Management's Discussion and Analysis of Financial Condition and Results of Operations
For the year ended December 31, 2010
($000 CAD)

This document has been prepared for the purpose of providing management's discussion and analysis ("MD&A") of our financial position and results of operations as at and for the year ended December 31, 2010 compared to the year ended December 31, 2009. The MD&A should be read in conjunction with our audited consolidated financial statements and accompanying notes for the year ended December 31, 2010 and other securities filings available on www.sedar.com. Enersource Corporation reports its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") considering regulatory requirements where applicable.

Throughout this MD&A, "our", "us", "we", "Company", "Corporation", refer to Enersource Corporation and its subsidiaries. The abbreviation "Qtr" refers to the relevant quarter within the fiscal year.

GENERAL

The financial statements as presented include results for both the regulated and non-regulated business activities. The Enersource Corporation group of companies includes Enersource Corporation ("Enersource"), Enersource Hydro Mississauga Inc. ("Enersource Hydro"), Enersource Services Inc., Enersource Telecom Inc. ("Telecom"), Enersource Hydro Mississauga Services Inc. ("EHM Services"), Enersource Technologies Inc. and First Source Energy Corporation ("First Source").

Enersource is a holding company established in response to the restructuring and deregulation of Ontario's electricity industry. Enersource's principal operating subsidiary, Enersource Hydro, is the regulated electricity distributor for the City of Mississauga. The *Energy Competition Act, 1998*, and its enabling regulations, require the separation of regulated distribution business activities from non-regulated business activities. Enersource has organized other affiliated companies and related entities for the purpose of operating its non-distribution related businesses.

EHM Services is a non-regulated subsidiary of Enersource with a primary business focus on providing electrical infrastructure design, procurement, construction, commissioning, and operating and maintenance services to businesses and other utilities. EHM Services also provides a range of utility and industry services including street light asset design, construction and maintenance.

In October 2009, the Corporation commenced the dissolution of First Source and distributed all remaining assets to its shareholders. In March 2010, the Corporation received the Articles of Dissolution certificate for First Source.

FORWARD LOOKING INFORMATION

Certain statements made in the MD&A, including, without limitation, statements relating to Enersource's expectations concerning future revenues and earnings, market conditions and the sufficiency of capital and liquidity, constitute forward-looking statements. Enersource believes these statements to be true based on its knowledge as at March 16, 2011. These forward-looking statements are subject to risks, uncertainties, and other factors including, but not limited to, regulatory risk and electricity supply risk, many of which are beyond Enersource's control, which may cause future results to differ materially from those expected. Enersource does not undertake or accept any obligation to release publicly any updates or revisions to any forward-looking statements to reflect any change in Enersource's expectations, except as prescribed by applicable securities laws.

($000 CAD)

RATE REGULATION

Enersource Hydro is regulated by the Ontario Energy Board ("OEB") under authority of the *Energy Competition Act, 1998*. The OEB is charged with the responsibility of approving and setting rates for the transmission and distribution of electricity and the responsibility for ensuring that distribution companies fulfill obligations to connect and service customers. The OEB has the power to establish electricity prices to be charged under a regulated price plan ("RPP"), as summarized in the following chart, to low volume consumers and designated consumers who do not choose an electricity retailer. The OEB may adjust consumption thresholds and electricity commodity prices charged to these RPP consumers every six months as required.

Regulated Price Plan:

	November 2010 to December 2010	May 2010 to October 2010	November 2009 to April 2010	May 2009 to October 2009	January 2009 to April 2009
Residential consumption threshold	1,000 kWh	600 kWh	1,000 kWh	600 kWh	1,000 kWh
Non-Residential consumption threshold	750 kWh	750 kWh	750 kWh	750 kWh	750 kWh
Price below threshold	$.064/kWh	$.065/kWh	$.058/kWh	$.057/kWh	$.056/kWh
Price above threshold	$.074/kWh	$.075/kWh	$.067/kWh	$.066/kWh	$.065/kWh

Distribution Rates:

Enersource Hydro submitted an electricity distribution rate re-basing application to the OEB on August 23, 2007 for the rate period May 1, 2008 through April 30, 2009. A settlement was negotiated with intervenors and was accepted by the OEB on January 4, 2008. The final distribution rates and charges for 2008 based upon the settlement were approved on April 18, 2008. The impact of this decision on the total bill of an average residential customer consuming 1,000 kWh of electricity per month was a decrease of 2.9%, which consisted of an increase in base distribution rates of 0.4% and a decrease of 3.3% due to a refund of regulatory liabilities.

In November 2008, Enersource Hydro submitted a formula based rate application to the OEB for the rate period May 1, 2009 through April 30, 2010. On March 16, 2009, the OEB released its decision and order on this rate application. The net impact of the new distribution rates combined with an increase in electricity pricing and consumption thresholds effective May 1, 2009 increased the total bill of an average residential customer consuming 1,000 kWh of electricity per month by 7.3%.

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On November 27, 2009 Enersource Hydro submitted an application to the OEB to recover/refund all retail settlement variance account balances as at December 31, 2008, as well as energy variance and global adjustment variance account balances as at September 30, 2009. The net refund of $12,800 was approved by the OEB on January 29, 2010. The remaining net balance of $5,140 as of December 31, 2010, will be recovered from January 1, 2011 through January 31, 2012.

Enersource Hydro submitted a formula based rate application in July 2009 to the OEB which was approved on March 29, 2010 for the rate period May 1, 2010 to April 30, 2011. The net impact of the new distribution rates combined with an increase in electricity pricing and reduced consumption thresholds effective May 1, 2010 increased the total bill of an average residential customer consuming 800 kWh of electricity per month by 11.3%.

Financial Performance:

Consolidated net income for the year ended December 31, 2010 was $17,704 compared to net income of $17,564 in 2009. The increase in net income of $140 was primarily the result of higher distribution revenue due to the warmer weather experienced during the summer of 2010, partially offset by higher amortization costs.

The consolidated cash position of Enersource at December 31, 2010 was $53,568 representing an increase of $19,807 over the 2009 year end position.

A full discussion of the Corporation's results of operations for the quarter and year ended December 31, 2010 and 2009 is provided below.

RESULTS OF OPERATIONS

Revenues:

	4th Qtr 2010	4th Qtr 2009	Change $
Electricity sales	117,937	108,057	9,880
Distribution revenue	30,129	29,559	570
Recovery (refund) of regulatory accounts	2,222	-	2,222
Services revenue	2,334	2,644	(310)
Other revenue	3,362	4,281	(919)
Total revenue	155,984	144,541	11,443

	2010	2009	Change $
Electricity sales	509,505	444,166	65,339
Distribution revenue	120,076	117,766	2,310
Recovery (refund) of regulatory accounts	7,429	(2,278)	9,707
Services revenue	7,849	8,141	(292)
Other revenue	11,267	9,213	2,054
Total revenue	656,126	577,008	79,118

Energy revenues were generated from regulated operations and consist mainly of electricity passed through at cost to retailers and standard service supply customers. For the three months ended December 31, 2010, electricity pass through revenue was $117,937 compared to $108,057 in the 2009 period, representing an increase of 9.1%. This change was due to a 9.4% increase in electricity prices which was partially offset by lower energy consumption of 0.2%.

