

PRINCE RUPERT LEGACY INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Prince Rupert Legacy Inc.

Report on the Financial Statements

We have audited the accompanying balance sheet of Prince Rupert Legacy Inc. as at December 31, 2015 and the statements of income and cash flows for the year then ended and a summary of significant accounting policies.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted the audit in accordance with Canadian generally accepted auditing standards. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Prince Rupert Legacy Inc. as at December 31, 2015 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Prince Rupert, BC
May 3, 2016

Carlyle Shepherd & Co.

PRINCE RUPERT LEGACY INC.

BALANCE SHEET

DECEMBER 31

ASSETS

| | 2015 | 2014 |
|---------------------------------|-------------------|-------------------|
| | \$ | \$ |
| CURRENT | | |
| Cash and equivalents (note 1) | 18 028 711 | 8 330 689 |
| Accounts receivable | <u>-</u> | <u>10 000 000</u> |
| | <u>18 028 711</u> | <u>18 330 689</u> |
| PROPERTY (notes 1 and 2) | <u>1 109 000</u> | <u>1 109 000</u> |
| | <u>19 137 711</u> | <u>19 439 689</u> |

LIABILITIES AND SHAREHOLDER EQUITY

CURRENT

| | | |
|-------------------------------|------------------|----------------|
| Accounts payable and accruals | 4 028 | 399 280 |
| Shareholder loan | <u>2 752 483</u> | <u>-</u> |
| | <u>2 756 511</u> | <u>399 280</u> |

SHAREHOLDER EQUITY

| | | |
|------------------------------|-------------------|-------------------|
| Share Capital (note 3) | <u>1</u> | <u>1</u> |
| Contributed surplus (note 4) | <u>1 088 810</u> | <u>1 088 810</u> |
| Retained Income | | |
| Opening balance | 17 951 598 | - |
| Net income | 90 791 | 17 951 598 |
| Dividend | <u>-2 750 000</u> | <u>-</u> |
| Closing balance | <u>15 292 389</u> | <u>17 951 598</u> |
| | <u>19 137 711</u> | <u>19 439 689</u> |

APPROVED BY THE DIRECTORS

_____ Director

_____ Director

PRINCE RUPERT LEGACY INC.

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31

| | 2015 | 2014 |
|-----------------------|----------------|-------------------|
| | \$ | \$ |
| INCOME | | |
| Grant of option | - | 18 000 000 |
| Interest | <u>148 560</u> | <u>8 358</u> |
| | <u>148 560</u> | <u>18 008 358</u> |
| | | |
| EXPENSES | | |
| Office | 33 | 193 |
| Professional services | 44 543 | 56 567 |
| Property taxes | <u>13 193</u> | <u>-</u> |
| | <u>57 769</u> | <u>56 760</u> |
| | | |
| NET INCOME | <u>90 791</u> | <u>17 951 598</u> |

PRINCE RUPERT LEGACY INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31

| | 2015 | 2014 |
|-------------------------------|-------------------|-------------------|
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Net income | 90 791 | 17 951 598 |
| Accounts receivable | 10 000 000 | -10 000 000 |
| Accounts payable and accruals | <u>-395 252</u> | <u>399 280</u> |
| | <u>9 695 539</u> | <u>8 350 878</u> |
| FINANCING ACTIVITIES | | |
| Contributed surplus | - | 1 088 810 |
| Shares issued | - | 1 |
| Shareholder loan | 2 752 483 | - |
| Dividend | <u>-2 750 000</u> | <u>-</u> |
| | <u>2 483</u> | <u>1 088 811</u> |
| INVESTING ACTIVITIES | | |
| Property acquisition | <u>-</u> | <u>-1 109 000</u> |
| CHANGE IN CASH | 9 698 022 | 8 330 689 |
| OPENING CASH BALANCE | <u>8 330 689</u> | <u>-</u> |
| CLOSING CASH BALANCE | <u>18 028 711</u> | <u>8 330 689</u> |

PRINCE RUPERT LEGACY INC.

NOTES

DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises.

Cash and equivalents comprise demand accounts and term deposits with maturity dates of less than eighteen months.

Property is reported at market value at acquisition date.

Income and expenses are reported on an accrual basis. Income is recognized when the service is delivered or ownership of products has been transferred and the value of the transaction can be measured.

The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

The company measures financial assets and liabilities at market value at the date of acquisition. It is management's opinion that the company's financial instruments are not exposed to significant interest rate, liquidity, market or other price risks.

2. PROPERTY

Property comprises of District Lot 444, Range 4, Coast District except plans 1584, 1586, 1598, 1822 and 4804.

3. SHARE CAPITAL

Issued 100 Common shares without par value

4. CONTRIBUTED SURPLUS

Contributed surplus is the market value of land transferred by the City of Prince Rupert to the company on June 14, 2014 less transfer costs.

5. INCOME TAXES

The company is exempt from income taxes under Section 149 of the Income Tax Act.