PFN Group of Companies Limited Partnership

Consolidated Financial Statements

December 31, 2018

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

To the Partners of PFN Group of Companies Limited Partnership:

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

Management is responsible for the preparation and presentation of the accompanying partners 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 Partnership is responsible for overseeing management in the performance of its financial reporting responsibilities and for approving the financial statements. The Partnership fulfils 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 Partners to audit the financial statements and report directly to the Partners; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Partnership and management to discuss their audit findings.

PFN Group of Companies Limited Partnership

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 Partners of PFN Group of Companies Limited Partnership

Qualified Opinion

We have audited the consolidated financial statements of PFN Group of Companies Limited Partnership, 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.

Except as noted in the following paragraph, in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Partnership 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 Qualified Opinion

As explained in Note #10 the Partnership invested 5 million dollars in 11046896 Canada Inc. to purchase NP Aerospace Limited. We were unable to obtain financial or other supporting information to confirm the details of the purchase transaction and the financial position of 11046896 Canada Inc. as at December 31, 2018.

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 Partnership 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 qualified opinion.

Emphasis of Matter

We draw attention to Note 1 and Note 20 of the financial statements which describe the Partnership structure, commencement of operations and acquisition of the assets and liabilities of PFN Group of Companies Inc.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters included the purchase of the assets and liabilities of PFN Group of Companies Inc., the consolidation of the operations of Pro Metal Industries Ltd, and the investments in Atlas Biotechnologies Inc. and 11046896 Canada Inc. (NP Aerospace).

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 IFRS, 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 Partnership'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 Partnership or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership'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 Partnership'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 Partnership'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 Partnership 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.

Regina, Saskatchewan
July 30, 2019

Chalupiak & Associates
Chalupiak & Associates

Assets	
Current assets	
Accounts receivable - note 4	$ 864,004
Inventory - note 5	576,998
Prepaid expenses - note 6	41,962
Cash - Lawyers trust account - note 7	50,000
Income taxes receivable - note 8	577,816
	2,110,780
Fixed assets - note 9	3,261,127
Investments - note 10	
Portfolio Investment	600,000
Investment in Associates	5,000,000
	5,600,000
Non current	
Goodwill - note 11	476,872
	$ 11,448,779
Liabilities	
Current liabilities	
Bank indebtedness - note 12	$ 2,197,461
Accounts payable and accrued liabilities - note 13	1,210,716
Current portion of long-term debt - note 14	154,701
	3,562,878
Due to Pasqua First Nation - note 16	6,285,639
Due to PFN Group of Companies Inc. - note 16	2,200,752
Long-term debt - note 14	437,669
Future income taxes - note 15	149,287
	12,636,225
Partners' deficit	
Net loss and comprehensive loss	(1,187,446)
Partners' deficit, end of year	(1,187,446)
	$ 11,448,779

Approved on behalf of the Partners:

_______________ Partner _______________ Partner

Net income (loss) and comprehensive income (loss)			
General Operations - Statement of Operations, Schedule 1		$	(10,244)
Pro Metal Industries Ltd - Statement of Operations, Schedule 2			(1,177,202)
Net loss and comprehensive loss		$	(1,187,446)
Allocation to partners			
PFN Group of Companies Inc.	*0.10 %*	$	(1,187)
Pasqua First Nation	*99.90 %*		(1,186,259)
	100.00 %	$	(1,187,446)

	Balance, beginning of year	Share of net loss and comprehensive loss	Balance, end of year
PFN Group of Companies Inc.	$ -	$ (1,187)	$ (1,187)
Pasqua First Nation	-	(1,186,259)	(1,186,259)
	$ -	$ (1,187,446)	$ (1,187,446)

Cash flows from (used in) operating activities	
Net loss and comprehensive loss	$ (1,187,446)
Item not involving cash	
Amortization	599,932
Changes in non-cash operating items	
Accounts receivable	(864,004)
Inventory	(576,998)
Prepaid expenses	(41,962)
Income taxes receivable	(577,816)
Accounts payable and accrued liabilities	1,210,716
	(1,437,578)
Cash flows from (used in) investing activities	
Purchase of investments	(5,600,000)
Purchase of fixed assets	(3,861,059)
Goodwill	(476,872)
Future income taxes	149,287
	(9,788,644)
Cash flows from (used in) financing activities	
Due to (from) related parties	8,486,391
Repayment of long-term debt	592,370
	9,078,761
Decrease in cash	(2,147,461)
Cash, beginning of year	-
Bank indebtedness, end of year	$ (2,147,461)
Bank indebtedness consists of:	
Cash - Lawyers trust account	$ 50,000
Bank indebtedness	(2,197,461)
	$ (2,147,461)

1. General

PFN Group of Companies Limited Partnership (the "Partnership") is a limited partnership that was created on December 28, 2017 and began operations on January 1, 2018. The partners are Pasqua First Nation, the limited partner that holds 999 partnership units, and PFN Group of Companies Inc., the general partner that holds 1 partnership unit.

