

2017 Annual Report To the Membership of Yellow Quill First Nation

8th Annual Report

May 30, 2017

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Message from the Board

Since 2011, Yellow Quill TLE have moved over 18,144 acres to reserve (incl. Shortfall Acres) with an additional 120 acres in process of moving to reserve. TLE properties that are a little more complex (i.e. environmental, caveats, municipal services agreement, etc.) and require a little more time in moving to reserve include: lands in the RM of Corman Park and property in Archerwill.

When new lands are not acquired and the existing TLE land base, year after year,

moves to reserve - the total TLE acres are reduced.

In the future, when the Nation chooses to acquire additional lands under the TLE process - such decisions should be based not only on surface agriculture leasing but rather subsurface geological potential and opportunity. Subsurface resources and their development should be to the benefit and advantage of the Nation and could have enormous economic potential for Yellow Quill.

Regarding the Yellow Quill

office project, additional new preleasing has not been secured. The project is currently in the final stage of completing construction documents. The general economic uncertainty within the province has not instilled confidence among companies seeking new office space in downtown Saskatoon.

Yellow Quill Holdings will continue marketing and promotion of the office project in hopes of securing an anchor tenant and mortgage financing for project construction to begin.

Year in Review:

Yellow Quill TLE Trust

In 2011, the Yellow Quill TLE principal was first invested to the Canadian bond market via Ridgewood Capital Asset Management in the amount of \$11,074,430.

As of April 30, 2017, the Book Value of TLE Bonds is \$12,017,425 and Market Value is \$13,927,406. The April Market Value is an increase from the May 2009 TLE principal of \$10,391,677 that was invested to GICs for various terms and at various rates.

Appended to this Annual Report is the Portfolio Valuation from Ridgewood Capital Asset Management as at April 30, 2017.

Yellow Quill Holdings

The Holding company has very minimal amounts of agriculture land located in the RM of Craik; RM of Corman Park; RM of Caledonia; and small parcels of land near the main reserve. All agriculture lands are leased at rates consistent to the local markets for either crop production, grazing or hay.

Finally, leases from the Saskatoon parking lot and First Nations Bank Building (FNBB) remain stable, despite slowed economic activity in the province. With FNBB moving to reserve - Yellow Quill will have the first ever urban reserve office located in the downtown area of a major Canadian city.

Accountabilities

The 2016 Financial Statements Review for Yellow Quill Holdings and 2016 Financial Statements Audit for Yellow Quill TLE will be released June 1, 2017. Each will be available at the Band office and Urban offices in Saskatoon and Regina. This Report and reports for prior years are posted on www.yqfn.ca for download and printing.

In July this year, a new website for Yellow Quill will be launched. It will include new security features and password protected areas that can be accessed by Band members only. This will ensure restricted information is protected and available to only members of Yellow Quill.

Yellow Quill Holdings: Investments to Membership

Yellow Quill Elders

This year, there were fifteen Band members who qualified (i.e. having reached the age of 60 years) for the one time \$5,000 Elder payment.

In December of each year, Holdings provides a Christmas payment to every Elder in the amount of \$250. This payment began in 2011 and will continue going forward.

Yellow Quill Youth

Community Lunch Program

Yellow Quill Holdings will continue to fund the lunch program for on-reserve students and youth during the summer months.

The program starts in mid-June and runs to late August. It is a mobile service that typically provides lunch every Monday, Wednesday and Saturday with home delivery.

All Yellow Quill youth are welcome to partake in this service.

Saskatchewan First Nation Summer and Winter Games

Yellow Quill Holdings continues to provide financial support to young athletes from Yellow Quill who participate in either the Summer and Winter Games. Financial support includes covering the costs of athlete accommodations.

Awards for K-12:On-Reserve

Yellow Quill Holdings remains committed to recognizing excellence among on-reserve Yellow Quill students.

As such, math and science based awards will be provided to one NEC student for each grade level and on the basis of strong academics, good attendance, and most improved. Awards will be provided on the final day of the school year.

Yellow Quill Holdings will continue to support NEC students by rewarding them for their hard work and dedication to learning.

Awards for Gr.12: Off-Reserve

Yellow Quill Holdings continues to provide a \$400 payment to each off-reserve Yellow Quill Band member who successfully completes high school.

