starting April 1, 2014, and increases the 2014/15 depreciation expense by approximately \$2,100.

End Page

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