

**PFN Group of Companies Limited Partnership**  
**Consolidated Financial Statements**  
*December 31, 2020*

*Draft for discussion purposes only*

# PFN Group of Companies Limited Partnership

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For the year ended December 31, 2020

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## **MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING**

To the Board of Directors 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 Board of Directors.

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 Board of Directors are responsible for overseeing management in the performance of its financial reporting responsibilities and for approving the financial statements. The Board of Directors 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 Board of Directors to audit the financial statements and report directly to the Members; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board of Directors and management to discuss their audit findings.

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PFN Group of Companies Limited Partnership

Date: Date to be determined



**Chalupiak & Associates CPA Professional Corporation**

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**INDEPENDENT AUDITORS' REPORT**

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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, 2020, 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 and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements present fairly, in all material respects, the financial position of PFN Group of Companies Limited Partnership as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

***Basis for Qualified Opinion***

As explained in Note #11, 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, 2020.

Due to deficiencies in the Pro Metal Industries Ltd. accounting system in the prior year, we were unable to confirm the accuracy and completeness of opening inventory. Any adjustments that might have been necessary would have a consequential significant effect on the Consolidated Statement of Financial Position of the Partnership as at October 31, 2020, the Consolidated Statement of Income and Comprehensive Income as at October 31, 2020, the Consolidated Statement of Cash Flows as at October 31, 2020 and the related disclosures in the financial statements.

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.

***Material Uncertainty Related to Going Concern***

We draw attention to note #2 in the financial statements, which indicates that the Partnership incurred a net loss of \$325,838 during the year ended October 31, 2020 and as of that date, the Partnership's current liabilities exceeded its current assets by \$641,575. As stated in note #2, these events or conditions, along with other matters as set forth in note #2, indicate that a material uncertainty exists that may cast significant doubt on the Partnership's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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## INDEPENDENT AUDITORS' REPORT, continued

### ***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 consolidated 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.

**INDEPENDENT AUDITORS' REPORT, continued**

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- ♦ 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.
- ♦ 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  
Date to be determined

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Chalupiak & Associates

*Draft for discussion purposes only*

**PFN Group of Companies Limited Partnership**  
**Consolidated Statement of Financial Position**  
*December 31, 2020*

	2020	2019
<b>Assets</b>		
<b>Current assets</b>		
Accounts receivable - note 6	\$ 1,237,243	\$ 546,427
Inventory - note 7	644,935	396,029
Prepaid expenses - note 8	84,067	69,246
Deposits - notes 9 and 22	203,285	-
	2,169,530	1,011,702
<b>Income taxes recoverable</b> - note 10	222,725	193,695
<b>Portfolio investment</b> - note 11	1,200,000	1,200,000
<b>Investment in associates</b> - note 11	5,000,000	5,000,000
<b>Property, plant and equipment</b> - note 13	10,810,924	11,259,536
	\$ 19,403,179	\$ 18,664,933
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness - note 14	\$ 1,111,129	\$ 1,307,438
Accounts payable and accrued liabilities - note 15	812,350	1,759,101
Unearned revenues - note 16	704,091	-
Current portion of long-term debt - note 17	183,535	163,424
	2,811,105	3,229,963
<b>Due to Pasqua First Nation</b> - note 19	10,711,079	9,125,779
<b>Due to PFN Group of Companies Inc.</b> - note 19	1,723,879	1,723,879
<b>Long-term debt</b> - note 17	175,591	274,306
<b>Deferred taxes</b> - note 18	222,725	193,695
	15,644,379	14,547,622
<b>Partners' surplus</b>		
Contributed surplus	9,329,161	9,329,161
Partners' deficit	(5,570,361)	(5,211,850)
	3,758,800	4,117,311
	\$ 19,403,179	\$ 18,664,933

Approved on behalf of the Partners:

\_\_\_\_\_ Partner

\_\_\_\_\_ Partner

**PFN Group of Companies Limited Partnership**  
**Consolidated Statement of Income and Comprehensive Income**  
*For the year ended December 31, 2020*

	2020	2019
<b>Net income (loss) and comprehensive income (loss)</b>		
General Operations - Statement of Operations, Schedule 1	\$ (92,225)	\$ (128,844)
Pro Metal Industries Ltd - Statement of Operations, Schedule 2	(366,025)	(3,895,560)
Pasqua First Nation Land Acquisition Limited, Schedule 3	99,739	-
<b>Net loss and comprehensive loss</b>	<b>\$ (358,511)</b>	<b>\$ (4,024,404)</b>
<b>Allocation to partners</b>		
PFN Group of Companies Inc.	0.10 % \$ (359)	\$ (4,024)
Pasqua First Nation	99.90 % (358,152)	(4,020,380)
	<b>100.00 % \$ (358,511)</b>	<b>\$ (4,024,404)</b>

Draft for discussion purposes only

**PFN Group of Companies Limited Partnership**  
**Consolidated Statement of Changes in Equity**  
*For the year ended December 31, 2020*

