

ARCTIC KINGDOM POLAR EXPEDITIONS INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2022

ARCTIC KINGDOM POLAR EXPEDITIONS INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2022

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Shareholder of  
Arctic Kingdom Polar Expeditions Inc.

We have reviewed the accompanying financial statements of Arctic Kingdom Polar Expeditions Inc. that comprise the balance sheet as at December 31, 2022, and the statements of retained earnings (deficit), income 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 generally accepted accounting principles, 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.

**Practitioner's Responsibility**

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

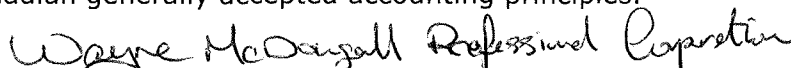
**Other Matters**

The comparative figures presented for the year ended 2021 have not been reviewed.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Arctic Kingdom Polar Expeditions Inc. as at December 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario  
May 19, 2023

  
Wayne McDougall Professional Corporation, CPA  
Licensed Public Accountants

ARCTIC KINGDOM POLAR EXPEDITIONS INC.

BALANCE SHEET

AS AT DECEMBER 31, 2022

(UNAUDITED)

	2022	2021 Not Reviewed
	<u>          </u>	<u>          </u>
	\$	\$
ASSETS		
Current		
Cash	705,199	3,317,934
Accounts receivable	26,667	-
Inventory	243,570	224,293
Prepaid expenses and deposits (Note 3)	311,299	633,987
Due from related party (Note 4)	<u>9,151</u>	<u>8,495</u>
	1,295,886	4,184,709
Property and equipment (Note 5)	<u>733,910</u>	<u>787,376</u>
	<u>2,029,796</u>	<u>4,972,085</u>

See accompanying notes

APPROVED ON BEHALF OF THE BOARD:

\_\_\_\_\_ Director

## ARCTIC KINGDOM POLAR EXPEDITIONS INC.

## BALANCE SHEET, continued

AS AT DECEMBER 31, 2022

(UNAUDITED)

	2022	2021 Not Reviewed
	<u>          </u>	<u>          </u>
	\$	\$
LIABILITIES		
Current		
Accounts payable and accrued liabilities(Note 6)	467,985	371,703
Income taxes payable	37,708	-
Due to related party(Note 4)	577,469	6,140,003
Current portion of long-term debt (Note 7)	<u>58,930</u>	<u>82,627</u>
	1,142,092	6,594,333
Due to shareholder (Note 8)	57,809	83,874
Long-term debt (Note 7)	<u>465,807</u>	<u>525,607</u>
	<u>1,665,708</u>	<u>7,203,814</u>
SHAREHOLDER'S EQUITY (DEFICIENCY)		
Capital stock (Note 9)	5	5
Retained earnings (deficit)	<u>364,083</u>	<u>(2,231,734)</u>
	<u>364,088</u>	<u>(2,231,729)</u>
	<u>2,029,796</u>	<u>4,972,085</u>

See accompanying notes

ARCTIC KINGDOM POLAR EXPEDITIONS INC.  
STATEMENT OF RETAINED EARNINGS (DEFICIT)  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(UNAUDITED)

	2022	2021 Not Reviewed
	<u>          </u>	<u>          </u>
	\$	\$
Deficit, beginning of year	(2,231,734)	(2,546,958)
Net income	<u>2,595,817</u>	<u>315,224</u>
Retained earnings (deficit), end of year	<u>364,083</u>	<u>(2,231,734)</u>

See accompanying notes

## ARCTIC KINGDOM POLAR EXPEDITIONS INC.

## STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2022

(UNAUDITED)

	2022	2021 Not Reviewed
	<u>          </u>	<u>          </u>
	\$	\$
Revenue		
Expeditions	8,961,796	698,522
Consulting fees	1,145,273	1,075,348
Product sales and other	80,107	90,301
	<u>10,187,176</u>	<u>1,864,171</u>
Direct costs	<u>5,550,826</u>	<u>502,044</u>
Gross profit	<u>4,636,350</u>	<u>1,362,127</u>
Expenses		
Salaries and related benefits	1,453,855	884,190
Amortization	172,837	191,163
Rent	140,940	99,530
Professional fees	127,745	100,981
Advertising and promotion	123,636	29,269
Dues and subscription	42,303	36,178
Interest on long-term debt	29,080	32,794
Travel	20,494	8,377
Communications	18,146	18,335
Insurance	18,143	20,604
Office and general	15,835	6,003
Repairs and maintenance	10,419	21,056
Interest and bank charges	3,693	3,500
	<u>2,177,126</u>	<u>1,451,980</u>
Income (loss) from operations	<u>2,459,224</u>	<u>(89,853)</u>

ARCTIC KINGDOM POLAR EXPEDITIONS INC.

