

H. BUDGET TARGET FORECASTING FOR OIL & ANTIFREEZE PRODUCTS

Budget Target Forecasting

Target forecasting is primarily based upon year to date calculations, plus or minus changes anticipated as coming up in the marketplace.

The calculation formula remains as follows:

Sales volumes from KPMG	_____	_____
Less lost in service percent (oil only)	_____	_____
Net volume available for recovery	_____	_____
Recovery volumes from collector claims	_____	_____
Recovery rate percent	_____	_____

Oil, Oil Filters, Oil Containers

RESULTS / PROJECTIONS

Collection Rate Activity with Projections to 2027

Projections

Category	1995	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Oil Sales (Million Litres)	32.4	29.9	27.2	26.3	29.7	27.7	28.6	28.6	28.6	28.6	28.6	28.6
Excluding consumables (1)												
35% Lost in Service (2)	14.6	10.5	9.5	9.2	10.4	9.7	10.0	10.0	10.0	10.0	10.0	10.0
Available for Recovery	17.8	19.4	17.7	17.1	19.3	18.0	18.6	18.6	18.6	18.6	18.6	18.6
Oil Recovery	6.3	14.9	15.6	15.7	14.6	14.0	14.6	14.7	14.8	15.0	15.1	15.2
Recovery Rate	35%	77%	88%	92%	76%	78%	78%	79%	80%	81%	81%	82%
Filter Sales (Million Units)	1.50	2,360	2,280	2,300	2,010	2,070	2,210	2,210	2,210	2,210	2,210	2,210
Filter Recovery (Million Units)	0.20	1,611	1,570	1,590	1,500	1,600	1,660	1,670	1,680	1,690	1,700	1,710
Recovery Rate	13%	68%	69%	69%	75%	77%	75%	76%	76%	76%	77%	77%
Container Sales K kgs	1,000	666.7	618.7	797.6	672.4	707.4	705.0	705.0	705.0	705.0	705.0	705.0
Container Recovery K kgs	60	271	305	297	270	263	265	267	269	271	273	275
Recovery Rate		41%	49%	37%	40%	37%	37.8%	38.1%	38.4%	38.7 %	39.0%	39.2%
Plus Reused (3)	6%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Total		61%	69%	57%	60%	57%	57.8%	58.1%	58.4%	58.7%	59.0%	59.2%

(1) Oil sales – Source: Lubricant Profiles (net of consumables)

2023 – 2027 Projections

(2) Lost in Service: As per the Manitoba Used Oil Initiative Discussion Paper prepared by Manitoba Environment (Conservation) in December 1996, the “Lost in Service” number is factored as 45%. MARRC, with SARRC, AUOMA, BCUOMA & SOGHU has sponsored an additional study on Lost in Service with various trade classes (eg. farming). The factor of 45% was used up until and including the year 2007. In 2008 it was reduced to 40% and in 2009 and for the years ahead it was reduced to 35%.

(3) Re-use: Recognizing that the 5 gallon (22 litre) pail with handle and lid make for an excellent re-use product, MARRC was involved with the following: MARRC applied the Manitoba sales numbers to a 2004 province-wide study conducted in Saskatchewan by Pulse Research Ltd.. The results with the farming sector reveal that 68% of the total sales of 20 litres pails are made to farmers of which 83% are being re-used by them for storing and carrying various products. Applying similar percentages to the farm sector in Manitoba reveals that 20% of the total plastics sold in the province are being held back by the farmer for re-use.

Antifreeze recovery rates in the Province and indeed throughout Canada has been relatively low while sales of Antifreeze fluid have been stable as confirmed in the EHC numbers. This brings up the question, where is the used product going?

The Used Oil Management Programs across Canada initiated a detailed Recoverable Antifreeze Rate Study by Province by using Chamard Environmental Strategies to determine how much antifreeze is actually “lost in service”. They concluded that actual Lost in Service rate for Antifreeze in Manitoba is 57%. The methodology is as noted below.

Methodology recap

Garages and bodyshops

1. List of antifreeze generators
2. Cold calls for 5-10 minutes interview
3. Collect data on annual quantities
 1. Bought
 2. Recovered
4. Calculate % of unrecoverable antifreeze

Recyclers

1. List of recyclers
2. Cold calls for 5-10 minutes interviews
3. Collect data on average quantity recovered per vehicle

3 Main Sectors for More Precision



Automotive Sector



Road Transportation, etc. for Road



Other Sectors (Mining, etc., Logging Camps, Agriculture, Construction)

Subsectors – Automotive and Road Transport

Mechanical Garages

Body Shops

Vehicle recyclers

Subsectors – Other Sectors

Mining sites

Logging camps

Farms

Other

Antifreeze Fluid (K Litres)

