PFN Group of Companies Inc.

Consolidated Financial Statements

December 31, 2016

Contents

For the year ended December 31, 2016

Management's Responsibility

To the Members of Pasqua First Nation:

Management is responsible for the preparation and presentation of the accompanying consolidated 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 consolidated 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 Board of Directors is composed entirely of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the directors to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and may meet periodically and separately with, both the Board and management to discuss their audit findings.

October 27, 2017

"Original signed by management"

Business Developement Manager

Finance Manager

Independent Auditors' Report

To the Shareholder of PFN Group of Companies Inc.:

We have audited the accompanying consolidated financial statements of PFN Group of Companies Inc., which comprise the statement of financial position as at December 31, 2016, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements. The procedures selected depend on the auditors' 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 control relevant to the entity's preparation and fair presentation 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 overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion
At the acquisition date of Pro Metal Industries Ltd., we were unable to obtain sufficient appropriate audit evidence over the completeness, existence, rights and obligations, and valuation of the assets and liabilities acquired. Since the acquisition cost of assets and liabilities can enter into the determination of the results of comprehensive loss, changes in shareholders' equity and cash flows, we were unable to determine whether adjustments might have been necessary in the current year in respect to the results of comprehensive loss, changes in shareholders' equity and cash flows. Our opinion on the current year's financial statements is modified because of the possible effect of this matter.

Qualified Opinion
In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of PFN Group of Companies Inc. as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter
The financial statements of PFN Group of Companies Inc. for the year ended December 31, 2015 were audited by another auditor who expressed an unqualified opinion in their report which was dated August 9, 2016.

Regina, Saskatchewan

MNP LLP

October 27, 2017

Chartered Professional Accountants

PFN Group of Companies Inc.
Consolidated Statement of Financial Position
As at December 31, 2016

	2016	*2015*
Assets		
Current		
Cash and cash equivalents	**921,939**	-
Accounts receivable *(Note 7)*	**927,217**	131,040
Income tax recoverable *(Note 8)*	**110,919**	-
Inventories *(Note 9)*	**352,062**	-
Prepaid expenses	**57,216**	-
Advances to Pasqua First Nation *(Note 10)*	**33,715**	-
	2,403,068	131,040
Non-current		
Property and equipment *(Note 11)*	**2,268,090**	-
Goodwill *(Note 6)*	**476,872**	-
Total assets	**5,148,030**	131,040
Liabilities		
Current		
Bank indebtedness *(Note 12)*	**541,562**	1,419
Accounts payable and accrued liabilities *(Note 13)*	**549,125**	76,861
Advances from Pasqua First Nation	**-**	52,760
	1,090,687	131,040
Non-current		
Deferred tax liabilities	**74,130**	-
	1,164,817	131,040

Commitments *(Note 14)*

Guarantees *(Note 15)*

Non-compliance *(Note 16)*

Equity		
Deficit	**(275,251)**	-
Contributed surplus *(Note 17)*	**4,258,464**	-
Total Equity	**3,983,213**	-
	5,148,030	131,040

Approved on behalf of the Board

"Original signed by Board of Directors"

Director **Director**

The accompanying notes are an integral part of these financial statements

PFN Group of Companies Inc.
Consolidated Statement of Comprehensive Loss
For the year ended December 31, 2016

	2016	2015
Revenue		
Contract revenue - metal fabrication	**2,758,172**	-
Contract revenue - other		
Site Energy	**624,864**	126,323
Enbridge	**95,000**	95,000
Safway Services	**36,763**	44,338
Park Derochie	**8,122**	4,618
Clean Harbors Canada Inc.	**1,500**	39,598
Trans Canada Pipelines	**-**	64,361
Canada Pacific Railway	**-**	146,000
Athabasca Basin Security	**-**	41,512
Grant revenue	**206,789**	-
Other	**32,691**	31,166
Total revenue	**3,763,901**	592,916
Cost of sales - metal fabrication		
Direct labour	**835,780**	-
Purchases	**749,143**	-
Management salaries	**250,230**	-
Shop supplies and small tools	**184,924**	-
Freight in	**19,166**	-
Subcontracts	**12,657**	-
	2,051,900	-
Expenses		
Amortization	**258,595**	-
Professional fees	**221,503**	31,773
Rental	**198,749**	-
Training	**193,752**	1,100
Wages and benefits	**78,734**	49,920
Bad debts	**77,659**	-
Tools	**59,881**	-
Utilities	**56,062**	-
Repairs and maintenance	**45,261**	-
Consultants and contractors	**44,337**	289,561
Insurance	**35,057**	8,000
Travel	**23,477**	107,463
Advertising and promotion	**19,468**	-
Vehicle expenses	**18,636**	-
Bank charges	**18,048**	723
Interest on related party loan *(Note 17)*	**16,738**	-
Property taxes	**13,458**	-
Interest on long-term debt	**13,414**	-
Office	**12,769**	-
Courier and delivery	**9,708**	-
Telephone	**9,126**	1,482
Supplies	**5,280**	45,976
Meals and entertainment	**3,638**	-
Dues and memberships	**3,107**	929
	1,436,457	536,927
Operating profit	**275,544**	55,989

