

Lake Helen Gas & Variety, LP
Financial Statements
March 31, 2023

Lake Helen Gas & Variety, LP

Contents

For the year ended March 31, 2023

	Page
Independent Auditor's Report	
Financial Statements	
Balance Sheet.....	1
Statement of Earnings (Loss).....	2
Statement of Partners' Capital.....	3
Statement of Cash Flows.....	4
Notes to the Financial Statements	5

To the Partners of Lake Helen Gas & Variety, LP:

Qualified Opinion

We have audited the financial statements of Lake Helen Gas & Variety, LP (the "Partnership"), which comprise the balance sheet as at March 31, 2023, and the statements of earnings (loss), partners' capital and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as at March 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Qualified Opinion

We did not observe the counting of physical inventory on March 31, 2023 and we were unable to satisfy ourselves by alternative means concerning inventory quantities held as at March 31, 2023 and the effect of inventory on the cost of sales for the year ended March 31, 2023. As a result, we were unable to determine whether any adjustments might have been necessary in respect of inventory, cost of sales, partners' capital and cash flows for the year ended March 31, 2023. The audit opinion on the financial statements for the year ended March 31, 2022 was qualified accordingly because of the possible effects of the limitation in scope.

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 Partnership 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 qualified opinion.

Other Matter – Restriction on Distribution or Use

Without modifying our opinion, we draw attention to Note 2 of the financial statements, which describes the basis of accounting. These financial statements have been prepared to assist the Partnership in meeting its reporting requirements to its financial institution. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Partnership and its financial institution and should not be distributed to or used by parties other than the Partnership or its financial institution.

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 Partnership'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 Partnership or to cease operations, or has no realistic alternative but to do so.

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

MNP LLP

Thunder Bay, Ontario

Chartered Professional Accountants

March 15, 2024

Licensed Public Accountants

MNP
LLP

Lake Helen Gas & Variety, LP
Balance Sheet
As at March 31, 2023

	2023	2022
Assets		
Current		
Cash	15,359	624,922
Accounts receivable (Note 3), (Note 11)	216,070	79,539
Inventory (Note 4)	397,365	290,433
Prepaid expenses and deposits	1,751	-
	630,545	994,894
Property and equipment (Note 5)	2,943,293	2,140,829
Advances to related parties (Note 6)	12,027	9,692
	3,585,865	3,145,415
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 7)	254,960	123,666
Advances from related party (Note 8)	700,000	-
Current portion of long-term debt (Note 9)	117,949	102,523
	1,072,909	226,189
Long-term debt (Note 9)	1,404,488	1,532,089
	2,477,397	1,758,278
Partners' Capital	1,108,468	1,387,137
	3,585,865	3,145,415

Approved on behalf of the Partners


 Partner

The accompanying notes are an integral part of these financial statements.

Lake Helen Gas & Variety, LP
Statement of Earnings (Loss)

For the year ended March 31, 2023

	2023	2022
Sales (Note 11)	9,770,521	5,664,048
Cost of sales (Note 4)	8,957,204	5,004,537
Gross margin	813,317	659,511
Expenses (Note 11)		
Advertising and promotion	10,007	9,397
Amortization	140,323	69,465
Bad debts	12,307	11,510
Business taxes and licences	75	560
Donations	-	80
Insurance	4,115	2,512
Interest and bank charges	73,876	30,283
Interest on long-term debt	98,416	33,668
Office and general	35,357	22,862
Professional fees	21,683	19,732
Repairs and maintenance	16,642	29,488
Salaries, wages and benefits	625,407	503,772
Supplies	12,545	2,376
Telephone	11,946	18,872
Training	2,869	-
Travel	-	1,029
Utilities	26,418	5,943
	1,091,986	761,549
Other income		
NADF grant	-	249,999
Government assistance	-	61,928
	-	311,927
Net earnings (loss)	(278,669)	209,889
Allocation of net earnings (loss)		
Lake Helen Gas & Variety GP Inc.	(279)	210
Red Rock IB Holdings, LP	(278,390)	209,679
	(278,669)	209,889

The accompanying notes are an integral part of these financial statements.

Lake Helen Gas & Variety, LP
Statement of Partners' Capital
For the year ended March 31, 2023

	2023	2022
Lake Helen Gas & Variety GP Inc.		
Balance, beginning of year	1,387	1,177
Share of earnings (loss)	(279)	210
Balance, end of year	1,108	1,387
Red Rock IB Holdings, LP		
Balance, beginning of year	1,385,750	1,176,071
Share of earnings (loss)	(278,390)	209,679
Balance, end of year	1,107,360	1,385,750
	1,108,468	1,387,137

The accompanying notes are an integral part of these financial statements.

