

AOHKII (2018) Ltd.
Financial Statements

For the years ended March 31, 2019 and 2018

AOHKII (2018) Ltd.
Contents

For the years ended March 31, 2019 and 2018

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Management's Responsibility

To the Shareholders of AOHKII 2018 and Members of the Blood Tribe:

The accompanying financial statements of AOHKII (2018) Ltd. are the responsibility of management and have been approved by the Board of Directors.


Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the Board on behalf of the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

July 10, 2019


General Manager

Independent Auditor's Report

To the Shareholders of AOHKII (2018) Ltd. and Members of the Blood Tribe:

Opinion

We have audited the financial statements of AOHKII 2018 (the "Company"), which comprise the statement of financial position as at March 31, 2019 and the statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2019, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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.

Other Matter

The financial statements of AOHKII (2018) Ltd. for the year ended March 31, 2018 were audited by another auditing firm of Chartered Professional Accountants of Alberta, Canada and they expressed an unmodified opinion on those statements on July 3, 2018.

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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 these 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.

We 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.

Lethbridge, Alberta

July 10, 2019

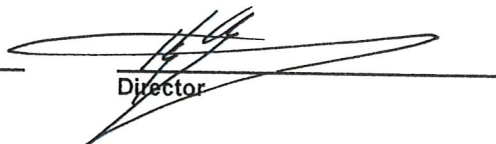
MNP LLP
Chartered Professional Accountants

AOHKII (2018) Ltd.
Statement of Financial Position
As at March 31, 2019 and 2018

	2019	2018
Assets		
Current		
Cash	1,128,981	-
Trade and other receivables (Note 6)	110,307	348,842
Goods and Services Tax receivable	21,823	13,990
Current portion of notes receivable (Note 7)	105,000	-
	1,366,111	362,832
Non-current		
Investment in Alberta Timothy Marketing Corporation (Note 8)	792,904	-
Investments	13,545	13,545
Notes receivable (Note 7)	315,000	-
Property, plant and equipment (Note 9)	3,462,439	4,689,072
Total assets	5,949,999	5,065,449
Liabilities		
Current		
Bank indebtedness (Note 10)	-	738,526
Trade and other payables (Note 11)	322,436	648,469
Current portion of long-term debt (Note 12)	140,000	240,000
	462,436	1,626,995
Liabilities		
Non-current		
Long-term debt (Note 12)	-	140,000
Advances from related parties (Note 13)	1,359,418	2,762,639
Total liabilities	1,821,854	4,529,634
Events after the reporting period (Note 17)		
Equity		
Retained earnings	4,128,145	535,815
	5,949,999	5,065,449

Approved on behalf of the Board


 Director


 Director

AOHKII (2018) Ltd.
Statement of Income and Other Comprehensive Income
For the years ended March 31, 2019 and 2018

	2019	2018
Revenue		
Lease revenue	4,501,626	4,381,632
Community land lease	1,365,025	1,378,030
Band revenue	595,000	-
Other revenue	388,298	467,194
Share of income from investment in Alberta Timothy Marketing Corporation	345,233	-
	7,195,182	6,226,856
Expenses		
Head lease	1,339,355	717,000
Salaries, wages and benefits	954,957	1,068,729
Repairs and maintenance	622,166	447,163
Insurance	345,295	257,553
Professional fees	295,861	242,464
Automotive	118,692	122,679
Utilities	115,513	94,478
Office	90,904	65,914
Board travel, training, and honouraria	80,440	41,537
Interest on long-term debt	64,952	23,035
Interest and bank charges	54,375	79,762
Travel	33,237	24,140
Donations	24,920	2,498
Training and education	13,241	700
Bad debts	12,978	-
Rental	8,654	13,060
Depreciation	223,414	160,770
	4,398,954	3,361,482
Income from operations	2,796,228	2,865,374
Other income		
Gain on disposal of property, plant and equipment	979,433	-
Income and other comprehensive income for the year	3,775,661	2,865,374