Electricity pass through revenue was $509,505 in 2010 compared to $444,166 in 2009, representing an increase of 14.7%. This change was due to an increase in energy consumption of 2.7% combined with an 11.7% increase in electricity prices. The higher consumption can be mainly attributed to the warmer summer weather experienced in 2010 as compared to 2009.

Distribution revenue in the regulated operations was $30,129 for the three months ended December 31, 2010 compared to $29,559 in the 2009 period, representing growth of 1.9% or $570. This was primarily due to a $1,148 increase in the recognition of revenue related to smart meter investments combined with increases relating to the May 1, 2010 distribution rate adjustment and customer growth. These increases were partially offset by a reduction of 3.9% or $322 in energy consumption for residential and small commercial customers and a 6.5% reduction or $482 in energy demand by larger customers.

Distribution revenue was $120,076 in 2010 compared to $117,766 in 2009, representing growth of 2.0% or $2,310. This was primarily due to an increase of 4.5% or $1,050 in energy consumption for residential and small commercial customers marginally offset by a decrease of 0.1% or $112 in energy demand by larger customers. The remaining increases relate to the May 1, 2009 and the May 1, 2010 distribution rate adjustments, year over year customer growth, and an increase in the recognition of revenue relating to Enersource Hydro's smart meter investments.

The net recovery of regulatory assets from customers was $2,222 for the three months ended December 31, 2010 and $7,429 for the year ended December 31, 2010 compared to a net refund of regulatory liabilities of $nil and $2,278 for the corresponding periods in 2009. The net regulatory asset balances comprised of retail settlement and global adjustment variances, will be recovered over a two year period from February 1, 2010 through January 31, 2012.

Services revenue from non-regulated operations was generated from street lighting services and infrastructure construction and engineering design contracts. The decrease in services revenue of $310 and $292 for the three months and year ended December 31, 2010 over the corresponding 2009 periods was primarily the result of lower street lighting activity.

Other revenues are mainly attributable to distribution operations and include customer specific charges, pole rental fees and Ontario Power Authority ("OPA") conservation and demand management ("CDM") program fees. Other revenues decreased by $919 for the three months ended December 31, 2010 primarily due to a decrease of $1,534 in CDM funding from the OPA during the fourth quarter of 2010. This decline was partially offset by an increase of $419 in customer specific charges.

Other revenues increased by $2,054 in 2010 over 2009 primarily due to increases of $948 in CDM funding from the OPA during the year and $966 in customer specific charges.

($000 CAD)

Operating Expenses:

	4th Qtr 2010	4th Qtr 2009	Change $
Energy purchases	117,937	108,057	9,880
Services cost	1,961	2,312	(351)
Operations, maintenance and administration	13,289	15,370	(2,081)
Amortization of fixed assets	9,341	8,985	356
Amortization of intangible assets	556	827	(271)
Amortization of regulatory accounts	2,222	-	2,222
Total operating expenses	145,306	135,551	9,755

	2010	2009	Change $
Energy purchases	509,505	444,166	65,339
Services cost	6,669	7,290	(621)
Operations, maintenance and administration	51,767	49,090	2,677
Amortization of fixed assets	36,311	35,101	1,210
Amortization of intangible assets	1,936	1,224	712
Amortization of regulatory accounts	7,429	(2,278)	9,707
Total operating expenses	613,617	534,593	79,024

Energy purchase expense, which is entirely attributed to regulated operations and is passed through to customers at cost, increased by 9.1% for the three months ended December 31, 2010 over the corresponding 2009 period. This change was due to a 9.4% increase in electricity prices which was offset by lower energy consumption of 0.2%. Energy purchase expense increased by 14.7% in 2010 over 2009. This change was due to an increase in energy consumption of 2.7% combined with an increase of 11.7% in electricity prices. The higher consumption can be mainly attributed to the warmer summer weather experienced in 2010 as compared to 2009.

The cost of services in non-regulated operations for the three months and year ended December 31, 2010 declined by $351 and $621 respectively over the corresponding 2009 periods as a result of lower street lighting activity.

Consolidated operations, maintenance and administration costs, or the overhead costs incurred to manage the operations of the regulated and non-regulated companies decreased by $2,081 for the three months ended December 31, 2010 over the corresponding 2009 period primarily due to lower CDM expenditures of $1,008 and a reduction in environmental expenses of $336.

Consolidated operations, maintenance and administration costs, or the overhead costs incurred to manage the operations of the regulated and non-regulated companies increased by $2,677 in 2010 primarily due to an increased provision for bad debts of $1,687 and additional CDM expenditures of $946.

($000 CAD)

Amortization of fixed assets for the three months and year ended December 31, 2010 increased by $356 and $1,210 respectively over the corresponding 2009 periods due to Enersource Hydro's ongoing investment in electricity distribution infrastructure.

Amortization of Enersource Hydro's intangible assets decreased by $271 for the three months ended December 31, 2010 over the corresponding 2009 period due to the commissioning of a new customer care and billing system in the fourth quarter of 2009. During 2010, amortization of intangible assets increased by $712 due to increased investments in computer software.

The amortization of regulatory accounts is recorded at the amount of the related recovery or refund included in revenue. Amortization of Enersource Hydro's regulatory accounts that were previously deferred on the balance sheet was $2,222 for the three months ended December 31, 2010 and $7,429 for the year ended December 31, 2010.

Operating Income:

	4th Qtr 2010	4th Qtr 2009	Change $
Revenue	155,984	144,541	11,443
Operating expenses	145,306	135,551	9,755
Operating income	10,678	8,990	1,688

	2010	2009	Change $
Revenue	656,126	577,008	79,118
Operating expenses	613,617	534,593	79,024
Operating income	42,509	42,415	94

Consolidated operating income increased by $1,688 for the three months ended December 31, 2010 primarily due to an increase in customer specific charges and higher recognition of revenues and costs relating to smart meter investments. This impact was partially offset by lower distribution and CDM revenue in the quarter.

Consolidated operating income increased by $94 in 2010 primarily due to higher distribution revenue resulting from the warmer weather experienced in the summer, partially offset by higher amortization costs.

Non-Operating Revenue (Expense):

	4th Qtr 2010	4th Qtr 2009	Change $
Interest income	270	264	6
Interest expense	(4,830)	(4,890)	60
Foreign exchange loss	(6)	(10)	4
Non-operating expense	(4,566)	(4,636)	70

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	2010	2009	Change $
Interest income	648	815	(167)
Interest expense	(18,999)	(18,550)	(449)
Foreign exchange loss	(22)	(383)	361
Non-operating expense	(18,373)	(18,118)	(255)

Interest income for the three months ended December 31, 2010 increased by $6 due to higher interest rates and a higher average cash balance in the quarter and declined by $167 in 2010 due to lower cash balances and cash equivalents position as compared to the corresponding 2009 period.

