

Consolidated Financial Statements of

TLA'AMIN NATION

Year ended March 31, 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Tla'amin Nation (the "Nation") and all the information in this report are the responsibility of management and have been approved by the Tla'amin Government.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects, including the consolidated financial position of the Nation and the results of its consolidated operations and its consolidated cash flows.

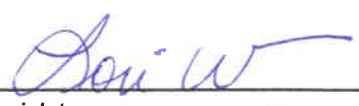
The Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Nation's assets are appropriately accounted for and adequately safeguarded.

The Tla'amin Government, represented by the elected Hegus and Legislators, are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Hegus and Legislators meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditors' report. Hegus and Legislators take this information into consideration when approving the financial statements for issuance to the Nation's citizens. In addition, Hegus and Legislators also consider the engagement of the Nation's external auditors.

The consolidated financial statements have been audited by KPMG LLP in accordance with Canadian generally accepted auditing standards on behalf of the Nation's citizens. KPMG LLP have full access to Hegus and Legislators.



Hegus



Legislator




Chair, Finance Committee



Legislator



Chief Financial Officer



Legislator



Legislator



Legislator

July 27, 2018



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Canada
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INDEPENDENT AUDITORS' REPORT

To the Tla'amin Government and Tla'amin Nation Citizens

We have audited the accompanying consolidated financial statements of Tla'amin Nation (the "Nation"), which comprise the consolidated statement of financial position as at March 31, 2018, the consolidated statements of operations and accumulated surplus, changes in net debt, remeasurement gains and losses 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Nation's preparation and fair presentation of the 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 Nation'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 consolidated financial statements.



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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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of Tla'amin Nation as at March 31, 2018, and the results of its consolidated operations, its consolidated changes in net debt, its consolidated remeasurement gains and losses and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink, appearing to read 'KPMG LLP'.

Chartered Professional Accountants

Kelowna, Canada

July 27, 2018

TLA'AMIN NATION

Consolidated Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Financial Assets		
Cash and cash equivalents (note 2)	\$ 5,093,153	\$ 2,216,947
Restricted cash and investments (note 2)	10,001,863	9,150,856
Accounts receivable (note 3)	1,806,942	1,327,368
Investments (note 4)	2,366,567	2,190,180
Investments in business enterprises (note 5)	(1,376,009)	1,135,214
	<u>17,892,516</u>	<u>16,020,565</u>
Liabilities		
Accounts payable and accrued liabilities	1,881,138	2,292,809
Deferred revenue (note 7)	201,500	855,523
Term debt (note 8)	17,737,503	19,099,474
Replacement reserve (note 9)	66,537	84,173
	<u>19,886,678</u>	<u>22,331,979</u>
Net debt	<u>(1,994,162)</u>	<u>(6,311,414)</u>
Non-Financial Assets		
Tangible capital assets (note 10)	18,375,780	18,371,086
Prepaid expenses and deposits	177,388	177,565
	<u>18,553,168</u>	<u>18,548,651</u>
Accumulated surplus	<u>\$ 16,559,006</u>	<u>\$ 12,237,237</u>
Accumulated surplus is comprised of:		
Accumulated surplus (note 11)	\$ 16,484,732	\$ 12,134,891
Accumulated remeasurement gain	74,274	102,346
	<u>\$ 16,559,006</u>	<u>\$ 12,237,237</u>

Contingencies (note 14)

On behalf of the Tla'amin Government:

Hegus

Chair, Finance Committee

Chief Financial Officer

Legislator

Legislator

Legislator

Legislator

Legislator

TLA'AMIN NATION

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2018, with comparative information for 2017

	2018 Budget (note 1(i))	2018	2017
Revenue:			
Transfers from other governments:			
Department of Indigenous Services			
Canada	\$ 13,585,656	\$ 14,536,158	\$ 25,372,013
Transfer to Qames ?ems Tala			
Settlement Trust (note 1(e))	(3,521,532)	(3,521,532)	(10,704,957)
Province of British Columbia	1,209,385	1,368,958	1,485,683
Other government	234,350	568,502	179,861
Canada Mortgage and Housing Corporation, subsidy	-	22,629	135,730
Logging	1,650,000	3,427,255	-
Interest	100,000	188,090	333,077
Rental	387,000	385,213	407,972
Property and other taxes	150,000	311,098	307,854
Fishing licenses	100,000	94,938	96,048
Other	591,018	1,495,940	845,818
Equity in earnings (loss) of business enterprises (note 5)	-	(1,802,725)	1,983,964
	14,485,877	17,074,524	20,443,063
Expenses (Schedule 1):			
Administration	5,006,272	4,152,577	4,115,886
Capital	-	27,075	331,262
Education	1,694,462	2,154,974	1,991,260
Health	2,001,679	2,503,877	2,665,916
Housing	224,732	633,525	452,782
Infrastructure	346,428	857,499	692,813
Land and resources	1,043,452	1,164,384	810,720
Social development	781,217	913,986	772,517
Social housing	118,197	82,802	227,966
Taxation	175,839	233,984	184,364
	11,392,278	12,724,683	12,245,486
Surplus	3,093,599	4,349,841	8,197,577
Accumulated surplus, beginning of the year		12,134,891	3,937,314
Accumulated surplus, end of year		\$ 16,484,732	\$ 12,134,891

See accompanying notes to consolidated financial statements.

