

XAT'SULL LIMITED PARTNERSHIP
FINANCIAL STATEMENTS
(Unaudited)
For the year ended March 31, 2022

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(Unaudited)
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223 Reid Street, Quesnel, BC, V2J 2M1
Telephone: 778-414-5678 FAX: 778-414-5679

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Board of Directors of

Xat'Sull Limited Partnership

We have reviewed the accompanying financial statements of Xat'Sull Limited Partnership, that comprise the balance sheet as at March 31, 2022, and the statements of operations, partners' surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Xat'Sull Limited Partnership as at March 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Other Matter

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of presentation. The financial statements have been prepared for the purpose of the Xat'sull First Nation's oversight of the Partnership and its financial performance. As a result, the financial statements may not be suitable for other purposes. Our report is intended solely for the Xat'sull First Nation and the Partnership and should not be used by other parties.

Quesnel, BC
July 19, 2022

FBB CHARTERED
PROFESSIONAL
ACCOUNTANTS LLP

XAT'SULL LIMITED PARTNERSHIP

STATEMENT OF OPERATIONS

(Unaudited)

For the year ended March 31, 2022

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|-------------------|
| SALES | | |
| Mining | \$ 114,561 | \$ 110,697 |
| Ministry of FLNRO | - | 247,440 |
| Interest income | 4,281 | 3,503 |
| Other | - | 28,888 |
| Income from partnership | 476,315 | 386,980 |
| Timber sales | <u>1,977,338</u> | <u>147,087</u> |
| | 2,572,495 | 924,595 |
| | | |
| DIRECT COSTS | | |
| Forestry costs | <u>2,750</u> | <u>2,140</u> |
| | | |
| GROSS PROFIT | 2,569,745 | 922,455 |
| | | |
| EXPENSES, Schedule 1 | <u>619,049</u> | <u>683,279</u> |
| | | |
| INCOME FROM OPERATIONS | 1,950,696 | 239,176 |
| | | |
| OTHER EXPENSE | | |
| Loss on sale of property, plant and equipment | <u>-</u> | <u>9,418</u> |
| | | |
| NET INCOME | <u>\$ 1,950,696</u> | <u>\$ 229,758</u> |

See accompanying notes

XAT'SULL LIMITED PARTNERSHIP
STATEMENT OF PARTNERS' SURPLUS
(Unaudited)
For the year ended March 31, 2022

| | <u>2022</u> | | |
|-----------------------|---|--------------------------------|---------------------------------|
| | <u>BALANCE, beginning of year</u> | <u>Share of net income</u> | <u>BALANCE, end of year</u> |
| Xat'sull First Nation | \$ 1,564,388 | \$ 1,950,696 | \$ 3,515,084 |
| General partner | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 1,564,388</u> | <u>\$ 1,950,696</u> | <u>\$ 3,515,084</u> |
| | <u>2021</u> | | |
| | <u>BALANCE, beginning of year</u> | <u>Share of net income</u> | <u>BALANCE, end of year</u> |
| Xat'sull First Nation | \$ 1,334,630 | \$ 229,758 | \$ 1,564,388 |
| General partner | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 1,334,630</u> | <u>\$ 229,758</u> | <u>\$ 1,564,388</u> |

See accompanying notes

XAT'SULL LIMITED PARTNERSHIP

BALANCE SHEET

(Unaudited)

As at March 31, 2022

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 3,280,915 | \$ 1,301,016 |
| Short term investment | 44,550 | 30,201 |
| Accounts receivable (note 3) | 53,547 | 487,566 |
| Prepaid expenses | 1,454 | 445 |
| Restricted cash (note 4) | 94,801 | 94,801 |
| GST receivable | 52 | 18,622 |
| Due from related party (note 5) | <u>81,223</u> | <u>81,223</u> |
| | 3,556,542 | 2,013,874 |
| PROPERTY, PLANT AND EQUIPMENT (note 6) | <u>74,579</u> | <u>50,658</u> |
| | <u>\$ 3,631,121</u> | <u>\$ 2,064,532</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities (note 7) | \$ 66,037 | \$ 300,144 |
| Unearned revenue | <u>50,000</u> | <u>200,000</u> |
| | 116,037 | 500,144 |
| PARTNERS' SURPLUS (note 8) | <u>3,515,084</u> | <u>1,564,388</u> |
| | <u>\$ 3,631,121</u> | <u>\$ 2,064,532</u> |