Lake Helen Gas & Variety, LP
Statement of Cash Flows
For the year ended March 31, 2023

	2023	2022
Cash provided by (used for) the following activities		
Operating activities		
Net earnings (loss)	(278,669)	209,889
Amortization	140,323	69,465
	(138,346)	279,354
Change in working capital accounts		
Accounts receivable	(136,531)	(35,259)
Inventory	(106,932)	(130,729)
Prepaid expenses and deposits	(1,751)	-
Accounts payable and accrued liabilities	131,294	(267,228)
	(252,266)	(153,862)
Financing activities		
Advances of long-term debt	1,400,000	1,659,100
Repayments of long-term debt	(1,512,175)	(24,488)
Advances from related party	700,000	-
	587,825	1,634,612
Investing activities		
Purchases of property and equipment	(942,787)	(1,835,113)
Advances to related parties	(2,335)	(1,995)
	(945,122)	(1,837,108)
Decrease in cash resources	(609,563)	(356,358)
Cash resources, beginning of year	624,922	981,280
Cash resources, end of year	15,359	624,922

The accompanying notes are an integral part of these financial statements.

1. Operations

Lake Helen Gas & Variety, LP (the "Partnership") was incorporated under the laws of the Limited Partnership Act in Ontario on February 3, 2017. The Partnership owns and operates a gas station with convenience store in the region of Lake Helen, Ontario.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for private enterprises using the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Property and equipment

Property and equipment are initially recorded at cost. Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	<i>Method</i>	<i>Rate</i>
Buildings	declining balance	4 %
Computer software	declining balance	100 %
Furniture and fixtures	declining balance	20 %
Paving and landscaping	declining balance	8 %
Signs	declining balance	20 %

In the year of acquisition, amortization is taken at one-half of the above rates.

Long-lived assets

Long-lived assets consist of property and equipment. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Partnership performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. If the carrying amount is not recoverable, impairment is then measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using quoted market prices. Any impairment is included in net earnings (loss) for the year.

Revenue recognition

Revenue is recognized when goods have been delivered or services performed, the amount to be received is measurable and collectability is reasonably assured.

Measurement uncertainty (use of estimates)

The preparation of 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 revenues and expenses during the year.

2. Significant accounting policies *(Continued from previous page)*

Measurement uncertainty (use of estimates) *(Continued from previous page)*

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Amortization is based on the estimated useful lives of the property and equipment.

Accounts payable and accrued liabilities are estimated based on historical charges for unbilled goods and services at year-end.

Management has estimated the value of the inventory based upon their assessment of the realizable amount less selling costs. It is reasonably possible that changes in future conditions within the next fiscal year could cause a material adjustment to the carrying amounts of inventory.

By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the reporting periods in which they become known.

Financial instruments

The Partnership recognizes its financial instruments when the Partnership becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Partnership may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Partnership has not made such an election during the year. Fair value is determined by reference to recent arm's length transactions.

The Partnership subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Partnership's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in net earnings (loss). Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Related party financial instruments

The Partnership initially measures the following financial instruments originated/acquired or issued/assumed in a related party transaction ("related party financial instruments") at fair value:

- Investments in equity instruments quoted in an active market.
- Debt instruments quoted in an active market.
- Debt instruments when the inputs significant to the determination of its fair value are observable (directly or indirectly).
- Derivative contracts.

2. Significant accounting policies *(Continued from previous page)*

Financial instruments *(Continued from previous page)*

All other related party financial instruments are measured at cost on initial recognition. When the financial instrument has repayment terms, cost is determined using the undiscounted cash flows, excluding interest, dividend, variable and contingent payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have repayment terms, but the consideration transferred has repayment terms, cost is determined based on the repayment terms of the consideration transferred. When the financial instrument and the consideration transferred both do not have repayment terms, the cost is equal to the carrying or exchange amount of the consideration transferred or received (refer to Note 11).

At initial recognition, the Partnership may elect to subsequently measure related party debt instruments that are quoted in active market, or that have observable inputs significant to the determination of fair value, at fair value.

The Partnership subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Financial instruments that were initially measured at cost and derivatives that are linked to, and must be settled by, delivery of unquoted equity instruments of another entity, are subsequently measured using the cost method less any reduction for impairment.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of related party financial instruments are immediately recognized in net earnings (loss).

Financial asset impairment

The Partnership assesses impairment of all its financial assets measured at cost or amortized cost. The Partnership groups assets for impairment testing when there are numerous assets affected by the same factors. Management considers whether the issuer is having significant financial difficulty in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Partnership determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

With the exception of related party debt instruments and related party equity instruments initially measured at cost, the Partnership reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the balance sheet date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

For related party debt instruments initially measured at cost, the Partnership reduces the carrying amount of the asset (or group of assets), to the highest of: the undiscounted cash flows expected to be generated by holding the asset, or group of similar assets, excluding the interest and dividend payments of the instrument; the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the balance sheet date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

For related party equity instruments initially measured at cost, the Partnership reduces the carrying amount of the asset (or group of assets), to the amount that could be realized by selling the asset(s) at the balance sheet date.

Any impairment, which is not considered temporary, is included in current year net earnings (loss).

The Partnership reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in net earnings (loss) in the year the reversal occurs.

Government assistance

Claims for assistance under various government grant programs are recorded as other income in the year in which eligible expenditures are incurred.

