PFN Group of Companies Inc.

Consolidated Financial Statements

December 31, 2018

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of PFN Group of Companies Inc:

The accompanying financial statements of PFN Group of Companies Inc. are the responsibility of management and have been approved by the Shareholders.

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Shareholders are responsible for overseeing management in the performance of its financial reporting responsibilities and for approving the financial statements. The Shareholders fulfil these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

Chalupiak & Associates CPA Professional Corporation, an independent firm of Chartered Professional Accountants, is appointed by the Shareholders to audit the financial statements and report directly to the Shareholders; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Shareholders and management to discuss their audit findings.

PFN Group of Companies Inc.

Date: July 30, 2019

Chalupiak & Associates CPA Professional Corporation
Chartered Professional Accountants
3261 Saskatchewan Drive
Regina, Saskatchewan S4T 6S4
Phone: 306-359-3711 Fax: 306-569-3030

INDEPENDENT AUDITORS' REPORT

To the Shareholders of PFN Group of Companies Inc.

Opinion

We have audited the consolidated financial statements of PFN Group of Companies Inc., which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the company as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chalupiak & Associates

Regina, Saskatchewan
July 30, 2019

Chalupiak & Associates

	2018	2017
Assets		
Current assets		
Cash	$ -	$ 55,278
Accounts receivable - note 4	-	929,652
Inventory - note 5	-	507,796
Prepaid expenses - note 6	-	89,778
Income taxes receivable - note 7	-	388,467
	-	1,970,971
Fixed assets - note 9	-	2,908,193
Non current		
Due from PFN Group of Companies LP - note 8	2,200,752	-
Goodwill - note 10	-	476,872
	2,200,752	476,872
	$ 2,200,752	$ 5,356,036
Liabilities		
Current liabilities		
Bank indebtedness - note 11	$ -	$ 1,148,629
Accounts payable and accrued liabilities - note 12	3,000	765,371
Due to Pasqua First Nation - note 8	-	363,493
Current portion of long-term debt - note 13	-	146,449
	3,000	2,423,942
Reserve for losses in significantly influenced entities	1,187	-
Long-term debt - note 13	-	592,214
Future income taxes - note 14	-	139,128
	4,187	3,155,284
Shareholders' equity		
Retained earnings, beginning of year	2,200,752	3,623,200
Net loss and comprehensive loss	(4,187)	(1,422,448)
Retained earnings, end of year	2,196,565	2,200,752
	$ 2,200,752	$ 5,356,036

Approved on behalf of the Board:

Matthew T. Peigan Director

A. Desnomie Director

PFN Group of Companies Inc.
Consolidated Statement of Income and Comprehensive Income
For the year ended December 31, 2018

		2018	2017
Net income (loss) as reported on attached schedules			
PFN Group of Companies Inc., Schedule 1	$	(4,187) $	-
Pro Metal Industries Ltd., Schedule 2		-	(1,422,448)
Net loss and comprehensive loss	$	(4,187) $	(1,422,448)

	2018	2017
Retained earnings, beginning of year	$ 2,200,752	$ 3,623,200
Net and comprehensive loss	(4,187)	(1,422,448)
Retained earnings, end of year	$ 2,196,565	$ 2,200,752

PFN Group of Companies Inc.
Consolidated Statement of Cash Flows
For the year ended December 31, 2018

		2018		2017
Cash flows from (used in) operating activities				
Net loss and comprehensive loss	$	(4,187)	$	(1,422,448)
Items not involving cash				
Amortization		-		632,871
Future income taxes		-		64,998
Changes in non-cash operating items				
Accounts receivable		929,652		(2,435)
Inventory		507,796		(155,734)
Prepaid expenses		89,778		(32,562)
Income taxes receivable		388,467		(277,548)
Accounts payable and accrued liabilities		(762,370)		216,246
Future income taxes		(139,129)		-
		1,010,007		(976,612)
Cash flows from (used in) investing activities				
Purchase of fixed assets		-		(1,272,976)
Proceeds on disposal of fixed assets		3,385,065		-
Equity change in significantly influenced entities		1,187		-
		3,386,252		(1,272,976)
Cash flows from (used in) financing activities				
Due to (from) related parties		(2,564,245)		397,208
Repayment of long-term debt		(738,663)		(61,337)
Proceeds of long-term debt		-		800,000
Contributions net of withdrawals		-		(360,011)
		(3,302,908)		775,860
Decrease (increase) in bank indebtedness		1,093,351		(1,473,728)
(Bank indebtedness) cash, beginning of year		(1,093,351)		380,377
Bank indebtedness, end of year	$	-	$	(1,093,351)

