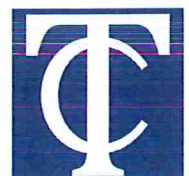


?ESDILAGH FIRST NATION
Consolidated Financial Statements
Year Ended March 31, 2016



?ESDILAGH FIRST NATION
Index to Financial Statements
Year Ended March 31, 2016

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL REPORTING

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STATEMENT OF REVENUES AND EXPENDITURES

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NOTES TO FINANCIAL STATEMENTS

EXHIBIT 1



?ESDILAGH FIRST NATION

4 - 9001 West Fraser Road, Quesnel B.C.V2J 6R4

Phone: (250) 747-2255 Fax: (250) 747-3920

Email officeassistant@esdilaghband.com

Management's Responsibility for the Consolidated Financial Reporting

The accompanying consolidated financial statements of ?Esdilagh First Nation are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Chief and Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

The external auditors, Tony Tiani & Company Inc., conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of ?Esdilagh First Nation and meet when required.

On behalf of ?Esdilagh First Nation:

Bernie Mack, Chief

Councilor

Councilor

Councilor



TONY TIAN & COMPANY INC.

CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Chief and Council of ?Esdilagh First Nation

We have audited the accompanying financial statements of ?Esdilagh First Nation, which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of revenues and expenditure and deficit, changes in net assets and cash flows for the year then ended, and 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 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 consolidated financial statements.

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

(continues)

Independent Auditor's Report to the Chief and Council of ?Esdilagh First Nation (continued)

Qualified Opinion

In our opinion, except as noted in the following paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of ?Esdilagh First Nation as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards prescribed for governments.

Other Matters

The financial statements of the Nation for the year ended March 31, 2015 were audited by another firm of chartered professional accountants who issued a denial of opinion on March 7, 2016, as a result we were unable to verify the accuracy of the opening balances.

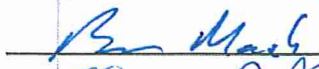

Prince George, British Columbia
July 28, 2016

TOM TAYLOR & COMPANY
CHARTERED PROFESSIONAL ACCOUNTANTS

?ESDILAGH FIRST NATION
Consolidated Statement of Financial Position
March 31, 2016

	2016	2015 <i>Revised</i>
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 894,525	\$ 998,569
Restricted cash (Note 4)	200,959	188,494
Accounts receivable (Note 5)	101,690	98,536
Due from related party	783	-
Investments	-	51
	<u>1,197,957</u>	<u>1,285,650</u>
FINANCIAL LIABILITIES		
Accounts payable (Note 7)	293,402	177,936
Deferred revenue (Note 8)	405,099	491,975
Long term debt (Note 9)	59,430	93,697
	<u>757,931</u>	<u>763,608</u>
NET ASSETS	<u>440,026</u>	<u>522,042</u>
NON FINANCIAL ASSETS		
Prepaid expenses	18,070	22,845
Tangible capital assets (Note 6)	2,042,935	1,583,749
	<u>2,061,005</u>	<u>1,606,594</u>
ACCUMULATED SURPLUS (Note 10)	<u>\$ 2,501,031</u>	<u>\$ 2,128,636</u>

ON BEHALF OF THE MEMBERS

 Chiel
 Council

 Council
 Council

See notes to financial statements

?ESDILAGH FIRST NATION
Statement of Revenues and Expenditures
Year Ended March 31, 2016

	Budget 2016	2016	2015
REVENUE			
Indigenous and Northern Affairs Canada	\$ 698,937	\$ 807,187	\$ 644,726
Other Revenue	361,779	745,248	935,124
First Nations Health Authority	233,659	611,399	263,689
INAC recovery	-	(4,274)	(55,077)
2013 AANDC recovery not previously booked	-	-	(55,382)
?Esdilagh Development Corporation	500	2,169	72,297
	1,294,875	2,161,729	1,805,377
EXPENSES (Exhibit 1)	1,285,136	1,813,776	1,603,993
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	9,739	347,953	201,384
OTHER INCOME			
Administration Revenue	-	20,158	26,767
Loss on disposal of assets	-	(51)	(1,295)
	-	20,107	25,472
EXCESS OF REVENUE OVER EXPENSES		368,060	226,856
CHANGE IN OTTAWA TRUST		4,335	4,894
ACCUMULATED SURPLUS, BEGINNING OF YEAR		\$ 2,128,636	\$ 1,896,886
ACCUMULATED SURPLUS, END OF YEAR		\$ 2,501,031	\$ 2,128,636