TLA'AMIN NATION

Consolidated Statement of Changes in Net Debt

Year ended March 31, 2018, with comparative information for 2017

	2018 Budget (note 1(i))	2018	2017
Surplus	\$ 3,093,599	\$ 4,349,841	\$ 8,197,577
Changes to non-financial assets:			
Acquisition of tangible capital assets	(335,000)	(954,786)	(2,827,300)
Amortization of tangible capital assets	600,000	950,092	814,597
Net book value of tangible capital assets disposed	-	-	198,242
	265,000	(4,694)	(1,814,461)
Net (acquisition) use of prepaid expenses and deposits	-	177	(72,334)
		4,345,324	6,310,782
Net remeasurement gains (losses)	-	(28,072)	(50,787)
Increase (decrease) in net debt	3,358,599	4,317,252	6,259,995
Net debt, beginning of year		(6,311,414)	(12,571,409)
Net debt, end of year		\$ (1,994,162)	\$ (6,311,414)

See accompanying notes to consolidated financial statements.

TLA'AMIN NATION

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Portfolio investments:		
Accumulated remeasurement gain, beginning of year	\$ 102,346	\$ 153,133
Unrealized loss on portfolio investments (note 2)	(28,072)	(50,787)
Accumulated measurement gain, end of year	\$ 74,274	\$ 102,346

See accompanying notes to consolidated financial statements.

TLA'AMIN NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Net cash received from Department of Indigenous Services Canada	\$ 11,323,126	\$ 16,026,563
Cash received from grants, property taxes, user fees, rent and other revenue	5,518,760	3,763,293
Cash paid to employees and suppliers	(11,315,151)	(11,598,474)
Interest received	188,090	333,077
Interest paid	(780,935)	(639,522)
	4,933,890	7,884,937
Financing activities:		
Net (repayment) advances from bank indebtedness	-	(445,850)
Proceeds from term debt	-	3,713,976
Repayment of term debt	(1,361,971)	(3,043,971)
Decrease in replacement reserves	(17,636)	(24,876)
	(1,379,607)	199,279
Capital activities:		
Acquisition of tangible capital assets	(954,786)	(2,827,300)
Proceeds on disposal of tangible capital assets	-	8,077
	(954,786)	(2,819,223)
Investing activities:		
Net (increase) decrease in restricted cash and investments	(879,079)	1,895,625
Net cash received from investments	447,290	29,988
Net (investment in) advances from business enterprises (note 5)	708,498	(6,653,771)
	276,709	(4,728,158)
Increase in cash and cash equivalents	2,876,206	536,835
Cash and cash equivalents, beginning of year	2,216,947	1,680,112
Cash and cash equivalents, end of year	\$ 5,093,153	\$ 2,216,947
Non-cash investing, financing and capital activities:		
Equity in earnings (loss) of business enterprises (note 5)	\$ (1,802,725)	\$ 1,983,964
Net partnership earnings (loss) (note 4)	623,676	(76,454)
Deferred revenue assigned to a business enterprise	-	10,181,807
Unrealized loss on portfolio investments	(28,072)	(50,787)

See accompanying notes to consolidated financial statements.

TLA'AMIN NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

Tla'amin Nation (the "Nation") is an indigenous Coast Salish Nation located along the northern part of British Columbia's Sunshine Coast. The Nation is self-governing through a treaty settlement (the Tla'amin Final Agreement) between the Nation and the Governments of Canada and British Columbia. The Tla'amin Government is represented by an elected Hegus and Legislators and is the governing and taxation authority for the Nation.

The Tla'amin Final Agreement, a treaty and land claims agreement between the Nation and the Governments of Canada and British Columbia, became effective April 5, 2016. The Tla'amin Final Agreement constituted a full and final settlement with respect to the Tla'amin Nation's aboriginal rights, including aboriginal title, in Canada.

1. Basis of presentation and significant accounting policies:

These consolidated financial statements include the assets, liabilities, and results of operations of the Nation and all related entities and organizations subject to its control. No inclusion has been made of assets, liabilities, revenue or expenses of the Nation's citizens, individually or collectively, incorporated or unincorporated, that are not controlled by or are the responsibility of the Nation.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for governments, as established by the Canadian Public Sector Accounting Board ("PSAB"), which encompasses the following significant accounting principles:

(a) Fund accounting:

The Nation uses fund accounting procedures, which results in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been consolidated for presentation in these financial statements.

(b) Reporting entity and basis of consolidation and partnerships:

The Nation's reporting entity includes the Tla'amin Nation and all related entities, which are accountable for the administration of their financial affairs and resources to the Nation and are either owned or controlled by the Nation.

i) Consolidated entities:

These financial statements consolidate the assets, liabilities and results of operations of the following organizations and entities:

- Sliammon Treaty Society

Inter-entity transactions and balances have been eliminated on consolidation.

The Tla'amin Community Health Board Society was wound-up effective November 9, 2017, and the Nation assumed all rights, title and interest in all assets of the Society, and agreed to pay, discharge, and perform all obligations debts and liabilities of the Society.