Enersource Hydro's interest expense was primarily attributable to the BPC Energy Corporation ("Borealis") – Enersource series bonds, interest on customer deposits and regulatory asset and liability balances. Interest expense for the three months ended December 31, 2010 decreased by $60 over the corresponding 2009 period due to lower interest costs incurred on prior year tax reassessments. Interest expense in 2010 increased by $449 as a result of a reduction in capitalized interest due to a lower OEB prescribed interest rate, partially offset by lower interest costs incurred on prior year tax reassessments. The amount of interest expense relating to the Borealis – Enersource series bonds was $18,241 for both years.

For the three months and year ended December 31, 2010, Enersource Hydro incurred foreign exchange losses of $6 and $22 respectively, compared to foreign exchange losses of $10 and $383 in the corresponding 2009 periods. US dollar holdings are significantly reduced as at December 31, 2010, as compared to the prior year.

Corporate Income Taxes:

	4th Qtr 2010	4th Qtr 2009	Change $
Income tax expense	1,506	380	1,126

	2010	2009	Change $
Income tax expense	6,432	6,682	(250)

Income tax expense for the three months ended December 31, 2010 was $1,506 compared to $380 for the corresponding 2009 period. The increase in income tax expense was primarily due to an increase in income before taxes and a decrease in the timing differences between fixed asset amortization and capital cost allowance. This was partially offset by a corporate tax rate reduction from 33% in 2009 to 31% in 2010.

Income tax expense in 2010 was $6,432 compared to $6,682 in 2009. The decrease in income tax expense was primarily due to lower income before taxes and the corporate tax rate reduction to 31% in 2010.

($000 CAD)

Consolidated Cash Flows

	4th Qtr 2010	4th Qtr 2009	Change $
Decrease in cash and cash equivalents	(574)	(2,425)	1,851

	2010	2009	Change $
Increase (decrease) in cash and cash equivalents	19,807	(42,344)	62,151

During the three months ended December 31, 2010, net cash outflow was $574 compared to a net cash outflow of $2,425 for corresponding 2009 period. The net cash outflow in the fourth quarter of 2010 was driven by an increase in regulatory accounts of $11,911 and dividends paid of $10,538, combined with outflows of $9,839 and $1,479 to finance fixed and intangible asset additions. This was partially offset by a cash inflow of $34,124 generated by operating activities. The net cash outflow during the three months ended December 31, 2009 was driven by dividends paid of $11,533 combined with outflows of $17,428 and $1,369 to finance fixed and intangible asset additions. This was partially offset by a cash inflow of $25,336 generated by operating activities and a decrease in regulatory accounts of $4,022.

Net cash inflow in 2010 was $19,807 compared to a net cash outflow of $42,344 in 2009. The net cash inflow in 2010 was driven primarily by an increase in cash generated from operating activities of $89,925, partially offset by cash outflows of $38,701 and $3,633 to finance fixed and intangible asset additions and a dividend payment of $10,538. The net cash outflow in 2009 was driven by an increase in regulatory assets of $8,498, a dividend payment of $11,533, combined with outflows of $50,113 and $5,904 to finance fixed and intangible asset additions.

Capital Expenditures

Enersource's capital expenditures were primarily attributable to investments in distribution system infrastructure assets in response to electricity demand and reliability requirements within Mississauga. Capital asset investment strategies are developed and reviewed continuously to ensure that the operating performance of Enersource's distribution system, the condition of its assets and its customer service levels are all maintained to the highest industry standards.

Consolidated fixed asset and intangible asset investments for the year ended December 31, 2010 were as follows:

	2010	2009	Change $
Distribution system	10,207	11,098	(891)
System upgrades	16,316	19,291	(2,975)
System expansion	8,983	14,534	(5,551)
Non-distribution system[1]	7,413	10,316	(2,903)
Gross fixed and intangible asset investment	42,919	55,239	(12,320)
Accounts payable and accrued liabilities in assets	(585)	778	(1,363)
Net additions to fixed and intangible assets	42,334	56,017	(13,683)

Note 1: Non-distribution system investments include capital initiatives relating to information technology, fleet vehicles and smart meters.

($000 CAD)

Liquidity and Capital Resources

Enersource's primary sources of liquidity and capital resources are funds from operating activities as well as an established operating banking line of credit, if required. These resources are primarily used for capital investments to maintain the integrity of the electricity distribution system and for servicing interest expense on debt.

Enersource's bank line of credit in the amount of $50,000 was not utilized during 2009. Enersource utilized the bank line of credit to assist with funding its operations during the first quarter of 2010. As at December 31, 2010, the bank line of credit utilized was $nil.

The Borealis – Enersource bonds mature in May, 2011 and are expected to be refinanced at that time. In their report dated April 15, 2010, DBRS confirmed Borealis – Enersource series bonds debt rating at 'A', supported by stable financial metrics attributable to generally consistent earnings, cash flows and debt levels. Standard & Poor's confirmed Borealis – Enersource series bonds debt rating at 'A' in their December 16, 2010 report, citing Enersource's excellent business risk profile and predictable regulated cash flows as factors for the confirmation.

Future Capital Expenditures

Enersource's net capital and intangible asset expenditures in 2011 are forecasted to be $55,900, $48,600 in 2012 and $35,500 in 2013. The overall planned capital and intangible asset expenditure levels generally reflect infrastructure investments required to construct and maintain electricity distribution assets. Additional capital and intangible asset investments include the deployment of smart meters, facility improvements and information technology upgrades. Current cash balances and future cash flows from operations are expected to be sufficient to fund all capital requirements.

Contractual Obligations

The following table presents a summary of debt and other major contractual obligations as at December 31, 2010:

	Total	**2011**	**2012/2013**	**2014/2015**	**After 2015**
Due By Year:					
Short-term debt [1,2]	290,000	290,000	-	-	-
Interest on short-term debt	9,121	9,121	-		
Capital purchase obligations	7,524	7,524	-	-	-
Operating leases	121	121	-	-	-
Total contractual obligations	306,766	306,766	-	-	-

Note 1: The Borealis – Enersource series bonds mature in May, 2011. The debt is expected to be refinanced at that time.
Note 2: The short-term debt of $290,000 excludes debt issuance costs of $4,336.

($000 CAD)

Related Party Transactions

Enersource's operations included the provision of electricity and services to its principal shareholder, the City of Mississauga (the "City") in the normal course of business. Electricity was billed to the City at the prices and terms established between the City and its electricity retailer. Street lighting maintenance and construction services were provided at prevailing market prices at an exchange amount, being that amount agreed to by the parties. A summary of amounts charged by Enersource to the City for the year ended December 31, 2010 is as follows:

	2010	**2009**
Electrical energy	9,677	8,250
Street lighting maintenance and construction	6,355	4,797
Street lighting energy	6,098	5,245
Total	22,130	18,292

As at December 31, 2010, accounts payable and accrued liabilities due to the City were $33 (2009 - $38). Accounts receivable due from the City was $3,093 (2009 - $3,236).

