

BORLAND CREEK LOGGING LTD.

Financial Statements

Year Ended March 31, 2016

(Unaudited)

BORLAND CREEK LOGGING LTD.

Index to Financial Statements

Year Ended March 31, 2016

(Unaudited)

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D. Kane Fraser, CPA, CA*
Partner

Ryan Broughton, CPA, CA*
Partner

*Denotes incorporated professional

REVIEW ENGAGEMENT REPORT

To the Shareholder of Borland Creek Logging Ltd.

We have reviewed the balance sheet of Borland Creek Logging Ltd. as at March 31, 2016 and the statements of retained earnings, loss and cash flow for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the company.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for private enterprises.

Without modifying our opinion, we draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared for the purpose of the Williams Lake Indian Band's oversight of Borland Creek Logging Ltd. and its financial performance. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Williams Lake Indian Band and Borland Creek Logging Ltd., and should not be used by parties other than the Williams Lake Indian Band and Borland Creek Logging Ltd.

Williams Lake, British Columbia
July 18, 2016


FBB Chartered Professional Accountants LLP

BORLAND CREEK LOGGING LTD.**Balance Sheet****March 31, 2016***(Unaudited)*

	2016	2015
Assets		
Current		
Cash	\$ 105,538	\$ 318,646
Accounts receivable <i>(Note 6)</i>	176,830	74,640
Prepaid expenses	35,156	32,792
Security deposits	510	510
	<u>318,034</u>	<u>426,588</u>
Due from related parties <i>(Note 7)</i>	-	758
Due from shareholder <i>(Note 8)</i>	-	20,338
Property, plant and equipment <i>(Note 9)</i>	1,227,666	1,267,488
Deferred charges	7,800	16,200
Restricted cash <i>(Note 10)</i>	98,668	97,909
	<u>\$ 1,652,168</u>	<u>\$ 1,829,281</u>
Liabilities		
Current		
Accounts payable and accrued liabilities <i>(Note 11)</i>	\$ 113,289	\$ 88,593
Current portion of long term debt <i>(Note 12)</i>	313,215	480,440
Logging advances payable	-	84,423
	<u>426,504</u>	<u>653,456</u>
Long term debt <i>(Note 12)</i>	265,496	139,793
Due to related parties <i>(Note 7)</i>	2,411	8,181
Due to shareholder <i>(Note 8)</i>	2,973	-
Provision for future reforestation <i>(Note 13)</i>	21,981	21,981
	<u>719,365</u>	<u>823,411</u>
Shareholder's Equity		
Share capital <i>(Note 15)</i>	3	3
Contributed surplus <i>(Note 16)</i>	149,019	149,019
Retained earnings	783,781	856,848
	<u>932,803</u>	<u>1,005,870</u>
	<u>\$ 1,652,168</u>	<u>\$ 1,829,281</u>

APPROVED BY THE DIRECTORS



Director



Director

The accompanying notes are an integral part of this statement.

BORLAND CREEK LOGGING LTD.

Statement of Retained Earnings

Year Ended March 31, 2016

(Unaudited)

	<u>2016</u>	<u>2015</u>
Retained earnings - beginning of year	\$ 856,848	\$ 936,196
Net loss for the year	<u>(73,067)</u>	<u>(79,348)</u>
Retained earnings - end of year	<u>\$ 783,781</u>	<u>\$ 856,848</u>

The accompanying notes are an integral part of this statement.

BORLAND CREEK LOGGING LTD.
Statement of Loss
For the Year Ended March 31, 2016
(Unaudited)

	2016	2015
Revenue		
Log sales	\$ 2,815,372	\$ 2,378,897
Equipment rentals	536,190	668,671
Road Maintenance	12,949	-
Falling Revenue	2,160	-
	<u>3,366,671</u>	<u>3,047,568</u>
Direct costs		
Consultants	8,245	5,565
Contractors	1,327,456	974,084
Direct wages	719,412	721,953
Fuel and oil	257,191	258,105
Rentals	98,121	74,990
Repairs and maintenance	137,435	116,111
Royalties	75,000	75,000
Supplies	28,144	32,419
Travel	110	2,634
	<u>2,651,114</u>	<u>2,260,861</u>
Gross profit (21%; 2015 - 26%)	715,557	786,707
General and administrative expenses (Schedule 1)	758,436	737,465
Income (loss) from operations	<u>(42,879)</u>	49,242
Other income		
Loss on disposal of property, plant and equipment	(31,216)	(130,672)
Interest income	1,028	2,082
	<u>(30,188)</u>	<u>(128,590)</u>
Net loss for the year	<u>\$ (73,067)</u>	<u>\$ (79,348)</u>

The accompanying notes are an integral part of this statement.

