



Gitksan Development Corporation

Annual Report
December 31, 2015

Gitxsan Development Corporation

Message from the CEO

During 2015 the Gitxsan Development Corporation continued to achieve significant milestones while remaining true to the Company's strategic plan to establish a profitable, sustainable business while at the same time supporting Gitxsan cultural values.

In March, Gitxsan Safety Services (GSS) went live with BC Safety Link (BCSL) a lone worker, journey management monitoring program, established by GDC to provide critical work alone monitoring and asset tracking services to business, government and others operating in remote environments throughout British Columbia.

GSS partnered with a major security firm with operations across Western Canada to provide security services to camps, ports, mining operations, oil & gas and other industrial clients.

In November GSS was awarded two major contracts to provide heavy haul support including piloting services and traffic control for over 600 loads traveling from the Port of Stewart to Tumber Ridge, BC and to Redwater, Alberta. These projects represent the two largest heavy haul projects ever permitted in British Columbia.

The Gitxsan Opportunities Initiative (GOI) has contributed to the establishment of GDC as key employer in the region while GDC's ongoing relationships with learning institutions and programs such as the Northwest Community College, the BC Construction Association, the local school district, Natural Resources Canada and Western Economic Diversification continues to support job creation and GDC's Youth Discovery Program, now in its fourth year continues to represent 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 2014 and 2015 were exceptional years, 2016 beyond present even greater opportunity and growth.

Sincerely,

Rick Connors, President and CEO

Gitxsan Development Corporation

Financial Highlights

The December 31, 2015 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 September 12, 2016. 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, 2015 and 2014. 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, 2015 (audited)	December 31, 2014 (audited)
Assets		
Current Assets	4,379,804	3,135,603
Total Assets	\$ 16,675,192	\$ 18,559,718
Liabilities		
Current Liabilities	8,168,363	6,516,324
Total Liabilities	19,630,346	21,083,632
Shareholders' Equity		
Retained earnings	(2,955,154)	(2,523,944)
Total Shareholders' Equity & Liabilities	\$ 16,675,192	\$ 18,559,718

Income Statement and Retained Earnings Highlights

For the years ended	December 31, 2015 (audited)	December 31, 2014 (audited)
Sales	\$ 6,701,203	\$ 3,400,410
Gross profit	3,953,582	3,258,557
General, Administrative and Other Expenses	4,384,822	4,004,838
Net income (loss)	\$ (431,240)	\$ (748,434)
Retained earnings, beginning of year	(2,523,944)	(1,775,510)
Retained earnings, end of year	\$ (2,955,184)	\$ (2,523,944)

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Cash Flow Statement Highlights

For the years ended	December 31, 2014 (audited)	December 31, 2014 (audited)
Cash provided by (used in)		
Operating activities	78,366	(670,260)
Investing activities	863,052	(175,718)
Financing activities	(504)	(101,017)
Net increase in cash	940,914	(946,995)
Cash, beginning of the year	952,903	1,899,898
Cash, ending of the year	\$ 1,893,817	\$ 952,903

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Abstract notes for Financial Highlights

December 31, 2015

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 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 was established for the purpose of providing fuel, primarily for helicopter transportation, from its heliport facility at South Hazelton, BC. Subsequent to year-end, the Company changed GFS' name to Gitxsan Transportation Services ("GTI").

Gitxsan Properties Inc. ("GPI"), was incorporated in the Province of British Columbia on September 24, 2009, and was established to develop hold property.

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Involvement in joint operations

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, 2015, the GPS venture had generated net loss of \$6,439 (2014- 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, 2015, LYF LP incurred net income of \$812,629 (2014- net loss of \$505,013) as per GDC's 60% allocation of total net income.

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.

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During the year, the Company successfully submitted Free-To-Grow applications (“FTG”) on 71 blocks of forest under its FL. The applications deem that the 71 blocks are “Free To Grow” such that no remediation efforts by the Company is required. As such, the total reduction in obligation and corresponding Silviculture Obligation asset was \$3,105,325. The obligation at year-end had a balance of \$11,461,983.

Related party transactions

During the year ended, short-term loans in the amount of \$63,994 were repaid to the Company. In total, the Company has been advanced total long-term loans of:

	2015	2014
	(audited)	(audited)
Gitxsan Development Corporation ¹	1,328,285	1,328,789
Gitxsan Forests Inc. ²	3,906,825	3,906,825
	5,235,110	5,235,614

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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Subsequent events

On January 26, 2016, the Company signed a promissory note with the Tale'awtxw Aboriginal Capital Corporation ("TACC") (the lender) seeking funds in the amount of \$339,500 and New Relationship Trust Equity Matching program funds in the amount of \$25,000 for expansion of the business. The term of the loan is 36 months at 8% per annum interest.

On February 22, 2016, the Company has changed the name of one of its subsidiaries, Gitxsan Fuel Services Inc. to Gitxsan Transportation Inc. ("GTI") as the new name is more encompassing of the business' operations.

On April 18, 2016, the Company and Yellowhead Helicopters Ltd. ("Yellowhead") have signed an agreement for the provision of helicopter charter services in the territory and to permit Yellowhead to use a helicopter base owned by GFI.

Management Update

As of October 2016, the Company has plans to submit further applications to reduce the obligation, however, at this time, the number of blocks and decision as to whether or not the remaining blocks are deemed Free To Grow is still unknown. As such, as of December 31, 2015, no further reduction of the obligation has been recorded due to the uncertainty.