# Stk'emlúpsemc te Secwépemc Nation (SSN)

# Annual General Assembly

# March 25 2014

4. Stk'emlúpsemc te Secwépemc Nation Annual General Assembly Presentation

a) 2012-13 Audited Financial Statements

- Stk'emlupsemc te Secwepemc
- Stk'emlupsemc Enterprises Inc.
- Stk'emlupsemc Amalgamated Ventures Inc.
- Stk'emlupsemc Arrow Transportation

b) Projections for the future of SSN, where will SSN be in 1-5 years?

- PowerPoint Presentation

c) SSN Organization Chart

*TteS General Band Meeting information provided separately.*

# Stk'emlupsemc Enterprises Inc.
## Non-consolidated Financial Statements
**For the year ended March 31, 2013**

**Contents**

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# Independent Auditor's Report

To the Board of Directors of Stk'emlupsemc Enterprises Inc.

We have audited the accompanying non-consolidated financial statements of Stk'emlupsemc Enterprises Inc., which comprise the non-consolidated statement of financial position as at March 31, 2013, and the non-consolidated statements of comprehensive income and changes in equity, and non-consolidated statement of cash flows for the year ended March 31, 2013 and other explanatory information.

## Management's Responsibility for the Non-Consolidated Financial Statements

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

## Auditor's Responsibility

Our responsibility is to express an opinion on these non-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 non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the non-consolidated 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 presentation of the non-consolidated financial statements.

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

## Opinion

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of Stk'emlupsemc Enterprises Inc. as at March 31, 2013, and the results of its operations and its cash flows for the year ended March 31, 2013 in accordance with IFRS.

BDO Canada LLP

Chartered Accountants

Kamloops, British Columbia
July 3, 2013

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## Stk'emlupsemc Enterprises Inc.
### Non-consolidated Statement of Financial Position

| As at March 31, | | 2013 | | 2012 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current** | | | | |
| Cash (Note 2) | $ | **764,339** | $ | 19,122 |
| Accounts receivable | | **6,338** | | 34,066 |
| Due from related parties (Note 3) | | **17,624** | | 20 |
| Prepaid expenses | | **1,275** | | 987 |
| | | **789,576** | | 54,195 |
| **Equipment** (Note 4) | | **25,507** | | 32,108 |
| **Investments** | | **1** | | 1 |
| | $ | **815,084** | $ | 86,304 |
| **Liabilities and Shareholders' Equity** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities (Note 3) | $ | **99,891** | $ | 14,224 |
| Due to related parties(Note 3) | | **632,845** | | - |
| Loan payable (Note 3) | | **180,500** | | 180,500 |
| | | **913,236** | | 194,724 |
| **Shareholders' deficiency** | | | | |
| Share capital (Note 6) | | **20** | | 20 |
| Deficit | | **(98,172)** | | (108,440) |
| | | **(98,152)** | | (108,420) |
| | $ | **815,084** | $ | 86,304 |

Approved on behalf of the Board:

______________________________, Director

______________________________, Director

The accompanying notes are an integral part of these financial statements.

# Stk'emlupsemc Enterprises Inc.
## Non-consolidated Statement of Comprehensive Income and Changes in Equity

| For the year ended March 31 | 2013 | 2012 |
|---|---|---|
| **Revenue** | | |
| Contribution agreements | $ - | $ 32,456 |
| Dividend income (Note 3) | 80,920 | 59,497 |
| Administration fee (Note 3) | 37,013 | - |
| SSN management fee (Note 3) | 324,954 | $ 300,000 |
| SSN project funding (Note 3) | 72,800 | - |
| KGHM Cultural Heritage Study Fund (Note 3) | 71,953 | - |
| Other revenue | 5,194 | - |
| | 592,834 | 391,953 |
| **Expenditures** | | |
| Accounting and legal | 38,454 | 39,234 |
| Advertising and promotion | 3,777 | 7,901 |
| Bad debts | - | 3,286 |
| Bank charges and interest | 4,204 | 7,230 |
| Conference | 43,519 | - |
| Depreciation | 8,811 | 11,141 |
| Insurance | 2,995 | 1,932 |
| Memberships and licences | 20 | - |
| Office expenses | 30,751 | 14,490 |
| Rent (Note 3) | 65,400 | 65,400 |
| Repairs and maintenance | 1,047 | 2,120 |
| Salaries and benefits | 227,964 | 113,569 |
| Security | 359 | 359 |
| Subcontractors (Note 3) | 117,175 | 6,000 |
| Travel | 25,675 | 22,819 |
| Utilities | 12,415 | 15,104 |
| | 582,566 | 310,585 |
| **Comprehensive income for the year** | 10,268 | 81,368 |
| **Deficit**, beginning of year | (108,440) | (189,808) |
| **Deficit**, end of year | $ (98,172) | $ (108,440) |

The accompanying notes are an integral part of these financial statements.

## Stk'emlupsemc Enterprises Inc.
### Non-consolidated Statement of Cash Flows

| For the year ended March 31 | 2013 | 2012 |
|---|---|---|
| **Operating activities** | | |
| Cash received from contributors | $ 620,560 | $ 364,363 |
| Cash paid to employees and suppliers | (484,170) | (302,217) |
| Interest paid | (4,204) | (7,230) |
| **Cash flows from operating activities** | 132,186 | 54,916 |
| **Investing activities** | | |
| Purchase of equipment | (2,210) | (3,533) |
| Advances to related party | 615,241 | - |
| **Cash flows from investing activities** | 613,031 | (3,533) |
| **Financing activity** | | |
| Proceeds from issuance (repayment) of loan payable | - | 60,000 |
| **Cash flows from financing activity** | - | 60,000 |
| **Net increae** | 745,217 | 111,383 |
| **Cash (bank indebtedness)**, beginning of year | 19,122 | (92,261) |
| **Cash**, end of year | $ 764,339 | $ 19,122 |

The accompanying notes are an integral part of these financial statements.

## 1. Nature of Operations and Summary of Significant Accounting Policies

### Reporting Entity

Stk'emlupsemc Enterprises Ltd. (the "Company") was incorporated under the laws of the Province of British Columbia on June 25, 2008. The Company's primary function is to recover the costs of maintaining the natural resource rights within the traditional territory of the Stk'emlupsemc. The address of the Company's registered office is PO Box 188, Savona, British Columbia, V0K 2J0.

The Company is jointly owned by the Skeetchestn Indian Band ("SIB") and Tk'emlups Te Secwepemc ("TTS") with each entity owning 50% of the issued share capital.

These financial statements have been authorized for issue by the Board of Directors on July 3, 2013.

### Basis of Presentation

The financial statements have been prepared in accordance with the financial reporting framework required for Government Business Enterprises, as determined under Canadian public sector accounting standards, which is International Financial Reporting Standards ("IFRS").

The Company's functional and presentation currency is the Canadian dollar.

### Basis of Measurement

The financial statements have been prepared on a historical cost basis.

### Use of Estimates

The preparation of financial statements in accordance with IFRS requires management to make assumptions and estimates that have an effect on the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could be different from those estimates. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected

**1. Nature of Operations and Summary of Significant Accounting Policies - continued**

**Revenue Recognition**
Revenue from contribution agreements and management fees are recognized when the significant acts for the agreement or milestones have been completed, the amount is due and collectibility is reasonably assured.

**Equipment**
Equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is recognized in net income and is provided on a declining-balance basis over the estimated useful life of the assets as follows:

| | |
|---|---|
| Furniture and fixtures | 20% |
| Vehicles | 30% |
| Computer equipment | 30% |

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

**Impairment of Non-Financial Assets**
Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment charges are included in net income, except to the extent they reverse gains previously recognized in other comprehensive income.

## 1. Nature of Operations and Summary of Significant Accounting Policies - continued

### Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

Recognition of deferred tax assets for unused tax (losses), tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allow the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities / assets are settled / recovered.

### Cash

Cash includes cash on hand, operating deposits with financial institutions, and for the purpose of the statement of cash flows, bank overdrafts that are repayable on demand.