As at December 31, 2010, Enersource incurred property taxes which are paid to the City in the amount of $814 (2009 - $800).

Enersource charged Borealis $9 in 2010 (2009 - $9) for an access agreement. These transactions were recorded at the exchange amount, being the amount agreed to by the parties. At December 31, 2010, accounts receivable included $nil (2009 – $1) due from Borealis.

Enerpower Corporation is an organization in which Enersource holds a 10% minority ownership interest. Enersource was charged $8,530 (2009 - $11,862) by Enerpower during 2010 for the construction of distribution system infrastructure. At December 31, 2010, accounts payable and accrued liabilities due to Enerpower were $1,651 (2009 - $1,927).

Enersource received a dividend from Enerpower Corporation of $332 during 2010 (2009 - $392).

Quarterly Results of Operations

The following table sets forth unaudited quarterly information for each of the eight quarters beginning January 1, 2009 and ending December 31, 2010. This information has been derived from Enersource's consolidated financial statements. These financial results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance. Revenue seasonality affects both the distribution revenue and energy revenue components within Enersource Hydro, and therefore energy and distribution related revenue, all other things being equal, tends to be higher during the first and third quarters.

($000 CAD)

	2010				2009			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Total Revenue	$155,984	$192,653	$158,220	$149,269	$144,541	$142,713	$126,455	$163,299
Total Expense	151,378	187,818	153,513	145,713	140,565	136,955	123,177	158,747
Net Income	$4,606	$4,835	$4,707	$3,556	$3,976	$5,758	$3,278	$4,552
Dividends	$10,538	-	-	-	$11,533	-	-	-

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements 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 year. Estimates and assumptions are based on historical experience, current conditions and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making estimates about the carrying values of assets and liabilities as well as identifying and assessing our accounting treatment with respect to commitments and contingencies. Actual results may differ from the critical accounting estimates and assumptions listed below:

Unbilled Energy and Distribution Revenue

Energy and distribution revenue attributable to the delivery of electricity is based upon market price or OEB approved commodity and distribution rates and is recognized as electricity is delivered to customers, which includes an estimate of unbilled revenue, representing electricity consumed by customers since the date of each customer's last meter reading. Actual electricity usage could differ from estimates.

Employee Future Benefits

The total change in the employee accrued benefit liability for the three months and year ended December 31, 2010 was $111 and $469 respectively, compared to $100 and $433 for the corresponding 2009 periods. The Corporation engages an actuary to estimate employee future benefit expenses and liabilities. Actual results may differ from estimates.

Future Income Tax Assets and Liabilities

The Corporation estimates and recognizes future income tax assets and liabilities as well as a regulatory asset or liability for future income taxes expected to be recovered from or refunded to customers through future distribution rates. As at December 31, 2010, the Corporation recorded future income tax assets of $32,540, future income tax liabilities of $189 and a corresponding regulatory liability for future income taxes of $32,644. The estimates and assumptions used by Management are based on enacted tax rates, historical experience and current regulatory conditions. Actual results may differ from these estimates and assumptions.

Capital Disclosure

Enersource's objectives with respect to its capital structure are to maintain effective access to capital on a long-term basis, at reasonable rates, and to deliver the appropriate financial returns to its shareholders.

Enersource Hydro is deemed by the OEB to have a capital structure that is funded by 56% long-term debt, 4% short-term debt and 40% equity. The OEB applies this deemed structure as a basis of determining how capital is funded for rate setting purposes only. The actual capital structure for Enersource Hydro may differ from the OEB deemed structure.

Enersource has covenants typically associated with long-term debt. Enersource is in compliance with all credit agreement covenants and limitations associated with its long-term debt.

The Corporation has the following material covenants associated with its long-term debt:

(a) The annual consolidated financial statements must be audited, comply with GAAP and be filed directly on The System for Electronic Document Analysis and Retrieval ("SEDAR").

(b) The Corporation shall make all payments of principal, interest and, as applicable, premiums in favour of Borealis Infrastructure Trust.

(c) The Corporation shall not incur, issue or become liable for obligations that exceed 75% of the total consolidated capitalization or provide another security interest upon the same assets as the debt.

(d) The Corporation shall not directly or indirectly invest in energy retailing unless at the time and after giving effect to the proposed investment:

  (i) No default or event of default shall have occurred and be continuing, or shall occur;

  (ii) The aggregate amount of all such investments made shall not exceed the greater of (a) $20,000 and (b) 5% of consolidated net worth.

FUTURE ACCOUNTING CHANGES

Transition to International Financial Reporting Standards

In October 2010, the Accounting Standards Board ("AcSB") issued an amendment to the Introduction of Part 1 of the Canadian Institute of Chartered Accountants ("CICA") Handbook to permit qualifying entities with rate-regulated activities the option to defer their adoption of IFRS to annual periods beginning on or after January 1, 2012. Entities using the deferral are required to disclose that fact.

Prior to this amendment, the AcSB required publicly accountable enterprises to adopt IFRS for interim and annual reporting periods beginning on or after January 1, 2011, including comparative amounts for the prior year.

The Corporation will continue to prepare its consolidated financial statements according to Canadian GAAP for 2011 and has elected to adopt IFRS for interim and annual financial statements relating to annual periods beginning on January 1, 2012.

In May 2008, the Canadian Securities Administrators issued Staff Notice 52-320, which provides guidance on the disclosure of changes in expected accounting policies relating to the change over to IFRS. According to the notice, Enersource is required to provide an update of the Corporation's IFRS conversion plan in each financial reporting period prior to conversion.

Enersource's IFRS conversion project consists of four phases: awareness, assessment, design and implementation. The awareness and assessment phases have been completed and included training of key stakeholders, identification of significant impacts on systems, processes and internal controls and completion of a detailed systematic gap analysis of the accounting and reporting differences between Canadian GAAP and IFRS.

Enersource is currently in the design and implementation phase of the IFRS conversion project which will assess and quantify the impacts of adopting IFRS on its financial statements after consideration of the options available under IFRS 1, First-time Adoption of IFRS. Enersource has determined that the adoption of IFRS will have a major impact on information system requirements and is currently in the process of upgrading and modifying its systems to ensure a seamless conversion to IFRS.

The areas of highest potential impact for Enersource are rate regulated accounting, accounting for property, plant and equipment and initial adoption of IFRS under the provisions of IFRS 1. Enersource anticipates a significant increase in disclosure requirements arising from the adoption of IFRS and will continue to assess whether additional system changes are required.

