

15th Annual Report

2015-2016



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Qulliq Energy Corporation
Société d'énergie Qulliq
Qulliq Airuyaktuqtunik Ikumatjutiit

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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*.

LETTER OF TRANSMITTAL



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Qulliq Energy Corporation
Société d'énergie Qulliq
Qulliq Airuyaktuqunik Ikumatjutiit

P.O. Box 250, Iqaluit, Nunavut, X0A 0H0

August 9, 2016

Honourable Johnny Mike
Minister responsible for Qulliq Energy Corporation
Legislative Assembly of Nunavut
926 Queen Elizabeth II Way
PO Box 2410
Iqaluit, Nunavut
X0A 0H0

Dear Minister Mike:

In accordance with Section 100(1) of the *Financial Administration Act*, I hereby submit on behalf of the Board of Directors of Qulliq Energy Corporation the 15th Annual Report for fiscal year ending March 31, 2016.

Respectfully submitted,

Elijah Evaluarjuk
Acting Chairperson, Board of Directors
Qulliq Energy Corporation

CHAIRPERSON'S MESSAGE

On behalf of the Board of Directors of Qulliq Energy Corporation (QEC), I am pleased to present our achievements for the 2015-2016 fiscal year in this annual report.

During the past year, the board has set out a clear strategic direction to steer QEC closer to realizing its vision to provide Nunavut with sustainable and economical energy. The successful implementation of our 2016-2019 strategic plan has already begun to put us in a strong position to continue delivering energy in a safe, reliable and efficient manner to our customers.

QEC continues to be guided by the Government of Nunavut's (GN) vision, Sivumut Abluqta: Stepping Forward Together. In keeping with the government's aim of sound governance by prudently using resources, the board remains focused on decreasing QEC's reliance on fossil fuels, as outlined in our strategic goals. QEC is committed to introducing Nunavut to innovative technologies through the continued exploration of renewable energy sources, and the implementation of conservation initiatives that are both financially and environmentally viable for the territory.

A strong workforce that is both qualified and representative of our territory's population is essential to QEC's success and future. The continued enhancement of the corporation's Inuit Employment Plan (IEP) and the alignment of this program with the GN's Human Resources Strategy will remain priorities for the board.

QEC is at the heart of each of the communities it serves, and the board recognizes that transparent governance and communication with all Nunavummiut is a key responsibility of the corporation. Enhanced transparency through continued review, assessment, and improvement of our business operations is integral in gaining and sustaining public trust.

The corporation faced a challenging year with two major events that impacted QEC's operations: the power plant fire in Pangnirtung and employee strike action. Despite these challenges, our staff still delivered remarkable achievements. I would like to commend their continued professionalism, dedication, and loyalty to the corporation.

Looking ahead, the Board of Directors along with the Senior Management Committee are focused on building on the momentum of strategic direction that we have established for the corporation. We are optimistic about the year ahead and confident of our ability to innovate and operate more effectively to meet the needs of our stakeholders.



Elijah Evaluarjuk
Acting Chairperson
Dated: July 20, 2016

PRESIDENT'S MESSAGE

2015-2016 brought a remarkable year for Qulliq Energy Corporation (QEC). In facing challenges, we grew stronger and more equipped for the unexpected. This has been paramount in moving forward with our vision to supply Nunavummiut with safe, reliable, sustainable, and cost-effective electricity.

In the last fiscal year, the corporation was fortunate to be appointed a Minister with a passion in providing sustainable and economical energy to Nunavummiut. On behalf of QEC, I would like to welcome and thank the newest Minister responsible for QEC, the Honourable George Hickes.

In 2015-2016 QEC initiated a fuel stabilization rider refund to utility customers at a rate of 1.8 cents per kilowatt hour for a five month billing period. The refund resulted from a decrease in QEC's fuel costs, allowing the corporation to provide more affordable services to our customers.

QEC showed commendable efforts in the face of an emergency situation when the Pangnirtung power plant was destroyed by a fire in April 2015. A sincere thank you goes to the government departments and local residents that provided invaluable assistance during the crisis. Because of QEC's concerted response and proactive emergency measures, we were able to quickly restore back-up power. We have implemented a mid-term solution to meet the community's energy needs, while working toward the long-term replacement of the power plant.

Last summer's month-long strike action impacted not only our operations, but the lives of our employees. Our ability to recover from what was one of the most difficult periods in QEC's history is a measure of the corporation's strength. We take great pride in our dedicated and talented workers and I would like to express my deepest thanks to all the employees that make QEC one of the leading employers in Nunavut.

We implemented a number of renewable energy and energy conservation initiatives to lower our carbon footprint during the year in review. The installation of test solar panels at the power plant in Iqaluit and the completion of a wind energy study of all 25 communities brought us a step closer to our goal of reducing our dependency on fossil fuels to power the territory. QEC also began a pilot project to replace conventional street lights with LED street lights in Iqaluit. It is our objective that this project will pave the way for implementation of the LED streetlight project throughout the territory in our efforts to conserve energy.

Best practices for health, safety and environmental protection are at the forefront of QEC's operations. QEC has been honoured with the 2015 Employer Recognition territorial award for the fifth consecutive year, as well as the Best Representation of Theme for the 'Making Safety a Habit' award for the second consecutive year during the annual North American Occupational Safety and Health week event.

With our 2016-2019 strategic goals in mind, we are excited about the opportunities ahead of us, and I invite our employees to take ownership of these goals as we work to continue to build a power utility that supports a strong, resilient, and prosperous Nunavut.



Jamie Flaherty
Acting President and CEO
Dated: July 4, 2016

KEY ACTIVITIES IN 2015-2016

- Newly appointed Minister responsible for Qulliq Energy Corporation
- Implementation of the Strategic Plan
- Fuel Stabilization Rider refund to customers
- Three year collective agreement signed with Nunavut Employees Union
- 99.78 percent reliability rate
- Distribution system upgrades for Whale Cove, Taloyoak, and Qikiqtarjuaq
- Replacement of generator sets for Clyde River and Sanikiluaq
- Completion of smart meters installation in Iqaluit
- Installation of LED street lighting in Iqaluit
- Installation and integration of test solar panels with Iqaluit's electrical grid system
- Indoor LED lighting demonstration project in Iqaluit Corporate Office
- Wind resource assessment for all 25 communities
- Signing of MOU agreement on CHARS
- Board approval of Net metering and Interconnection guidelines
- District Heating System upgrades in Iqaluit and Arviat
- Implementation of Customer Care survey pilot project
- Demolition of the old power plant in Pangnirtung
- Completion of Environmental Site Assessments in Arviat, Whale Cove, Chesterfield Inlet and Nauyasat
- Completion and distribution of a new QEC Safety Rule book for employees and contractors
- 54 percent Inuit employment

OUTLOOK FOR 2016-2017 AND BEYOND

Qulliq Energy Corporation's (QEC) focus for the next few years is on the objectives outlined in our 2016-2019 strategic goals: reduction on fossil fuel reliance, retention of staff, fulfillment of annual regulated rate of return, and accountable and transparent communication with all stakeholders. Furthermore, QEC is committed to align its course of action with the Government of Nunavut's priorities to build a strong, sustainable, resilient, and prosperous territory, as we continue to fulfill our mission and work towards our vision to provide Nunavummiut with safe, reliable, sustainable, and economical energy supply and service.

CORPORATE PROFILE

Following Nunavut's division from the Northwest Territories, the Nunavut Power Corporation took up the mandate 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 and distributor of electrical energy in Nunavut.



View of power lines in Iqaluit during winter season

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 185 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

The Honourable Johnny Mike was appointed Minister responsible for Qulliq Energy Corporation (QEC) on June 24, 2016. Minister Mike replaced the Honourable George Hickes.