TLA'AMIN NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

1. Basis of presentation and significant accounting policies (continued):

(b) Reporting entity and basis of consolidation and partnerships (continued):

ii) Investment in government business enterprises and partnerships:

The Nation records its investments in government business enterprises (GBE) and government business partnerships (GBP) on a modified equity basis. Under the modified equity basis, the GBE's and GBP's accounting policies are not adjusted to conform with those of the Nation and inter-organizational transactions and balances are not eliminated. The Nation recognizes its equity interest in the annual earnings or loss of the GBE's and GBP's in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends or other cash distributions that the Nation may receive from the GBE's and GBP's will be reflected as deductions in the investment asset account.

The Nation's government business enterprises investments consist of the following, all with a 100% interest:

- Tla'amin Holdings Inc.
- Tla'amin Capital Assets Inc.
- Tla'amin Timber Products Ltd.
- Grace Harbour Oyster Company Ltd.

The Nation's government business partnerships investments consist of following:

- Tla'amin Holdings Limited Partnership - 99.99% interest
- Thichum Forest Products Limited Partnership - 99.99% interest

iii) Investments:

Investments in entities in which the Nation does not control individually or jointly are recorded at acquisition cost. If there has been an other than temporary decline in the value of an investment, the investment is written down to its net realizable value. Investments in entities in which the Nation does not control but has joint control or significant influence in operations are accounted for, similar to government business partnerships, using the modified equity method.

(c) Cash and cash equivalents:

Cash and cash equivalents includes cash and investments in highly liquid money market funds, readily convertible to cash.

TLA'AMIN NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

1. Basis of presentation and significant accounting policies (continued):

(d) Tangible capital assets:

Tangible capital assets are recorded at cost, less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation with a corresponding amount recorded as revenue. Tangible capital assets under construction are not amortized until the asset is available for use.

Tangible capital assets are amortized annually over their expected useful lives using the declining balance or the straight-line method at the following rates:

Asset	Method	Amount
Buildings and improvements	Declining balance and straight-line	4%
Infrastructure	Declining balance	4%
Equipment	Declining balance and straight-line	10-100%

When management determines that a tangible capital asset no longer contributes to the Nation's ability to provide goods and services or that the value of future benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is written down to its net recoverable amount.

All intangible assets and items inherited by right of the Nation, such as land, forests, water, natural resources and cultural and historic assets, are not recognized in the Nation's consolidated financial statements.

Settlement lands to which no acquisition costs is attributable have not been assigned any value in the consolidated financial statements.

TLA'AMIN NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

1. Basis of presentation and significant accounting policies (continued):

(e) Revenue recognition:

Government transfers and grant revenue are recognized as the Nation becomes entitled to the funding under the terms of applicable funding agreements and is recorded in the period in which the resources are used for the purpose specified in the agreements. Restricted funding received which relates to a subsequent fiscal period or which has stipulations that give rise to an obligation are reported as deferred revenue until the resources are used for the purpose or purposes specified and/or the stipulations giving rise to an obligation have been met.

In connection with the Tla'amin Final Agreement, the Nation receives a total capital transfer of approximately \$41.3 million over a 10 year period. The capital transfer payment (less amounts withheld in respect of the Nation's treaty loan repayment) is immediately transferred to the Qames ?ems Tala Settlement Trust.

Rental and lease revenue is recognized on a monthly basis as income is earned and when collection is reasonable assured. Property and other tax revenues are recognized, net of applicable homeowner grants, at the time the taxes are levied.

Other revenue, including logging, sales of goods and provision of services and fishing licenses are recognized in the period the goods or services are provided and the related proceeds are received or receivable.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of financial and non-financial 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 reporting period. Actual results could differ from those estimates.

Significant areas requiring management estimates include the recoverable amount of accounts receivable, the recoverable amount of investments and investments in government business enterprises and partnerships and the useful lives of and net future economic benefits associated with tangible capital assets. Management reviews these estimates on a periodic basis and at least annually. Where necessary, management makes adjustments to these benefits prospectively.

TLA'AMIN NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

1. Basis of presentation and significant accounting policies (continued):

(g) Segmented disclosure:

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The Nation has determined the most appropriate basis for classifying segments is by program. Segmented disclosures are provided in note 17 and Schedule 2 to the consolidated financial statements.

(h) Financial instruments:

Financial instruments are initially classified upon initial recognition as a fair value or an amortized cost instrument. The fair value category includes investments in equity instruments that are quoted in an active market, and any other items elected by the Nation to be recorded at fair value. All other financial instruments, including financial instruments with related parties, are recorded at amortized cost. Transaction costs directly attributable to the acquisition or issue of a financial instrument are added to the amortized cost or expensed if related to instruments recorded on a fair value basis. The effective interest rate method is used to measure interest for financial instruments recorded at amortized cost.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss, calculated as the excess of the net recoverable amount of the asset and its carrying value, is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses. When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

(i) Budget data:

The budget data presented in these consolidated financial statements have been derived from the budget approved by Hegus and Legislators on May 3, 2017.

TLA'AMIN NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

2. Unrestricted and restricted cash, cash equivalents and investments:

The Nation maintains its cash balances in several financial institutions in British Columbia. The Canada Deposit Insurance Corporation (CDIC) insures each of these accounts up to \$100,000. The aggregate funds held in each institution may exceed the CDIC insured limit from time to time and specific funds held by each institution may not be covered by CDIC Insurance. Management does not anticipate any material effect on the consolidated financial position of the Nation as a result of these concentrations.