2020			
	Balance, beginning of year	Share of net loss and comprehensive loss	Balance, end of year
PFN Group of Companies Inc.	\$ (5,211)	\$ (359)	\$ (5,570)
Pasqua First Nation	(5,206,639)	(358,152)	(5,564,791)
	<b>\$ (5,211,850)</b>	<b>\$ (358,511)</b>	<b>\$ (5,570,361)</b>
2019			
	Balance, beginning of year	Share of net loss and comprehensive loss	Balance, end of year
PFN Group of Companies Inc.	\$ (1,187)	\$ (4,024)	\$ (5,211)
Pasqua First Nation	(1,186,259)	(4,020,380)	(5,206,639)
	<b>\$ (1,187,446)</b>	<b>\$ (4,024,404)</b>	<b>\$ (5,211,850)</b>

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**PFN Group of Companies Limited Partnership**  
**Consolidated Statement of Cash Flows**  
*For the year ended December 31, 2020*

	2020	2019
<b>Cash flows from (used in) operating activities</b>		
Net loss and comprehensive loss	\$ (358,511)	\$ (4,024,404)
Item not involving cash		
Depreciation	542,137	586,198
Changes in non-cash operating items		
Accounts receivable	(690,816)	323,763
Inventory	(248,906)	180,969
Prepaid expenses	(14,821)	(27,284)
Deposits	(203,285)	-
Accounts payable and accrued liabilities	(946,751)	542,200
Unearned revenues	704,091	-
	(1,216,862)	(2,418,558)
<b>Cash flows from (used in) investing activities</b>		
Income taxes recoverable	(29,030)	384,121
Purchase of portfolio investments	-	(600,000)
Deposits	-	484,210
Purchase of property, plant and equipment	(93,525)	(9,068,818)
Deferred taxes	29,030	44,408
	(93,525)	(8,756,079)
<b>Cash flows from (used in) financing activities</b>		
Due to (from) related parties	1,585,300	2,790,139
Repayment of long-term debt	(163,418)	(154,640)
Proceeds of long-term debt	84,814	-
Contributions net of withdrawals	-	9,379,161
	1,506,696	12,014,660
<b>Decrease in bank indebtedness</b>	196,309	840,023
<b>Bank indebtedness, beginning of year</b>	(1,307,438)	(2,147,461)
<b>Bank indebtedness, end of year</b>	\$ (1,111,129)	\$ (1,307,438)

**PFN Group of Companies Limited Partnership**  
**Notes to Consolidated Financial Statements**  
*For the year ended December 31, 2020*

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**1. Nature of Operations**

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, 2020 and for the year then ended are comprised of the Partnership, its subsidiary Pro Metal Industries Ltd and PFN Land Acquisition Ltd.

**2. Going concern**

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Partnership be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

In the current year, the Partnership reported a loss of \$358,511 (2019 - \$4,024,404) and the current liabilities exceeded the current assets by \$641,575.

The Partnership will continue to rely on the contributions from the limited partner - Pasqua First Nation for the cash contributions to meet its current liabilities.

**3. 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 Date to be determined.

**PFN Group of Companies Limited Partnership**  
**Notes to Consolidated Financial Statements**  
*For the year ended December 31, 2020*

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**4. Change in accounting policies**

**(a) Adoption of new and revised IFRS Standards**

**Impact of initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7**

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

There was no significant impact on the Partnership's consolidated financial statements on the initial application of the Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7.

**Adoption of amendments to IFRS standards and interpretations:**

In the current year, the Partnership has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after January 1, 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

**(b) New and revised IFRS Standards in issue but not yet effective**

At the date of authorization of these financial statements, the Partnership has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

IFRS 17	Insurance contracts
IFRS 10 and IAS 28 (amendments)	Sale or contribution of assets between an investor and its associate or joint venture
Amendments to IAS 1	Classification of liabilities as current or non-current
Amendments to IFRS 3	Reference to the conceptual framework
Amendments to IAS 16	Property, plant and equipment – proceeds before intended use
Amendments to IAS 37	Onerous contracts – cost of fulfilling a contract
Annual improvements to IFRS International Standards 2018-2020 cycle	Amendments to IFRS 1 First-time adoption of Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Partnership in future periods.

**PFN Group of Companies Limited Partnership**  
**Notes to Consolidated Financial Statements**  
*For the year ended December 31, 2020*

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**5. Significant accounting policies**

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

**(a) Basis of consolidation**

The financial statements consolidate the financial statements of the Partnership, Pro Metal Industries Ltd. (the "subsidiary") and Pasqua First Nation Land Acquisition Limited. 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. and Pasqua First Nation Land Acquisition Limited. These financial statements only include the balances of Pro Metal Industries Ltd. as at October 31, 2020 and of Pasqua First Nation Land Acquisition Limited as at December 31, 2020.

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 depreciation.

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

**PFN Group of Companies Limited Partnership**  
**Notes to Consolidated Financial Statements**  
*For the year ended December 31, 2020*

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**5. 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 property, plant and equipment;
- ♦ Impairment of property, plant 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.

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.

**5. 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 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.

**PFN Group of Companies Limited Partnership**  
**Notes to Consolidated Financial Statements**  
*For the year ended December 31, 2020*

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**5. 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 judgment, 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) Income taxes**

The Partnership has elected to account for income taxes using the deferred taxes method. In providing for corporate income taxes, temporary differences between the tax basis of assets or liabilities and their carrying amounts are reflected as deferred taxes. The tax rates anticipated to be in effect when these temporary differences reverse are used to calculate deferred taxes.