See notes to financial statements

?ESDILAGH FIRST NATION
Statement of Changes in Net Assets
Year Ended March 31, 2016

	2016	2015
NET ASSETS - BEGINNING OF YEAR	\$ 522,044	\$ 235,326
Excess of revenues over expenditures	368,060	226,856
Purchase of tangible capital assets	(541,326)	(15,528)
Amortization of tangible capital assets	82,139	87,861
Equity change in Ottawa Trust	4,335	4,892
Change in prepaid expenses	4,774	(17,363)
NET ASSETS - END OF YEAR	\$ 440,026	\$ 522,044

See notes to financial statements

?ESDILAGH FIRST NATION
Statement of Cash Flows
Year Ended March 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 368,060	\$ 226,856
Items not affecting cash:		
Amortization of property, plant and equipment	82,139	87,860
	-	-
	-	-
	<u>450,199</u>	<u>314,716</u>
Changes in non-cash working capital:		
Accounts receivable	(3,154)	149,562
Accounts payable	115,466	65,843
Deferred income	(86,876)	(79,500)
Prepaid expenses	5,314	(15,659)
Security / tender deposits	(539)	(1,702)
	<u>30,211</u>	<u>118,544</u>
Cash flow from operating activities	<u>480,410</u>	<u>433,260</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(541,325)	(15,528)
Increase in Trust Fund	4,335	4,893
Disposal of Investment in Sturgeon Insurance	51	-
	-	-
Cash flow used by investing activities	<u>(536,939)</u>	<u>(10,635)</u>
FINANCING ACTIVITIES		
Advances to related party	(783)	-
Repayment of debt	(34,267)	(32,893)
Cash flow used by financing activities	<u>(35,050)</u>	<u>(32,893)</u>
INCREASE (DECREASE) IN CASH FLOW	<u>(91,579)</u>	<u>389,732</u>
Cash - beginning of year	<u>1,187,063</u>	<u>797,327</u>
CASH - END OF YEAR	<u>\$ 1,095,484</u>	<u>\$ 1,187,059</u>
CASH CONSISTS OF:		
Cash and cash equivalents	\$ 894,525	\$ 998,569
Restricted cash	<u>200,959</u>	<u>188,494</u>
	<u>\$ 1,095,484</u>	<u>\$ 1,187,063</u>

See notes to financial statements

?ESDILAGH FIRST NATION
Notes to Financial Statements
Year Ended March 31, 2016

1. DESCRIPTION OF BUSINESS

?Esdilagh First Nation (the "Nation") provides services such as government, public works, social development, community health, advanced education, economic development, land and resource management, housing and community schooling.

The Nation is exempt from income tax under Section 87 of the Indian Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in all material respects, in accordance with the Canadian public sector accounting standards for government entities as recommended by the Public Sector Accounting Board (PSAB), defined in the CPA Canada Public Sector Accounting Handbook, which encompasses the following principles.

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver Nation services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and expenses that have been prepaid.

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 amalgamated for the purpose of presentation in the summary financial statements. All inter-fund balances have been eliminated.

The Operating Fund reports the general activities of the Nation's administration.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to ?Esdilagh First Nation's capital assets.

The Ottawa Trust Fund reports on Trust funds owned by ?Esdilagh First Nation and held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

Net financial assets

The Nation's financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the Nation is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

(continues)

?ESDILAGH FIRST NATION
Notes to Financial Statements
Year Ended March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Reporting entity consolidated and principals of financial reporting

The ?Esdilagh First Nation reporting entity includes the Nation government and all related entities which are accountable to the Nation and are either owned or controlled by the Nation.

The financial statements consolidate the financial activities of all entities and departments comprising the Nation reporting entity, except for Nation business enterprises and Nation business partnerships. Trusts administered on behalf of third parties by ?Esdilagh First Nation are excluded from the Nation reporting entity.

