PFN Group of Companies Inc.

Financial Statements

December 31, 2019

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of PFN Group of Companies Inc:

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

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

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

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

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

PFN Group of Companies Inc.

Date: January 27, 2021

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

INDEPENDENT AUDITORS' REPORT

To the Shareholders of PFN Group of Companies Inc.

Opinion

We have audited the financial statements of PFN Group of Companies Inc., which comprise the statement of financial position as at December 31, 2019, and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the management as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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
January 27, 2021

Chalupiak & Associates
Chalupiak & Associates

PFN Group of Companies Inc.
Statement of Financial Position
December 31, 2019

	2019	2018 Restated
Asset		
Due from PFN Group of Companies LP - note 5	$ 1,723,880	$ 1,723,880
Liabilities		
Current liability		
Accounts payable and accrued liabilities - note 6	$ 6,000	$ 3,000
Reserve for losses in significantly influenced entities	5,211	1,187
	11,211	4,187
Shareholders' equity		
Retained earnings, beginning of year	1,719,693	1,723,880
Net loss and comprehensive loss	(7,024)	(4,187)
Retained earnings, end of year	1,712,669	1,719,693
	$ 1,723,880	$ 1,723,880

Approved on behalf of the Board:

______________ Director ______________ Director

Statement of Income and Comprehensive Income

For the year ended December 31, 2019

		2019		2018
Revenue				
Partnership income (loss)	$	(4,024)	$	(1,187)
Expenses				
Professional fees		3,000		3,000
Net loss and comprehensive loss	$	(7,024)	$	(4,187)

	2019	2018 Restated
Retained earnings, beginning of year	$ 1,719,693	$ 1,723,880
Net and comprehensive loss	(7,024)	(4,187)
Retained earnings, end of year	$ 1,712,669	$ 1,719,693

PFN Group of Companies Inc.
Statement of Cash Flows
For the year ended December 31, 2019

	2019	2018 Restated
Cash flows from (used in) operating activities		
Net loss and comprehensive loss	$ (7,024)	$ (4,187)
Changes in non-cash operating items		
Accounts receivable	-	929,652
Inventory	-	507,796
Prepaid expenses	-	89,778
Income taxes receivable	-	388,467
Accounts payable and accrued liabilities	3,000	(762,370)
Future income taxes	-	(139,129)
	(4,024)	1,010,007
Cash flows from (used in) investing activities		
Proceeds on disposal of fixed assets	-	3,385,065
Equity change in significantly influenced entities	4,024	1,187
Goodwill	-	(476,872)
	4,024	2,909,380
Cash flows from (used in) financing activities		
Due to (from) related parties	-	(2,087,373)
Repayment of long-term debt	-	(738,663)
	-	(2,826,036)
Increase in bank indebtedness	-	1,093,351
Bank indebtedness, beginning of year	-	(1,093,351)
Cash, end of year	$ -	$ -

1. Nature of operations

PFN Group of Companies Inc. ("the Company") is wholly owned by Pasqua First Nation and was incorporated on July 9, 2012. Pasqua First Nation and PFN Group of Companies Inc. entered into a partnership agreement on December 28, 2017 and established PFN Group of Companies LP, whose primary business is investing in businesses and developing business opportunities for Pasqua First Nation. Pasqua First Nation is the limited partner and owns 99.9%, and PFN Group of Companies Inc. is the general partner and owns 0.1% of PFN Group of Companies Limited Partnership. PFN Group of companies LP acquired the assets and liabilities of the Company on December 31, 2017 as further explained in note 8. The registered office is located at Pasqua First Nation, Saskatchewan, Canada.

2. Statement of compliance

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

The financial statements were approved by the Board of Directors.

3. Change in accounting policies

(a) **Standards and Interpretation effective in the current period**

Impact of initial application of IFRS 16 Leases:

In the current year, the Company has applied IFRS 16 (as issued by IASB in January 2016) that is effective for annual periods that begin on or after January 1, 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

There was no significant impact on the Company's financial statement on the initial application of the IFRS 16 Leases.

Adoption of amendments to IFRS standards and interpretations:

In the current year, the Company 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 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

3. Change in accounting policies, continued

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

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

IFRS 17 Insurance Contracts

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an investor and its Associate

Amendments to IFRS 3 Definition of business

Amendments to IAS 1 and IAS 8 Definition of material

Conceptual Framework Amendments to References to the Conceptual Framework in IFRS.

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

4. Significant accounting policies

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

(a) Basis of presentation

These financial statements reflect only the assets, liabilities, revenues and expenses of the Company.

(b) Accrual basis of accounting

Revenue and expenditures are recorded on the accrual basis of accounting under which they are recorded in the financial statements in the period they are earned or incurred respectively, whether or not such transactions have been settled by the receipt or payment of money.

(c) Investment in partnership

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

4. Significant accounting policies, continued

(d) 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.

5. 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.

	2019	2018 Restated
Due from PFN Group of Companies LP	$ 1,723,880	$ 1,723,880

6. Accounts payable and accrued liabilities

	2019	2018 Restated
Trade accounts and accrued payables	$ 6,000	$ 3,000

7. Prior period restatement

The comparative figures have been retroactively restated to reflect the correction of an error made during the consolidation of the Pro Metal Industries Ltd. into the Company in the year ending December 31, 2016.

Listed below are the summary of accounts affected in prior year as a result of above mentioned adjustment:

	As previously stated in 2018	Adjustment Increase (Decrease)	Restated 2018
Statement of Financial Position	$ -	$ -	$ -
Non-current assets	-	-	-
Due from Pasqua Group of Companies LP.	2,200,752	(476,872)	1,723,880
Shareholders' equity	-	-	-
Retained earnings, beginning of year	(2,200,752)	476,872	(1,723,880)
	$ -	$ -	$ -

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

On January 1, 2018, PFN Group of Companies LP (the "Partnership") acquired the assets and liabilities of PFN Group of Companies Inc. (the "Company"). These were acquired at book value based on the December 31, 2017 audited financial statements of the Company in exchange for a promissory note in the amount of $1,723,880 without any specific repayment terms or interest rate. The Partnership and the Company are entities that are both controlled by Pasqua First Nation, who owns 100% of the shares of the Company and 99.99% of the partnership units of the Partnership.

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

Assets		
Current assets		
Cash	$	55,278
Accounts receivable		929,652
Inventory		507,796
Prepaid expenses		89,778
Income taxes receivable		388,467
		1,970,971
Fixed assets		2,908,193
Total assets	$	4,879,164
Liabilities		
Current liabilities		
Bank indebtedness	$	1,148,629
Accounts payable		765,371
Current portion of long-term debt		146,449
Due to Pasqua First Nation		363,493
		2,423,942
Long-term debt		592,214
Deferred taxes		139,128
Shareholder equity		1,723,880
Total Equity	$	4,879,164

9. Financial instruments

The Company as part of its operation 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. The one exception is that fair value of advances from related parties can not be estimated as it is not possible to predict the timing of future cash flows.