1. General

PFN Group of Companies Inc. ("the Company") is wholly owned by Pasqua First Nation and was incorporated on July 9, 2012. Pasqua First Nation and PFN Group of Companies Inc. entered into partnership agreement on December 28, 2017 and established PFN Group of Companies LP, whose primary business is investing in businesses and developing business opportunities for Pasqua First Nation. Pasqua First Nation is the limited partner and owns 99.9%, and PFN Group of Companies Inc. is the general partner and owns 0.1% of PFN Group of Companies Limited Partnership. PFN Group of companies LP acquired the assets and liabilities of the Company on December 31, 2017 as further explained in note 15.

2. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on behalf of the partners and authorized for issue on July 30, 2019.

3. Significant accounting policies

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards. The significant accounting policies are detailed as follows:

(a) Basis of consolidation

The financial statements consolidate the financial statements of the Company and Pro Metal Industries Ltd. (the "subsidiary".) The subsidiary was acquired on February 8, 2016 and is involved in custom metal fabrication. The Company owns 100% of the common voting shares of Pro Metal Industries Ltd.

Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and it has the ability to affect those returns through its power over the investee. In assessing control, only rights which give the Company the current ability to direct the relevant activities and that the Company has the practical ability to exercise, is considered.

The results of the subsidiary acquired during prior years is included in these consolidated financial statements as of the effective date of acquisition.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. Where necessary, adjustments are made to the financial statements of the subsidiary to ensure consistency with the exception of amortization.

Any balances, unrealized gains and losses or income and expenses arising from intra-Company transactions, are eliminated upon consolidation.

3. Significant accounting policies, continued

(b) **Basis of presentation**

These financial statements reflect only the assets, liabilities, revenue and expenses of the company and therefore do not include any other assets, liabilities, revenues or expenses of the Shareholders or the liability of the Shareholders for income taxes on earnings of the company.

Basis of measurement:

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Financial instruments at fair value through profit or loss are measured at fair value.

Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is also the company's functional currency.

Significant accounting judgements, estimates and assumptions:

The preparation of the company's financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

- Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary;
- Depreciation is based on the estimated useful lives of fixed assets;
- Impairment of fixed assets is based on the estimated recoverable amount of the assets; and,
- The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. Significant accounting policies, continued

(c) Financial instruments

Financial assets and financial liabilities are initially measured at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. Transactions to purchase or sell these items are recorded on the trade date. During the year, there has been no reclassification of financial instruments.

Financial assets at fair value through profit or loss

The company has classified cash and cash equivalents and marketable securities as a financial asset at fair value through profit or loss. Any gain/loss arising as a result of the difference between the carrying amount and fair value is recognized in total comprehensive income.

Financial instruments at fair value through profit or loss are subsequently measured at their fair value.

Loans and receivables

The company has classified accounts receivable and due from related parties as loans and receivables.

Loans and receivables are subsequently measured at their amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, plus or minus any reduction for impairment or uncollectability. Net gains and losses arising from changes in fair value are recognized in total comprehensive income upon de-recognition or impairment.

Financial liabilities measured at amortized cost

The company has classified accounts payable and accruals, and due to related parties as financial liabilities measured at amortized cost.

Financial liabilities measured at amortized cost are measured at their amortized cost subsequent to initial recognition. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Net gains and losses arising from changes in fair value are recognized in total comprehensive income upon de-recognition or impairment.

3. Significant accounting policies, continued

(d) **Investment in partnership**

The company is a partner in the partnership PFN Group of Companies Limited Partnership. The investment is recorded on the equity basis, whereby the investment is initially recorded at cost and adjusted for the company's share of partnership income or losses less drawings received. Income from the partnership is recorded in the accounts when it has been allocated according to the partnership agreement. Under the terms of the partnership agreement income is allocated to the partners at the end of the year. If the company's share of equity is a deficit amount, a reserve is recorded to reflect this amount.