STATEMENT OF INCOME, continued

FOR THE YEAR ENDED DECEMBER 31, 2022

(UNAUDITED)

	2022	2021 Not Reviewed
	<u>          </u>	<u>          </u>
	\$	\$
Economic Development Funding	90,000	22,515
Gain (loss) on foreign exchange	84,301	(219)
CEWS wage subsidy	-	292,285
CERS rent subsidy	-	50,496
Ontario Small Business Support Grant	-	40,000
	<u>174,301</u>	<u>405,077</u>
Income before income taxes	2,633,525	315,224
Income taxes (Note 2)	<u>37,708</u>	<u>-</u>
Net income	<u><u>2,595,817</u></u>	<u><u>315,224</u></u>

See accompanying notes



## ARCTIC KINGDOM POLAR EXPEDITIONS INC.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

(UNAUDITED)

	2022	2021 Not Reviewed
	<u>          </u>	<u>          </u>
	\$	\$
<b>Net cash provided by (used in):</b>		
Operating activities		
Net income	2,595,817	315,224
Item not affecting cash		
Amortization	<u>172,837</u>	<u>191,163</u>
	2,768,654	506,387
Change in non-cash working capital items		
Decrease (increase) in accounts receivable	(26,667)	64,723
Increase in inventory	(19,277)	(4,251)
Decrease (increase) in prepaid expenses and deposits	322,688	(329,346)
Increase in accounts payable and accrued liabilities	95,450	235,010
Income taxes payable	<u>37,708</u>	<u>-</u>
	<u>3,178,556</u>	<u>472,523</u>
Investing activities		
Advances from related party	(5,563,190)	(330,400)
Purchase of property and equipment	(129,039)	(78,836)
Proceeds on disposal of property and equipment	<u>10,500</u>	<u>-</u>
	<u>(5,681,729)</u>	<u>(409,236)</u>
Financing activities		
Repayment of Due to shareholder	(26,065)	(1,444)
Advances of long-term debt	<u>(83,497)</u>	<u>265,562</u>
	<u>(109,562)</u>	<u>264,118</u>
Increase (decrease) in cash	(2,612,735)	327,405
Cash, beginning of year	<u>3,317,934</u>	<u>2,990,529</u>
Cash, end of year	<u><u>705,199</u></u>	<u><u>3,317,934</u></u>

See accompanying notes

ARCTIC KINGDOM POLAR EXPEDITIONS INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(UNAUDITED)

1. NATURE OF OPERATIONS

Arctic Kingdom Polar Expeditions Inc. is a private company incorporated under the Business Corporations Act of Ontario on March 27, 2000. The company's principal business involves the provision of equipment and outfitting services for logistically demanding expeditions for tourism, companies, filmmakers and scientists.

2. SUMMARY OF ACCOUNTING POLICIES

The company follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

(a) Basis of accounting

These financial statements have been prepared in accordance with Canadian Accounting Standards for Private Enterprises.

(b) Prepaid

Expense items of a nature, which will benefit future periods, are charged to the prepaid expense account and are amortized over actual periods benefited.

(c) Inventory

Inventory is measured at the lower of cost and net realizable value, with cost being determined by specific item method. Net realizable value is the estimated selling price in the ordinary course of business, less the cost necessary to make the sale. The company's inventory consists of finished goods.

(d) Property and equipment

Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized on the declining balance method over their estimated useful lives at the following rates:

Vehicles	30%
Office equipment	20%
Boats and vessels	17%
Warehouse equipment	30%
Computer equipment	30 to 55%
Expedition equipment	20%

ARCTIC KINGDOM POLAR EXPEDITIONS INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(UNAUDITED)

SUMMARY OF ACCOUNTING POLICIES, continued

(d) Property and equipment, continued

Amortization of Leasehold Improvements is recorded on a straight-line basis over 5 years.

The estimated useful lives of assets are reviewed by management and adjusted if necessary.

(e) Impairment of long-lived assets

The company tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

(f) Leases

Leases are classified as either capital or operating leases. A lease that transfers substantially all benefits and risk incidental to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein lease payments are expensed when incurred. At the inception of a capital lease, an asset and a lease obligation are recorded at an amount equal to the lesser of the present value of minimum lease payments and the property's fair value at the beginning of such lease. The company provides for amortization using the declining balance method at rates designed to amortize the cost of the assets under capital lease over their estimated useful lives.