Projections

Category	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Sales – Concentrate	1273.9	993.7	966.7	659.4	1155.0	1155.0	1155.0	1155.0	1155.0	1155.0
Doubling by water (ie x 2)	2547.8	1987.3	1933.4	1318.8	2310.0	2310.0	2310.0	2310.0	2310.0	2310.0
Sales – Pre-mix	2101.4	2106.0	1471.0	1645.3	1819.0	1819.0	1819.0	1819.0	1819.0	1819.0
TOTAL SALES	4649.2	4093.3	3404.4	2964.1	4129.0	4129.0	4129.0	4129.0	4129.0	4129.0
Less Lost in Service 55% (1)	2557.0									
Less Lost in Service 57% (2)		2333.2	1940.5	1689.5	2353.5	2353.5	2353.5	2353.5	2353.5	2353.5
Available for Recovery	2092.2	1760.1	1463.9	1274.6	1775.5	1775.5	1775.5	1775.5	1775.5	1775.5
Recovered	360.0	373.0	360.5	389.4	380.0	382.0	384.0	386.0	388.0	390.0
Plus AF in used oil (3)					219.0	219.0	219.0	219.0	219.0	219.0
					599.0	601.0	603.0	605.0	607.0	609.0
Recovery Rate %	17%	21%	25%	31%	33.7%	33.8%	33.9%	34.0%	34.1%	34.3%

- (1) The Antifreeze Fluid collection rates in the Province and indeed throughout Canada has been low while sales of Antifreeze Fluid have been stable as confirmed in the EHC numbers. This brings up the question, where is the product going? Originally thought to be 55% Lost in Service, MARRC initiated a Project Review Study that involves the interviewing of Collectors, Processors, Retailers, Big Box Stores, Commercial Accounts, Generators, Do-It-Yourselfers, etc. to determine the reason for the low recovery rates.
- (2) The study has revealed that 57% is lost in service for Manitoba.
- (3) Studies conducted in Quebec using more than 100 samples sent for testing have revealed that as much as 1% of all used oil collected is in fact used antifreeze. Using our own collectors, Manitoba is conducting its own studies in 2022 by testing millions of litres of used oil and early results are showing that 0.75% of all used oil is in fact used antifreeze. Using an average of 14.6M litres of used oil collected each year x 0.75% = 109,500 of pure antifreeze x 2 for the premix that is collected from vehicles = 219,000 extra litres of antifreeze that we collect each year.

Antifreeze Containers (K Kgs)

Category	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Container Sales K Kgs	93.3	90.7	89.0	92.5	90.0	90.0	90.0	90.0	90.0	90.0
Container Recovery K Kgs	45.7	33.7	35.6	34.4	34.0	34.2	34.4	34.6	34.8	35.0
Recovery Rate	49%	37%	35%	37.2%	37.7%	38.0%	38.2%	38.4%	38.7%	38.9%

Projections

DEF Containers (K Kgs)

Projections

Category	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Container Sales K Kgs	10.4	46.0	44.4	40.4	43.6	43.6	43.6	43.6	43.6	43.6
Container Recovery K Kgs	5.1	17.0	17.7	14.9	16.5	16.7	16.9	17.1	17.3	17.5
Recovery Rate	49%	37%	40%	37%	38%	38.3%	38.7%	39.2%	39.6%	40.1%

Commenced
Nov. 5, 2018

I. PERFORMANCE MEASURES

Performance Measures

Questions to answer within the measurement process

Has the sales volume changed up or down and is it reflective proportionately in the recovery volume rates

If not why not?

If not, where has the product ended up?

Why are the sales up or down?

J. DISPUTE RESOLUTION PROCEDURES

Dispute Resolution

All disputes are rationally discussed in person, one on one

Both sides are to be effective listeners when the other side is stating its position

Some means of resolve should be the goal

If a stalemate arises it should result in having an independent third party becoming involved

K. POLLUTION PREVENTION PRACTICES

Pollution Prevention Practices

The primary objective remains, and that is to maximize the recovery of the designated hazardous products

At the same time there should be little if anything making their way to into the clean environment and / or the landfills

The objective should be to have the approved “in use” options available at all times to alleviate excessive inventories on hand

MARRC’s primary focus is two fold

1. Create awareness that the used oil and antifreeze products are very hazardous
2. Provide convenience through an effective network of licensed EcoCentres and Collectors

See the following pages for samples of effective end use recycled products

Oil: Energy source (2017-2022)
Re-refining into a marine fuel distillate (2020-2022)

Filters: Rebar used in construction

Containers: (Oil, Antifreeze & Diesel Exhaust Fluid) Parking lot curbs, fence posts and other plastic products (2017-2019)

Vaporized into gasses which are then converted to heat buildings, heat water as well as conversion into electricity which is then sent back on to the grid (2019-2022)

Antifreeze: New Antifreeze

Used Oil



Heat Energy





The Future of Fuel - Now.



ABOUT ENERPURE

EnerPure's proprietary used oil regeneration micro-technology transforms this globally pervasive pollutant into a clean high-density distillate fuel that offers a more sustainably-formulated energy source to marine transporters, offsetting the need for conventional distillate fuels while tackling the global issue of hazardous used oil disposal. EnerPure currently operates Manitoba's only used oil recycling facility.

A MADE-IN-MANITOBA SOLUTION

EnerPure has processed over 1.6 million litres of used oil at its Southern Manitoba facility since commencing operations in late 2020. The high-quality marine fuel produced has been sold Maersk, the largest shipping company in the world via EnerPure's off-take agreement with Parkland Fuels. The processing of this used oil has already generated a total reduction in GHG emissions of approximately 1,000 metric tonnes.

