

**9252-9106 Québec Inc.
(Gesgapegiag Excavation Inc.)**

**Financial Statements
March 31, 2017**

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Review Engagement Report

To the Shareholder of
9252-9106 Québec Inc. (Gesgapegiag Excavation Inc.)

We have reviewed the balance sheet of 9252-9106 Québec Inc. (Gesgapegiag Excavation Inc.) as at March 31, 2017 and the statements of earnings and deficit and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the Company.

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

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

We draw attention to Note 2 to the financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Raymond Chabot Grant Thornton LLP

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New Richmond
July 13, 2017

¹ CPA auditor, CA public accountancy permit no. A113171

9252-9106 Québec Inc. (Gesgapegiag Excavation Inc.)

Earnings and Deficit

Year ended March 31, 2017

(Unaudited)

	<u>2017</u>	<u>2016</u>
	\$	\$
Sales	554,954	417,851
Operating expenses		
Salaries and employees benefits	288,843	231,922
Subcontracting	27,666	16,364
Rental equipment	35,000	38,000
Equipment maintenance and repairs	25,203	34,550
Equipment and supplies	33,658	38,499
Insurance	7,587	19,956
Taxes and permits	18,239	16,422
Fuel	63,213	52,017
Office supplies and expenses		1,237
Professional fees	6,510	3,777
Penalty	286	1,018
Loss (gain) on disposal of tangible capital assets	(147,283)	860
Amortization of machinery and equipment	156,099	315,804
Amortization of automotive equipment		6,084
Amortization of deferred revenues related to capital assets	(49,986)	(28,956)
Interest and bank charges	581	594
Interest on long-term debt	46,830	59,747
	<u>512,446</u>	<u>807,895</u>
	42,508	(390,044)
Micmacs of Gesgapegiag Band contributions		4,272
Net earnings (loss)	42,508	(385,772)
Deficit, beginning of year	<u>(1,870,413)</u>	<u>(1,484,641)</u>
Deficit, end of year	<u>(1,827,905)</u>	<u>(1,870,413)</u>

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

9252-9106 Québec Inc. (Gesgapegiag Excavation Inc.)

Cash Flows

Year ended March 31, 2017

(Unaudited)

	<u>2017</u>	<u>2016</u>
	\$	\$
OPERATING ACTIVITIES		
Net earnings (loss)	42,508	(385,772)
Non-cash items		
Amortization	156,099	321,888
Amortization of deferred revenues	(49,986)	(28,956)
Loss (gain) on disposal of tangible capital assets	(147,283)	860
Net change in working capital items	5,278	18,847
Cash flows from operating activities	<u>6,616</u>	<u>(73,133)</u>
INVESTING ACTIVITIES		
Capital assets	(100,000)	(100,000)
Disposal of tangible capital assets	150,000	1,300
Cash flows from investing activities	<u>50,000</u>	<u>(98,700)</u>
FINANCING ACTIVITIES		
Net change in due to Micmacs of Gesgapegiag Band	170,983	222,445
Repayment of long-term debt	(55,625)	(55,625)
Cash flows from financing activities	<u>115,358</u>	<u>166,820</u>
Net increase (decrease) in cash and cash equivalents	171,974	(5,013)
Bank overdraft, beginning of year	(7,591)	(2,578)
Cash (bank overdraft), end of year	<u>164,383</u>	<u>(7,591)</u>

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

9252-9106 Québec Inc. (Gesgapegiag Excavation Inc.)**Balance Sheet**

March 31, 2017

(Unaudited)

	<u>2017</u>	<u>2016</u>
	\$	\$
ASSETS		
Current		
Cash	164,383	
Trade and other receivables (Note 4)	<u>25,654</u>	<u>6,723</u>
	190,037	6,723
Long-term		
Tangible capital assets (Note 5)	<u>280,368</u>	<u>443,593</u>
	<u><u>470,405</u></u>	<u><u>450,316</u></u>
LIABILITIES		
Current		
Bank overdraft		7,591
Trade and other payables (Note 6)	54,914	30,705
Current portion of long-term debt	<u>55,625</u>	<u>55,625</u>
	110,539	93,921
Long-term		
Deferred revenues related to tangible capital assets (Note 7)	94,739	249,134
Long-term debt (Note 8)	<u>2,092,932</u>	<u>1,977,574</u>
	<u><u>2,298,210</u></u>	<u><u>2,320,629</u></u>
SHAREHOLDER'S DEFICIENCY		
Capital stock (Note 9)	100	100
Deficit	<u>(1,827,905)</u>	<u>(1,870,413)</u>
	<u><u>(1,827,805)</u></u>	<u><u>(1,870,313)</u></u>
	<u><u>470,405</u></u>	<u><u>450,316</u></u>

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

On behalf of the Board,

Director

Director

9252-9106 Québec Inc. (Gesgapegiag Excavation Inc.)

