

AOO Realty (Carlsbad) Inc.



Financial Statements For the year ended 31 December 2021

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Independent Auditor's Report

**To the Shareholder of the
AOO Realty (Carlsbad) Inc.**

Opinion

We have audited the financial statements of AOO Realty (Carlsbad) Inc. (the "company") which comprise the balance sheet as at 31 December 2021, 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 31 December 2021, 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
August 18, 2022
Ottawa, Ontario

AOO Realty (Carlsbad) Inc.

Balance Sheet

As at 31 December 2021
(with 2020 figures for comparison)

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current:		
Cash on hand	\$ 1	\$ 1
Government receivable	<u>580</u>	<u>489</u>
	<u>\$ 581</u>	<u>\$ 490</u>
 <u>LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIT)</u>		
Current liabilities:		
Accounts payable	\$ 4,000	\$ 4,000
Due to Algonquin Treaty Negotiation Funding Trust (Note 5)	<u>9,930</u>	<u>5,379</u>
	<u>\$ 13,930</u>	<u>\$ 9,379</u>
Shareholder's equity (deficit):		
Capital stock:		
Authorized - unlimited number of common shares		
Issued - 100 common shares	\$ 1	\$ 1
Deficit	<u>(13,350)</u>	<u>(8,890)</u>
	<u>\$ (13,349)</u>	<u>\$ (8,889)</u>
	<u>\$ 581</u>	<u>\$ 490</u>

Approved on behalf of the Board:



(See accompanying notes)

AOO Realty (Carlsbad) Inc.

Statement of Operations and Deficit

For the year ended 31 December 2021
(with 2020 figures for comparison)

	<u>2021</u>	<u>2020</u>
Expenses:		
Professional fees	\$ <u>4,460</u>	\$ <u>4,760</u>
Net loss for the year	\$ (4,460)	\$ (4,760)
Deficit at the beginning of the year	<u>(8,890)</u>	<u>(4,130)</u>
Deficit at the end of the year	\$ <u><u>(13,350)</u></u>	\$ <u><u>(8,890)</u></u>

(See accompanying notes)

AOO Realty (Carlsbad) Inc.

Statement of Cash Flows

For the year ended 31 December 2021
(with 2020 figures for comparison)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Net loss for the year	\$ <u>(4,460)</u>	\$ <u>(4,760)</u>
Net change in non cash working capital balances related to operations:		
- Decrease (increase) in government receivable	\$ (91)	\$ (489)
- Increase (decrease) in accounts payable	<u>-</u>	<u>1,000</u>
	\$ <u>(91)</u>	\$ <u>511</u>
Cash flows used for operating activities	\$ <u>(4,551)</u>	\$ <u>(4,249)</u>
Cash flows from financing activities:		
Increase (decrease) in due to Algonquin Treaty Negotiation Funding Trust	\$ <u>4,551</u>	\$ <u>4,249</u>
Net increase in cash and cash equivalents during the year	\$ -	\$ -
Cash and cash equivalents at the beginning of the year	<u>1</u>	<u>1</u>
Cash and cash equivalents at the end of the year	\$ <u><u>1</u></u>	\$ <u><u>1</u></u>

(See accompanying notes)

AOO Realty (Carlsbad) Inc.

Notes to the Financial Statements

For the year ended 31 December 2021

1. NATURE OF THE BUSINESS

The company was incorporated on 26 November 2018, 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) 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) Financial instruments:
The company's financial instruments consists of cash on hand, accounts payable and due to Algonquin Treaty Negotiation Funding Trust. The carrying amount approximates their fair values, 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 2021.

Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with the financial liabilities. The company is exposed to this risk mainly in respect of its accounts payable 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.

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For the year ended 31 December 2021

3. FINANCIAL INSTRUMENTS (Continued)

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.

4. OTHER

The company entered into a joint venture involving land development dated 30 November 2018 for a nominal consideration for 15% equity position. The cost of the consideration has not been reflected on the balance sheet. The company has not contributed to the joint venture and the joint venture has not generated any equity to date.

5. 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 2021 - \$9,930 (2020 - \$5,379).

6. 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.

	<u>2021</u>	<u>2020</u>
Income (loss) before income taxes	\$ <u>(4,460)</u>	\$ <u>(4,760)</u>
Expected income taxes at the combined tax rate of 12.2% (2020 - 12.2%)	\$ (544)	\$ (581)
Tax on loss carried forward	<u>544</u>	<u>581</u>
Income tax expense for the year	\$ <u>-</u>	\$ <u>-</u>

- b) Income tax losses carryforward expiring:

31 December 2039	\$ 4,130
31 December 2040	4,760
31 December 2041	<u>4,460</u>
	\$ <u>13,350</u>

7. COVID-19

To help contain the spread of the COVID-19 virus and to protect the public, measures have been introduced at various levels of government. The virus and the measures introduced could have a material impact on future operations. The extent of the impact of the COVID-19 virus and the government's response cannot be reliably estimated at this time.