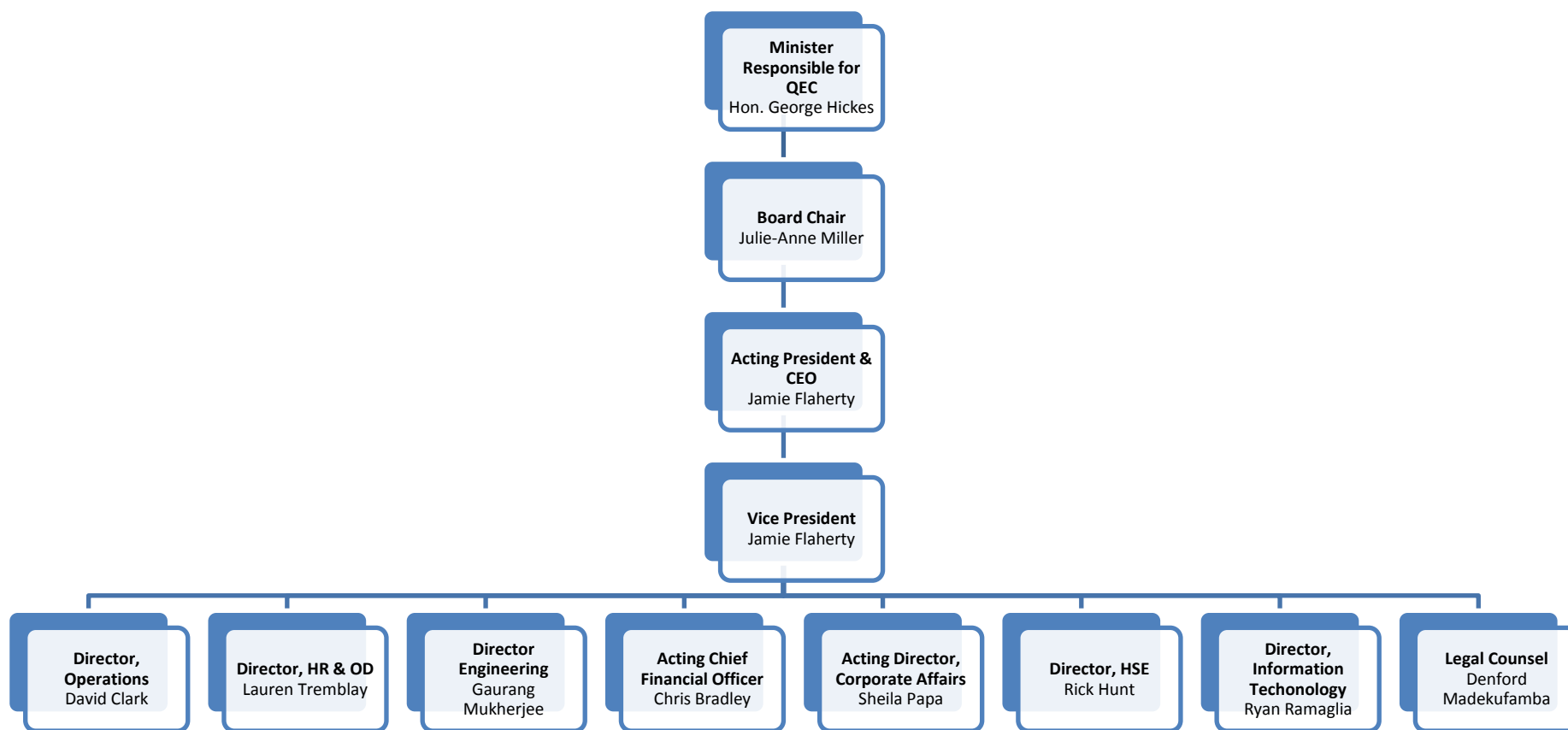
CHAIRPERSON

QEC's board chair, Julie-Anne Miller, resigned on June 20, 2016. On an interim basis, Vice-chairperson Elijah Evaluarjuk fills the chair position on the corporation's Board of Directors.

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Jamie Flaherty replaced Peter Tumilty as Interim President and CEO of Qulliq Energy Corporation on November 17, 2015. Peter Tumilty was recalled to his indeterminate role as the Government of Nunavut's Assistant Deputy Minister for the Department of Finance.

ORGANIZATIONAL STRUCTURE



As of March 31, 2016

BOARD OF DIRECTORS

Qulliq Energy Corporation's (QEC) Board of Directors is appointed by the Minister responsible for QEC. Under the QEC 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. The following members served on the Board of Directors as of March 31, 2016:

Julie-Anne Miller – Chairperson

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 twenty 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.

Elijah Evaluarjuk – Vice-chair

Elijah Evaluarjuk owns and operates Tujurmivik Hotel and Pizzeria in Igloolik, a business he has 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.

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 QEC'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.

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 is a valuable asset 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 worked for the Government of Nunavut as the Assistant Operations Manager for the Petroleum Products Division in Rankin Inlet from 2008 until 2014. She has a certificate in Management Studies and Human Services Program, and Tenders, Contracts, and Proposals. Ms. Sateana has recently completed the Social Service Worker Program at Nunavut Arctic College in Cambridge Bay, and is now employed by the GN in that capacity.

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.

LITIGATION

During the financial year under review, two legal matters involving former Qulliq Energy Corporation (QEC) employees were finalized. One of the legal matters resulted in the corporation paying about \$252,000, inclusive of prejudgment interest and legal costs, to satisfy a judgment of the Nunavut Court of Justice that the corporation decided to abide by.

With regards to the other legal matter, a former employee of the corporation who had appealed to the Nunavut Court of Appeal, lost the appeal in April 2015. The former employee's application for leave to appeal to the Supreme Court of Canada was dismissed by the Supreme Court of Canada in March 2016.

There is also one legal matter that has been pending in the Courts of Ontario since 2011 in which a former employee of the corporation is claiming damages of about \$100,000.

OPERATIONS

In a unique geographical location such as Nunavut, where 25 isolated communities are spread out across 1,932,255 square kilometers and experience temperatures below -50 degrees Celsius and wind gusts above 150 kilometers 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 Qulliq Energy Corporation and our customers.

The department of Operation's 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



Skycrane helicopter transporting gen-set to Pangnirtung

positive results Operations has achieved in upholding QEC's core values.

In 2015-2016, the department of Operations devoted a significant amount of its resources responding to the fire that destroyed the power plant in Pangnirtung on April 2, 2015. The corporation's commendable teamwork resulted in an immediate restoration of power to the community and the full implementation of a mid-term solution within a month after the fire. QEC is in the process of constructing a new power plant for Pangnirtung.

RELIABILITY

Reliability is one of Operation's top priorities. During the 2015-2016 fiscal year, QEC maintained power supply to all customers on average 99.78 percent. This is lower than the previous year's reliability rate of 99.85 percent due to adverse weather conditions particularly in the Qikiqtaaluk region. Operations has collaborated with the Information Technology (IT) department to set up a Computerized Maintenance Management System (CMMS) that will provide an encompassing predictive and preventive system to assist in resource planning and forecasting to increase reliability. Operations has been able to increase power supply reliability while meeting increased demand for electricity with aging, failing, and obsolete infrastructure.

QEC calculates its reliability rate based on the number of planned and unplanned power 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 adverse weather, physical outside influences or unexpected failures due to our aging power plant equipment.

In partnership with the Engineering, IT, and Finance departments, Iqaluit's Advanced Metering Infrastructure (AMI) project, commonly known as smart meters, was completed in March 2016. During the year in review, Iqaluit has reported an improvement in reliability from 99.14% to 99.35%. The AMI command center sends automatic notifications of power outages to Operations resulting in a faster response to outages by the O&M technicians which leads to improved reliability.

The following communities had the most reliable power supply in the territory during the 2015-2016 fiscal year:

- [Chesterfield Inlet](#) had zero power outages.
- [Taloyoak](#) and [Igloolik](#) both had an average power supply of 99.99 percent.
- [Kugaaruk](#) and [Kimmirut](#) both had an average power supply of 99.98 percent.
- [Cambridge Bay](#), [Kugluktuk](#), and [Pond Inlet](#) all had an average power supply of 99.96 percent.

The department of Operations continues to improve operational and maintenance practices through proactive and preventative inspections of our plants and equipment. During the fiscal year in review, Series 4000 engines in Cambridge Bay, Igloolik, and Pond Inlet were upgraded with new fuel filtering systems to ensure a more robust and reliable unit in each community.

Bulk fuel tanks in Kugluktuk and Cambridge Bay were also upgraded, cleaned and inspected to ensure increased longevity of service.

In Whale Cove, an in-house upgrade to the power plant infrastructure was performed, in collaboration with the Engineering department's electrical technologist team, to increase the reliability and efficiency of the community's electricity supply.

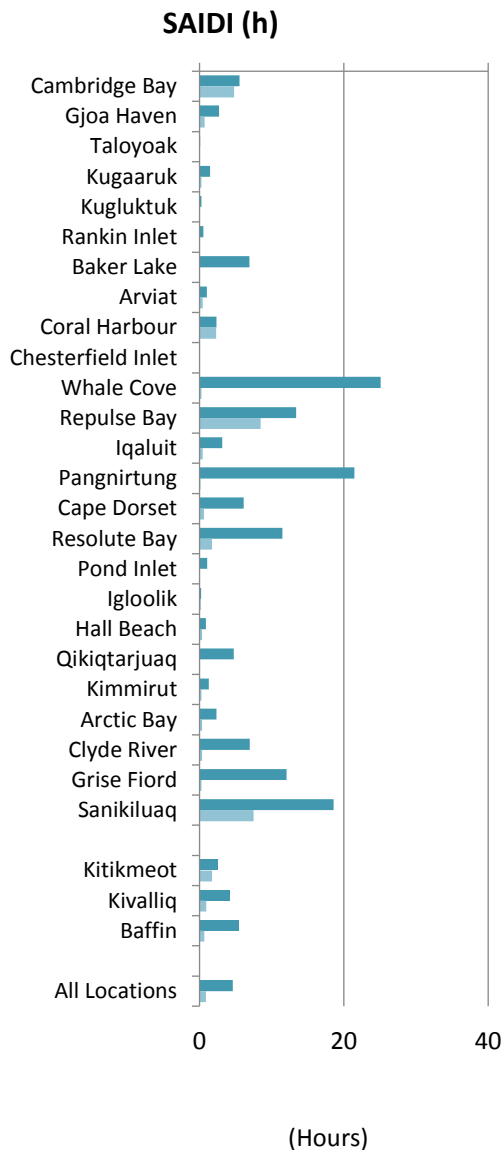
Improvements in reliability are directly linked to QEC's strategic goal to increase efficiency and reduce the corporation's fuel consumption. These improvements will also reduce the corporation's operations and maintenance costs. The department of Operations continues to address reliability in the long-term and the reliability numbers above reflect the diligence of our Operations & Maintenance team.

PERFORMANCE REPORTING

QEC's Operations department measures performance data to report interruption statistics each year. Interruptions or power outages are defined by a loss of electricity from our power system to our customers. Performance reporting on power interruptions helps determine the quality and performance of QEC's utility service and transmission systems.

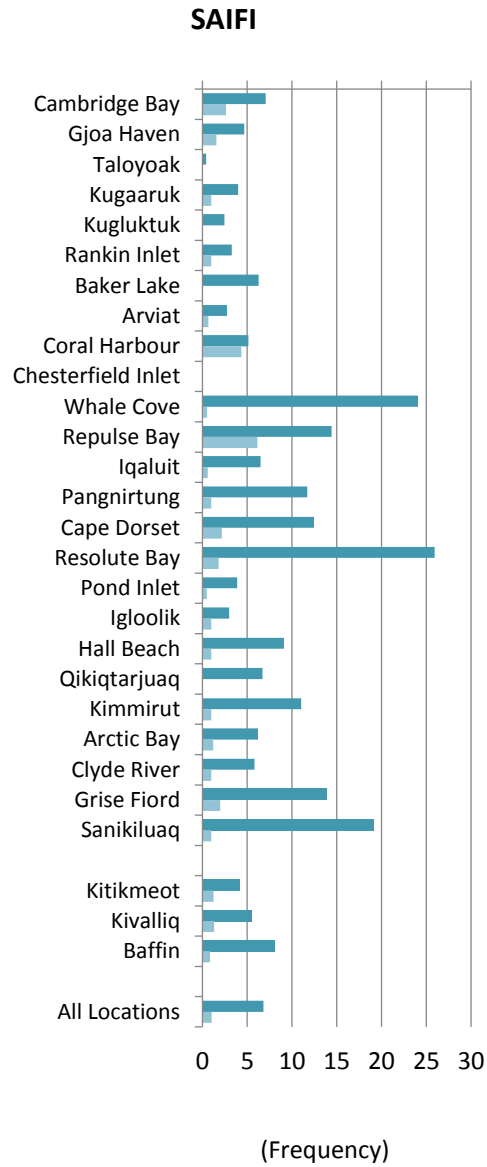
During the 2015-2016 fiscal year, QEC measured performance indicators including average frequency of power interruptions for customers, average duration of power interruptions for customers, and average interruption duration for the system.