Awards for Gr.12: Equivalency

Yellow Quill Holdings continues to provide a \$300 payment to each Yellow Quill Band member who successfully completes their Grade 12 Equivalency.

Awards for Certificates And Diplomas

Yellow Quill Holdings continues to provide a \$350 payment to each Yellow Quill Band member who successfully completes post-secondary studies with either a Certificate or Diploma.

Post-Secondary Awards

To recognize Yellow Quill band members who have pursued higher learning opportunities, Yellow Quill Holdings provides a one time payment of \$700 to each Yellow Quill band member who successfully complete post-secondary studies with an under-graduate or graduate degree.

These education initiatives are an ongoing annual occurrence by Yellow Quill Holdings. Students and youth should be rewarded for their hard work, dedication and academic commitment.

Yellow Quill Holdings Scholarship

In 2011, Yellow Quill Holdings created two scholarships to honor the memory of Kaydance Pauchay and Santana Pauchay.

These scholarships are available each semester to Yellow Quill students enrolled in post secondary studies.

In Winter 2017, the Kaydance Pauchay Scholarship was awarded to Carrie Campeau and the Santana Pauchay Scholarship was awarded to Veronica Headley.

Winter 2017 Kaydance Pauchay Scholarship Recipient: Carrie Campeau

Carrie is completing her final year of studies at First Nations University of Canada where she will be receiving a Bachelors degree in Social Work. Carrie did her practicum at Family Services in Saskatoon.

Winter 2017 Santana Pauchay Scholarship Recipient: Veronica Headley

Veronica is in her 4th year of the Business Administration program at the Southern Alberta Institute of Technology in Calgary. Veronica intends to eventually enter the accounting program in the oil and gas production field and aspires to achieve success as a strong professional Aboriginal woman working as an Accountant.

Congratulations to each of the recipients awarded the Kaydance and Santana Pauchay Scholarships for Winter 2017.

Yellow Quill Holdings encourages all students presently enrolled in post secondary studies to submit an application for scholarship funding.

Scholarship applications and information can be found at www.yqfn.ca and can be submitted via fax to Yellow Quill Holdings office at (306) 652-2859 or email to info@yqfn.ca

Urban Specific Initiatives

Christmas Support

In December each year, Yellow Quill Holdings provides a gift card (\$100 value redeemable from SuperStore/Extra Foods) to each urban member, gifts to children, and hosts the annual Christmas dinner for families in both Saskatoon and Regina.

Saskatoon Urban Office

Holdings provides financial support to the Saskatoon Urban office through leasing of property located at # 8-2345 Avenue C North.

Regina Urban Office

Holdings provides financial support to the Regina Urban office through leasing of property located at 1246 Albert Street.

Urban Skills Training

On occasion, Yellow Quill Holdings also provides funding for skills training as may be requested by the Saskatoon and Regina Urban Offices.

Yellow Quill Holdings: Program/Service Transfer to Band Administration

Projected Funds Transfer: January 1 to December 31, 2017

Yellow Quill Holdings continues its usual monthly funds transfer to the Band Administration for certain programs and services that may include:

- On-reserve New Housing or renovations;
- Health and Safety (water cisterns, garbage collection, sewer service); and
- Community Supports (wakes, funerals, emergencies).

The following table depicts the projected fund transfer from January 1 to December 31, 2017 to Band Administration assuming the delivery of programs/services:

*New Housing	\$200,000
Health & Safety	\$24,000
Community Supports	\$219,084
Administration & Management Fee	\$30,000
Total Projected 2017 Transfer to Band	\$473,084
<i>*Yellow Quill Holdings will defer the new housing allocation of \$200,000 until such time that INAC approved CORP funds held by the Band in the amount of \$252,441 (2014/2015 Office Project: \$180,000 from January 2015; 2014/2015 Potash Project: \$72,441 from July 2014) are returned in full.</i>	

Yellow Quill Holdings may, according to its budgets, allocate certain funds to on-reserve training initiatives pending interest within the community and commitments secured from funding agencies, training centers and/or companies seeking to build a workforce. This may include essential skills training or related training that can lead to securing of employment by band membership.

