

**Stk'emlupsemc te
Secwepemc Nation
Financial Statements
For the year ended March 31, 2015**

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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.

Executive Director

Councilor



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BDO Canada LLP
300 - 272 Victoria Street
Kamloops BC V2C 1Z6

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, 2015, 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, 2015 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.

BDO Canada LLP

Chartered Professional Accountants
Kamloops, British Columbia
July 2, 2015

Stk'emlupsemc te Secwepemc Nation
Statement of Financial Position

As at March 31	2015	2014
Financial Assets		
Cash (Note 2)	\$ 1,406,429	\$ 1,467,159
Accounts receivable	5,044	4,391
Due from related party (Note 3)	596,745	600,000
	<u>2,008,218</u>	<u>2,071,550</u>
Liabilities		
Accounts payable and accrued liabilities	38,242	19,802
Due to related parties (Note 3)	24,200	-
	<u>1,945,776</u>	<u>2,051,748</u>
Net Financial Assets		
	<u>1,945,776</u>	<u>2,051,748</u>
Non-Financial Assets		
Prepaid lease payment	12,109	12,109
Tangible capital assets (Note 4)	13,969	17,461
	<u>26,078</u>	<u>29,570</u>
Accumulated Surplus (Note 5)	<u>\$ 1,971,854</u>	<u>\$ 2,081,318</u>
Commitments (Note 6)		

Approved on behalf of the Joint Council:

_____, Councilor

_____, Councilor

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

For the year ended March 31	Budget	2015	2014
Annual (deficit) surplus	\$ (655,400)	\$ (109,464)	\$ 561,956
Amortization of tangible capital assets	-	3,492	4,366
Net change in net financial assets	(655,400)	(105,972)	566,322
Net financial assets, beginning of year	2,051,748	2,051,748	1,485,426
Net financial assets, end of year	\$ 1,396,348	\$ 1,945,776	\$ 2,051,748

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	2015	2014
Revenue			
Consultation & accommodation fees	\$ -	\$ -	\$ 20,000
Other income	-	7,553	-
NSR revenue (Note 5)	1,600,000	2,073,933	1,601,839
	<u>1,600,000</u>	<u>2,081,486</u>	<u>1,621,839</u>
Expenses			
Accounting and audit	10,000	8,400	6,426
Amortization of tangible capital assets	-	3,493	4,365
Bank charges	400	76	179
Governance development plan	165,000	102,754	19,574
Management fee (Note 3)	815,000	815,000	300,000
NSR Distributions (Note 3)	1,000,000	1,000,000	-
Office expenses	-	1,200	3
Professional fees	250,000	256,036	73,348
Project specific (Note 3)	-	-	652,845
Travel	15,000	3,991	3,143
	<u>2,255,400</u>	<u>2,190,950</u>	<u>1,059,883</u>
Annual (deficit) surplus	(655,400)	(109,464)	561,956
Accumulated surplus, beginning of year	2,081,318	2,081,318	1,519,362
Accumulated surplus, end of year	<u>\$ 1,425,918</u>	<u>\$ 1,971,854</u>	<u>\$ 2,081,318</u>

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	2015	2014
Operating activities		
Cash received from contributors	\$ 2,080,833	\$ 1,622,458
Cash paid to employees and suppliers	<u>(2,169,018)</u>	<u>(1,055,330)</u>
Cash flows from operating activities	<u>(88,185)</u>	<u>567,128</u>
Investing activity		
Advances from related parties	<u>27,455</u>	<u>213,345</u>
Net (decrease) increase in cash	(60,730)	780,473
Cash, beginning of year	<u>1,467,159</u>	<u>686,686</u>
Cash, end of year	<u>\$ 1,406,429</u>	<u>\$ 1,467,159</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, 2015

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, 2015

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, 2015 (2014 - \$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.

Stk'emlupsemc te Secwepemc Nation Notes to Financial Statements

March 31, 2015

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. 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:

	<u>2015</u>	<u>2014</u>
Skeetchestn Indian Band	\$ 500,000	\$ -
Tk'emlups te Secwepemc	500,000	-
	<u>\$ 1,000,000</u>	<u>\$ -</u>

- (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.

During the year, SEI incurred \$nil (2014 - \$632,845) in expenses on behalf of SSN where SSN reimbursed SEI on a cost recovery basis.

Stk'emlupsemc te Secwepemc Nation
Notes to Financial Statements

March 31, 2015

3. Related Party Transactions - continued

In addition, SSN paid SEI a management fee in the amount of \$815,000 (2014 - \$300,000). 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

4. Tangible Capital Assets

	<u>2015</u>	<u>2014</u>
	Furniture and Fixtures	Furniture and Fixtures
Cost, beginning of year	\$ 37,891	\$ 37,891
Additions	-	-
Disposals	-	-
	<hr/>	<hr/>
Cost, end of year	37,891	37,891
	<hr/>	<hr/>
Accumulated amortization, beginning of year	20,430	16,065
Amortization	3,492	4,365
	<hr/>	<hr/>
Accumulated amortization, end of year	23,922	20,430
	<hr/>	<hr/>
Net carrying amount, end of year	\$ 13,969	\$ 17,461
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Stk'emlupsemc te Secwepemc Nation
Notes to Financial Statements

March 31, 2015

5. Accumulated Surplus

Accumulated surplus is comprised of the following:

	2015	2014
Operating	\$ 740,023	\$ 805,188
Equity in tangible capital assets	13,969	17,161
New Gold NSR Reserve	1,217,862	1,258,969
	\$ 1,971,854	\$ 2,081,318

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.

6. 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 \$6,540 per month. The lease expires in October 2024. They have also entered into a lease agreement for their Kamloops office with Northern Trailer. 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:

2016	\$	85,643
2017		85,625
2018		85,625
2019		78,480
2020		78,480
		78,480
	\$	413,853

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.

Stk'emlupsemc te Secwepemc Nation
Notes to Financial Statements

March 31, 2015

7. Comparative Amounts

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