Continued on next page

The accompanying notes are an integral part of these financial statements

PFN Group of Companies Inc.
Consolidated Statement of Comprehensive Loss
For the year ended December 31, 2016

	2016	2015
Operating profit *(Continued from previous page)*	**275,544**	55,989
Other expense		
Management fees *(Note 19)*	**(641,879)**	(55,989)
Loss before income taxes	**(366,335)**	-
Provision for (recovery of) income taxes		
Current *(Note 18)*	**(138,192)**	-
Deferred	**47,108**	-
	(91,084)	-
Comprehensive loss	**(275,251)**	-

The accompanying notes are an integral part of these financial statements

	Deficit	*Contributed surplus*	*Total equity*
Balance December 31, 2015	**-**	**-**	**-**
Comprehensive loss	**(275,251)**	**-**	**(275,251)**
Shareholder contributions *(Note 17)*	**-**	**4,759,547**	**4,759,547**
Shareholder withdrawals *(Note 17)*	**-**	**(501,083)**	**(501,083)**
Balance December 31, 2016	**(275,251)**	**4,258,464**	**3,983,213**

PFN Group of Companies Inc.
Consolidated Statement of Cash Flows
For the year ended December 31, 2016

	2016	*2015*
Cash provided by (used for) the following activities		
Operating activities		
Comprehensive loss	**(275,251)**	-
Amortization	**258,595**	-
Deferred income taxes	**47,108**	-
Bad debts	**77,659**	-
	108,111	-
Changes in working capital accounts		
Accounts receivable	**(83,788)**	(119,219)
Income taxes recoverable	**(76,471)**	-
Inventories	**(10,360)**	-
Prepaid expenses	**721**	-
Accounts payable and accrued liabilities	**279,422**	72,618
	217,635	(46,601)
Financing activities		
Amounts advanced from related parties	**388,945**	45,182
Repayments to related parties	**(475,420)**	-
Contribution from shareholder	**4,759,547**	-
Withdrawal to shareholder	**(501,084)**	-
	4,171,988	45,182
Investing activities		
Purchases of property and equipment	**(1,719,992)**	-
Acquisition of Pro Metal Industries Ltd.	**(2,114,634)**	-
Cash received upon acquisition of Pro Metal Industries Ltd.	**(173,201)**	-
	(4,007,827)	-
Increase (decrease) in cash resources	**381,796**	(1,419)
Cash deficiency, beginning of year	**(1,419)**	-
Cash resources (deficiency), end of year	**380,377**	(1,419)
Cash resources are composed of:		
Cash and cash equivalents	**921,939**	-
Bank indebtedness	**(541,562)**	(1,419)
	380,377	(1,419)

1. General

PFN Group of Companies Inc. (the "Company") was incorporated under the Business Corporations Act of Saskatchewan on June 9, 2012. The Company is wholly owned by Pasqua First Nation and carries out business development activities for the Pasqua First Nation. The financial statements of the Company as at and for the year ended comprise of the Company and its subsidiary Pro Metal Industries Ltd.

The address of the Company's registered office is Box 79, Pasqua, Saskatchewan, S0G 5M0.

The consolidated financial statements were approved by the Board of Directors and authorized for issue on October 27, 2017.

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

The Company is wholly owned by the Pasqua First Nation.

2. Statement of compliance

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

3. Change in accounting policies

Standards and Interpretations effective in the current period

The Company adopted amendments to the following standards, effective January 1, 2016. Adoption of these amendments had no effect on the Company's financial statements.

- IAS 1 Presentation of financial statements

4. Significant accounting policies

The principle accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Basis of measurement

The financial statements were prepared on the historical cost basis, except for certain financial instruments.

