FIRST NATIONS AND MÉTIS FUND INC.

FINANCIAL STATEMENTS

March 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying financial statements of **First Nations and Métis Fund Inc.**, which comprise the statement of financial position as at March 31, 2018 and the statements of comprehensive loss, changes in deficit and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' 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 an 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of First Nations and Métis Fund Inc. as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants
May 18, 2018
Regina, Saskatchewan

FIRST NATIONS AND MÉTIS FUND INC.

STATEMENT OF FINANCIAL POSITION

As at March 31

	Note	2018	2017
ASSETS			
Current			
Cash		**$ 269,565**	$ 331,275
Interest and accounts receivable	5	**52,500**	52,500
		322,065	383,775
Investments	6	**1,557,689**	3,683,996
		$ 1,879,754	$ 4,067,771
LIABILITIES AND DEFICIT			
Current Liabilities			
Trade and other payables		**$ 55,616**	$ 10,545
Due to Crown Investments Corporation of Saskatchewan (CIC)	7	**9,477,500**	11,427,500
		9,533,116	11,438,045
Deficit			
Share capital	8	**100**	100
Deficit attributable to CIC		**(7,653,462)**	(7,370,374)
		(7,653,362)	(7,370,274)
		$ 1,879,754	$ 4,067,771

Commitments 9

(See accompanying notes)

On behalf of the Board:

__________________________________, Director

__________________________________, Director

FIRST NATIONS AND MÉTIS FUND INC.

STATEMENT OF COMPREHENSIVE LOSS

For the Year Ended March 31

	Note	2018	2017
INCOME FROM OPERATIONS			
Grant revenue from CIC		**$ 52,500**	$ 52,500
OPERATING EXPENSES			
Management fees	9	**241,826**	241,500
Audit fees		**10,212**	10,545
Legal		**7,172**	-
Office and other		**71**	60
		259,281	252,105
LOSS BEFORE THE FOLLOWING		**(206,781)**	(199,605)
Interest income from investments		**705,140**	1,782,637
Impairment loss on interest receivable	5	**(50,194)**	(1,611,775)
Impairment of investments	6	**(286,653)**	(2,104,638)
Change in fair value of financial assets at fair value through profit and loss	6	**(444,600)**	425,726
NET FINANCE LOSS		**(76,307)**	(1,508,050)
NET LOSS		**(283,088)**	(1,707,655)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO CIC		**$ (283,088)**	$ (1,707,655)

(See accompanying notes)

FIRST NATIONS AND MÉTIS FUND INC.

STATEMENT OF CHANGES IN DEFICIT

For the Year Ended March 31

	2018	2017
DEFICIT ATTRIBUTABLE TO CIC		
Deficit attributable to CIC - beginning of year	**$ (7,370,374)**	$ (5,662,719)
Total comprehensive loss	**(283,088)**	(1,707,655)
Deficit attributable to CIC - end of year	**(7,653,462)**	(7,370,374)
SHARE CAPITAL		
Share capital - beginning and end of year	**100**	100
DEFICIT	**$ (7,653,362)**	$ (7,370,274)

(See accompanying notes)

FIRST NATIONS AND MÉTIS FUND INC.

STATEMENT OF CASH FLOWS

For the Year Ended March 31

	Note	2018	2017
OPERATING ACTIVITIES			
Net loss		**$ (283,088)**	$ (1,707,655)
Adjustments to reconcile net earnings to cash from operating activities:			
Net finance loss		**76,307**	1,508,050
Increase (decrease) in trade and other payables		**45,071**	(57,325)
Net cash used in operating activities		**(161,710)**	(256,930)
INVESTING ACTIVITIES			
Interest received	5	**500,000**	-
Proceeds from collection of investments	6	**1,550,000**	300,000
Net cash from investing activities		**2,050,000**	300,000
FINANCING ACTIVITIES			
Repayment to CIC		**(1,950,000)**	-
Net cash used in financing activities		**(1,950,000)**	-
NET CHANGE IN CASH DURING YEAR		**(61,710)**	43,070
CASH, BEGINNING OF YEAR		**331,275**	288,205
CASH, END OF YEAR		**$ 269,565**	$ 331,275

(See accompanying notes)

1. General information

First Nations and Métis Fund Inc. (“the Corporation”) is a corporation domiciled in Canada. The address of the Corporation’s registered office and principal place of business is 1300 - 410 22nd Street East, Saskatoon, SK, S7K 5T6.