### Investments

Investments in subsidiaries are accounted for at cost and include Stk'emlupsemc Amalgamated Ventures Inc., a 51% owned subsidiary.

### Accounts Payable and Other Payables

Liabilities for trade creditors and other payables are classified as other financial liabilities and initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

## 1. Nature of Operations and Summary of Significant Accounting Policies - continued

### Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Where discounting is used, the increase in the provision due to passage of time is recognized as a financial cost and included in interest expense.

### Financial Instruments

*(a) Classification and Measurement*

Financial assets and financial liabilities are initially measured at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for with the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

*Financial Assets*

Financial assets are classified into one of four categories:

i) Held-to-maturity ("HTM")
ii) Fair value through profit or loss ("FVTPL")
iii) Loans and receivables; and
iv) Available-for-sale ("AFS")

*Held-to-Maturity*

A financial asset classified as HTM instruments are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at amortized cost, which approximates fair value. Cash is classified as HTM.

*Financial Assets at Fair Value Through Profit or Loss*

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. These instruments are accounted for at fair value with the change in the fair value recognized in the statement of comprehensive loss during the year. Attributable transaction costs are recognized in the statement of comprehensive income when occurred. The Company does not have any financial assets classified as fair value through profit and loss.

1. **Nature of Operations and Summary of Significant Accounting Policies - continued**

**Financial Instruments - continued**

*Loans and Receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loans and receivables are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method. Transaction costs incurred to acquire loans and receivable financial instruments are included in the underlying balance. Accounts receivable, and amounts due from shareholders are classified as loans and receivables. Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. On confirmation that the amounts receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Company does not have any financial assets classified as available-for-sale

*Financial Liabilities*
Financial Liabilities are classified into one of two categories:

i) Fair value through profit or loss; and
ii) Other financial liabilities

*Financial Liabilities at Fair Value Through Profit or Loss ("FVTPL")*
Financial liabilities that are incurred with the intention of generating profits in the near term are classified as fair value through profit or loss. Financial liabilities classified as FVTPL include derivative liabilities that are not accounted for as hedging instruments, obligations to deliver financial assets borrowed by a short seller, and financial liabilities that are part of a portfolio of identified financial instruments that are managed together with the intention of generating profits in the near term. In addition, any other financial liabilities can be designated by the Company upon initial recognition as held-for-trading. These instruments are accounted for at fair value with the change in fair value recognized in the statement of comprehensive income during the year. Attributable transaction costs are recognized in the statement of comprehensive income when occurred. The Company does not have any financial liabilities that are classified as fair value through profit or loss .

**1. Nature of Operations and Summary of Significant Accounting Policies - continued**

**Financial Instruments - continued**

*Other Financial Liabilities*
Other financial liabilities are accounted for at amortized cost using the effective interest rate method. Accounts payable and accrued liabilities and the loan payable are classified as other financial liabilities. Transaction costs are included in the underlying balance.

*(b) Determination of Fair Value*
The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, fair value is determined by management using available market information or other valuation methodologies.

*(c) Fair Value Hierarchy*
The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets of liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly;
Level 3: Inputs that are not based on observable market data.

As at year-end, the Company did not have any financial instruments measured at fair value.

**Impairment of Financial Assets**
At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or receivable by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of borrows or issuers in the group, or economic conditions that correlate with defaults in the group.

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. The Company has no impairment loss from financial assets.

## 1. Nature of Operations and Summary of Significant Accounting Policies - continued

**Lease Assets**
Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

**Standards, Amendments and Interpretations Not Yet Effective**
Certain new standards, amendments and interpretations have been published that are mandatory for the company's accounting periods begining on or after April 1, 2012 or later periods that the company is not permitted to early adopt.

i) New standards, interpretations and amendments effective from April 1, 2013
None of the new standards, interpretaions and amendments, effective for the first time from April 1, 2012 have had a material effect on the financial statements.

ii) New standards, interpretations and amendments not yet effective
The following new standards, amendments and interpretations, which have not been applied in these financial statements, that will or may have an effect on th company's future financial statements are:

IFRS 9 - Financial Instruments is part of the IASB's wider project to replace IAS 39 "Financial Instrument: Recognition and Measurement". IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets, amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods begining on or after April 1, 2013. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

IFRS 11 - Joint Arrangements describes the accounting for arrangements in which there is joint control. A party to joint arrangement accounts for its rights and obligations that arise from the arrangement. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. The company is yet to assess the full impact of IFRS 11 and intends ti adopt the standard no later than the accounting period beginning on April 1, 2013.

IFRS 7 - Financial Instruments: Disclosures ("IFRS 7") was issued by the IASB on October 7, 2010 and contains amendments to the existing IFRS 7. The amendments to IFRS 7 enhance disclosure requirements about transfers on financial assets. The amendments of IFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Company is currently evaluating the impact of the amendments to IFRS 7 on its financial statements.

**1. Nature of Operations and Summary of Significant Accounting Policies - continued**

IFRS 13 - Fair Value Measurement defines fair value, provides guidance on the measurement of fair value, and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requiement of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). The standard is effective for annual periods begining on or after April 1, 2013. The Company is currently evaluating the impact of this new standard on its financial statements.

IAS 1 - Presentation of Financial Statements was amended to change the grouping of items presented in OCI. Items that would be reclassified to profit or loss at a future point in time will be presented separately from items that will never be reclassified. The amendments do not change the nature of the items that are currently recognized in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit or loss in future preriods. The company is yet to assess the full impact of this amendment to IAS 1 and will adopt the standards for the annual period begining on April 1, 2013.

IAS 19 - Employee Benefit was amended to remove the use of the corridor approach for defined benefit plans and for enhanced disclosures for defined benefit plans. Revisions were also made to the recognition of termination benefits and the distinction between short term and long term employee benefits. The company is yet to assess the full impact of this amendment to IAS 1 and will adopt the standard for annual period begining on April 1, 2013.

IAS 32 Financial Instruments Presentation was amended to clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems such as central clearing hourse systems which apply gross settlement mechanisms that are not simultaneous. The company is yet to assess the full impact of the amendment to IAS 1 and will adopt the standard for the annual period beginning on April 1, 2013.

### 1. Nature of Operations and Summary of Significant Accounting Policies - continued

**New Standards, Interpretations, and Amendments not yet Adopted - continued**

IFRS 10 - Consolidated Financial Statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statenents of the parent company. The statndard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 12 - Disclosure of Interests in Other Entities includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard is effective for annual years beginning on or after January 1, 2013, with early adoption permitted. The Company is currently evaluating the impact of this standard on the financial statements.

There are no ther IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact in the company's future financial statements.

### 2. Cash

The Company's cash is held in one Canadian Chartered Bank and earns interest at the current prevailing rates for business operating accounts.

## 3. Related Party Transactions

At the end of the year, the advances to (from) related parties are as follows:

| | **March 31, 2013** | March 31, 2012 |
|---|---|---|
| Skeetchestn Indian Band ("SIB") | $ **10** | $ 10 |
| Tk'emlups Te Secwepemc ("TTS") | **10** | 10 |
| Stkemlupsemc Limited Partnership ("SLP") | **600** | - |
| Stk`emlupsemc Amalgamated Ventures Inc. | **17,004** | - |
| Due to Stk'emlupsemc te Secwepemc Nation | **(632,845)** | - |
| | **-** | - |
| | **-** | - |
| | $ **(615,221)** | $ 20 |

These amounts are unsecured, non-interest bearing and with no specific terms of repayment. SIB and TTS are related by being shareholders of the company, and SLP is related via common control.

During the year, the Company engaged SIB and TTS to provide assistance in regards to developing the reconciliation framework and other resource frameworks. Fees incurred to SIB and TTS were $41,000 and $31,000 respectively. These amounts are currently unpaid and included in accounts payable.

*Stk'emlupsemc te Secwepemc Nation ("SSN")*

SSN is related to the Company via common control. The loan payable to SSN is to be repaid as contribution agreements are entered into by the Company. The amount due to SSN relates to contribution revenue received on behalf of SSN that the Company is holding on behalf of SSN. The amounts are due on demand, unsecured and non-interest bearing with no specific terms of repayment.