Certain cash and cash equivalents have been internally restricted by the Nation or externally restricted by provincial government authorities and financial institutions for the following specific purposes. Restricted cash and investments includes bank accounts with interest rates ranging from nil% to 1.9% and investments in Canadian and Provincial government bonds and corporate bonds (stated interest rates of 0.75% to 4.65%), investment trusts, mutual funds, and equity investments that are quoted in an active market.

	2018	2017
Internally restricted:		
Capital	\$ 1,423,467	\$ 25,000
Culture and language	927,439	927,439
Elder care facility	-	12,135
Health	201,634	197,871
Housing	425,737	-
Klahanie study	-	46,192
Lands and resources	4,208,113	4,871,397
Mortgage guarantee (note 14(b))	2,000,000	2,000,000
Sand replacement	41,373	358,055
Taxation	707,563	628,594
	<u>9,935,326</u>	<u>9,066,683</u>
Externally restricted:		
Social Housing replacement reserve	66,537	84,173
	<u>\$ 10,001,863</u>	<u>\$ 9,150,856</u>

As at March 31, 2018, the total fair value of the Nation's portfolio investments exceeded the cost amount by \$74,274 (2017 - \$102,346), which has been reflected in the Nation's statement of remeasurement gains and losses.

TLA'AMIN NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

3. Accounts receivable:

	2018	2017
Department of Indigenous Services Canada (DISC)	\$ 8,500	\$ 317,000
Government of Canada	378,708	354,129
Province of British Columbia	247,363	466,110
Logging	976,626	-
Other	150,488	95,604
	<u>1,761,685</u>	<u>1,232,843</u>
Tla'amin Nation Citizens	2,473,859	2,433,127
Less allowance for doubtful accounts		
Tla'amin Nation Citizens	(2,428,602)	(2,338,602)
	<u>45,257</u>	<u>94,525</u>
	<u>\$ 1,806,942</u>	<u>\$ 1,327,368</u>

TLA'AMIN NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

4. Investments:

	2018	2017
PRSC Land Developments Ltd. ("PRSC"), shares, at cost	\$ 15	\$ 15
PRSC Limited Partnership ("PRSCLP"), limited partnership interest	1,522,062	1,889,345
Salish Seas Fisheries Ltd. ("SSF"), shares, at cost	1	1
Salish Seas Fisheries Limited Partnership ("SSFLP"), limited partnership interest	844,489	300,819
	<u>\$ 2,366,567</u>	<u>\$ 2,190,180</u>

The Nation's investment in PRSC consists of a 16.667% beneficial interest in fifteen common shares. PRSC's primary asset is an investment in PRSCLP. As the Nation, through its investment does not control PRSC, the investment has been recorded using the cost method.

The Nation holds a 16.667% limited partnership interest in PRSCLP, in which PRSC is the general partner. The Nation does not control PRSCLP's operations or assets. The PRSCLP investment is recorded using the equity method, with the Nation's interest adjusted each year for its share of limited partnership earnings or loss and for any distributions to or from the limited partnership.

The Nation's investment in SSF consists of a 33% beneficial interest in one common share. SSF's primary asset is an investment in SSFLP. As the Nation, through its investment does not control SSF, the investment has been recorded using the cost method.

The Nation holds a 33% limited partnership interest in SSFLP, in which SSF is the general partner. The Nation does not control SSFLP's operations or assets. The SSFLP investment is recorded using the equity method, with the Nation's interest adjusted each year for its share of limited partnership earnings or loss and for any distributions to or from the limited partnership.

During the year ended March 31, 2018, the Nation realized a net partnership earnings of \$623,676 (2017 - net partnership loss of \$76,454), which is included in other revenue.

TLA'AMIN NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

5. Investments in business enterprises:

	2018	2017
Government business enterprises	\$ (12,470,224)	\$ (9,988,506)
Government business partnerships	11,094,215	11,123,720
	\$ (1,376,009)	\$ 1,135,214

The change in the Nation's investment in government business enterprises and government business partnerships consists of the following:

	2018	2017
Equity in earnings of business partnerships	\$ 892,452	\$ 1,983,964
Equity in earnings of business enterprises (note 5(a))	(2,695,177)	-
	(1,802,725)	1,983,964
Net advances from business enterprises	213,459	(10,272,976)
Net contribution in (drawings from) business partnerships	(921,957)	6,653,769
Net investment in business enterprises	-	1
	\$ (2,511,223)	\$ (1,635,242)

The Nation's investment interest and year-end for its government business enterprises is as follows:

	Interest	Year-end
Tla'amin Holdings Inc. ("TH")	100 %	December 31
Tla'amin Capital Assets Inc. ("TCA")	100 %	December 31
Tla'amin Timber Products Ltd. ("TTP")	100 %	December 31
Grace Harbour Oyster Company Ltd. ("GHOC")	100 %	March 31

The Nation's investment interest and year-end for its government business partnerships is as follows:

	Interest	Year-end
Tla'amin Holdings Limited Partnership ("THLP")	99.99 %	December 31
Thichum Forest Products Limited Partnership ("THLP")	99.99 %	December 31