**PFN Group of Companies Limited Partnership**  
**Notes to Consolidated Financial Statements**  
*For the year ended December 31, 2020*

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**5. Significant accounting policies, continued**

**(h) 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.

**(i) Property, plant and equipment**

Property, plant and equipment 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 property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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	20-30% Declining balance
Vehicles - Pro Metal Industries Ltd.	30 % Declining balance
Vehicles - PFN Group of Companies LP - General Operations	5 years Straight-line
Computer equipment	30 % Declining balance
Furniture & fixtures - Pro Metal Industries Ltd.	15 % Declining balance
Furniture & fixtures - PFN Group of Companies LP - General Operations	3 years Straight-line
Leasehold improvements	10 years Straight-line
Computer software	5 years Straight-line

Depreciation of leasehold improvements is recorded over the remaining term of the lease plus the first renewal option.

**PFN Group of Companies Limited Partnership**  
**Notes to Consolidated Financial Statements**  
*For the year ended December 31, 2020*

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**5. 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 property, plant and equipment 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.

**(k) Goodwill**

Goodwill, arising on the acquisition of a business, represents the excess of the cost of acquisition over the Partnership'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 recognized at cost and is subsequently measured at cost less any impairment losses. Goodwill is tested for impairment annually or more frequently, if the events and circumstances indicate that there may be impairment.

**(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.

**5. Significant accounting policies, continued**

**(m) Measurement uncertainty**

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

**(n) 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.

**Metal fabrication revenues:**

Revenue from the sale of fabricated products is recognized when the significant risks and rewards of ownership of the products has been transferred to the buyer.

**Personal protective equipment and mobile medical unit revenues:**

Revenues from the sale and installation services of Personal Protective Equipments and mobile medical units is recognized when the significant risks and rewards of ownership of the products has been transferred to the buyer.

**Land lease revenues:**

The Partnership generates revenue from land lease contracts. Land lease amounts are recognized as revenues per the executed land lease agreements and over the lease period.

**Service contracts:**

The Partnership generates revenues from various service contracts with Clean Harbors Lodging Services Ltd, Canadian Security Management Inc. and NP Aerospace (PMETS Service Agreement). Revenue is recognized when the terms of the contracts are satisfied.

**Tire sales and Installation revenues:**

Revenues from tire sales and installation services is recognized when the significant risk and rewards of ownership of the goods have been transferred to the buyer, usually upon receipt of payment or a verified purchase order.

**Government grant**

Government grant revenue is recognized on a systematic basis over the periods in which the Partnership recognizes expenses as related costs. Government grants are recognized when there is reasonable assurance that the Partnership 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.

**Other revenues**

Other income is recognized when it is probable that the economic benefits associated with a transaction will flow to the Partnership, and the amount of revenue can be reliably measured. Other revenue is measured at the fair value of the consideration received or receivable.

**PFN Group of Companies Limited Partnership**  
**Notes to Consolidated Financial Statements**  
*For the year ended December 31, 2020*

**5. Significant accounting policies, continued**

(o) **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.

(p) **Government assistance - Canada Emergency Business Account (CEBA)**

Government assistance from the Canada Emergency Business Account (CEBA) loans under COVID-19 response programs are recorded as a long-term liability until there is reasonable assurance that the forgivable portion of the assistance will not be repayable.

(q) **Investments**

The equity method is used to account for the Partnership's investment in associated corporations, namely net assets. This method of accounting brings into consolidated earnings the Partnership's share in earnings of the associated corporation, which is also added to the carrying value of the investment. The excess of cost over the underlying share of equity in the investment since the date of acquisition is being amortized against the Partnership's share of earnings of the associated corporation.

(r) **Temporary wage subsidy for employers (TWSE)**

Temporary wage subsidy is recognized when there is a reasonable assurance that the Partnership will comply with the terms and conditions associated with the temporary wage subsidy and the temporary wage subsidy will be received. The Partnership reported temporary wage subsidy on a gross basis as an other income.

**6. Accounts receivable**

	2020	2019
<b>PFN Group of Companies LP</b>		
Trade receivables	\$ 97,880	\$ 94,925
Advances receivable	590	590
	98,470	95,515
<b>Pro Metal Industries Ltd.</b>		
Trade receivables	889,811	485,040
Advances receivable	1,930	-
GST receivable	280,011	29,019
PST receivable	3,511	907
	1,273,733	610,481
Less: Allowance for doubtful accounts	36,490	64,054
	<b>\$ 1,237,243</b>	<b>\$ 546,427</b>

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

**PFN Group of Companies Limited Partnership**  
**Notes to Consolidated Financial Statements**  
*For the year ended December 31, 2020*

**7. Inventory**

	2020	2019
<hr/>		
<b>PFN Group of Companies LP</b>		
Tires	\$ 9,294	\$ -
<hr/>		
<b>Pro Metal Industries Ltd.</b>		
Material	230,497	327,405
Work in progress	68,515	68,624
Personal protective equip. and mobile medical units	336,629	-
<hr/>		
	635,641	396,029
<hr/>		
Total inventory	\$ 644,935	\$ 396,029
<hr/> <hr/>		

**8. Prepaid expenses**

	2020	2019
<hr/>		
<b>PFN Group of Companies LP</b>		
Insurance	\$ 1,166	\$ -
<hr/>		
<b>Pro Metal Industries Ltd.</b>		
Rent Deposit	39,896	32,713
Insurance	34,195	30,251
Contracts	8,810	1,551
Property tax	-	4,731
<hr/>		
	\$ 84,067	\$ 69,246
<hr/> <hr/>		

**9. Deposits**

The Company was required to put a down payment of 50% on the order of twenty four Alaska Enerlayer medical shelters. The down payment was made on October 29, 2020 and the company subsequently received the tents in November, 2020.