Accounting for rate regulated activities under IFRS

IFRS does not currently provide guidance on accounting for the effects of rate regulation and the recognition of regulatory assets and liabilities. On July 23, 2009, the International Accounting Standards Board ("IASB") issued an Exposure Draft - Rate Regulated Activities ("RRA ED"), proposing to allow entities that are subject to "cost of service" regulation to continue to recognize regulatory assets and liabilities at the net present value of expected future cash flows. This proposal, if adopted, would have reduced the volatility of Enersource's earnings that may occur under the current IFRS framework. The RRA ED also proposed an exception to the requirements of other standards by allowing the continued capitalization of otherwise ineligible costs within property, plant and equipment and intangible assets if such capitalization policies are permitted by the entities' regulator.

The final outcome of the RRA ED is uncertain at this time. In October 2010, the IASB concluded that it could not resolve the matter quickly and decided to obtain feedback through public consultation as to the next steps for the rate regulated project, which is expected to be determined and communicated by the second half of 2011.

As a result of the uncertainty relating to rate regulated accounting, Enersource is unable to finalize its accounting policy decisions, its transition choices or calculate the impact on future financial positions and results of operations with respect to differences, if any, of applying IFRS. Enersource will continue to monitor rate regulated accounting developments and will finalize its policy decisions and calculate the financial impacts after the final outcome is known.

An amendment to IFRS 1, related to the deemed cost exemption, was published in May 2010, in the annual "Improvements to IFRSs" amendment document, and applies to entities with operations subject to rate regulation. This exemption would permit, at the date of transition, use of the carrying values of property, plant and equipment and intangible assets as deemed cost, thus avoiding the need to restate historical balances or determine fair value. Enersource has elected to apply this exemption for all items of property, plant and equipment and intangible assets upon the adoption of IFRS.

Accounting policy impacts

IFRS 1 provides the framework for an entity that is preparing IFRS compliant financial statements for the first time and specifies retrospective application of all IFRS with certain optional exemptions and mandatory exceptions. Enersource has completed a preliminary analysis of IFRS 1 and has concluded that a number of the more significant policy choices are dependant on the final outcome relating to rate regulated accounting.

Property, plant and equipment

The general principles of Canadian GAAP and IFRS relating to property, plant and equipment ("IAS 16") and intangible assets ("IAS 38") are similar, however, the application of those principles under IFRS can be significantly different from Canadian GAAP.

Indirect overhead costs, such as general and administration costs that are not directly attributable to an asset, that are currently being capitalized under Canadian GAAP may not be allowed under IFRS, subject to final outcome of rate regulated accounting. Enersource has planned for adoption of current IFRSs, by redesigning its systems and processes to exclude general and administrative overhead from being allocated to property, plant and equipment or intangible assets. The impact on Enersource's financial results is dependent on the final outcome relating to rate regulated accounting.

Enersource expects to elect the new deemed cost exemption applicable to entities subject to rate regulation that permits, at the date of transition to IFRS, to use the previous Canadian GAAP carrying amount of items of property, plant and equipment and intangible assets as deemed cost.

On July 8, 2010, the OEB published an Asset Depreciation Study to assist Electricity Distributors in the transition to IFRS. This study is intended as a guide and distributors will remain responsible for the review and updates of the service lives for their particular assets for financial reporting and regulatory requirements. Effective on transition to IFRS, the OEB will no longer prescribe service lives for property, plant and equipment recorded in the accounts of the distributors.

When compared to Canadian GAAP, IFRS provides specific guidance regarding the componentization of an entity's property, plant and equipment and intangible assets. When an item of property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is accounted for separately (component accounting). Enersource was part of a consortium of five utilities that commissioned a third party to provide an in-depth evaluation of the estimated useful lives of the assets that are owned and operated by the consortium members. As a result of this evaluation and entity specific data, Enersource will increase the number of components that are recorded and depreciated separately and will revise the estimated average useful life of most assets under IFRS.

Borrowing costs

The key principle of Borrowing Costs ("IAS 23") is borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset will become part of the cost of that asset. Enersource currently capitalizes an allowance for funds used during construction ("AFUDC") as permitted by the OEB. The AFUDC rate is the yield rate for the DEX Mid-Term Corporate Bond Index which is different from Enersource's weighted average cost of capital specified by IAS 23.

The final estimate of the impact of applying IAS 23 and optional exemptions with respect to transition to IFRS cannot be determined at this time pending a final IFRS standard on rate regulated activities.

Employee benefits

IFRS 1 provides an option to recognize immediately in equity all cumulative actuarial gains and losses upon transition to IFRS. Enersource will elect to make a one-time adjustment to equity for cumulative actuarial gains and losses existing at the date of transition to IFRS. Based on the April 2010 employee benefits exposure draft, future actuarial gains and losses will be recognized as a component of other comprehensive income. This change is not expected to have a material impact on Enersource's results of operations.

Transfer of assets from customers

Transfer of assets from customers ("IFRIC 18") clarifies the requirements of IFRSs for agreements where an entity receives an item of property, plant and equipment (or cash to acquire such an item). Enersource currently records contributions in aid of construction as an offset to property, plant and equipment. According to IFRIC 18 requirements, an asset received should be recorded at its fair value in accordance with IAS 16, with the resulting credit recognized as deferred revenue in accordance with IAS 18 – Revenue and amortized over the life of the asset. This change is not expected to have a material impact on Enersource's results of operations.

Provisions and contingent liabilities

Under Canadian GAAP, a provision is recognized when it is "likely" that a payment will be required. In comparison, IFRS requires that provisions be recognized when it is "more likely than not" that a payment will be required. In addition, under Canadian GAAP, asset retirement obligations are recognized as a provision and an item of property, plant and equipment, only when a legal obligation to incur such costs exists. Under IFRS, such costs including removal, decommissioning and remediation costs are recognized as a provision and as part of the cost of property, plant and equipment when either a legal or a constructive obligation to incur such costs exists. Under IFRS such costs are measured based on management's best estimate of the expenditures that will occur, whereas under Canadian GAAP, asset retirement obligations are measured at fair value. Under Canadian GAAP Enersource has not recorded any asset retirement obligations. Even though the analysis is continuing, the new requirements are not expected to lead to a material financial impact on the financial statements of Enersource.

Income taxes

The impact of accounting for the tax consequences of transactions and other events under Income Taxes – IAS 12 versus Canadian GAAP cannot be fully determined at this time pending a final standard on accounting for rate regulated activities.

Information systems

Despite the lack of certainty regarding rate regulated accounting, detailed design activities were undertaken and reconfiguration of information systems have commenced. In January 2010, Enersource successfully implemented dual ledger functionality necessary to accommodate both Canadian GAAP and IFRS financial reporting.

The extent to which the financial statements prepared under Canadian GAAP and those prepared under IFRS differ cannot be determined due to the uncertainty relating to rate regulated accounting. Enersource has designed and implemented an adaptable approach to IT infrastructure in order to maintain the flexibility of reporting with or without a rate regulated IFRS.

Internal control over financial reporting ("ICFR") and Disclosure controls and procedures ("DC&P")

As new accounting policies are adopted or existing policies changed, Management has implemented additional procedures or new disclosure and internal controls to ensure the integrity of ongoing financial reporting.