EnerPure's Southern Manitoba facility has been operating at 1/20th of the annual output capacity of the facility as the Company completed a series of operational runs to commission and evaluate the technology. EnerPure intends to increase the processing capacity of its Letellier facility in 2023 to full commercial capacity so that it can process 12 million litres of used oil annually. When the planned modifications are completed, GHG emission reductions of 6,750 metric tonnes annually will be generated by the facility.


GLOBAL APPLICATION

With the successful operation of its Southern Manitoba facility, EnerPure is currently working on additional opportunities to deploy its propriety technology. EnerPure has received strong interest from around the world for this ground-breaking technology and will be working with private industry and government organizations to undertake the commercial rollout of its proprietary used oil regeneration micro-technology. The Company will begin deploying units in other North American locations in 2024.

**Annual GHG
Emission
Reductions**
13,500 metric
tonnes per
regeneration unit

**Targeted
North America
Deployments**
40 Regeneration
Units



 enerpure.tech
204-944-1901

Used Oil Filters

Rebar in road

construction



Used Containers -



Plastic Chairs



Parking Curbs



Fenceposts





MARRC Plastic Container Processing Background and Good News

In 2011, MARRC's main plastic container processor, XPotential, terminated operation following a fire at their location in Winnipeg.

MARRC proceeded to search out various options ending up with sites in Quebec and BC being the designated alternatives. Given the expensive freight component, MARRC's primary objective remained and that was to have a plastic processing facility located within the Province of Manitoba.

A Manitoba company, Innovative NRG, located in St. Eustache, Manitoba (30 minutes from Winnipeg) invented, developed and manufactured a revolutionary Waste to Energy (WtE) Solution, the Rapid Organic Converter – ROC, that vaporizes all Carbon- based/organic waste material.

The patented and proprietary ROC employs radiant energy vaporization to accelerate the decomposition process of all carbon-based/organic waste material on hand in the market, within mere seconds.

The ROC captures the energy released in the conversion process delivering clean thermal energy to heat buildings, heat water for industrial processes or create steam to generate electricity.

The ROC – How it Works

Waste materials feedstock is conveyed into the conversion chamber

Rapid Decomposition occurs using radiant energy to vaporize feedstock

- Plastics decomposition/conversion takes place in less than 10 seconds
- NOT Incineration
- Hot gases are drawn into the flameless oxidation chamber where ambient air is added
- Hot gases are then drawn into the retention chamber
- With high heat at 850C or higher, the gases stay in chamber for 2 seconds with chemical destruction of harmful particulate

Retention chamber gases are drawn through.....

The high heat exchanger to create steam for electricity generation

The lower heat exchanger for site and district heating

Gas stream is drawn through a fan.....

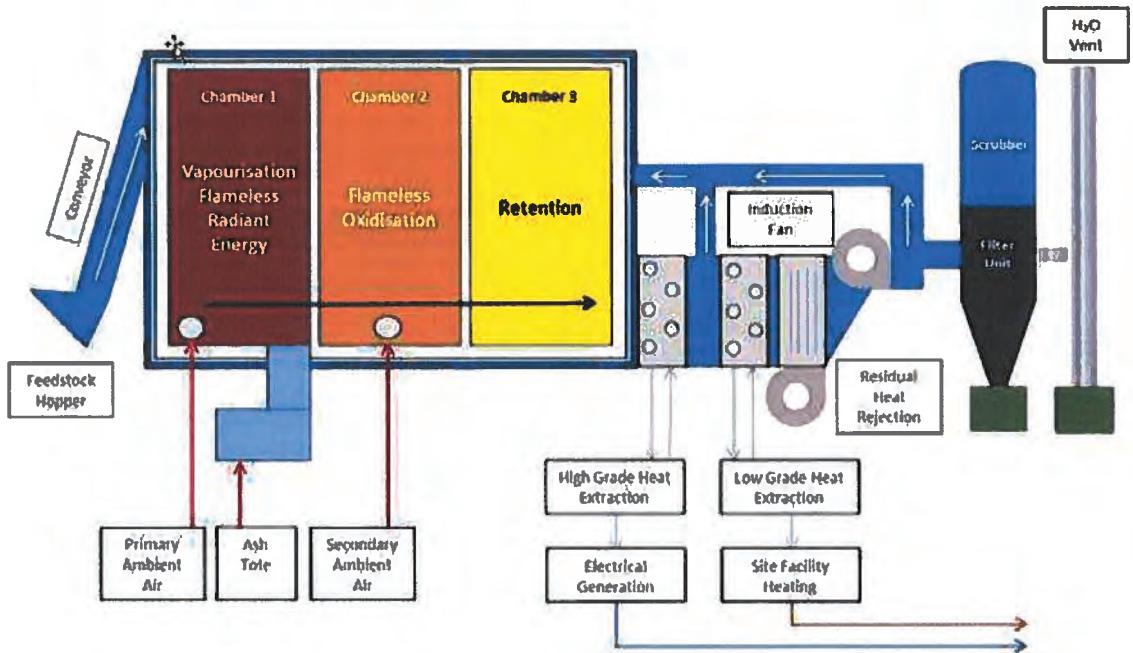
The residual heat is recirculated to the ROC

The filtration then takes place in either the baghouse or water scrubber for particulate removal

