

FIRST NATIONS AND MÉTIS FUND INC.

FINANCIAL STATEMENTS

March 31, 2021

INDEPENDENT AUDITORS' REPORT

To The Members of the Legislative Assembly, Province of Saskatchewan

Opinion

We have audited the financial statements of First Nations and Métis Fund Inc. ("the Entity") which comprise:

- the statement of financial position as at March 31, 2021,
- the statement of comprehensive income (loss) for the year then ended,
- the statement of changes in deficit for the year then ended,
- the statement of cash flows for the year then ended, and
- notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter – Subsequent Event

We draw attention to Note 11 to the financial statements which describes that the Entity was amalgamated with CIC Asset Management Inc. and Saskatchewan Immigrant Investor Fund Inc. effective April 1, 2021 and will continue operations as CIC Asset Management Inc.

Our opinion is not modified in respect of this matter.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Handwritten signature of KPMG LLP in black ink, with a horizontal line underneath.

Chartered Professional Accountants
Regina, Canada
May 17, 2021

FIRST NATIONS AND MÉTIS FUND INC.

STATEMENT OF FINANCIAL POSITION

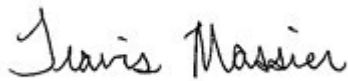
As at March 31

	Note	2021	2020
ASSETS			
Current assets			
Cash		\$ 9,435	\$ 539,434
Investments	5	314,304	182,236
		\$ 323,739	\$ 721,670
LIABILITIES AND DEFICIT			
Current liabilities			
Trade and other payables		\$ 9,436	\$ 9,435
Due to Crown Investments Corporation of Saskatchewan (CIC)	6	8,956,937	9,477,500
		8,966,373	9,486,935
Deficit			
Share capital	7	100	100
Deficit attributable to CIC		(8,642,734)	(8,765,365)
		(8,642,634)	(8,765,265)
		\$ 323,739	\$ 721,670

Subsequent event 11

(See accompanying notes)

On behalf of the Board:



Director



Director

FIRST NATIONS AND MÉTIS FUND INC.
STATEMENT OF COMPREHENSIVE INCOME (LOSS)
For the Year Ended March 31

	Note	2021	2020
OPERATING EXPENSES			
Audit fees		\$ 9,435	9,435
Office and other		2	4
Management fees	8	-	35,438
		9,437	44,877
LOSS BEFORE THE FOLLOWING		(9,437)	(44,877)
Interest income from investments		17,260	30,324
Impairment loss on interest receivable	4	(17,260)	(30,324)
Recovery (impairment) of investments	5	1,378	(108,814)
Change in fair value of financial assets at fair value through profit and loss	5	130,690	(247,580)
NET FINANCE INCOME (LOSS)		132,068	(356,394)
NET INCOME (LOSS)		122,631	(401,271)
TOTAL COMPREHENSIVE INCOME (LOSS)			
ATTRIBUTABLE TO CIC		\$ 122,631	\$ (401,271)

(See accompanying notes)

FIRST NATIONS AND MÉTIS FUND INC.

STATEMENT OF CHANGES IN DEFICIT

For the Year Ended March 31

	2021	2020
DEFICIT ATTRIBUTABLE TO CIC		
Deficit attributable to CIC - beginning of year	\$ (8,765,365)	\$ (8,364,094)
Total comprehensive income (loss)	122,631	(401,271)
Deficit attributable to CIC - end of year	(8,642,734)	(8,765,365)
SHARE CAPITAL		
Share capital - beginning and end of year	100	100
DEFICIT	\$ (8,642,634)	\$ (8,765,265)

(See accompanying notes)

FIRST NATIONS AND MÉTIS FUND INC.

STATEMENT OF CASH FLOWS

For the Year Ended March 31

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Net income (loss)	\$ 122,631	\$ (401,271)
Adjustments to reconcile net earnings to cash from operating activities:		
Net finance (income) loss	(132,068)	356,394
Increase in trade and other payables	1	-
Net cash used in operating activities	(9,436)	(44,877)
FINANCING ACTIVITIES		
Decrease in due to CIC	(520,563)	-
Net cash used in financing activities	(520,563)	-
NET CHANGE IN CASH DURING YEAR	(529,999)	(44,877)
CASH, BEGINNING OF YEAR	539,434	584,311
CASH, END OF YEAR	\$ 9,435	\$ 539,434

(See accompanying notes)

FIRST NATIONS AND MÉTIS FUND INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

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. The Corporation has a mandate to prudently manage and divest of its portfolio of investments. 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 17, 2021.