BORLAND CREEK LOGGING LTD.**Statement of Cash Flow****Year Ended March 31, 2016***(Unaudited)*

	<u>2016</u>	<u>2015</u>
Operating activities		
Net loss for the year	\$ (73,067)	\$ (79,348)
Items not affecting cash:		
Amortization of property, plant and equipment	428,496	416,521
Loss on disposal of property, plant and equipment	31,216	130,672
	<u>386,645</u>	<u>467,845</u>
Changes in non-cash working capital:		
Accounts receivable	(102,190)	126,827
Deferred charges	8,400	8,400
Accounts payable and accrued liabilities	24,696	(36,897)
Prepaid expenses	(2,364)	(4,112)
Logging advances payable	(84,423)	84,423
	<u>(155,881)</u>	<u>178,641</u>
Cash flow from operating activities	<u>230,764</u>	<u>646,486</u>
Investing activities		
Purchase of property, plant and equipment	(445,291)	(582,631)
Proceeds on disposal of property, plant and equipment	25,400	3,476
Restricted cash	(759)	(775)
Cash flow used by investing activities	<u>(420,650)</u>	<u>(579,930)</u>
Financing activities		
Advances from (to) related parties	(5,012)	4,060
Advances from (to) shareholders	23,311	(3,010)
Proceeds from long term financing	433,203	373,273
Repayment of long term debt	(474,724)	(445,023)
Provision for future reforestation	-	(15,262)
Cash flow used by financing activities	<u>(23,222)</u>	<u>(85,962)</u>
Decrease in cash flow	(213,108)	(19,406)
Cash - beginning of year	<u>318,646</u>	<u>338,052</u>
Cash - end of year	\$ 105,538	\$ 318,646
Cash flow supplementary information		
Interest received	<u>\$ (1,028)</u>	<u>\$ (2,082)</u>
Interest paid	<u>\$ 23,709</u>	<u>\$ 24,354</u>

The accompanying notes are an integral part of this statement.

BORLAND CREEK LOGGING LTD.

Notes to Financial Statements

Year Ended March 31, 2016

(Unaudited)

1. Description of business

Borland Creek Logging Ltd. (the "company") is incorporated under the *British Columbia Business Corporations Act*. The company was formed to promote, protect and enhance the economic, social and cultural well being of the Williams Lake Indian Band. The company is exempt from income taxes under Section 149 of the *Income Tax Act*.

The company's principal business activity is logging and log hauling.

2. Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for private enterprises (GAAP).

As a government business enterprise, Canadian public sector accounting standards require the company to adhere to the standards applicable to publicly accountable enterprises in the Chartered Professional Accountants Handbook - Accounting. Accordingly the company is required under Canadian generally accepted accounting principles to prepare its financial statements using International Financial Reporting Standards.

Management has determined that the internal reporting needs of the company and its shareholder, the Williams Lake Indian Band, are met through the use of Canadian accounting standards for private enterprises (ASPE) and, therefore, these financial statements have been prepared with that framework. Since ASPE is not designed necessarily to meet the needs of all users of the financial statements of a government business enterprise, the readers of these financial statements may require additional information.

3. Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand less outstanding cheques and deposits with a maturity of less than three months at the time of purchase. When outstanding cheques are in excess of cash on hand, the excess is reported in bank indebtedness. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

(continues)

BORLAND CREEK LOGGING LTD.

Notes to Financial Statements

Year Ended March 31, 2016

(Unaudited)

3. Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization. Property, plant and equipment is amortized over its estimated useful life on a declining balance basis at the following rates:

Equipment	30%
Logging equipment	30%
Logging equipment under capital lease	30%
Motor vehicles	30%
Office and general equipment	20%

The company regularly reviews its property, plant and equipment to eliminate obsolete items. Government grants, if any, are treated as a reduction of property, plant and equipment cost.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Revenue recognition

The company recognizes revenues when they are earned, specifically when all the following conditions are met:

- services are provided or products are delivered to customers;
- there is clear evidence that an arrangement exists;
- amounts are fixed or can be determined; and
- the ability to collect is reasonably assured.

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. Examples of the estimates used by the company are for determining the collectibility of accounts receivable and the provision for amortization.

4. Financial instruments

The company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the company's risk exposure and concentration as of March 31, 2016.

(continues)

BORLAND CREEK LOGGING LTD.**Notes to Financial Statements****Year Ended March 31, 2016***(Unaudited)***4. Financial instruments (continued)**Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company is exposed to credit risk from customers. In order to reduce its credit risk, the company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The company has a significant number of customers which minimizes concentration of credit risk.