The Limited Partnership is registered in the Province of Saskatchewan. The registered office is located at Pasqua First Nation, Saskatchewan, Canada. The partnership operations consist of developing businesses for Pasqua First Nation.

The financial statements of the Partnership as at December 31, 2018 and for the year then ended are comprised of the Partnership and its subsidiary Pro Metal Industries Ltd.

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

Control is achieved where the Partnership 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 Partnership the current ability to direct the relevant activities and that the Partnership 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 Partnership 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 Partnership and therefore do not include any other assets, liabilities, revenues or expenses of the Partners or the liability of the Partners for income taxes on earnings of the Partnership.

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 Partnership's functional currency.

Significant accounting judgements, estimates and assumptions:

The preparation of the Partnership'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 Partnership 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 Partnership 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 Partnership 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) Financial asset impairment

The Partnership 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.

(e) Fair value measurements

The Partnership 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 Partnership 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.

(f) 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.

(g) Inventory

The Partnership'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.

3. Significant accounting policies, continued

(h) Marketable securities

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

(i) 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

3. Significant accounting policies, continued

(j) **Impairment of non-financial assets**

At the end of each reporting period, the Partnership 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 Partnership 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.

3. Significant accounting policies, continued

(k) Revenue recognition

The Partnership 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 Partnership, 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.

(l) Comprehensive income

Comprehensive income includes all changes in equity of the Partnership, 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 Partnership 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.

(m) Portfolio investments

Portfolio investments are recorded at cost. Portfolio investments are written down where there has been a loss in value that is other than a temporary decline.

(n) Standards issued but not yet effective

The Partnership has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2018 but are not yet effective. Unless otherwise stated, the Partnership does not plan to early adopt any of these new or amended standards and interpretations.

(o) IFRS 9 Financial instruments

The final version of IFRS 9 (2014) was issued in July 2014 as a complete standard including the requirements for classification and measurement of financial instruments, the new expected loss impairment model and the new hedge accounting model. IFRS (2014) will replace IAS 39 Financial Instruments: recognition and measurement. IFRS 9 (2014) is effective for reporting periods beginning on or after January 1, 2018. The Partnership is currently assessing the impact of the standard on its consolidated financial statements.

(p) IFRS 15 Revenue from contracts with customers

FRS 15, issued in May 2014, will specify how and when entities recognize, measure and disclose revenue. The standard will supersede all current standards dealing with revenue recognition, including IAS 11 Construction contracts, IAS 18 Revenue, IFRIC 13 Customer loyalty programmes, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers and SIC 31 Revenue - barter transactions involving advertising services.

4. Accounts receivable

Trade receivables - Pro Metal Industries Ltd	$	633,008
Trade receivables		284,092
Advances receivable		590
		917,690
Less: Allowance for doubtful accounts		53,686
	$	864,004

5. Inventory

Materials - Pro Metal Industries Ltd.	$	576,998

6. Prepaid expenses

Rent - Pro Metal Industries Ltd.	$	32,713
Insurance - Pro Metal Industries Ltd.		9,249
	$	41,962

7. Cash - Lawyers trust account

Prior to year end the Pasqua First Nation negotiated an agreement with Kambeitz Agri Inc. to purchase 1,561 acres of land from Kambeitz Agri Inc. The land deal was not finalized by year end and the $50,000 deposit was being held in trust by the law firm of McDougall Gauley LLP. When the land purchase is finalized the land will be held by a related entity, Pasqua First Nation Land Acquisitions Ltd. and the $50,000 deposit will be reclassified as a receivable from Pasqua First Nation Land Acquisitions Ltd.

McDougall Gauley LLP	$	50,000

8. Income taxes receivable

In the current year the subsidiary, Pro Metal Industries Ltd, of the Partnership reported a tax loss of $1,456,534. 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 $189,349 and this amount has been added to the receivable carried forward from previous years.