In addition, the Company received a management fee in the amount of $324,954 (2012 - $300,000). This amount was paid in respect of the Company performing certain negotiating and other administrative functions on behalf of SSN.

SSN Project Funding and the KGHM Cultural Heritage Study Fund represents funds received from SSN to perform certain specific tasks, as required by the contritbution agreement signed by SSN. The Company has agreed to execute these agreements on a cost recovery basis, subject to the project budget. Any unfunded cost overruns would be absorbed by the Company. The Company earns the administrative fees from SSN in respect of these projects. Total administrative fees received during the year were $37,013 (2012 - $nil).

## 3. Related Party Transactions - continued

*Kenuc'entwec Development Corp ("KDC")*

KDC is related to the Company as it is an entity controlled by SIB. The Company paid rent of $65,400 (2012 - $65,400) to KDC. The lease governing the offices of the Company is currently entered into by SSN; however, the Company has assumed the lease obligation. No legal assignment of the lease has been completed, and as such, no further commitments relating to the lease have been disclosed.

These transactions are in the normal course of operations and have been recorded at the fair value of the rent provided, which is equal to the contracted amounts.

## 4. Equipment

| | **2013** | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Computer Equipment | Furniture and Fixtures | Vehicles | Computer Equipment | Furniture and Fixtures | Vehicles |
| Cost, beginning of year | **15,675** | **15,936** | **19,255** | 12,141 | 15,936 | 19,255 |
| Additions | **-** | **2,210** | **-** | 3,534 | - | - |
| Cost, end of year | **15,675** | **18,146** | **19,255** | 15,675 | 15,936 | 19,255 |
| Depreciation, beginning of year | **5,447** | **5,513** | **7,798** | 1,821 | 2,907 | 2,888 |
| Additions | **3,068** | **2,306** | **3,437** | 3,626 | 2,606 | 4,910 |
| Depreciation, end of year | **8,515** | **7,819** | **11,235** | 5,447 | 5,513 | 7,798 |
| Net book value | **$ 7,160** | **$ 10,327** | **$ 8,020** | $ 10,228 | $ 10,423 | $ 11,457 |

## 5. Bank Indebtedness

The Company has established a line of credit with a maximum limit of $100,000, which is unsecured, bears interest at prime plus 2% and is due on demand. The amount drawn upon as at March 31, 2013 was $nil (March 31, 2012 - $nil).

## 6. Share Capital

Authorized:
unlimited common shares, no par value

Issued:

| | 2013 | 2012 |
|---|---|---|
| 20 common shares | $ 20 | $ 20 |

## 7. Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern so it can continue to provide services to allow for future expansion. Budgets are prepared and reviewed by the Board of Directors and are utilized as a tool for ensuring the Company will be able to operate into the foreseeable future.

The Company's capital is comprised of shareholder's deficiency and share capital. There have been no changes in how the Company defines capital or how it manages capital in the period.

The Company's management team is responsible for approving the Company's management objectives and policies and for overseeing the effective management of capital. The Company's capital objectives are met by ensuring that adequate cash generated from operations is valuable to meet requirements.

There are (were) no externally imposed capital requirements for the Company as at March 31, 2013.

## 8. Risk Management

The fair value of cash, accounts receivable, due from shareholders, and accounts payable and accrued liabilities is approximately equal to their carrying value due to their short term maturity date.

*Liquidity Risk*
The Company has financial liabilities outstanding, including accounts payable, accrued liabilities, amounts due to related party and a loan payable. The Company manages its liquidity risk by reviewing liquidity resources, ensuring cash flows from operations and holdings of cash and cash equivalents are sufficient to meet liabilities when they are due as well as ensuring adequate funds exist to support business strategies and operations growth. The risk has not changed from previous periods.

*Credit Risk*
Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to accounts receivable that relate to contributions receivable from the contribution partners. Management believes such accounts receivable are subject to minimal credit risk. The risk has not changed from previous periods.

March 31, 2013

## 9. Income Taxes

Income tax expense based on statutory rates:

| | | March 31, 2013 | | March 31, 2012 |
|---|---|---|---|---|
| Income (loss) before income tax | $ | **10,268** | $ | 81,368 |
| Effective statutory rate | | **13.5** | | 13.5 |
| Income taxes using the Company's statutory rate | | **1,386** | | 10,985 |
| Non-deductible items and others | | **956** | | 198 |
| Income tax expense (recovery) | | **2,342** | | 11,183 |
| (Use) generation of non-capital losses | | **(2,342)** | | (11,183) |
| Income tax expense per financial statements | $ | **-** | $ | - |

The Company has accumulated non-capital loss carryforwards in the amount of $0 (2012 - $162,333). As this is the first year of profit for the Company, the future benefit of these loss carryforwards, and any other temporary differences, have not been recognized on the financial statements as the company's ability to utilize the benefit is uncertain.

Non-capital loss carryforwards expire as follows:

| | | |
|---|---|---|
| 2030 | $ | 125,043 |
| 2031 | | 37,290 |
| 2033 | | 209,827 |
| | $ | 372,160 |

## 10. Economic Dependance

The Company is economically dependent on the Stk'emlupsemc te Secwepemc Nation's continued support.

# Stk'emlupsemc Amalgamated Ventures Inc.
## Financial Statements
### For the year ended March 31, 2013

Draft - subject to final approval

**Contents**

# Independent Auditor's Report

**To the Board of Directors of Stk'emlupsemc Amalgamated Ventures Inc.**

We have audited the accompanying financial statements of Stk'emlupsemc Amalgamated Ventures Inc., which comprise the statement of financial position as at March 31, 2013, and the statements of comprehensive income and changes in equity, and statement of cash flows for the years ended March 31, 2013 and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements. The procedures selected depend on the auditor's 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 controls relevant to the entity's preparation 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 presentation of the financial statements.

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

### Basis for Qualified Opinion

We were appointed as the auditors for Stk'emlupsemc Amalgamated Ventures Inc. for the year ended March 31, 2013. The financial statements were previously prepared as a compilation by another chartered accountant and as such we were unable to audit the opening numbers. We were unable to obtain sufficient appropriate audit evidence over the accounts receivable and accounts payable balances as at March 31, 2012. Since accounts receivable and accounts payable enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the income for the year reported in the statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

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**Qualified Opinion**
In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Stk'emlupsemc Amalgamated Ventures Inc. as at March 31, 2013, and the results of its operations and its cash flows for the years ended March 31, 2013 in accordance with IFRS.

**Chartered Accountants**

**Kamloops, British Columbia**
**XXXX**

Draft - subject to final approval

## Stk'emlupsemc Amalgamated Ventures Inc.
### Statement of Financial Position

| As at | | March 31, 2013 | | March 31, 2012 | | April 1, 2011 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Current** | | | | | | |
| Cash (Note 2) | $ | **21,092** | $ | 24,957 | $ | 36,994 |
| Accounts receivable | | **91,988** | | 74,780 | | 26,458 |
| Due from shareholders (Note 3) | | **-** | | 100 | | 100 |
| Prepaid expenses | | **4,201** | | - | | - |
| | $ | **117,281** | $ | 99,837 | $ | 63,552 |
| **Liabilities and Shareholders' Equity** | | | | | | |
| **Current** | | | | | | |
| Accounts payable and accrued liabilities (Note 3) | $ | **42,552** | $ | 26,050 | $ | 27,217 |
| Taxes payable | | **20,808** | | 25,892 | | 5,098 |
| Due to shareholders (Note 3) | | **189** | | - | | - |
| | | **63,549** | | 51,942 | | 32,315 |
| **Shareholders' Equity** | | | | | | |
| Share capital (Note 4) | | **100** | | 100 | | 100 |
| Retained earnings | | **53,632** | | 47,795 | | 31,137 |
| | | **53,732** | | 47,895 | | 31,237 |
| | $ | **117,281** | $ | 99,837 | $ | 63,552 |

Approved on behalf of the Board:

______________________________, Director

______________________________, Director

Draft - subject to final approval

The accompanying notes are an integral part of these financial statements.

