Algonquin Opportunity (No. 1) Corporation

Financial Statements

For the year ended 31 December 2016

**Collins Barrow Ottawa LLP**
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# Independent Auditor's Report

**To the Shareholders of Algonquin Opportunity (No.1) Corporation**

We have audited the accompanying financial statements of Algonquin Opportunity (No.1) Corporation, which comprise the balance sheet as at December 31, 2016, and the statements of operations, deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Accounting Standards for Private Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Algonquin Opportunity (No.1) Corporation as at December 31, 2016, and the results of operations and cash flows for the year then ended in accordance with Canadian Accounting Standards for Private Enterprises.

*Other Matter*

The financial statements of Algonquin Opportunity (No.1) Corporation as at December 31, 2015, were audited by another auditor who expressed an unqualified opinion on those financial statements.

Collins Barrow Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants
March 22, 2017
Ottawa, Ontario

Algonquin Opportunity (No. 1) Corporation

Balance Sheet

As at 31 December 2016
(with 2015 figures for comparison)

| | 2016 | 2015 |
|---|---|---|
| **ASSETS** | | |
| Current: | | |
| Cash in bank | $ 51,436 | $ 51,287 |
| Short term investments (Note 5) | 722,199 | 720,000 |
| Accrued interest | 7,967 | 785 |
| | $ 781,602 | $ 772,072 |
| **LIABILITIES AND SHAREHOLDER'S DEFICIT** | | |
| Current liabilities: | | |
| Accounts payable | $ 1,500 | $ 7,091 |
| Due to Algonquin Treaty Negotiation Funding Trust (Note 6) | 38,496 | 20,621 |
| | $ 39,996 | $ 27,712 |
| Long term liability: | | |
| Due to Province of Ontario (Note 7) | $ 750,000 | $ 750,000 |
| | $ 789,996 | $ 777,712 |
| Shareholder's deficit: | | |
| Capital stock: | | |
| Authorized - unlimited number of common shares | | |
| Issued - 100 common shares | $ 10 | $ 10 |
| Deficit (Note 8) | (8,404) | (5,650) |
| | $ (8,394) | $ (5,640) |
| | $ 781,602 | $ 772,072 |

Approved on behalf of the Board: ______________________

(See accompanying notes)

Algonquin Opportunity (No. 1) Corporation

Statement of Deficit

For the year ended 31 December 2016
(with 2015 figures for comparison)

| | 2016 | 2015 |
|---|---|---|
| Balance at the beginning of the year | $ (5,650) | $ - |
| Net loss for the year | (2,754) | (5,650) |
| Balance at the end of the year | $ (8,404) | $ (5,650) |

(See accompanying notes)

Algonquin Opportunity (No. 1) Corporation

Statement of Operations

For the year ended 31 December 2016
(with 2015 figures for comparison)

| | 2016 | 2015 |
|---|---|---|
| Revenue: | | |
| Investment income | $ 9,530 | $ 8,276 |
| Expenses: | | |
| Accounting and audit | $ 6,521 | $ 6,316 |
| Consulting and legal | 5,763 | 7,610 |
| | $ 12,284 | $ 13,926 |
| Net loss for the year | $ (2,754) | $ (5,650) |

(See accompanying notes)

Algonquin Opportunity (No. 1) Corporation

Statement of Cash Flows

For the year ended 31 December 2016
(with 2015 figures for comparison)

| | 2016 | 2015 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss for the year | $ (2,754) | $ (5,650) |
| Net change in non cash working capital balances related to operations: | | |
| - Decrease (increase) in accrued interest | (7,182) | (785) |
| - Increase (decrease) in accounts payable | (5,591) | 2,091 |
| Cash flows used for operating activities | $ (15,527) | $ (4,344) |
| Cash flows from (used for) investing activities: | | |
| (Increase) decrease in short term investments | $ (2,199) | $ 43,796 |
| Cash flows from financing activities: | | |
| Increase in due to Algonquin Treaty Negotiation Funding Trust | $ 17,875 | $ 11,835 |
| Net increase in cash and cash equivalents during the year | $ 149 | $ 51,287 |
| Cash and cash equivalents at the beginning of the year | 51,287 | - |
| Cash and cash equivalents at the end of the year | $ 51,436 | $ 51,287 |