(g) Revenue recognition

Service and expedition revenue is recognized when services are performed and the customer assumes risk of loss, collection of relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Amounts received for future services are deferred and presented as customer deposits until service is provided.

Consulting fees, service and expedition revenue is recognized when services are performed and the customer assumes risk of loss, collection of relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Amounts received for future services are deferred and presented as customer deposits until service is provided.

Product sales revenue is recognized upon transfer of goods supported by a bill of sale.

ARCTIC KINGDOM POLAR EXPEDITIONS INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(UNAUDITED)

SUMMARY OF ACCOUNTING POLICIES, continued

(h) Income taxes

The company uses the income taxes payable method of accounting for income taxes. Under this method, the company reports as an expenses (income) of the year only the cost (benefit) of current income taxes for that year, determined in accordance with the rules established by taxation authorities.

(i) Financial instruments

The company's financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, due to/from related party, shareholder advances and long-term debt.

The company's financial instruments are initially measured at fair value and subsequently measured at amortized cost.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of reversal is recognized in net income.

(j) Foreign currency translation

Monetary assets and liabilities of the company which are denominated in foreign currencies are translated at year end exchange rates. Other assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates except for amortization which is translated at the same rates as the related asset. The resulting gains or losses are included in operations.

(k) 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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include the useful lives of property and equipment, allowances for doubtful accounts, and accrued liabilities. Actual results could differ from these estimates.

ARCTIC KINGDOM POLAR EXPEDITIONS INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(UNAUDITED)

3. PREPAID EXPENSES AND DEPOSITS

2022	2021 Not Reviewed
<u>          </u>	<u>          </u>
\$	\$
<u>311,299</u>	<u>633,987</u>

4. DUE FROM/TO RELATED PARTIES

(a) During the year, the company entered into transactions with the following related companies:

Arctic Kingdom Film Inc., - under the same ownership  
Arctic Kingdom Inc., - under the same ownership

(b) Transactions with related companies

Transactions with related companies are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The advances from Arctic Kingdom Inc. represent customer deposits for upcoming 2023 expeditions.

(c) Due from related company

2022	2021 Not Reviewed
<u>          </u>	<u>          </u>
\$	\$
Arctic Kingdom Film Inc. <u>9,151</u>	<u>8,495</u>

(d) Due to related company

2022	2021 Not Reviewed
<u>          </u>	<u>          </u>
\$	\$
Arctic Kingdom Inc. <u>577,469</u>	<u>6,140,003</u>

ARCTIC KINGDOM POLAR EXPEDITIONS INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(UNAUDITED)

5. PROPERTY AND EQUIPMENT

	2022			2021 Not Reviewed
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>	<u>Net</u>
	\$	\$	\$	\$
Vehicles	17,315	16,721	594	848
Office equipment	102,717	80,542	22,175	23,149
Leasehold improvements	57,856	52,399	5,457	10,477
Boats and vessels	512,523	449,057	63,466	76,153
Warehouse equipment	7,651	7,160	491	701
Computer equipment	84,789	74,584	10,205	7,610
Expedition equipment	<u>2,503,436</u>	<u>1,871,914</u>	<u>631,522</u>	<u>668,438</u>
	<u>3,286,287</u>	<u>2,552,377</u>	<u>733,910</u>	<u>787,376</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021 Not Reviewed
	<u>\$</u>	<u>\$</u>
Trade and accrued liabilities	383,612	276,070
HST/GST payable	74,304	84,383
Payroll remittances	<u>10,069</u>	<u>11,250</u>
	<u>467,985</u>	<u>371,703</u>

ARCTIC KINGDOM POLAR EXPEDITIONS INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(UNAUDITED)