The accompanying notes are an integral part of these financial statements

AOHKII (2018) Ltd.
Statement of Changes in Equity
For the years ended March 31, 2019 and 2018

	<i>Retained earnings</i>	<i>Total equity</i>
Balance April 1, 2017	(2,947,224)	(2,947,224)
Income and other comprehensive income for the year	2,865,374	2,865,374
Equity transfer from Blood Tribe and departments	617,665	617,665
Balance March 31, 2018	535,815	535,815
Income and other comprehensive income for the year	3,775,661	3,775,661
Payment of dividends	(183,331)	(183,331)
Balance March 31, 2019	4,128,145	4,128,145

The accompanying notes are an integral part of these financial statements

AOHKII (2018) Ltd.
Statement of Cash Flows

For the years ended March 31, 2019 and 2018

	2019	2018
Cash provided by (used for) the following activities		
Operating activities		
Income and other comprehensive income for the year	3,775,661	2,865,374
Depreciation	223,414	160,770
Gain on disposal of property, plant and equipment	(979,433)	-
Share of income from investment in Alberta Timothy Marketing Corporation	(345,233)	-
	2,674,409	3,026,144
Changes in working capital accounts		
Accounts receivable	238,535	(348,870)
Goods and Services Tax receivable	(7,833)	-
Trade and other payables	(326,033)	(351,159)
	2,579,078	2,326,115
Financing activities		
Repayments of long-term debt	(240,000)	(240,000)
Amounts advanced from related parties	-	495,572
Repayments of advanced from related parties	(1,403,221)	-
Dividends paid	(183,331)	-
	(1,826,552)	255,572
Investing activities		
Advances to Alberta Timothy Marketing Corporation	(447,671)	-
Purchases of property, plant and equipment	(112,348)	(3,944,557)
Proceeds from disposal of property, plant and equipment	1,470,000	-
Equity transfer	-	617,665
Repayments of notes receivable	205,000	-
	1,114,981	(3,326,892)
Increase (decrease) in cash resources (deficiency)	1,867,507	(745,205)
Cash resources (deficiency), beginning of year	(738,526)	6,679
Cash resources (deficiency), end of year	1,128,981	(738,526)

The accompanying notes are an integral part of these financial statements

1. Incorporation and operations

AOHKII 2018 (the "Company") is a division of the Blood Tribe and is managed by the Board of Directors. The Company provides management and administrative services relating to the operation of an 18,000 acre irrigation project on the Blood Reserve. The Head Office of the Company is located on the Blood Tribe, Standoff, Alberta.

The Company is a business enterprise controlled by the Blood Tribe which is deemed a municipality under section 149 (1)(c) of the *Income Tax Act*, is exempt from income taxes under section 149(1)(d.5) as the Company is a municipal corporation under this section and more than 90% of revenue is earned on reserve.

The financial statements of the Company for the year ended March 31, 2019 were authorized for issuance in accordance with a resolution of the directors on July 10, 2019.

2. Basis of presentation

Statement of compliance

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). The policies applied in these financial statements are based on IFRS issued and outstanding as of July 10, 2019, the date the Board of Directors approved the statements.

Basis of measurement

These financial statements are prepared on a going concern basis, under the historical cost convention.

Use of estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates (see Note 5). Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Functional and presentation currency

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

3. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Certain comparative amounts have been reclassified to conform to the current year's presentation (see *Note 18*).

Cash resources

Cash resources include cash and term deposits with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

3. Significant accounting policies *(Continued from previous page)*

Property, plant and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

All assets having limited useful lives are depreciated using the declining balance method over their estimated useful lives. Assets are depreciated from the date of acquisition.

The depreciation rates applicable for each class of asset during the current and comparative period are as follows:

	Rate
Buildings	5 %
Automotive	30 %
Computer equipment	30 %
General and irrigation equipment	5-20 %
Furniture and fixtures	20 %

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

Investments in joint arrangement

A joint arrangement is a contractual arrangement whereby the two or more parties have joint control. Joint control is the contractually agreed sharing control of an arrangement, which exists only when decisions about relevant activities require unanimous consent of the parties sharing control.