The clean gas stream then goes up the stack, meets cooler air with water vapour, then into the atmosphere

Design and Operation

- One step process – waste feedstock directly to clean Thermal Energy
 - Runs by itself – no fossil fuels to operate – uses energy from feedstocks
 - Quiet operation
- Efficient single pass process
 Profitable use of renewal energy from waste to offset natural gas cost
 Lower GHG emissions than alternatives - incineration



Stairways to stack platform



Receiving & preparation building - front & side

Collector Delivery Process



Truck Unloading



Grinder Addition



Containers & Bags Received



Containers & Bags Processed

Manitoba Sustainable Development (MSD)

This ROC site is Licensed by Manitoba Sustainable Development (MSD) to process biomass waste materials on a continuous basis and has a Pilot License from MSD to pilot test alternative waste streams, including MARRC oil, antifreeze and DEF containers.

With constructive direction, support and collaboration with MSD regional and local staff, they embarked on an extensive set of manufacturing projects, equipment acquisitions and facility upgrades to the site to ensure compliance with all MSD requirements to receive, handle and process the MARRC containers efficiently, profitably and safely with a focus on triple level containment of liquids at all stages of their conversion to energy.

MARRC Recycle to Energy vs Recycle to plastic raw materials

MARRC Plastics Stewardship Waste HDPE Plastic

GHG Emissions Analysis

<u>Recycling Waste Plastic to plastics raw materials</u>	<u>GHG Tonne Per Annum CO2e</u>	<u>Tonne Per Annum Landfill</u>
Transportation to Processor -Quebec	370	
Recycling plastics to plastics raw materials	-270	39
Total GHG Emissions/Landfill Recycling to plastics	100	39
<u>Recycling Waste Plastics to Energy - ROC pilot Project</u>		
Transportation to Processor St. Eustache Manitoba	4	
Recycle to Energy - Natural Gas Emissions reduction	-560	
Total GHG Emissions/Landfill Recycling to Energy	-556	
Total Reduction GHG Emissions/Landfill	656	39

Used Antifreeze

New Antifreeze



United Chemical Services Inc.

Contact

Products



Services

Glossary

Recycling



Home / Products / Automotive

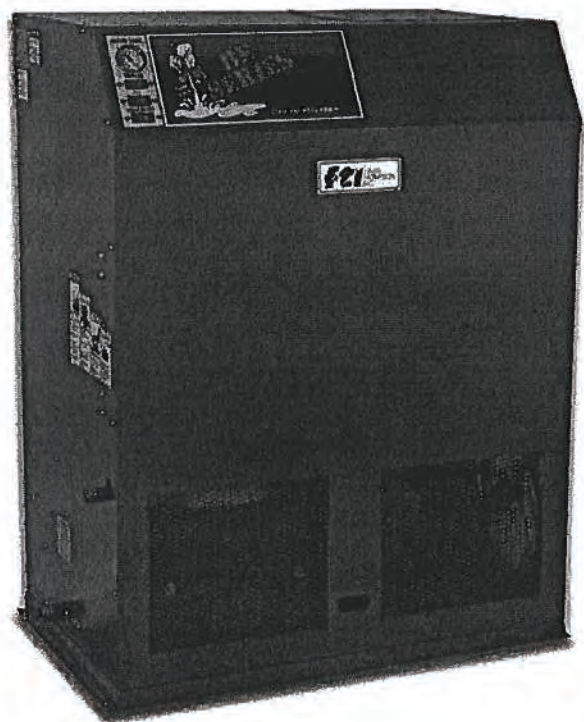
Summary

- Waste paint removal.
- Water oil base.
- Various gunwashes to suit your needs.
- Antifreeze meeting all major automotive standards.
- Windshield washer fluid.
- Waste antifreeze removal.
- Waste oil and oil filter collection.
- Prekleen.
- Tire shine.



ENGINE COOLANT RECYCLER

Provides the highest quality, recycled engine coolant available anywhere!



Why use a BE-55C Engine Coolant Recycler?

1. Removes weakened corrosion inhibitors, dirt, rust, heavy metals and excess water from used antifreeze.
2. Cost effective - **NO** filters to purchase or ion exchange tanks to regenerate.
3. Reduces disposal costs.
4. **Only** system capable of producing concentrated glycol. Has a longer shelf life and requires less storage space.
5. Vastly superior to filtration process.
6. Widely tested and approved by OEMs.
7. Meets MIL Spec antifreeze requirements.
8. Used by hundreds of Government installations worldwide.
9. GSA listed for lowest purchase price

BE-55C Features

- Advanced patented distillation technology
- Antifreeze meets ASTM and SAE standards
- Easy to install, operate and maintain
- Automatic cycle shut down
- **NO** filters of any type
- Minimizes waste coolant storage
- Requires no external water source
- Three-phase power protection device disallows unit operation if power is incorrectly installed or one leg fails.
- Can be used with FTI's efficient engine coolant remover/exchangers (CQC2 or CQC-HD).