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 5).

e) COVID-19 Impact Assessment

The COVID-19 pandemic has caused material disruption to businesses and has resulted in an economic slowdown. The Corporation has assessed and continues to monitor the impact of COVID-19 on its operations. Due to the nature of the Corporation's operations, COVID-19 has not had a material impact to its operations, credit risk, or liquidity.

FIRST NATIONS AND MÉTIS FUND INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

3. 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 instruments at fair value through profit or loss

The Corporation classifies cash 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 instruments at amortized cost

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

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.

FIRST NATIONS AND MÉTIS FUND INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

a) Financial instruments (continued)

- 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 expected credit losses 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.

FIRST NATIONS AND MÉTIS FUND INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

4. 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:

	2021	2020
Gross interest and accounts receivable	\$ 933,880	\$ 916,620
Allowance for impairment	(933,880)	(916,620)
	\$ -	\$ -

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

	2021	2020
Balance, beginning of year	\$ (916,620)	(866,296)
Impairment losses	(17,260)	(30,324)
	\$ (933,880)	\$ (916,620)

FIRST NATIONS AND MÉTIS FUND INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

5. Investments

	<u>2021</u>	<u>2020</u>
Investment at fair value		
Muskowekwan Resources Limited (MRL) (a)	\$ 170,520	\$ 39,830
Investment at amortized cost		
Infinite Investments Inc. (b)	143,784	142,406
Total investments	\$ 314,304	\$ 182,236

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

	<u>MRL</u>
Investment fair value, April 1, 2019	\$ 287,410
Change in fair value of financial assets at fair value through profit and loss	(247,580)
<u>Investment fair value, March 31, 2020</u>	<u>\$ 39,830</u>
Investment fair value, April 1, 2020	\$ 39,830
Change in fair value of financial assets at fair value through profit and loss	130,690
<u>Investment fair value, March 31, 2021</u>	<u>\$ 170,520</u>

Continuity of the Infinite Investments Inc. investment classified as amortized cost is as follows:

	<u>Infinite Investments Inc. 12% Note</u>
Amortized cost, April 1, 2019	\$ 251,220
Impairment	(108,814)
<u>Amortized cost, March 31, 2020</u>	<u>\$ 142,406</u>
Amortized cost, April 1, 2020	\$ 142,406
Recovery of investment	1,378
<u>Amortized cost, March 31, 2021</u>	<u>\$ 143,784</u>

FIRST NATIONS AND MÉTIS FUND INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

5. Investments (continued)

- 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 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 May 16, 2018, Encanto completed a 10 for 1 consolidation of its common shares, resulting in MRL holding 1,294,000 shares, 100,000 Options A, 900,000 Options B, and 600,000 Callable Shares of Encanto.

On March 31, 2021, Encanto shares were valued at \$170,520 (March 31, 2020 - \$39,830), representing the fair market value of the Encanto shares, Options A and B, and Callable Shares at March 31, 2021.

- b) 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 \$143,784 (March 31, 2020 - \$142,406). 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 (March 31, 2020 - \$Nil), assuming no value will be recovered.

FIRST NATIONS AND MÉTIS FUND INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

6. 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.

7. Share capital

	<u>2021</u>	<u>2020</u>
Authorized - 100 Class A voting shares		
Issued and outstanding - 100 shares	\$ 100	\$ 100

8. 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 fees for the Corporation's investments were \$5,625 per month. As of August 31, 2019, Westcap Mgt. Ltd. stopped billing management fees as there is little activity in the investments.

9. 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 (2020 - \$4,800) of CIC's senior management time is expended on the Corporation.

FIRST NATIONS AND MÉTIS FUND INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

10. 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 3(a) and disclosed in Note 5.

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

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. 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.

10. Financial risk management (continued)

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.

11. Subsequent event

On April 1, 2021, the Corporation amalgamated with CIC Asset Management Inc. and Saskatchewan Immigrant Investor Fund Inc. All of these entities are wholly owned share capital subsidiaries of CIC. All assets, liabilities and obligations were amalgamated and the amalgamated entity will operate as CIC Asset Management Inc.