# Stk'emlupsemc Amalgamated Ventures Inc.
## Statement of Comprehensive Income and Changes in Equity

| For the year ended March 31, | 2013 | 2012 |
|---|---|---|
| **Revenue** | $ 1,250,773 | $ 1,086,618 |
| **Cost of sales** | | |
| Administration | 141,498 | 120,695 |
| Disbursements (recovery) | (2,692) | 9,328 |
| Equipment rentals (Note 3) | 77,630 | 64,105 |
| Subcontracts (Note 3) | 854,209 | 727,675 |
| | 1,070,645 | 921,803 |
| **Gross profit** | 180,128 | 164,815 |
| **Expenditures** | | |
| Accounting and legal | 12,900 | 3,580 |
| Bank charges and interest | 1,198 | 95 |
| Courier and delivery | 1,278 | 1,468 |
| Insurance | 7,513 | - |
| Office expenses | 899 | - |
| Professional development | - | 4,315 |
| Supplies | 1,481 | 822 |
| Travel | 688 | 421 |
| | 25,957 | 10,701 |
| **Income before income taxes** | 154,171 | 154,114 |
| **Income taxes** | 20,808 | 20,794 |
| **Comprehensive income for the year** | 133,363 | 133,320 |
| **Retained earnings**, beginning of year | 47,795 | 31,137 |
| **Dividends** | (127,526) | (116,662) |
| **Retained earnings**, end of year | $ 53,632 | $ 47,795 |

Draft - subject to final approval

The accompanying notes are an integral part of these financial statements.

## Stk'emlupsemc Amalgamated Ventures Inc.
### Statement of Cash Flows

| For the year ended March 31, | 2013 | 2012 |
|---|---|---|
| **Operating activities** | | |
| Cash received from customers | $ 1,233,565 | $ 1,038,296 |
| Cash paid to employees and suppliers | (1,084,301) | (933,671) |
| Income taxes paid | (25,892) | - |
| **Cash flows from operating activities** | 123,372 | 104,625 |
| **Investing activity** | | |
| Advances from shareholders | 289 | - |
| **Financing activity** | | |
| Dividends paid | (127,526) | (116,662) |
| **Net decrease in cash** | (3,865) | (12,037) |
| **Cash**, beginning of year | 24,957 | 36,994 |
| **Cash**, end of year | $ 21,092 | $ 24,957 |

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The accompanying notes are an integral part of these financial statements.

## 1. Nature of Operations and Summary of Significant Accounting Policies

**Reporting Entity**
Stk'emlupsemc Amalgamated Ventures Inc. (the "Company") was incorporated under the laws of the Province of British Columbia on April 22, 2010.. The Company's primary function is to provide subcontracted labour and equipment rentals to the mining industry. The address of the Company's registered office is Unit 1, 11771 Horseshoe Way, Richmond, British Columbia, V7A 4V4.

The Company is jointly owned by the Stk'emlupsemc Enterprises Ltd ("SEI") and Western Protection Alliance Inc ("Western"). SEI owns 51% and Western owns 49% of the issued share capital.

These financial statements have been authorized for issue by the Board of Directors on **MM DD YYYY**

**Basis of Presentation**
The financial statements have been prepared in accordance with the financial reporting framework required for publicly accountable entities, as determined under Canadian public sector accounting standards, which is International Financial Reporting Standards ("IFRS").

The Company's functional and presentation currency is the Canadian dollar.

**Basis of Measurement**
The financial statements have been prepared on a historical cost basis.

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## 1. Nature of Operations and Summary of Significant Accounting Policies - continued

**Use of Estimates**
The preparation of financial statements in accordance with IFRS requires management to make assumptions and estimates that have an effect on the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could be different from those estimates. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**Revenue Recognition**
Revenue for services provided to clients is recognized when the service is provided.

**Impairment of Non-Financial Assets**
Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment charges are included in net income, except to the extent they reverse gains previously recognized in other comprehensive income.

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## 1. Nature of Operations and Summary of Significant Accounting Policies - continued

### Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

Recognition of deferred tax assets for unused tax (losses), tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allow the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities / assets are settled / recovered.

### Cash

Cash includes cash on hand, operating deposits with financial institutions, and for the purpose of the statement of cash flows, bank overdrafts that are repayable on demand.

### Accounts Payable and Other Payables

Liabilities for trade creditors and other payables are classified as other financial liabilities and initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

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## 1. Nature of Operations and Summary of Significant Accounting Policies - continued

**Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Where discounting is used, the increase in the provision due to passage of time is recognized as a financial cost and included in interest expense.

**Financial Instruments**

*(a) Classification and Measurement*

Financial assets and financial liabilities are initially measured at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for with the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

*Financial Assets*

Financial assets are classified into one of four categories:
i) Held-to-maturity ("HTM")
ii) Fair value through profit or loss ("FVTPL")
iii) Loans and receivables; and
iv) Available-for-sale ("AFS")

*Held-to-Maturity*

A financial asset classified as HTM instruments are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at amortized cost, which approximates fair value. Cash is classified as HTM.

*Financial Assets at Fair Value Through Profit or Loss*

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. These instruments are accounted for at fair value with the change in the fair value recognized in the statement of comprehensive loss during the year. Attributable transaction costs are recognized in the statement of comprehensive income when occurred. The Company does not have any financial assets classified as fair value through profit and loss.

**1. Nature of Operations and Summary of Significant Accounting Policies - continued**

**Financial Instruments - continued**

*Loans and Receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loans and receivables are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method. Transaction costs incurred to acquire loans and receivable financial instruments are included in the underlying balance. Accounts receivable, and amounts due from shareholders are classified as loans and receivables. Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. On confirmation that the amounts receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Company does not have any financial assets classified as available-for-sale

*Financial Liabilities*
Financial Liabilities are classified into one of two categories:

i) Fair value through profit or loss; and
ii) Other financial liabilities

*Financial Liabilities at Fair Value Through Profit or Loss ("FVTPL")*
Financial liabilities that are incurred with the intention of generating profits in the near term are classified as fair value through profit or loss. Financial liabilities classified as FVTPL include derivative liabilities that are not accounted for as hedging instruments, obligations to deliver financial assets borrowed by a short seller, and financial liabilities that are part of a portfolio of identified financial instruments that are managed together with the intention of generating profits in the near term. In addition, any other financial liabilities can be designated by the Company upon initial recognition as held-for-trading. These instruments are accounted for at fair value with the change in fair value recognized in the statement of comprehensive income during the year. Attributable transaction costs are recognized in the statement of comprehensive income when occurred. The Company does not have any financial liabilities that are classified as fair value through profit or loss .

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## 1. Nature of Operations and Summary of Significant Accounting Policies - continued

### Financial Instruments - continued

*Other Financial Liabilities*
Other financial liabilities are accounted for at amortized cost using the effective interest rate method. Accounts payable and accrued liabilities and the amount due to related party are classified as other financial liabilities. Transaction costs are included in the underlying balance.

*(b) Determination of Fair Value*
The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, fair value is determined by management using available market information or other valuation methodologies.

*(c) Fair Value Hierarchy*
The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets of liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly;
- Level 3: Inputs that are not based on observable market data.

As at year-end, the Company did not have any financial instruments measured at fair value.

### Impairment of Financial Assets
At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or receivable by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of borrows or issuers in the group, or economic conditions that correlate with defaults in the group.

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. The Company has no impairment loss from financial assets.

