Algonquin Opportunity (No. 3) Corporation

Financial Statements

For the year ended December 31, 2018

bakertilly

Baker Tilly Ottawa LLP
Chartered Professional Accountants
400-301 Moodie Drive
Ottawa, ON
Canada K2H 9C4

T: +1 613.820.8010
F: +1 613.820.0465

ottawa@bakertilly.ca
www.bakertilly.ca

Independent Auditor's Report

To the Shareholder of the
Algonquin Opportunity (No. 3) Corporation

Opinion

We have audited the financial statements of Algonquin Opportunity (No. 3) Corporation (the "Company") which comprise the balance sheet as at December 31, 2018, and the statements of operations and deficit, 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.

Independent Auditor's Report (continued)

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.3) Corporation

Balance Sheet

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

	2018	2017
ASSETS		
Current:		
Cash	$ 10	$ 10
Investment in partnership (Note 4)		1
	$ 10	$ 11
LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIT)		
Current liabilities:		
Due to Algonquins of Ontario Opportunities Trust (Note 5)	$ 1	$ 1
Due to Algonquin Treaty Negotiation Funding Trust (Note 6)	4,074	2,147
	$ 4,075	$ 2,148
Shareholder's equity (deficit):		
Capital stock:		
Authorized - unlimited number of common shares		
Issued - 100 common shares	$ 10	$ 10
Deficit	(4,075)	(2,147)
	$ (4,065)	$ (2,137)
	$ 10	$ 11

Approved on behalf of the Board:

(See accompanying notes)

Algonquin Opportunity (No.3) Corporation

Statement of Operations and Deficit

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

	2018	2017
Expenses:		
Professional fees	$ 1,927	$ 2,147
Loss on investment	1	
Net loss for the year	$ (1,928)	$ (2,147)
Deficit at the beginning of the year	(2,147)	-
Deficit at the end of the year	$ (4,075)	$ (2,147)

(See accompanying notes)

Algonquin Opportunity (No.3) Corporation

Statement of Cash Flows

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

	2018	2017
Cash flows used for operating activities:		
Net loss for the year	$ (1,928)	$ (2,147)
Add item which does not involve an outlay of funds:		
- loss on investment	1	
	$ (1,927)	$ (2,147)
Cash flows from financing activities:		
Proceeds from Algonquin Treaty Negotiation Funding Trust	$ 1,927	$ 2,147
Net increase in cash and cash equivalents during the year	$ -	$ -
Cash and cash equivalents at the beginning of the year	10	10
Cash and cash equivalents at the end of the year	$ 10	$ 10

(See accompanying notes)

Algonquin Opportunity (No.3) Corporation

Notes to the Financial Statements

For the year ended 31 December 2018

1. NATURE OF THE BUSINESS

The company was incorporated on 24 August 2015, under the laws of Ontario and its operations consist of pursuing economic development opportunities.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:
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) Investments:
The business accounts for its investment in Solartrail LP using the equity method. Equity method investments are recorded at original cost and include goodwill on acquisition. The investment is adjusted periodically to recognize the business' proportionate share of the investees' net income or losses after the date of investment, additional contributions made and distributions received. When net losses from an equity accounted for investment exceed its carrying amount, the investment balance is reduced to zero and additional losses are not provided for unless the business is committed to provide financial support to the investee. The business resumes accounting for the investment under the equity method when the business subsequently reports net income and the business' share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended.

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

c) 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.

d) 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.

e) 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.

f) Financial instruments:
The company's financial instruments consist of cash, investment in partnership, due to Algonquins of Ontario Opportunities Trust and due to Algonquin Treaty Negotiation Funding Trust. 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 due to Algonquins of Ontario Opportunities Trust and due to Algonquin Treaty Negotiation Funding Trust.

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. INVESTMENT IN PARTNERSHIP

The company disolved their ownership during the year of 15% of the common units of Solartrail LP, a limited partnership in business to produce and sell renewable energy.

Investment consists of:	2018	2017
Solartrail LP (1,500 units)	$ -	$ 1

5. DUE TO ALGONQUINS OF ONTARIO OPPORTUNITIES TRUST

The amount due to Algonquins of Ontario Opportunities Trust is interest free and has no specific repayment terms.

6. DUE TO ALGONQUIN TREATY NEGOTIATION FUNDING TRUST

The amount owing to Algonquin Treaty Negotiation Funding Trust is interest free and has no specific repayment terms. The amount arises from expenses paid for by the Algonquin Treaty Negotiation Funding Trust on behalf of the company and consists of 2018 - $ 4,074 (2017 - $ 2,147).

7. 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. Currently there are no differences between the income tax expense and the applicable statutory income tax rate.

	2018	2017
Loss before income taxes	$ (1,928)	$ (2,147)
Expected income taxes at the combined tax rate of 15% (2017 - 15%)	$ (289)	$ (322)
Tax on loss carried forward	289	322
Income tax expense for the year	$ -	$ -

b) Income tax loss carryforward expiring:

31 December 2037	$ 2,147
31 December 2038	1,928
	$ 4,075

8. NAME CHANGE

The company's name was changed from AOO Energy (Solartrail) Corp. to Algonquin Opportunity (No.3) Corporation on 21 June 2018.