System Average Interruption Duration Index (SAIDI)



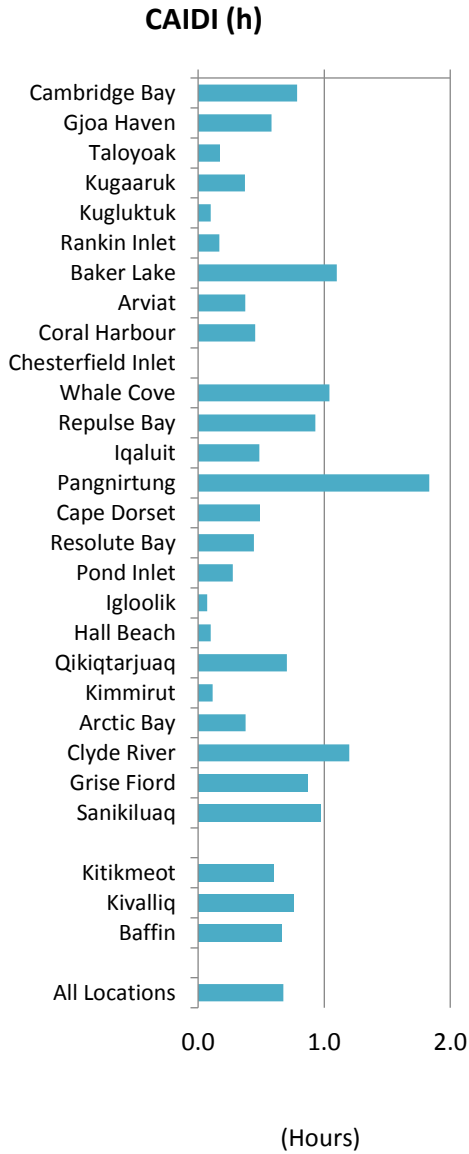
The System Average Interruption Duration Index (SAIDI) shows the average outage durations (in hours) for QEC’s system in each community and region from April 1, 2015 to March 31, 2016. The average outage duration is calculated by dividing the sum of all customer interruption durations by the total number of customers served. The scheduled outages are in red.

System Average Interruption Frequency Index (SAIFI)



The System Average Interruption Frequency Index (SAIFI) shows the average number of interruptions a customer experienced each in community and region from April 1, 2015 to March 31, 2016. The average number of interruptions is calculated by dividing the total number of customer interruptions by the total number of customers served. The scheduled outages are in red.

Customer Average Interruption Duration Index (CAIDI)



The Customer Average Interruption Duration Index (CAIDI) shows the average duration of an interruption a customer would experience (in hours) in each community and region from April 1, 2015 to March 31, 2016. The average interruption duration is calculated by dividing the sum of all customer interruption durations by the total number of customer interruptions.

EFFICIENCY

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.

At the end of the fiscal year, QEC's fuel efficiency was 3.73 kWh per liter. QEC strives for continual increase in fuel efficiency, however our aging infrastructure and periodic equipment breakdowns prevent the plant operators from running the most efficient generator sets (gen-sets).

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

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 gen-sets 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.

In fiscal 2015-2016, two gen-sets were upgraded. The first gen-set upgrade project was for G2 in Clyde River as part of the planned capital expenditures. This project was necessary because the existing gen-set had reached the end of its useful life. In addition, the gen-set was upgraded to meet the electricity needs of the growing community. The second gen-set replacement was for G1 in Sanikiluaq. This gen-set failed in May and required replacement sooner than anticipated due to repeated failure of this unit.

In collaboration with the Engineering department, Operations upgraded the Kimmirut plant Direct Current (DC) power supply and charging system which had been failing and at the end of its life. The DC power system is required to maintain control voltage, battery charging, and power in the event of a blackout. In addition, the DC system is also essential to the operation of the Programmable Logic Controller (PLC), which runs and controls all functions of the plant.

The Operations department had a major challenge responding to the Pangnirtung fire that destroyed the community's power plant in April 2015. First, a short-term solution was implemented to generate capacity and provide reliability back to the community as quickly as possible. Power was restored within a short period of time due to the emergency generator that had been placed in Pangnirtung prior to the fire. A mid-term solution was decided upon based on reliability and sufficient capacity to carry the community through until the long-term solution to build a new plant has been completed.

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 notable was the adverse weather experienced in Pangnirtung, Resolute Bay and Grise Fiord in January 2016. The corporation received excellent feedback for its response time to the unplanned outages from each community. During the spring and summer months, the PLTs focus 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 2015-2016 fiscal year, Operations has been involved in a variety of distribution projects in an effort to minimize line loss, improve reliability, and meet the power needs of each community. Working closely with the Engineering department, the Whale Cove distribution system to the airport was upgraded and the Naujaat distribution system was expanded to supply power to the water lake site outside of the community.

The installation of smart meters, a component of the Advanced Metering Infrastructure (AMI) Project in Iqaluit, allows QEC to automatically read customer 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 enhancing reliability. The AMI project is now complete and will be monitored and reported on throughout the calendar year.

ENGINEERING

The primary function of the Engineering department is to provide: 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 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 Qulliq Energy Corporation's (QEC) Corporate Plan.

This year, the Engineering department welcomed a new Director and a Manager of Mechanical Engineering. Although employee turnover continues to put some strain on the department, recruitment of these two key positions ensures the continued development and implementation of the corporation's capital projects.

QEC's response to the fire that destroyed Pangnirtung's power plant in April 2015 showed the importance of the close partnership between Engineering and Operations staff. Both departments worked together to supply



Pile installation at Pangnirtung power plant rebuild site

Pangnirtung with immediate back-up power and a mid-term power solution which is presently providing power to the community until the new power plant is built.

In light of the unfortunate event in Pangnirtung, Engineering had to adapt a different approach to build a new power plant for the community. Building a new power plant is typically a multi-year project. However, the Pangnirtung project has

to be completed within a shorter period of time due to insurance requirements. Engineering's unique solution of Design-Build approach will ensure that these requirements will be met. Design-Build is a project delivery method led by a single contractor covering all activities resulting in time and cost savings.

High-priority projects such as the new Pagnirtung power plant and issues presented by the corporations' aging power plant infrastructure require the Engineering team to adjust its priorities to meet urgent operational and maintenance demands. Despite these challenges, the team is proud of its achievements during the 2015-2016 fiscal year.

The Engineering department's accomplishments included:

- Installation of the diesel gen-sets and all related equipment in the new Qikiqtarjuaq and Taloyoak plant projects. The new power plants will increase load capacity for the communities and allow for expansion in the future. Completion of both projects is scheduled for the summer of 2016.
- Replacement of gen-set and completion of capacity increase in Clyde River.
- Conceptual design process for Grise Fiord's modular power plant unit has started. Project completion is expected by summer 2018.
- Final completion of the direct billing system for the Advanced Metering Infrastructure or Smart Grid Project in Iqaluit.
- Execution of the final phase and testing of SCADA (Supervisory Control and Data Acquisition) project in the Kitikmeot Region and Iqaluit. Phase two (in Taloyoak and Kivalliq region) and phase three (in the Baffin region) will be initiated by the end of 2016 with a targeted completion date by the end of 2017.
- Net Metering Policy and Interconnection guidelines were presented to the Board of Directors and approved in November 2015.
- Signed a new funding agreement and MOU with Canadian High Arctic Research Station to expand Cambridge Bay's power capacity to meet the community's and CHARs' power needs.
- Completion of the Arc flash study for four power plants including Iqaluit. The study examined areas of potential risks to minimize hazards and enhance workplace safety.
- Commissioning of the 2 kW demonstration solar power project at the Iqaluit power plant.
- Completion of the wind resources assessment for all 25 communities.
- Installation of 50 LED streetlights in Iqaluit.
- Signed an MOU with City of Iqaluit which will enable the reconnection of the DHS system to the Water treatment plant, Reheat Station and Booster Station after trials in May 2016.

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 and assess the reliability and performance of these technologies in a unique and challenging environment.

WIND

With support from Indigenous and Northern Affairs Canada's (INAC) ecoENERGY program, QEC completed the first phase of a desktop study to assess the viability of wind power generation in all 25 communities in March 2016. Iqaluit and Sanikiluaq have been selected for the second phase of the study which will entail a detailed analysis of these two sites. These communities were chosen based on their minimum payback period. Discussions are also

progressing for wind turbine installation at these locations. The report from the desktop study will be presented to the Board of Directors at the quarterly board meeting in June 2016.

SOLAR

QEC successfully commissioned a 2 kW solar panel demonstration project at the Iqaluit power plant. Eleven solar panels have been integrated to the grid and have been feeding power to the city since March 2016. To date, the solar panel system has exceeded initial expectations. QEC has been working with Natural Resources Canada (NRCan) on this demonstration project which will help QEC on future solar panel projects. The project will also provide QEC with the technical knowledge on how to implement the Net Metering process which will enable individuals to install a renewable energy source for personal consumption and for sale to QEC.



Solar panel installation at Iqaluit power plant

DISTRICT HEATING SYSTEM

The corporation continues to improve fuel efficiency through our District Heating System (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 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 a reliable 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 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. During the 2015-2016 fiscal year, Engineering completed upgrades

and maintenance to the DHS systems in the aforementioned communities. Future studies are planned for Baker Lake and Cambridge Bay.