Lake Helen Gas & Variety, LP
Notes to the Financial Statements
For the year ended March 31, 2023

3. Accounts receivable

	2023	2022
Accounts receivables	71,476	51,584
HST recoverable	144,594	27,322
Interest receivable	-	633
	216,070	79,539

4. Inventory

	2023	2022
Fuel - regular and premium	95,691	36,536
Diesel fuel - clear and dyed	50,190	39,220
Tobacco products	205,417	134,158
Confectionary and other	46,067	80,519
	397,365	290,433

During the year, the Partnership recognized inventory of \$8,894,738 (2022 - \$4,984,191) as an expense within cost of sales.

5. Property and equipment

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Buildings	2,692,748	139,742	2,553,006	1,978,095
Computer software	3,685	1,842	1,843	-
Furniture and fixtures	208,001	78,235	129,766	153,186
Paving and landscaping	228,496	9,140	219,356	-
Signs	61,104	21,782	39,322	9,548
	3,194,034	250,741	2,943,293	2,140,829

6. Advances to related parties

Advances to related parties are unsecured, non-interest bearing with no fixed terms of repayment. The parties are related through common control.

	2023	2022
Lake Helen Gas & Variety GP Inc.	11,028	8,693
Red Rock IB Holdings, LP	999	999
	12,027	9,692

Lake Helen Gas & Variety, LP
Notes to the Financial Statements
For the year ended March 31, 2023

7. Accounts payable and accrued liabilities

	2023	2022
Trade accounts payable	249,960	107,539
Accrued wages payable	5,000	7,209
Government remittances	-	8,918
	254,960	123,666

8. Advances from related party

Advances from related party are unsecured, non-interest bearing with no fixed terms of repayment. The parties are related through common control.

	2023	2022
Red Rock Indian Band	700,000	-

9. Long-term debt

	2023	2022
NADF term loan bearing interest at 8.5% payable in monthly instalments of \$5,083, due July 2026. Secured by an unlimited guarantee from Red Rock Indian Band.	180,770	225,512
RBC term-loan fully repaid during the year.	-	1,409,100
BMO term loan bearing interest at bank prime rate plus 0.75% (7.45% at year-end) payable in monthly installments of \$5,833 plus interest, due May 2042. Secured by a \$1,510,000 corporate guarantee from Red Rock Indian Band.	1,341,667	-
	1,522,437	1,634,612
Less: current portion of long-term debt	117,949	102,523
	1,404,488	1,532,089

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

2024	117,949
2025	122,014
2026	126,443
2027	94,916
2028	70,000
	531,322

10. Bank indebtedness

At March 31, 2023, the Partnership had available a revolving operating demand loan to a maximum of \$100,000, (2022 - \$Nil), \$96,869 of which were drawn upon. The demand loan bears interest at the bank prime rate plus 0.75% (7.45% at year-end). The following has been collateralized in connection with this demand loan:
-- A \$1,510,000 corporate guarantee from Red Rock Indian Band.

11. Related party transactions

Red Rock Indian Band controls the operations of the Lake Helen Gas & Variety, LP, Lake Helen Gas & Variety, GP, Nipigon & Red Rock Plumbing & Heating, LP, and RRIB General Construction Logistics, LP, therefore, Lake Helen Gas & Variety, GP, Red Rock Indian Band and Nipigon, Red Rock Plumbing & Heating, LP, and RRIB General Construction Logistics, LP are related to the Partnership.

The following constitutes the major transactions between the Partnership and related parties as defined by Canadian accounting standards for private enterprises.

	2023	2022
Sales - received from Red Rock Indian Band	109,680	219,447
Sales - received from Nipigon & Red Rock Plumbing & Heating, LP	21,150	15,450
Sales - received from Lake Helen Gas & Variety, GP	2,385	-
Sales - received from RRIB General Construction Logistics, LP	209,117	-
Expenses - paid to Red Rock Indian Band	35,999	22,595
Expenses - paid to Nipigon & Red Rock Plumbing & Heating, LP	1,118	1,129
Expenses - paid to RRIB General Construction Logistics, LP	26,876	-

Included in accounts payable and accrued liabilities are amounts owing to a related party under common control in the amount of \$8,933 (2022 - \$4,807) and included in accounts receivable are amounts receivable from related parties under common control in the amount of \$42,098 (2022 - \$34,253).

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.

12. Financial instruments

The Partnership, as part of its operations, carries a number of financial instruments. It is management's opinion that the Partnership is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Liquidity risk

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting obligations associated with financial liabilities. The Partnership enters into transactions to purchase goods and services on credit for which repayment is required at various maturity dates.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Partnership is exposed to interest rate price risk on its long-term debt as they are at both fixed and variable rates. The Partnership's NADF term loan with a fixed rate of 8.5% (2022 - 8.5%), matures in 2026. The Partnership's BMO term loan with a variable rate of prime plus 0.75% (7.5% at year-end, 2022 - 3.45%), matures in 2042.

During the year, the Partnership's exposure to interest rate risk increased because the prime rate was increased by 4% in response to inflationary pressures.

Credit concentration

As at March 31, 2023, one customer (2022 - one) accounted for 35% (2022 - 61%) of the trade accounts receivable. The Partnership believes that there is no unusual exposure associated with the collection of these receivables. The Partnership performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

13. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.