Management will continue to work with its IFRS transition advisor, internal and external auditors as well as other key stakeholders to ensure that the certifying officers, the members of Enersource's Audit Committee and Board of Directors are provided with sufficient assurance on the design and operation of internal controls and procedures required for IFRS.

Project completion and estimated costs

The implementation phase will culminate in the collection of financial information necessary to compile IFRS-compliant financial statements with reconciliations and the incorporation of IFRS in ongoing business processes. The final phase will see the Audit Committee and Board of Directors review and approve IFRS-compliant interim and annual financial statements.

Enersource currently estimates that the total cost of the IFRS conversion project will be between $1,800 and $2,500. The OEB has approved a deferral account for incremental IFRS transition costs which will allow Enersource Hydro to seek recovery of these costs through future distribution rates.

RISK MANAGEMENT

Enersource utilizes a risk management program to mitigate business risk while optimizing shareholder value. A corporate risk assessment is undertaken annually under the guidance of Enersource's Audit Committee. This annual assessment identifies all operating risks for the organization and categorizes these risks according to significance and probability of occurrence. Risks that are deemed significant with a moderate to high probability of occurrence are analyzed for the purpose of developing mitigating strategies and implementing or validating operational controls. The annual risk assessment is a comprehensive review of all risks and mitigating controls to derive "residual risk".

Regulatory Risk

Enersource Hydro's operations are regulated by the OEB. The OEB exercises statutory authority over matters such as operational performance, rate setting, and financial returns.

The Ontario Government has provided a revenue adjustment mechanism to compensate utilities for lost revenues as a result of conservation programs. Until the rate application for recovery of lost revenues is submitted and appropriate recovery rates are permitted by the OEB, distribution revenues lost as a result of conservation programs remain at risk.

Electricity Supply Risk

At peak consumption periods the Independent Electricity System Operator ("IESO") may issue public appeals for reduced energy consumption with warnings of brownouts or blackouts if consumption is not reduced. In the event of a brownout or blackout in Mississauga due to electricity consumption levels exceeding available supply from the IESO, Enersource Hydro's distribution revenue would be adversely affected and as such, represents financial risk to the company.

Environmental Risk

Enersource is subject to Canadian federal, provincial and municipal environmental regulations. As part of the Corporation's risk mitigation strategy, environmental assessments and environmental remediation is underway at various sites. The Corporation records a liability for the estimated future expenditures associated with the testing and remediation of contaminated lands at various municipal substations and neighbouring properties. Actual future environmental expenditures may vary from these estimates. As at December 31, 2010, the Corporation provided $217 (2009 - $450) for testing and future remediation.

Environment Canada issued new regulations governing the management of polychlorinated biphenyls ("PCBs"). On December 1, 2008, the OEB approved Enersource Hydro's request to defer any expenses incurred to comply with the new regulations. As at December 31, 2010 the Corporation deferred expenses of $974 (2009 - $914) relating to compliance with the new regulations.

Financial Instrument Risk

Exposure to market risk, credit risk and liquidity risk arises in the normal course of Enersource's business.

(a) Market Risk

Market risk refers primarily to risk of losses that result from changes in commodity prices, foreign exchange rates and interest rates. Enersource does not have commodity risk due to the flow through nature of commodity costs and its foreign exchange risk is not considered material since its exposure is limited to U.S. Dollar cash and cash equivalent holdings of $103 as at December 31, 2010.

Distribution rates and charges are currently based on a revenue requirement less other income, which includes interest income. The difference between actual interest income earned by Enersource Hydro and the interest revenue reduction approved by the OEB may have a negative impact on the results of operations.

The Borealis – Enersource series bonds mature in May, 2011 and are expected to be refinanced at that time. Enersource believes that the risk in any change in interest rates on refinanced debt is insignificant as the impact would be reflected in future distribution rates.

(b) Credit Risk

Enersource manages counterparty credit risk through various techniques including the limiting of total exposure levels with individual counterparties consistent with Enersource's policies and the monitoring of the financial condition of counterparties. Short-term investments held as at December 31, 2010 met the criteria specified under Enersource's Investment Policy.

Financial assets create credit risk in that a counter party may fail to discharge its obligation, causing a financial loss. Enersource Hydro's distribution revenue is earned on a broad base of customers principally located in Mississauga. As a result, Enersource did not earn a significant amount of revenue from any individual customer. As at December 31, 2010, there were no significant balances of accounts receivable due from any single customer.

Management believes that the credit risk of accounts receivable is limited due to the following reasons:

1. There is a broad base of customers with no single customer that accounts for revenue or an accounts receivable balance in excess of 10% of the respective balance;
2. Enersource Hydro as permitted by the OEB's Retail Settlement and Distribution System Code may obtain a security deposit or letter of credit from customers to mitigate the risk of payment default; and,
3. Enersource Hydro included an amount for accounts receivable write-offs within operations, maintenance and administration expense for rate setting purposes.

(c) Liquidity Risk

Liquidity risk is the risk that Enersource will not be able to meet its financial obligations as they come due. Short-term liquidity is provided through cash and cash equivalents on hand, funds from operations, as well as an established $50,000 banking line of credit as required. Short-term liquidity is currently sufficient to fund normal operating requirements.

The Borealis – Enersource series bonds mature in May, 2011 and are expected to be refinanced at that time. Enersource believes that the risk in any change in interest rates on refinanced debt is insignificant as the impact would be reflected in future distribution rates.

Economic Risk

Economic uncertainty and financial market volatility may have an impact on Enersource. The primary financial impact Enersource may experience is higher customer payment defaults, resulting in larger accounts receivable write-offs. Management believes that its current credit risk policy and customer credit monitoring procedures mitigate to the fullest extent possible, the potential of a significant financial loss. If a significant loss is incurred, Enersource would apply to the OEB to recover the loss through future distribution rates.

Economic conditions could also lead to lower overall electricity consumption, which may negatively impact Enersource Hydro's distribution revenue.

OUTLOOK

On March 2, 2010, the Electricity Distributors Association ("EDA") reached a settlement in principle in a class action suit which claimed that Local Distribution Companies ("LDCs") were charging late payment interest at effective rates in excess of 60% per year, which is illegal under Section 347(1)(b) of the Criminal Code. The settlement received consent and approval by all LDCs. On July 22, 2010 the Ontario Superior Court of Justice approved the settlement which stipulates that LDCs will collectively pay $17,000 in damages by June 30, 2011 to the Winter Warmth Fund or similar charities, after deducting legal fees. On February 22, 2011 the OEB approved the recovery of the late payment penalty through distribution rates effective May 1, 2011.