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**1. Nature of Operations and Summary of Significant Accounting Policies - continued**

**Lease Assets**
Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

**Standards, Amendments and Interpretations Not Yet Effective**
Certain new standards, amendments and interpretations have been published that are mandatory for the company`s accounting periods beginning on or after April 1, 2012 or later periods that the company is not permitted to early adopt.

i) New standards, interpretations and amendments effective from April 1, 2013
None of the new standards, interpretations and amendments, effective for the first time from April 1, 2012 have had a material effect on the financial statements.

ii) New standards, interpretations and amendments not yet effective
The following new standards, amendments and interpretations, which have not been applied in these financial statements, that will or may have an effect on the company`s future financial statements are:

IFRS 9 - Financial Instruments is part of the IASB`s wider project to replace IAS 39 "Financial Instrument: Recognition and Measurement". IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets, amortized cost and fair value. The basis of classification depends on the entity`s business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after April 1, 2013. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

IFRS 11 - Joint Arrangements describes the accounting for arrangements in which there is joint control. A party to joint arrangement accounts for its rights and obligations that arise from the arrangement. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. The company is yet to assess the full impact of IFRS 11 and intends to adopt the standard no later than the accounting period beginning on April 1, 2013.

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**1. Nature of Operations and Summary of Significant Accounting Policies - continued**

IFRS 13 - Fair Value Measurement defines fair value, provides guidance on the measurement of fair value, and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirement of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). The standard is effective for annual periods beginning on or after April 1, 2013. The Company is currently evaluating the impact of this new standard on its financial statements.

IAS 1 - Presentation of Financial Statements was amended to change the grouping of items presented in OCI. Items that would be reclassified to profit or loss at a future point in time will be presented separately from items that will never be reclassified. The amendments do not change the nature of the items that are currently recognized in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit or loss in future periods. The company is yet to assess the full impact of this amendment to IAS 1 and will adopt the standards for the annual period beginning on April 1, 2013.

IAS 19 - Employee Benefit was amended to remove the use of the corridor approach for defined benefit plans and for enhanced disclosures for defined benefit plans. Revisions were also made to the recognition of termination benefits and the distinction between short term and long term employee benefits. The company is yet to assess the full impact of this amendment to IAS 1 and will adopt the standard for annual period beginning on April 1, 2013.

IAS 32 Financial Instruments Presentation was amended to clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems such as central clearing house systems which apply gross settlement mechanisms that are not simultaneous. The company is yet to assess the full impact of the amendment to IAS 1 and will adopt the standard for the annual period beginning on April 1, 2013.

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## 1. Nature of Operations and Summary of Significant Accounting Policies - continued

**New Standards, Interpretations, and Amendments not yet Adopted - continued**

IFRS 10 - Consolidated Financial Statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 12 - Disclosure of Interests in Other Entities includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard is effective for annual years beginning on or after January 1, 2013, with early adoption permitted. The Company is currently evaluating the impact of this standard on the financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact in the company`s future financial statements.

## 2. Cash

The Company's cash is held in one Canadian Chartered Bank and earns interest at the current prevailing rates for business operating accounts.

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**March 31, 2013**

### 3. Related Party Transactions

At the end of the year, the advances to (from) shareholders are as follows:

| | | 2013 | | 2012 | | 2011 |
|---|---|---|---|---|---|---|
| Western Protection Alliance Inc. | $ | 118 | $ | (49) | $ | (49) |
| Stk`emlupsemc Enterprises Inc. | | 71 | | (51) | | (51) |
| | $ | 189 | $ | (100) | $ | (100) |

These amounts are unsecured, non-interest bearing and with no specific terms of repayment.

*Western Protection Alliance Inc.*

Western Protection Alliance Inc. is related to the Company by virtue of being a shareholder of the Company. Included in accounts payable is the amount of $24,823 owing to Western Protection Alliance Inc.

During the year, the Company incurred expenses relating to equipment rental of $77,630, contract labour of $854,209 and administration fees of $141,498 from Western Protection Alliance Inc. These expenses were in the normal course of operations.

### 4. Share Capital

Authorized:
unlimited common shares, no par value

Issued:

| | | 2013 | | 2012 |
|---|---|---|---|---|
| 100 common shares | $ | 100 | $ | 100 |

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## 5. Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern so it can continue to provide services to allow for future expansion. Budgets are prepared and reviewed by the Board of Directors and are utilized as a tool for ensuring the Company will be able to operate into the foreseeable future.

The Company's capital is comprised of shareholders' equity and share capital. There have been no changes in how the Company defines capital or how it manages capital in the period.

The Company's management team is responsible for approving the Company's management objectives and policies and for overseeing the effective management of capital. The Company's capital objectives are met by ensuring that adequate cash generated from operations is valuable to meet requirements.

There are no externally imposed capital requirements for the Company as at March 31, 2013.

## 6. Risk Management

The fair value of cash, accounts receivable, due from shareholders, and accounts payable and accrued liabilities is approximately equal to their carrying value due to their short term maturity date.

*Liquidity Risk*
The Company has financial liabilities outstanding, including accounts payable, accrued liabilities, and a loan payable. The Company manages its liquidity risk by reviewing liquidity resources, ensuring cash flows from operations and holdings of cash and cash equivalents are sufficient to meet liabilities when they are due as well as ensuring adequate funds exist to support business strategies and operations growth. The risk has not changed from previous periods.

*Credit Risk*
Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to the accounts receivable, which are all from entities that operate mines in the Interior region of British Columbia. Management believes such accounts receivable are subject to minimal credit risk. The risk has not changed from previous periods.

**March 31, 2013**

## 7. Income Taxes

Income tax expense based on statutory rates:

| | 2013 | 2012 |
|---|---|---|
| Income (loss) before income tax | $ **154,171** | $ 154,114 |
| Effective statutory rate | **13.5** | 13.5 |
| Income taxes using the Company's statutory rate | **20,813** | 20,805 |
| Non-deductible items and others | **(5)** | (11) |
| Income tax expense | **20,808** | 20,794 |
| Income tax expense per financial statements | $ **20,808** | $ 20,794 |

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## 8. Transition to International Financial Reporting Standards

As stated in Significant Accounting Policies (Note 1), these are the Company's first financial statements prepared in accordance with IFRS. The policies set out in the Significant Accounting Policies section have been applied in preparing the financial statements for the year ended March 31, 2013 , and the preparation of an opening IFRS statement of financial position on April 1, 2011.

*First-time Adoption of IFRS*
The adoption of IFRS had no impact on the Company's financial position, financial performance, and cash flows.

Under IFRS 1, the standards are applied retrospectively at the transition date with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied.

The Company has applied the following mandatory exemption to its opening statement of financial position dated April 1,2011:

*Estimates*
In accordance with IFRS 1, the Company's estimates under IFRS at the date of transition to the IFRS must be consistent with estimates made for the same date under Part V Pre-changeover accounting standards unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of April 1, 2011 are consistent with its Part V Pre-changeover accounting standards estimates for the same data.

The Company has the following optional exemptions to the opening Statement of Financial Position dated April 1, 2011:

*Derecognition of Financial Assets and Liabilities*
The Company has applied the derecognition requirements in IAS 39, Financial Instruments: Recognition and Measurement, prospectively from the date of transition to IFRS. As a result any non-derivative financial assets or non-derivative liabilities derecognized prior to the date of transition to IFRS in accordance with pre-changeover Canadian GAAP have not been reviewed for compliance with IAS 39 derecognition requirements.

# Stk'emlupsemc-Arrow Transportation Limited Partnership

Financial Statements
(Unaudited)
**March 31, 2013**

pwc

June 27, 2013

**Review Engagement Report**

**To the Partners of**
**Stk'emlupsemc-Arrow Transportation Limited Partnership**

We have reviewed the balance sheet of Stk'emlupsemc-Arrow Transportation Limited Partnership as at March 31, 2013 and the statements of earnings, changes in equity and cash flows for the period then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the partnership.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for private enterprises.

