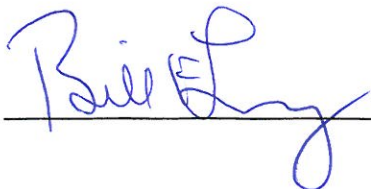


Financial Statements of

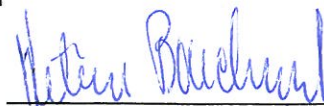
Provincial Holdings Ltd.

March 31, 2015

Approved by the Board



Director



Director

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565 Priestman Street
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New Brunswick
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**TEED
SAUNDERS
DOYLE & CO.**

Chartered Professional Accountants

An Independent Member of
DFK Canada Inc. and DFK International

INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Board of Directors of Provincial Holdings Ltd.

We have audited the accompanying financial statements of Provincial Holdings Ltd., which comprise the statement of financial position as at March 31, 2015, and the statements of operations, changes in net debt, change in accumulated surplus and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. 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 we have 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 Provincial Holdings Ltd. as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Teed Saunders Doyle & Co.

Fredericton, New Brunswick
September 15, 2015

CHARTERED PROFESSIONAL ACCOUNTANTS

Fredericton Partners

Brian J. Saunders Jeffrey E. Saunders
John H. Landry Kenneth H. Kyle
T.J. Smith



Saint John Partners

Andrew P. Logan Peter L. Logan
Jean-Marc Poirier

Provincial Holdings Ltd.
Statement of Financial Position
As at March 31, 2015

	<u>2015</u>	<u>2014</u>
Financial Assets		
Cash and cash equivalents	\$ 2,251,431	\$ 336,755
Accounts receivable	308,453	364,185
Industrial development projects (Note 3)		
Loans to client companies	3,791,667	4,244,823
Equity investment	3,049	2,450,433
Less: provision for loss	(291,700)	(2,841,895)
Total Financial Assets	\$ 6,062,900	\$ 4,554,301
Liabilities		
Accounts payable and accrued liabilities	1,448,404	84,414
HST payable	22,339	2,627
Environmental liabilities (Note 4)	5,500,000	6,450,000
Due to Province of New Brunswick (Note 5)	11,450,758	11,918,205
Total Liabilities	\$ 18,421,501	\$ 18,455,246
Net Debt	\$ (12,358,601)	\$ (13,900,945)
Equity		
Authorized		
599 Common shares par value of \$10 each		
Issued		
500 Common shares	5,000	5,000
Non Financial Assets		
Tangible capital assets (Note 6)	4,399,834	4,605,834
Prepaid expenses	1,153	1,049
	\$ 4,400,987	\$ 4,606,883
Accumulated Deficit	\$ (7,962,614)	\$ (9,299,062)

Contingent liabilities (Note 7)

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

Provincial Holdings Ltd.
Statement of Operations
For the year ended March 31, 2015

	<u>2015</u>	<u>2014</u>
Revenues		
Provincial contributions	\$ 918,238	\$ 1,373,462
Guarantee fees	-	154,953
Miscellaneous revenue	83,890	178,110
Rental income	1,581,257	1,049,123
Interest income	114,093	137,664
	<hr/> \$ 2,697,478	<hr/> \$ 2,893,312
Expenses		
Development grants	\$ 1,000,000	\$ 1,000,000
Miscellaneous expenses	73,274	117,860
Operating expenses (Note 8)	781,332	665,976
Building write down	-	2,133,200
Environmental remediation	(701,714)	4,850,000
Bad debt	(84,811)	373,462
Amortization	206,000	103,000
Professional fees	30,350	7,500
Other	56,599	12,556
	<hr/> \$ 1,361,030	<hr/> \$ 9,263,554
Annual Surplus (Deficit)	\$ 1,336,448	\$ (6,370,242)

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

Provincial Holdings Ltd.
Statement of Change in Net Debt
For the year ended March 31, 2015