	2020
<hr/>	
Alaska Enerlayer medical shelters	\$ 203,285
<hr/> <hr/>	

**PFN Group of Companies Limited Partnership**  
**Notes to Consolidated Financial Statements**  
*For the year ended December 31, 2020*

**10. Income taxes recoverable**

In the prior year, Pro Metal Industries Ltd. reassessed its probability to generate sufficient taxable income to utilize the carried forward non-capital losses generated from the 2018 fiscal year. Based on the assessment, there is a low probability that the Company will be able to generate sufficient taxable income to utilize the carried forward non-capital loss and therefore, recognized Income tax recoverable of \$577,816 from 2018 fiscal year became impaired and written down to \$193,695 in the prior year. Pro Metal Industries Ltd has future income taxes payable balance of \$222,725 resulting from the temporary differences. Pro Metal Industries Ltd will be able to use income taxes recoverable of \$222,725 against the future income taxes payable and the net impact on the Pro Metal Industries Ltd will be nil.

	2020	2019
Opening Deferred taxes	\$ 193,695	\$ 577,816
Less: Impairment	-	(384,121)
Add: 2020 deferred tax liability	29,030	-
Closing Deferred taxes	\$ 222,725	\$ 193,695

**11. Investments**

	2020	2019
Portfolio investment - Atlas Biotechnologies Inc.	\$ 1,200,000	\$ 1,200,000
Investment in Associates - 11046896 Canada Inc.	5,000,000	5,000,000
	\$ 6,200,000	\$ 6,200,000

**Portfolio Investment**

PFN Group of Companies Limited Partnership purchased the following shares from Atlas Biotechnologies Inc:

- 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.
- June 20, 2019, the Partnership purchased 100,000 Class B common shares of Atlas Biotechnologies Inc. for \$600,000 at a price of \$6 per share.

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.

**PFN Group of Companies Limited Partnership**  
**Notes to Consolidated Financial Statements**  
*For the year ended December 31, 2020*

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**11. Investments, continued**

**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 when purchased, however; no financial statements have been provided as of the date of these financial statements.

In December 2020, the Limited Partnership received an informal offer to purchase these shares. The Board approved the sale of the shares at a Board meeting on December 28, 2020.

**12. Write down of Gasification unit deposit**

In the 2018 year, Pro Metal Industries Ltd. had placed a deposit of \$484,210 towards the purchase of Gasification Equipment. In the prior year, management identified that the equipment would not be able to meet the stringent Canadian Standards Association code and would not be able to be imported to Canada.

Pro Metal Industries Ltd. management is currently negotiating with the vendor to recover this deposit. At the time that these statements were issued nothing had been settled.

**PFN Group of Companies Limited Partnership**  
**Notes to Consolidated Financial Statements**  
*For the year ended December 31, 2020*

**13. Property, plant and equipment**

Property, plant and equipment as listed below:

- A - Land
- B - Buildings
- C - Equipment
- D - Vehicles
- E - Furniture and fixtures
- F - Leasehold improvements
- G - Computer software & equipment
- H - Assets under construction

									2020
	A	B	C	D	E	F	G	H	Total
<b>Cost</b>									
Balance at January 1, 2020	9,379,161	9,961	3,672,158	260,507	109,792	973,586	1,422,568	-	15,827,733
Additions	-	-	24,518	33,755	3,940	-	31,311	-	93,524
<b>Total at December 31, 2020</b>	<b>9,379,161</b>	<b>9,961</b>	<b>3,696,676</b>	<b>294,262</b>	<b>113,732</b>	<b>973,586</b>	<b>1,453,879</b>	<b>-</b>	<b>15,921,257</b>
<b>Accumulated Depreciation</b>									
Balance at January 1, 2020	-	7,471	2,721,856	239,968	65,022	683,055	850,825	-	4,568,197
Depreciation	-	249	199,728	12,621	7,322	54,883	267,333	-	542,136
<b>Total at December 31, 2020</b>	<b>-</b>	<b>7,720</b>	<b>2,921,584</b>	<b>252,589</b>	<b>72,344</b>	<b>737,938</b>	<b>1,118,158</b>	<b>-</b>	<b>5,110,333</b>
<b>Net book amount at December 31, 2020</b>	<b>9,379,161</b>	<b>2,241</b>	<b>775,092</b>	<b>41,673</b>	<b>41,388</b>	<b>235,648</b>	<b>335,721</b>	<b>-</b>	<b>10,810,924</b>

**PFN Group of Companies Limited Partnership**  
**Notes to Consolidated Financial Statements**  
*For the year ended December 31, 2020*

**13. Property, plant and equipment, continued**

Property, plant and equipment as listed below:

- A - Land
- B - Buildings
- C - Equipment
- D - Vehicles
- E - Furniture and fixtures
- F - Leasehold improvements
- G - Computer software & equipment
- H - Assets under construction