Nation business enterprises and nation business partnerships, which are owned by the Nation, or are controlled by the Nation's Council, and which are dependent on the ?Esdilagh First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method. The Nation's investment in these entities are initially recorded at cost and adjusted to recognize the Nation's share of earnings or losses, and reduced by distributions received. The business entity's accounting principles are not adjusted to conform with those of the Nation.

Cash and cash equivalents

Cash and cash equivalents consist of restricted cash, cash on hand, bank balances and bank overdraft (if any) with maturities of three months or less.

Non-financial assets

The Nation's tangible capital assets and other non-financial assets are accounted for as assets because they can be used to provide government services in future periods. These assets do not normally provide resources to discharge the liabilities of the government unless they are sold.

Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization and are recorded in the Capital Fund. The acquisition costs of tangible capital assets and payments on capital debt, which are not funded from capital financing sources, are charged to operations through interfund transfers and matched with the applicable revenue source in the year of expenditure. Tangible capital asset acquisitions are also recorded as an addition to assets of the Capital with a corresponding increase in equity in tangible capital assets.

Amortization is charged against tangible capital assets and equity in tangible capital assets using the declining balance method basis at the following rates:

Automotive equipment	20%
Buildings and improvements	2%
Computer equipment	50%
Furniture and equipment	20%
Infrastructure	4%

In the year of acquisition, 50% of the normal amortization is recorded.

(continues)

?ESDILAGH FIRST NATION
Notes to Financial Statements
Year Ended March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of Long Lived Assets

The Nation tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Investments

The First Nation accounts for its investment uses the equity method.

Liability for Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site when it is recognized the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries. No provision is made with respect to lands held in trust for the First Nation by the Government of Canada as any remediation and funding therefore is expected to be the responsibility of the Government of Canada.

Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

(continues)

?ESDILAGH FIRST NATION
Notes to Financial Statements
Year Ended March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Government transfers with stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when, and to the extent that the transfer gives rise to an obligation that meets the definition of a liability. Any such liability is reduced, and an equivalent amount of revenue is recognized as the liability is settled.

Government transfers without stipulations are recognized in the period in which the transfer is authorized, any eligibility criteria have been met and reasonable estimate of the amount to be received can be made.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

Revenue earned on timber sale licenses is recognized when wood fibre is delivered and the customer takes ownership and assumes the risk of loss, persuasive evidence of an arrangement exists and collection of the relevant receivables is reasonably assured.

Rental revenue is recognized as it becomes receivable under the terms of the rental agreement.

The Nation recognizes revenues of the Capital and Revenue Trust Fund at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

All other revenue is recognized when performance is achieved and collection is reasonably assured.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Reforestation

The Nation accounts for costs related to the reforestation of logged areas in the period such areas are logged. Costs represent estimated post logging expenditures related to silviculture responsibilities pursuant to the Nation Forest Practices Code.

Financial Instruments

Unless otherwise noted, it is management's opinion the First Nation is not exposed to significant interest, currency or credit risk arising from its financial statements.

3. ECONOMIC DEPENDENCE

The First Nation receives a significant portion of its revenue pursuant to a funding arrangement with Indigenous and Northern Affairs Canada ("INAC").

?ESDILAGH FIRST NATION
Notes to Financial Statements
Year Ended March 31, 2016

4. RESTRICTED CASH

	2016	2015
Ottawa Trust Funds		
	\$ 200,959	\$ 188,494

The Ottawa trust accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. These funds are restricted in their use. The First Nation is permitted to use its revenue for any purpose that will promote the general progress and welfare of the First Nation and its members. The expenditures of capital funds requires the consent of Indigenous and Northern Affairs Canada and generally must be for projects of a capital nature. Withdrawals of revenue or capital funds are recorded as revenue in the applicable fund where the monies are expended.