	<u>2015</u>	<u>2014</u>
Net (Debt) - Beginning of Year	\$ (13,900,945)	\$ (7,454,210)
Annual surplus (deficit)	1,336,448	(6,370,242)
Acquisition of tangible capital assets	-	(2,327,669)
Disposal of tangible capital assets	-	4,600
Amortization of tangible capital assets	206,000	103,000
Building write down	-	2,133,200
Net changes in prepaid expenses	(104)	10,376
Increase (Decrease) in Net Debt	<u>1,542,344</u>	<u>(6,446,735)</u>
Net Debt - End of Year	\$ (12,358,601)	\$ (13,900,945)

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

Provincial Holdings Ltd.
Statement of Change in Accumulated (Deficit)
For the year ended March 31, 2015

	<u>2015</u>	<u>2014</u>
Accumulated (Deficit) – Beginning of Year	\$ (9,299,062)	\$ (2,928,820)
Annual Surplus (Deficit)	<u>1,336,448</u>	<u>(6,370,242)</u>
Accumulated Deficit – End of Year	\$ (7,962,614)	\$ (9,299,062)

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

Provincial Holdings Ltd.
Statement of Cash Flows
For the year ended March 31, 2015

	<u>2015</u>	<u>2014</u>
Operating Activities		
Annual surplus (deficit)	\$ 1,336,448	\$ (6,370,242)
Items not requiring an outlay of cash		
Concessionary interest revenue	(64,843)	(136,364)
(Decrease) Increase in provision for loss	(2,550,195)	373,462
Building and land write down	-	2,133,200
Changes in non-cash		
Amortization of tangible capital assets	206,000	103,000
Working capital (Note 9)	489,330	3,417,498
	\$ (583,260)	\$ (479,446)
Investing Activities		
Loan repayment	499,999	541,667
Loan forgiveness	18,000	-
Equity investment write down	2,447,384	-
	\$ 2,965,383	\$ 541,667
Capital Activities		
Proceeds from sale of assets	-	4,600
Acquisition of capital assets	-	(2,327,669)
	\$ -	\$ (2,323,069)
Financing Activities		
(Decrease) Increase in due to Province of New Brunswick	(467,447)	2,084,871
	\$ (467,447)	\$ 2,084,871
Net increase (decrease) in cash	1,914,676	(175,977)
Cash balance - beginning of year	336,755	512,732
Cash balance - End of Year	\$ 2,251,431	\$ 336,755

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

Provincial Holdings Ltd.

Notes to the financial statements

March 31, 2015

1. Description of operations

Provincial Holdings Ltd. (the "Company "PHL") was established in 1973 under the Companies Act of the Province of New Brunswick and has subsequently registered under the Business Corporations Act. The Company is wholly owned by the Province of New Brunswick (the "Province") and is responsible for administering industrial development project investments. The Province provides funding for approved projects and is ultimately responsible for settlement of any guarantees. The administration of the Company's affairs is carried out by employees of the Province under the direction of the Company's Board of Directors. All costs associated with these employees are paid by the Province and are not recognized within these financial statements. The Company is exempt from income taxes under Subsection 149(1)(d) of the Canadian Income Tax Act.

PHL directors signed a resolution authorizing the transfer of shares to the Regional Development Corporation effective March 31, 2015.

2. Summary of significant accounting policies

The financial statements are prepared by management in accordance with the Canadian public sector accounting standards (PSAS). Outlined below are the significant accounting policies followed.

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not to be consumed in the normal course of operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but instead are employed to deliver government services, may be consumed in normal course of operations and are not for resale. Non-financial assets include prepaid expenses, inventory and tangible capital assets.

Cash and cash equivalents

Cash and cash equivalents include cash on hand held at a financial institution.

Industrial development projects – loans to client companies

Loans to client companies are initially carried at cost, and reported at the lower of cost and net recoverable value through a valuation allowance. The foregone interest on the loans issued by the Company is expensed in the year the loans are issued and amortized into revenue over the life of the loans.