PricewaterhouseCoopers LLP

**Chartered Accountants**

*PricewaterhouseCoopers LLP*
*PricewaterhouseCoopers Place, 250 Howe Street, Suite 700, Vancouver, British Columbia, Canada V6C 3S7*
*T: +1 604 806 7000, F: +1 604 806 7806*

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

# Stk'emlupsemc-Arrow Transportation Limited Partnership
Balance Sheet
(Unaudited)
**As at March 31, 2013**

| | $ |
|---|---|
| **Assets** | |
| **Current assets** | |
| Cash | 324,237 |
| Accounts and other receivables | 330,836 |
| Prepaid expenses | 1,311 |
| | 656,384 |
| **Property, plant and equipment** (note 3) | 854,614 |
| | 1,510,998 |
| **Liabilities** | |
| **Current liabilities** | |
| Accounts payable and accrued liabilities (note 4) | 288,916 |
| Due to related party (note 5) | 218,951 |
| Current portion of long-term debt (note 6) | 76,576 |
| | 584,443 |
| **Long-term debt** (note 6) | 759,845 |
| | 1,344,288 |
| **Partners' Equity** | 166,710 |
| | 1,510,998 |

**Approved by the General Partner**

_______________________ General Partner
Stk'emlupsemc-Arrow Transportation Limited

The accompanying notes are an integral part of these financial statements.

# Stk'emlupsemc-Arrow Transportation Limited Partnership
Statement of Earnings
(Unaudited)
**For the period ended March 31, 2013**

| | $ |
|---|---|
| **Revenue** | |
| Transportation services | 2,531,123 |
| **Expenses** | |
| Operating costs | |
| Fuel and oil | 809,855 |
| Wages and benefits | 691,046 |
| Equipment leases | 249,190 |
| Repair and maintenance | 120,492 |
| Licenses and insurance | 79,738 |
| Tires | 38,963 |
| Equipment rental | 28,434 |
| Other | 16,000 |
| | 2,033,718 |
| General and administrative costs | |
| Liability insurance costs | 9,091 |
| Bank charges and interest | 6,214 |
| | 15,305 |
| **Partnership income prior to management and overhead fees** | 482,100 |
| **Management fee** | 215,145 |
| **Overhead fee** | 101,245 |
| | 316,390 |
| **Net earnings for the period** | 165,710 |

The accompanying notes are an integral part of these financial statements.

# Stk'emlupsemc-Arrow Transportation Limited Partnership

Statement of Changes in Equity

(Unaudited)

**For the period ended March 31, 2013**

| | Limited Partner - Stk'emlupsemc Limited Partnership $ | Limited Partner - Arrow Northern Services Inc. $ | General Partner - Stk'emlupsemc-Arrow Transportation Limited $ | Total $ |
|---|---|---|---|---|
| **Partners' equity - Beginning of period** | - | - | - | - |
| Capital contributions | 509 | 490 | 1 | 1,000 |
| Net earnings for the period | 84,504 | 81,189 | 17 | 165,710 |
| **Partners' equity - End of period** | 85,013 | 81,679 | 18 | 166,710 |
| **Partners' interest** | 50.995% | 48.995% | 0.01% | 100% |

The accompanying notes are an integral part of these financial statements.

# Stk'emlupsemc-Arrow Transportation Limited Partnership

Statement of Cash Flows

(Unaudited)

**For the period ended March 31, 2013**

| | $ |
|---|---|
| **Cash flows from operating activities** | |
| Net earnings for the period | 165,710 |
| Change in non-cash working capital accounts | |
| Accounts and other receivables | (330,836) |
| Prepaid expenses | (1,311) |
| Accounts payable and accrued liabilities | 288,916 |
| Due to related party | 218,951 |
| | 341,430 |
| **Cash flows from investing activities** | |
| Purchase of property, plant and equipment | (854,614) |
| **Cash flows from financing activities** | |
| Partner capital contributions | 1,000 |
| Proceeds from long-term debt | 836,421 |
| | 837,421 |
| **Increase in cash during the period** | 324,237 |
| **Cash - Beginning of period** | - |
| **Cash - End of period** | 324,237 |
| **Supplemental disclosure of cash flows** | |
| Interest paid | 4,392 |

The accompanying notes are an integral part of these financial statements.

## 1 Nature of operations

Stk'emlupsemc-Arrow Transportation Limited Partnership (the partnership) was formed on November 22, 2011 and is engaged in the transportation, distribution, materials handling, freight management and logistics requirements within the traditional territory of the Stk'emlupsemc of the Secwepemc Nation. The partnership commenced operations in June 2012.

These financial statements reflect the assets and liabilities of the partnership and do not include the assets and liabilities of the partners. Provision for income taxes has not been included in these financial statements as the income of the partnership is taxable in the hands of the partners.

## 2 Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises (ASPE), and are in accordance with Canadian generally accepted accounting principles.

### Financial instruments

The partnership initially records cash, accounts and other receivables, accounts payable and accrued liabilities, and long-term debt at fair value. Subsequent measurement is at amortized cost. Amortization is recorded on a straight-line basis.

Financial assets are tested for impairment at the end of each reporting period when there are indications that the assets may be impaired.

### Revenue recognition

Revenue includes general transportation charges and fuel surcharges. General transportation charges are recognized when the freight is picked up.

### Property, plant and equipment

Property, plant and equipment are recorded at acquisition cost less accumulated amortization. Amortization is recorded on a straight-line basis at the following rate based on the estimated useful lives of the assets:

| | |
|---|---|
| Trailers | 9 years |

### Use of estimates

The preparation of financial statements in accordance with ASPE requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent liabilities. Future events could alter such estimates in the near term.

## 3 Property, plant and equipment

| | Cost<br>$ | Accumulated amortization<br>$ | Net<br>$ |
|---|---|---|---|
| Trailers | 854,614 | - | 854,614 |

## 4 Government remittances

Government remittances consist of amounts required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances, $1,875 is included within accounts payable and accrued liabilities.

## 5 Due to related party

| | $ |
|---|---|
| Arrow Northern Services Inc. - limited partner | 218,951 |

The amount due to related party is non-interest bearing and without fixed repayment terms.

## 6 Long-term debt

| | $ |
|---|---|
| **Royal Bank of Canada** | |
| Non-revolving term facility, bearing interest at 4.67% repayable in monthly blended principal and interest payments of $9,501, due March 31, 2018 | 836,421 |
| Less: Current portion | 76,576 |
| | 759,845 |

Security is provided by a general security agreement over all personal property of the partnership and a guarantee and postponement in the amount of $840,000 by a limited partner.

Estimated annual minimum payments are as follows:

| | $ |
|---|---|
| 2014 | 76,576 |
| 2015 | 80,230 |
| 2016 | 84,058 |
| 2017 | 88,069 |
| 2018 | 92,271 |
| Thereafter | 415,217 |
| | 836,421 |

## 7 Related party transactions

The partnership had the following transactions in the normal course of business and are recorded at the exchange amounts:

- Management and overhead fees of $316,390 to a limited partner
- Interest expense of $4,392 to a limited partner
- Transportation services revenue of $236,221 from a limited partner

Included in accounts and other receivables is an amount of $56,045 owing from a limited partner.

Included in accounts payable and accrued liabilities is an amount of $68,324 owing to a limited partner.

## 8 Financial instruments

### Credit risk

Financial instruments potentially subjected to credit risk consist of cash and accounts and other receivables. The partnership uses reputable financial institutions for deposits of cash and considers the risk of loss to be minimal. Credit valuations are performed regularly on all customers.

At March 31, 2013, 80% of the partnership's accounts receivable were due from one customer, leading to a concentrated credit risk.