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to net assets of the arrangement.

AOHKII (2018) Ltd. is involved in a joint venture with Olds Agri Tech which equally own shares in Alberta Timothy Marketing Corporation ("ATM"). ATM processes and exports timothy hay to foreign countries. ATM is located on the Blood Tribe Reserve in Southern Alberta.

The Investment in the joint venture is accounted for using the equity method.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the Company, and when the amount of revenue can be reliably measured. Revenue from land leases is recognized upon effective date of the lease agreement.

3. Significant accounting policies *(Continued from previous page)*

Financial instruments

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

Subsequent to initial recognition, all financial assets are classified and subsequently measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss.

Reclassifications

The Company reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for trade receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

Loss allowances for expected credit losses are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial assets.
- For facilities with both a drawn and undrawn component where the Company cannot separately identify expected credit losses between the two components, as a deduction from the carrying amount of the drawn component. Any excess of the loss allowance over the carrying amount of the drawn component is presented as a provision.
- For debt instruments measured at fair value through other comprehensive income, in other comprehensive income. The loss allowance does not reduce the fair value carrying amount of the financial asset in the statement of financial position.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

3. Significant accounting policies *(Continued from previous page)*

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Comprehensive income

Comprehensive income includes all changes in equity of the Company, except those resulting from investments by owners and distributions to owners. Comprehensive income is the total of net income and other comprehensive income. Other comprehensive income comprises revenue, expenses, gains and losses that, in accordance with International Financial Reporting Standards, require recognition, but are excluded from net income. The Company does not have any items giving rise to other comprehensive income. All gains and losses, including those arising from measurement of all financial instruments have been recognized in total comprehensive income for the period.

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency of the Company at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in profit or loss for the current period.

3. **Significant accounting policies** *(Continued from previous page)*

Standards issued but not yet effective

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at March 31, 2019 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

Annual Improvements to IFRSs 2015 – 2017 Cycle

The Annual Improvements to IFRSs 2015 – 2017 Cycle, issued in December 2017, include a series of amendments to IFRSs in response to issues addressed during the 2015-2017 cycle as follows:

IFRS 3 Business Combinations

The amendments clarify that an entity remeasures its previously held interest in a joint operation when control of the business is obtained.

IFRS 11 Joint Arrangements

The amendments clarify that an entity does not remeasure its previously held interest in a joint operation when joint control of the business is obtained.

IAS 23 Borrowing Costs

The amendments clarify that any outstanding borrowing made to obtain a qualifying asset should be treated as general borrowings when the qualifying asset is ready for its intended use or sale.

These amendments are effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of these amendments on its financial statements. The Company expects to apply the amendments for its financial statements dated March 31, 2020.

IFRS 16 Leases

IFRS 16, issued in January 2016, introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The standard will supersede IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of this standard on its financial statements. The Company expects to apply the standard for its financial statements dated March 31, 2020.

IAS 1 Presentation of Financial Statements

Amendments to IAS 1, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS standards and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The Company is currently assessing the impact of these amendments on its financial statements. The Company expects to apply the amendments for its financial statements dated March 31, 2020.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to IAS 8, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS standards and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The Company is currently assessing the impact of these amendments on its financial statements. The Company expects to apply the amendments for its financial statements dated March 31, 2020.

4. Change in accounting policies

Standards and Interpretations effective in the current period

The Company adopted amendments to the following standards, effective April 1, 2018. Adoption of these amendments had no effect on the Company's financial statements.

- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 9 *Financial Instruments*

5. Significant accounting estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the amounts recognized in the financial statements are:

Useful lives of property, plant, and equipment:

The Company estimates the useful lives of property, plant, and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant, and equipment including anticipated future site restoration costs associated with their use, are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant, and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, the future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded depreciation expense for any period would be affected by changes in these factors and circumstances.

Allowance for doubtful accounts:

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Where expectations are different from their original estimate, such differences will impact the carrying value of receivables.