Industrial development projects – equity investment

The Company's equity investment is recorded at cost. Where there has been a loss in the value of an investment that is other than a temporary decline, the investment is written down to recognize this loss. If there is a subsequent increase in value of the investment, a write down is not reversed.

Provincial Holdings Ltd.

Notes to the financial statements

March 31, 2015

The Company maintains a provision for loss against its investment to recognize potential losses relating to industrial development project investments whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Pursuant to Treasury Board Minute 74-57, any losses arising from investments funded by advances from the Province will be borne by the Province through a corresponding reduction in the long-term debt of the Company. As a result of this undertaking by the Province, any losses recorded as an expense by the Company are offset by a recovery from the Province.

Development Grants

Development grants are charged to operations and recovered from the Province.

Tangible capital assets

Tangible capital assets, while being evaluated for final use, are carried at cost less accumulated depreciation. Tangible capital assets are written down when conditions indicate that they no longer contribute to the Company's ability to provide services, or when the value of future economic benefits associated with such assets are less than their net book value. Any write-downs are accounted for as expenses in the statement of operations.

Tangible capital assets are reported at cost and amortized on a straight line basis over their estimated useful lives.

Accrual accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal period that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal period that the events giving rise to the expenses are incurred, resources are consumed and measurable.

Provincial contributions and revenue

Provincial contributions and guarantee fees are recorded when earned. Interest income is recorded on the accrual basis. Contribution recoveries are recorded when realized.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. The most significant area of estimation is the valuation of the loans and shares in client companies, the fair value of the net assets acquired in business combinations and the environmental liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

Government transfers

Government transfers are transfers of money, such as grants, to an organization for which PHL does not receive any goods or services directly in return. Government transfers are recognized in PHL's financial statements as expenses in the period the events underlying the transfer occurred, as long as the transfer is authorized and eligibility criteria have been met.

Provincial Holdings Ltd.

Notes to the financial statements

March 31, 2015

3. Industrial development projects – loans and shares

	Loans	Shares	March 31, 2015	March 31, 2014
Loans and investments	\$ 3,791,667	\$ 3,049	\$ 3,794,716	\$ 6,695,256
Less: Provision for loss	291,700	-	291,700	2,841,895
	<u>\$ 3,499,967</u>	<u>\$ 3,049</u>	<u>\$ 3,503,016</u>	<u>\$ 3,853,361</u>

A general provision was assigned to non-provided accounts under the assumption that risk elements may actually be present, but not known to management until a future period.

4. Environmental liability

There are a number of sites on PHL properties in the Miramichi and surrounding areas that have environmental remediation issues. The environmental issues at these sites relate to the operation of industrial sites, lagoons and landfills. All of these sites are at various points in processes necessary for environmental closure of the environment issues. The accumulated estimate has been adjusted to \$5,500,000 for remediation cost. The estimate has been prepared by a committee of engineers and professionals in government that are working with these remediation projects. The engineering committee working on the site is continuing its work and has issued proposal calls for the first stages of this work to clean these sites.

5. Due to Province of New Brunswick

Due to Province of New Brunswick represents interest-free advances from the Province of New Brunswick to be repaid from recoveries of amounts invested in industrial development projects. Any losses on investments funded by this debt reduce the amount to be repaid. Provision for losses on the industrial development projects are recorded once the respective loan receivable is deemed uncollectable, and therefore the provision on the Due to Province of New Brunswick is also updated.

	<u>2015</u>	<u>2014</u>
Opening balance	\$ 14,710,098	\$ 12,323,765
Increase	-	3,000,000
Repayment	(549,209)	(541,667)
Debt forgiveness	(2,418,433)	(72,000)
Closing balance	<u>\$ 11,742,456</u>	<u>\$ 14,710,098</u>

Details of the provision for loss on industrial development project are as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 2,791,893	\$ 2,490,431
(Decrease) Increase during the year	(2,500,195)	301,462
	<u>\$ 291,698</u>	<u>\$ 2,791,893</u>
Net	\$ 11,450,758	\$ 11,918,205