Specifications

Size:	Length: 48" (122 cm)
	Height: 63" (160 cm)
	Depth: 30" (76 cm)
Weight:	600 lbs. (272 kg)
Capacity:	55 gallons (208.5 liters)
Distillation Rate:	3.2 gph (12.13 lph)
Process Time:	16 to 18 hours
Electrical Requirements	240V/3/60 Hz, 40 amps 240V/3/50 Hz, 40 amps (Export)



L. ANNUAL REPORT - FINANCIAL STATEMENTS

**Manitoba Association for
Resource Recovery Corp.**

**Financial Statements
December 31, 2021**



Independent auditor's report

To the Members of Manitoba Association for Resource Recovery Corp.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Manitoba Association for Resource Recovery Corp. (the Corporation) as at December 31, 2021 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Corporation's financial statements comprise:

- the balance sheet as at December 31, 2021;
- the statement of operations for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal

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control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Winnipeg, Manitoba
March 30, 2022

Manitoba Association for Resource Recovery Corp.

Balance Sheet

As at December 31, 2021

	2021 \$	2020 \$
Assets		
Current assets		
Cash and cash equivalents	1,332,900	540,063
Short-term investments (note 4)	223,501	1,073,811
Environmental handling charges receivable	1,344,993	1,127,549
Accrued interest receivable	5,745	15,214
Prepaid expenses and deposits	905	905
Inventory	55,000	55,000
	<u>2,963,044</u>	<u>2,812,542</u>
Long-term investments (note 4)	<u>519,064</u>	<u>730,065</u>
Capital assets		
Office furnishings, equipment, leasehold improvements, and computer software	160,191	155,183
Less: Accumulated amortization	70,110	47,807
	<u>90,081</u>	<u>107,376</u>
	<u>3,572,189</u>	<u>3,649,983</u>
Liabilities and Net Assets		
Current liabilities		
Return and processing incentives payable	411,587	488,498
Accounts payable and accrued liabilities (note 5)	285,042	269,731
Current portion of amount due to member (note 6)	137,763	137,763
	<u>834,392</u>	<u>895,992</u>
Long-term liabilities		
Amount due to member (note 6)	<u>275,527</u>	<u>413,290</u>
Net Assets		
Invested in capital assets	90,081	107,376
Unrestricted	<u>2,372,189</u>	<u>2,233,325</u>
	<u>2,462,270</u>	<u>2,340,701</u>
	<u>3,572,189</u>	<u>3,649,983</u>
Commitments (note 7)		

Approved by the Board of Directors

 Director _____
 Director

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

Manitoba Association for Resource Recovery Corp.

Statement of Operations

For the year ended December 31, 2021

	2021 \$	2020 \$
Revenue		
Environmental handling charges	4,424,133	4,260,917
Membership fees	2,000	892
	<u>4,426,133</u>	<u>4,261,809</u>
Expenses		
Return and processing incentives	3,294,479	3,250,158
EcoCentre support costs (note 8)	380,888	345,876
Wages, contract and benefits	200,249	197,781
Professional fees	92,955	96,066
Container freight and plastic processing costs	73,517	115,161
Computer software support	58,286	46,512
Public relations and promotion (note 10)	48,517	41,963
Rent	45,651	46,056
Compliance reviews	32,000	30,575
Office and administration	26,709	28,350
Amortization	22,303	3,454
Director fees and expenses	19,885	10,665
Telephone and fax	10,735	9,553
Used oil lost in service study	7,305	11,202
Insurance	6,456	6,412
Travel and automobile	5,634	6,785
Bursaries	5,000	3,000
Meetings	3,007	850
Bank charges and interest	1,647	2,276
Ambassador program (note 9)	815	2,375
Antifreeze study	-	15,292
OEM project	-	4,958
	<u>4,336,038</u>	<u>4,275,320</u>
Excess (deficiency) of revenue over expenses from operations	90,095	(13,511)
Environmental handling charge overpayment (note 6)	-	(688,816)
Investment income	31,474	49,423
Excess (deficiency) of revenue over expenses	<u>121,569</u>	<u>(652,904)</u>

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

Manitoba Association for Resource Recovery Corp.

Statement of Changes in Net Assets

For the year ended December 31, 2021

	2021 \$	2020 \$
Balance – Beginning of year	2,340,701	2,993,605
Excess (deficiency) of revenue over expenses	121,569	(652,904)
Balance – End of year	<u>2,462,270</u>	<u>2,340,701</u>

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

Manitoba Association for Resource Recovery Corp.

Statement of Cash Flows

For the year ended December 31, 2021

	2021 \$	2020 \$
Cash and cash equivalents provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses	121,569	(652,904)
Item not affecting cash		
Amortization	22,303	3,454
	143,872	(649,450)
Changes in non-cash working capital items	(407,338)	313,323
	(263,466)	(336,127)
Investing activities		
Purchase of capital assets	(5,008)	(25,077)
Purchase of investments	(12,500)	(335,904)
Proceeds on redemption and sale of investments	1,073,811	595,664
	1,056,303	234,683
Increase (decrease) in cash and cash equivalents during the year	792,837	(101,444)
Cash and cash equivalents – Beginning of year	540,063	641,507
Cash and cash equivalents – End of year	1,332,900	540,063

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

Manitoba Association for Resource Recovery Corp.