Impairment of non-financial assets:

At each reporting date, the Company assesses whether there are any indicators of impairment for all non-financial assets. Non-financial assets that have an indefinite useful life or are not subject to amortization, such as goodwill, are tested annually for impairment. Other non-financial assets are tested for impairment if there are indicators that their carrying amounts may not be recoverable.

Fair value of financial instruments:

The estimated fair value of financial assets and liabilities, by their nature, are subject to measurement uncertainty. Trade receivables are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where necessary.

AOHKII (2018) Ltd.
Notes to the Financial Statements
For the years ended March 31, 2019 and 2018

6. Trade and other receivables

	2019	2018
Trade receivables	110,307	348,678
Accounts receivable from employees	-	1,328
	110,307	350,006
Allowance for doubtful accounts	-	1,164
	110,307	348,842

Accounts receivable are non-interest bearing and generally on 30-90 day terms.

Current - \$71,446
Over 90 days - \$38,861

7. Notes receivable

Notes receivable consist of the following:

	2019	2018
Note receivable bearing interest at 5% payable in yearly instalments of \$105,000 plus interest, due 2023	420,000	-
Less: current portion	105,000	-
	315,000	-

8. Investment in Alberta Timothy Marketing Corporation

The following joint arrangement investment is accounted for using the equity method.

	2019	2018
Alberta Timothy Marketing Corporation (50% ownership interest)		
Current year advances	447,671	-
Current year share of net income	345,233	-
	792,904	-

The share of income has been calculated up to March 31, 2019.

AOHKII (2018) Ltd.
Notes to the Financial Statements
For the years ended March 31, 2019 and 2018

9. Property, plant and equipment

	2019	2018
Cost	12,671,550	13,674,769
Depreciation	9,209,111	8,985,697
	3,462,439	4,689,072
Buildings	513,494	555,007
Automotive	240,376	636,447
Computer equipment	16,128	23,041
General and irrigation equipment	2,688,078	3,468,623
Furniture and fixtures	4,363	5,954
	3,462,439	4,689,072

*Asset Class
right-of-use
assets at cost*

Cost	
Balance, April 1, 2017	9,730,212
Additions	3,944,557
Balance at March 31, 2018	13,674,769
Balance at April 1, 2018	13,674,769
Additions	112,348
Disposals	(1,115,567)
Balance at March 31, 2019	12,671,550

*Asset Class
right-of-use
assets at cost*

Depreciation	
Balance, April 1, 2017	8,824,927
Depreciation	160,770
Balance at March 31, 2018	8,985,697
Balance at April 1, 2018	8,985,697
Depreciation	223,414
Balance at March 31, 2019	9,209,111

AOHKII (2018) Ltd.
Notes to the Financial Statements
For the years ended March 31, 2019 and 2018

10. Bank indebtedness

	2019	2018
Operating loan	-	738,526

Bank indebtedness includes an operating loan with BMO having a limit of \$2,000,000 (2018 - \$3,000,000) bearing interest at prime rate plus 0.75% (2018 - prime rate plus 0.75%). Prime rate at March 31, 2019 was 3.95% (2018 - 3.45%).

Security pledged consists of a corporate guarantee from the Blood Tribe in the amount of \$3,400,000 (2018 - \$3,400,000); a corporate guarantee from 709204 Alberta Ltd. in the amount of \$3,400,000 (2018 - \$3,400,000); a registered first-ranking general security agreement under the *Bank Act*; a registered first-ranking general security agreement over all grain, feed, machinery, equipment, accounts receivable, and inventory; and a registered first-ranking general security agreement over all grain, feed, machinery, equipment, accounts receivable over 709204 Alberta Ltd.

11. Trade and other payables

	2019	2018
Trade accounts payable	268,153	633,939
Vacation payable	23,511	8,915
Employee benefits payable	22,638	5,615
MasterCard payable	8,134	-
	<u>322,436</u>	<u>648,469</u>

Trade payables are generally non-interest bearing and are normally settled on 30 day terms. Corporate MasterCards have a cumulative limit of \$50,000 (2018 - \$50,000).