There is no change in the risk exposure from the previous period.

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. In seeking to minimize the risks from interest rate fluctuations, the company manages exposure through its normal operating and financing activities. The company is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

There is no change in the risk exposure from the previous period.

5. Economic dependence

The company provides contract logging services to Tolko Industries Ltd. and derived approximately 88% of its revenue from them. If economic conditions change and this business slows or ceases operations, the company's economic viability may be impaired.

6. Accounts receivable

	<u>2016</u>	<u>2015</u>
Trade receivables	\$ 154,849	\$ 52,953
Silviculture receivable - West Fraser Mills Ltd.	21,981	21,981
Subtotal	176,830	74,934
Allowance for doubtful accounts	-	(294)
	<u>\$ 176,830</u>	<u>\$ 74,640</u>

7. Due from (to) related parties

	<u>2016</u>	<u>2015</u>
Long term portion due from related party Sugar Cane Enterprises Ltd.	\$ -	\$ 758

(continues)

BORLAND CREEK LOGGING LTD.**Notes to Financial Statements****Year Ended March 31, 2016***(Unaudited)***7. Due from (to) related parties (continued)**

	<u>2016</u>	<u>2015</u>
Long term portion due to related parties		
Sugar Cane TreadPro Limited	\$ 2,411	\$ 3,111
Sugar Cane Development Corporation	-	4,500
Sugarcane Petroleum Products Corporation	-	570
	<u>\$ 2,411</u>	<u>\$ 8,181</u>

Advances from and to related companies are non-interest bearing and have no set repayment terms. The companies are related by virtue of their common ownership.

8. Due to (from) shareholder

	<u>2016</u>	<u>2015</u>
Williams Lake Indian Band	\$ 2,973	\$ (20,338)

The amounts due to shareholder are non-interest bearing, have no set repayment terms and are secured by promissory notes. The shareholder has postponed repayment in favour of the bank. Accordingly, the advances from shareholder have been classified as a long term liability.

9. Property, plant and equipment

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Logging equipment	\$ 2,490,089	\$ 1,462,484	\$ 1,027,605	\$ 1,121,388
Motor vehicles	376,150	192,567	183,583	134,502
Equipment	35,852	20,551	15,301	10,127
Office and general equipment	2,695	1,518	1,177	1,471
	<u>\$ 2,904,786</u>	<u>\$ 1,677,120</u>	<u>\$ 1,227,666</u>	<u>\$ 1,267,488</u>

10. Restricted cash

	<u>2016</u>	<u>2015</u>
Funds held on deposit	\$ 98,668	\$ 97,909

Restricted cash consists of funds held jointly with the Ministry of Forests in safekeeping agreements on various timber licences harvested by the company.

11. Accounts payable and accrued liabilities

	<u>2016</u>	<u>2015</u>
Accounts payable and accrued liabilities	\$ 71,867	\$ 37,633
Government remittances	41,422	50,960
	<u>\$ 113,289</u>	<u>\$ 88,593</u>

BORLAND CREEK LOGGING LTD.**Notes to Financial Statements****Year Ended March 31, 2016***(Unaudited)***12. Long term debt**

	<u>2016</u>	<u>2015</u>
Ford Credit Canada Limited conditional financing agreement bearing interest at 2.49% per annum, repayable in monthly blended payments of \$1,060. The loan matures on October 9, 2017 and is secured by a charge against a 2014 Ford F150 with a carrying value of \$20,889.	\$ 19,736	\$ 31,806
John Deere Canada conditional financing agreement.	-	105,218
John Deere Canada conditional financing agreement.	-	22,122
John Deere Canada conditional financing agreement.	-	28,588
John Deere Canada conditional financing agreement bearing interest at 3.9% per annum, repayable in monthly blended payments of \$14,250. The loan matures on October 23, 2016 and is secured by a charge against a 2013 John Deere 245D Excavator with a carrying value of \$185,551.	55,997	178,838
Caterpillar Financial Services Limited conditional financing agreement bearing interest at 4.45% per annum, repayable in monthly blended payments of \$12,817, with skip payments in April, May and June. The loan matures on September 30, 2017 and is secured by a charge against a 2014 Caterpillar 521B Feller Buncher with a carrying value of \$303,748.	148,101	253,661
Ford Credit Canada Limited conditional financing agreement bearing interest at 4.99% per annum, repayable in monthly blended payments of \$522. The loan matures on August 2, 2020 and is secured by a charge against a 2016 Ford F350 XL with a carrying value of \$39,964.	42,265	-
Caterpillar Financial Services conditional financing agreement bearing interest at 0% per annum, repayable in monthly blended payments of \$8,948. The loan matures on August 12, 2018 and is secured by a charge against a 2015 Caterpillar 535D Skidder with a carrying value of \$281,492.	259,487	-
Ford Credit Canada Limited conditional financing agreement bearing interest at 4.99% per annum, repayable in monthly blended payments of \$657. The loan matures on August 1, 2020 and is secured by a charge against a 2016 Ford F350 XLT with a carrying value of \$50,242.	53,125	-
	<u>578,711</u>	<u>620,233</u>
Amounts payable within one year	<u>(313,215)</u>	<u>(480,440)</u>
	<u>\$ 265,496</u>	<u>\$ 139,793</u>