									2019
	A	B	C	D	E	F	G	H	Total
<b>Cost</b>									
At January 1, 2019	-	9,961	3,637,048	260,507	108,492	973,586	1,419,120	350,201	6,758,915
Additions	9,379,161	-	35,110	-	1,300	-	3,448	(350,201)	9,068,818
<b>Total at December 31, 2019</b>	<b>9,379,161</b>	<b>9,961</b>	<b>3,672,158</b>	<b>260,507</b>	<b>109,792</b>	<b>973,586</b>	<b>1,422,568</b>	<b>-</b>	<b>15,827,733</b>
<b>Accumulated Depreciation</b>									
At January 1, 2019	-	7,194	2,478,162	230,258	57,223	627,199	581,962	-	3,981,998
Depreciation	-	277	243,694	9,710	7,799	55,856	268,863	-	586,199
<b>Total at December 31, 2019</b>	<b>-</b>	<b>7,471</b>	<b>2,721,856</b>	<b>239,968</b>	<b>65,022</b>	<b>683,055</b>	<b>850,825</b>	<b>-</b>	<b>4,568,197</b>
<b>Net book amount at December 31, 2019</b>	<b>9,379,161</b>	<b>2,490</b>	<b>950,302</b>	<b>20,539</b>	<b>44,770</b>	<b>290,531</b>	<b>571,743</b>	<b>-</b>	<b>11,259,536</b>

The net book value of the assets include Pro Metal Industries Ltd. of \$1,427,583 (2019 - \$1,876,566) and Pasqua First Nation Land Acquisition Limited of \$9,379,161 (2019 - \$9,379,161).

**PFN Group of Companies Limited Partnership**  
**Notes to Consolidated Financial Statements**  
*For the year ended December 31, 2020*

**14. Bank indebtedness**

The Partnership has an authorized overdraft limit of \$125,000 bearing an interest rate of 24% at Peace Hills Trust.

Pro Metal Industries Ltd. of the Partnership has an authorized overdraft limit of \$400,000 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.

	2020	2019
Bank indebtedness - General Operations	\$ 7,665	\$ 110,715
Bank indebtedness - Pro Metal Industries Ltd.	1,103,464	1,196,723
	\$ 1,111,129	\$ 1,307,438

**15. Accounts payable and accrued liabilities**

	2020	2019
<b>PFN Group of Companies LP</b>		
Trade payables	\$ 86,967	\$ 61,508
GST	55,388	25,870
<b>Pro Metal Industries Ltd.</b>		
Trade payables	572,551	1,617,738
Wages and vacation pay	92,285	49,867
Pension	-	4,118
<b>Pasqua First Nation Land Acquisition Limited</b>		
GST	5,159	-
	\$ 812,350	\$ 1,759,101

**16. Unearned revenues**

In the current year, the subsidiary of the Partnership received advance deposits from the following customers on their personal protective equipment and mobile medical unit orders.

Pasqua First Nation	\$	319,966
Norway House Cree Nation		154,235
Indigenous Services Canada		31,843
Canoe Lake Mikisew School		188,994
Peepeekisis School		6,300
Darren Lostier		2,753
	\$	704,091

**PFN Group of Companies Limited Partnership**  
**Notes to Consolidated Financial Statements**  
*For the year ended December 31, 2020*

**17. Long-term debt**

	2020	2019
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.	\$ 274,312	\$ 437,730
Canada Emergency Business Account (CEBA) loan, interest free until December 31, 2022 with no fixed repayment schedule. If the loan is paid back by December 31, 2022, \$10,000 of the loan will be forgiven. If the loan is not paid back by December 31, 2022 the full \$40,000 loan will become repayable over three years with a 5% interest rate.	40,000	-
RCAP leasing. - obligation under finance lease for the Gibbs CAM 2.5D Solids Milling and Tuning Packages - bearing interest at 12.72% per annum, monthly lease payments of \$626 maturing June 30, 2023.	16,902	-
PNC Equipment Finance - obligation under finance lease for the 2019 Doosan G25N-7 lift truck - bearing interest at 5.16% per annum, monthly lease payments of \$545 maturing August 31, 2025.	27,912	-
	359,126	437,730
Less current portion	183,535	163,424
Due beyond one year	\$ 175,591	\$ 274,306
Estimated principal repayments are as follows:		
2021	\$ 183,535	
2022	153,611	
2023	10,561	
2024	6,094	
2025	5,325	
	\$ 359,126	

Interest paid to Peace Hills Trust in the current year was \$19,915 (2018 - \$28,251)

All long term debt amounts belong to Pro Metal Industries Ltd.

**PFN Group of Companies Limited Partnership**  
**Notes to Consolidated Financial Statements**  
*For the year ended December 31, 2020*

**18. Deferred taxes**

The subsidiary, Pro Metal Industries Ltd, of the Partnership follows the deferred taxes 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.