QEC is working with the city of Iqaluit to reconnect the Water Treatment Plant, Reheat Station, and Booster Station to the DHS. An MOU between the city and QEC was signed in March 2016. This agreement outlines the connection of the water treatment plant to the DHS for a three month free trial period starting May 16, 2016. In addition, the corporation is working with the city to assess the possibility of connecting the new Iqaluit Aquatic Center with the DHS.

IQUALUIT 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) toward 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 has been completed.

Installation of all 4,000 smart meters were completed during the 2015-2016 fiscal year. This cost-effective technology has enabled QEC to perform automatic meter reads eliminating the need for manual meter reads, and manage demand more accurately which will potentially improve QEC's 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, an automatic notification is sent to the Operations team. 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 Smart Grid Project will also enable QEC to undertake further alternative and renewable energy projects such as diesel hybrid systems which use hydro, solar, and/or wind to supplement our existing diesel generation system.

HEALTH, SAFETY, ENVIRONMENT

Qulliq Energy Corporation's (QEC) 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 2015-2016, 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.

HSE continually strives to improve its annual NAOSH Week celebration. In 2015, we expanded our efforts to improve the safety culture of the North by including the public in our NAOSH Week activities. In the spirit of daily safety challenges, QEC focused on activities that reflected the theme of “Make Safety a Habit – For Your Career” that all employees in 25 Nunavut communities could participate in.

As a part of our efforts to promote safe habits across the territory, we extended our pledge to end distracted driving through the power of social media. Members of the public were invited to QEC designated locations to make their pledge to end distracted driving and received a token custom air freshener for their participation.

QEC also led the charge in organizing the first ever NAOSH Personal Protective Equipment (PPE) Work Wear Show in Iqaluit as part of the NAOSH Week celebration. The event attracted workers from different companies and organizations in the city and gave them the opportunity to try out various types of PPE appropriate to their work conditions.

The corporation’s efforts during the 2015 NAOSH Week celebration culminated in QEC winning more territorial and national awards. QEC won the 2015 “Best Representation of Theme” award for the second consecutive year.



Health, Safety and Environment team showcasing QEC’s NOASH Week award

This award is one of four awards given out at the national level by the CSSE. QEC is also honoured to have won the 2015 “Employer Recognition” territorial award for the fifth consecutive year. This distinction is presented to the top employer in Nunavut with more than 51 employees.

Development of the custom e-learning health and safety orientation program for employees and contractors is in progress. This e-learning platform will ensure standardized

communication on QEC’s overall health and safety program, as well as introduce a more cost-effective program due to high employee turnover rates in addition to the multitude of contractors who work for QEC throughout Nunavut. Full implementation of the program is expected by the end of 2016.

HSE has recently finalized the revision of the QEC Safety Rulebook to match the information in our Safety Program Manual. The rule book, which was last updated in 2007, is a guide and reference for the minimum health and safety rules and standards at QEC worksites. The revised safety rule book was rolled out to all QEC employees and contractors in March 2016.

Recent changes to the overall Workplace Hazardous Materials Information System (WHMIS) certification program were implemented across Canada. WHMIS is Canada's national hazard communication standard and has not changed since 1988. The updated program now includes the new Globally Harmonized System of Classification and Labelling for chemicals. To prepare for the change, QEC took advantage of the free 2015 WHMIS for Workers online e-learning program offered by Canadian Centre for Occupational Health and Safety, whereby completion for all employees was a requirement. Thus far, 172 employees has successfully completed the 2015 WHMIS certification.

During the 2015-2016 fiscal year, HSE staff trained:

- 13 employees in Fall Protection
- 21 employees in the Workers' Safety and Compensation Commissions "Go Safe: Work Smart" Program
- 41 employees in Standard First Aid, Level A with CPR Endorsement
- 172 employees in Workplace Hazardous Materials Information System (WHMIS)
- 16 employees in fire extinguisher inspection and maintenance
- 68 employees and contractors on our new internal Utility Work Protection Code
- 15 employees in Elevated Work platform (EWP) training
- 21 employees in Respiratory Awareness and FIT testing

QEC is committed to maintaining a healthy and safe work environment in accordance with industry standards and in compliance with legislative requirements. The department of HSE will continue to ensure new and existing staff receive safety training as required in their positions 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 2015, four ESAs were conducted on existing and historical QEC power plant sites in Arviat, Whale Cove, Chesterfield Inlet and Naujaat. With the exception of Arviat, 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.

Assessments of the Chesterfield, Whale Cove and Naujaat power plant sites were initially conducted in the late 1990's and early 2000's. The recent ESA performed in Whale Cove showed limited movement of contamination and was consistent with the previous ESA. The results from the ESAs in Chesterfield Inlet and Naujaat showed reductions in the volume of contamination on each site, possibly due to natural attenuation.

The Arviat plant sampling identified a larger extent of contamination from the previous ESA conducted in 1998. The previous delineation assessment in Arviat provided limited information with regard to the real extent and volume of contaminated soils. In 2015, environmental consultants were better able to characterize the level and position of contamination plumes providing more accurate information for future remediation.

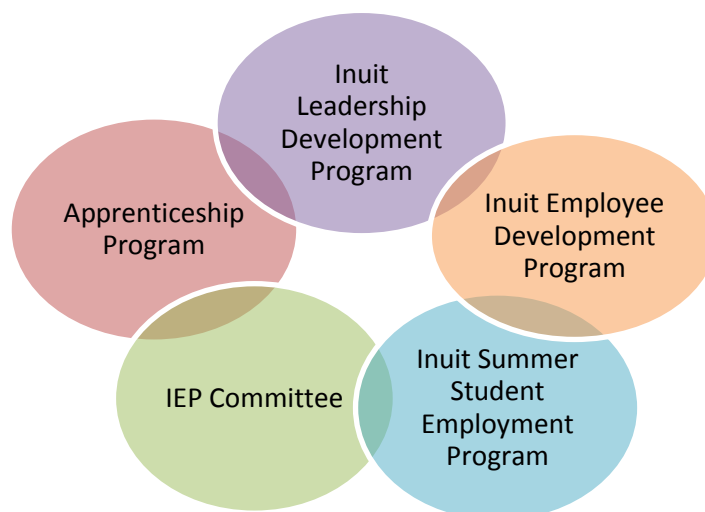
In an effort to help reduce fuel spills and comply with federal regulations, QEC has begun to upgrade some of its fuel supply system infrastructure across the territory. QEC completed its first fuel supply line upgrade from Queen Elizabeth Way to the main power plant in Iqaluit in December 2014. This project paved the way for a standard to be put in place for subsequent fuel supply system projects. In the fall of 2015, QEC began the upgrade of Rankin Inlet’s fuel supply system from the shore manifold to the QEC fuel tanks. The project was approximately 85% complete when work had to be suspended due to winter conditions. Work on this fuel system will commence when the weather warms up in the spring of 2016 and will be completed prior to the first fuel shipment of the year in Rankin Inlet. The fuel supply system upgrade for the community of Whale Cove is also scheduled to be completed in 2016, bringing a more reliable fuel line to the community.

PEOPLE

Qulliq Energy Corporation’s (QEC) Human Resources and Organizational Development (HROD) team 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. This year the HROD team welcomed a new Director, Leader of Employee and Labour Relations, Manager of Human Resources and an Inuit Employment Plan Administrator Intern, bringing the HROD workforce to 63% capacity. HROD focused on on-boarding new team members, as well as developing an action plan for the next fiscal year.

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 (NLCA) 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 Qaujimajatuqangit and *Pilimmaksarniq*, the development of skills through observation, mentoring, practice and effort.

As of March 31, 2016, 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) is a valuable opportunity for students to use 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 exposing them to local opportunities. In the summer of 2015, the ISSEP supported 15 students who worked in various departments across the corporation.

In 2013, the Inuit Leadership Development Program (ILDLP) 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 currently has two students enrolled in university programs in accounting, and human resource management. One student will be graduating this year and is joining the HROD team.

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 the strengths of the employee and focus on the needs of the corporation.

Competition for skilled tradespeople 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 the territory and has allowed us to fill positions in communities with local residents. QEC is currently reviewing and evaluating the Apprenticeship Program to develop a strategy for future apprenticeship training.

The IEP Committee has been re-established with new members representing each region and with our Acting President and CEO as our executive sponsor. 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. 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. We are developing leadership skills for all employees, especially by targeting beneficiaries so that they are prepared for supervisory and management positions.

PERFORMANCE MANAGEMENT

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

MENTORSHIP PROGRAM

The Mentorship Program was piloted in 2015 in partnership with the GN and will be launched in the spring of 2016. Currently we have seven official matches in the areas of culture, leadership and technology. Future matches for the Mentorship Program will include summer students, IEP Committee members and new hires.

ON-BOARDING PROGRAM

HROD is revamping QEC's On-Boarding program this year with an approach to bring on new hires beyond simple orientation. The program is intended to familiarize our new employees with the overall goals of the corporation and to support them as they embark on their career with QEC; in an effort to achieve success and productivity quickly. The program also has a strong cultural focus, with respect to the North and Inuit values.

RECRUITMENT

The department of HROD's new Manager of Human Resources began implementing recruitment processes as of summer 2015. During the financial year under review, QEC filled 42 positions and recorded 30 positions vacant.

The services the HROD team are now able to provide to QEC employees goes beyond professional human resource leadership. With an increase in staff, they have the capacity to perform job evaluations and develop job descriptions in-house.