TLA'AMIN NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

- (a) Government business enterprises (GBE):
 (i) The Nation's investments in wholly-owned incorporated entities is summarized below:

	2018	2017
TH:		
Investments in shares, at cost	\$ 1	\$ 1
Accumulated equity in earnings	21	-
	22	1
TCA:		
Investment in shares, at cost	\$ 7	\$ 7
Investment, contributed surplus	1	-
Advances	(9,963,009)	(10,176,467)
Accumulated deficit	(2,683,799)	-
	(12,646,800)	(10,176,460)
TTP:		
Investment in shares, at cost	\$ 30	\$ 30
Investment, contributed surplus	450,000	450,000
Advances	(1,510,361)	(1,510,361)
Accumulated equity in earnings	1,236,885	1,248,284
	176,554	187,953
	\$ (12,470,224)	\$ (9,988,506)

Advances to GBEs are unsecured, non-interest bearing and have no stated terms of repayment.

TH:

TH is the general partner in THLP, and the sole shareholder in Tla'amin Management Services Inc., which is the general partner in Tla'amin Management Services Limited Partnership. TH was formed to serve as the Nation's primary investment interest in its government business operations.

TCA:

TCA earns revenue from various economic opportunities for the Nation, including operation of a hotel and resort, land leases, investment in partnerships, and other revenue sources. During the year ended March 31, 2018, the Nation's equity interest in TCA's earnings (loss) includes TCA's loss for the year of \$107,004 and accumulated deficit from prior years of \$2,576,797.

TTP:

TTP is the general partner in TFPLP.

GHOC:

GHOC is an inactive company.

TLA'AMIN NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

(a) Government business enterprises (GBE) (continued):

The fiscal year end of each of the GBEs is summarized previously, and the financial information provided in note 5(a)(ii) is at and for the period ended December 31, 2017, with comparative information for the year ended December 31, 2016. There were no material changes in the GBEs operations from their fiscal year end date to March 31, 2018.

(ii) Financial information for wholly-owned incorporated entities is summarized below:

TH	2018	2017
Balance sheet information:		
Assets	\$ 25	\$1
Liabilities	3	-
Shareholder's deficiency	22	1
Results of operations:		
Revenue	21	-
Expenses, including income taxes	-	-
Net earnings	21	-

TCA	2018	2017
Balance sheet information:		
Assets	\$ 12,823,167	\$ 14,328,220
Liabilities	15,506,966	16,905,017
Shareholder's deficiency	(2,683,799)	(2,576,797)
Results of operations:		
Revenue	4,810,351	3,591,982
Expenses, including income taxes	4,917,355	4,005,948
Net earnings (loss)	(107,004)	(413,966)

TTP	2018	2017
Balance sheet information:		
Assets	\$ 1,693,742	\$ 1,701,064
Liabilities	6,827	2,750
Shareholder's equity	1,686,915	1,698,314
Results of operations:		
Revenue	74	195
Expenses, including income taxes	11,473	1,457
Net loss	(11,399)	(1,262)

TLA'AMIN NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

(b) Government business partnerships (GBP):

(i) The Nation's holdings in government business partnerships is summarized below:

	2018	2017
THLP:		
Partnership equity interest	\$ 8,017,886	\$ 7,903,781
TFPLP:		
Partnership equity interest	3,070,832	3,219,939
	<u>\$ 11,088,718</u>	<u>\$ 11,123,720</u>

THLP:

The Nation and TH formed a limited partnership, THLP. THLP was formed to serve as the Nation's primary investment interest in its government business operations.

TFPLP:

The Nation and TTP formed a limited partnership, TFPLP. TFPLP earns revenue from logging operations.

The fiscal year end of each of the GBPs is summarized previously, and the financial information provided in note 5(b)(ii) is at and for the year ended December 31, 2017, with comparative information for the year ended December 31, 2016. There were no material changes in the GBPs operations from their fiscal year end date to March 31, 2018.

TLA'AMIN NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

(ii) Financial information for the Nation's government business partnerships is summarized below:

THLP	2018	2017
Balance sheet information:		
Assets	\$ 8,047,883	\$ 7,933,833
Liabilities	29,997	30,022
Partnership equity	8,017,886	7,903,811
Results of operations:		
Revenue	182,094	53,222
Expenses	27,969	25
Net earnings	154,125	53,197

TFPLP	2018	2017
Balance sheet information:		
Assets	\$ 4,382,404	\$ 3,848,182
Liabilities	1,200,655	512,790
Partnership equity	3,181,749	3,335,392
Results of operations:		
Revenue	4,708,645	6,897,759
Expenses	3,970,228	4,965,532
Net earnings	738,417	1,932,227

6. Bank indebtedness:

The Nation has an available operating line of credit with Bank of Montreal with a credit limit of \$350,000. The line of credit bears interest at the bank's prime rate and is secured by a general security agreement.

The Nation has an available operating line of credit with Royal Bank of Canada with a credit limit of \$250,000. The line of credit bears interest at the bank's prime rate plus 1.0% and is secured by a general security agreement.

