Independent Auditor's Report

To the Shareholders of Treaty One Development Corporation:

Opinion

We have audited the non-consolidated financial statements of Treaty One Development Corporation (the "Company"), which comprise the non-consolidated balance sheet as at March 31, 2023, and the non-consolidated statements of earnings and retained earnings and cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as at March 31, 2023, and the results of its non-consolidated operations and its non-consolidated cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

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 Non-Consolidated 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 non-consolidated 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

Our audit was conducted for the purpose of forming an opinion on the non-consolidated financial statements as a whole. The supplementary information presented in the attached schedules 1 through 10 are presented for the purpose of additional analysis and is not a required part of the basis non-consolidated financial statements. Such supplementary information has been subjected only to auditing procedures applied in the audit of the basis non-consolidated financial statements, taken as a whole.

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

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

In preparing the non-consolidated 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 Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 non-consolidated 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 non-consolidated 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 non-consolidated 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 non-consolidated financial statements, including the disclosures, and whether the non-consolidated 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.

Winnipeg, Manitoba

September 20, 2023

MNP LLP

Chartered Professional Accountants

Treaty One Development Corporation
Non-Consolidated Balance Sheet
As at March 31, 2023

	2023	*2022*
Assets		
Current		
Cash *(Note 3)*	**820,669**	1,213,636
Trade and other receivables *(Note 4)*	**101,250**	384,061
Prepaid expenses and deposits	**24,727**	19,268
	946,646	1,616,965
Property and equipment *(Note 5)*	**74,659**	-
Investments *(Note 6)*	**1**	1
	1,021,306	1,616,966
Liabilities		
Current		
Trade and other payables *(Note 7)*	**163,267**	387,130
Deferred revenue *(Note 9)*	**463,292**	955,338
Payable to shareholders *(Note 8)*	**274,048**	248,931
	900,607	1,591,399
Contingency *(Note 15)*		
Share capital *(Note 11)*		
Common shares *(Note 11)*	**7**	7
Retained earnings	**120,692**	25,560
	120,699	25,567
	1,021,306	1,616,966

Approved on behalf of the Board

Director

Director

Director

Director

Director

Director

Director

Treaty One Development Corporation
Non-Consolidated Statement of Earnings and Retained Earnings
For the year ended March 31, 2023

	2023	*2022*
Revenue		
Indigenous Services Canada (ISC)	**12,597,639**	2,520,000
Crown Indigenous Relations and Northern Affairs Canada	**-**	548,500
Canada Mortgage and Housing Corporation (CMHC)	**169,723**	210,000
Department of Canadian Heritage	**-**	200,000
Ratification funding	**166,110**	209,720
Other revenue	**135,590**	153,067
Cost sharing revenue	**40,000**	84,093
Interest	**-**	597
Deferred revenue from prior year *(Note 9)*	**955,338**	751,788
Deferred revenue to subsequent year *(Note 9)*	**(463,292)**	(955,338)
	13,601,108	3,722,427
Expenses		
Administration	**459,102**	647,457
Communication	**-**	174,054
Consultant and professional fees	**807,531**	725,575
First Nation consultations	**83,368**	55,410
Materials and supplies	**28,415**	84,779
Salaries, wages and benefits	**1,906,109**	1,814,772
Travel	**314,396**	194,820
	3,598,921	3,696,867
Earnings before other income (expense)	**10,002,187**	25,560
Other income (expense)		
Amortization of property and equipment	**(12,647)**	-
Government assistance for land purchase	**(9,894,408)**	-
	(9,907,055)	-
Net earnings	**95,132**	25,560
Retained earnings, beginning of year	**25,560**	-
Retained earnings, end of year	**120,692**	25,560

The accompanying notes are an integral part of these non-consolidated financial statements

MNP LLP

Treaty One Development Corporation
Non-Consolidated Statement of Cash Flows
For the year ended March 31, 2023

	2023	*2022*
Cash provided by (used for) the following activities		
Operating activities		
Net earnings	**95,132**	25,560
Amortization of property and equipment	**12,647**	-
	107,779	25,560
Change in working capital accounts		
Trade and other receivables	**282,811**	(362,326)
Prepaid expenses and deposits	**(5,459)**	21,854
Trade and other payables	**(223,863)**	11,184
Deferred revenue	**(492,046)**	203,550
	(330,778)	(100,178)
Financing activities		
Advances from shareholders	**25,117**	248,938
Investing activities		
Purchases of property and equipment	**(9,981,714)**	-
Government contribution for land purchase	**9,894,408**	-
Purchase of investments	**-**	(1)
	(87,306)	(1)
Increase (decrease) in cash resources	**(392,967)**	148,759
Cash resources, beginning of year	**1,213,636**	1,064,877
Cash resources, end of year	**820,669**	1,213,636

1. Incorporation and operations

Treaty One Development Corporation (the "Company") was incorporated on July 12, 2018 under the Province of Manitoba. The Company works collectively in protecting the Treaty relationship in Canada. The Company is not subject to tax (section 149 of the Income Tax Act) as it is owned 100% by First Nations, operates on-reserve and all its revenue is from government funding.