7. LONG-TERM DEBT

	2022	2021 Not Reviewed
	<u>\$</u>	<u>\$</u>
(a) RBC -CEBA & BaffinBusDC	119,949	130,501
(b) BDC's Floating Base Rate ( currently at 8.55% ) plus variance of 2.0% per annum, repayable by 12 monthly installments of \$ 2,111.64 plus interest yearly, maturing October 01, 2026 : Loan 11	69,000	69,000
(c) BDC's Floating Base Rate ( currently at 8.55% ) plus variance of 1.00% per annum, repayable by 7 monthly installments ( per annum ) of \$ 1,786 plus interest yearly; maturing October 15, 2025 : Loan 8	37,494	37,494
(d) BDC's Floating Base Rate ( currently at 8.55% ) plus variance of 2.06% per annum, repayable by 7 monthly installments ( per annum ) of \$ 2,000 plus interest yearly, maturing October 15, 2024 : Loan 9	28,000	42,000
(e) Royal bank, 4.5% fixed rate, fixed term, repayable in blended monthly installments of \$ 2,214; maturing February 2, 2023. The loan is originally secured by a boat that was sold in 2019.	4,377	30,239
(f) Royal bank, 4% fixed rate, fixed term, repayable in blended monthly installments of \$ 2,314.81; maturing March 2, 2030. The company intends to repay the loan balace in 2030 : RBC HASCAP	229,167	250,000
(g) BDC's Floating Base Rate ( currently at 5.8% ) plus variance of 2.17% per annum, repayable by 7 monthly installments of \$ 1,750 plus interest yearly; maturing October 1, 2025 : Loan 10	<u>36,750</u>	<u>49,000</u>
	524,737	608,234
Less current portion	<u>58,930</u>	<u>82,627</u>
	<u>465,807</u>	<u>525,607</u>
Due beyond one year	<u>465,807</u>	<u>525,607</u>

ARCTIC KINGDOM POLAR EXPEDITIONS INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(UNAUDITED)

LONG-TERM DEBT, continued

Estimated principal repayments are as follows:

	\$
2023	58,930
2024	46,732
2025	63,453
2026	64,593
2027	43,154
Subsequent years	<u>247,875</u>
	<u><u>524,737</u></u>

8. DUE TO SHAREHOLDER

Shareholder advances are non-interest bearing and have no specified terms of repayment. These advances have been postponed in favour of Royal Bank of Canada as a condition of the credit facilities.

9. CAPITAL STOCK

Issued and outstanding: 100 Common shares with a value of \$5 (2021 - 100 Common shares, value \$5)

10. INTEREST AND BANK CHARGES

Interest paid on the operating line of credit and included in interest and bank charges for the year was \$3,693 (2021 - 3,500)

11. PRODUCT SALES AND OTHERS

The cost of good sold related to the merchandise sold is \$80,107 (2021-\$90,301).



ARCTIC KINGDOM POLAR EXPEDITIONS INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(UNAUDITED)

12. INCOME TAXES

The company is subject to a combined federal and provincial income tax rate of 12.2% on the first \$500,000 of taxable income with the excess taxed at 26.5% after adjustment for non-deductible expenses.

The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 12.2% (2021 - 13.5%) to the income for the years as follows:

	2022	2021 Not Reviewed
	<u>          </u>	<u>          </u>
	\$	\$
Income for the year before income taxes	<u>2,633,525</u>	<u>315,224</u>
Anticipated income tax	626,384	38,457
Tax effect of the following:		
CCA in excess of amortization	(38,708)	-
Benefit of non-capital losses carried forward	(520,968)	-
Investment Tax credits & deductions	<u>(29,000)</u>	<u>(38,457)</u>
Income tax expense	<u>37,708</u>	<u>-</u>

ARCTIC KINGDOM POLAR EXPEDITIONS INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(UNAUDITED)

13. FINANCIAL INSTRUMENTS

(a) Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of long-term financial liabilities approximates their carrying value based on the presumption that the company is a going concern and thus expects to fully repay the outstanding amounts.

(b) Foreign exchange risk

The company has short-term financial assets and financial liabilities that are denominated in foreign currencies and thus are exposed to the financial risk of fluctuations arising from changes in foreign exchange risks. The company does not use derivative instruments to hedge its exposure to foreign currency risk. In the opinion of management the foreign exchange risk exposure to the company is low.

(c) Credit risk

The company does have credit risk in accounts receivable of \$26,667 (2021 - \$-). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The company reduces its exposure to credit risk by performing credit valuations on a regular basis; granting credit upon a review of the credit history of the applicant and creating an allowance for bad debts when applicable. The company maintains strict credit policies and limits in respect to counterparties. In the opinion of management the credit risk exposure to the company is low and is not material.

(d) Liquidity risk

The company does have a liquidity risk in the accounts payable and accrued liabilities of \$467,985 (\$371,703 - \$371,703). Liquidity risk is the risk that the company cannot repay its obligations when they become due to its creditors. The company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors and repays long-term debt interest and principal as they become due. The company manages its liquidity risk by monitoring its operating requirements to ensure financial resources are available.

(e) 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's exposure to interest rate fluctuations is with respect to the use of its bank credit facility and long-term debts which bear interest at floating rates. In the opinion of management the interest rate risk exposure to the company is low and is not material.

ARCTIC KINGDOM POLAR EXPEDITIONS INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(UNAUDITED)

FINANCIAL INSTRUMENTS, continued

14. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.