

Stk'emlupsemc Enterprises Inc.
Financial Statements
For the year ended March 31, 2018

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Independent Auditor's Report

To the Board of Directors of Stk'emlupsemc Enterprises Inc.

We have audited the accompanying financial statements of Stk'emlupsemc Enterprises Inc., which comprise the statement of financial position as at March 31, 2018, and the statements of comprehensive income and changes in equity, and statement of cash flows for the year then ended and other explanatory information.

Management's Responsibility for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS"), 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 opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Stk'emlupsemc Enterprises Inc. as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with IFRS.

Chartered Professional Accountants

**Kamloops, British Columbia
June 15, 2018**

Stk'emlupsemc Enterprises Inc.
Statement of Financial Position

As at March 31 **2018** **2017**

Assets

Current

Cash (Note 2)	\$	239,800	\$	122,875
Accounts receivable		6,014		1
Due from related parties (Note 3)		708,191		232,724
Prepaid expenses		10,741		7,116

964,746 **362,716**

Equipment (Note 4)

21,567 27,913

Long term investment

1 1

\$ 986,314 **\$ 390,630**

Liabilities and Shareholders' Deficiency

Current

Accounts payable and accrued liabilities	\$	66,141	\$	56,204
Due to related parties (Note 3)		949,223		377,369

1,015,364 **433,573**

Shareholders' Deficiency

Share capital (Note 6)	20		20	
Deficit	(29,070)		(42,963)	

(29,050) **(42,943)**

\$ 986,314 **\$ 390,630**

Commitments (Note 11)

Approved on behalf of the Board:

_____, Director

_____, Director

Stk'emlupsemc Enterprises Inc.
Statement of Changes in Equity

<u>For the year ended March 31</u>	<u>2018</u>	<u>2017</u>
Deficit, beginning of year	\$ (42,963)	\$ (77,833)
Net income for the year for the year	<u>13,893</u>	<u>151,351</u>
	(29,070)	73,518
Dividends	<u>-</u>	<u>116,481</u>
Deficit, end of year	<u>\$ (29,070)</u>	<u>\$ (42,963)</u>

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

Stk'emlupsemc Enterprises Inc.
Statement of Comprehensive Income

For the year ended March 31	Budget	2018	2017
Revenue			
Dividend income (Note 3)	-	\$ 153,074	\$ 53,888
SSN management fee (Note 3)	850,000	710,000	815,000
SLP management fee (Note 3)	-	140,000	-
Loss on disposal of asset	-	-	(257)
Other revenue	446,487	565	33
KGHM Service Agreements	-	-	40,148
	<u>1,296,487</u>	<u>1,003,639</u>	<u>908,812</u>
Expenditures			
Accounting and legal	13,000	31,966	24,771
Advertising and promotion	1,000	12,602	12,366
Bank charges and interest	5,500	3,749	5,217
Depreciation	10,000	7,410	9,264
Insurance	5,500	5,324	8,072
Memberships and licences	1,000	714	754
Office expenses	25,000	44,192	42,609
Rent (Note 3)	75,000	72,545	72,545
Repairs and maintenance	11,000	862	653
Salaries and benefits	1,031,788	740,979	511,571
Security	1,000	403	703
Subcontractors (Note 3)	-	8,682	4,845
Supplies	-	77	-
Travel	10,000	32,975	39,623
Utilities	10,000	27,266	24,468
	<u>1,199,788</u>	<u>989,746</u>	<u>757,461</u>
Net and Comprehensive income for the year	\$ 96,699	\$ 13,893	\$ 151,351

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

Stk'emlupsemc Enterprises Inc.
Statement of Cash Flows

For the year ended March 31	2018	2017
Operating activities		
Cash received from contributors	\$ 997,625	\$ 927,305
Cash paid to employees and suppliers	(972,273)	(751,488)
Interest paid	(3,421)	(5,217)
Income taxes paid	(328)	-
Cash flows from operating activities	21,603	170,600
Investing activities		
Purchase of equipment	(1,065)	(3,773)
Proceeds on disposal of equipment	-	600
Advances from (to) related party	96,387	(194,253)
Cash flows used in investing activities	95,322	(197,426)
Financing activity		
Dividends paid	-	(116,482)
Net increase (decrease) in cash	116,925	(143,308)
Cash, beginning of year	122,875	266,183
Cash, end of year	\$ 239,800	\$ 122,875