### Interest rate risk

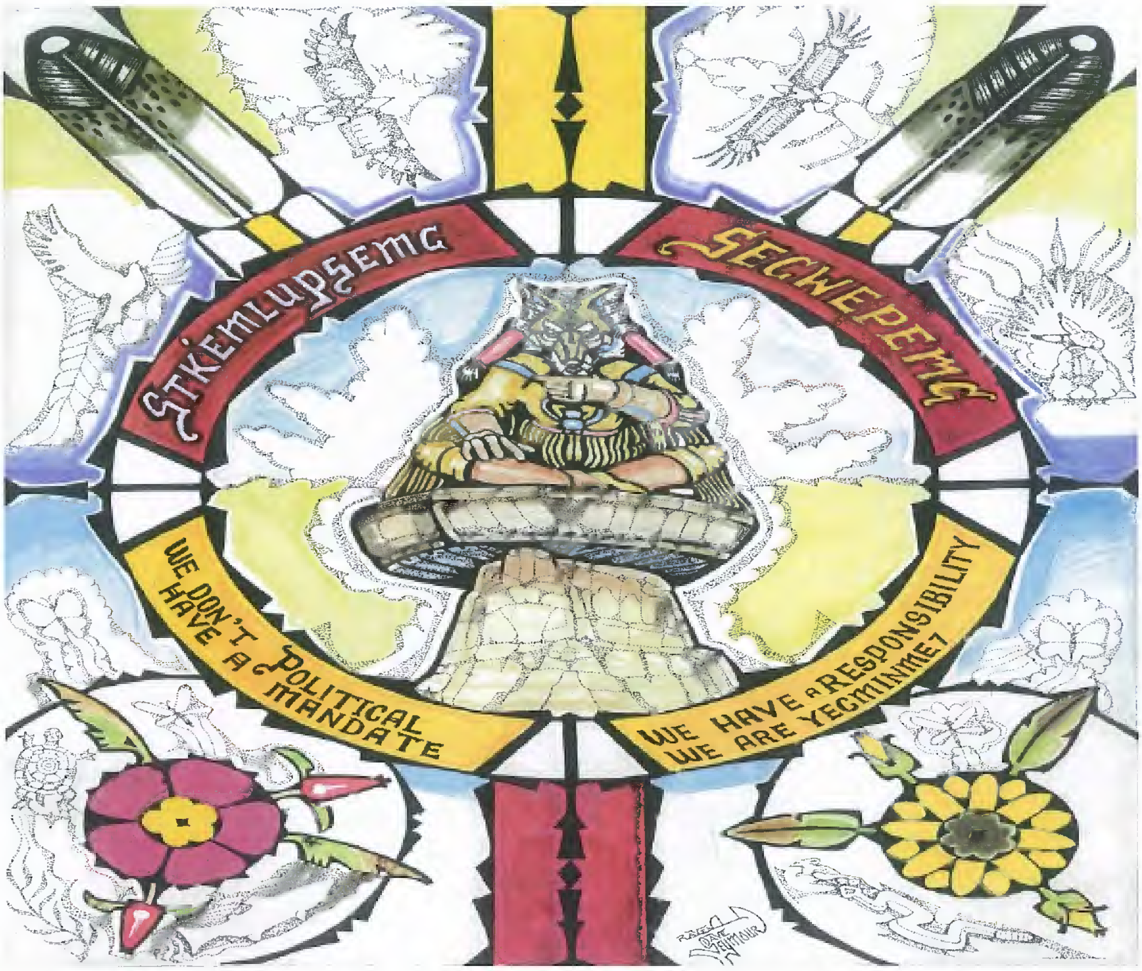
Interest rate risk is the risk that the cash flows related to financial instruments will fluctuate as a result of changes in market interest rates.

The interest rate on the long-term debt is fixed (note 6).

## 9 Economic dependence

The partnership derives approximately 91% of its revenue from one customer.

# Stk'emlupsemc te Secwepemc Nation




# Annual General Meeting

# 2014

# SSN Joint Council & Staff

## Tk'emlups Band

- Chief Shane Gottfriedson

Councillors:

- Rosanne Casimir
- Katy Gottfriedson
- Ed Jenson
- Jeanette Jules
- Richard Jules
- Colleen Mosterd-McLean
- Fred Seymour

## Skeetchestn Band

- Chief Ron Ignace

Councillors:

- Eddy Jules
- Gabe Jules
- Darrel Draney
- Terry Deneault
- Marshall Gonzales

## SSN Staff

Don Ryan, Negotiator/Facilitator

Renzo Caron, Chief Executive Officer

Sukhi Chouchan, Chief Financial Officer

Tom Danyk, Economic Development/Finance Manager

Travis Marr, Information/Referral Manager

Charlotte Taylor, Administrative Assistant

## Cultural Heritage Team

Felicity Jules, Program Coordinator

Marianne Ignace, Researcher

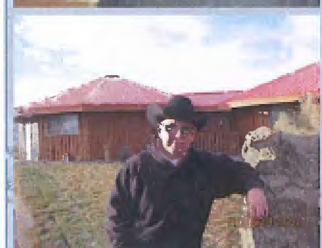
Sunshine Nicholson, Researcher

Mike Anderson, Biologist

# Stk'emlupsemc te Secwepemc (SSN) Staff

My name is Renzo Caron. I joined SSN full-time as Chief Executive Officer in February 2014. I am a member of the Sagamok Anishnawbek First Nation in Ontario; and, was raised until adult age in the TteS area.

My name is Sukhvinder Chouhan, CA . Most people know me as Sukhi and I am fine with that. I was contracted as the Financial Controller/Consultant for SSN on December 9, 2013. I will be working at the SSN Office 30 hours per month on a flexible schedule.



My name is Tom Danyk . I began working with SSN, with my main focus on SEI (business arm of SSN) in February 2013. My focus was on economic development with the partnership agreements, recommending opportunities and proponents in accordance with the Participation Agreement. I have submitted my resignation effective on February 28, 2014.

My name is Travis Marr and I am a member of the Tk'emlups te Secwepemc band. I am the SSN Information/Referral Coordinator, working out of the John Jules Professional Building on a full-time basis. I was hired in February 2013.

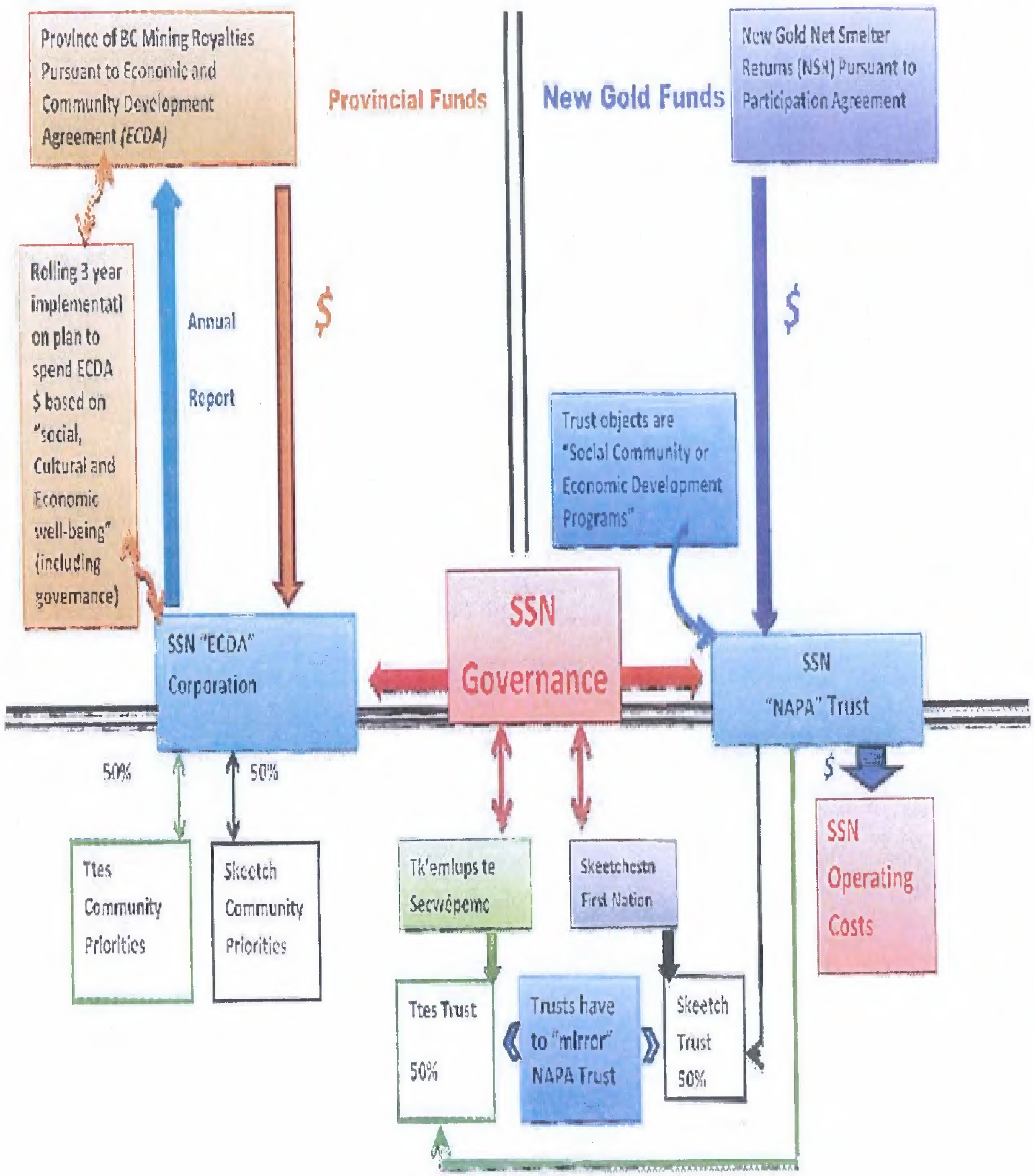
The SSN exterior was upgraded by Koby's Plant Maintenance Ltd in August 2013.