Notes to Financial Statements

December 31, 2021

1 Nature of operations

Manitoba Association for Resource Recovery Corp. (the Corporation) was formed by oil and oil filter first sellers in Manitoba to develop, implement and administer a used lubricating products stewardship program in the province and began operation on January 1, 1997. The Corporation was incorporated as a not-for-profit corporation without share capital under The Corporations Act of Manitoba on April 1, 1997. On February 26, 1998, the Corporation received approval to operate its Used Lubricating Products Stewardship Program from the Minister of Environment, Province of Manitoba. On May 1, 2011, the Corporation was also approved to operate its Antifreeze Stewardship Program by the Minister of Conservation, Province of Manitoba. The Antifreeze Stewardship Program began active operations on August 1, 2011. On April 25, 2018, the Corporation was also approved to operate its Other MARRC Designated Materials Program by the Minister of Sustainable Development, Province of Manitoba. The Other MARRC Designated Materials Program began active operations November 5, 2018 with the collection of an environmental handling charge on diesel exhaust fluid containers.

On July 26, 2018, the Corporation received approval to continue to operate the Used Lubricating Products Stewardship Program and the Antifreeze Stewardship Program from the Minister of Sustainable Development, Province of Manitoba until June 30, 2023.

As a not-for-profit corporation, no provision for corporate income taxes has been made in these financial statements pursuant to paragraph 149(1)(l) of the Income Tax Act.

The outbreak of the novel strain of coronavirus, specifically identified as COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption of businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. These circumstances have not resulted in any significant business disruption or significant financial impact to the Corporation to date.

2 Basis of presentation

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

3 Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash and cash equivalents held at banking institutions.

Inventory

Inventory is valued at the lower of cost and net realizable value. Inventory consists of promotional items on hand for the ambassador program.

(1)

Manitoba Association for Resource Recovery Corp.

Notes to Financial Statements

December 31, 2021

Investments

Investments consist of guaranteed investment certificates (GICs). Investments that are intended to be held or that have maturity dates under a year are deemed to be short-term investments, with all others classified as long-term investments. Realized and unrealized gains and losses are included as investment income in the statement of operations. Purchases and sales are recognized using trade date accounting.

Capital assets

Capital assets are carried at acquisition cost less accumulated amortization. Amortization of office furnishings, equipment, leasehold improvements, and computer software is calculated on a straight-line basis at an annual rate of 20% based on the estimated useful lives of these assets. One-half of the annual rates are charged in the year of acquisition.

Revenue recognition

The Corporation follows the deferral method of accounting for revenues. Revenue from environmental handling charges is recognized in the year for which suppliers and end-users assess it, as regulated by the Used Oil, Oil Filters and Containers Stewardship Regulation, and by the Household Hazardous Material and Prescribed Material Stewardship Regulation and by the Packaging and Printed Paper Stewardship Regulation all under The Waste Reduction and Prevention Act. The one-time membership fees are recorded as revenue when the participating companies join the Corporation.

Dividend and interest income from investments and cash equivalents is recognized when earned and is recorded as investment income in the statement of operations.

Return and processing incentives

The return and processing incentives are recognized as an expense in the year to which the claim relates.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and subsequently measured at amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents, investments, environmental handling charges receivable and accrued interest receivable.

Manitoba Association for Resource Recovery Corp.

Notes to Financial Statements

December 31, 2021

Financial liabilities measured at amortized cost include return and processing incentives payable and accounts payable and accrued liabilities.

Financial assets are tested for impairment at the end of each reporting period when there are indications that the assets may be impaired.

Change in accounting policy

During 2021, the Corporation changed its accounting policy related to the classification of its accounts for financial reporting purposes. In previous periods, the accounts of the Corporation were maintained in accordance with the principles of fund accounting. Fund accounting is a procedure whereby a self-balancing group of accounts is provided for each accounting fund established by the Corporation. For financial reporting purposes, the accounts were previously classified into several funds, including Used Lubrication Products Stewardship Program, Antifreeze Stewardship Program, Diesel Exhaust Fluid Program and Invested in Capital Assets. On October 14, 2021, the Province of Manitoba gave permission to MARRC to consolidate the programs' revenue and expenses in its financial statements going forward. Therefore, the Corporation has decided to not apply fund accounting. Management judges that the new policy is preferable because it simplifies the presentation of the financial statements of the Corporation and provides more relevant information. The change in accounting policy was applied retrospectively and had no impact on the comparative financial information of the Corporation.

4 Investments

	Maturity date	Interest rate %	2021 \$	2020 \$
Short-term investments				
Crosstown Credit Union GIC	July 4, 2022	2.75%	107,009	-
Crosstown Credit Union GIC	July 4, 2022	2.75%	116,492	-
Crosstown Credit Union GIC	August 22, 2021	2.40%	-	1,073,811
			<u>223,501</u>	<u>1,073,811</u>
Long-term Investments				
Crosstown Credit Union GIC	August 22, 2024	2.75%	243,537	237,019
Crosstown Credit Union GIC	November 20, 2025	1.80%	275,527	275,526
Crosstown Credit Union GIC	July 4, 2022	2.75%	-	104,145
Crosstown Credit Union GIC	July 4, 2022	2.75%	-	113,375
			<u>519,064</u>	<u>730,065</u>
			<u>742,565</u>	<u>1,803,876</u>

5 Government remittances

Government remittances consist of amounts required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances, \$33,288 (2020 – \$37,726) is included within accounts payable and accrued liabilities.