12. Long-term debt

	2019	2018
Loan payable in monthly principal instalments of \$20,000 (2018 - \$20,000) plus interest at prime + 1.50% (2018 - prime + 1.50%)	140,000	380,000
Less: current portion	140,000	240,000
	<u>-</u>	<u>140,000</u>

Principal repayments on long-term debt in the next year are estimated as follows:

2020	140,000
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13. Advances from related parties

During the year, the Company advanced and received advances from related parties under common control of the same Board of Directors and Chief and Council. Advances are unsecured, non-interest bearing and due on demand. The related parties have waived their rights to repayment in the next fiscal year, as such these advances have been classified as long-term.

As at March 31, 2019 the advances from Blood Tribe entities and departments are as follows:

	2019	2018
Blood Tribe Administration	143,445	2,017,000
Blood Tribe Administration	55,895	219,723
Blood Tribe Revenue Fund	573,100	109,564
Blood Tribe Lands	207,283	416,352
709204 Alberta Ltd.	379,695	-
	1,359,418	2,762,639

14. Financial instruments

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

15. Fair value measurements

The Company classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for which there is little or no market data and which require the Company to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is assessed to be significant to that fair value measurement. This assessment requires the use of judgment in considering factors specific to an asset or a liability and may affect the placement of the fair value measurement within the hierarchy.

The Company considers a fair value measurement to have transferred between the levels in the fair value hierarchy on the beginning of the reporting period, the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2, as well as no transfers into or out of Level 3 during the period.

In determining fair value measurements, the Company uses valuation techniques including net present value techniques and discounted cash flow models, comparison with quoted or observable prices for similar instruments, Black-Scholes / binomial / polynomial option pricing models, monte carlo simulations, etc. The Company uses assumptions and estimates for risk-free interest rates, market pricing movements, interest rate yield curves, expected volatilities, correlations between inputs.

Financial instruments not measured at fair value

The carrying amount of trade receivables and payables is a reasonable approximation of fair value due to their short-term nature or the limited time that has passed from initial recognition at fair value.

16. Capital management

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for the benefit of members of the Blood Tribe.

The Company sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may apply for additional capital from the Blood Tribe or partners in which they have joint agreements with to reduce debt.

17. Events after the reporting period

On April 1, 2019, 709204 Alberta Ltd. (o/a Blood Tribe Forage Processing Plant) transferred its hay inventory in the amount of \$320,000, property, plant and equipment in the amount of \$7,339,347 and related debt in the amount of \$3,466,654 to AOHKII (2018) Ltd. Subsequent to that transaction being completed AOHKII (2018) Ltd. then entered into a partnership with a third party to create Kainai Forage Limited Partnership ("KFLP") for the intent of processing and selling of forage and hay. The inventory, property, plant and equipment and related debt were then transferred to KFLP. AOHKII Limited Partnership has been created to be the limited partner and hold the partnership units for the Blood Tribe on behalf of the Blood Tribe membership.

18. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

Statement of Financial Position:

In the prior year, Goods and Services Tax receivable was included in trade and other accounts payable under current liabilities. For current year presentation, the comparative balance has been reported as Goods and Services Tax receivable under current assets. All other comparative figures on the statement of financial position have remained the same for current and comparative presentation.

Statement of Income and Other Comprehensive Income:

In the prior year, community land lease revenue was included in lease and rental income under revenue. For current year presentation, the comparative amount has been reported as community land lease under revenue. In the prior year, straw bale sales were included in revenue as a separate line item. For current year presentation, the comparative balance has been reported as other revenue under revenue. In the prior year, interest and bank charges and interest on long term-debt were combined as one line item under expenses. For current year presentation, interest and bank charges and interest on long term-debt have been reported separately under expenses. In addition, other expense reclassifications include expense amounts other than head lease, salaries, wages and benefits, insurance and depreciation.

Statement of Changes in Equity:

No changes in presentation.

Statement of Cash Flows:

No changes in presentation.