Turf surrounds the building, along with plants and trees with an underground sprinkler system.

Human Resources is developing with the hiring of Renzo Caron, Chief Executive Officer, and Sukhvinder (Sukhi) Chouchan, Financial Officer/Consultant.

More updated equipment includes a new efficient photocopier, upgrade for additional telephone lines with the inclusion of voice messaging for each individual.

Work has begun on a website which will be easily accessible for community members to get updated activities of SEI/SSN


Province of BC Mining Royalties Pursuant to Economic and Community Development Agreement (ECDA)
Provincial Funds
New Gold Funds
New Gold Net Smelter Returns (NSR) Pursuant to Participation Agreement
Rolling 3 year implementation plan to spend ECDA $ based on "social, Cultural and Economic well-being" (including governance)
Annual Report
$
$
Trust objects are "Social Community or Economic Development Programs"
SSN Governance
SSN "ECDA" Corporation
SSN "NAPA" Trust
50%
50%
$
SSN Operating Costs
Ttes Community Priorities
Skeetch Community Priorities
Tk'emlups te Secwépemc
Skeetchestn First Nation
Ttes Trust 50%
Trusts have to "mirror" NAPA Trust
Skeetch Trust 50%

# Joint Ventures & Partnerships

## *New Gold/New Afton Mine*

*Robert Gallagher, President and Chief Executive Officer*

*On March 20, 2008, the Stk'emlupsemc te Secwepemc Nation (SSN) and New Gold Inc. signed the New Afton Participation Agreement. On November 14, 2011 this Agreement was amended and reinstated. The purpose is to establish a cooperative and mutually beneficial working relationship between both parties while fostering understanding and awareness of their respective interests.*

*The Participation Agreement provides opportunities for Tk'emlups te Secwepemc and Skeetchestn Band members that includes employment, education, training and business opportunities.*

*The Participation Agreement also defines the Joint Implementation Committee's role and the role of the Environmental Monitoring Board. This ensures appropriate points of contact between the company and the bands. The vital contribution of the Joint Implementation Committee continues to support success of the New Gold project and assist the parties communications and ability to work together to benefit the success of the First Nation communities and the project.*

***Net Smelter Returns** means in respect to each year of commercial production, New Gold will pay the total of all gross revenue for that year. The payments were to begin once the mine was in full ore production and that began in the summer of 2012.*

# Economic and Community Development Agreement

On August 24, 2010 Stk'emlupsemc te Secwepemc Nation (SSN) signed an agreement with the Province for 37.5% of mining taxes on the New Gold project. On October 17, 2013 an official signing ceremony and celebration took place at Moccasin Square Gardens as well as at New Gold.

Upon signing the agreement both bands were requested to develop and provide community priorities to the Province.

The bands developed criteria based on what they called the Four Pillars, namely; Governance, Social, Economic Development and Cultural.

The celebration included John Rustad, Minister of Aboriginal Relations and Reconciliation and Bill Bennett, Minister of Energy and Mines. The two Ministers were presented with pendleton blankets

# Mining and Mineral Agreement

*On April 7 2009, SSN signed the Mining and Mineral Agreement with the Province. The Joint Resource Council was formed to establish a forum to discuss sharing of benefits from management of mining and mineral exploration within SSN Territory.*

*The purpose of the Agreement is to facilitate the full engagement of SSN in mining activity, including all phases of mining development to seek and protect the current and future ability of the SSN to fully exercise their Section 35 (1) of the Constitution Act, 1982 rights on the land.*

*To establish a clear, certain and timely process for communication, information-sharing, meaningful consultation and potential accommodation with respect to mining applications.*

*To identify and define tools within the mandate of the Ministry of Energy, Mines and Petroleum Resources to assist the SSN in managing their cultural and heritage resources within their Traditional Territory*

# Stk'emlupsemc-Arrow Transportation

## Board of Directors:

- Archie Campbell, Chief Financial Officer
- Tim Bell, Vice-President/General Manager
- Michael Pinchin, Regional Manager
- Chief Ron Ignace, SLP, SIB
- Jeanette Jules, SLP, Ttes
- Tom Danyk, SLP, SSN

An Agreement became effective as of November 22, 2011 among Stl'emlupsemc Limited Partnership, by its general partner Stk'emlupsemc Enterprises Inc., Arrow Northern Services Inc., and Stk'emlupsemc-Arrow Transportation Limited.

This (49-51%) Joint Venture with Arrow Northern Services and Arrow Transportation Limited allows them to haul concentrate from the New Gold mine site to Vancouver.

The Joint Venture offers employment, training and business opportunities for Tk'emlups te Secwepemc and Skeetchestn Band members.

They also provide quarterly dividends and the first dividend payment was made on July 31, 2013.

In 2012 they made a donation of $6,000 to be equally divided between the two bands, for program services or community events.

# Stk'emlupsemc Amalgamated Ventures Inc. (SAVI)

Western Protection Alliance Inc.
RISK MANAGEMENT

## Board of Directors:

- Allen Kenerva, SAVI
- Rob Reeleder, SAVI
- Sue Satterthwaite, SAVI
- Chief Ron Ignace, SSN
- Jeanette Jules, SSN
- Tom Danyk, SEI/SSN

This (49-51%) Joint Venture with Western Protection Alliance (WPA) is to provide safety, security and First Aid on all surface and underground areas of the New Gold mine site when requested by New Gold employees or contractors.

The Joint Venture partners provide employment opportunities and training for Tk'emlups and Skeetchestn band members in the security sector and the opportunities for other additional training.

SAVI also pays dividends, based on the amount of work they contract, to the shareholders; Tk'emlups te Secwepemc and Skeetchestn bands.

# KGHM AJAX MINING INC.

*Marcin Mostowy, CEO – KGHM Ajax Mining Inc.*

*Stk'emlupsemc of the Secwepemc Nation as represented by the Tk'emlups and Skeetchestn bands herein called SSN and KGHM Ajax Mining Inc. signed a Memorandum of Understanding on December 10, 2010.*

SSN holds Aboriginal rights, title and interests within the traditional territory. KGHM holds certain rights, interests and permits granted by the Crown to extract mineral resources and wishes to develop a mining project known as the Ajax mine on its mineral claims.

KGHM intends to work with SSN in a spirit of cooperation and partnership, with demonstrated respect and commitment to protecting SSN values, including minimizing, and where possible avoiding, harmful impacts to the environment and to SSN cultural resources; and supporting the efforts of SSN to advance their social and economic development.

A proposal for Secwepemc Social and Cultural Heritage Impact Study for the proposed KGHM Ajax Project was also signed in 2012. A Cultural Heritage Study will be conducted to provide preliminary assessment of the potential cultural heritage impacts of KGHM.

The Cultural Heritage Study group will research with community members, knowledge keepers, caretakers of the land and elders to identify, map and record cultural heritage information pertaining to the proposed Ajax Mine Project.

# Stk'emlupsemc te Secwepemc Nation Traditional Territory Map