Provincial Holdings Ltd.
Notes to the financial statements
March 31, 2015

6. Tangible capital assets

	Land	Building	Building Rental	2015 Total	2014 Total
Cost					
Opening balance	\$339,000	\$250,000	\$4,016,834	\$4,605,834	\$4,518,965
Additions	-	-	-	-	2,327,669
Disposals	-	-	-	-	(4,600)
Impairment/Write down	-	-	-	-	(2,133,200)
Closing balance	\$339,000	\$250,000	\$4,016,834	\$4,605,834	\$4,708,834
Less: Accumulated amortization	-	-	206,000	206,000	103,000
Net Book Value	\$339,000	\$250,000	\$3,810,834	\$4,399,834	\$4,605,834

The rental building is amortized on a straight-line basis over 20 years.

7. Contingent liabilities

As at March 31, 2015 the Company had one loan guarantee outstanding. Under the agreement, the amount guaranteed shall not exceed \$7,500,000. The contingent liability in respect of this guarantee was \$7,500,000 at March 31, 2015 (2014 - \$9,976,410). Any resulting losses will be borne by the Province of New Brunswick.

The Company may be subject to litigation in the course of its operations. In management's judgement, no material exposure exists at this time and accordingly management has not recorded a provision for loss in the financial statements.

8. Operating expenses

	2015	2014
Security	\$ 2,970	\$ 110,665
Property taxes	251,405	215,174
Utilities	291,377	141,579
Management services	74,750	73,017
Repairs and maintenance	152,249	111,888
Insurance	4,509	9,408
Environmental fees	4,072	4,245
	<u>\$ 781,332</u>	<u>\$ 665,976</u>

9. Changes in non-cash working capital

	2015	2014
Accounts receivable	\$ 55,732	\$ (110,871)
Prepays	(104)	10,376
Accounts payable and accrued liabilities	1,383,702	(1,332,007)
Environmental liabilities	(950,000)	4,850,000
	<u>\$ 489,330</u>	<u>\$ 3,417,498</u>

Provincial Holdings Ltd.

Notes to the financial statements

March 31, 2015

10. Financial instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, loans to client companies, equity investment, amounts due from Province of New Brunswick, accounts payable and accrued liabilities, HST payable and amounts due to Province of New Brunswick.

Financial instruments are recognized when the Company becomes a party to the contractual rights and obligations of the financial instrument.

Financial instruments are derecognized when the contractual rights to the cash flows from the financial asset have expired or have been transferred, and the Company has transferred substantially all risks and rewards of ownership, or are derecognized when the contractual obligation has been discharged, cancelled, or has expired.

The Company designates its financial instruments as follows:

- a) Cash and cash equivalents are measured at fair value. Fair value is assumed to represent the carrying value, which is at historical cost.
- b) Accounts receivable, loans to client companies, equity investment, due from Province of New Brunswick, accounts payable and accrued liabilities, HST payable and due to Province of New Brunswick are measured at cost.

It is management's opinion that the Corporation is not exposed to significant interest or currency risks arising from these financial instruments.

Credit Risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The Company manages this exposure through credit approval procedures for industrial development loans and monitoring of payments from debtors. The Company's maximum exposure to credit risk at March 31, 2015 is equal to the industrial development project - loans to client companies' balance of \$ 3,791,667.

Due to the short term nature of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and HST payable, fair value is assumed to represent the carrying value, which is historical cost.

11. Economic dependence

The Company is economically dependent on the Province of New Brunswick for the funding of approved projects and settlement of guarantees. During the period the Company received contributions of \$1,000,000 for development projects from the Province of New Brunswick.

Certain services are provided to the Company by departments within the Province of New Brunswick in the normal course of operations and are recorded in these financial statements. The most significant services provided relate to expenses of \$236,026 incurred for environmental remediation. These expenses have been recorded at the exchange amount.

12. Subsequent Events

Effective April 9, 2015, the Company has assigned a loan having a book value of \$3,791,667 to Opportunities New Brunswick.