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
Income taxes recoverable from future earnings - 2018 fiscal		189,349
	$	577,816

9. Fixed assets

	Cost	Accumulated amortization	Net
Buildings	$ 9,961	$ 7,194	$ 2,767
Equipment	3,637,048	2,478,162	1,158,886
Vehicles	260,507	230,258	30,249
Office equipment	108,492	57,223	51,269
Leasehold improvements	973,586	627,199	346,387
Computer equipment	109,504	88,097	21,407
Computer software	1,309,616	493,865	815,751
Assets under construction	834,411	-	834,411
	$ 7,243,125	$ 3,981,998	$ 3,261,127

The net book value of the assets include Pro Metal Industries Ltd. of $3,254,779.

10. Investments

Portfolio investment - Atlas Biotechnologies Inc.	$	600,000
Investment in Associates - 11046896 Canada Inc.		5,000,000
	$	5,600,000

Portfolio Investment

On August 31, 2018, the Partnership purchased 100,000 Class B common shares of Atlas Biotechnologies Inc. for $600,000 at a price of $6 per share. Included was a "one half common share purchase warrant" that entitles the owner with each whole warrant to purchase one additional common share at a price of $8 within a one year period. Atlas Biotechnologies Inc. is based in Edmonton, Alberta, Canada and its wholly owned subsidiary, Atlas Growers Ltd., is federally licensed for cultivation and production of cannabis products, with a focus on medical use markets. Atlas Growers Ltd. currently has a purpose-built 38,000 square foot facility and laboratory where it expects to produce 5,500 kg of dried cannabis annually as well as capacity to refine cannabis into pure, isolated cannabinoid concentrates in large volumes.

Investment in Associates

On September 4, 2018, the Partnership signed an agreement with 2646315 Ontario Inc. and formed a new corporation, 11046896 Canada Inc. The Partnership purchased 51% of the shares of 11046896 Canada Inc. for 5 million dollars. The newly formed corporation then purchased 100% of the share capital of NP Aerospace Limited. NP Aerospace Limited has manufacturing facilities in Burlington, Ontario and Coventry, United Kingdom and is a manufacturer of composite materials (such as carbon fibre components) including military helmets, body and vehicle armour, and bomb disposal suits. This investment is recorded at cost which is based on the latest available financial information.

11. Goodwill

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

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

12. Bank indebtedness

The partnership has an authorized overdraft limit of $650,000 bearing an interest rate of 24% at Peace Hills Trust Bank.

The subsidiary of the Partnership has an authorized overdraft limit of $500,000 bearing an interest rate of 24% and a $1,000,000 revolving line of credit with Peace Hills Trust, 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.

Bank indebtedness	$	2,197,461

13. Accounts payable and accrued liabilities

Trade accounts and accrued payables	$	1,175,811
Accrued wages and deductions payable		31,842
GST payable/ (receivable)		(7,060)
Vacation payable		9,248
PST payable		875
	$	1,210,716

The accounts payable total includes $1,160,539 from Pro Metal Industries Ltd.

14. Long-term debt

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

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.	$	592,370
Less current portion		154,701
Due beyond one year	$	437,669

Estimated principal repayments are as follows:

2019	$	154,701
2020		163,427
2021		172,646
2022		101,596
	$	592,370

15. Future income taxes

The subsidiary, Pro Metal Industries Ltd, of the Partnership 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.

2015 fiscal year	$	27,097
2016 fiscal year		47,108
2017 fiscal year		64,923
2018 fiscal year		10,159
	$	149,287

16. 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
Due to PFN Group of Companies Inc.	$	2,200,752
Due to Pasqua First Nation		6,285,639
	$	8,486,391

17. Lease commitments

The subsidiary of the Partnership has entered into a lease for office and warehouse space (approximately 30,640 square feet) effective March 1, 2019 that runs to March 31, 2024 with an option to renew for another 5 year term. The lease rate per month is $39,146. The tenant is responsible for all operating costs.

18. Related party transactions/disclosures

Transactions with related parties are in the normal course of business and are for fair consideration that is mutually agreed upon by the related parties.

Key management compensation of the Subsidiary Company

As of October 31, 2018 the president of the corporation is receiving remuneration by way of payments to 101247444 Saskatchewan Ltd. which is fully controlled by this individual. In the current year $402,088 (2017 - $351,910) was paid to 101247444 Saskatchewan Ltd.

19. Financial instruments

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

(a) Risk management policy

The Partnership observes an informal risk management policy by maintaining the majority of the Partnership'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 Partnership's accounts receivable best represents the maximum exposure to credit risk.

The Partnership 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 Partnership does not require collateral or other security relating to accounts receivable.

19. 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 Partnership manages exposure through diversification of both investments and maturity dates of investments.