	2020	2019
2015 fiscal year	\$ 27,097	\$ 27,097
2016 fiscal year	47,108	47,108
2017 fiscal year	64,923	64,923
2018 fiscal year	10,159	10,159
2019 fiscal year	44,408	44,408
2020 fiscal year	29,030	-
<b>Balance, end of year</b>	<b>\$ 222,725</b>	<b>\$ 193,695</b>

**19. 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.

	2020	2019
Due to PFN Group of Companies Inc.	\$ 1,723,879	\$ 1,723,879
Due to Pasqua First Nation	10,711,079	9,125,779
	<b>\$ 12,434,958</b>	<b>\$ 10,849,658</b>

**20. Personal protective equipment and mobile medical unit revenues**

Pro Metal Industries Ltd. sold personal protective equipment, mobile medical units and installation services in response to the COVID-19 pandemic. This consisted of product purchased for resale as well as products developed and manufactured by the Company. The revenue breakdown is as follows:

Purchased products and installation services	\$ 8,897,191
Products developed and manufactured internally	233,221
	<b>\$ 9,130,412</b>

**PFN Group of Companies Limited Partnership**  
**Notes to Consolidated Financial Statements**  
*For the year ended December 31, 2020*

**21. Mack Defence, LLC - Claim settlement payment**

In the prior year, the Partnership recognized \$1,017,411 in compensation to its customer Mack Defence, LLC for providing non-compliant manufactured parts that did not meet paint specification.

Also in the prior year, Pro Metal Industries Ltd. management proactively identified the non-compliant parts and was voluntarily self-declared to Mack Defence, LLC. Pro Metal Industries Ltd. management was able to negotiate a reimbursement amount to Mack Defence, LLC that significantly reduced the any further potential compensation.

In the current year, the Pro Metal Industries Ltd. paid off the compensation liability in full to Mack Defence, LLC.

In December 2020, Pro Metal Industries Ltd. filed a legal claim against a former Director and General Manager to recover damages.

**22. Temporary wage subsidy for employers**

The Temporary Wage Subsidy (TWS) came into effect on March 18, 2020 and allows eligible employers to reduce the amount of payroll deductions they would otherwise be required to remit to the Canada Revenue Agency. The amount of the subsidy is 10% of the remuneration, to a maximum of \$1,375 per employee and a maximum of \$25,000 per employer and applies during the period March 18, 2020 to June 19, 2020.

Pro Metal Industries Ltd. met the terms and conditions of the TWS therefore applied for the TWS and received \$23,375 in the year.

**23. Manufacturing overhead**

The manufacturing overhead includes following components:

	2020	2019
Depreciation	\$ 146,048	\$ 200,458
Rent	80,707	105,954
Utilities	21,782	28,595
Shop labour	72,353	94,986
Equipment repairs	4,557	5,983
Shop supplies	77,653	93,220
Waterjet expenses	22,665	29,755
Insurance	8,943	11,741
	\$ 434,708	\$ 570,692

**PFN Group of Companies Limited Partnership**  
**Notes to Consolidated Financial Statements**  
*For the year ended December 31, 2020*

**24. Canada Emergency Business Account Loan (CEBA)**

Pro Metal Industries Ltd. applied for and received the \$40,000 CEBA loan in the 2020 fiscal year. The loan was provided by the Government of Canada to provide capital to organizations to see them through the current challenges and better position them to return to providing services and creating employment. The loan is unsecured.

The loan is interest free to December 31, 2022. If the loan is paid back by December 31, 2022, \$10,000 of the loan will be forgiven. If the loan is not paid back by December 31, 2022 the full \$40,000 loan will be converted to loan repayable over three years with a 5% interest rate.

**25. Repayment of Western Economic Development Grant**

In the prior year, Pro Metal Industries Ltd. was unable to bring the Gasification unit into Canada which the contribution agreement with Western Economic Diversification Canada (WED) required. Due to this, the Company subsequently repaid \$209,845 of the grant back to WED on June 26, 2020.

During the current year, the Company renegotiated the contribution agreement with WED. Both parties agreed that the grant repayment would be returned to Pro Metal Industries Ltd. in the form of an amended contribution agreement for the year ending October 31, 2021.

**26. Tire installation and sales net**

	2020	2019
Tire revenue	\$ 97,683	\$ 92,068
Tire installation and sales	(87,880)	(101,407)
	\$ 9,803	\$ (9,339)

**27. Economic dependence**

The Partnership has incurred significant losses in the last two years and the accumulated deficit has increased to \$5,537,688. The Partnership is dependent upon the limited partner, Pasqua First Nation for cash injections in order to continue to operate.

**28. Subsequent events**

Subsequent to year end, the impact on COVID-19 on Canadian and global economies increased significantly. The full impact this will have on the Partnership's customers and suppliers and the resulting effect of COVID-19 on the Partnership's financial position and future operations is not known at this time.

Subsequent to year end, a Purchase for Cancellation Agreement regarding the investment in 11046896 Canada Inc. was initiated. The board of directors of 11046896 Canada Inc. and PFN Group of Companies LP are expecting this sale to be completed by July 31, 2021.

**PFN Group of Companies Limited Partnership**  
**Notes to Consolidated Financial Statements**  
*For the year ended December 31, 2020*

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**29. 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.

**30. Capital management**

The Partnership's objective when managing capital is to safeguard the Partnership's ability to continue as a going concern, so that it can continue to provide returns for the Partners.

The Partnership 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, growth, and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Partnership may adjust the amount of dividends paid to Partners, request contributions from Partners, or sell assets to reduce debt. There have been no changes in the monitoring of capital or strategy from the prior year.

**31. Related party transactions/disclosures**

The related party entities are as follows:

Pro Metal Industries Ltd. is a wholly owned subsidiary of the Partnership.

