

Financial Statements of

2438543 ONTARIO INC.

And Independent Auditor's Report thereon

Year ended March 31, 2020



KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton ON L8P 4W7
Canada
Tel 905-523-8200
Fax 905-523-2222

INDEPENDENT AUDITOR'S REPORT

To the Haudenosaunee Confederacy Chiefs Council

Opinion

We have audited the financial statements of 2438543 Ontario Inc. (the Entity), which comprise:

- the balance sheet as at March 31, 2020
- the statement of operations for the year then ended
- the statement of retained earnings for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, 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 auditor's report.

We are independent of the Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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



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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 Entity'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 Entity'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 Entity 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

February 2, 2023

2438543 ONTARIO INC.

Balance Sheet

March 31, 2020, with comparative financial information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,229,905	\$ 142,947
Distributions receivable	2,300	2,300
Prepaid expense	—	900
	<u>2,232,205</u>	<u>146,147</u>
Investment in GGV2LP (note 2)	1,305,288	2,332,488
Property (note 3)	2,226,101	2,165,084
	<u>\$ 5,763,594</u>	<u>\$ 4,643,719</u>

Liabilities and Shareholders' Deficit

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 80,151	\$ 52,035
Income taxes payable (note 7)	309,485	—
Payable to Haudenosaunee Development Institute (note 5)	607,963	349,470
Mortgage payable (note 6 (a))	—	278,105
	<u>997,599</u>	<u>679,610</u>
Loan payable (note 6 (b))	6,520,316	4,000,816
	<u>7,517,915</u>	<u>4,680,426</u>
Shareholders' deficit:		
50 common shares	50	50
Deficit	(1,754,371)	(36,757)
	<u>(1,754,321)</u>	<u>(36,707)</u>
	<u>\$ 5,763,594</u>	<u>\$ 4,643,719</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

2438543 ONTARIO INC.

Statement of Operations and Deficit

Year ended March 31, 2020, with comparative financial information for 2019

	2020	2019
Revenue:		
Investment (loss) gain on GGV2LP	\$ (1,027,200)	\$ 436,856
Office rent	18,000	–
Land lease revenue	14,100	14,100
	(995,100)	450,956
Expenses:		
Legal fees (note 5)	112,200	72,200
Business development (note 5)	65,000	65,000
Property expenses	55,092	50,889
Professional fees	45,590	27,637
Management fees (note 5)	45,299	61,884
Amortization expense	33,454	25,290
Land related fees	23,616	41,284
Insurance	12,666	11,253
Audit fees	12,250	18,024
Office expenses	5,424	5,037
Interest expense – mortgage payable	1,558	4,449
Travel	838	–
Bank fees	42	146
Rent	–	5,314
	413,029	388,407
Net (loss) earnings before income taxes	(1,408,129)	62,549
Income tax expense (note 7)	309,485	–
Net (loss) income	\$ (1,717,614)	\$ 62,549
Deficit, beginning of year	(36,757)	(99,306)
Deficit, end of year	\$ (1,754,371)	\$ (36,757)

See accompanying notes to financial statements.

2438543 ONTARIO INC.

Statement of Cash Flows

Year ended March 31, 2020, with comparative financial information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Net (loss) income	\$ (1,717,614)	\$ 62,549
Change in non-cash items:		
Amortization expense	33,454	25,290
Change in non-cash operating working capital:		
Accounts payable and accrued liabilities	28,116	1,133
Prepaid expenses	900	(900)
Distributions receivable	—	(2,300)
Income taxes payable	309,485	—
Payable to Haudenosaunee Development Institute	258,492	(493,867)
	(1,087,167)	(408,095)
Financing activities:		
Proceeds from demand loan	2,519,500	442,800
Repayment of loan to private lender	—	—
Repayment of mortgage payable	(278,105)	(288,368)
	2,241,395	154,432
Investing activities:		
Renovation of building	(94,470)	(84,790)
Proceeds of investment in GGV2LP, net	1,027,200	(436,856)
	932,730	(521,646)
Increase (decrease) in cash and cash equivalents	2,086,958	(775,309)
Cash and cash equivalents, beginning of year	142,947	918,256
Cash and cash equivalents, end of year	\$ 2,229,905	\$ 142,947

See accompanying notes to financial statements.

2438543 ONTARIO INC.

Notes to Financial Statements

Year ended March 31, 2020

2438543 Ontario Inc. (the "Entity") is a private Entity incorporated under the Canada Business Corporations Act. The Entity is 100% owned by the Haudenosaunee Confederacy Chiefs Council ("HCCC"). The Entity's shares are held in trust by Haudenosaunee Development Institute ("HDI") an unincorporated organization owned and controlled by HCCC. The Entity holds an investment in a wind farm and land with the intention of re-investing earnings in the community for development of resources available to the public.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for private enterprises ("ASPE"). The Entity's significant accounting policies are as follows:

(a) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months.

(b) Investments:

The Entity applies the equity method as a basis of accounting for investments in a Entity which it exercises significant influence and does not control, jointly or otherwise. Under the equity method, the Entity records these investments initially at cost, less any transaction costs, and the carrying amounts are adjusted thereafter to include the Entity's pro rate share of post-acquisition earnings of the investees, computed by the consolidation method. The adjustments are included in the determination of net income by the Entity, and the investment accounts of the Entity are also increased or decreased to reflect the Entity's share of capital transactions and changes in accounting policies and corrections of errors relating to prior period financial statements applicable to post-acquisition periods. Profit distributions received or receivable from investees reduce the carrying amount of the investments. Unrealized intercompany gains or losses are eliminated.