Basis of consolidation

The financial statements consolidate the financial statements of the Company and its subsidiary, Pro Metal Industries Ltd. (the "subsidiary"). The subsidiary was acquired on February 8, 2016 and are 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 subsidiary acquired of during the year are included in these consolidated financial statements from the effective date of acquisition.

4. Significant accounting policies *(Continued from previous page)*

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.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and term deposits with maturities of three months or less that are readily convertible into to known amounts of cash and which are subject to an insignificant risk of changes in value.

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.

Property and equipment

Property and equipment are stated at cost or deemed cost less accumulated amortization. Property and equipment is amortized over its estimated useful life at the following rates and methods:

Buildings	declining balance	10 %
Equipment	declining balance	20 %
Vehicles	declining balance	20 %
Computer equipment	declining balance	20 %
Leasehold improvements	straight-line	5 years
Computer software	straight line	5 years

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

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 estmates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be 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 values in use, the estimated future cash flows are discounts 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 esimated 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 subseqiently reverses, the carrying amount of an 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.

4. Significant accounting policies *(Continued from previous page)*

Financial instruments

Financial assets at fair value through profit or loss:

The Company has classified the following financial assets and liabilities at fair value through profit (loss): cash and cash equivalents and bank indebtedness. Any gains/losses arising as a result of the difference between the carrying amount and fair value is recognized in total comprehensive income.

Financial assets and liabilities at fair value through profit (loss) are subsequently measured at their fair value.

Loans and receivables:

The Company has classified accounts receivable and advances to Pasqua First Nation as loans and receivables.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. 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, and less any reduction for impairment or uncollectability. Net gains and losses arising from changes in fair value are recognized in profit (loss) upon derecognition or impairment.

Financial liabilities measured at amortized cost:

The Company has classified accounts payable and accrued liabilities as financial liabilities measured at amortized cost.

Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and 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 profit (loss) upon de-recognition or impairment.

Financial asset impairment

The Company assesses impairment of all its financial assets, except those classified at fair value through profit (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 profit (loss).

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 judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

Goodwill

Goodwill, arising on the acquisition of a business, represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets and liabilities of the business recognized at the date of acquisition. Goodwill is initially recognzied at cost and is subsequently measured at cost less any impairment losses. Goodwill is tested for impairment annually or more frequently, if events and circumstances indicate that there may be impairment.

4. Significant accounting policies *(Continued from previous page)*

Upon reassessment, if the Company's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of: the consideration transferred and the fair value of the Company's previously held equity interest in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Comprehensive loss

Comprehensive loss includes all changes in equity of the Company, except those resulting from investments by owners and distributions to owners. Comprehensive loss is the total of profit and other comprehensive income. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with International Financial Reporting Standards, require recognition, but are excluded from profit (loss).

Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the Company, and when the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discounts, volume rebates, and amounts collected on behalf of third parties.

Interest earned on cash and cash equivalents and accounts receivable is recognized in the period earned.

When the outcome of a contract can be estimated reliably, contract revenue and costs associated with the contract are recognized as revenue and expenses respectively by reference to the stage of completion of the contract at the reporting date. Stage of completion is determined as costs incurred to date in comparison with total expected contract costs. Revenue is measured at the fair value of consideration received or receivable in relation to the contract.

Government grant revenue is recognized on a systematic basis over the periods in which the company recognizes expenses as related costs. Government grants are recognized when there is reasonable assurance that the company will comply with the terms and conditions associated with the grants and that the grants will be received for which the funded expenses were incurred.

Income taxes

Taxation on the profit or loss for the year comprises of current and deferred tax.

Taxation is recognized in profit or loss except to the extent that the tax arises from a transaction or event which is recognized either in other comprehensive income or directly in equity, or a business combination.

Deferred taxes

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Where an asset has no deductible or depreciable amount for income tax purposes, but has a deductible amount on sale or abandonment for capital gains purposes, the amount is included in the determination of temporary differences.

Standards issued but not yet effective

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2016 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

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 9 (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 Company has not yet determined the impact of the standard on its financial statements.

4. Significant accounting policies *(Continued from previous page)*

IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures

Amendments to IFRS 10 and IAS 28, issued in September 2014. The amendments include requiring a full gain or loss to be recognized when a transaction between an investor and its associate or joint venture involves assets that constitute a business. The amendments also require that a partial gain or loss be recognized when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business. In December 2015, the IASB issued final amendments to defer the effective date to these standards indefinitely until a research project on the equity method has been included. The Company has not yet determined the impact of these amendments on its financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 15, issued in May 2014, specifies how and when entities recognize, measure, and disclose revenue. The standard supersedes 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*.