EMPLOYMENT SUMMARY

Qulliq Energy Corporation March 31, 2016

Employment Summary, by category:

	Total Positions				Beneficiaries	
	Total Positions	Vacancies	Filled	% Capacity	Hired	% IEP
Executive	2	1	1	50%	1	100%
Senior Management	7	0	7	100%	0	0%
Middle Management	22	1	21	95%	1	5%
Professional	15	4	11	73%	0	0%
Paraprofessional	98	11	87	89%	42	48%
Administrative Support	72	14	58	81%	55	95%
Total Department	216	31	185	86%	99	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	94	14	80	85%	23	29%
Kimmirut	240	2	0	2	100%	1	50%
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%
Nauyasat	260	2	0	2	100%	2	100%
Sanikiluaq	265	2	0	2	100%	2	100%
Arviat	300	2	0	2	100%	2	100%
Baker Lake	305	46	10	36	78%	21	58%
Chesterfield Inlet	310	2	0	2	100%	2	100%
Coral Harbor	315	2	0	2	100%	2	100%
Rankin Inlet	320	21	5	16	76%	10	63%
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	1	12	92%	5	42%
Gjoa Haven	415	2	1	1	50%	1	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	216	31	185	86%	99	54%	

Employment summary, by Headquarters & Region

Headquarters	94	14	80	85%	23	29%
Regions	122	17	105	86%	76	72%
Total	216	31	185	86%	99	54%

LABOUR AND EMPLOYEE RELATIONS

LABOUR DISPUTE

A strike action occurred between July 15 and August 14, 2015 following a period of 18 months of active collective bargaining. The work stoppage concluded when a tentative agreement was reached on a new contract.

COLLECTIVE AGREEMENT

A new collective agreement was signed on October 23, 2015 covering a three-year term from January 1, 2014 to December 31, 2016.

UNION MANAGEMENT CONSULTATION COMMITTEE (UMCC)

The Union Management Consultation Committee (UMCC) is a working group set forth for under the Collective Agreement, composed of Management and Union representatives. The committee was inactive for several years and was resurrected in January 2016 by the new Leader of Employee and Labour Relations and President of Nunavut Employee Union, Local 007. The purpose of the UMCC is to allow for the free exchange of information and to critically discuss current and proposed changes to policies, programs and working conditions with a focus on building a positive working rapport.

ENGAGEMENT

Engagement involves matters such as research, review, consultation, interpretations, prepared written opinions or comprehensive advice on labour or employment related issues where support of managers, supervisors and employees requires a significant investment of time.

GRIEVANCES

	Active grievances as of March 31, 2016	
	Policy grievance	Individual grievance
NEU	7	4
Excluded	0	0

	New grievances submitted in 2015-2016	
	Policy grievance	Individual grievance
NEU	0	0
Excluded	0	0

	New grievances submitted in 2015-2016	
	Policy grievance	Individual grievance
Negotiation	0	0
Mediation	0	1
Arbitration	0	0

In 2015-2016 there were no new grievances filed.

In the event that disputes are not resolved through (or are inappropriate for) the early intervention protocol, a grievance is typically filed. A grievance is a statement of dissatisfaction, produced by an individual, the union or uncommonly from management regarding the interpretation or application of the collective agreement or other instrument which has an effect on the terms and conditions of employment. Negotiation between the parties is usually the first step in resolving grievances. If no resolution can be reached, a mediator may be engaged to assist the parties. Ultimately if no accord can be reached the dispute is forwarded to arbitration in which a third party renders

a decision after hearing from the differing perspectives on the matter.

Policy grievance is a situations where the union brings forth a complaint alleging a breach of the terms of the collective agreement resulting from the employer introducing or utilizing a directive or policy that contravenes the collective agreement.

Individual grievance is related to a dispute that affects the individual griever. It is either filed by that person, or by the union on behalf of that person.

INFORMATION TECHNOLOGY

The Information Technology (IT) 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 Qulliq Energy Corporation (QEC) to achieve its business objectives through the use of information technology.

During the 2015-2016 fiscal year IT responded to over 3,000 reported issues and partnered with various departments on a number of initiatives:

- Implemented electronic local purchase order system.
- Developed electronic overtime approval system.
- Developed and implemented updated billing processes for smart meters.

IT also completed upgrades to the corporation's technology infrastructure:

- Increased available satellite network bandwidth by 56%.
- Upgraded Internet access in all four regional centers.

The IT department has been collaborating with the Corporate Affairs department on the development of a new corporate website. This project is part of QEC's continued efforts to serve our customers in the official language of their choice, and to comply with the Nunavut Official Languages Act and the Inuit Language Protection Act.

CONTRIBUTING TO OUR COMMUNITIES

As the exclusive generator and distributor of electricity in Nunavut, Qulliq Energy Corporation's (QEC) 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

QEC'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 2015-2016 fiscal year, QEC contributed to the following community events and organizations:

- Hall Beach Community Christmas Event
- Naujaat Celebration of Official Community Name Change
- Chesterfield Inlet Fishing Derby
- YWCA Agvvik Nunavut
- Baker Lake Festival by the Lake

- Iqaluit RCMP Regimental Ball for the Uquutaq (Men’s Shelter) Society House
- Baker Lake Career Fair
- Baffin Regional Chamber of Commerce Gala/Fundraising Event
- Iqaluit Elders Day Celebration
- Annual RCMP Elders’ Christmas Dinner
- Iqaluit Christmas Games
- Rotary Club Elders Dinner
- Kamatsiaqtut Helpline Volunteer Appreciation Dinner
- Skills Nunavut
- Alianait Arts Festival

IKAJUQTIGIINNIQ

QEC promotes and encourages collective fundraising initiatives orchestrated by its employees. The corporation is proud to share its employees’ charitable acts during the 2015-2016 fiscal year.

CHRISTMAS 2015

In the spirit of giving during the Christmas holidays, QEC employees at our headquarters worked together to support the Nauhaaq Food Bank, Social Services, and the RCMP Food Drive. Employees had started collecting non-perishable food items, clothing and toiletries, and money for the aforementioned community organizations one month before Christmas.

BREAST CANCER SOCIETY OF CANADA: DRESS FOR THE CAUSE

Dress for the Cause is an annual event to promote breast cancer awareness month. Funds raised are channeled into research on early detection, prevention, treatment and cure of breast cancer. On October 23, 2015, QEC employees had fun dressing in pink while fundraising to support this noteworthy cause. The QEC team raised a



QEC Baker Lake staff at Dress for the Cause, breast cancer awareness event

grand total of \$2,237 for the Dress for the Cause event.

PILIMMAKSARNIQ

SKILLS CANADA NUNAVUT

QEC is proud of its extended support and sponsorship of Skills Canada Nunavut for the past nine years. The organization’s promotion of the skilled trades and technology sector as a viable career for the young generation of Nunavut reflects QEC’s vision of a proficient workforce, representative of Nunavut’s population. As an employer of skilled trades workers, the corporation recognizes the importance of

contributing to Skills Canada Nunavut and supporting its vision “to reposition skilled trades and technologies as a first choice career options for Nunavut youth”.

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.

Connie Evalak from Hall Beach is the recipient of the 2015 scholarship. A married mother of four children, Mrs. Evalak taught at Arnaqjuaq School in Hall Beach for 10 years before choosing to join the Nunavut Teacher Education Program. She has been a dedicated volunteer and outstanding mentor to her students, working for the



the wellbeing of her community through the promotion of Inuit knowledge and language studies. Mrs. Evalak is in the final year of the Nunavut Teacher Education Program in Hall Beach.

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. This year Iqaluit staff participated in the event by cleaning up the city's downtown core.

QEC's community clean up team in Iqaluit

AWARDS AND RECOGNITION

NORTH AMERICAN OCCUPATIONAL SAFETY AND HEALTH (NAOSH) WEEK AWARDS

For the fifth consecutive year, Qulliq Energy Corporation (QEC) has been presented with the Territorial North American Occupational Safety and Health (NAOSH) award by the Canadian Society of Safety Engineers and the Workers' Safety and Compensation Commission. Given to a Nunavut employer with 51 workers or more, this award celebrates QEC's efforts and active participation during the NAOSH Week 2015. The annual event fosters collaboration among employers, employees and stakeholders to raise awareness about injury and illness prevention in the workplace.

To win this award, QEC organized a number of engaging activities which included a quiz on the new occupational health and safety regulations and first aid training. As part of QEC's efforts to make safety a habit beyond the workplace and to make safety part of Nunavummiut's daily lives, drivers were invited to join QEC in its pledge to end distracted driving in Nunavut.

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 Qulliq Energy Corporation (QEC) 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

2015-2016 Activity Highlights for the Finance department:

- Data integration of Iqaluit's smart meter reads to the billing system
- Improvement of customer service and collections process
- Enhancement of existing contracting and procurement procedures
- Development of a capital planning policy and process manual

As capital expenditures for plant upgrades and new plant builds require a large commitment of resources from the corporation, Finance has been working hard to improve the capital budgeting process and reporting, including the review of the capital budget requirements within the constraints of QEC's capital funding availability.

During the year in review, the Government of Nunavut (GN) increased the amount of the guarantee that it provides to support QEC borrowings from \$144 million to \$200 million. This increase recognizes the corporation's need for additional funding to replace aging infrastructure and pursue alternative and renewable energy opportunities over the next several years.

The 2016-2017 Capital Plan of \$26 million includes multi-year projects for major power plant replacements in Qikiqtarjuaq, Taloyoak, Cape Dorset, and Grise Fiord.

2016-2017 CAPITAL PLAN SUMMARY

2016-2017 Capital Plan Summary (\$ in thousands)			
Region	Projects with Prior Years Activity	New Projects	Total All Projects
Kitikmeot	\$5,542	\$525	\$6,067
Kivalliq	Nil	\$5,818	\$5,818
Qikiqtaaluk	\$10,742	\$2,534	\$13,276
Nunavut	Nil	\$1,021	\$1,021
Total	\$16,284	\$9,898	\$26,182

QEC continues to maintain the Fuel Stabilization Rate (FSR) Fund in accordance with Ministerial Instruction dated May 30, 2014, as a part of QEC's 2013-2014 General Rate Application. As a result of the decrease in QEC's fuel prices, QEC filed a Fuel Stabilization Rider (FSR) application and received approval to implement a refund rider of 1.8 cents per kilowatt hour for the period from November 1, 2015 to March 31, 2016. This refund is applicable to all customers other than those customers residing in public housing as they are subsidized under the Public Housing Power Support Program noted below. A new refund was initiated on April 1, 2016 and is effective until September 30, 2016 in the amount of 3.07 cents per kilowatt hour.

Currently QEC supplies district heat to 19 active customers in four communities. District Heat System (DHS), also referred to as residual heat, is produced by diesel generators as a by-product. Two customers in the community of Pangnirtung have been temporarily disconnected from the DHS until the new power plant has been built. In accordance with the Heat Supply Agreement between QEC and its DHS customers, rates are based on the cost of heating fuel prices set by the GN. As a result of reduced heating fuel prices implemented by the GN effective on January 1, 2016, the heat rates for QEC's DHS customers have decreased as well.