The Partnership is 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 Partnership will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Partnership 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 Partnership's future net cash flows for the possibility of negative net cash flow.

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

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

On January 1, 2018, 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

20. Acquisition of the Assets and Liabilities of PFN Group of Companies Inc., continued

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

PFN Group of Companies Limited Partnership

General Operations - Statement of Operations

For the year ended December 31, 2018

Sales		
Clean Harbors Canada Inc.	$	84,475
Enbridge		68,100
Natural Resources Canada		24,469
Tire installation and sales		35,183
Terrapro Inc.		3,596
Other revenue		74,980
		290,803
Cost of sales		
Materials - tires		74,530
Gross profit		216,273
Expenses		
Amortization		2,540
Bank charges		5,440
Consultants and contractors		19,613
Cultural events		3,774
Enbridge - NEB expenses		300
Insurance		11,956
Interest on bank overdraft		93,009
Management fees		479
Professional fees		59,178
Registration, tuitions, memberships		2,658
Repairs and maintenance		3,402
Supplies		3,798
Training		2,501
Travel		3,228
Wages and benefits		14,641
		226,517
Net loss and comprehensive loss	$	(10,244)

PFN Group of Companies Limited Partnership

Pro Metal Industries Ltd - Statement Of Operations

For the year ended December 31, 2018

Sales		
Metal fabrication	$	2,459,356
Grants		1,423,369
Other revenue		1,660
		3,884,385
Cost of sales		
Freight		20,327
Materials		1,344,046
Salaries and benefits		1,323,266
Shop supplies		96,150
Sub-contracts		84,935
		2,868,724
Gross profit		1,015,661
Expenses		
Advertising and promotion		6,544
Amortization		597,392
Bad debts		36,537
Bank charges		51,599
Consultants and contractors		234,240
Courier and delivery		12,546
Equipment rental		69,414
Insurance		33,328
Interest on long-term debt		175,565
Meals and entertainment		14,636
Office		33,660
Professional fees		104,222
Property taxes		28,140
Registration, tuitions, memberships		31,066
Rent		392,560
Repairs and maintenance		25,024
Small tools		142,229
Telephone		10,965
Training		8,423
Travel		7,782
Utilities		94,140
Vehicle expenses		22,202
Wages and benefits		239,840
		2,372,054
Loss before income taxes		(1,356,393)

Income tax (recovery)	
Current	189,349
Future	(10,158)
	179,191
Net loss and comprehensive loss	$ (1,177,202)

Schedule 3

PFN Group of Companies Limited Partnership

General Operations - Statement of Financial Position

For the year ended December 31, 2018

	Total 2018	Total 2017
Assets		
Current Assets		
Cash	$ 3,904	-
Cash in trust	50,000	-
Accounts receivable	284,682	-
	338,586	-
Fixed assets	6,350	-
Investments		
Investments	5,600,000	-
Goodwill	476,872	-
	6,076,872	-
	$ 6,421,808	-
Liabilities		
Current liabilities		
Bank indebtedness	$ 588,054	-
Accounts payable and accruals	57,240	-
Due to Pasqua First Nation	5,709,257	-
Due to PFN Group of Companies Inc.	77,501	-
		-
	6,432,052	-
Partners' deficit		-
Net loss and comprehensive loss	(10,244)	-
Partners' deficit, end of year	(10,244)	-
	$ 6,421,808	

PFN Group of Companies Limited Partnership

Pro Metal Industries Ltd. - Statement of Financial Position

For the year ended December 31, 2018

	Total 2018	Total 2017
Assets		
Current Assets		
Accounts receivable	$ 586,382	$ 875,903
Inventory	576,998	507,796
Income taxes recoverable	577,816	388,467
Prepaid expenses	41,962	81,442
	1,783,158	1,853,608
Fixed assets	3,254,778	2,899,304
Other assets		
Due from related party	-	75,000
	$ 5,037,936	$ 4,827,912
Liabilities		
Current liabilities		
Bank indebtedness	$ 1,613,311	$ 1,148,319
Accounts payable and accruals	1,160,537	678,551
Current portion of long-term debt	154,701	146,449
	2,928,549	1,973,319
Due to related party	576,383	-
Long-term debt	437,669	592,214
Future income taxes	149,287	139,128
	4,091,888	2,704,661
Shareholder's equity		
Share capital	1,666,680	1,666,680
Contributed surplus	4,283,270	4,283,270
Deficit	(5,003,902)	(3,826,699)
	946,048	2,123,251
	$ 5,037,936	$ 4,827,912