(3)

Manitoba Association for Resource Recovery Corp.

Notes to Financial Statements

December 31, 2021

6 Payable to member

	2021 \$	2020 \$
Environmental handling charge overpayment, repayable over five years, non-interest bearing	413,290	551,053
Less: Current portion	<u>(137,763)</u>	<u>(137,763)</u>
	<u>275,527</u>	<u>413,290</u>

Repayments for next three years are as follows:

	\$
Year ending December 31, 2022	137,763
2023	137,763
2024	137,761

As a result of the annual compliance review of the members of MARRC, it came to the attention of the consultants that an EHC registrant was remitting EHCs on products sold to another EHC registrant who was remitting EHCs on the same products. A full review performed in the prior year determined that the amount of EHC overpaid to MARRC was \$688,816 during the previous seven years. As a result of negotiations, MARRC and the EHC registrant agreed to a settlement in which the overpayment would be repaid in equal instalments over five years commencing December 31, 2020 and bearing no interest.

The Corporation has a standby letter of credit available in the amount of \$275,526 as security against the payable to member. The letter of credit expires on December 31, 2024 and is secured by long-term investments.

7 Commitments

Operating lease

The annual minimum rental for leased premises under a lease to February 28, 2023 is as follows:

	\$
Fiscal year ending December 31, 2022	45,315
2023	7,553

EcoCentres

The Corporation has entered into automatic two-year renewal agreements with 85 EcoCentres and licensed collection facilities that were established to provide no-cost drop-off centres for used oil and antifreeze materials.

Manitoba Association for Resource Recovery Corp.

Notes to Financial Statements

December 31, 2021

As part of its contractual agreement with each EcoCentre owner-operator, the Corporation is committed to provide annual operating support until July 31, 2022. The operating support payments for the EcoCentres currently in operation are estimated to be as follows:

	\$
Fiscal year ending December 31, 2022	192,403

8 EcoCentre support costs

	2021 \$	2020 \$
Operating and capital support	347,608	304,814
Remote Centres support	1,613	6,400
Operational audits, training, and supplies	10,461	14,270
Winter road project	21,206	20,392
	<u>380,888</u>	<u>345,876</u>

9 Ambassador program

	2021 \$	2020 \$
Wages	500	2,294
Handouts, bookmarks, ball caps and draw prizes	-	143
Transportation, meals, and accommodation	-	277
Trade show fees, uniforms, supplies and insurance	315	(339)
	<u>815</u>	<u>2,375</u>

Due to the impact of COVID-19, the activities of the Ambassador program could not be carried out during the fiscal year.

10 Public relations and promotion

	2021 \$	2020 \$
Radio	17,712	17,657
Website	6,422	3,028
Marketing, advertising, and promotional material	7,809	6,555
Northern region advertising	2,574	2,723
Collection Facility advertising	12,000	12,000
Mural	2,000	-
	<u>48,517</u>	<u>41,963</u>

(5)

Manitoba Association for Resource Recovery Corp.

Notes to Financial Statements

December 31, 2021

11 Financial instruments

The Corporation manages risk and risk exposures by applying policies approved by the Board of Directors.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Corporation is exposed to credit risk through its environmental handling charges receivable. The risk is minimized due to the large registrant base.

Interest rate risk

Interest rate risk refers to the risk that a financial instrument or cash flows associated with the instrument will fluctuate due to the changes in interest rates. The Corporation's exposure to interest rate risk pertains to interest-bearing, short-term and long-term investments, which are subject to future changes in interest rates.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its financial obligations associated with financial liabilities in full. A range of alternatives is available to the Corporation including cash flow provided by operations, debt or a combination thereof.

Conditions of Compliance
COMBINED NET INCOME
Retained Earnings

Compliance Condition of Approval
Revenue must exceed Retained Earnings each year

<u>Combined Revenue</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
	\$4,426,133	\$4,261,809	\$4,493,729	\$4,856,392	\$4,561,812
Retained Earnings End of year	<u>\$2,462,270</u>	<u>\$2,340,701</u>	<u>\$2,993,605</u>	<u>\$3,087,029</u>	<u>\$3,412,173</u>
In Compliance by	\$1,963,863	\$1,921,108	\$1,500,124	\$1,769,363	\$1,149,639

**M. USED OIL EXPANSION
- PROPOSED ADDITIONAL
PRODUCT CATEGORIES**

Used Oil Expansion Proposed Additional Product Categories

The Used Oil Management Associations (UOMAs) of BC and Alberta have spearheaded a move to include additional products into their programs. Consultations have taken place with the Governments of Alberta and BC who have communicated support regarding used oil program product expansion. All of the other UOMAs, including MARRC, have advised of their support of additional products entering into their programs as well. Officials from Manitoba Environment Climate & Parks have been informed and are supportive of this opportunity to recycle even more products.

As the UOMAs share many common Members in addition to having a One Window portal for communicating messages to all Members via email and Newsletters, integration of new products for all of the UOMA programs should be relatively seamless.