The Corporation was established on May 9, 2006 under *The Business Corporations Act.* The Corporation is a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (“CIC”), a Saskatchewan provincial Crown corporation. Accordingly, the accounts of the Corporation are consolidated in the financial statements of CIC.

The Corporation was established to provide venture capital to qualifying First Nations and Métis businesses in the Province of Saskatchewan. Due to the Corporation’s ownership structure, it is not subject to provincial or federal income tax.

2. Basis of presentation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements were authorized for issue by the Corporation’s Board of Directors on May 18, 2018.

b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for cash and certain investments, which are classified as financial assets at fair value through profit and loss.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation’s functional currency.

d) Use of judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Accordingly, actual results may differ from these estimates.

Judgements, estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future year affected.

Significant items subject to judgements, estimates and assumptions include the valuation of investments (Note 6).

3. Application of revised IFRS

The following amended accounting standards, effective on or after January 1, 2017, have been applied in preparing these financial statements in accordance with the related transitional provisions:

IAS 7, *Statement of Cash Flows*

Effective April 1, 2017, the Corporation has adopted the disclosure requirements in *Disclosure Initiative* (amendments to IAS 7) in accordance with the provisions of the standard. The standard does not have a material impact on the financial statements.

IFRS 9, *Financial Instruments*

Effective April 1, 2017, the Corporation has early adopted IFRS 9, *Financial Instruments*. The Corporation has elected to adopt the standard retrospectively with impacts recorded in retained earnings as of April 1, 2017. The Corporation had no impacts to opening retained earnings as a result of the adoption of IFRS 9. Financial assets previously classified as loans and receivables under IAS 39 are now classified as amortized cost under IFRS 9. The

3. Application of revised IFRS (continued)

IFRS 9, Financial Instruments (continued)

standard also replaces the ‘incurred loss’ model in IAS 39 with an expected credit loss (ECL) model. The new impairment model applies to financial assets measured at amortized cost and debt instruments at fair value through other comprehensive income, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.There are no other material impacts to the financial statements.

4. Summary of significant accounting policies

The accounting policies set out below have been applied consistently in these financial statements:

a) Financial instruments

The Corporation recognizes financial assets and liabilities on the date originated. On initial recognition, financial instruments are measured at fair value. The Corporation recognizes all transaction costs immediately in net earnings. Measurement in subsequent periods depends on the classification of the financial instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred assets that is created or retained by the Corporation is recognized as a separate asset or liability.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Corporation does not net financial assets or liabilities for presentation in the statement of financial position.

Financial assets at fair value through profit or loss

The Corporation classifies cash and cash equivalents and certain investments as financial instruments at fair value through profit or loss. Financial instruments classified as fair value through profit or loss are subsequently measured at fair value with changes in fair value recognized in net earnings.

Financial assets at amortized cost

The Corporation classifies interest and accounts receivable and certain investments as amortized cost. Amortized cost financial instruments are subsequently measured at amortized cost using the effective interest method, less any provision for impairment losses.

Other liabilities at amortized cost

The Corporation classifies trade and other payables and amounts due to CIC as other liabilities. Other liabilities are non-derivative financial liabilities that are not designated as fair value through profit or loss. Subsequent to initial recognition, these non-derivative financial liabilities are accounted for at amortized cost using the effective interest method.