Pasqua First Nation Land Acquisition Limited is a wholly owned subsidiary of the Partnership.

Pasqua First Nation who is the limited partner owning 99.9% partnership units in the PFN Group of Companies LP.

PFN Group of Companies Inc. is the general partner owning 0.1% partnership units in the PFN Group of Companies LP.

During the year, the following transactions were conducted with the related parties:

The Partnership received goods and services of \$7,500 from the Pro Metals Industries Ltd.

Pro Metal Industries Ltd. provided goods and services of \$2,697,657 to the Pasqua First Nation.

Total compensation of key management of PFN Group of Companies LP (the CEO) for the year is \$159,532.

Total compensation of key management of Pro Metal Industries Ltd. (the President) for the year is \$158,450

Balances between the Partnership and related parties are reflected in Due to related parties (Note 19)

These transactions are in the normal course of operations and are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

**PFN Group of Companies Limited Partnership**  
**Notes to Consolidated Financial Statements**  
*For the year ended December 31, 2020*

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**32. Financial instruments**

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Risk management policy

The Partnership does not have a formal risk management policy.

(b) Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of long-term financial liabilities approximates their carrying value based on the presumption that the Partnership is a going concern and thus expects to fully repay the outstanding amounts.

(c) Foreign exchange risk

The Partnership is exposed to foreign exchange risk in United States dollars. Foreign exchange risk is the risk that the exchange rate that was in effect on the date that an obligation in a foreign currency was made to the Partnership by a customer, or that an obligation in a foreign currency was made to the Partnership to a supplier, is different at the time of settlement than it was at time that the obligation was determined. The Partnership reduces its exposure to foreign exchange risk by monitoring exchange rates on obligations that are made to the Partnership and engaging in hedges when there is a significant risk of exchange rate movement. The Partnership did not have any hedges at the time that the financial statements were issued. The Partnership does not utilize financial instruments to manage its foreign exchange risk. The Partnership maintains adequate foreign currency balances in its bank provided by its customers that discharged their obligations to the Partnership in the related currency, to discharge its related foreign currency obligations. In the opinion of management the foreign exchange risk exposure to the Partnership is low and is not material.

(d) Credit risk

Credit risk is the risk of financial loss to the Partnership if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Partnership's receivable from customers.

The Partnership does have credit risk in accounts receivable \$987,691 (2019 - \$579,965).

The Partnership's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Partnership reduces its exposure to credit risk by performing credit valuations on a regular basis; granting credit upon a review of the credit history of the applicant and creating an allowance for bad debts when applicable. In monitoring customer credit risk, customer credit balance is grouped based on the following balance aging period.

**PFN Group of Companies Limited Partnership**  
**Notes to Consolidated Financial Statements**  
*For the year ended December 31, 2020*

**32. Financial instruments, continued**

	1-30	31-60	61-90	over 90	Total
Accounts receivable	\$ 647,838	\$ 76,143	\$ 63,902	\$ 199,808	987,691

Expected credit loss assessment

The Partnership uses specific identification method to measure expected credit losses of trade receivable. The Partnership measures expected credit losses based on the characteristics of customer, past payment history, the relationship the Partnership has with the customer and the length of relationship. The following table provides information about the exposure to the credit risk and expected credit losses for trade receivables from customers as at December 31, 2020

	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
Current (not past due)	\$ -	\$ 522,373	-	No
1-30 days past due	-	125,465	-	No
31-60 days past due	-	76,143	-	No
61-90 days past due	-	63,902	-	No
More than 90 days past due	18.26%	199,808	36,490	No
		\$ 987,691	\$ 36,490	

(e) Concentration risk

The Partnership does have concentration risk. Concentration risk is the risk that a customer has more than ten percent of the total accounts receivable balance and thus there is a higher risk to the business in the event of a default by one of these customers. Concentrations of one particular customer's account represents 54% of the total outstanding receivables at December 31, 2020 credit risk relates to groups of counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. At December 31, 2020, receivable from one customer comprised approximately 54% of the total outstanding receivables. The Partnership reduces this risk by regularly assessing the credit risk associated with this account and closely monitoring any overdue balances. In the opinion of management the concentration risk exposure to the Partnership that is associated with their customers is low.

(f) Liquidity risk

The Partnership does have a liquidity risk in the bank indebtedness and accounts payable and accrued liabilities of \$1,923,479 (2019 - \$3,066,539). Liquidity risk is the risk that the Partnership cannot repay its obligations when they become due to its creditors. The Partnership reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors and repays long term debt interest and principal as they become due. In the opinion of management the liquidity risk exposure to the Partnership low and is not material.

**PFN Group of Companies Limited Partnership**  
**Notes to Consolidated Financial Statements**  
*For the year ended December 31, 2020*

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**32. Financial instruments, continued**

(g) Interest rate risk

The Partnership is exposed to interest rate risk. Interest rate risk is the risk that the Partnership has interest rate exposure on its bank indebtedness, which are variable based on the bank's prime rates. This exposure may have an effect on its earnings in future periods. The Partnership reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates which have been relatively stable over the period presented. There are some loans payable that are at fixed term rates, or zero interest rates and do not affect interest rate risk. The Partnership does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management the interest rate risk exposure to the Partnership low and is not material.

