

## Extractive Sector Transparency Measures Act Report

Reporting Year From: 2/1/2016 To: 1/31/2017  
Reporting Entity Name Municipal Enterprises Limited

Reporting Entity ESTMA Identification Number E895966

Subsidiary Reporting Entities (if necessary) Dexter Construction Company Ltd. - E167222  
Grey Rock Services Inc - E921272

**Attestation: Please check one of the the boxes below and provide the required information**

**Attestation ( by Reporting Entity)**

*In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest I have reviewed the information contained in the ESTMA report for the entity(ies) listed above. Based on my knowledge, and having exercised reasonable diligence, the information in the ESTMA report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.*

**Attestation (through independent audit)**

*In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest that I engaged an independent auditor to undertake an audit of the ESTMA report for the entity(ies) and reporting year listed above. Such an audit was conducted in accordance with the Technical Reporting Specifications issued by Natural Resources Canada for independent attestation of ESTMA reports.*

*The auditor expressed an unmodified opinion, dated June 30, 2017, on the ESTMA report for the entities and period listed above.  
The independent auditor's report can be found at page 6 of the ESTMA report.*







## **Introduction**

Municipal Enterprises Ltd. and its subsidiaries (collectively “MEL”) have prepared the following audited consolidated report (“the Report”) of payments made to government entities for the year ended January 31, 2017 as required by the Extractive Sector Transparency Measures Act. MEL is engaged in the commercial development of minerals.

## **Basis of Preparation**

This report is presented in Canadian Dollars has been prepared in accordance with the requirements of the Act and the Natural Resources Canada (“NRCan”) Technical Reporting Specifications. The following is a summary of relevant judgments and definitions that MEL has made for the purpose of preparing the report.

## **Cash Payments**

Payments in the Report are reported on a cash basis in relation to the applicable commercial development activity and included in the fiscal period in which the payment was made.

Payments to the same payee that are equal to or exceed \$100,000 CAD in one of the required categories of payment noted below are disclosed. Payments are rounded to the nearest \$10,000.

## **Payee**

A payee is:

- a) Any government in Canada or in a foreign state;
- b) A body that is established by two or more governments;
- c) Any trust, board, commission, corporation or body or other authority that is established to exercise or perform, or that exercises or performs, a power, duty or function of a government for a government referred to in a) above or a body referred to in b) above.

## **Projects**

A “project” is defined as the operational activities that are governed by a single contract, license, lease, concession or similar legal agreement and form the basis for payment liabilities within a government. However, if multiple such agreements are substantially interconnected, the agreements may be grouped into a single “project” for reporting purposes.

MEL has concluded that its mining activities within each provincial boundary are substantially interconnected and have therefore reported payments made in each province as a separate “project”.

## **Payment Categories**

The information is reported under the following payment types.

### **Taxes**

This Report includes taxes levied on income, profit and production. Taxes reported include corporate income tax, property taxes and certain provincial resource surcharges. Consumption taxes, personal income taxes, sales taxes and environmental taxes, as well as tax refunds received are excluded.

### **Royalties**

These are payments for the rights to extract mineral resources.

### **Fees**

Fees include payments for rental fees, entry fees, regulatory charges and other considerations for licences, permits and/or concessions required in order to gain access to an area where extractive activities are performed. Fees that are paid in ordinary course commercial transactions in exchange for services or goods provided by the government are excluded. There were no reportable fee payments made to a payee for the year ended January 31, 2017.

### **Production Entitlements**

These payments relate to the payee's share of mineral production under production sharing agreements or similar contractual or legislated arrangements. There were no reportable production entitlement payments made to a payee for the year ended January 31, 2017.

### **Bonuses**

Payments made upon signing an agreement or a contract, or when a commercial discovery is declared, or production has commenced or a milestone is reached are considered bonus payments. There were no reportable bonus payments made to a payee for the year ended January 31, 2017.

### **Dividends**

These are dividend payments other than dividends paid to a payee as an ordinary shareholder of an entity unless paid in lieu of production entitlements or royalties. There were no reportable dividend payments made to a payee for the year ended January 31, 2017.

### **Infrastructure Improvement Payments**

Infrastructure improvement payments relate to the construction of infrastructure (road, building, bridge, rail) that do not primarily relate to the commercial development of minerals. There were no reportable infrastructure improvement payments made to a payee for the year ended January 31, 2017.

# Independent Auditor's Report

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To the Shareholder of  
**Municipal Enterprises Limited**

We have audited the accompanying Extractive Sector Transparency Measures Act – Annual Report of Municipal Enterprises Limited which comprise the schedule of payments by payee and the schedule of payments by project for the year ended January 31, 2017 and the related notes, which comprise a summary of significant judgements and definitions (together, the “schedules”). The schedules have been prepared by management in accordance with the financial reporting provisions in Sections 2, 3, 4 and 9 of the Extractive Sector Transparency Measures Act, Section 2.3 of the ESTMA – Technical Reporting Specifications and Sections 3.1 to 3.6 of the ESTMA – Guidance (collectively, the “financial reporting framework”).

## Management's responsibility for the schedules

Management is responsible for the preparation of the schedules in accordance with the financial reporting provisions referred to above, and for such internal control as management determines is necessary to enable the preparation of the schedules that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on the schedules based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedules. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedules.

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

#### Opinion

In our opinion, the Extractive Sector Transparency Measures Act – Annual Report of Municipal Enterprises Limited for the year ended January 31, 2017 is prepared, in all material respects, in accordance with the financial reporting provisions referred to above.

#### Basis of accounting

Without modifying our opinion, we draw attention to the notes to the schedules, which describe the basis of accounting. The schedules are prepared to assist Municipal Enterprises Limited to comply with the Extractive Sector Transparency Measures Act. As a result, the schedules may not be suitable for another purpose.



Halifax, Canada  
June 30, 2017

Chartered Professional Accountants  
Licensed Public Accountants