(See accompanying notes)

Algonquin Opportunity (No. 1) Corporation

Notes to the Financial Statements

For the year ended 31 December 2016

## 1. NATURE OF THE BUSINESS

The company was incorporated on 23 March 2009 under the laws of Ontario and its operations consist of pursuing economic development opportunities.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises which are part of Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Revenue recognition:
Revenue, including investment income, is recorded on the accrual basis of accounting.

b) Use of estimates:
The preparation of financial statements in accordance with Canadian Accounting Standards for Private Enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from management's best estimates as additional information becomes available in the future.

c) Income taxes:
The company uses the income taxes payable method of accounting for income taxes. Under this method, the company reports as an expense (income) of the period only the cost (benefit) of current income taxes determined in accordance with the rate established by taxation authorities.

d) Cash and cash equivalents:
Cash and cash equivalents are comprised of cash and investments due no greater than three months from the date of acquisition or that are cashable on demand.

e) Financial instruments:
The company's financial instruments consist of cash in bank, short term investments, accrued interest, accounts payable, due to Algonquin Treaty Negotiation Funding Trust and due to Province of Ontario. The carrying amount approximates their fair value, except where fair values are not readily obtainable.

## 3. FINANCIAL INSTRUMENTS

Risks and concentrations:
The company is exposed to various risks through financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the company's risk exposure at the balance sheet date, 31 December 2016.

Liquidity risk:
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with the financial liabilities. The enterprise is exposed to this risk mainly in respect of its accounts payable, due to Algonquin Treaty Negotiation Funding Trust and due to Province of Ontario.

Credit risk:
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The company is not exposed to any significant credit risk.

Market risk:
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk; currency risk, interest rate risk and other price risk. The company is mainly exposed to interest rate risk.

Interest rate risk:
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is exposed to interest rate risk on its short term investments. Fixed income investments subject the company to a fair value risk.

## 4. ECONOMIC DEPENDENCE

The company is dependent on funding from the Government of Ontario to finance their operations.

## 5. INVESTMENTS

| Investments consist of: | 2016 | 2015 |
|---|---|---|
| Current: | | |
| Bank of Nova Scotia, cashable, 0.7% matured 30 November 2016 | | $ 320,000 |
| Bank of Nova Scotia, non redeemable, 1.75% matures 30 May 2017 | $ 400,000 | 400,000 |
| Bank of Nova Scotia, cashable, 0.7% matures 22 November 2017 | 160,000 | |
| Bank of Nova Scotia, non redeemable, 1.39% matures 22 November 2017 | 162,199 | |
| | $ 722,199 | $ 720,000 |

## 6. DUE TO ALGONQUIN TREATY NEGOTIATION FUNDING TRUST

The Algonquin Treaty Negotiation Funding Trust is related by common control through the Algonquins of Ontario Opportunities Trust which is the shareholder of the company.

The amount due to Algonquin Treaty Negotiation Funding Trust is interest free and has no specific repayment terms.

All transactions with related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by related parties.

## 7. DUE TO PROVINCE OF ONTARIO

The amount due to Province of Ontario is interest free and has no specific repayment terms. The amount is available to offset deficit position that is determined not to be recoverable.

## 8. DEFICIT

The deficit can be offset by a reduction in the amount due to Province of Ontario if determined the amount is not recoverable by future net income.

## 9. INCOME TAXES

a) Income taxes are accounted for by the taxes payable method. Under the taxes payable method, only current income tax assets and liabilities are recognized. As a result, the company's income tax expense varies from the amount that could otherwise result from the application of the statutory income tax rates.

b) Income tax loss carryforward:

| | |
|---|---|
| 2,035 | $ 5,650 |
| 2,036 | 2,754 |
| | $ 8,404 |