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

Stk'emlupsemc Enterprises Inc. Notes to Financial Statements

March 31, 2018

1. Nature of Operations and Summary of Significant Accounting Policies

Reporting Entity

Stk'emlupsemc Enterprises Ltd. (the "Company") was incorporated under the laws of the Province of British Columbia on June 25, 2008. The Company's primary function is to recover the costs of maintaining the natural resource rights within the traditional territory of the Stk'emlupsemc. The address of the Company's registered office is PO Box 188, Savona, British Columbia, V0K 2J0.

The Company is jointly owned by the Skeetchestn Indian Band ("SIB") and Tk'emlups Te Secwepemc ("TTS") with each entity owning 50% of the issued share capital.

These financial statements have been authorized for issue by the Board of Directors on June 7, 2018.

Basis of Presentation

The financial statements have been prepared in accordance with the financial reporting framework required for Government Business Enterprises, as determined under Canadian public sector accounting standards, which is International Financial Reporting Standards ("IFRS").

The Company's functional and presentation currency is the Canadian dollar.

Basis of Measurement

The financial statements have been prepared on a historical cost basis.

Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. There are no significant judgments in relation to estimates in these financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Stk'emlupsemc Enterprises Inc.
Notes to Financial Statements

March 31, 2018

1. Nature of Operations and Summary of Significant Accounting Policies - continued

Revenue Recognition

Revenue from contribution agreements and management fees are recognized when the significant acts for the agreement or milestones have been completed, the amount is due and collectibility is reasonably assured.

Equipment

Equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is recognized in net income and is provided on a declining-balance basis over the estimated useful life of the assets as follows:

Furniture and fixtures	20%
Vehicles	30%
Computer equipment	30%

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

Impairment of Non-Financial Assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment charges are included in net income, except to the extent they reverse gains previously recognized in other comprehensive income.

Income Taxes

The Company follows the asset and liability method for account for income taxes. Under the asset and liability method, the changes in the net deferred tax asset or liability is to be included in income. Deferred tax assets and liabilities are measured using the substantively enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

Stk'emlupsemc Enterprises Inc. Notes to Financial Statements

March 31, 2018

1. Nature of Operations and Summary of Significant Accounting Policies - continued

Cash

Cash includes cash on hand, operating deposits with financial institutions, and for the purpose of the statement of cash flows, bank overdrafts that are repayable on demand.

Investments

Investments in subsidiaries are accounted for at cost and include Stk'emlupsemc Amalgamated Ventures Inc., a 51% owned subsidiary.

Accounts Payable and Other Payables

Liabilities for trade creditors and other payables are classified as other financial liabilities and initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Where discounting is used, the increase in the provision due to passage of time is recognized as a financial cost and included in interest expense.

Financial Assets

The Company classifies its financial assets into the following categories, based on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Stk'emlupsemc Enterprises Inc.
Notes to Financial Statements

March 31, 2018

1. Nature of Operations and Summary of Significant Accounting Policies - continued

Financial Assets - continued

Loans and Receivables

This category is comprised of cash and accounts receivable. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade), but also incorporate other types of contractual monetary asset. These assets are initially measured at fair value and are subsequently measured at amortized cost.

Financial Liabilities

The Company classifies its financial liabilities as other financial liabilities. Other financial liabilities include accounts payable and accrued liabilities which are initially measured at fair value and are subsequently measured at amortized cost.

Lease Assets

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

Financial Instruments

On initial recognition, all financial instruments are recorded at fair value.

Financial assets are designated upon inception as either: (i) "held-to-maturity"; (ii) "fair value through profit or loss"; (iii) "available-for-sale"; or (iv) "loans and receivables". The designation determines the method by which the financial assets are carried on the balance sheet subsequent to inception and how changes in value are recorded.

Financial liabilities are designated as either: (i) "fair value through profit or loss"; or (ii) "other liabilities". The designation determines the method by which the financial liabilities are carried on the balance sheet subsequent to inception and how changes in value are recorded.