(e) **Financial asset impairment**

The company assesses impairment of all its financial assets, except those classified as fair value through profit and loss. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in current year earnings.

(f) **Fair value measurements**

The company classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the company to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgement considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

(g) **Cash and cash equivalents**

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

3. Significant accounting policies, continued

(h) **Inventory**

The Company's inventory of raw materials is recorded at the lower of cost and net realizable value. Work in process and finished goods are valued at the lower of cost (including an appropriate portion of overhead based on normal operating capacity) and net realizable value. Cost is determined by the first-in, first-out method. Cost of items of inventories that are segregated for specific projects is assigned by using specific identification of their individual costs. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

(i) **Marketable securities**

The investments in marketable securities are carried at the lower of cost and net realizable value.

(j) **Fixed assets**

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset or its development when those costs are necessarily incurred for the asset to function in the manner intended by management. When parts of an item of fixed assets have different useful lives, they are accounted for as separate items of fixed assets.

All assets having limited useful lives are depreciated using the straight-line or declining balance method over their estimated useful lives. Assets are depreciated from the date of acquisition. Internally constructed assets are depreciated from the time an asset is capable of operating in the manner intended by management.

In the year of acquisition, depreciation is taken at one-half of the applicable rates.

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

The methods of depreciation and depreciation rates applicable for each class of asset are as follows:

Buildings	10 %	Declining balance
Equipment	20 %	Declining balance
Vehicles	30 %	Declining balance
Office equipment	15 %	Declining balance
Leasehold improvements	5 years	Straight-line
Computer equipment	30 %	Declining balance
Computer software	5 years	Straight-line

Assets under construction are not amortized until the asset is available to be put into service.

3. Significant accounting policies, continued

(k) Impairment of non-financial assets

At the end of each reporting period, the company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(l) Revenue recognition

The company does not recognize revenue before the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the company, the stage of completion of the transaction at the end of the reporting period can be measured reliably, the costs incurred for the transaction and the costs to complete the transaction can be measured reliably and collection of the related receivable is reasonably assured.

(m) Comprehensive income

Comprehensive income includes all changes in equity of the company, except those resulting from investments by partners and distributions to partners. Comprehensive income is the total of net earnings and other comprehensive income. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with International Financing Reporting Standards, require recognition, but are excluded from net earnings. The company does not have any items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income. All gains and losses, including those arising from measurement of all financial instruments have been recognized in total comprehensive income for the period.

4. Accounts receivable

		2018		2017
Pro Metal Industries Ltd.				
Trade receivables - Pro Metal Industries Ltd	$	-	$	670,497
GST receivable - Pro Metal Industries Ltd		-		9,092
Grants receivable - Province of Saskatchewan		-		250,000
Allowance for doubtful accounts		-		(53,686)
Subtotal - Pro Metal Industries Ltd.		-		875,903
Trade receivables		-		53,159
Advances receivable		-		590
	$	-	$	929,652

5. Inventory

		2018		2017
Materials- Pro Metal Industries Ltd.	$	-	$	406,304
Work in Progress - Pro Metal Industries Ltd.		-		101,492
	$	-	$	507,796

6. Prepaid expenses

		2018		2017
Rent - Pro Metal Industries Ltd.	$	-	$	32,713
Insurance - Pro Metal Industries Ltd.		-		16,901
Compensation - Pro Metal Industries Ltd.		-		31,827
Insurance - other		-		8,337
	$	-	$	89,778

7. Income taxes receivable

In the current year the subsidiary of the company reported a tax loss of $1,309,105. This loss can be carried forward and applied to future earnings to reduce the income taxes payable. The recoverable amount of incomes taxes in the current year is approximately $277,548 and this amount has been added to the receivable carried forward from previous years.

	2018	2017
Income taxes recoverable from future earnings - 2015 fiscal	$ -	$ (27,273)
Income taxes recoverable from future earnings - 2016 fiscal	-	138,192
Income taxes recoverable from future earnings - 2017 fiscal	-	277,548
	$ -	$ 388,467

8. Due to (from) related parties

Amounts due to related parties are unsecured, non-interest bearing and have no fixed repayment schedules. Since the related parties have indicated that it is not their intention to request payment of these amounts during the next fiscal year, these amounts have been classified as non-current assets.