The following pages are a listing from Alberta and BC proposing to increase the maximum container size for recycling from 50 litres to 210 litres as well as including other categories for expansion of automotive product containers.



USED OIL

Used Oil Expansion Proposed Additional Product Categories

- **Containers – Maximum Size 210 L**
 - Diesel Exhaust Fluid (DEF)
 - Washer Fluid
 - Antifreeze/Glycol

Other categories of automotive product containers:

- Brake, Clutch, Steering, Transmission and Hydraulic Fluid
- Engine Oil & Additives
- Fuel Additives
- Auto Oil & Fluids
- Battery & Electrical Cleaner
- Cleaners & Degreasers (tire, wheel, and rim)
- De-icers
- Gear Oil
- Lubricants, Penetrants
- Shop/Tool Chemicals
- Car Care Products (wash, wax, and detailing)
- Recreational/Marine

Alberta
recycling
MANAGEMENT AUTHORITY



Inspiring a Future Without Waste



End State EHC Applicable Products List 2023

Product Category (sample products)	EHC Applicable to:		Included in Program		
	Product	Container***	BC	AB	etc..
Engine and Gear Oils and Lubricants					
Engine and Gear Oils and Lubricants (available for collection)	X	X	X	X	X
Engine and Gear Oils and Lubricants (consumed in use)		X	X	X	X
Oil Filters					
Hydraulic, transmission, diesel fuel, home furnace and ICE filters	X		X	X	X
Antifreeze/Glycol*					
Antifreeze/Glycol for engine and battery coolant uses	X	X	X	X	X
Other Automotive Products**					
Engine Oil Additives		X	X	X	tbd
Fuel System Additives and Cleaners		X	X	X	tbd
Antifreeze & Coolant System Additives & Chemicals		X	X	X	tbd
De-Icing Fluids		X	X	X	tbd
Penetrating Oils		X	X	X	tbd
Diesel, DEF and Fuels Additives		X	X	X	tbd
Transmission Fluids & Additives		X	X	X	tbd
Refrigerants and Air Conditioning Additives		X	X	X	tbd
Windshield Washer Fluid		X	X	X	tbd
Stop Leak Products		X	X	X	tbd
Brake and Power Steering Fluids and Additives		X	X	X	tbd
Autobody Adhesives & Sealants		X	X	X	tbd
Automotive Paints		X	X	X	tbd
Automotive Body Protectants (rust control and undercoatings)		X	X	X	tbd
Care Care Products (wash, wax and detailing)		X	X	X	tbd
Cleaners and degreasers (tire, wheel, rim, battery, electrical and engine)		X	X	X	tbd
Shop and Tool Chemicals and Cleaners		X	X	X	tbd
* Antifreeze/glycol not currently included in AB					
** Some products currently included in some UOMA programs, e.g. DEF, some aerosol					
*** up to 210 liter capacity					



USED OIL

DISCUSSION & NEXT STEPS

- Opportunities for a common UOMA's definition for automotive containers:
 - Overall reaction to proposed expanded container list?
 - Any insights into UOMA member reactions to expanded products?
 - Any recommendations for inclusions/exclusions?
- Next steps

Alberta
recycling
MANAGEMENT AUTHORITY



ELECTRONICS



PAINT



TIRES



USED OIL

Inspiring a Future Without Waste



Hybrid and Electric Vehicles

With the advent of technology and with fuel savings in mind, some Manitobans are switching to hybrid and electric vehicles. Vehicles that run completely on electric power don't require oil changes as they lack the internal combustion engine found in gasoline-powered vehicles and they also have no filters to change. Many electric vehicles (EVs) do however need to have their coolant changed on a regular basis to prevent their batteries from overheating. Many electric vehicles will also require transmission fluid changes on a regular basis as well.

However, hybrid vehicles would still require oil changes but with less frequency especially if the vehicle is driven at low speeds around a city or town. A hybrid's gasoline engine kicks in when the vehicle's speed is over 25 kph. Hybrid vehicles are extremely efficient and use up to 30% less fuel per kilometer than traditional gasoline-powered vehicles. Hybrid electric vehicles are powered by an internal combustion engine and one or more electric motors, which uses energy stored in batteries. A hybrid electric vehicle cannot be plugged in to charge the battery. Instead, the battery is charged through regenerative braking and by the internal combustion engine

In September 2018 there were 6,000 hybrids in Manitoba. As of June 2021, there were around 800 fully electric vehicles and 8,000 hybrids in Manitoba, and it is evident their popularity is increasing, based on interest in additional fast charging stations.

While electric vehicle technology is gaining interest, it will still take some time before enough of these vehicles are on Manitoba roads in order to significantly impact the consumption of oil products in the province.

In June 2021 the Government of Canada announced that all new cars and light duty trucks will be zero emissions by the year 2035. The government has already poured at least \$600 million into a rebate program that offers consumers a break when they buy new electric vehicles in hopes to get more of them on the road but they also acknowledge that much more is needed to achieve this ambitious goal. Federal officials said the rebates to consumers of up to either \$5,000 or \$2,500 have been popular, but warned it wasn't going to be enough to reach the federal government's first target of zero emissions for cars making up 10 per cent of sales by 2025.

As new technologies evolve in Manitoba, MARRC will continue to evolve with them.