Ontario's Green Energy and Green Economy Act ("GEGEA") is intended to encourage renewable (green) generation, energy conservation and create green jobs. The GEGEA requires that electricity distributors provide priority access to the electricity distribution system for renewable electricity generation facilities. The Corporation is required, when requested by developers of renewable generators, to make additional distribution system investments in order to facilitate renewable generation projects and to increase the functionality and reliability of its distribution infrastructure in order to comply with the GEGEA. The GEGEA also grants the Ministry of Energy ("MOE") the authority to issue directives to the OEB and the OPA to assign and fund energy CDM programs with targets as a condition to a distributor's license.

On September 16, 2010, the OEB issued the CDM Code for Electric Distributors that outlines the obligation and requirement on distributors to deliver OPA designed and funded CDM programs. On

November 1, 2010, the Corporation submitted its four year CDM Strategy for the 2011 to 2014 period in accordance with the filing requirements set out in the CDM Code. The Corporation will implement province-wide CDM programs funded by the OPA and will examine opportunities for delivering joint distributor designed programs where funding and regulatory approval are available. Any investments made by the Corporation will depend, to a large extent, on how it will receive funding.

A new "Special Purpose Charge" has been imposed by the MOE to cover the government's conservation and green energy program. Enersource Hydro paid $3,016 to the MOE on July 30, 2010 and has been authorized to recover this amount by charging all customers an additional rate effective August 1, 2010 to July 31, 2011.

In October 2010, Enersource Hydro submitted a formula based rate application to the OEB for the rate period May 1, 2011 through April 30, 2012. A decision regarding this application is expected in the first quarter of 2011.

Enersource will continue to focus on operational excellence, customer care and shareholder value in its regulated and non-regulated businesses with a continued emphasis on growth and financial stability.

Forward looking information

Readers should be aware that historical results are not necessarily indicative of future performance. As well, this MD&A contains certain forward-looking statements that reflect Enersource's current expectations, as well as projections about its future operations. These future expectations and projections are subject to business risks, uncertainties and other factors including, but not limited to, regulatory risk and electricity supply risk. Readers are cautioned that actual performance may differ materially from estimated performance based upon the forward-looking statements and that these forward-looking statements speak only as of the date of this MD&A. Enersource has no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by legislation.

ONTARIO SECURITIES COMMISSION REQUIRED DISCLOSURES

Certification of Disclosure in Issuers' Annual and Interim Filings

The Corporation is a reporting issuer and, as such, must comply with Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* (the "Instrument"). Enersource is further sub-classified as a venture issuer and our certifying officers have reviewed and certified the annual filings for the year ended December 31, 2010.

Corporate Governance Disclosure

Enersource Corporation is a reporting issuer and, as such, must comply with National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. Enersource is further sub-classified as a venture issuer and provides the following disclosures in accordance with the instrument.

As at December 31, 2010, Enersource Corporation Board of Directors (the "Board") was comprised of Norman B. Loberg (Chair), Mayor Hazel McCallion, Michael J. Nobrega, Gerald E. Beasley, John McManus, Robert MacCallum, Hasan Imam, Katie Mahoney, Eve Adams and Carolyn Parrish. On February 23, 2011, the City delivered a Direction to Enersource Corporation advising that Eve Adams and Carolyn Parrish are to be replaced by Ron Starr and Pat Saito. All of the members of the Board are independent within the meaning defined by section 1.4 of Multilateral Instrument 52-110.

The Board Chair is Norman B. Loberg who is an independent director. The principal role of the Chairman is, as the presiding member of the Board and accountable to the Board, to ensure that the relationships between the Board and Management, the shareholders, other stakeholders and the individuals on the Board are managed effectively and efficiently and further the best interests of the Corporation.

The independent directors hold regular meetings. These meetings are attended by Management and there are no non-independent directors. A portion of every Board of Directors meeting is held without the attendance of Management.

The following member of Enersource's Board of Directors serves on a Board of Directors of another reporting issuer:

Director	**Reporting Issuer**
Norman B. Loberg	Greater Toronto Airports Authority

Enersource provides new directors with detailed orientation information materials explaining the history of the company and the industry within which it operates, financial and budget information and the company's strategic direction. Management strives to ensure that directors are kept fully informed of new relevant information.

Enersource promotes integrity as one of the foundations of its vision and values. In order to further encourage and promote a culture of ethical business conduct, the board has adopted a written code of ethics for the directors, officers and employees. The code has been distributed to all directors, officers and employees. Additional copies of the code are available internally on the corporation's intranet and from the Human Resources Department and a copy has been externally filed on SEDAR.

Compliance by directors is monitored by the Chair through his observations of compliance and through annual interviews between himself and each director. Compliance by officers and employees is assessed by a management ethics committee and violations are reported to the Human Resources and Corporate Governance Committee. Enersource employees may report violations anonymously using a confidential telephone number or electronic submission, monitored by an objective third party.

Formal nomination and appointment of a director to the Enersource Board of Directors is made by Enersource's shareholders, although, under certain circumstances, an appointment may be made by the board of directors.

On February 14, 2007, the Council of the City of Mississauga passed a resolution that the Enersource Board of Directors be composed of the Mayor, three City Councilors and four citizens to be appointed by Council and two members to be appointed by Borealis.

Periodically, compensation of the board members is reviewed by the Human Resources and Corporate Governance Committee and, as appropriate, it makes recommendations to the board of directors for amendments. All amendments to director compensation must be approved by Enersource's shareholders.

Four Board Committees report to the Board:

Audit Committee

The Audit Committee is accountable to the Board for providing oversight of the reliability and integrity of the Corporation's accounting principles and practices, business planning, financial reporting, system of internal control, management information and risk management processes.

The internal auditor and external auditor are invited to attend all meetings of the Audit Committee and receive all agendas and associated material. As part of all meetings, the Audit Committee meets with the internal and external auditors independent of management.

Human Resources and Corporate Governance Committee

The Human Resources and Corporate Governance Committee is accountable to the Board for oversight of the Corporation's human resources and compensation policies and practices. The Committee is also responsible for ensuring that effective corporate governance processes are in place and for making recommendations to the Board with respect to the development, implementation and modification of those processes.

Development Committee

The Development Committee is accountable to the Board for providing oversight of the Corporation's business development plans and activities and for making recommendations to the Board with respect to their potential applicability, risks and rewards.

Health, Safety, Security and Environment Committee

The Health, Safety, Security and Environment Committee is accountable to the Board for oversight of the management of the Corporation's health, safety, security and environmental risks and making recommendations to the Board with respect to development, implementation, communication, and related management processes.

Mandates are in place for the Board, individual Directors, the Chairman, the President and Chief Executive Officer, and the four committees of the Board. In early 2009, the Board carried out a review of its effectiveness through individual meetings with the Chairman aided by self assessment questionnaires. Each Board Committee also reviewed its effectiveness.

