

**Stk'emlupsemc te
Secwepemc Nation
Financial Statements**
For the year ended March 31, 2016

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Management's Responsibility for Financial Reporting

The accompanying financial statements of the Stk'emlupsemc te Secwepemc Nation are the responsibility of management and have been approved by the Joint Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Stk'emlupsemc te Secwepemc Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the entity's assets are appropriately accounted for and adequately safeguarded.

The Joint Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Joint Council carries out this responsibility principally through its Finance Committee.

The Joint Council reviews the entity's financial statements and recommend their approval. The Joint Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the financial statements and the external auditor's report. The Joint Council takes this information into consideration when approving the financial statements for issuance to the member First Nations. The Joint Council also appoint the engagement of the external auditor.

The financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the member First Nations. BDO Canada LLP has full access to the Joint Council and management.

Councilor

Councilor



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Independent Auditor's Report

To the Joint Council of Stk'emlupsemc te Secwepemc Nation

We have audited the accompanying financial statements of Stk'emlupsemc te Secwepemc Nation, which comprise the statement of financial position as at March 31, 2016, and the statements of change in net financial assets, operations, 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 controls relevant to the entity's preparation 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 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 Stk'emlupsemc te Secwepemc Nation as at March 31, 2016 and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

Kamloops, British Columbia

June 30, 2016

Stk'emlupsemc te Secwepemc Nation
Statement of Financial Position

As at March 31	2016	2015
Financial Assets		
Cash (Note 2)	\$ 2,473,490	\$ 1,406,429
Accounts receivable	7,125	5,044
Due from related party (Note 4)	385,024	596,745
Investments (Note 3)	100,000	-
	2,965,639	2,008,218
Liabilities		
Accounts payable and accrued liabilities	39,779	38,241
Due to related parties (Note 4)	1,159,529	24,200
	1,766,331	1,945,777
Net Financial Assets		
	1,766,331	1,945,777
Non-Financial Assets		
Prepaid lease payment	12,109	12,109
Capital assets (Note 5)	11,175	13,969
	23,284	26,078
Accumulated Surplus (Note 7)	\$ 1,789,615	\$ 1,971,855

Commitments (Note 6)

Approved on behalf of the Joint Council:

_____, Councilor

_____, Councilor

**Stk'emlupsemc te Secwepemc Nation
Statement of Change in Net Financial Assets**

<u>For the year ended March 31</u>	<u>Budget</u>	<u>2016</u>	<u>2015</u>
Annual (deficit) surplus	\$ (403,594)	\$ (182,240)	\$ (109,463)
Amortization of tangible capital assets	-	2,794	3,492
Net change in net financial assets	(403,594)	(179,446)	(105,971)
Net financial assets, beginning of year	1,945,777	1,945,777	2,051,748
Net financial assets, end of year	\$ 1,542,183	\$ 1,766,331	\$ 1,945,777

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Stk'emlupsemc te Secwepemc Nation
Statement of Operations

For the year ended March 31	Budget	2016	2015
Revenue			
NSR revenue (Note 7)	\$ 1,972,922	\$ 1,628,048	\$ 2,073,933
KGHM Capacity Funding Agreement (Note 4)	-	925,000	485,000
Cultural Heritage Funding Agreement (Note 4)	-	279,059	279,231
HVC Project Agreement (Note 4)	-	300,000	-
WestKam	-	125,000	-
Other income	-	70,485	7,553
	<u>1,972,922</u>	<u>3,327,592</u>	<u>2,845,717</u>
Expenses			
Accounting and audit	15,000	8,000	8,400
Amortization	-	2,794	3,492
Bank charges	1,000	175	76
Funding to Stk'emlupsemc Limited Partnership	-	1,504,059	764,231
Governance development plan	165,000	18,249	102,754
Management fee (Note 4)	815,000	815,000	815,000
NSR Distributions (Note 4)	1,000,000	737,458	1,000,000
Office expenses	20,000	1,868	1,200
Professional fees	250,000	289,258	256,036
Salaries and benefits	110,516	132,436	-
Travel	-	535	3,991
	<u>2,376,516</u>	<u>3,509,832</u>	<u>2,955,180</u>
Annual (deficit) surplus	(403,594)	(182,240)	(109,463)
Accumulated surplus, beginning of year	1,971,855	1,971,855	2,081,318
Accumulated surplus, end of year	\$ 1,568,261	\$ 1,789,615	\$ 1,971,855