Yellow Quill Gas Bar

Yellow Quill Holdings was successful in its recent funding application submitted to Dakota Dunes Community Development Corporation (DDCDC). The intention of the application was to secure funds that can be used towards a complete renovation and refurbishment of the Yellow Quill Band Store.

The amount of funding secured from DDCDC for the project was \$100,000 with an additional \$80,000 invested by Yellow Quill Holdings. Work began in January and was completed in May this year. After assessing the merits of new construction versus renovating - it was deemed more cost effective to completely renovate the existing building (which still has a long and useful life) rather than construct a completely new building.

Renovations and refurbishment included the removal and replacement of old inoperable coolers with new modern and energy efficient appliances. This ultimately freed up additional floor space for sales inventory and storage for inventory. Other work included new energy efficient lighting; new wiring and electrical upgrades throughout; additional new windows; new doors; new automated roller shutters on all windows; new shingles; new siding; new flooring; new interior paint and drywall; replacement of interior walls, as needed; new tables and chairs; and a host of other improved features and amenities.

With the work now complete - it is hoped that the Band Store can generate increased revenues that can be invested back into the community. But before this can happen - the Band Store should be set up as incorporated entity (i.e. limited partnership business structure) with necessary policies, procedures and manuals that foster and promote accountability and sound business operations.

It should be noted that Yellow Quill Holdings does not involve itself in the decision making of the Band Store nor does it involve itself in assuming the role of management. Those decisions and responsibilities rest with the Store Manager and/or related committee.

Governance Committee

Yellow Quill Holdings continues to work in collaboration with Chief John Machiskinic, assigned Council members and Slusar Law Office. The Governance Committee was assigned to conduct a comprehensive review and revision of the various Yellow Quill First Nation acts, policies, procedures and protocols - that are specific to band programs, services, departments and general band administration.

The primary areas of focus in policy development by the Governance Committee includes the four pillars of band governance, human resources, information systems, and finance. This also includes development of the various associated manuals, procedures and protocols that lend support to each of the four key pillars.

The Governance Committee is only a recommending body - it does not make decisions for approval of amended policies, procedures, and protocols. Those decisions rest with the Chief and Council of Yellow Quill First Nation.

Reporting Requirements

Both Yellow Quill Holdings and Yellow Quill TLE continue to work with the Band administration to ensure compliance of reporting requirements as part of the consolidated audit by Indigenous and Northern Affairs Canada.

Yellow Quill Holdings also submits on an annual basis to the Saskatchewan Corporate Registry of Information Services Corporation - Annual Returns and annual Financial Statements. This will ensure that the company remains in good standing as a not for profit entity.

Yellow Quill Holdings: Asset Portfolio

For 2017, the asset portfolio for Yellow Quill Holdings remains relatively unchanged.

The current asset mix includes: First Nations Bank Building; agriculture

lands; Saskatoon parking lot; and Archerwill property.

Yellow Quill Holdings, in its endeavors, will ensure the highest return on investment is achieved and

that assets employed are on the basis of "highest and best use".

In summary, sound financial returns equate to additional and increased investments into the community.

First Nations Bank Building (BOMA BEST Certification 2014)

Yellow Quill's office building located at 224 Fourth Avenue South (i.e. First Nations Bank Building) includes the following tenants:

- First Nations Bank of Canada;
- Shore Gold;
- MPE Engineering Ltd.;
- Merchant Law Group;
- Board Dynamics;
- Industrial Alliance Securities Inc.;
- 49 North Resources;
- Ministry of Central Services (Crown Prosecutors Office);
- Nova-Tek Innovations; and
- Quon Ferguson.

To ensure the building remains competitive within the Central Business District - various upgrades and improvements were made including the removal and replacement of two elevators at a total cost of \$305,000 and interior cab finishes at a cost of \$45,000. Work was completed by Regina Elevators in March 2017 via a competitive Request for Pro-

posals process. Elevators in service at the Yellow Quill building were both original units from 1980.