TLA'AMIN NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

7. Deferred revenue:

	2018	2017
Logging	\$ -	\$ 833,539
Province of British Columbia	200,000	-
Other	1,500	21,984
	<u>\$ 201,500</u>	<u>\$ 855,523</u>

Net change in deferred revenue for the year was as follows:

	2018	2017
Balance, beginning of year	\$ 855,523	\$ 10,196,697
Contributions received	201,250	855,523
Amounts assigned to a government business enterprise	-	(10,181,807)
Amounts recorded in revenue	(855,273)	(14,890)
Balance, end of year	<u>\$ 201,500</u>	<u>\$ 855,523</u>

TLA'AMIN NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

8. Term debt:

	2018	2017
Treaty loan payable:		
Advances from DISC, repayable in total annual installments of \$1,351,612 including interest of 4.64%	\$ 8,866,113	\$ 9,765,111
Social Housing Program:		
Mortgages, secured by a Ministerial Guarantee from DISC, repayable in total monthly installments of \$3,667 including interest ranging from 1.03% to 1.82%, maturing July 2019 to July 2021	106,885	280,156
Capital financing:		
Bank of Montreal mortgages, secured by social assistance payments and assignment of insurance proceeds, repayable in total monthly installments of \$14,861 including interest ranging from 3.0% to 3.97%, maturing May 2018 to June 2019	1,795,071	1,900,203
Royal Bank of Canada, term loan, repayable in total monthly installments of \$36,124 including interest of 3.52%, secured by a general security agreement and maturing December 2021	6,969,434	7,154,004
	\$ 17,737,503	\$ 19,099,474

The Tla'amin Final Agreement provides for a total negotiation loan repayment from DISC to the Nation, over a period of 10 years, in respect of principal and interest payments for the Tla'amin Nation's treaty loan. The Nation's treaty loan is repaid by way of a reduction of the annual capital transfer (note 1(e)).

Based on maturity provisions to March 31, 2018, scheduled principal payments on term debt for the next five years are as follows:

2019	\$ 1,426,949
2020	2,756,158
2021	1,259,827
2022	7,460,904
2023	1,127,572

TLA'AMIN NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

9. Replacement reserve:

Under the terms of the Nation's Social Housing agreement with CMHC, the replacement reserve account was credited in the year ended March 31, 2018 by \$21,327 (2017 - \$21,327). The replacement reserve funds may only be used as approved by CMHC.

	2018	2017
Balance, beginning of the year	\$ 84,173	\$ 109,049
Contributions	21,327	21,327
Interest	1,345	1,538
Expenses	(7,674)	(47,741)
Net matured unit adjustment	(32,634)	-
Balance, end of year	\$ 66,537	\$ 84,173

TLA'AMIN NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

10. Tangible capital assets:

	Land	Buildings and improvements	Infrastructure	Equipment	2018 Net book value
Cost:					
Beginning of year	\$ 243,676	\$ 24,073,938	\$ 3,547,301	\$ 2,146,905	\$ 30,011,820
Acquisitions	318,744	80,889	17,822	537,331	954,786
Disposals	-	-	-	-	-
Balance, end of year	562,420	24,154,827	3,565,123	2,684,236	30,966,606
Accumulated amortization:					
Beginning of year	-	8,567,088	1,738,721	1,334,925	11,640,734
Amortization	-	668,288	72,343	209,461	950,092
Disposals	-	-	-	-	-
Balance, end of year	-	9,235,376	1,811,064	1,544,386	12,590,826
Net book value, end of year	\$ 562,420	\$ 14,919,451	\$ 1,754,059	\$ 1,139,850	\$ 18,375,780
2017					
	Land	Buildings and improvements	Infrastructure	Equipment	Net book value
Cost:					
Beginning of year	\$ -	\$ 21,752,479	\$ 3,547,301	\$ 2,105,751	\$ 27,405,531
Acquisitions	243,676	2,517,171	-	66,453	2,827,300
Disposals	-	(195,712)	-	(25,299)	(221,011)
Balance, end of year	243,676	24,073,938	3,547,301	2,146,905	30,011,820
Accumulated amortization:					
Beginning of year	-	8,043,217	1,663,364	1,142,325	10,848,906
Amortization	-	523,871	75,357	215,369	814,597
Disposals	-	-	-	(22,769)	(22,769)
Balance, end of year	-	8,567,088	1,738,721	1,334,925	11,640,734
Net book value, end of year	\$ 243,676	\$ 15,506,850	\$ 1,808,580	\$ 811,980	\$ 18,371,086

TLA'AMIN NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

11. Accumulated surplus:

	2018	2017
Financial surplus (deficit):		
Unrestricted operating surplus (deficit)	\$ 2,002,065	\$ (98,334)
Internally restricted surplus (note 12)	4,978,277	3,196,502
	6,980,342	3,098,168
Invested in tangible capital assets (note 13)	9,504,390	9,036,723
	\$ 16,484,732	\$ 12,134,891

12. Internally restricted surplus:

	Beginning balance	Contributions	Interest	Approved expenses	Ending balance
Capital	\$ 25,000	\$ 1,398,467	\$ -	\$ -	\$ 1,423,467
Culture & language	927,439	-	-	-	927,439
Health	197,871	-	3,763	-	201,634
Housing	-	425,737	-	-	425,737
Klahanie study	46,192	-	-	(46,192)	-
Mortgage guarantee	2,000,000	-	-	-	2,000,000
	\$ 3,196,502	\$ 1,824,204	\$ 3,763	\$ (46,192)	\$ 4,978,277