5. ACCOUNTS RECEIVABLE

Accounts receivable by program area is summarized as follows:

	2016	2015
Trade accounts receivable	\$ 90,333	\$ 92,500
Government remittances (GST)	11,356	5,184
	101,690	97,684
Accounts receivable - ?Esdilagh Development Corporation	-	852
	\$ 101,690	\$ 98,536

6. TANGIBLE CAPITAL ASSETS

	2016		2015	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Equipment	\$ 1,615,166	\$ 188,684	\$ 1,615,166	\$ 141,657
Motor vehicles	-	31,277	-	25,619
Computer equipment	1,429	963	1,429	393
Building	1,147,852	529,846	626,106	527,855
Social Housing equipment	49,692	20,434	49,692	13,119
	\$ 2,814,139	\$ 771,204	\$ 2,292,393	\$ 708,643
Net book value	\$ 2,042,935		\$ 1,583,749	

?ESDILAGH FIRST NATION
Notes to Financial Statements
Year Ended March 31, 2016

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable by program area is summarized as follows:

	<u>2016</u>	<u>2015</u>
Trade payables	\$ 293,402	\$ 176,625
Accounts payable - ?Esdilagh Development Corporation	<u>-</u>	<u>1,312</u>
	<u>\$ 293,402</u>	<u>\$ 177,937</u>

?ESDILAGH FIRST NATION
Notes to Financial Statements
Year Ended March 31, 2016

8. DEFERRED REVENUE

Deferred revenue represents amounts received that relate to a subsequent period. A breakdown of deferred revenue is as follows

	2016	2015
Operating Fund		
Indigenous and Northern Affairs Canada		
2012-2013 audit recoveries	\$ 54,814	\$ 54,814
Basic needs	118,813	205,689
COPH	18,393	18,393
Post secondary	996	996
Prevention projects	2,998	2,998
Special needs	4,576	4,576
NCBR	5,547	5,547
P&ID	281	281
Preparedness	2,100	2,100
	208,518	295,394
First Nations Health Authority		
Brighter futures	2,070	2,070
Community health nursing	12,417	12,417
HIV/AIDS	290	290
Community health promotion	4,322	4,322
Diabetes initiative	3,853	3,853
Drinking water safely	11,368	11,368
Environmental contaminants	22,236	22,236
Home and community care	8,760	8,760
Medical transportation	27,846	27,846
Mental health crisis	9,335	9,335
NNADAP	2,961	2,961
Prenatal nutrition	4,642	4,642
Solvent abuse	1,660	1,660
Health planning and management	18,821	-
	149,402	130,581
Other Capital		
	16,000	16,000
Capital		
Indigenous and Northern Affairs Canada		
Health building	50,000	50,000
	\$ 405,099	\$ 491,975

?ESDILAGH FIRST NATION
Notes to Financial Statements
Year Ended March 31, 2016

9. LONG TERM DEBT

	<u>2016</u>	<u>2015</u>
Loan, repayable in monthly installments of \$1,889, non-interest bearing, secured by specific equipment, due June 2017.	\$ 17,828	\$ 32,090
Demand loan, repayable in monthly installments of \$1,871 including interest at prime +2.5%, secured by a general security agreement, due February 2018.	<u>41,602</u>	<u>61,607</u>
	<u>\$ 59,430</u>	<u>\$ 93,697</u>

10. ACCUMULATED SURPLUS

Accumulated surplus of the First Nation is comprised of the following

	<u>2016</u>	<u>2015</u>
Accumulated surplus of the First Nation is comprised of the following		
Equity in Ottawa Trust	\$ 192,829	\$ 188,494
Equity in tangible capital assets	888,687	1,490,053
?Esdilagh Development Corporation equity	72,268	6,616
Unrestricted surplus	1,347,247	443,473
	-	-
	<u>\$ 2,501,031</u>	<u>\$ 2,128,636</u>

11. RECONCILIATION OF INAC FUNDING AGREEMENT REVENUE

Pursuant to the instructions provided by Indigenous and Northern Affairs Canada Year-end Reporting Handbook covering fiscal period 2015-2016 for First Nations, Tribal Councils and First Nation Political Organizations, the following reconciliation has been prepared:

	<u>2016</u>	<u>2015</u>
Recipient total as per INAC funding confirmation	\$ 807,187	\$ 644,726
INAC funding as per consolidated financial statements	\$ 807,187	\$ 644,726

12. CONTINGENT LIABILITY

?Esdilagh First Nation has guaranteed certain First Nation members loans with Indigenous and Northern Affairs Canada.

13. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of public accountants.