



Gitksan Development Corporation

Annual Report
December 31, 2013

Gitxsan Development Corporation

Message from the CEO

The Gitxsan Development Corporation, more often referred to, as GDC has become a household name in many circles, and for good reason. Since its inception just over two years ago, GDC has reached several milestones in advancing its strategic plan. The first of which was to establish a profitable, sustainable business while at the same time supporting Gitxsan cultural values. Through entrepreneurial endeavour, partnership and acquisition the Company is providing services in forestry, the environment, helicopter support, road and worksite safety, and security.

More importantly GDC has established several key relationships with learning institutions and programs such as the Northwest Community College, the BC Construction Association, the local school district, Right to Play Canada, Natural Resources Canada and Western Economic Diversification.

The Gitxsan Opportunities Initiative has contributed to the establishment of GDC as key employer in the region and the Youth Discoveries Program, now in its second year, is an invaluable investment in the Gitxsan of the future.

Looking forward, I sincerely believe the Gitxsan people are at the dawn of an incredible opportunity to realize the potential of the hard fought battles of the past and while 2013 was a year of many firsts 2014 is set to be a great year.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rick Connors', with a long horizontal line extending to the right.

Rick Connors, President and CEO

Gitxsan Development Corporation

Financial Highlights

The December 31, 2013 year-end consolidated financial statements for the Gitxsan Development Corporation (the “Company”) were audited by Akeroyd Leung Amlani, an independent CPA firm, based in Vancouver, BC, under an unqualified (clean) audit report date of March 9, 2015. An unqualified audit report is issued when the auditor concludes the financial statements have been prepared and presented fairly in accordance with Accounting Standards for Private Enterprises. Selected highlights of the Company’s year-end audited consolidated financial statements have been incorporated into this report.

Duties of Management

The Company maintained its financial record keeping, all adjusting journal entries as well as the preparation and fair presentation of its year-end financial statements. The Company adopted Accounting Standards for Private Enterprises for the current year-end and ensured that its financial statements were prepared in accordance with the aforementioned framework.

Audit of year-end consolidated financial statements

Akeroyd Leung Amlani performed the inaugural audit of the Company’s consolidated financial statements for the year-ended December 31, 2013. Akeroyd Leung Amlani performed the audit, complying with all ethical requirements, in accordance with Canadian generally accepted auditing standards to obtain reasonable assurance regarding whether the consolidated financial statements are free from material misstatement.

Gitxsan Development Corporation
Financial Highlights

Balance Sheet Highlights

As at	December 31, 2013 (audited)	December 31, 2012 (unaudited)
Assets		
Current Assets	4,576,659	1,916,556
Total Assets	\$ 20,599,600	\$ 17,369,469
Liabilities		
Current Liabilities	7,478,135	6,388,350
Total Liabilities	22,375,080	20,984,439
Shareholders' Equity		
Retained earnings	(1,775,510)	(3,615,000)
Total Shareholders' Equity & Liabilities	\$ 20,599,600	\$ 17,369,469

Income Statement and Retained Earnings Highlights

For the years ended	December 31, 2013 (audited)	December 31, 2012 (unaudited)
Sales	\$ 10,247,142	\$ 5,185,434
Gross profit	4,763,803	2,556,824
General, Administrative and Other Expenses	2,924,313	2,321,276
Net income	\$ 1,839,490	\$ 235,548
Retained earnings, beginning of year	(3,615,000)	(3,850,548)
Retained earnings, end of year	\$ (1,775,510)	\$ (3,615,000)

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Cash Flow Statement Highlights

For the years ended	December 31, 2013 (audited)	December 31, 2012 (unaudited)
Cash provided by (used in)		
Operating activities	2,077,505	(300,953)
Investing activities	(1,207,697)	117,064
Financing activities	135,294	194,512
Net increase in cash	1,005,102	894,796
Cash, beginning of the year	894,796	-
Cash, ending of the year	\$ 1,899,898	\$ 894,796

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Operations and entities

Gitxsan Development Corporation (the "Company") was incorporated in the Province of British Columbia on June 22, 2011. The Company acts as the main economic vehicle through which the Gitxsan people exercise their rights, affirmed in the landmark Delgamuukw Supreme Court Judgment (1997), on their 33,000 square km traditional territory.