In an effort to attract more First Nation tenants to the Yellow Quill building - the property is in transition to urban reserve status. Below are various requirements that are first needed before urban reserve can be granted:

- Updated letter from the City of Saskatoon as to general and environmental concerns (completed)
- Lease to a Band Corporation for current and future uses (completed)
- Updated environmental site visit and approval (completed)
- Letter from the band as to any changes in use or improvements since the last site visit (completed)
- Service agreement with City of

Saskatoon (completed)

- Protocol Agreement with City of Saskatoon (completed)
- Indemnity Agreement with INAC (completed)
- Agreement with Saskatoon Boards of Education (not completed). Lump sum payment and payment terms are under negotiation.
- Current Surface Titles (completed)
- Updated Provincial Canvass (completed)
- Updated NRC review (completed)

The granting of urban reserve status for the Yellow Quill building still requires the Nation to pay an annual fee for service (i.e. equivalent to property tax) to the City of Saskatoon for water and sewer, fire protection, and police services. The Yellow Quill Revenue Laws will, however, allow the Nation to tax tenants of the building in amounts equal to the School Board portion of the property tax.

Agriculture Lands

The current TLE land mass for all properties within the RMs of Corman Park, Kelvington, Caledonia, and Craik, are roughly 1790 acres. Of this amount, 55 acres (i.e. Archerwill property: 4.49 acres; Bluestone Pit: 51 acres) are in process of transition to reserve and another 251 acres (i.e. RM of Corman Park) are in early transition to reserve.

Once the aforementioned properties transition to reserve - the remaining TLE land mass will be roughly 1485 acres. All lands are leased for either crop production, grazing or hay - all leases are at fair market value for the land and area.

The notion of converting TLE land to reserve is to cease having to pay

property taxes, and to more easily pursue potential economic development opportunities that may be available and that the Band wishes to engage.

Also, with Yellow Quill Revenue Laws in place - the Nation has the power and authority to tax all agriculture lease agreements for on-reserve lands.

Saskatoon Parking Lot - 240 4th Avenue South

The property which was granted urban reserve status (i.e. 2014) continues to be leased to Imperial Parking Canada, on a

month to month basis. This will ensure that revenues will be generated up to the day when soil is first

turned and that the proposed office project is not impeded from advancing towards eventual construction.

Archerwill Property

It has been decided that the property will be leased to a Yellow Quill Band member and his company YellowFord Welding Services Ltd. And in an effort to help the company reduce its start up and operating costs - the property will be rent free for a three month period. And following this period, the monthly lease will be reflective of market rates

for the area and property.

In the interim, Holdings will continue to use best efforts in moving the property to reserve status, which is expected later this year. Certain environmental issues must be dealt with as well as finalizing an Agreement with the local School Board.

YELLOW QUILL HOLDINGS & YELLOW QUILL TREATY LAND ENTITLEMENT

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Anastasia Squirrel
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Looking Forward:

Yellow Quill Treaty Land Entitlement

Yellow Quill TLE will continue its work in converting various TLE properties to reserve, and possibly acquiring additional new lands that have potential for agriculture leasing and subsurface resource oppor-

tunities. Any new land acquisitions will not require a draw from the Yellow Quill TLE principal but will be facilitated via the First Nations Finance Authority loan (i.e. \$6,316,000). The loan is ser-

viced by a monthly payment (i.e. \$21,541) from Yellow Quill Holdings. These funds are intended for the purchase of lands with crown minerals and potential of resources and their development.

Reserve Creation:

RM of Corman Park

Before Yellow Quill lands in the RM of Corman Park can be converted to reserve - a number of caveats must be removed and environmental issues addressed (i.e. yard clean up; removal of tires, stored oil, scrap metal and lumber; remediate soil, etc.).

The Caveats and Builders Lien (circa 1998-2001) originated from a past residential development project by the Yellow Quill Group (i.e. Yellow Quill Holdings, Yellow Quill Development Corp., Yellow Quill Numbered Company) and the Auzano Group.

In 2015, Yellow Quill Holdings served a Notice to Lapse Caveats and were successful in removing a Builders Lien by Tri-City Surveys. Holdings is, via the legal system, working to have remaining caveats by 101152283 Saskatchewan Ltd and North Prairie Developments removed.

Land Freeze, Resource Exploration, and Land Acquisitions:

TLE Land Freeze Extension

To facilitate a potential resource project with Saskatoon based GenSource Potash Corporation, Yellow Quill requested that the Government of Saskatchewan (GOS) extend our initial TLE land freeze for an additional 18 month period and for a reduced area (i.e. 24,002 acres). In August 2016, GOS approved our request for another 18 month extension which expires in February 2018. Land freeze requests to GOS are at no cost.