Amendments to IFRS 15, issued in April 2016, clarify some requirements and provide additional transition relief for when an entity first applies IFRS 15.

IFRS 15, and the amendments, are effective for annual periods beginning on or after January 1, 2018. The Company has not yet determined the impact of this standard on its financial statements.

IFRS 16 Leases

IFRS 16, issued in January 2016, introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The standard will supersede IAS 17 *Leases*, IFRIC 4 *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*.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company has not yet determined the impact of this standard on its financial statements.

IAS 12 Income Taxes

Amendments to IAS 12, issued in January 2016, provide clarification on how to account for deferred tax assets related to debt instruments measured at fair value.

IAS 12 is effective for annual periods beginning on or after January 1, 2017. The Company has not yet determined the impact of this standard on its financial statements

5. Critical judgments and accounting estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. 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;
- Goodwill is stated after considering any adverse circumstances that may affect the carrying amount;
- Deferred tax liabilities is primarily based on differences between the accounting and tax bases of property and equipment;
- Amortization is based on the estimated useful lives of property and equipment;
- Impairment of property and equipment 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.

These assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the records in periods in which they become known.

6. Business combinations

Business acquisitions are accounted for using the acquisition method. The results of the acquired business is included in the consolidated financial statements as from the respective dates of acquisition.

On February 6, 2016 the Company acquired 100% of the outstanding shares of Pro-Metal Industries Ltd. Acquisition costs amounted to $17,753. Acquisition-related costs have been excluded from the consideration transferred and have been recognized as an expense in the year in the statement of comprehensive loss.

The purchase price of the acquired shares was settled in cash.

The amounts of revenue and comprehensive loss of the acquiree since the acquisition date included in the consolidated statement of comprehensive income for the reporting period are $2,922,989 and $275,251, respectively.

Goodwill arising on this acquisition totalled $476,872.

The acquisition had the following effect on the Company's assets and liabilities on acquisition date:

	Pre-acquisition carrying amount	**Fair-value adjustment**	**Fair value at the acquisition date**
Acquired assets and assumed liabilities			
Bank indebtedness	(172,696)	-	(172,696)
Accounts receivable	794,617	-	794,617
Property, plant and equipment	806,692	-	806,692
Inventories	341,702	-	341,702
Other current assets	91,663	-	91,663
Financial liabilities	(197,194)	-	(197,194)
Deferred taxes	(27,022)	-	(27,022)
Net identifiable asset and liabilities	1,637,762	-	1,637,762
Goodwill on acquisition recognized			(476,872)
Cash outflow for the acquisition			2,114,634

7. Accounts receivable

	2016	*2015*
Trade receivables	**1,004,373**	131,040
	1,004,373	131,040
Less: allowance for doubtful accounts	**77,156**	-
	927,217	131,040

In determining the recoverability of trade receivables, the Company performs a risk analysis considering the type and age of the outstanding receivable and the credit worthiness of the counterparties. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

8. Income taxes recoverable

The Company reported non-capital losses for tax purposes of $853,224. This loss can be carried forward and applied to future earnings to reduce the income taxes payable until 2026. The recoverable amount of income taxes is $110,919 and this amount has been recorded as a receivable.

9. Inventories

	2016	*2015*
Work-in-progress	**121,487**	-
Raw materials	**230,575**	-
	352,062	-

The cost of inventories recognized as an expense and included in cost of sales amounted to $2,051,900 (2015 – $nil).

10. Advances to Pasqua First Nation

Amounts due to Pasqua First Nation are unsecured, non-interest bearing and have no fixed terms of repayment. The Company is wholly owned by Pasqua First Nation.