The Entity's determination of significant influence is based on consideration of voting interest in the investees along with other indicators such as representation on the board of directors, participation in policy-making processes, material intercompany transactions, interchange or managerial personnel or provision of technical information.

The investment in a Entity subject to significant influence is accounted for using the equity method.

2438543 ONTARIO INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(c) Property, plant and equipment:

Property, plant and equipment are stated at cost, less accumulated amortization.

Depreciation is provided on a straight-line basis over the estimated useful life of the assets, which are as follows:

Asset	Years
Building	20
Building improvements	20

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds its fair value.

(d) Related party transactions:

Monetary related party transactions and non-monetary related party transactions that have commercial substance and are in the normal course of business are measured at the exchange amount. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in ownership of the item transferred and there is independent evidence of the exchange amount. All other related party transactions are measured at the carrying amount.

(e) Income taxes:

The Entity uses the taxes payable method to account for income taxes whereby the expense (income) of the period consists only of the cost (benefit) of current income taxes for that period, determined in accordance with the rules established by taxation authorities.

(f) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of investments. Actual results could differ from those estimates.

2438543 ONTARIO INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Entity has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Entity determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Entity expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Investment:

The Entity owns a 40% interest in Great Grand Valley 2 Limited Partnership ("GGV2LP"). GGV2LP owns a 25% interest in Grand Valley 2 Limited Partnership, a wind farm project consisting of 25 wind turbines producing 60 megawatts of green energy located in the Town of Grand Valley and the Township of Amaranth. This investment is accounted for using the equity method.

Asset as at March 31	2020	2019
Initial investment	\$ 3,000,000	\$ 3,000,000
Cumulative share of gains from investment	1,269,193	2,296,593
Cumulative return of capital	(760,000)	(760,200)
Distributions from partnership	(2,203,905)	(2,203,905)
	<u>\$ 1,305,288</u>	<u>\$ 2,332,488</u>

2438543 ONTARIO INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

3. Property:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,726,683	\$ –	\$ 1,726,683	\$ 1,726,683
Building	600,262	100,844	499,418	438,401
	\$ 2,326,945	\$ 100,844	\$ 2,226,101	\$ 2,165,084

4. Accrued liabilities:

Included in accrued liabilities are amounts payable for municipal tax bills of \$64,900 (2019 - \$41,284).

5. Related entities:

Haudenosaunee Confederacy Chiefs Council (“the Council”):

The Council formed the Organization in 2007 in order to create a process and an institution to ensure certain rights are protected with respect to land development. The Organization represents the Council's interest in development of lands within the Haudenosaunee jurisdiction.

The Organization receives applications for projects on land and recommends approval to the Council and the Council provides final approval. The Organization reports to Council on a regular basis on the status and progress of potential and on-going projects. The Organization is controlled by HCCC.

Haudenosaunee Development Institute:

Haudenosaunee Development Institute ('HDI'), an unincorporated organization also 100% owned by the Haudenosaunee Confederacy Chiefs Council ('HCCC'), provides services to the Entity such as mortgage payments, land purchases and professional service fees made on behalf of the Entity. At March 31, 2020, the entity has balance due to HDI in the amount of \$607,963 (2019 - \$349,470) relating to land purchases, mortgage payments and professional service fees. For the year ended March 31, 2020, amounts charged by HDI for services provided to the entity included communication fees in the amount of \$nil (2019 - \$nil), management fees in the amount of \$45,299 (2019 - \$61,884), legal fees in the amount of \$112,200 (2019 - \$72,200), business development expenses in the amount of \$65,000 (2019 - \$65,000) and other expenses of \$1,791 (2019 - \$8,685).

2438543 ONTARIO INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

5. Related entities (continued):

A director of 2438543 Ontario Inc. provides services to the Entity. These include but are not limited to success fees paid on any negotiated outcomes in relation to the acquisition of an interest in any wind project. During the year, success fees in the amount of \$nil (2019 - \$nil for success fees) were accrued and/or paid to the director.

These transactions 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 the related parties.

6. Mortgage and loan payable:

(a) Mortgage payable:

	2020	2019
Mortgage loan to private lender (S.T.), bearing interest at 1.00%, payable in monthly instalments of \$21,901, including interest, due April, 29 2022. Payments are reimbursed and completed through HDI.	\$ —	\$ 278,105
Less:		
Current portion of mortgage payable	—	278,105
	\$ —	\$ —

(b) Loan payable:

The entity has a loan payable to GGV2LP in the amount of \$6,520,316 (2019 - \$4,000,816). The loan is interest-free and has scheduled repayments beginning in 2024. The full amount is scheduled to be repaid in full by 2035.

2438543 ONTARIO INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

7. Income taxes:

For the year ended March 31, 2020, the Entity used \$271,273 in loss carry forwards accumulated in prior periods (2019 - \$nil) against taxable income related to distributions from GGV2LP which are deemed taxable capital gains for tax purposes in the amount of \$2,519,500 (2019 - \$440,500).

As a result, the Entity has no remaining loss carry forwards remaining for future use (2019 - \$271,273).

8. Financial risks and concentration of credit risk:

(a) Liquidity risk:

Liquidity risk is the risk that the Entity will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Entity manages its liquidity risk by monitoring its operating requirements. The Entity has a working capital deficiency that arises due to the structure of the investment in GGV2LP. The Entity prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2019.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Entity deals with creditworthy counterparties to mitigate the risk of financial loss from defaults. The Entity monitors the credit risk of its investment in the GGV2LP.