Stk'emlupsemc Enterprises Inc. Notes to Financial Statements

March 31, 2018

1. Nature of Operations and Summary of Significant Accounting Policies

Standards, Amendments and Interpretations Not Yet Effective

Certain new standards, amendments and interpretations have been published that are mandatory for the Company's accounting periods beginning on or after April 1, 2018 or later periods that the Company has decided not to early adopt.

i) New standards, interpretations and amendments not yet effective:

The following new standards, amendments and interpretations which have not been applied in these financial statements, that will or may have an effect on the Company's future financial statements are:

- IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 "Financial Instruments: Recognition and Measurement." IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets, amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the new standard.
- IFRS 15 Revenue from Contracts with Customers was issued by IASB in May 2014, which establishes principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard provides a single, principles based five-step model for revenue recognition to be applied to contracts with customers except for revenue arising from items such as financial instruments, insurance contracts and leases. In September 2015, the IASB amended IFRS 15 by deferring its effective date by one year. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the new standard.
- IFRS 16 supersedes IAS 17 Leases, International Financial Reporting Interpretations Committee ("IFRIC") Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements. The effective date for IFRS 16 is January 1, 2019. The Company is in the process of evaluating the impact of the new standard.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company's future financial statements.

Stk'emlupsemc Enterprises Inc.
Notes to Financial Statements

March 31, 2018

2. Cash

The Company'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

At the end of the year, the advances to (from) related parties are as follows:

	March 31, 2018	March 31, 2017
Skeetchestn Indian Band ("SIB")	\$ 10	\$ 10
Tk'emlups Te Secwepemc ("TTS")	10	10
Stk'emlupsemc Limited Partnership ("SLP")	702,890	227,422
Stk'emlupsemc Amalgamated Ventures Inc. ("SAVI")	5,282	5,282
Stk'emlupsemc te Secwepemc Nation ("SSN")	(949,223)	(377,369)
	\$ (241,031)	\$ (144,645)

These amounts are unsecured, non-interest bearing and with no specific terms of repayment. SIB and TTS are related by being shareholders of the Company, SAVI is related by being a non-controlled subsidiary, and SLP is related via common control.

Stk'emlupsemc te Secwepemc Nation

SSN is related to the Company via common control. The amounts due to SSN are due on demand, unsecured and non-interest bearing with no specific terms of repayment.

During the year, the Company incurred \$17,447 (2017 - \$133,709) in expenses on behalf of SSN where it was reimbursed on a cost recovery basis.

During the year, the Company was reimbursed \$340,900 (2017-\$nil) in payroll expenses by SLP. In addition the company was paid a management fee of \$140,000 (2017-\$nil) from SLP.

In addition, the Company received a management fee in the amount of \$710,000 (2017 - \$815,000). This amount was paid in respect of the Company performing certain negotiating and other administrative functions on behalf of SSN.

Stk'emlupsemc Enterprises Inc.
Notes to Financial Statements

March 31, 2018

3. Related Party Transactions - continued

Kenuc'entwec Development Corp ("KDC")

KDC is related to the Company as it is an entity controlled by SIB. The Company paid rent of \$65,400 (2017 - \$65,400) to KDC. The lease governing the offices of the Company is currently entered into by SSN; however, the Company has assumed the lease obligation. No legal assignment of the lease has been completed, and as such, no further commitments relating to the lease have been disclosed.

Kamloops Indian Band Development Corporation

Kamloops Indian Band Development Corporation is related to the Company as it is an entity controlled by TTS. The Company paid rent of \$7,145 (2017 - \$7,145) to Kamloops Indian Band Development Corporation. The lease for the Company's Kamloops office space is currently entered into by SSN; however, the Company has assumed the lease obligation. No legal assignment of the lease has been completed, and as such, no further commitments relating to the lease have been disclosed.

These transactions are in the normal course of operations and have been recorded at the fair value of the rent provided, which is equal to the contracted amounts.