	2018	2017
Due to Pasqua First Nation	$ -	$ (363,493)
Due from PFN Group of Companies LP	2,200,752	-
	$ 2,200,752	$ (363,493)

9. Fixed assets

			2018	2017
	Cost	Accumulated amortization	Net	Net
Buildings	$ -	$ -	$ -	$ 3,074
Equipment	-	-	-	1,348,374
Vehicles	-	-	-	43,032
Office equipment	-	-	-	60,317
Leasehold improvements	-	-	-	403,126
Computer equipment	-	-	-	30,581
Computer software	-	-	-	1,019,689
	$ -	$ -	$ -	$ 2,908,193

10. Goodwill

Business acquisitions are accounted for using the acquisition method. On February 6, 2016 the Company acquired 100% of the outstanding shares of Pro-Metal Industries Ltd. Goodwill arising on this acquisition totalled $476,872.

			2018	2017
	Cost	Accumulated amortization	Net	Net
Goodwill	$ -	$ -	$ -	$ 476,872

11. Bank indebtedness

The subsidiary of the Company has an authorized overdraft limit of $350,000 bearing an interest rate of 24% and a $1,000,000 revolving line of credit, of which advances on the credit line are payable on demand and bear interest at prime plus 2%. The credit line is secured by a general security agreement.

	2018	2017
Bank indebtedness	$ -	$ 1,148,629

12. Accounts payable and accrued liabilities

		2018		2017
Trade accounts and accrued payables	$	3,000	$	657,568
Accrued wages and deductions payable		-		54,891
GST payable/(receivable)		-		44,641
Vacation payable		-		6,036
PST payable		-		2,235
	$	3,000	$	765,371

13. Long-term debt

During the year the subsidiary of the company obtained the following financing:

		2018		2017
Peace Hills Trust term loan - capital asset loan - bearing interest at 5.50%, monthly blended payments of $15,285, maturing May 1, 2022, secured by general security agreement.	$	-	$	738,663
Less current portion		-		146,449
Due beyond one year	$	-	$	592,214

14. Future income taxes

The subsidiary of the company follows the tax allocation method of accounting for income taxes whereby the income tax provision is based on the income reported in the accounts. Under this method, the subsidiary corporation makes full provision for income taxes deferred as a result of claiming revenues and expenses for income tax purposes on a different basis than that for accounting purposes.

		2018		2017
2015 fiscal year	$	-	$	27,022
2016 fiscal year		-		47,108
2017 fiscal year		-		64,998
	$	-	$	139,128

15. Acquisition of the Assets and Liabilities of PFN Group of Companies Inc.

On January 1, 2018, PFN Group of Companies LP (the "Partnership") acquired the assets and liabilities of PFN Group of Companies Inc. (the "Company"). These were acquired at book value based on the December 31, 2017 audited financial statements of the Company in exchange for a promissory note in the amount of $2,200,752 without any specific repayment terms or interest rate. The Partnership and the Company are entities that are both controlled by Pasqua First Nation, who owns 100% of the shares of the Company and 99.99% of the partnership units of the Partnership.

The following is a summary of the closing balance sheet of PFN Group of Companies Inc. on December 31, 2018.

Assets		
Current assets		
Cash	$	55,278
Accounts receivable		929,652
Inventory		507,796
Other		478,245
		1,970,971
Fixed assets		2,908,193
Goodwill		476,872
Total assets	$	5,356,036
Liabilities		
Current liabilities		
Bank indebtedness	$	1,148,629
Accounts payable		765,371
Current portion		146,449
Due to Pasqua First Nation		363,493
		2,423,942
Long term debt		592,214
Other		139,128
Shareholder equity		2,200,752
Total Equity	$	5,356,036

16. Contingent liabilities

The company together with others, has guaranteed the bank loans and notes payable of related entities to the extent of $4,200,000. It is not possible at this time to determine the liability, if any, that may result from these guarantees.

17. Financial instruments

The company as part of its operations carries a number of financial instruments. It is management's opinion that the company is not exposed to significant interest, currency, or credit risks arising from these financial instruments except as otherwise disclosed.