2. Significant accounting policies

The non-consolidated financial statements have been prepared in accordance with Canadian accounting standards for private enterprises and include the following significant accounting policies:

Cash

Cash includes balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Property and equipment

Property and equipment are recorded at cost. The Company's capitalization policy is $4,000 and greater for a single identifiable asset. Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives. Computer equipment is at 30% and furniture is at 30%.

Long-lived assets

Long-lived assets consist of property and equipment. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Company performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. If the carrying amount is not recoverable, impairment is then measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using quoted market prices. Any impairment is included in net earnings for the year.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the non-consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable is stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Deferred revenue is recorded based on management's analysis of the extent to which eligibility requirements have been met on government transfer received.

Amortization is based on the estimated useful lives of tangible capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the year in which they become known.

Revenue recognition

Government transfer revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the non-consolidated balance sheet in the year of receipt.

Government assistance

Claims for assistance under various government grant programs are recorded as a reduction of the cost of related asset in the year in which eligible expenditures are incurred, with any amortization calculated on the net amount.

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

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation is recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized using the declining balance method, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

An arrangement contains a lease where the arrangement conveys a right to use the underlying tangible asset, and whereby its fulfillment is dependent on the use of the specific tangible asset. After the inception of the arrangement, a reassessment of whether the arrangement contains a lease is made only in the event that:

- there is a change in contractual terms;
- a renewal option is exercised or an extension is agreed upon by the parties to the arrangement;
- there is a change in the determination of whether the fulfillment of the arrangement is dependent on the use of the specific tangible asset; or
- there is a substantial physical change to the specified tangible asset.

Employee future benefits

The Company's employee future benefit program consists of a defined contribution pension plan.

Financial instruments

The Company recognizes its financial instruments when the Company becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Company may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Company has not made such an election during the year.

The Company subsequently measures all other financial assets and liabilities at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in net earnings. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Related party financial instruments

The Company initially measures the following financial instruments originated/acquired or issued/assumed in a related party transaction ("related party financial instruments") at fair value:

- Investments in equity instruments quoted in an active market
- Debt instruments quoted in an active market
- Debt instruments when the inputs significant to the determination of its fair value are observable (directly or indirectly)
- Derivative contracts.

All other related party financial instruments are measured at cost on initial recognition. When the financial instrument has repayment terms, cost is determined using the undiscounted cash flows, excluding interest, dividend, variable and contingent payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have repayment terms, but the consideration transferred has repayment terms, cost is determined based on the repayment terms of the consideration transferred. When the financial instrument and the consideration transferred both do not have repayment terms, the cost is equal to the carrying or exchange amount of the consideration transferred or received (refer to Note 8).

At initial recognition, the Company may elect to subsequently measure related party debt instruments that are quoted in active market, or that have observable inputs significant to the determination of fair value, at fair value.

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

Financial instruments *(Continued from previous page)*

The Company has not made such an election during the year, thus all such related party debt instruments are subsequently measured at amortized cost.

The Company subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Financial instruments that were initially measured at cost and derivatives that are linked to, and must be settled by, delivery of unquoted equity instruments of another entity, are subsequently measured using the cost method less any reduction for impairment.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of related party financial instruments are immediately recognized in net earnings.

Financial asset impairment

The Company assesses impairment of all its financial assets measured at cost or amortized cost. The Company groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Company determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

With the exception of related party debt instruments and related party equity instruments initially measured at cost, the Company reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the non-consolidated balance sheet date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

For related party debt instruments initially measured at cost, the Company reduces the carrying amount of the asset (or group of assets), to the highest of: the undiscounted cash flows expected to be generated by holding the asset, or group of similar assets, excluding the interest and dividend payments of the instrument; the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the non-consolidated balance sheet date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

For related party equity instruments initially measured at cost, the Company reduces the carrying amount of the asset (or group of assets), to the amount that could be realized by selling the asset(s) at the balance sheet date.

Any impairment, which is not considered temporary, is included in current year net earnings.

The Company reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in net earnings in the year the reversal occurs.

Investment in a subsidiary

The Company accounts for its investment in a subsidiary using the cost method. Accordingly, the investment in a subsidiary, an entity over which the Company has the continuing power to determine its strategic operating, investing and financing policies without the co-operation of others, is recorded at acquisition cost, less any provisions for permanent impairment. Investment income is recognized when dividends/distributions are received.