709204 Alberta Ltd. (o/a Blood Tribe Forage Processing Plant)
Financial Statements

For the year ended March 31, 2019
(Unaudited - see Notice to Reader)

Notice To Reader

On the basis of information provided by management, we have compiled the balance sheet of 709204 Alberta Ltd. (o/a Blood Tribe Forage Processing Plant) as at March 31, 2019 and the statements of earnings and changes in members' equity for the year then ended. We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon. Readers are cautioned that these statements may not be appropriate for their purposes.

The previous year's comparative financial statements were audited and issued with a unmodified opinion communication of another firm of public accountants.

Lethbridge, Alberta

July 3, 2019

MNP **LLP**
Chartered Professional Accountants

709204 Alberta Ltd. (o/a Blood Tribe Forage Processing Plant)

Balance Sheet


As at March 31, 2019

(Unaudited - see Notice to Reader)

	2019	2018
Assets		
Current		
Cash	1,427,071	482,098
Accounts receivable	830,825	1,104,075
Inventory	837,046	989,981
Prepaid expenses and deposits	50	-
	3,094,992	2,576,154
Property, plant and equipment	7,339,347	6,382,724
Patronage equity	3,358	3,358
Advances to Alberta Timothy Marketing Corporation	463,000	-
	10,900,697	8,962,236
Liabilities		
Current		
Trade and other payables	80,157	269,970
Customer deposits	480,780	-
Current portion of long-term debt	-	674,414
	560,937	944,384
Long-term debt	3,459,355	1,961,363
	4,020,292	2,905,747
Members' Equity		
Share capital	1	1
Members' equity	6,880,404	6,056,488
Total members' equity	6,880,405	6,056,489
Total liabilities and members' equity	10,900,697	8,962,236

Approved on behalf of the Board


Director


Director

709204 Alberta Ltd. (o/a Blood Tribe Forage Processing Plant)

Statement of Earnings

For the year ended March 31, 2019

(Unaudited - see Notice to Reader)

	2019	2018
Processing revenue	5,455,771	6,724,708
Cost of sales		
Inventory, beginning of year	989,981	1,441,386
Purchases	1,786,691	2,788,759
Custom work	548,581	-
Processing material	203,634	227,979
Shipback insurance	19,119	81,490
Freight in	10,789	684,208
Inventory, end of year	837,046	989,981
	2,721,749	4,233,841
Gross margin	2,734,022	2,490,867
<i>Gross margin as a percentage of processing revenue</i>	<i>50.1 %</i>	<i>37.0 %</i>
Expenses		
Salaries, wages and benefits	996,951	720,470
Repairs and maintenance	415,090	346,428
Utilities	288,961	242,645
Insurance	168,900	239,700
Interest and bank charges	144,959	99,972
Professional fees	142,152	92,600
Office	65,074	65,981
Interest on long-term debt	24,677	34,233
Equipment rental	11,367	30,137
Travel	3,966	5,253
Claims	2,650	37,500
Commissions	-	132,901
Bad debt expense (recovery)	(68,242)	88,521
Amortization	321,763	448,642
	2,518,268	2,584,983
Operating profit (loss)	215,754	(94,116)
Other income		
Foreign exchange gain (loss)	-	45,462
Insurance proceeds	53,423	583,203
Amortization of deferred contributions	-	79,443
Other revenue	182,189	105,017
Government of Alberta Grant	750,000	-
	985,612	813,125
Net earnings	1,201,366	719,009

709204 Alberta Ltd. (o/a Blood Tribe Forage Processing Plant)
Statement of Changes in Members' Equity
For the year ended March 31, 2019
(Unaudited - see Notice to Reader)

	2019	2018
Share capital		
Balance, beginning and end of year	1	1
Members' equity		
Balance, beginning of year		
Net earnings for the year	6,056,488	3,316,775
Equity transfers	1,201,366	719,009
	(377,450)	2,020,704
Balance, end of year	6,880,404	6,056,488
Total members' equity	6,880,405	6,056,489