Embedded derivatives

Derivatives may be embedded in other host instruments and are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone derivative, and the combined contract is not held-for-trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized on the statement of comprehensive loss.

The Corporation had no contracts with embedded derivatives during the year.

a) Financial instruments (continued)

Determination of fair value

Fair values are approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using valuation methods which are significantly affected by management's assumptions used concerning, for example, the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgement and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

- Investments measured at fair value through profit or loss

  The net realizable value of investments designated as fair value through profit or loss is determined on the basis of expected future cash flows discounted at the estimated market rate of interest for an investment with the same or similar risk profile and terms. When the amounts and timing of future cash flows cannot be estimated with reasonable reliability, the estimated realizable value is measured at the fair value of any security underlying the asset, net of expected costs of realization and any amounts legally required to be paid to the borrowers.

- Investments measured at amortized cost

  The carrying value of investments measured at amortized cost approximates fair value.

b) Impairment of amortized cost investments, interest, and accounts receivable

The Corporation recognizes loss allowances for ECLs on financial assets measured at amortized cost. The Corporation measures loss allowances for interest and accounts receivable at an amount equal to lifetime expected credit loss. Amortized cost investments that are determined to have low credit risk at the reporting date are measured at 12-month expected credit loss.

When determining whether the credit risk of a financial asset has increased, the Corporation performs a quantitative and qualitative analysis based on the Corporation's historical experience and forward-looking information. The Corporation assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Corporation considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Corporation in full, without recourse by the Corporation to actions such as realizing security, or the financial asset is 90 days or more past due.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and recognized in net earnings.

c) Grant revenue

The Corporation receives grants from CIC to cover expenditures for the Government of Saskatchewan's First Nations Business Development Program (FNBDP). Grants from CIC are recorded as revenue when received.

d) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended March 31, 2018, and have not been applied in preparing these financial statements. These include:

- IFRS 15, *Revenue from contracts with customers*
- IFRS 16, *Leases*

The Corporation does not expect these standards to have a material effect on the financial statements.

5. Interest and accounts receivable

Interest earned on investments is recognized on an accrual basis except where uncertainty exists as to ultimate collection. When collectability of interest is not reasonably assured, interest income is recorded when cash is received. Amounts allowed for during the year are as follows:

	2018	2017
Gross interest and accounts receivable (a)	**$ 908,345**	$ 5,800,348
Allowance for impairment	**(855,845)**	(5,747,848)
	$ 52,500	$ 52,500

The movement in the allowance for impairment during the year was as follows:

	2018	2017
Balance, beginning of year	**$ (5,747,848)**	$ (4,136,073)
Impairment losses	**(50,194)**	(1,611,775)
Accounts written-off	**4,442,197**	-
Impairment recoveries	**500,000**	-
	$ (855,845)	$ (5,747,848)

a) Included in accounts receivable is $52,500 (2017 - $52,500) due from CIC.

6. Investments

	2018	2017
Investment at fair value		
Muskowekwan Resources Limited (MRL) (a)	**$ 978,800**	$ 1,423,400
Investments at amortized cost		
File Hills Qu'Appelle Tribal Council (FHQTC) (b) (c)	**-**	1,156,581
Sturgeon Lake Developments Ltd. (SLFN) (d)	**193,556**	163,492
Infinite Investments Inc. (e)	**251,298**	737,951
Red Dog Holdings Limited Partnership (f)	**-**	-
Saskatoon Fastprint (g)	**134,035**	202,572
Investments at amortized cost	**578,889**	2,260,596
Total investments	**$ 1,557,689**	$ 3,683,996

Continuity of investment classified as fair value through profit or loss is as follows:

	MRL
Investment fair value, April 1, 2016	$ 997,674
Purchases	-
Repayments	-
Change in fair value of financial assets at fair value through profit and loss	425,726
Investments fair value, March 31, 2017	$ 1,423,400
Investment fair value, April 1, 2017	**$ 1,423,400**
Purchases	**-**
Repayments	**-**
Change in fair value of financial assets at fair value through profit and loss	**(444,600)**
Investments fair value, March 31, 2018	**$ 978,800**

