



Gitksan Development Corporation

Annual Report
December 31, 2018

Gitxsan Development Corporation

Message from the CEO

Several strategic projects and initiatives were undertaken in 2018, paving the way for the future expansion of GDC, while its subsidiary companies continue to grow, generating job opportunities for the region and for Gitxsan people.

Gitxsan Environmental Services Inc. (GES), continues to expand its capacity and with the Coastal Gas Link natural gas pipeline project moving forward, the Company expects to benefit through additional contracting opportunities.

Gitxsan Safety Services Inc. (GSS), has evolved into a major safety services provider. Its business, typically seasonal in nature, has become a 12-month operation. Profitability continues to improve, as the company focuses on its customer service and through operational efficiencies.

Gitxsan Forests Inc (GFI), concluded a share sale of the subsidiary company Gitxsan Forest License Inc. (GFLI), to a leading Forest Management Firm, NorthPac Forestry Group Ltd. GFLI held Forest License AL16831. This was a significant and very creative transaction that will bring greater returns to individual Wilp groups who participate actively in logging and other related ventures, and will also bring value to the Gitxsan people as a whole.

Remediation work is set to start at the Company's South Hazelton property that will include the new Corporate Headquarters for GDC and its subsidiaries. Anticipated completion of the new office is scheduled for December 2019. In addition, GDC is looking into the potential development of a 120,000 tonne torrefied pellet plant proposed to be located on the property. This business will represent the world launch of a new patented Canadian technology and will provide its off-take to customers in Asia, in addition to providing its product to Canadian consumers across the country.

We continue to invest in our youth, and we are proud of the work that has been done through the Career Discoveries Program, now in its sixth year. This year's project is to continue building a five km walking trail around the entire 113 acre property known as the "Gitxsan Commercial Complex", in South Hazelton. As well, the Company continues to support the aspirations of Gitxsan and community members through its Five Year Human Resource Strategy and Aggregate Workforce Profile, now in its third year.

It's most rewarding to witness the growth occurring in our region as we expand the scope of our projects, new business partnerships and a solid Gitxsan workforce who are building careers rooted in cultural social and economic values.

Sincerely,



Rick Connors, President and CEO

Gitxsan Development Corporation

Financial Highlights

The December 31, 2018 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 23, 2019. 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 year ended December 31, 2018. 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, 2018 (audited)
Assets	
Current Assets	6,093,236
Total Assets	\$ 7,010,575
Liabilities	
Current Liabilities	7,503,509
Total Liabilities	8,296,958
Shareholders' Equity	
Retained earnings	(1,286,383)
Total Shareholders' Equity & Liabilities	\$ 7,010,575

Income Statement and Retained Earnings Highlights

For the years ended	December 31, 2018 (audited)
Sales	\$ 2,737,392
Gross profit	2,465,849
General, Administrative and Other Expenses	3,897,958
Loss from continuing operations, before other items	\$ (1,432,109)
Other income	21,759
Gain on sale of discontinued operations	5,785,943
Net income	\$ 4,375,593

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Cash Flow Statement Highlights

	December 31, 2018 (audited)
For the years ended	
Cash provided by (used in)	
Operating activities	\$ 890,539
Investing activities	933,438
Financing activities	(227,907)
Net increase in cash	1,596,070
Cash, beginning of the year	467,587
Cash, ending of the year	\$ 2,063,357

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Abstract notes for Financial Highlights

December 31, 2018

Operations and entities

Gitxsan Development Corporation (the "Company" or "GDC") 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 has three main, wholly-owned subsidiary businesses, Gitxsan Forests Inc. (GFI) and Gitxsan Safety Services Inc. (GSS) and Gitxsan Environmental Services (GEI). During the year, the Company ceased its forestry joint venture operations and sold its Forestry license.

The main operations of GFI consisted of timber harvesting, reforestation and forest management on its lands located in Northern British Columbia, near the Hazeltons. The Company had a wide variety of customers, both small and large corporations, for its raw forestry products such as timber and logs. GFI's operations were facilitated through a joint venture partnership with Brinkman Forest Ltd. through its offices in Terrace, BC.

The main operations of GSS consist of flagging, pilot car transport, general traffic management services and safety monitoring through its BC Safetylink division. Operations are centered out of the Hazelton office and cover a wide area of western Canada as its success continues to expand. This is one of the core businesses and largest employer for GDC.

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 various regional customers including the Province of BC, Telus, BC Hydro, TransCanada and other various companies. Most business is on a regional basis, however, plans are in place to expand our scope and staff in 2019.

Additionally, GDC 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. This Company launched its operations with two boiler installation projects in the Hazelton area for the Gitanmaax Gas Bar & Car Wash and the GWES College.

Gitxsan Transportation Inc. ("GTI"), 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.

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

Gitxsan Food Services Inc. (“GFSI”), was incorporated in the Province of British Columbia on November 17, 2017. All of the outstanding shares of GFSI were acquired by GPI and GFSI will be a subsidiary of GPI. GFSI will provide food and catering services as well as own and manage restaurants to provide for workers in Northern regions of the province.

Involvement in joint operations

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, 2018, LYF LP incurred net income of \$1,344,771 (2017- \$1,041,126) as per GDC’s 60% allocation of total net income.

The LYF LP was wound up and its operations completed during the year.

Related party transactions

During the year, loans in the amount of \$12,084 were repaid to the Company’s shareholder. The balances of amounts due to (from) related parties are noted below:

	2018
	(audited)
Gitxsan Development Corporation ¹	\$ 1,303,409
Gitxsan Forests Inc. ²	3,906,825
	\$ 5,210,234

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.

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Long-term debt with related parties

The Company sought a loan from the Company's shareholder. The terms of the loans are as follows:

	<u>Loan #1</u>
Loan acquisition date	12-Dec-18
Principal	\$750,000
Interest rate (monthly compounding)	2.00%
Monthly payment (interest only)	\$1,250
Term (months)	<u>120</u>

As of December 31, 2018, the loan balances are:

	<u>Loan #1</u>
Long-Term Debt	<u>\$750,740</u>

The loan does not include any restrictive or performance covenants.