Stk'emlupsemc Enterprises Inc.
Notes to Financial Statements

March 31, 2018

4. Equipment

	2018			2017		
	Computer Equipment	Furniture and Fixtures	Vehicles	Computer Equipment	Furniture and Fixtures	Vehicles
Cost, beginning of year	\$ 43,344	\$ 24,900	\$ 19,255	\$ 41,011	\$ 24,900	\$ 19,255
Additions	1,065	-	-	3,773	-	-
Dispositions	-	-	-	(1,440)	-	-
Cost, end of year	44,409	24,900	19,255	43,344	24,900	19,255
Depreciation, beginning of year	25,468	16,790	17,329	19,639	14,762	16,504
Additions	5,173	1,659	578	6,411	2,028	825
Dispositions	-	-	-	(583)	-	-
Depreciation, end of year	30,641	18,449	17,907	25,467	16,790	17,329
Net book value	\$ 13,768	\$ 6,451	\$ 1,348	\$ 17,877	\$ 8,110	\$ 1,926
Total		\$ 21,567			\$ 27,913	

Stk'emlupsemc Enterprises Inc.
Notes to Financial Statements

March 31, 2018

5. Employee Retirement Savings Plan

The Company and its employees contribute to a defined contribution retirement savings plan. Total contributions to the plan by the Company during the year was \$28,118 (2017 - \$15,625).

6. Share Capital

Authorized:
unlimited common shares, no par value

Issued:

	<u>2018</u>	<u>2017</u>
20 common shares	<u>\$ 20</u>	<u>\$ 20</u>

7. Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern so it can continue to provide services to allow for future expansion. Budgets are prepared and reviewed by the Board of Directors and are utilized as a tool for ensuring the Company will be able to operate into the foreseeable future.

The Company's capital is comprised of shareholder's deficiency and share capital. There have been no changes in how the Company defines capital or how it manages capital in the period.

The Company's management team is responsible for approving the Company's management objectives and policies and for overseeing the effective management of capital. The Company's capital objectives are met by ensuring that adequate cash generated from operations is valuable to meet requirements.

There are no externally imposed capital requirements for the Company as at March 31, 2018.

Stk'emlupsemc Enterprises Inc.
Notes to Financial Statements

March 31, 2018

8. Risk Management

The fair value of cash, accounts receivable, due from shareholders, and accounts payable and accrued liabilities is approximately equal to their carrying value due to their short term maturity date.

Liquidity Risk

The Company has financial liabilities outstanding, including accounts payable, accrued liabilities, amounts due to related party and a loan payable. The Company manages its liquidity risk by reviewing liquidity resources, ensuring cash flows from operations and holdings of cash and cash equivalents are sufficient to meet liabilities when they are due as well as ensuring adequate funds exist to support business strategies and operations growth. The risk has not changed from previous periods.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to accounts receivable that relate to contributions receivable from the contribution partners. Management believes such accounts receivable are subject to minimal credit risk. The risk has not changed from previous periods.

9. Income Taxes

Income tax expense based on statutory rates:

	March 31, 2018	March 31, 2017
Income before income tax	\$ 13,893	\$ 151,351
Effective statutory rate	12.5 %	13.0 %
Income taxes using the Company's statutory rate	1,737	19,676
Non-deductible items and other items	465	(16,435)
Income tax expense	2,202	3,241
Use of non-capital losses	(2,202)	(3,241)
Income tax expense per financial statements	\$ -	\$ -

Stk'emlupsemc Enterprises Inc.
Notes to Financial Statements

March 31, 2018

10. Income Taxes - continued

The Company has accumulated non-capital loss carryforwards in the amount of \$117,252 (2017 - \$135,373). The future benefit of these loss carryforwards, and any other temporary differences have not been recognized on the financial statements as the Company's ability to utilize the benefit is uncertain.

Non-capital loss carryforwards expire as follows:

2033	\$	24,825
2034		<u>92,427</u>
	\$	<u>117,252</u>

10. Economic Dependence

The Company is economically dependent on the Stk'emlupsemc te Secwepemc Nation's continued support.

11. Commitments

The Company has entered into an operating lease for a photocopier. The photocopier is leased at \$329 per month under a lease expiring March 2019.

The Company has entered into an operating lease for a photocopier. The photocopier is leased at \$349 per month under a lease expiring March 2021.

The minimum annual operating lease commitments are as follows:

2019	8,136
2020	4,188
2021	<u>4,188</u>
	<u>\$ 16,512</u>