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Stk'emlupsemc te Secwepemc Nation
Statement of Cash Flows

For the year ended March 31	2016	2015
Operating activities		
Cash received from contributors	\$ 3,225,507	\$ 2,080,833
Cash paid to employees and suppliers	<u>(3,505,496)</u>	<u>(2,169,018)</u>
Cash flows from operating activities	<u>(279,989)</u>	<u>(88,185)</u>
Investing activity		
Advances from related parties	<u>1,347,050</u>	<u>27,455</u>
Net (decrease) increase in cash	1,067,061	(60,730)
Cash, beginning of year	<u>1,406,429</u>	<u>1,467,159</u>
Cash, end of year	<u>\$ 2,473,490</u>	<u>\$ 1,406,429</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Stk'emlupsemc te Secwepemc Nation Summary of Significant Accounting Policies

March 31, 2016

Accounting Principles	As Stk'emlupsemc te Secwepemc Nation ("SSN") is an extension of the Tk'emlups te Secwepemc ("TteS") and Skeetchestn Indian Band ("SIB") First Nation governments, the Joint Council has determined that it is appropriate to follow accounting principles consistent with those of the TteS and SIB, and, as such, SSN prepares its financial statements in accordance with Canadian generally accepted accounting principles for public sector entities.
Revenue Recognition	Revenue from contribution agreements are recognized when the significant acts for the agreement or milestones have been completed, the amount is due and collectability is reasonably assured.
Government Transfers	Government transfers are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.
Segmented Information	SSN is a shared governance body between the TteS and SIB, whose purpose is to recover the costs of maintaining the natural resource rights and title within its traditional territory. As this is the sole function of SSN, it functions as one operating segment. Accordingly, no other segment reporting by function is being reported on these financial statements and the statement of operations reports expenses by object.

Stk'emlupsemc te Secwepemc Nation Summary of Significant Accounting Policies

March 31, 2016

Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts directly attributable to acquisition, development or retirement of the asset. Proceeds on disposal of tangible capital assets are recorded as revenue in the appropriate program. The cost less residual value of the tangible capital assets are amortization is based on the estimated useful life of the assets and is recorded on a straight-line basis at the following annual rate:

Furniture and fixtures	20%
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Annual amortization is charged in the year of acquisition and in the year of disposal at one-half the above annual rate. Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue. No contributed capital assets were received during the year ended March 31, 2016 (2015 - \$nil).

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make assumptions and estimates that have an effect on 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. Actual results could be different from those estimates.

Investments

Investments are recorded at cost unless there has been a decline in market value which is other than temporary in nature, in which case the investments are written down to the market value.

Stk'emlupsemc te Secwepemc Nation Notes to Financial Statements

March 31, 2016

1. Nature of Entity

SSN is an unincorporated political entity that is the caretaker of the land base which is inhabited by the TteS and SIB. The objective of the entity is to recover the costs of maintaining the natural resource rights and title within its traditional territory. SSN does not own or control any other entities, and as such, no entities have been consolidated into or otherwise accounted for in these financial statements.

2. Cash

SSN's cash is held in one Canadian Chartered Bank and earns interest at the current prevailing rates for business operating accounts.

3. Investments

	<u>2016</u>	<u>2015</u>
KamWest Gold Corporation	<u>\$ 100,000</u>	<u>\$ -</u>

The carrying value is equal to market value for this investment.