	2016	*2015*
Pasqua First Nation	**33,715**	-

11. Property and equipment

	Automotive	*Computer equipment*	*Computer software*	*Equipment*	*Leasehold improvements*	*Office equipment*	*Assets under construction*	*Total*
Cost								
Balance at December 31, 2015	-	-	-	-	-	-	-	-
Additions	**12,699**	**30,013**	**773,198**	**289,409**	**165,966**	**6,373**	**442,334**	**1,719,992**
Acquisitions through business combination	**247,808**	**67,238**	**-**	**2,241,684**	**679,545**	**61,018**	**-**	**3,297,293**
Balance at December 31, 2016	**260,507**	**97,251**	**773,198**	**2,531,093**	**845,511**	**67,391**	**442,334**	**5,017,285**
Accumulated amortization								
Balance at December 31, 2015	-	-	-	-	-	-	-	-
Amortization charge for the year	**15,866**	**5,341**	**77,320**	**101,633**	**55,424**	**3,011**	**-**	**258,595**
Acquisitions through business combination	**185,072**	**63,102**	**-**	**1,752,252**	**452,028**	**38,146**	**-**	**2,490,600**
Balance at December 31, 2016	**200,938**	**68,443**	**77,320**	**1,853,885**	**507,452**	**41,157**	**-**	**2,749,195**
Net book value								
At December 31, 2016	**59,569**	**28,808**	**695,878**	**677,208**	**338,059**	**26,234**	**442,334**	**2,268,090**

12. Bank indebtedness

The subsidiary of the Company has 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 1%. The credit line is secured by a general security agreement.

13. Accounts payable and accrued liabilities

	2016	*2015*
Trade accounts payable	**447,031**	78,969
Accrued wages payable	**21,464**	3,668
Goods and Services Tax payable (receivable)	**54,097**	(5,776)
Vacation payable	**11,431**	-
Provincial Sales Tax payable	**15,102**	-
	549,125	76,861

14. Committments

Pro Metal Industries Ltd. entered into a lease for office and warehouse space effective May 15, 2013 that runs to October 31, 2018 with an option to renew for another 5 year term. The lease rate per month is $16,357 for the 2017 year and $23,367 for the 2018 year. The tenant is responsible for all operating costs.

15. Guarantees

The Company together with others, has guaranteed the banks loans and notes payable of related entities to a maximum of $3,698,916. It is not possible at this time to determine the liability, if any, that may result from this guarantee.

16. Non-compliance

The Company has not filed corporate income tax returns since inception. The tax liability related to these filings, if any, will be recorded in the period in which the liability is known.

17. Contributed surplus

During the year the shareholder provided a contribution of $4,166,547 to the Company to purchase the shares of Pro Metal Industries Ltd. in addition to increasing the working capital. It is the intent of the shareholder that this contribution will be later withdrawn by the parent over time in line with the underlying loan terms. No contractual obligation currently exists in this regard. In 2016, $501,083 was withdrawn by the parent with an additional $16,738 recorded as interest expense.

In addition to this, the parent contributed $593,000 in government funding relating to the Pro Metal Industries Ltd. expansion.

18. Income taxes

The current tax recovery recorded on the statement of loss and comprehensive loss has been calculated as follows:

Loss before income taxes	366,335
Combined federal and provincial income tax rate	13%
Recovery based on the above rate	47,624
Increase due to:	
Temporary differences	47,221
Permanent differences	16,074
Tax recoverable	110,919
Add: received unrecorded prior year tax refund	27,273
	138,192

19. Related party transactions

Key management compensation of the Company

The president of Pro Metal Industries Ltd. received remuneration by way of payments to 101247444 Saskatchewan Ltd. which is fully controlled by this individual. In the current year $323,488 was paid to 101247444 Saskatchewan Ltd.

Transactions with the parent of the Company

During the current year, the Company made loan payments of $517,822 to it's shareholder and management fees of $641,879.

20. 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.

Risk management policy

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

There has been no changes in risk exposures from prior years.

Fair value of financial instruments

The carrying amount of cash and cash equivalents, bank indebtedness, accounts receivable, accounts payable and accrued liabilities, and advances to Pasqua First Nation are approximated by their fair value due to their short term nature.

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. Cash and cash equivalents are measured at level 1 in the fair value hierarchy.

Loans and receivables:
Accounts receivable and advances to Pasqua First Nation are recorded at their amortized cost.

Financial liabilities measured at amortized cost:
Accounts payable and accrued liabilities are recorded at their amortized cost.

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.

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 Company manages exposure through diversification of both investments and maturity dates of investments.

The Company is exposed to interest rate risk with respect to bank indebtedness.

19. Financial instruments *(Continued from previous page)*

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 or credit for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Company's future net cash flows for the possibility of negative cash flow.

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

21. Capital management

The Company’s objectives when managing capital is to safeguard the entity’s ability to continue as a going concern, so that it can continue to provide returns to Pasqua First Nation and its members.

The Company sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust contributions to the shareholder, Pasqua First Nation.

There were no changes in the Company's approach to capital management during the year.