The Company's main operations consist of timber harvesting, reforestation and forest management on its lands located in Northern British Columbia, near the Hazeltons. The Company has a wide variety of customers, both small and large corporations, for its raw forestry products such as timber and logs. The Company's forestry operations are conducted through its wholly owned subsidiary, Gitxsan Forests Inc. ("GFI"), formerly known as Gitxsan Forest Enterprises Inc. The subsidiary was incorporated on July 28, 2006 in the Province of British Columbia. Its operations are conducted mainly out of the Company's Hazelton office.

Additionally, the Company has setup several other wholly-owned subsidiaries:

Gitxsan Energy Inc. ("GEI"), incorporated in the Province of British Columbia on November 13, 2009, is the subsidiary under which the Company conducts its alternate-energy objectives, such as biomass heating projects.

Gitxsan Environmental Services Inc. ("GES"), incorporated in the Province of British Columbia on May 7, 2013, is the subsidiary under which the Company offers environmental services, socio-economic studies, and other work to pipeline projects proponents and others.

Gitxsan Safety Services Inc. ("GSS"), incorporated in the Province of British Columbia on May 7, 2013, is the subsidiary under which the Company provides mobile safety services to logging and other industry as well as traffic control and work alone monitoring.

Gitxsan Fuel Services Inc. ("GFS"), incorporated in the Province of British Columbia on March 14, 2014 (subsequent to the current year end) was established for the purpose of providing fuel, primarily for helicopter transportation, from its heliport facility at South Hazelton, BC.

Gitxsan Properties Inc. ("GPI"), incorporated in the Province of British Columbia on September 24, 2009 is an inactive subsidiary, under which it was intended that the Company would hold property. Subsequent to year-end, GPI acquired and commenced holding properties and assets.

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First-time adoption of Canadian accounting standards for private enterprises

These are the Company's first consolidated financial statements prepared in accordance with Canadian accounting standards for private enterprises ("ASPE"). The accounting policies currently used in the year-end financial statements have been applied in preparing the consolidated financial statements for the year ended December 31, 2013 and the comparative information for the year ended December 31, 2012.

The transition to ASPE has insignificantly affected the balance sheet, income statement or cash flow statement previously reported under Canadian generally accepted accounting principles ("GAAP").

Involvement in joint operations

The Company and Brinkman Forests Ltd. ("Brinkman"), signed an agreement on May 11, 2012 to form a joint venture, Gitxsan Northwest Transmission Line Joint Venture ("GNTL"), to conduct forest clearing, road preparation and camps services as required by BC Hydro for the purposes of infrastructure development on the Gitxsan portion of the Northwest Transmission Line Project.

The GNTL joint venture was transferred from the Company to its wholly owned subsidiary, GFI, on August 1, 2013, as agreed by both parties. No party will have or represent that it has authority or power, as an agent or otherwise, to act for or to undertake or create any obligation or responsibility on behalf of or in the name of either party or the joint venture itself.

The GNTL joint venture as such involves the selling of raw logs, lumber and related products and services as part of the venture. The percentage of net income as well as assets and obligations of the venture are split 60%/40% for the Company/Brinkman respectively, and net losses split 40%/60% the Company/Brinkman respectively.

Additionally, each party will hold 3.0% (2012- 1.5%) of their respective GNTL interests in trust for the Skii km Lax Ha Nation ("Skii") so that Skii will be beneficially entitled to a total 6% (2012- 3%) interest. The interest-in-trust owing to Skii totalling \$57,563 (2012- \$28,781) will be held by GDC until the dissolution of the joint arrangement with Brinkman at which point, the obligation owing to Skii will be paid.