TLA'AMIN NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

13. Invested in tangible capital assets:

(a) Investment in tangible capital assets:

	2018	2017
Tangible capital assets	\$ 18,375,780	\$ 18,371,086
Less financed by:		
Term debt	(8,871,390)	(9,334,363)
	\$ 9,504,390	\$ 9,036,723

(b) Change in invested in tangible capital assets:

	2018	2017
Balance, beginning of year	\$ 9,036,723	\$ 9,243,910
Acquisition of tangible capital assets	954,786	2,827,300
Amortization of tangible capital assets	(950,092)	(814,597)
Net book value of tangible capital assets disposed	-	(198,242)
Repayment of term debt	462,973	1,692,328
Proceeds from term debt	-	(3,713,976)
Balance, end of year	\$ 9,504,390	\$ 9,036,723

TLA'AMIN NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

14. Contingencies:

- (a) Housing loan guarantees under the Federal Ministerial Loan Guarantee Program:

The Nation is contingently liable as guarantor of housing loans for members in the amount of \$167,340 (2017 - \$205,638) under the Federal Ministerial Loan Guarantee Program.

- (b) Other housing loan guarantees:

The Nation is contingently liable as guarantor for housing loans for members in the amount of \$713,303 (2017 - \$1,010,279). In connection with the guarantee, the Nation has a \$2.0 million deposit, which is included in restricted cash and investments.

- (c) 2011 referendum:

On July 26, 2011, the Nation held a referendum, pursuant to which it transferred \$2,309,744 from its Land Lease Investment account to offset a deficit in its Administration program. The transfer is to be repaid over a period of 30 years.

15. Related party transactions:

Transactions with GBEs and GBPs (note 5) for the year ended March 31, 2018, included the following:

- (a) The Nation received property taxes of \$20,900 from Tla'amin Resorts and Accommodation Limited Partnership.
- (b) The Nation received rental revenue of \$12,000 and contracting revenue of \$15,250 from Tla'amin Management Services Limited Partnership.
- (c) The Nation received contracting revenue of \$15,250, and incurred forestry and equipment rental expense of \$49,784 with TFPLP.

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

TLA'AMIN NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

16. Financial instruments:

(a) Credit risk:

Credit risk refers to the risk that counterparty may default on its contractual obligations resulting in a financial loss. The Nation holds its cash and cash equivalents with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation (note 2).

(b) Liquidity risk:

Liquidity risk is the risk that the Nation will not be able to meet its financial obligations as they become due. The Nation monitors the maturity of its financial liabilities and assesses whether it has sufficient cash to settle these financial obligations when due. The Nation is subject to non-financial covenants and restrictions in relation to its term debt. As at March 31, 2018 the Nation was in compliance with these covenants and restrictions.

The following table summarizes the contractual maturities of the Nation's financial liabilities:

				2018
	On demand	Up to 1 year	Over 1 year	Total
Accounts payable and accrued liabilities	\$ 1,881,138	\$ -	\$ -	\$ 1,881,138
Term debt	-	1,426,949	16,310,554	17,737,503
Replacement reserves	66,537	-	-	66,537
	\$ 1,947,675	\$ 1,426,949	\$ 16,310,554	\$ 19,685,178

				2017
	On demand	Up to 1 year	Over 1 year	Total
Accounts payable and accrued liabilities	\$ 2,292,809	\$ -	\$ -	\$ 2,292,809
Term debt	-	1,253,009	17,846,465	19,099,474
Replacement reserves	84,173	-	-	84,173
	\$ 2,376,982	\$ 1,253,009	\$ 17,846,465	\$ 21,476,456

TLA'AMIN NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

16. Financial instruments (continued):

(c) Interest rate and cash flow risk:

Interest rate risk relates to the impact of changes in interest rates on the Nation's future cash inflows from its investments and future cash outflows on its term debt. The Nation's cash and cash equivalents are held in cash or short term money market instruments; accordingly, the Nation is not subject to significant interest rate risk in regards to these financial assets.

The Nation is subject to interest rate and cash flow risk with respect to its term debt, as disclosed in note 8. The Nation manages interest rate risk through negotiations with lenders at origination or renewal of loan agreements.

17. Segmented information:

Segmented information has been identified based on programs provided by the First Nation. Programs are provided by controlled Societies and departments, and their activities are reported by function in the consolidated statement of operations and accumulated surplus. Certain programs that have been separately disclosed are summarized below, with activity for the year ended March 31 summarized in Schedule 2.

(a) Administration

Administration provides the functions of corporate administration, finance, human resources, legislative services, elected officials, membership and registry, and cultural activities.

(b) Capital

Capital provides the function of maintenance to buildings and facilities, and lands.

(c) Education

Education is responsible for administering and facilitating education programs including elementary and secondary, post-secondary, qualifying credit courses, and community education programs.

(d) Health

Health's focus is to improve and maintain health, lifestyle and wellness in the Nation.

(e) Housing

Housing relates to rental housing units owned or managed on by the Nation.

TLA'AMIN NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

17. Segmented information (continued):

(f) Infrastructure

Infrastructure operates to maintain the Nation's infrastructure.