On initial recognition, cost is measured at the acquisition-date fair value of the consideration transferred on the acquisition date and any consideration transferred before or after the acquisition date to the other party in exchange for the interest in the subsidiary. Consideration includes monetary and non-monetary consideration as well as any contingent consideration. When a subsidiary is acquired by an exchange of only equity interests, the acquisition-date fair value of the subsidiary's equity interests is used as the fair value of the consideration transferred, if those equity interests are more reliably measurable than the Company's equity interests.

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

Investment in a subsidiary *(Continued from previous page)*

Acquisition-related costs are recognized in net earnings as incurred with the exception of costs to issue debt and equity securities. Financing fees and transaction costs to issue debt are reflected in the acquisition-date fair value, and expenses relating to the issue of equity securities are shown separately in the statement of changes in equity.

All transactions with a subsidiary are disclosed as related party transactions.

3. Cash

The Company is permitted a credit facility authorization of $50,000, repayable on demand, at a rate of prime (6.70%) plus 1.25%, secured by a general security agreement. In the event the advances under this facility exceed the facility authorization, the excess will bear interest at the overdraft rate, which is currently 21% per annum. There are no financial covenants associated with the credit facility.

4. Trade and other receivables

	2023	*2022*
Indigenous Services Canada	**-**	220,000
GST receivable	**80,618**	59,061
Other	**632**	-
CMHC receivables	**-**	105,000
City of Winnipeg	**20,000**	-
	101,250	384,061

5. Property and equipment

	Cost, beginning of year	Additions (disposals)	CSA Implementation	Accumulated amortization	***2023*** Net book value	*2022* Net book value
Land	-	**9,894,408**	**(9,894,408)**	-	**-**	-
Computer equipment	-	**78,336**	**-**	**(11,750)**	**66,586**	-
Furniture	-	**8,970**	-	**(897)**	**8,073**	-
	-	**9,981,714**	**(9,894,408)**	**(12,647)**	**74,659**	-

6. Investments

The Company own 100% of common shares in Treaty One Ventures Inc. which was incorporated on February 16, 2022. The purpose of this investment is to oversee future subsidiaries as well as current and future activities associated with Kapyong Barracks. The investment is measured at cost.

7. Trade and other payables

	2023	*2022*
Trade accounts payable	**111,552**	355,548
Payroll liability	**43,643**	23,391
Vacation liability	**8,072**	8,191
	163,267	387,130

8. Payable to shareholders

Short term loan are payable in equal portions to all 7 shareholders. The loan does not have set terms of repayment, is recorded at the exchange amount and is expected to be paid in the upcoming fiscal year with an annual interest rate of 7%. Interest charged to the Company in the current year is $25,117 (2022 - $nil). The related party transactions are recorded at the exchange amount, which is the amount agreed to by the related parties.

9. Deferred revenue

	2023	2022
Crown Indigenous Relations and Northern Affairs Canada	**65,439**	266,820
Canada Mortgage and Housing Corporation	**-**	210,000
Ratification income	**-**	200,570
Indigenous Service Canada	**397,853**	277,948
	463,292	955,338

10. Employee future benefits

Defined contribution plan

In accordance with the plan agreement, members may choose to contribute up to 5% of their earnings. Members of the plan can also make voluntary contributions above 5%, with the total member contributions not exceeding the pension adjustment limit under Section 147.1(8) of the Income Tax Act for the year. The Company is required to contribute 5% of member earnings. During the year, the Company contributed $55,936 (2022 - $56,914).

11. Share capital

	2023	*2022*
Issued		
Common shares		
7 Class A voting common shares	**7**	7

12. Comparative figures

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

13. Economic dependence

Treaty One Development Corporation receives a significant portion of its revenues as a result of its agreements with the Government of Canada. The ability of the Company to continue operations is dependent upon the Government of Canada's continued financial commitments.

14. Commitments

The Company has entered into various operating lease agreements with estimated minimum annual payments as follows:

2024	102,088
2025	33,475
	135,563

15. Contingency

The Company is subject to funding recoveries according to their agreements with federal government agencies. It has not yet been determined to what extent any funding amounts related to the year ended March 31, 2023 might be recovered.

16. 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, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit concentration

As at March 31, 2023, one government agency (2022 – one) accounted for 90% (2022 – 51%) of revenues from operations and two government agencies (2022 - three government agencies) accounted for 99% of the fiscal year (2022 - 100%) accounts receivable. The Company believes that there is no unusual exposure associated with the collection of these receivables. The Company performs regular credit assessments of its funders and provides allowances for potentially uncollectible accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company enters into transactions to borrow funds from financial institutions and related parties, for which repayment is required at various maturity dates. The Company manages its liquidity risk by monitoring its operating requirements. The Company prepares budget and cash forecasts to ensure it has sufficient funds to fulfil its obligations.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Company is exposed to interest rate cash flow risk with respect to its credit facility, which is subject to changes in the prime interest rate.