As of December 31, 2013, the joint operations have generated total net income of \$438,542 (2012- \$1,151,259).

Intangible assets

Gitxsan Forests Inc. ("GFI") acquired Forest License A16831 ("FL") from Sunwave Forest Products

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Ltd., on April 19, 2007. Along with the acquisition of the FL, GFI assumed any silviculture liabilities as of the date of acquisition, on any lands under the aforementioned FL as well as Timber Development Assets and Forest Roads on those lands. The Gitxsan Treaty Society, initially provided funds to enable GFI to make the acquisition, on behalf of the Gitxsan Hereditary Chiefs.

In 2009, GFI engaged an independent 3rd party consultant to prepare an estimate of the value of the silviculture obligation, which was approximated to be \$3,151,047.

In Q4 2012, management engaged their joint venture partner, Brinkman to complete a silviculture obligation assessment. The estimated obligation increased to \$14,567,308 which was recorded as an adjustment to the carrying value of the obligation as well as its corresponding asset.

Related party transactions

During the year ended, loans in the amount of \$35,294 were advanced by the Company's sole shareholder. In total, the Company has been advanced total loans of:

	2013 (audited)	2012 (unaudited)
Gitxsan Development Corporation ¹	1,329,806	1,294,512
Gitxsan Forests Inc. ²	3,906,825	3,906,825
	5,236,631	5,201,337

Notes:

¹Loans were advanced to Gitxsan Development Corporation, commencing in 2011 upon present management introducing new forestry initiatives.

²Loans were advanced to Gitxsan Forests Inc. prior to 2011.

Silviculture obligation

In April 2007, the Company acquired a Forest License through its subsidiary, Gitxsan Forests Inc., for the purposes of commencing logging operations. Along with the acquisition of the Forestry License, the Company inherited silviculture obligations as previously noted.

In 2009, the Company engaged an independent 3rd party consultant to prepare the Company's initial silviculture obligation estimate of replanting. The estimate was approximated to be \$3,151,047 for which a liability and corresponding asset were setup.

In Q4 2012, management engaged their joint venture partner, Brinkman to complete a silviculture obligation assessment. The estimated obligation increased to \$14,567,308 which was recorded as an adjustment to the carrying value of the obligation as well as its corresponding asset.

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At present, the Company has made applications with the Ministry of Forests to determine current silviculture obligations based on recent assessments. The Company will commence reforestation operations subject to the outcome of these applications.

Subsequent events

On February 28, 2014, the Gitxsan Pipeline Services Joint Venture was formed between the Company and Brinkman, for the purposes of pursuing opportunities that may arise from natural gas pipeline development in the region.

On March 17, 2014, the Lax Yip Forestry Limited Partnership was formed between the Company, Brinkman and Lax Yip Forestry Ltd. (general partner), for the purpose of harvesting, clearing, forest engineering, marketing and selling of timber, with operations set to begin in 2015.

On April 8, 2014, the Gitxsan Pipeline Services Joint Venture engaged GeoTerra Integrated Resource System Ltd., for the purpose preparing a timber cruise data collection study on the Prince Rupert Gas Transmission ("PRGT") project right away.

On June 12, 2014, the Company and Britco LP formed a joint venture for the purposes of carrying on the business of constructing workforce housing and generating rental revenues.

On September 8, 2014, the Company signed a letter of intent to form a joint venture with Scarlet West Coast Security Services ("Scarlet") to provide security services to the region. Scarlet will also provide training, planning and structures for employment opportunities for Gitxsan Members. Subsequent to the release of the 2013 year-end audit report, the Company and Scarlet formed the joint venture.

On September 12, 2014, the GSS and Canruss Medical and Safety Services signed a memorandum of understanding for the purposes of providing medical services to projects and work sites in the region.