



# Gitksan Development Corporation

**Annual Report**  
December 31, 2014

## **Gitxsan Development Corporation**

### **Message from the CEO**

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The Gitxsan Development Corporation has reached several milestones since its inception just over four years ago, through its strategic plan- 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. The BC Safety Link monitoring center, established by GDC to provide critical work alone monitoring and asset tracking services to business, government and others went live in 2014.

We are very excited about our Youth Discoveries Program, now in its third year, which represents an invaluable investment in the Gitxsan of the future. Further, GDC has established several key relationships with learning institutions and programs such as the Northwest Community College, the BC Construction Association, 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.

Building on the success of 2013 GDC continued to grow its business in 2014 and the stage is set were even greater opportunity and growth in 2015.

Sincerely,

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

Rick Connors, President and CEO

## **Gitxsan Development Corporation**

### **Financial Highlights**

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The December 31, 2014 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 July 31, 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 in the prior year and has ensured that its financial statements were prepared in accordance with the aforementioned framework for the current year-end.

#### **Audit of year-end consolidated financial statements**

Akeroyd Leung Amlani performed the audit of the Company’s consolidated financial statements for the years ended December 31, 2014 and 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, 2014 (audited)	December 31, 2013 (audited)
<b>Assets</b>		
Current Assets	3,135,603	4,576,659
<b>Total Assets</b>	<b>\$ 18,559,718</b>	<b>\$ 20,599,600</b>
<b>Liabilities</b>		
Current Liabilities	6,516,324	7,750,209
<b>Total Liabilities</b>	<b>21,083,632</b>	<b>22,375,080</b>
<b>Shareholders' Equity</b>		
Retained earnings	(2,523,944)	(1,775,510)
<b>Total Shareholders' Equity &amp; Liabilities</b>	<b>\$ 18,559,718</b>	<b>\$ 20,599,600</b>

**Income Statement and Retained Earnings Highlights**

For the years ended	December 31, 2014 (audited)	December 31, 2013 (audited)
Sales	\$ 3,400,410	\$ 10,247,142
Gross profit	3,319,127	4,763,803
General, Administrative and Other Expenses	4,067,561	2,924,313
Net income (loss)	\$ (748,434)	\$ 1,839,490
Retained earnings, beginning of year	(1,775,510)	(3,615,000)
<b>Retained earnings, end of year</b>	<b>\$ (2,523,944)</b>	<b>\$ (1,775,510)</b>

# Gitxsan Development Corporation

## Financial Highlights

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### Cash Flow Statement Highlights

For the years ended	December 31, 2014 (audited)	December 31, 2013 (audited)
Cash provided by (used in)		
Operating activities	(670,260)	2,077,505
Investing activities	(175,718)	(1,207,697)
Financing activities	(101,017)	135,294
Net increase in cash	(946,995)	1,005,102
Cash, beginning of the year	1,899,898	894,796
Cash, ending of the year	\$ 952,903	\$ 1,899,898

# Gitxsan Development Corporation

## Abstract notes for Financial Highlights

December 31, 2014

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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 conducts its business operations through its subsidiary companies.

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

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 traffic control and mobile medic services as well as work alone monitoring, journey management and safety response solutions to industry through its BC Safety Link operations.

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.

### Involvement in joint operations

*Gitxsan Northwest Transmission Line Joint Venture*

## **Gitxsan Development Corporation**

### **Abstract notes for Financial Highlights**

*December 31, 2014*

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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.

#### *Gitxsan Pipeline Services Joint Venture*

The Company and Brinkman Forests Ltd. (“Brinkman”), signed an agreement on February 28, 2014, to form a joint venture, the Gitxsan Pipeline Services Joint Venture (“GPS”) for the purposes of pursuing opportunities that may arise from natural gas pipeline development in the region.

The percentage of net income/losses as well as assets and obligations of the venture are split 60%/40% for the Company/Brinkman respectively. At December 31, 2014, the GPS venture had generated net income of \$39,498 as per GDC’s 60% allocation of total net income.

#### *Lax Yip Forestry Limited Partnership*

On March 17, 2014, the Lax Yip Forestry Limited Partnership (“LYF LP”) 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 material operations set to begin in 2015.

The percentage of net income/losses as well as assets and obligations of the partnership are split 60% / 39% / 1% for the Company/Brinkman/general partner, respectively. During the year-ended December 31, 2014, LYF LP incurred various start-up expenses with material sales operations set to commence in 2015.

# Gitxsan Development Corporation

## Abstract notes for Financial Highlights

December 31, 2014

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### Intangible assets

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

As of December 31, 2014, no change has come to the value of the silviculture obligation.

### Related party transactions

During the year ended, loans in the amount of \$1,017 were paid back to the Company's sole shareholder. In total, the Company has been advanced total loans of:

	<b>2014</b>	2013
	<b>(audited)</b>	(audited)
Gitxsan Development Corporation <sup>1</sup>	<b>1,328,789</b>	1,329,806
Gitxsan Forests Inc. <sup>2</sup>	<b>3,906,825</b>	3,906,825
	<b>5,235,614</b>	5,236,631

#### Notes:

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

<sup>2</sup>Loans 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.



## **Gitxsan Development Corporation**

### **Abstract notes for Financial Highlights**

*December 31, 2014*

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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.

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 January 1, 2015, the Company signed an agreement with Aware360 Ltd. ("Aware360") to provide communication and monitoring services for the Company's employees and other companies and contractors operating in remote areas of Northern Canada.

On March 13, 2015, the Company signed an agreement 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.

#### **Management Update**

As of October 2015, the Company's applications to deem areas of trees under the Company's Forest License, "free-to-grow", were successfully filed with the Ministry of Forests, Lands & Natural Resource Operations. The result of the successful filings was a reduction in the estimated Silviculture Obligation from the previous \$14,567,508 balance.