Stk'emlupsemc te Secwepemc Nation Notes to Financial Statements

March 31, 2016

4. Related Party Transactions

- (i) The SIB and TteS are related to SSN by virtue of their common control over SSN. In addition, SSN is a beneficiary of the SSN Napa Trust, of which, SIB and TteS are also beneficiaries. NSR revenue is paid from New Gold to the SSN Napa Trust, and SSN is then distributed the net proceeds. During the year, SSN paid NSR Distributions to the related parties, pursuant to the terms of the participation agreement discussed in Note 5, as follows:

	2016	2015
Skeetchestn Indian Band	\$ 368,729	\$ 500,000
Tk'emlups te Secwepemc	368,729	500,000
	\$ 737,458	\$ 1,000,000

- (ii) Stk'emlupsemc Enterprises Inc. ("SEI")

SEI is related to SSN by virtue of common control under SIB and TteS. The amounts due from related party are due from SEI, are due on demand, unsecured and non-interest bearing with no specific terms of repayment.

In addition, SSN paid SEI a management fee in the amount of \$815,000 (2015 - \$815,000). This amount was paid in respect of SEI performing certain negotiating and other administrative functions on behalf of SSN.

- (iii) Stk'emlupsemc Limited Partnership ("SLP")

SSN is a related party to SLP by virtue of being under common control. The amounts due to related party are due to SLP, are due on demand, unsecured and non-interest bearing with no specific terms of repayments.

During the year, SSN transferred \$1,504,059 (2015 - \$764,231) to SLP in relation to the KGHM Capacity Funding, Cultural Heritage Funding, and HVC Project.

Stk'emlupsemc te Secwepemc Nation
Notes to Financial Statements

March 31, 2016

5. Tangible Capital Assets

	2016	2015
	Furniture and Fixtures	Furniture and Fixtures
Cost, beginning of year	\$ 37,891	\$ 37,891
Cost, end of year	37,891	37,891
Accumulated amortization, beginning of year	23,922	20,430
Amortization	2,794	3,492
Accumulated amortization, end of year	26,716	23,922
Net carrying amount, end of year	\$ 11,175	\$ 13,969

6. Employee Retirement Savings Plan

The Company and its employees contribute to a retirement savings plan. Total contributions to the plan by the Company during the year was \$5,390 (2015 - \$nil).

7. Accumulated Surplus

Accumulated surplus is comprised of the following:

	2016	2015
Operating	\$ 560,578	\$ 740,024
Equity in tangible capital assets	11,175	13,969
New Gold NSR Reserve	1,217,862	1,217,862
	\$ 1,789,615	\$ 1,971,855

The New Gold NSR Reserve has been established pursuant to the Participation Agreement with New Gold, which requires that annual payments be set aside for the sole benefit of the members of TteS and SIB. Any amounts paid into the Reserve or interest earned thereunder are to be used for the specified purposes of promoting, funding or carrying out social, community or economic development programs of direct benefit to the members of TteS and SIB. Reserve funds will be expended at the discretion of the Joint Council pursuant to the criteria outlined above.

Stk'emlupsemc te Secwepemc Nation
Notes to Financial Statements

March 31, 2016

8. Commitments

SSN has entered into a lease agreement for its premises with Kenuc'entwec Development ("KDC"), an entity controlled by SIB. Under the terms of the lease agreement, SSN will pay rent in the amount of \$5,450 per month. The lease expires in October 2024. They have also entered into a lease agreement for their Kamloops office with Kamloops Indian Band Development Corporation. Under the terms of the lease agreement, SSN will pay rent in the amount of \$595 per month. The lease expires March 2018.

Minimum annual lease payments over the next five years for these agreements are as follows:

2017	\$	72,545
2018		72,545
2019		65,400
2020		65,400
2021		65,400
		<hr/>
	\$	341,290

No rental expense has been recorded on these financial statements as SEI has assumed the lease obligations; however, no legal assignment of the leases have been completed, and as such, the lease commitment is reflected on these financial statements.

9. Comparative Amounts

Certain comparative amounts presented in these financial statements have been restated to conform with the current year presentation.