The corporation administers two programs for the Government of Nunavut: the User Pay Program (UPP), also known as Public Housing Power Support Program, and the Nunavut Electricity Subsidy Program (NESP). The UPP subsidizes qualifying residential customers living in public housing. Customers in the program are billed each month at 6.0 cents per kWh for their power usage. QEC invoices the Nunavut Housing Corporation on a monthly basis for the difference between the approved residential rate and the 6.0 cents per kWh for customers in the program. The NESP subsidizes all other 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. QEC invoices the Government of Nunavut on a monthly basis for the NESP subsidy and applies the subsidy directly to qualifying customers' bills each month.

As part of our Corporate Plan to provide consistent and solid customer service to Nunavummiut, we have continued to initiate new programs as well as sustaining ongoing improvement projects such as:

- 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 in collaboration with our Communications division.

- Implementation of a customer satisfaction survey during the 2015-2016. The survey is expected to be completed during the 2016-17 fiscal year. The results from this survey will be used as a benchmark to measure our customer service performance and to provide indications of specific areas where we need to improve. In addition, the feedback we receive will help us to better understand the needs of our customers enabling us to develop new services.
- Future initiatives under consideration to improve our customer service include: equal payment billings, expanded payment options, and more user friendly web services.

To meet the increasing demand for operational and project related support, the Supply Chain Management division has been augmented by two new positions. This expansion is also part of the plan for QEC to continue to update and develop new procedures that are in line with industry practices in the area of operational logistic support.

The annual inventory counts are ongoing on a cyclical basis with the goal of verifying several locations per year so that all areas are counted on a reasonable time cycle. QEC recognizes the need to improve the quality of those counts and other inventory management practices. Annual sealift practices have improved to the point where we have far fewer demands for inventory because forecasting tools are now being used to avoid duplication of orders.

We intend to supplement all of our plants over the next few years with portable storage in the form of sea containers to enable better inventory control. Through the annual sealift of materials we will provide used containers as the delivery mechanism for freight and when they are delivered, install the containers as permanent storage facilities.

The financial highlights and key performance indicators of the corporation for fiscal year ending March 31, 2016 are presented below.

HIGHLIGHTS OF OPERATIONS AND ACCUMULATED SURPLUS

Highlights of Operations and Accumulated Surplus (\$ in thousands)					
For the year ended March 31st	2016	2015	2014	2013	2012
Revenues					
Sale of Power	\$ 125,801	\$ 124,010	\$ 115,334	\$ 107,867	\$ 104,833
Other Revenue	\$ 13,274	\$ 8,606	\$ 7,035	\$ 5,305	\$ 6,453
Funding from Government of Nunavut	\$ -	\$ -	\$ -	\$ 2,422	\$ 2,349
Capital Funding from Governments	\$ -	\$ -	\$ -	\$ 611	\$ 396
Total Revenues	\$ 139,075	\$ 132,616	\$ 122,369	\$ 116,205	\$ 114,031
Total Expenses	\$ 139,228	\$ 125,520	\$ 118,809	\$ 108,680	\$ 106,557
Surplus (loss) for the Year	\$ (153)	\$ 7,096	\$ 3,560	\$ 7,525	\$ 7,474

Revenue from the sale of power increased by a modest 1.4 per cent (2015: 7.5 per cent) due to an increase in customer base. Conversely, this year's revenue was partially offset by the FSR refund that was provided to qualifying customers due to the decline in fuel prices.

Other revenue increased by 54.2% (2015: 22.3%) was due mainly to the recording of a portion of the insurance proceeds from the Pangnirtung power plant fire. These amounts are recorded as revenue under required accounting rules.

Total expenses increased by 10.9% (2015: 5.6%), and this was due to the write-off of certain project expenditures which no longer have future value. If the write-offs are excluded, the overall expenses increased very modestly at 1.6% compared to 5.6% in the prior fiscal year.

HIGHLIGHTS OF OPERATIONS AND MAINTENANCE EXPENSES

Highlights of Operations and Maintenance Expenses					
For the year ended March 31st	2016	2015	2014	2013	2012
Expenses by Object or Type					
Fuel and Lubricants	38.7%	44.6%	43.4%	45.6%	44.9%
Salaries, Wages and Benefits	21.8%	23.6%	24.4%	25.1%	25.1%
Supplies and Services	15.7%	15.7%	17.7%	16.6%	16.4%
Amortization and Disposal of Tangible Capital Assets	17.2%	8.8%	6.6%	6.5%	5.4%
Travel and Accommodations	3.2%	3.8%	3.6%	4.0%	3.7%
Interest Expense	3.2%	3.6%	4.2%	2.7%	3.4%
Bad Debt (Recovery) Expense	0.2%	-0.1%	0.1%	-0.5%	1.1%
	100.0%	100.0%	100.0%	100.0%	100.0%

The write downs of certain projects fully account for the increase in the Amortization and Disposal of Tangible Capital Assets category in relation to total expenses.

HIGHLIGHTS OF FINANCIAL POSITION

Highlights of Financial Position (\$ in thousands)					
As at March 31st	2016	2015	2014	2013	2012
Financial Assets	\$ 36,219	\$ 36,050	\$ 25,537	\$ 29,559	\$ 33,698
Liabilities	178,822	179,905	161,225	152,829	136,614
Net Debt	(142,603)	(143,855)	(135,688)	(123,270)	(102,916)
Non-financial Assets	248,650	250,055	234,792	218,814	177,196
Accumulated Surplus	\$ 106,047	\$ 106,200	\$ 99,104	\$ 95,544	\$ 74,280

KEY PERFORMANCE INDICATORS

Key Performance Indicators (\$ in thousands)					
For the year ended March 31st	2016	2015	2014	2013	2012
Interest Coverage Ratio					
Surplus before Interest on Long-term Debt	\$ 3,591	\$ 10,945	\$ 7,876	\$ 10,367	\$ 10,747
Interest on Long-term Debt	\$ 4,135	\$ 4,392	\$ 4,666	\$ 4,931	\$ 4,327
Debt Expense Burden (<i>critical below 1.50</i>)	0.87	2.49	1.69	2.10	2.48
Debt Ratio					
Assets	\$ 284,869	\$ 286,105	\$ 260,329	\$ 248,373	\$ 210,894
Liabilities	\$ 178,822	\$ 179,905	\$ 161,225	\$ 152,829	\$ 136,614
Ability to pay Long-term Debt	1.59	1.59	1.61	1.63	1.54
Debt to Accumulated Surplus					
Bank Indebtedness	\$ 10,901	\$ 13,376	\$ 14,665	\$ 4,114	\$ 1,894
Long-term Debt	\$ 125,364	\$ 117,498	\$ 101,994	\$ 94,451	\$ 79,952
Total Debt	\$ 136,265	\$ 130,874	\$ 116,659	\$ 98,565	\$ 81,846
Accumulated Surplus	\$ 106,047	\$ 106,200	\$ 99,104	\$ 95,544	\$ 74,280
Debt	0.56	0.55	0.54	0.51	0.52
Accumulated Surplus	0.44	0.45	0.46	0.49	0.48
Debt to Accumulated Surplus Ratio (max. 3:1)	1.28	1.23	1.18	1.03	1.1

In 2015-2016, QEC repaid principal amounts of \$9 million (2015: \$7.5 million) toward the corporation's long-term debt. Interest expense incurred on long-term debt was \$4.1 million (2015: \$4.4 million). Although the debt has increased, QEC has managed to reduce its overall interest rate by borrowing through its bank credit lines using bankers' acceptances.

The corporation's debt to accumulated surplus ratio, referred to as the borrowing limit under Section 25 of the *Qulliq Energy Corporation Act*, was 1.28 and remained well below the maximum allowed 3:1 ratio. QEC has been in compliance since March 31, 2004.

QULLIQ ENERGY CORPORATION**FINANCIAL STATEMENTS****March 31, 2016**

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MANAGEMENT STATEMENT

July 20, 2016

The financial statements, Management's Discussion and Analysis, and related financial information presented in this Annual Report have been prepared by the management of Qulliq Energy Corporation (QEC). 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 discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and controlled and proper records are maintained. These controls and practices are intended to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and adherence to the corporation's policies and statutory requirements.

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:



Bruno Pereira

President and Chief Executive Officer



Darryl Taylor

Interim Chief Financial Officer



Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To 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 2016, 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 qualified audit opinion.

Basis for Qualified Opinion

Canadian public sector accounting standards require inventories for use to be reported as a non-financial asset when acquired and recognized as an expense when used. Management has not implemented reliable count procedures and appropriate procedures to account for the usage of its spare parts inventories, and I was not able to satisfy myself concerning these inventory quantities. As a result, I was unable to determine whether any adjustments might be necessary to reported non-financial assets as at 31 March 2016 and to the results of operations, changes in net debt and cash flows for the year then ended.

