

AOO Realty (Rockcliffe) Inc.



Financial Statements

For the year ended 31 March 2023

Independent Auditor's Report

To the Shareholder of the AOO Realty (Rockcliffe) Inc.

Opinion

We have audited the financial statements of AOO Realty (Rockcliffe) Inc. (the "Company") which comprise the balance sheet as at 31 March 2023, and the statements of retained earnings, income 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 March 2023, 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

April 24, 2024

Ottawa, Ontario

AOO Realty (Rockcliffe) Inc.

Balance Sheet

As at 31 March 2023

(with 2022 figures for comparison)

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Current: | | |
| Cash | \$ 10 | \$ 30 |
| Accrued interest | 6,642 | 793 |
| Income taxes receivable (Note 8) | - | 11 |
| Investments (Note 5) | <u>640,142</u> | <u>754,277</u> |
| | <u>\$ 646,794</u> | <u>\$ 755,111</u> |
| Other long term: | | |
| Due from related parties (Note 4) | <u>\$ 615,798</u> | <u>\$ 503,816</u> |
| | <u>\$ 1,262,592</u> | <u>\$ 1,258,927</u> |
| <u>LIABILITIES AND SHAREHOLDER'S EQUITY</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 4,805 | \$ 3,500 |
| Due to related party (Note 7) | - | 8,893 |
| Income taxes payable (Note 8) | <u>5,639</u> | <u>-</u> |
| | <u>\$ 10,444</u> | <u>\$ 12,393</u> |
| Long term liability: | | |
| Due to Canada Lands Corporation (Note 6) | <u>\$ 1,071,909</u> | <u>\$ 1,071,909</u> |
| Total liabilities | <u>\$ 1,082,353</u> | <u>\$ 1,084,302</u> |
| Shareholder's equity: | | |
| Capital stock: | | |
| Authorized - unlimited number of common shares | | |
| Issued - 100 common shares | \$ 10 | \$ 10 |
| Retained earnings | <u>180,229</u> | <u>174,615</u> |
| | <u>\$ 180,239</u> | <u>\$ 174,625</u> |
| | <u>\$ 1,262,592</u> | <u>\$ 1,258,927</u> |

Approved on behalf of the Board:

Woreen Davis

Randy Malcolm

Randy Malcolm (May 17, 2024 17:54 EDT)

(See accompanying notes)

AOO Realty (Rockcliffe) Inc.

Statement of Retained Earnings

For the year ended 31 March 2023
(with 2022 figures for comparison)

| | <u>2023</u> | <u>2022</u> |
|--------------------------------------|-------------------|-------------------|
| Balance at the beginning of the year | \$ 174,615 | \$ 174,742 |
| Net income (loss) for the year | <u>5,614</u> | <u>(127)</u> |
| Balance at the end of the year | <u>\$ 180,229</u> | <u>\$ 174,615</u> |

(See accompanying notes)

AOO Realty (Rockcliffe) Inc.

Statement of Income

For the year ended 31 March 2023
(with 2022 figures for comparison)

| | <u>2023</u> | <u>2022</u> |
|--|------------------|-----------------|
| Revenue: | | |
| Interest income | \$ <u>16,719</u> | \$ <u>4,787</u> |
| Expenses: | | |
| Interest and bank charges | \$ 25 | \$ 139 |
| Professional fees | <u>5,430</u> | <u>4,786</u> |
| | <u>\$ 5,455</u> | <u>\$ 4,925</u> |
| Income (loss) before income taxes | \$ 11,264 | \$ (138) |
| Income taxes (expense) recovery (Note 8) | <u>(5,650)</u> | <u>11</u> |
| Net (loss) income for the year | <u>\$ 5,614</u> | <u>\$ (127)</u> |

(See accompanying notes)

AOO Realty (Rockcliffe) Inc.

Statement of Cash Flows

For the year ended 31 March 2023
(with 2022 figures for comparison)

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Net (loss) income for the year | \$ 5,614 | \$ (127) |
| Net change in non cash working capital balances related to operations: | | |
| - increase (decrease) in accounts payable | 1,305 | - |
| - increase (decrease) in income taxes payable | 5,650 | (4,935) |
| - decrease (increase) in income taxes receivable | - | (11) |
| - decrease (increase) in investments | 114,135 | (533,995) |
| - decrease (increase) in accrued interest | <u>(5,849)</u> | <u>4,701</u> |
| Cash flows from (used for) operating activities | \$ <u>120,855</u> | \$ <u>(534,367)</u> |
| Cash flows from financing activities: | | |
| Advances (repayment) to related parties | \$ <u>(120,875)</u> | \$ <u>(90,165)</u> |
| Cash flows from (used for) financing activities | \$ <u>(120,875)</u> | \$ <u>(90,165)</u> |
| Net increase (decrease) in cash and cash equivalents during the year | \$ (20) | \$ (624,532) |
| Cash and cash equivalents at the beginning of the year | <u>30</u> | <u>624,562</u> |
| Cash and cash equivalents at the end of the year | \$ <u><u>10</u></u> | \$ <u><u>30</u></u> |

(See accompanying notes)

AOO Realty (Rockcliffe) Inc.

Notes to the Financial Statements

For the year ended 31 March 2023

1. NATURE OF THE BUSINESS

The company was incorporated on 23 June 2016, 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) Cash and cash equivalents:

Cash and cash equivalents are comprised of cash on hand and in bank 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, investments, accrued interest, due from related party, accounts payable, due to related party and due to Canada Lands Corporation. 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 March 2023.

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 the amount due to Canada Lands Corporation and due to related party.

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.

AOO Realty (Rockcliffe) Inc.

Notes to the Financial Statements

For the year ended 31 March 2023

3. FINANCIAL INSTRUMENTS (Continued)

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 investments.

4. DUE FROM RELATED PARTY

The amount due from Algonquin Treaty Negotiation Funding Trust \$111,983 (2022 - Nil) and Algonquin Opportunity (No. 2) Corporation \$503,815 (2022 - \$503,815) are interest free and has no specific terms or repayment.

5. INVESTMENTS

Investments consist of Guaranteed Investment Certificates as follows:

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|-------------------|
| Current: | | |
| Bank of Nova Scotia, cashable, 0.60% matured January 2023 | \$ - | \$ 754,277 |
| Bank of Nova Scotia, cashable, 3.75% matures December 2023 | <u>\$ 640,142</u> | <u>-</u> |
| | <u>\$ 640,142</u> | <u>\$ 754,277</u> |

6. DUE TO CANADA LANDS CORPORATION

The amount due to Canada Lands Corporation is interest free. It is due to be paid if a treaty is reached within the year ending 26 July 2026. If no treaty is reached, the debt is forgiven.

7. DUE TO RELATED PARTY

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

AOO Realty (Rockcliffe) Inc.

Notes to the Financial Statements

For the year ended 31 March 2023

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:

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|-----------------|
| Net income (loss) before income taxes | \$ <u>11,264</u> | \$ <u>(138)</u> |
| Expected income taxes at the combined rate of 50.17% (2022 - 50.17%) | \$ (5,650) | \$ 69 |
| Non deductible interest | <u>-</u> | <u>(58)</u> |
| Income tax recovery (expense) for the year | \$ <u>(5,650)</u> | \$ <u>11</u> |

9. 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.