6. Investments (continued)

Continuity of investments classified as amortized cost is as follows:

	FHQTC 14% Note	FHQTC 0% Note	TOTAL
Amortized cost, April 1, 2016	$ 1,000,000	$ 156,581	$ 1,156,581
Purchases	-	-	-
Discount on issuance	-	-	-
Amortization of discount	-	-	-
Repayments	-	-	-
(Impairments) recoveries	-	-	-
Amortized cost, March 31, 2017	$ 1,000,000	$ 156,581	$ 1,156,581
Amortized cost, April 1, 2017	**$ 1,000,000**	**$ 156,581**	**$ 1,156,581**
Purchases	**-**	**-**	**-**
Discount on issuance	**-**	**-**	**-**
Amortization of discount	**-**	**93,419**	**93,419**
Repayments	**(1,000,000)**	**(250,000)**	**(1,250,000)**
(Impairments) recoveries	**-**	**-**	**-**
Amortized cost, March 31, 2018	**$ -**	**$ -**	**$ -**

	SLFN 0% Note
Amortized cost, April 1, 2016	$ 249,174
Purchases	-
Discount on issuance	-
Amortization of discount	114,318
Repayments	(200,000)
(Impairments) recoveries	-
Amortized cost, March 31, 2017	$ 163,492
Amortized cost, April 1, 2017	**$ 163,492**
Purchases	**-**
Discount on issuance	**-**
Amortization of discount	**30,064**
Repayments	**-**
(Impairments) recoveries	**-**
Amortized cost, March 31, 2018	**$ 193,556**

6. Investments (continued)

	Infinite Investments 12% Note	Infinite Investments 17% Note	TOTAL
Amortized cost, April 1, 2016	$ 1,078,429	$ 166,268	$ 1,244,697
Purchases	-	-	-
Discount on issuance	-	-	-
Amortization of discount	-	-	-
Repayments	-	-	-
Impairments	(340,478)	(166,268)	(506,746)
Amortized cost, March 31, 2017	$ 737,951	$ -	$ 737,951
Amortized cost, April 1, 2017	**$ 737,951**	**$ -**	**$ 737,951**
Purchases	**-**	**-**	**-**
Discount on issuance	**-**	**-**	**-**
Amortization of discount	**-**	**-**	**-**
Repayments	**-**	**-**	**-**
Impairments	**(486,653)**	**-**	**(486,653)**
Amortized cost, March 31, 2018	**$ 251,298**	**$ -**	**$ 251,298**

	Red Dog Holdings 14% Note	Red Dog Holdings 0% Note	TOTAL
Amortized cost, April 1, 2016	$ 1,187,333	$ 396,518	$ 1,583,851
Purchases	-	-	-
Discount on issuance	-	-	-
Amortization of discount	-	14,041	14,041
Repayments	-	-	-
Impairments	(1,187,333)	(410,559)	(1,597,892)
Amortized cost, March 31, 2017	$ -	$ -	$ -
Amortized cost, April 1, 2017	**$ -**	**$ -**	**$ -**
Purchases	**-**	**-**	**-**
Discount on issuance	**-**	**-**	**-**
Amortization of discount	**-**	**-**	**-**
Repayments	**(200,000)**	**-**	**(200,000)**
Recoveries	**200,000**	**-**	**200,000**
Amortized cost, March 31, 2018	**$ -**	**$ -**	**$ -**

