Algonquin Opportunity (No.1) Corporation

Financial Statements
For the year ended December 31, 2018

bakertilly

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Independent Auditor's Report

To the Shareholder of the
Algonquin Opportunity (No.1) Corporation

Opinion

We have audited the financial statements of Algonquin Opportunity (No.1) Corporation (the "Company") which comprise the balance sheet as at December 31, 2018, and the statements of operations and retained earnings, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Private Enterprises.

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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 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.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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.

Baker Tilly Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants
May 23, 2019
Ottawa, Ontario

Algonquin Opportunity (No. 1) Corporation

Balance Sheet

As at 31 December 2018
(with 2017 figures for comparison)

	2018	2017
ASSETS		
Current:		
Cash in bank	$ 12,972	$ 12,967
Short term investments (Note 5)	2,254,967	736,126
Accrued interest	23,590	4,596
	$ 2,291,529	$ 753,689
LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 1,500	$ 1,500
Due to Algonquin Treaty Negotiation Funding Trust (Note 6)	15,560	6,780
Income taxes payable	12,270	
	$ 29,330	$ 8,280
Long term liability:		
Due to Province of Ontario (Note 7)	$ 2,250,000	$ 750,000
	$ 2,279,330	$ 758,280
Shareholder's equity (deficit):		
Capital stock:		
Authorized - unlimited number of common shares		
Issued - 100 common shares	$ 10	$ 10
Retained earnings (deficit)	12,189	(4,601)
	$ 12,199	$ (4,591)
	$ 2,291,529	$ 753,689

Approved on behalf of the Board: ______________________

(See accompanying notes)

Algonquin Opportunity (No. 1) Corporation

Statement of Retained Earnings (Deficit)

For the year ended 31 December 2018
(with 2017 figures for comparison)

	2018	2017
Balance at the beginning of the year	$ (4,601)	$ (8,404)
Net income for the year	16,790	3,803
Balance at the end of the year	$ 12,189	$ (4,601)

(See accompanying notes)

Algonquin Opportunity (No. 1) Corporation

Statement of Operations

For the year ended 31 December 2018
(with 2017 figures for comparison)

	2018	2017
Revenue:		
Investment income	$ 37,840	$ 10,583
Expenses:		
Accounting and audit	$ 8,780	$ 6,780
Income before income taxes	$ 29,060	$ 3,803
Income taxes (Note 8)	12,270	
Net income for the year	$ 16,790	$ 3,803

(See accompanying notes)

Algonquin Opportunity (No. 1) Corporation

Statement of Cash Flows

For the year ended 31 December 2018
(with 2017 figures for comparison)

	2018	2017
Cash flows from operating activities:		
Net income for the year	$ 16,790	$ 3,803
Net change in non cash working capital balances related to operations:		
- Decrease (increase) in accrued interest	(18,994)	3,371
- Increase (decrease) in income taxes	12,270	
Cash flows from operating activities	$ 10,066	$ 7,174
Cash flows used for investing activities:		
Increase in due to the Province of Ontario	$ 1,500,000	
Increase in short term investments	(1,518,841)	$ (13,927)
Cash flows used for investing activities	$ (18,841)	$ (13,927)
Cash flows from (used for) financing activities:		
Increase (decrease) in due to Algonquin Treaty Negotiation Funding Trust	$ 8,780	$ (31,715)
Net increase (decrease) in cash and cash equivalents during the year	$ 5	$ (38,468)
Cash and cash equivalents at the beginning of the year	12,967	51,436
Cash and cash equivalents at the end of the year	$ 12,972	$ 12,967
Comprised of:		
Cash in bank	$ 12,972	$ 12,967

(See accompanying notes)

Algonquin Opportunity (No. 1) Corporation

Notes to the Financial Statements

For the year ended 31 December 2018

1. NATURE OF THE BUSINESS

The company was incorporated on 23 March 2009 under the laws of Ontario and its operations consist of land acquisition per revised agreement with the Province of Ontario.

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 2018.

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.

3. FINANCIAL INSTRUMENTS (Continued)

Credit risk:
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The 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 Province of Ontario to finance their operations.

5. INVESTMENTS

Investments consist of:	2018	2017
Current:		
Bank of Nova Scotia, cashable, 2.5% matures 8 April 2020	$ 579,438	
Bank of Nova Scotia, cashable, 1.85% matures 1 August 2019	1,511,075	
Bank of Nova Scotia, non-redeemable, 2.0% matures 22 February 2019	164,454	
Bank of Nova Scotia, non-redeemable, 1.7% matured 1 June 2018		$ 410,552
Bank of Nova Scotia, cashable, .92% matured 27 November 2018		161,120
Bank of Nova Scotia, non-redeemable, 2.0% matures 22 February 2019		164,454
	$ 2,254,967	$ 736,126

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

a) The amount due to Province of Ontario is interest free and has no specific repayment terms.

b) The amount of $ 2,250,000 will be used to acquire parcels of land on a willing buyer/willing seller basis, with sufficient dollars to be retained to develop and maintain the properties.

c) The extent not repaid to Province of Ontario or to the extent Province of Ontario relinquishes its rights of repayment shall be credited to and set off against the Province of Ontario capital transfer under the final settlement agreement.

8. INCOME TAXES

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 as set out below:

	2018	2017
Net income before income taxes	$ 29,060	$ 3,803
Expected income tax at the combine rate of 50.17% (2017 - 50.17%)	$ 14,579	$ 1,905
Tax on loss carried forward to (from) a prior taxation year	(2,309)	(1,905)
Income tax expense for the year	$ 12,270	$ -