(continues)

BORLAND CREEK LOGGING LTD.**Notes to Financial Statements****Year Ended March 31, 2016***(Unaudited)***12. Long term debt (continued)**

Principal repayment terms are approximately:

2017	\$	313,215
2018		180,888
2019		74,109
2020		10,499
		<u>578,711</u>
	\$	<u>578,711</u>

13. Provision for future reforestation

	<u>2016</u>	<u>2015</u>
Provision for future reforestation costs	<u>\$ 21,981</u>	<u>\$ 21,981</u>

The provision for future reforestation represents the estimated costs to reforest properties logged under timber licenses harvested by the company.

14. Contingent liability

During the course of the year the company may be a defendant in a lawsuit. The company reviews any claims or potential claims made against it on a yearly basis to determine if they would be covered by insurance, and if not, whether a claim that would not be successfully defended would have a material effect on the financial statements.

The company is not aware of any claims or potential claims that if not successfully defended would have a material effect on the financial statements. If a claim was paid as a result of the outcome of litigation it would be treated as an expenditure.

15. Share capital

Authorized:
10,000 Common shares with a par value of \$1 each

	<u>2016</u>	<u>2015</u>
Issued:		
3 Common shares	<u>\$ 3</u>	<u>\$ 3</u>

16. Contributed surplus

	<u>2016</u>	<u>2015</u>
Contributed by the Williams Lake Indian Band	<u>\$ 149,019</u>	<u>\$ 149,019</u>

BORLAND CREEK LOGGING LTD.**Notes to Financial Statements****Year Ended March 31, 2016***(Unaudited)***17. Related party transactions**

The following is a summary of the company's related party transactions:

	<u>2016</u>	<u>2015</u>
Williams Lake Indian Band <i>(Shareholder)</i>		
Revenue	\$ 55,000	\$ 42,186
Equipment rental	-	10,743
Miscellaneous revenue	193,725	50,994
Honorarium	(400)	-
Donations	(5,000)	(6,000)
Office rent and telephone	(6,720)	(6,720)
Internet	(1,080)	(720)
Administrative wages	(23,542)	(25,690)
Royalties	(75,000)	(75,000)
Miscellaneous expenses	(2,394)	(461)
Supplies, shop supplies	-	(16,826)
	<u>134,589</u>	<u>(27,494)</u>
Sugar Cane TreadPro Limited <i>(Related by common control)</i>		
Repairs and maintenance	<u>(25,415)</u>	<u>(37,085)</u>
Sugarcane Petroleum Products Corporation <i>(Related by common control)</i>		
Fuel	(1,789)	(6,622)
Community Initiative	-	(561)
	<u>(1,789)</u>	<u>(7,183)</u>
Sugar Cane Development Corporation <i>(Related by common control)</i>		
Shop rent	<u>(8,400)</u>	<u>(8,400)</u>
	<u>\$ 98,985</u>	<u>\$ (80,162)</u>

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

18. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

BORLAND CREEK LOGGING LTD.
General and administrative expenses
For the Year Ended March 31, 2016
(Unaudited)

(Schedule 1)

	2016	2015
Advertising and promotion	\$ 30,214	\$ 28,914
Amortization	428,496	416,521
Bad debts	-	294
Licences, dues and fees	640	1,145
Equipment rentals	1,150	2,280
Insurance	57,074	52,681
Interest	2,606	2,161
Interest on long term debt	21,104	22,192
Office	2,620	8,448
Honoraria	800	-
Billboard project	28,060	27,755
Community work	1,205	7,280
Landscaping equipment	-	378
Professional fees	8,500	5,000
Rental	24,124	15,445
Repairs and maintenance	25,904	17,127
Salaries and wages	97,383	106,961
Supplies	1,090	4,804
Telephone	7,363	6,899
Utilities	1,271	1,211
Vehicle	18,832	9,969
	\$ 758,436	\$ 737,465

The accompanying notes are an integral part of this statement.