6. Investments (continued)

	Saskatoon Fastprint 0% Note
Amortized cost, April 1, 2016	$ 260,069
Purchases	-
Discount on issuance	-
Amortization of discount	42,503
Repayments	(100,000)
(Impairments) recoveries	-
Amortized cost, March 31, 2017	$ 202,572
Amortized cost, April 1, 2017	**$ 202,572**
Purchases	**-**
Discount on issuance	**-**
Amortization of discount	**31,463**
Repayments	**(100,000)**
(Impairments) recoveries	**-**
Amortized cost, March 31, 2018	**$ 134,035**

a) On December 5, 2011 the Corporation purchased a $3,000,000, 12.0 per cent demand debenture and 100 Class G preferred shares in Muskowekwan Resources Limited (MRL), a wholly-owned subsidiary of the Muskowekwan First Nation for $3,000,000. The investment in MRL was subsequently used to purchase 12,940,000 shares and 6,470,000 warrants of Encanto Potash Corporation (Encanto), a publically traded corporation. The Corporation will receive payment of their debenture and interest from the sale of Encanto shares. Any excess proceeds will be shared between the Corporation and MRL, with the Corporation receiving 40.0 per cent of the excess.

On January 19, 2017, MRL received 1,000,000 options to purchase common shares of Encanto. The options have a strike price of $0.14 per share and an expiration date of January 19, 2027 ("Options A"). On November 10, 2017, MRL received 9,000,000 options that have a strike price of $0.05 per share and an expiration date of November 10, 2022 ("Options B"). On November 10, 2017, MRL entered into a Call Option Agreement that provide MRL the option to purchase 6,000,000 shares of Encanto prior to November 2, 2022 at a price of $0.10 per share ("Callable Shares"). Originally, the Corporation's investment was secured by MRL's 12,940,000 shares and 6,470,000 common share warrants of Encanto, however the warrants expired December 9, 2016.

On March 31, 2018, Encanto shares were valued at $978,800 (March 31, 2017 - $1,423,400); representing the fair market value of the Encanto shares, Options A and B and Callable Shares as of March 31, 2018.

6. Investments (continued)

b) On December 18, 2012 the Corporation purchased a $1,000,000, 14.0 per cent demand debenture in File Hills Qu'Appelle Tribal Council (FHQTC). FHQTC utilized the proceeds from the debenture to purchase a 50.0 per cent interest in a joint venture, resulting in a 50.0 per cent ownership in an oil and gas drilling rig. The investment matures 7 years from issuance, with interest payable annually, interest accruing at 5.0 per cent per annum on outstanding amounts. Principal payments of $100,000 are due at the end of years 2 to 4, $200,000 in each of years 5 and 6, with the balance due at maturity. FHQTC may repay a portion or all of the principal balance any time after the first anniversary date of the loan by providing 30 days written notice and a prepayment penalty of 7.0 per cent of the prepayment amount. The loan is secured by a first charge general security over the assets of FHQTC, including FHQTC's interest in the joint venture. The investment is classified as amortized cost and is measured using the effective interest method. At issuance, the contractual rate was considered to equal market rate for similar debt due to the arm's length nature of the transaction.

On June 26, 2017, the Corporation received a cash settlement of $1,500,000 for the outstanding principal and interest of the debenture, as approved by the Corporation's Board of Directors on April 24, 2017.

c) On December 18, 2012 the Corporation purchased a $250,000, 0.0 per cent demand debenture in File Hills Qu'Appelle Tribal Council. FHQTC utilized the proceeds from the debenture to purchase a 50.0 per cent interest in a joint venture, resulting in a 50.0 per cent ownership in an oil and gas drilling rig. The investment matures 7 years from issuance. The debenture is secured by a general security interest, subordinate to all current and future third party debt of FHQTC. FHQTC is restricted in its ability to distribute funds or property to its stakeholders as long as an amount is owing under the debenture, or where the debenture is in default. At issuance, a market rate of 19.0 per cent was considered appropriate for debt of a similar risk profile, and the loan was recorded at its estimated fair value at the issuance date, resulting in a discount of $176,021.