($000 CAD)

Attendance at Board and committee meetings is as follows:

	Board	Audit	Human Resource and Corporate Governance	Development	Health, Safety, Security and Environment	Director Attendance Percentage Board	Director Attendance Percentage Committees
Number of Meetings	6	7	3	0	5	6	15
Attendance Percentage	92%	100%	93%	0	80%	92%	91%
Board Members							
Norman B. Loberg	Chair		Chair		X	100%	87%
Mayor Hazel McCallion	X			X		67%	n/a
Michael J. Nobrega	X			Chair		100%	n/a
Gerald E. Beasley	X	Chair		X		100%	100%
John McManus	X	X			X	100%	83%
Robert MacCallum	X		X		Chair	100%	100%
Hasan Imam	X	X		X		100%	100%
Katie Mahoney	X		X		X	100%	87%
Eve Adams	X		X	X	X	100%	87%
Carolyn Parrish	X		X	X		50%	66%

Audit Committee Responsibilities and Composition

Enersource Corporation is a reporting issuer and, as such, must comply with Multilateral Instrument 52-110 – *Audit Committees*. Enersource is further sub-classified as a venture issuer and provides the following disclosures in accordance with the instrument.
The mandate of the Audit Committee is as follows:

1. Give advice and recommendations to the Board on financial and audit matters.
2. Review the risk management and insurance programs in place to be satisfied that they take into account the opportunities and risks of the business and evaluate their appropriateness in terms of identifying, monitoring and mitigating significant business risks.
3. Assure itself as to the integrity of internal control and management information systems.
4. Review the annual audited financial statements and assure itself that they are fairly presented in all material aspects in accordance with generally accepted accounting principles and that the accounting policies are appropriate before submission to the Board.

5. Review, prior to their public disclosure, public financial and disclosure documents and other reports required to be filed with security regulatory agencies and assure itself that disclosure is accurate, complete and fairly presents the financial position and the risks of the Corporation.
6. Review the Corporation's annual report prior to the review and approval by the Board of Directors and subsequent public disclosure.
7. Review the overall scope and adequacy of external and internal audit plans, and be satisfied as to the independence of the auditors.
8. Review reports issued by internal and external auditors and management's response and action plans taken to remedy any identified weaknesses.
9. Pre-approve all audit-related and non-audit services to be provided by the external auditor in accordance with the approved policy.
10. Review and approve the Corporation's hiring policies regarding partners, employees, and former partners and employees of the present and former external auditor.
11. The external auditors report directly to the Audit Committee. Review performance of the external auditors and annually recommend the appointment of the external auditors, including auditors' fees.
12. Review any significant legal or regulatory issues.
13. Review policies and procedures with respect to the Chairman of the Board, the President and Chief Executive Officer, and Director's expenses, and periodically review a summary of major expenses incurred by the Chairman and the President and Chief Executive Officer.
14. At least once each quarter, the Audit Committee will meet with both the Corporation's internal and external auditors, in the absence of any management representatives.
15. Engage independent counsel and other advisors as necessary and set the associated compensation.
16. Review annually the Audit Committee mandate and the Committee's effectiveness in carrying out the mandate.
17. As with the Human Resource and Corporate Governance Committee, receive reports from the Director, Internal Audit and Enterprise Risk regarding information received through the Corporation's "whistleblower" facility and determine the impact on internal controls and/or financial statements, if any.

The members of Enersource's Audit Committee are Gerald E. Beasley (Chair), Hasan Imam and John McManus. On March 8, 2011 Ron Starr was appointed to the Enersource's Audit Committee. All members are independent and financially literate as defined under applicable Canadian securities legislation.

Mr. Beasley holds an MBA from the University of Western Ontario with a specialty in Finance. Mr. Beasley's business experience includes thirty-one years with the Canadian Imperial Bank of Commerce ("CIBC") concentrating in credit risk management, both domestic and international. Integral to this function is a broad and deep understanding of corporate financial statements. His last position with CIBC was Senior Executive Vice President, Risk Management, which he held for eight years. In addition to his Board of Director duties at Enersource, Mr. Beasley also currently serves on the Board and Audit Committee of First Canadian Title Insurance Co. Ltd. (not a reporting issuer). In the past, Mr. Beasley has served on the Board of Directors of Allstream Corp., Newcourt Credit Corporation, CIBC Insurance, Edulinx Corporation and Trillium Health Centre Foundation among others.

Mr. Imam holds an MBA from Concordia University with majors in Finance and Operations Research. His business experience consists of over twenty years in Marketing and Strategic Planning at the Executive level, including full balance sheet and income statement responsibility for major business segments within the beverage industry. He also has experience in budgeting and acquisitions and divestitures. Mr. Imam currently serves on the Board of Safe City Mississauga and the Humber College Advisory Board. In the past, Mr. Imam has served on numerous Boards including Diageo Finance Canada Ltd., Pet Canada Holdings Inc., Gilbey Canada Investments Ltd. and I.D.V. Wines & Spirits Inc.

Mr. McManus is a member of the Canadian Institute of Chartered Accountants. He currently serves as Executive Vice President at Borealis Infrastructure, an investment arm of OMERS. Mr. McManus is a current member of several Boards, including Bruce Power Inc., Enwave Corporation and Ciel Satellite Communications Inc.

Mr. Starr holds a Bachelor of Science degree in Engineering from Michigan Technological University and is a designated P.Eng and Professional Land Economist. He is currently a member of the City of Mississauga's Council and serves on both the City's and the Region of Peel's Audit Committee. Prior to his Councillor role, he was President of Deanlee Management Inc., Mississauga, which managed, consulted or participated in approximately $1 billion in land and building developments in the Greater Toronto Area since 1980. Mr. Starr also served on the Hydro Mississauga Commission for over twenty-five years, serving as Chairman for a period of time, and is a past President of the Municipal Electrical Association (now the EDA). Mr. Starr has served on many City and Regional committees including past Vice-Chairman of the Credit Valley Hospital Foundation, past President of the Mississauga Board of Trade and continues to serve as a Trustee on the Michigan Technological University Foundation Board.

Enersource Corporation has not been granted by the securities regulatory authority any exemptions from complying with Multilateral Instrument 52-110, dated March 26, 2004 and revised June 17, 2005.

Enersource Corporation's Audit Committee, per its mandate, must approve all audit and non-audit engagements with Enersource Corporation's external auditors, and as such, no pre-approval policies and procedures are in place.

External Auditor Service Fees:

(a) Audit Fees
The KPMG audit fees in 2010 were $88 and $87 in 2009.

(b) Audit-Related Fees
The total KPMG audit-related fees in 2010 were $24 and $21 in 2009. The audit-related fees pertained to quarterly reviews of Enersource's interim financial statements.

(c) Tax Fees
The KPMG tax fees in 2010 were $14 and $25 in 2009. These fees pertained to the preparation of tax returns for Enersource Corporation and its subsidiaries.

(d) All Other Fees

Other KPMG fees in 2010 were $305 and $310 in 2009. These fees pertained to an initial evaluation of the impact of International Financial Reporting Standards and scientific research and experimental development services.

Enersource Corporation is venture issuer and is exempt from the requirements of Parts 3 (*Composition of the Audit Committee*) and 5 (*Reporting Obligations*) under section 6.1, Multilateral Instrument 52-110.