Notes to Financial Statements

March 31, 2017
(Unaudited)

1 - GOVERNING STATUTES

The Company is incorporated under the Business Corporations Act (Quebec).

2 - GOING CONCERN ASSUMPTION

The financial statements are prepared in accordance with Canadian accounting standards for private enterprises in particular the assumption that the Company is a going concern, meaning it will be able to realize its assets and discharge its liabilities in the normal course of operations.

In light of operating losses incurred in past years, there is significant doubt about the Company's ability to continue as a going concern. The Company's ability to realize its assets and discharge its liabilities depends on the continued financial support of Micmacs of Gesgapegiag Band.

The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements and the balance sheet classification have not been adjusted as it would be required if the going concern assumption was not appropriate.

3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Company's financial statements are prepared in accordance with Canadian accounting standards for private enterprises.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from these estimates.

Revenue recognition

The Company's principal sources of revenue are excavation services and operation of a screening and cement plants. Revenue is recognized when persuasive evidence of an arrangement exists, services have been rendered, the price to the buyer is fixed or determinable and collection is reasonably assured.

Contract income and contracts in progress

Contract income is recorded under the percentage of completion method. Under this method, contract income and profits are recognized proportionately with the degree of completion of work when persuasive evidence of an arrangement exists, the sale price is fixed or determinable and collection is reasonably assured. The degree of completion is determined based on the number of construction phases completed. Contracts in progress are valued considering labour, raw material and overhead costs, which include estimated profits. The Company regularly reviews contract costs and, when total estimated costs are greater than expected income, recognizes a loss on contracts that is charged to the cost of sales.

9252-9106 Québec Inc. (Gesgapegiag Excavation Inc.)

Notes to Financial Statements

March 31, 2017
(Unaudited)

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment tax credits and grants

Investment tax credits and grants related to current expenses are accounted for as other revenues while those related to the acquisition of tangible capital assets are accounted for as deferred revenues related to tangible capital assets. Credits and grants are accrued in the year in which the expenses or the capital expenditures are incurred, provided that the Company is reasonably certain that the credits or the grants will be received. The investment tax credits must be examined and approved by the tax authorities and it is possible that the amounts granted will differ from the amounts recorded.

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Company's financial assets and liabilities from transactions not concluded with related parties and those from transactions with parties whose sole relationship with the entity is in the capacity of management (and members of the immediate family) are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at cost or amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. The Company's other financial assets and liabilities from related party transactions are measured in accordance with the recommendations of Section 3840, "Related Party Transaction". Transactions costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in earnings in the year they are incurred.

Subsequent measurement

At each reporting date, the Company measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets).

With respect to financial assets measured at amortized cost, the Company assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Company determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in earnings. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in earnings in the year the reversal occurs.

Cash and cash equivalents

The Company's policy is to present in cash and cash equivalents bank balances, including bank overdrafts whose balances fluctuate frequently from being positive to overdrawn, and investments with a maximum maturity of three months from the acquisition date or redeemable at any time without penalty.

Tangible capital assets

Amortization

Tangible capital assets are amortized over their estimated useful lives according to the straight-line method over an 5-year period.

The gravel pit is amortized according to the method of resource depletion.

9252-9106 Québec Inc. (Gesgapegiag Excavation Inc.)

Notes to Financial Statements

March 31, 2017
(Unaudited)

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment

Tangible capital assets subject to amortization are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable when it exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposal. In such a case, an impairment loss must be recognized and is equivalent to the excess of the carrying amount of a long-lived asset over its fair value.

Income taxes

The Company uses the future income taxes method of accounting for income taxes.

4 - TRADE AND OTHER RECEIVABLES

	<u>2017</u>	<u>2016</u>
	\$	\$
Trade accounts receivables (a)	22,223	5,312
Benefits receivable	3,431	490
Sales taxes receivable		921
	<u>25,654</u>	<u>6,723</u>

(a) As at March 31, 2017, amounts owing from two customers represent 90% of the total trade accounts receivable (one customer represented 100% as at March 31, 2016).

5 - TANGIBLE CAPITAL ASSETS

	<u>2017</u>		<u>2016</u>
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Gravel pit	100,000		100,000
Building	100,000		100,000
Machinery and equipment	30,417	30,417	
Automotive equipment	1,311,226	1,230,858	343,593
	<u>1,541,643</u>	<u>1,261,275</u>	<u>443,593</u>

9252-9106 Québec Inc. (Gesgapegiag Excavation Inc.)