On June 26, 2017, the Corporation received a cash settlement of $250,000 for the outstanding principal as approved by the Corporation's Board of Directors on April 24, 2017.

d) On February 6, 2015 the Corporation purchased $267,500, 0.0 per cent 5 year subordinate debenture in Glenmor LP (Glenmor) for the purposes of a shop expansion. The subordinated debenture at issuance was recorded at a market rate of 17.0 per cent, which was considered appropriate for debt of a similar risk profile, and the loan was therefore recorded at its estimated fair value at the issuance date, resulting in a discount of $145,543. The subordinate debenture holds a second charge general security interest, subordinate to the senior debt of Glenmor.

e) On May 1, 2013 the Corporation purchased a $1,200,000, 12.0 per cent 5 year debenture (Debenture A) and a $600,000 17.0 per cent 7 year debenture (Debenture B) in 101173077 SASKATCHEWAN LTD. (Infinite Investments Inc.). Infinite Investments Inc. utilized the proceeds to provide a $1,200,000 subordinated loan to Force Energy Services (formerly Brigden Welding Inc.) and a purchase of a 30.0 per cent fully diluted ownership interest in Force Energy Services. The investments are secured by a first charge, general security interest in favor of the Corporation over all of the assets of Infinite Investments Inc. Infinite Investments Inc. has also directly pledged as security it's 30 Class A shares, 30 Class B shares, and 4,500 Class D shares in Force Energy Services to the Corporation. The overall oil and gas industry continues to be suppressed and the prospects for normal drilling rig working conditions in the near to medium term are minimal. Due to the uncertainty of principal and interest payments, in order to determine fair value, the Corporation has discounted estimated future cash flows at the stated rate of the loan of 12.0 per cent. As a result, the Corporation has written-down the value of Debenture A to its estimated fair value of $251,298. Debenture B payments are dependent on shareholder distributions. Due to the uncertainty of these distributions, in order to determine fair value, the Corporation has discounted estimated future cash flows at the stated rate of the loan of 17.0 per cent. As a result, the Corporation has written-down the value of Debenture B to its estimated fair value of $Nil, assuming no value will be recovered.

6. Investments (continued)

f) On April 30, 2013 the Corporation purchased a $1,250,000, 14.0 fixed interest, 5.0 per cent deferred interest, 7 year debenture and a $700,000, 0.0 per cent subordinate debenture in Red Dog Holdings Limited Partnership (Red Dog). Red Dog utilized the proceeds to purchase a 50.0 per cent ownership interest in a drilling rig joint venture partnership with CanElson Drilling. Effective November 1, 2015, CanElson Drilling ceased to exist as a legal entity and ownership transferred to Trinidad Drilling Ltd. The fixed interest is compounded annually and serviced from partnership distributions and the deferred interest is compounded annually and paid upon maturity. The debenture is secured by a first charge, general security interest in favor of the Corporation over all of the assets of Red Dog. The subordinated debenture at issuance was recorded at a market rate of 14.0 per cent, which was considered appropriate for debt of a similar risk profile, and the loan was therefore recorded at its estimated fair value at the issuance date, resulting in a discount of $420,254. The subordinate debenture holds a second charge general security interest.

On September 20, 2017, the Corporation received a cash settlement of $200,000 for the outstanding principal and interest of the debentures as approved by the Corporation's Board of Directors on June 30, 2017.

g) On November 30, 2013 the Corporation purchased $350,000, 0.0 per cent debenture in Saskatoon Fastprint LP (SFP LP). The investment matures 60 months from the closing date. The loan will be repaid in balloon payments on the 3rd, 4th, 5th anniversaries of closing. The debenture at issuance was recorded at a market rate of 17.0 per cent, which was considered appropriate for debt of a similar risk profile, and has therefore been recorded at its estimated fair value at issuance date resulting in a discount of $163,308. The investment is secured by a second charge general security interest, subordinate to a $680,000 First Nations Bank debenture.