On behalf of the Board of Directors

_____ Director

_____ Director

See accompanying notes

XAT'SULL LIMITED PARTNERSHIP

STATEMENT OF CASH FLOWS

(Unaudited)

For the year ended March 31, 2022

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| OPERATING ACTIVITIES | | |
| Net income | \$ 1,950,696 | \$ 229,758 |
| Items not affecting cash | | |
| Amortization | 11,371 | 12,690 |
| Loss on sale of property, plant and equipment | <u>-</u> | <u>9,418</u> |
| | 1,962,067 | 251,866 |
| Change in non-cash working capital items | | |
| Short term investment | (14,349) | (30) |
| Accounts receivable | 434,019 | (472,913) |
| Prepaid expenses | (1,009) | (445) |
| GST receivable | 18,570 | (1,869) |
| Accounts payable and accrued liabilities | (234,107) | 254,688 |
| Unearned revenue | (150,000) | 200,000 |
| GST payable | <u>-</u> | <u>(2,594)</u> |
| | 2,015,191 | 228,703 |
| INVESTING ACTIVITY | | |
| Purchase of property, plant and equipment | <u>(35,292)</u> | <u>-</u> |
| INCREASE IN CASH | 1,979,899 | 228,703 |
| CASH, BEGINNING OF YEAR | <u>1,395,817</u> | <u>1,167,114</u> |
| CASH, END OF YEAR | <u>\$ 3,375,716</u> | <u>\$ 1,395,817</u> |
| CASH CONSISTS OF: | | |
| Cash | \$ 3,280,915 | \$ 1,301,016 |
| Restricted cash | <u>94,801</u> | <u>94,801</u> |
| | <u>\$ 3,375,716</u> | <u>\$ 1,395,817</u> |

See accompanying notes

XAT'SULL LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

For the year ended March 31, 2022

1. Nature of operations

Xat'Sull Limited Partnership is registered under the *Partnership Act* of British Columbia. The Limited Partnership was established for the purpose of managing the operating entities of the Xat'sull First Nation.

2. Accounting policies

The Partnership applies the Canadian accounting standards for private enterprises.

(a) Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for private enterprises (ASPE). Canadian accounting standards for private enterprises are part of Canadian generally accepted accounting principles.

As a government business enterprise, Canadian public sector accounting standards require the Limited Partnership to adhere to the standards applicable to publicly accountable enterprises in the Chartered Professional Accountants - Canada Handbook - Accounting. Accordingly the Limited Partnership 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 limited partnership and its partners are met through the use of Canadian accounting standards for private enterprises ("ASPE") and, therefore, these financial statements have been prepared in accordance 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.

(b) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

(c) Property, plant and equipment

Property, plant and equipment are recorded at cost. The Partnership provides for amortization using the declining balance method at rates designed to amortize the cost of the property, plant and equipment over their estimated useful lives. No amortization is recorded in the year of disposal. The annual amortization rates are as follows:

| | |
|--------------------|------|
| Buildings | 4% |
| Equipment | 30% |
| Vehicles | 30% |
| Computer equipment | 100% |

XAT'SULL LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

For the year ended March 31, 2022

2. Accounting policies, continued

(c) Property, plant and equipment, continued

Property, plant and equipment are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset during the year the impairment occurs.

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

(d) Financial instruments

(i) Measurement of financial instruments

The Partnership initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The Partnership subsequently measures its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, short-term investment accounts receivable and due from related party.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- ♦ the present value of the cash flows expected to be generated by the asset or group of assets;
- ♦ the amount that could be realized by selling the assets or group of assets;
- ♦ the net realizable value of any collateral held to secure repayment of the assets or group of assets.

XAT'SULL LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

For the year ended March 31, 2022

2. Accounting policies, continued

(d) Financial instruments, continued

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

(e) Revenue recognition

The Limited Partnership 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.

(f) Use of estimates

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 amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are the useful lives and amortization of property, plant and equipment and the reforestation liability.

3. Accounts receivable

| | <u>2022</u> | <u>2021</u> |
|---------------------------------|------------------|-------------------|
| Trade receivables | \$ 53,547 | \$ 511,969 |
| G. Sellars | - | 15,926 |
| KS Contract Skidding | - | 14,966 |
| Employee advances | - | 2,048 |
| Allowance for doubtful accounts | - | (57,343) |
| | <u>\$ 53,547</u> | <u>\$ 487,566</u> |

4. Restricted cash

The restricted cash balance is required by the Province of British Columbia Ministry of Forests under the forest licences held by the Limited Partnership. These funds are set aside to provide security under a safekeeping arrangement for future silviculture costs. The deposits are returnable only when the Limited Partnership's silviculture obligations have been fulfilled.