(a) Risk management policy

The company observes an informal risk management policy by maintaining the majority of the company's capital in liquid assets.

There have been no changes in risk exposures from the prior year.

(b) Fair value of financial instruments

The carrying amount of cash and cash equivalents, accounts receivable, and accounts payable and accruals approximate their fair value due to their short-term nature.

The fair value of amounts due from/to related parties is not determinable as timing of future cash flows cannot be estimated.

Financial assets at fair value through profit or loss:

Cash and cash equivalents are recorded at fair value, which is approximated by the initial carrying value, due to their short-term nature. Marketable securities are recorded at fair value, which is approximated by quoted prices available in an active market. Cash and cash equivalents and marketable securities are measured at level 1 in the fair value hierarchy.

Loans and receivables:

Accounts receivable and due from related parties are recorded at their amortized cost.

Financial liabilities measured at amortized cost:

Accounts payable and accruals and due from related parties are recorded at their amortized cost.

(c) Credit risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

The carrying amount of the company's accounts receivable best represents the maximum exposure to credit risk.

The company manages its credit risk by performing regular credit assessments of its customers, providing allowances for potentially uncollectible accounts receivable and considering credit ratings of counter parties. The company does not require collateral or other security relating to accounts receivable.

17. Financial instruments, continued

(d) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Shareholders manage exposure through diversification of both investments and maturity dates of investments.

The Shareholders are exposed to interest rate risk with respect to bank indebtedness and long-term due to related party.

(e) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The company enters into transactions to purchase goods and services on credit for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Shareholder's future net cash flows for the possibility of negative net cash flow.

The company manages the liquidity risk resulting from its accounts payable by maintaining liquid assets.

Schedule 1

PFN Group of Companies Inc.

Consolidated schedule of PFN Group of Companies Inc.

For the year ended December 31, 2018

	2018	2017
Sales		
Site Energy	$ -	$ 230,785
Park Derochie	-	2,129
Clean Harbors Canada Inc.	-	28,735
Tire installation and sales	-	58,870
Other revenue	-	13,748
Partnership income (loss)	(1,187)	-
	(1,187)	334,267
Cost of sales		
Materials	-	45,093
Gross profit	(1,187)	289,174
Expenses		
Advertising and promotion	-	6,000
Amortization	-	1,905
Bad debts (recovered)	-	(44,847)
Bank charges	-	809
Consultants and contractors	-	28,422
Cultural events	-	4,000
Insurance	-	5,478
Professional fees	3,000	52,085
Registration, tuitions, memberships	-	290
Supplies	-	4,141
Training	-	1,258
Travel	-	12,830
	3,000	72,371
(Loss) income before other expenses	(4,187)	216,803
Other expenses		
Management fees	-	216,803
Net loss and comprehensive loss	$ (4,187)	$ -

Schedule 2

PFN Group of Companies Inc.

Consolidated schedule of Pro Metal Industries Ltd.

For the year ended December 31, 2018

	2018	2017
Sales		
Metal fabrication	$ -	$ 2,672,109
Grants	-	250,000
	-	2,922,109
Cost of sales		
Freight	-	23,626
Materials	-	744,174
Salaries and benefits	-	1,672,433
Shop supplies	-	217,554
Sub-contracts	-	76,451
	-	2,734,238
Gross profit	-	187,871
Expenses		
Advertising and promotion	-	20,668
Amortization	-	630,966
Bank charges	-	27,133
Courier and delivery	-	11,810
Equipment rental	-	22,369
Insurance	-	26,754
Interest on long-term debt	-	66,954
Meals and entertainment	-	7,898
Office	-	21,663
Professional fees	-	172,436
Property taxes	-	39,529
Registration, tuitions, memberships	-	12,313
Rent	-	405,360
Repairs and maintenance	-	57,343
Small tools	-	101,398
Telephone	-	14,550
Utilities	-	75,498
Vehicle expenses	-	16,575
Wages and benefits	-	91,652
	-	1,822,869
Loss before income taxes	-	(1,634,998)
Income tax (recovery)		
Current	-	277,548
Future	-	(64,998)
	-	212,550
Net loss and comprehensive loss	$ -	$ (1,422,448)