.../2

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Qulliq Energy Corporation as at 31 March 2016, 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

20 July 2016
Ottawa, Canada

QULLIQ ENERGY CORPORATION

Statement of Financial Position

As at March 31

(in thousands of dollars)

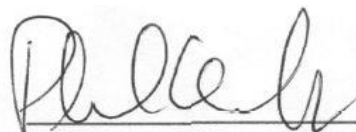
	2016	2015
Financial assets		
Accounts receivable (Note 3)	\$ 36,219	\$ 36,050
Liabilities		
Bank indebtedness (Note 4)	10,901	13,376
Accounts payable and accrued liabilities (Note 5)	10,831	14,719
Due to the Government of Nunavut	-	521
Deposits payable (Note 6)	4,492	3,343
Due to Petroleum Products Division (Note 17 and Schedule A)	23,815	27,309
Debt (Note 7)	125,364	117,498
Due to the Government of Canada (Note 8)	1,309	667
Employee future benefits (Note 9)	2,110	2,472
	178,822	179,905
Net debt	(142,603)	(143,855)
Non-financial assets		
Tangible capital assets (Schedule B)	226,328	226,835
Inventories for use (Note 10)	21,417	22,484
Prepaid expenses	905	736
	248,650	250,055
Accumulated surplus	\$ 106,047	\$ 106,200

Contractual obligations and contingencies (Note 15)

Approved on behalf of the Board:



Elijah Evaluarjuk
Interim Chair, Board of Directors



Philip Clark
Chair, Finance and Audit
Committee

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)

	2016	2016	2015
	Budget	Actual	Actual
Revenues			
Sales of power (Note 11)	\$ 131,940	\$ 125,801	\$ 124,010
Sales of heat	1,800	1,834	1,920
Other revenue (Note 12)	3,808	11,440	6,686
Total revenues	137,548	139,075	132,616
Expenses by department (Note 13)			
Plant Operations	76,558	71,615	73,923
Shared (Corporate)	15,538	28,555	15,041
Regional Operations	7,544	8,010	7,047
Property Management	6,854	7,095	6,635
Finance	7,854	6,683	6,599
Information Technology	3,784	3,071	2,737
Human Resources	3,367	2,954	2,546
Territorial Operations	2,461	2,927	2,408
Engineering	2,826	2,220	1,590
Line	2,414	2,122	2,154
Safety & Environment	1,899	1,376	2,303
Corporate Affairs	1,123	1,257	-
Iqaluit Office	1,704	981	2,320
Residual heat	546	214	217
Board	368	148	-
Total expenses	134,840	139,228	125,520
(Deficit) Surplus for the year	2,708	(153)	7,096
Accumulated surplus, beginning of the year	106,200	106,200	99,104
Accumulated surplus, end of the year	\$ 108,908	\$ 106,047	\$ 106,200

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)

	2016 Budget	2016 Actual	2015 Actual
(Deficit) Surplus for the year	\$ 2,708	\$ (153)	\$ 7,096
Tangible capital assets			
Additions	(24,995)	(21,751)	(22,623)
Capitalized interest (Note 14)	(625)	(391)	(543)
Capitalized overhead	(2,250)	(2,057)	(2,101)
Other adjustment	-	72	(733)
Disposals	-	668	57
Writedowns	-	11,675	-
Amortization	9,329	12,291	10,961
	(18,541)	507	(14,982)
Additions to inventories for use	(53,637)	(53,848)	(55,846)
Consumption of inventories for use	56,637	54,915	55,526
Additions of prepaid expenses	-	(2,521)	(1,837)
Use of prepaid expenses	-	2,352	1,876
	3,000	898	(281)
Decrease (increase) in net debt for the year	(12,833)	1,252	(8,167)
Net debt, beginning of the year	(143,855)	(143,855)	(135,688)
Net debt, end of the year	\$ (156,688)	\$ (142,603)	\$ (143,855)

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)

	2016	2015
Cash provided by operating activities:		
Cash received from customers	\$ 138,564	\$ 121,496
Cash paid to suppliers	(83,373)	(76,675)
Cash paid to employees	(33,374)	(31,747)
Interest paid	(4,878)	(5,051)
Cash provided by operating activities	16,939	8,023
Cash used for capital activities:		
Tangible capital asset acquisitions	(22,452)	(22,328)
Proceeds on disposition of tangible capital assets	-	30
Cash used for capital activities	(22,452)	(22,298)
Cash provided by financing activities:		
Increase in debt	16,853	23,000
Repayment of debt	(8,986)	(7,496)
Repayment to the Government of Nunavut	(521)	(510)
Funds received from the Government of Canada	642	570
Cash provided by financing activities	7,988	15,564
Decrease in bank indebtedness	2,475	1,289
Bank indebtedness, beginning of year	(13,376)	(14,665)
Bank indebtedness, end of year	\$ (10,901)	\$ (13,376)

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

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2016
(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) 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.

(b) 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.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2016
(in thousands of dollars)

2 Significant accounting policies (continued)

(c) Bank indebtedness

Bank indebtedness is comprised of bank account balances in an overdraft position, net of outstanding cheques plus any drawings from the line of credit.

(d) 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.

(e) Inventories for use

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

(f) 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, excluding land, is provided on a straight-line average useful life basis using the following range of rates:

	<u>Rates</u>
Generation assets	20 - 40 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.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2016
(in thousands of dollars)

2 Significant accounting policies (continued)

When conditions indicate that a tangible capital asset no longer contributes to the Corporation's ability to provide goods and services, or that the value of the future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible asset is reduced to reflect that a permanent decline in the value of the asset has occurred. The related expense is recorded in the statement of operations and accumulated surplus and is not reversed if conditions subsequently change.

(g) 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.

(h) 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.

(i) 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.

(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.

(j) 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.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2016
(in thousands of dollars)

2 Significant accounting policies (continued)

(k) Financial instruments

The following is a list of the Corporation's financial instruments and their related measurement bases as at March 31, 2016.

Financial Assets	Measurement Basis
Accounts receivable	Cost
Financial Liabilities	
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.

(l) 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.

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.

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.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2016
(in thousands of dollars)

(m) 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.

(n) Future changes in accounting standards

A number of new and amended standards issued by the Public Sector Accounting Board of Canada are not yet effective and have not been applied in preparing these financial statements. The Corporation plans to adopt these new and amended standards on their effective dates and is currently assessing the impact they will have on its financial statements. The following standards will become effective as follows:

PS 2200 Related Party Disclosures (effective April 1, 2017), a new standard establishing disclosure requirements for related party transactions.

PS 3210 Assets (effective April 1, 2017), a new standard providing guidance applying the definition of assets set out in PS 1000 Financial Statement Concepts.

PS 3320 Contingent Assets (effective April 1, 2017) a new standard establishing disclosure requirements for contingent assets.

PS 3380 Contractual Rights (effective April 1, 2017), a new standard defining and establishing disclosure requirements for contractual rights.

PS 3420 Inter-Entity Transactions (effective April 1, 2017), a new standard establishing guidance on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and a recipient perspective.

PS 3430 Restructuring Transactions (effective April 1, 2018), a new standard defining a restructuring transaction and establishing guidance for recognizing and measuring assets and liabilities transferred in a restructuring transaction.

3 Accounts receivable

	2016			2015	
	Gross	Allowance for Doubtful Accounts	Net		Net
Trade receivables	\$ 41,617	\$ (5,401)	\$ 36,216	\$	35,946
Employee advances	3	-	3		3
GST receivable	-	-	-		101
	\$ 41,620	\$ (5,401)	\$ 36,219	\$	36,050

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2016
(in thousands of dollars)

4 Bank indebtedness

The Corporation has a credit facility with a limit of \$20,000 (2015 - \$20,000). Interest charged on the credit facility is at prime minus 0.5% (2016 - 2.2%; 2015 - 2.35%). 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 (2015 - \$10,000). The credit facility is secured by a CIBC indemnity/operating agreement and guaranteed by the Government of Nunavut.

	2016	2015
Overdraft	\$ 901	\$ 3,376
BAs	10,000	10,000
	\$ 10,901	\$ 13,376

5 Accounts payable and accrued liabilities

	2016	2015
Trade payables and accrued liabilities	\$ 8,133	\$ 12,343
Payroll taxes and benefits payable	2,698	2,376
	\$ 10,831	\$ 14,719

6 Deposits payable

	2016	2015
Project deposits payable	\$ 1,908	\$ 1,081
Holdbacks	1,188	1,025
Customer utility deposits payable	1,396	1,237
	\$ 4,492	\$ 3,343

7 Debt

	2016	2015
Debenture, redeemable with interest calculated at a fixed rate of 6.809% , amortized over 20 years, due September 27, 2021. Blended semi-annual payments of \$2,848 with a balloon payment of \$17,502 at the end of the term.	\$ 36,326	\$ 39,392
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.	2,318	2,711
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.	2,960	3,462

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2016
(in thousands of dollars)

7 Debt (continued)

<p>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.</p>	4,168	4,868
<p>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.</p>	4,104	4,283
<p>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.</p>	7,602	8,849
<p>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.</p>	16,667	17,667
<p>Facility I non-revolving committed loan with interest calculated at a variable rate of prime minus .5% per annum, with principal payments of \$100 plus interest due monthly, beginning on April 1, 2015 with the final payment due on April 1, 2024. 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.</p>	36,753	21,000
<p>Facility J non-revolving committed loan with interest calculated at a variable rate of prime minus .5% per annum, with principal payments of \$67 plus interest due monthly, beginning on May 1, 2014 with the final payment due on April 30, 2024. 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.</p>	14,466	15,266
	\$ 125,364	\$ 117,498

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2016
(in thousands of dollars)

7 Debt (continued)

Scheduled principal debt repayment amounts are as follows:

2017	\$	9,429
2018		9,792
2019		10,177
2020		10,585
2021		11,017
2022 to 2032		74,364
Total	\$	125,364

Section 25 of the *Qulliq Energy Corporation Act* defines the Corporation's borrowings not to exceed three times its accumulated surplus at any time. The Corporation's borrowings were 1.28 times its accumulated surplus at March 31, 2016 (2015-1.23 times).

The debt is guaranteed by the Government of Nunavut.

8 Due to the Government of Canada

The Government of Canada, through the ecoENERGY Innovation Initiative, has provided to the Corporation an interest free repayable contribution to help fund its Iqaluit Smart Meter project. During the year, the Corporation re-negotiated the agreement with the Government of Canada and the completion date was changed from December 17, 2015 to March 31, 2016. The contribution is repayable starting April 1, 2016 until March 31, 2021. The contribution is payable in annual instalments based on annual net profit arising from the project.

9 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:

	2016	2015
Accrued benefit obligation, beginning of year	\$ 2,472	\$ 2,372
Costs for year	479	928
Benefits paid during year	(841)	(828)
Accrued benefit obligation, end of year	\$ 2,110	\$ 2,472

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:

	2016	2015
Employer's contributions	\$ 2,323	\$ 2,134
Employees' contributions	1,711	1,508
Total contributions	\$ 4,034	\$ 3,642

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2016
(in thousands of dollars)

10 Inventories for use

	2016	2015
Spare parts	\$ 12,023	\$ 11,674
Fuel	6,979	8,841
Supplies and lubricants	2,415	1,969
	\$ 21,417	\$ 22,484

An allowance for obsolescence of \$1,300 (2015-\$1,300) is recorded to reduce slow moving inventory items. There have been no reversals of previous write-downs. No inventories have been pledged as security for liabilities.