Notes to Financial Statements

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(Unaudited)

6 - TRADE AND OTHER PAYABLES

	<u>2017</u>	<u>2016</u>
	\$	\$
Trade accounts payable	16,619	12,143
Account payable to Organizations under common control, without interest	37,830	18,562
Government remittances	465	
	<u>54,914</u>	<u>30,705</u>

7 - DEFERRED REVENUES RELATED TO TANGIBLE CAPITAL ASSETS

Deferred revenues related to tangible capital assets include investment tax credits and grants and the net carrying amount of contributed tangible capital assets.

The balance of deferred revenues related to capital assets is detailed as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
Balance, beginning of year	249,134	278,090
Amortization	49,986	28,956
Disposal of deferred revenues	(104,409)	
Balance, end of year	<u>94,739</u>	<u>249,134</u>

8 - LONG-TERM DEBT

	<u>2017</u>	<u>2016</u>
	\$	\$
Mortgage loan, secured by automotive equipment with a net carrying amount of \$77,366 as at March 31, 2017, an hypothec on the universality of property and a guarantee from the shareholder, prime rate plus 2.5% (5.20%; 5.20% as at March 31, 2016), payable in monthly instalments of \$4,635, plus interest, maturing in July 2020	319,460	375,085
Due to Micmacs of Gesgapegiag Band, parent company, variable interest rate and without repayment terms (a)	1,829,097	1,658,114
	<u>2,148,557</u>	<u>2,033,199</u>
Current portion	55,625	55,625
	<u>2,092,932</u>	<u>1,977,574</u>

(a) The Micmacs of Gesgapegiag Band will not require retraction of the due during the coming year.

The estimated instalments on long-term debt for the next five years are \$55,625 in 2018, \$55,625 in 2019, \$55,625 in 2020, \$55,625 in 2021 and \$55,625 in 2022.

9252-9106 Québec Inc. (Gesgapegiag Excavation Inc.)

Notes to Financial Statements

March 31, 2017
(Unaudited)

9 - CAPITAL STOCK

As at March 31, 2017, the Company's issued shares are detailed as follows:

Unlimited number of shares

Voting and participating class "A" shares

	<u>2017</u>	<u>2016</u>
	\$	\$
100 class "A" shares	<u>100</u>	<u>100</u>

10 - INCOME TAXES

The future income tax asset resulting from operating losses is not recorded in the financial statements. These losses, which are available to reduce income taxes in future years, are detailed as follows:

	<u>Federal</u>	<u>Provincial</u>
	\$	\$
Amount of the loss carry-forwards for tax purposes expiring within the following years:		
2036	90,962	90,962
2035	102,904	102,904
2034	139,353	139,353
2033	390,086	386,086
2032	<u>16,261</u>	<u>16,261</u>
	739,566	735,566
Amount of deductible temporary differences	<u>989,919</u>	<u>989,919</u>
	<u>1,729,485</u>	<u>1,725,485</u>

11 - FINANCIAL INSTRUMENTS

Financial risks

The Company's main financial risk exposure is detailed as follows.

Credit risk

The Company is exposed to credit risk regarding the financial assets recognized on the balance sheet. The Company has determined that the financial assets with more credit risk exposure are trade accounts receivable, since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Company.

9252-9106 Québec Inc. (Gesgapegiag Excavation Inc.)

Notes to Financial Statements

March 31, 2017
(Unaudited)

11 - FINANCIAL INSTRUMENTS (Continued)

Market risk

The Company's financial instruments expose it to market risk, in particular, interest rate risk, resulting from its operating, investing and financing activities:

– Interest rate risk

The Company is exposed to interest rate risk with respect to financial assets and liabilities bearing variable interest rates.

The mortgage loan and due to Micmacs of Gesgapegiag Band bear interest at a variable rate and the Company is, therefore, exposed to the cash flow risk resulting from interest rate fluctuations.

Liquidity risk

The Company's liquidity risk represents the risk that the Company could encounter difficulty in meeting obligations associated with its financial liabilities. The Company is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the balance sheet.

Carrying amount of financial assets by category

The Company's financial assets, as presented on the balance sheet, are classified in the following category:

	<u>2017</u>	<u>2016</u>
	\$	\$
Financial assets measured at amortized cost		
Cash	164,383	
Trade accounts receivables	<u>22,223</u>	<u>5,312</u>
	<u>186,606</u>	<u>5,312</u>

Guaranteed financial liabilities

As at March 31, 2017, the total carrying amount of guaranteed financial liabilities is \$319,460.

12 - ECONOMIC DEPENDENCE

The Company has a contract with a main customer. This contract represents 85% of the Company's sales as at March 31, 2017 (87% as at March 31, 2016).