7. Due to Crown Investments Corporation of Saskatchewan

Order in Council #365/2006 authorized the Corporation to obtain funds not to exceed $20,000,000 from CIC. Amounts due to CIC are non-interest bearing and payable on demand.

8. Share capital

	2018	2017
Authorized - 100 Class A voting shares		
Issued and outstanding - 100 shares	**$ 100**	$ 100

9. Management fees

Under the terms of a management services agreement between Westcap Mgt. Ltd. and the Corporation, Westcap Mgt. Ltd. provides the general management and administration for the business and affairs of the Corporation for a monthly service fee. The management fee is calculated as the greater of i) $1/12^{th}$ of 2.5 per cent of the Corporation's net asset value or ii) $15,000 monthly. The management service agreement expires in 2020.

The Corporation also entered a management service agreement with Westcap Mgt. Ltd. for the management of FNBDP at a cost of $50,000 annually. The management service agreement expires in 2020.

10. Related party transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to CIC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). The Corporation has elected to take a partial exemption under IAS 24 - *Related Party Disclosures* which allows government related entities to limit the extent of disclosures about related party transactions with government or other government related entities.

Routine operating transactions with related parties are in the normal course of business and are recorded at the exchange amount which is the amount of consideration agreed to by the related parties.

CIC provides management services to the Corporation without charge. The Corporation estimates $4,800 of CIC's senior management time is expended on the Corporation.

11. Financial risk management

Fair Value Hierarchy

The Corporation has classified the fair value of its financial instruments using the following hierarchy based on the nature of inputs used in the valuation:

<u>Level 1</u>	Where quoted prices are readily available from an active market.
<u>Level 2</u>	Valuation model not using quoted prices, but still predominantly observable market inputs such as market interest rates.
<u>Level 3</u>	Fair value determined based on inputs that are not based on observable market data.

The Corporation has made the following classifications:

- Cash is classified as level 1 due to its short-term maturity.
- Investments classified as fair value through profit or loss are considered level 3 financial assets, with fair values determined using the accounting policies described in Note 4(a) and disclosed in Note 6.

Classifications of investments have not changed during the year. There were no transfers between levels during the year.

11. Financial risk management (continued)

Market risk

The Corporation is exposed to the risk that the fair value of its investments may decline due to a reduction in the anticipated earnings generated by the businesses invested in. The Corporation's investments are diversified across a number of economic sectors, however are generally dependant on the resource industry. For the Corporation's investments carried at fair value, the Corporation believes that the risks associated with business earnings and industry characteristics are adequately addressed through investment valuation policies. For investments classified as amortized cost, the Corporation considers the industry and economic factors relevant to the investment during the annual impairment test, or more frequently if required, recording any identified impairments immediately.

Interest rate risk

Interest rate risk reflects the risk that the Corporation's earnings will fluctuate due to changes in interest rates. The Corporation's investments are at fixed rates. However, the Corporation is exposed to interest rate risk related to the fair value of its investments classified as fair value through profit or loss. Given the current low interest rate environment, the Corporation does not believe that the impact of fluctuations in interest rates will be significant and therefore has not provided a sensitivity analysis of the impact on net earnings.

Credit risk

Credit risk is the risk that an investee will fail to perform its obligations. The Corporation's maximum credit risk exposure is equal to the book value of its investments. The ability of an investee to meet contractual obligations is affected by changing economic, political or other conditions. The Corporation conducts a due diligence process prior to committing to the investment and actively monitors the financial condition of its investments. The Corporation believes that any deterioration in investee credit worthiness would be detected and addressed through the Corporation's investment valuation policies.

Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. The Corporation is a subsidiary of a Provincial Crown corporation and as such has access to capital markets through the Saskatchewan Ministry of Finance. Currently the Corporation has sufficient resources to discharge all liabilities to unrelated parties.

12. Comparative information

Certain of the March 31, 2017 information has been reclassified to conform to the current year's presentation.