11 Sales of power

	2016	2015
Commercial customers	\$ 73,639	\$ 71,739
Residential customers	50,451	50,541
Electrical streetlights and private area lighting	1,711	1,730
	\$ 125,801	\$ 124,010

Sales to residential customers are broken down as follows:		
	2016	2015
Earned from Public Housing Support Subsidy on behalf of customers	\$ 25,714	\$ 24,206
Charged directly to residential customers	14,585	16,227
Earned from Territorial Power Support Subsidy on behalf of customers	10,152	10,108
	\$ 50,451	\$ 50,541

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.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2016
(in thousands of dollars)

12 Other revenue

	2016	2015
Insurance proceeds	\$ 5,000	\$ 2,098
Administration and other service fees	2,061	1,641
Housing recoveries from employees	1,253	1,286
Capital funding from customers	2,451	986
Pole rentals	675	675
	\$ 11,440	\$ 6,686

13 Expenses

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

	2016	2015
Fuel and lubricants	\$ 53,816	\$ 56,077
Salaries, wages and benefits	30,386	29,611
Supplies and services	21,182	19,743
Write down of project development cost	10,385	-
Write down of tangible capital assets	1,290	-
Amortization of tangible capital assets	12,291	10,961
Travel and accommodations	4,391	4,732
Interest expense (Note 14)	4,475	4,495
Loss on disposal of assets	668	26
Bad debt (recoveries) expense	344	(125)
	\$ 139,228	\$ 125,520

14 Interest expense

	2016	2015
Interest on debt	\$ 4,135	\$ 4,392
Interest and bank charges	731	646
Less: Interest capitalized on construction projects	(391)	(543)
	\$ 4,475	\$ 4,495

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2016
(in thousands of dollars)

15 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:

2017	\$	2,912
2018		1,779
2019		674
2020		38
2021		6
<hr/>		
Total	\$	5,409

Fuel purchase commitments

The Corporation has made purchase commitments of \$9,493 (8,889,594.7 L) to purchase fuel in the fiscal year ending March 31, 2017. This amount is due to be paid in fiscal 2017.

Capital purchase commitments

Commitments in the amount of \$2,971 have been made in relation to upcoming capital expenditures.

Other operating commitments

Commitments in the amount of \$49 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.

Environmental Protection Compliance Orders

On June 8, 2015, the Corporation received two draft Environmental Protection Compliance Orders (EPCOs) from Environment Canada related to contraventions of regulations for Storage Tank Systems for Petroleum Products at the Corporation's facilities in Rankin Inlet and Whale Cove. At March 31, 2016, the Rankin Inlet pipeline system upgrade project is estimated to be 85% complete with the remaining 15% to be completed prior to the first shipment of fuel in July 2016. The Whale Cove project has not commenced as of March 31, 2016 and is estimated to be completed prior to the first shipment of fuel in July 2016.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2016
(in thousands of dollars)

16 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 \$40 million (2015-\$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 program to monitor changes in contamination levels in 24 identified contaminated sites to appropriately act in case of potential harm to persons or the environment. During 2016, the Corporation determined that the containment method in use at one of its contaminated sites was no longer functioning as intended and must be replaced or site remediation must be performed. In collaboration with the Government of Nunavut, the Corporation is assessing the various options available. As at March 31, 2016 no decision had been made. As no reasonable estimate can be made, no liability has been recorded.

In addition, the Corporation performed a health risk assessment at this site that identified the potential for harm to human health. More data is required to determine the extent of this risk as there are too many gaps in the data collected. During 2016-17, the Corporation will perform additional studies to determine the extent of the issue and what actions should be taken. As at March 31, 2016 no decision has been made. As no reasonable estimate can be made, no liability has been recorded.

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.

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 2016 and 2015, 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.

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2016
(in thousands of dollars)

17 Financial instruments (continued)

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:

	2016	2015
Balance, beginning of year	\$ 5,217	\$ 5,294
Receivables recovered (written off)	(160)	48
Increase (decrease) in allowance during year	344	(125)
Balance, end of year	\$ 5,401	\$ 5,217

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

	Days Past Billing Date			2016	2015
	31 - 60	61-90	Over 90		
March 31, 2016	\$ 8,250	\$ 2,726	\$ 11,300	\$ 22,276	\$ 21,463

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.

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	2016	2015
Bank indebtedness	\$ 10,901	\$ -	\$ -	\$ 10,901	\$ 13,376
Accounts payable and accrued liabilities	10,831	-	-	10,831	14,719
Deposits payable	4,492	-	-	4,492	3,343
Due to Petroleum Products Division	23,815	-	-	23,815	27,309
Debt	13,596	40,543	91,013	145,152	139,594
Due to the Government of Nunavut	-	-	-	-	521
Due to the Government of Canada	262	1,047	-	1,309	667
	\$ 63,897	\$ 41,590	\$ 91,013	\$ 196,500	\$ 199,529

QULLIQ ENERGY CORPORATION
Notes to the Financial Statements
March 31, 2016
(in thousands of dollars)

17 Financial instruments (continued)

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:

	2016	2015
Bank indebtedness	\$ 109	\$ 140
Debt	688	433
	\$ 797	\$ 573

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

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 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, 2016
(in thousands of dollars)

	Liability Balances	Asset Balances	Expense Balances	Revenue Balances
Consolidated Revenue Fund				
Office of the Legislative Assembly	\$ -	\$ 6	\$ -	\$ (21)
Departments				
- Community and Government Services	(1,328)	4,783	174	(24,942)
- Culture and Heritage	-	49	-	(81)
- Economic Development and Transportation	-	9	18	(12)
- Education	-	-	-	(25)
- Environment	-	-	-	-
- Executive and Intergovernmental Affairs	-	78	-	(78)
- Family Services	-	5	-	(10)
- Finance	(573)	3,022	3,454	(10,152)
- Health	(50)	78	104	(210)
- Justice	-	39	64	(4)
Territorial Corporations				
Nunavut Arctic College	-	19	-	(84)
Nunavut Business Credit Corporation	-	-	-	-
Nunavut Development Corporation (including subsidiaries)	-	90	-	(505)
Nunavut Housing Corporation (including LHO subsidiaries)	(17)	10,225	158	(30,050)
Revolving Funds				
Liquor Revolving Fund	-	-	-	-
Petroleum Products Revolving Fund	(23,815)	417	43,165	(889)
Other Public Service Bodies				
District Education Authorities	-	29	-	(32)
Human Rights Tribunal	-	-	-	-
Labour Standards Board	-	-	-	-
Legal Services Board	-	-	-	-
Nunavut Liquor Licensing Board	-	4	-	(17)
Quillit Nunavut Status of Women Council	-	-	-	-
Total Related Party Balances	\$ (25,783)	\$ 18,853	\$ 47,136	\$ (67,112)

QULLIQ ENERGY CORPORATION
Schedule of Tangible Capital Assets
for the year ended March 31, 2016
(in thousands of dollars)

SCHEDULE B

	Land	Generation	Distribution	Residual Heat assets	Non-plant Buildings	Vehicles	Other assets	2016	2015
Cost of tangible capital assets									
Opening balance	\$ 591	\$ 199,905	\$ 59,794	\$ 19,803	\$ 15,458	\$ 6,463	\$ 6,013	\$ 308,027	\$ 298,001
Reclassification	(6)	2	4	-	-	-	-	-	-
Transferred from work in progress	-	8,996	5,293	-	780	261	236	15,566	10,339
Additions	652	-	-	-	-	-	-	652	-
Asset writedown due to fire	-	(3,111)	-	(18)	-	-	(68)	(3,197)	-
Disposals	-	(4,094)	-	-	-	(207)	(1,018)	(5,319)	(313)
Closing balance	1,237	201,698	65,091	19,785	16,238	6,517	5,163	315,729	308,027
Accumulated amortization									
Opening balance	-	(85,375)	(19,139)	(7,311)	(4,573)	(2,908)	(3,781)	(123,087)	(113,115)
Amortization	-	(9,003)	(1,463)	(707)	(299)	(496)	(323)	(12,291)	(10,961)
Deletion of assets due to fire	-	1,834	-	17	-	-	56	1,907	-
Adjustment for insurance proceeds and other	-	(72)	-	-	-	-	-	(72)	733
Disposals	-	3,480	-	-	-	154	1,017	4,651	256
Closing balance per GL	-	(89,136)	(20,602)	(8,001)	(4,872)	(3,250)	(3,031)	(128,892)	(123,087)
Work in progress									
Opening balance	-	35,007	4,370	-	44	1	2,473	41,895	26,967
Reclassifications	4	1,032	(588)	-	1,263	166	(1,877)	-	-
Additions	-	17,553	5,359	-	313	268	54	23,547	25,267
Write down of project development costs and other capital assets under constructions	-	(10,041)	-	-	-	-	(344)	(10,385)	-
Transferred to cost of tangible capital assets	-	(8,996)	(5,293)	-	(780)	(261)	(236)	(15,566)	(10,339)
Closing balance	4	34,555	3,848	-	840	174	70	39,491	41,895
Net book value	\$ 1,241	\$ 147,117	\$ 48,337	\$ 11,784	\$ 12,206	\$ 3,441	\$ 2,202	\$ 226,328	\$ 226,835

During 2016, the Corporation reviewed the estimated future economic benefits of its hydro development project, as activities under this project has been put on hold as other alternative sources of energy are being developed. The Corporation believes that the cost incurred under its hydro program has lost its relevancy and cannot be used in the future in its actual form. The Corporation recorded a write-down for approximately \$10,041. The Corporation has obtained approval from the Financial Management Board on June 16, 2016 to proceed with the write-off.

Included in write-down of tangible capital assets is an amount of \$1,290 related to the total net book value of the Corporation's power plant in Pangnirtung destroyed by fire on April 2, 2015.

End Page

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