Additional Land Acquisitions

Additional land acquisitions will continue to be based on findings in the INAC CORP funded geologi-

cal report by Sparling Consulting to Yellow Quill Holdings. The report by Sparling indicates that preliminary estimates of potash resources within the area of interest to be +6million tonnes of product per section (sq. mile).

As such, future land acquisitions within the RM of Craik must be based on studied 2D seismic, historic well log data, and pricing that is reflective of surface land value and market for the area and not the potential of subsurface resources.

It would be ideal for Yellow Quill Holdings to purchase minimal amounts of additional land (i.e. 2000 acres) within the project area

that is suitable to a small potash solution mine. Nonetheless, acquisitions should continue to be made under the Yellow Quill Numbered Company to ensure anonymity and to avoid inflated prices from land owners.

The potential opportunity of developing the Yellow Quill lands in the RM of Craik is still several years away. GenSource Potash must raise additional capital from the financial markets for a small scale (i.e. 250,000 tpa) demonstration plant solution mine that is environmentally responsible (i.e. low water use and no salt tailings on surface) and highly efficient.

Yellow Quill Holdings

Yellow Quill Band Hall

In December 2016, Yellow Quill Holdings funding application to Western Economic Diversification (WD) Canada under the Canada 150 Community Infrastructure Program was approved. The amount funded by WD is \$150,100 - which will be matched by Yellow Quill Holdings for a complete renovation and refurbishment of the Band Hall at Yellow Quill. Work will begin in July 2017.

ISO 9001:2015 Certification

Yellow Quill Holdings has engaged IMSM Canada to assist us in achieving ISO 9001:2015 Certification. The ISO Certification is an international standard that specifies requirements for a quality

management system. Yellow Quill Holdings intends to use the standard to demonstrate our ability to consistently provide products and services that meet both customer and regulatory requirements. It will also help us to better organize our processes; improve the efficiency of our processes; and allow us to continually improve our operations as a company. Yellow Quill Holdings will be among very few First Nation companies in Canada who have successfully attained ISO 9001:2015 Certification.

New Office Building - 240 Fourth Avenue South

The ongoing challenge that prevents the start of construction for

the Yellow Quill office project is the securing of preleasing in amounts required by lenders (i.e. 65% of rentable floor space). Our next steps are to complete Construction Documents and to continue marketing and promotion of the project. The project will proceed only when the opportunity is right for Yellow Quill.

Looking back - Yellow Quill Holdings did everything right as far as due diligence but the market, unfortunately, changed on us. The economy in Saskatchewan is still relatively weak and unstable in certain sectors.

Description		Quantity	Cost Per Unit	Book Value	Market Price	Market Value	% of Portfolio	Estimated Annual Income	Current Yield	Unrealized Gain/Loss
Cash & Equivalents										
Cash										
Cash & Equivalents										
Accrued Receivable	CAD	37,285	1.00	37,285	1.00	37,285	0.27			
CANADIAN DOLLAR	CAD	258,309	1.00	258,309	1.00	258,309	1.85			
Total Cash & Equivalents				295,594		295,594	2.12			
Total Cash				295,594		295,594	2.12			
Total Cash & Equivalents				\$295,594		\$295,594	2.12			
Fixed Income										
Canadian Fixed Income										
RCAM CDN BOND FUND	MULCB	269,799	11.65	3,143,678	12.16	3,283,430	23.58	93,890	2.8	139,751
RIDGEWOOD INV GRADE BOND	RIB.UN	703,493	12.19	8,578,152	14.71	10,348,382	74.30	447,421	4.3	1,770,229
Total				11,721,831		13,631,812	97.88	541,311	3.9	1,909,980
Total Canadian Fixed Income				11,721,831		13,631,812	97.88	541,311	3.9	1,909,980
Total Fixed Income				\$11,721,831		\$13,631,812	97.88	\$541,311	3.9	\$1,909,980
Total Portfolio				\$12,017,425		\$13,927,406	100.00	\$541,311	3.8	\$1,909,980