XAT'SULL LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

For the year ended March 31, 2022

5. Due from related party

| | <u>2022</u> | <u>2021</u> |
|--|-------------|-------------|
| Xat'sull First Nation, limited partner | \$ 81,223 | \$ 81,223 |

The balances due from related parties are unsecured, non-interest bearing with no specific terms of repayment.

6. Property, plant and equipment

| | | | <u>2022</u> | <u>2021</u> |
|--------------------|-------------------|-------------------------------------|------------------|------------------|
| | <u>Cost</u> | <u>Accumulated amortization</u> | <u>Net</u> | <u>Net</u> |
| Buildings | \$ 119,580 | \$ 68,458 | \$ 51,122 | \$ 21,607 |
| Equipment | 21,049 | 11,521 | 9,528 | 9,458 |
| Vehicles | 59,254 | 46,446 | 12,808 | 18,297 |
| Computer equipment | 8,311 | 7,190 | 1,121 | 1,296 |
| | <u>\$ 208,194</u> | <u>\$ 133,615</u> | <u>\$ 74,579</u> | <u>\$ 50,658</u> |

7. Accounts payable and accrued liabilities

| | <u>2022</u> | <u>2021</u> |
|--|------------------|-------------------|
| Trade payables and accrued liabilities | \$ 45,932 | \$ 287,354 |
| Payroll and withholding taxes | 5,235 | 2,056 |
| Vacation payable | 12,942 | 7,993 |
| WCB payable | 1,928 | 2,741 |
| | <u>\$ 66,037</u> | <u>\$ 300,144</u> |

XAT'SULL LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

For the year ended March 31, 2022

8. Partners' surplus

There are two partners involved in the Limited Partnership. The Xat'sull First Nation is the limited partner and has a 99.99% percent interest in the Limited Partnership. The general partner's equity is not material and therefore has not been disclosed.

9. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of long-term financial liabilities approximates their carrying value based on the presumption that the Partnership is a going concern and thus expects to fully repay the outstanding amounts.

(b) Credit risk

The Partnership does have credit risk in accounts receivable of \$53,547 (2021 - \$487,566). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Partnership reduces its exposure to credit risk by performing credit valuations on a regular basis; granting credit upon a review of the credit history of the applicant and creating an allowance for bad debts when applicable. The Partnership maintains strict credit policies and limits in respect to counterparties. In the opinion of management the credit risk exposure to the Partnership is low and is not material.

10. Contingent liabilities

During the course of the year, the Partnership could theoretically be a defendant in a lawsuit. The Partnership 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 Partnership 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.

11. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year net income.

XAT'SULL LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

For the year ended March 31, 2022

12. Covid-19

In March 2020, the Covid-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At this time, these factors still present a continuing uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

XAT'SULL LIMITED PARTNERSHIP
SCHEDULE OF EXPENSES
(Unaudited)
For the year ended March 31, 2022

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Advertising and promotion | \$ 72 | \$ 98 |
| Amortization | 11,371 | 12,690 |
| Automotive | 5,129 | 21,946 |
| Bad debts | - | 7,610 |
| Consulting fees | 30,500 | - |
| Accounting and legal | 748 | 12,483 |
| Board of directors meetings and travel | 3,748 | 4,660 |
| Equipment rental | 7,630 | - |
| Freight | 333 | - |
| Fuel and lubrication | 3,516 | - |
| Insurance | 4,183 | 318 |
| Interest and bank charges | 667 | 1,055 |
| Meals and entertainment | 1,260 | 2,051 |
| Office | 1,209 | 1,257 |
| Office and administration | 625 | - |
| Professional fees | - | 21,306 |
| Rent | 6,777 | 6,697 |
| Repairs and maintenance | 15,618 | 5,411 |
| Royalties | 4,519 | - |
| Security | 76 | - |
| Subcontract | 66,795 | 258,467 |
| Subscriptions, permits and licenses | 1,903 | 1,816 |
| Telephone and utilities | 3,217 | 3,498 |
| Utilities | 24,336 | 3,678 |
| Supplies | 193,138 | 4,221 |
| Wages and benefits | 229,354 | 312,702 |
| | <u>\$ 619,049</u> | <u>\$ 683,279</u> |