(g) Land and resources

Land and resources operates to maintain the Nation's land and buildings, including fisheries and forestry.

(h) Social development

Social development provides social programs to Nation's members.

(i) Social housing

The Social housing program administers the CMHC program to provide and advocate for secure, affordable housing under the CMHC program.

(j) Taxation

Taxation includes revenue from property tax levies, goods and services tax and funds received from impact benefits and costs related to the administration of the property taxation department.

18. Comparative figures:

Certain 2017 comparative figures have been reclassified to conform with the consolidated financial statement presentation adopted for the current year.

TLA'AMIN NATION

Schedule 1 - Consolidated Expenses by Object

Year ended March 31, 2018 , with comparative information for 2017

	2018	2017
Accounting and legal	\$ 386,441	\$ 734,913
Amortization (note 10)	950,092	814,597
Allowance for doubtful accounts	90,000	33,897
Consulting	431,191	453,921
Education	1,809,612	1,558,399
Grants and bursaries	95,702	78,833
Honouraria	61,737	189,942
Insurance	302,057	249,076
Interest	780,935	639,522
Miscellaneous	50,845	214,513
Programming	360,273	314,388
Repairs and maintenance	639,313	498,734
Replacement reserve	22,692	21,327
Social health and child benefits	1,179,209	1,289,096
Supplies	417,578	422,207
Telephone and utilities	370,669	282,131
Travel and training	435,911	306,664
Wages and benefits	4,340,426	4,143,326
	<u>\$ 12,724,683</u>	<u>\$ 12,245,486</u>

Tla'amin Nation

Schedule 2 - Segmented Information

Year ended March 31, 2018, with comparative information for 2017

Year ended March 31, 2018											
	Revenue				Expenses	Surplus (deficit)	Financial Surplus March 31, 2017	Amortization	Transfers	Financial Surplus March 31, 2018	
	DISC	Other	Contributions to (from) Other Programs	Total							
Administration	\$ 8,219,899	\$ 783,555	\$ (123,443)	\$ 8,880,011	\$ 4,152,577	\$ 4,727,434	\$ (5,479,825)	\$ 809,837	\$ (1,353,480)	\$ (1,296,034)	
Capital	164,499	-	141,120	305,619	27,075	278,544	1,672,258	-	-	1,950,802	
Education	51,651	38,230	-	89,881	2,154,974	(2,065,093)	(11,594)	-	-	(2,076,687)	
Health	1,435,077	807,786	-	2,242,863	2,503,877	(261,014)	1,481,229	75,976	-	1,296,191	
Housing	437,837	312,263	-	750,100	633,525	116,575	(737,039)	-	-	(620,464)	
Infrastructure	538,248	-	-	538,248	857,499	(319,251)	(171,053)	-	-	(490,304)	
Lands and resources	155,614	3,644,489	-	3,800,103	1,164,384	2,635,719	6,305,459	-	-	8,941,178	
Social development	11,801	60,262	-	72,063	913,986	(841,923)	(1,135,143)	-	-	(1,977,066)	
Social housing	-	100,479	(17,677)	82,802	82,802	-	(4,162)	64,279	(64,279)	(4,162)	
Taxation	-	312,834	-	312,834	233,984	78,850	1,178,038	-	-	1,256,888	
	\$ 11,014,626	\$ 6,059,898	\$ -	\$ 17,074,524	\$ 12,724,683	\$ 4,349,841	\$ 3,098,168	\$ 950,092	\$ (1,417,759)	\$ 6,980,342	

Year ended March 31, 2017											
	Revenue				Expenses	Surplus (deficit)	Financial Surplus March 31, 2016	Amortization	Transfers	Financial Surplus March 31, 2017	
	DISC	Other	Contributions to (from) Other Programs	Total							
Administration	\$ 12,079,664	\$ 3,846,518	\$ (1,874,274)	\$ 14,051,908	\$ 4,115,886	\$ 9,936,022	\$ (15,553,243)	\$ 606,578	\$ (469,182)	\$ (5,479,825)	
Capital	146,981	-	(32,268)	114,713	331,262	(216,549)	1,888,807	-	-	1,672,258	
Education	(27,922)	49,740	-	21,818	1,991,260	(1,969,442)	1,957,848	-	-	(11,594)	
Health	1,485,749	548,352	1,881,473	3,915,574	2,665,916	1,249,658	86,632	144,939	-	1,481,229	
Housing	343,655	466,270	-	809,925	452,782	357,143	(1,094,182)	-	-	(737,039)	
Infrastructure	521,760	-	-	521,760	692,813	(171,053)	-	-	-	(171,053)	
Lands and resources	175,275	337,053	-	512,328	810,720	(298,392)	6,603,851	-	-	6,305,459	
Social development	(58,106)	-	-	(58,106)	772,517	(830,623)	(304,520)	-	-	(1,135,143)	
Social housing	-	219,730	25,069	244,799	227,966	16,833	(4,162)	63,080	(79,913)	(4,162)	
Taxation	-	308,344	-	308,344	184,364	123,980	1,054,058	-	-	1,178,038	
	\$ 14,667,056	\$ 5,776,007	\$ -	\$ 20,443,063	\$ 12,245,486	\$ 8,197,577	\$ (5,364,911)	\$ 814,597	\$ (549,095)	\$ 3,098,168	