(h) Price risk

The Partnership is exposed to price risk. Price risk is the risk that the commodity prices that the Partnership charges are significantly influenced by its competitors and the commodity prices that the Partnership must charge to meet its competitors may not be sufficient to meet its expenses. The Partnership reduces its exposure to price risk by ensuring that it obtains information regarding the commodity prices that are set by the competitors in the region to ensure that its prices are appropriate. In addition, management closely monitors expenses and matches capital outlays to its revenue stream. In the opinion of management the price risk exposure to the Partnership is low and is not material.

(i) Other risk

There may be risks associated with the ongoing COVID-19 pandemic that can not be determined at this time.

Schedule 1

**PFN Group of Companies Limited Partnership**  
**Schedule of General Operations - Statement of Operations**  
*For the year ended December 31, 2020*

	2020	2019
<b>Revenue</b>		
Canadian Security Management	\$ 29,852	\$ 61,767
A/C Aboriginal Investment	69,266	23,895
Archon Industries Inc.	-	114,572
Clean Harbors Canada Inc.	4,356	24,370
Indigenous Services Canada (ISC)	124,984	-
PMETS Fees / NP Aerospace	108,571	-
Other revenue	10,000	-
Tire installation and sales net - note 26	9,804	(9,338)
	<b>356,833</b>	<b>215,266</b>
<b>Expenses</b>		
Advertising and promotion	12,984	-
Bank charges	2,446	3,743
Consultants and contractors	124,496	40,061
Depreciation	3,122	2,540
Insurance	847	15,249
Interest on bank overdraft	-	65,527
Management salaries	159,532	106,299
Meeting expense	580	-
Miscellaneous expenses	2,558	-
Professional fees	84,129	99,332
Rent	-	4,312
Repairs and maintenance	350	-
Supplies	767	110
Travel	12,072	6,937
Wages and benefits	45,175	-
	<b>449,058</b>	<b>344,110</b>
<b>Net loss and comprehensive loss</b>	<b>\$ (92,225)</b>	<b>\$ (128,844)</b>

Schedule 2

**PFN Group of Companies Limited Partnership**  
**Schedule of Pro Metal Industries Ltd - Statement Of Operations**  
*For the year ended December 31, 2020*

	2020	2019
<b>Sales</b>		
Metal fabrication	\$ 1,699,590	\$ 2,250,190
Temporary wage subsidy for employees - note 22	23,375	-
Other revenue	4,919	128,380
Personal protective equip. and mobile medical units - note 20	9,130,412	-
	<b>10,858,296</b>	<b>2,378,570</b>
<b>Cost of sales</b>		
Direct materials	555,913	755,530
Direct labour	287,490	318,896
Sub-contracts	226,190	393,797
Manufacturing overhead - note 23	434,708	570,692
Personal protective equip. and mobile medical units	7,339,200	-
	<b>8,843,501</b>	<b>2,038,915</b>
	<b>2,014,795</b>	<b>339,655</b>
<b>Gross profit</b>		
<b>Expenses</b>		
Advertising and promotion	29,935	25,339
Bad debts	28,286	10,658
Bad debts (recovered)	(16,761)	16,257
Bank charges	107,603	189,253
Consultants and contractors	34,393	31,789
Courier and delivery	23,734	30,364
Depreciation	392,970	383,202
Entertainment	6,632	16,510
Equipment rental	28,539	19,640
Impairment - deferred tax asset - note 10	-	384,121
Insurance	66,320	17,477
Interest on long-term debt	19,915	28,252
Mack Defence settlement payment - note 21	-	1,017,411
Meals and entertainment	5,881	6,557
Other expenses	-	3,652
Professional fees	40,051	39,755
Property taxes	23,705	28,343
Registration, tuitions, memberships	49,489	42,624
Rent	350,892	324,181
Repairs and maintenance	3,795	8,538
Repayment of WED grant - note 25	-	209,845
Small tools	31,358	91,146
Supplies	107,906	2,977
Telephone	16,326	10,797
Training	4,699	1,550
Union dues	3,352	-
Utilities	39,574	35,490
Vehicle expenses	10,966	936
Wages and benefits	952,881	705,006
Waterjet expense	18,379	24,926
Writeoff of deposit (net) - note 12	-	484,210
	<b>2,380,820</b>	<b>4,190,806</b>

Schedule 2

**PFN Group of Companies Limited Partnership**  
**Schedule of Pro Metal Industries Ltd - Statement Of Operations, continued**  
*For the year ended December 31, 2020*

	2020	2019
<b>Loss before income taxes</b>	(366,025)	(3,851,151)
<b>Income tax (recovery)</b>		
Deferred	-	(44,409)
	-	(44,409)
<b>Net loss and comprehensive loss</b>	\$ (366,025)	\$ (3,895,560)

Draft for discussion purposes only

Schedule 3

**PFN Group of Companies Limited Partnership**  
**Schedule of Pasqua First Nation Land Acquisition Limited**  
*For the year ended December 31, 2020*

	2020	2019
<b>Revenue</b>		
Land lease revenue	\$ 103,178	\$ -
<b>Expenses</b>		
Property taxes	3,439	-
<b>Net income and comprehensive income</b>	<b>\$ 99,739</b>	<b>\$ -</b>

Draft for discussion purposes only