Financial Statements of

LTN CONTRACTING LTD.

And Independent Practitioners' Review Engagement Report thereon

Year ended April 30, 2021
(Unaudited)

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INDEPENDENT PRACTITIONERS' REVIEW ENGAGEMENT REPORT

To the Shareholders of LTN Contracting Ltd.

We have reviewed the accompanying financial statements of LTN Contracting Ltd., which comprise the balance sheet as at April 30, 2021, the statement of earnings and retained earnings and statement of cash flows for the year then ended, and notes, comprising 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.

Practitioners' 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 Company, 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.

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 LTN Contracting Ltd. as at April 30, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

KPMG LLP

Chartered Professional Accountants

Prince George, Canada

September 30, 2021

LTN CONTRACTING LTD.

Balance Sheet

April 30, 2021, with comparative information for 2020
(Unaudited)

	2021	2020
Assets		
Current assets:		
Cash and short-term investments	$ 985,978	$ 835,334
Accounts receivable	343,506	396,935
Sales tax receivable	20,785	47,072
Work-in-progress	272,040	400,910
Prepaid expenses	61,245	53,029
	1,683,554	1,733,280
Restricted cash (note 2)	100,000	100,000
Property and equipment (note 3)	2,731,245	2,041,579
Timber harvesting contract (note 4)	410,626	456,252
Investment (note 5)	1	1
	$ 4,925,426	$ 4,331,112
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	$ 293,816	$ 201,478
Subcontractor payable	306,543	437,898
Management fees payable	-	646,955
Unearned revenue	272,040	-
Scheduled cash repayments for long-term debt (note 7)	574,238	559,026
Scheduled cash repayments for obligations under capital lease (note 8)	-	136,966
	1,446,637	1,982,323
Long-term debt (note 7)	760,758	784,100
Advances from shareholders (note 9)	1,910,119	1,263,164
Future income taxes	105,000	-
	4,222,514	4,029,587
Shareholders' equity:		
Share capital (note 10)	240	240
Retained earnings	702,672	301,285
	702,912	301,525
Contingent liability (note 12)		
	$ 4,925,426	$ 4,331,112

See accompanying notes to financial statements.

On behalf of the Board:

Dolleen Logan Director

Director

LTN CONTRACTING LTD.

Statement of Earnings and Retained Earnings

Year ended April 30, 2021, with comparative information for 2020
(Unaudited)

		2021	%		2020	%
Revenue:						
Logging	$	7,554,545	56.4	$	9,426,959	57.7
Hauling		4,182,428	31.2		5,104,241	31.3
Roadbuilding		1,278,855	9.5		1,355,907	8.3
Administration		389,555	2.9		439,589	2.7
		13,405,383	100.0		16,326,696	100.0
Direct costs:						
Amortization of property and equipment		614,045	4.6		509,254	3.1
Amortization of timber harvesting contract		45,625	0.3		50,695	0.3
Equipment rental		394,553	2.9		160,942	1.0
Fuel and oil		369,699	2.8		411,627	2.5
Insurance		96,651	0.7		69,738	0.4
Lowbedding		347,613	2.6		386,833	2.4
Repairs and maintenance		457,247	3.4		374,427	2.3
Subcontracting		9,692,496	72.3		12,330,047	75.5
Supplies		49,681	0.4		48,858	0.3
Wages and benefits		680,538	5.1		559,388	3.5
		12,748,148	95.1		14,901,809	91.3
Operating margin		657,235	4.9		1,424,887	8.7
General and administrative expenses - Schedule 1		239,072	1.8		1,617,883	9.9
Earnings (loss) before other revenue		418,163	3.1		(192,996)	(1.2)
Other revenue:						
Interest		3,113	-		14,936	0.1
Gain on sale of property and equipment		15,000	0.1		178,060	1.1
Government subsidy		70,111	0.5		-	-
		88,224	0.7		192,996	1.2
Earnings before income taxes		506,387	3.8		-	-
Future income tax expense		105,000	0.8		-	-
Net earnings		401,387	3.0		-	-
Retained earnings, beginning of year		301,285			301,285	
Retained earnings, end of year	$	702,672		$	301,285	

See accompanying notes to financial statements.

LTN CONTRACTING LTD.

Statement of Cash Flows

Year ended April 30, 2021, with comparative information for 2020
(Unaudited)

	2021	2020
Cash provided by (used in):		
Operations:		
Net earnings	$ 401,387	$ -
Items not involving cash:		
Amortization of property and equipment	614,045	509,254
Amortization of timber harvesting contract	45,625	50,695
Gain on sale of property and equipment	(15,000)	(178,060)
Future income taxes	105,000	-
	1,151,057	381,889
Changes in non-cash operating working capital:		
Accounts receivable	53,429	(26,339)
Sales tax receivable	26,287	12,438
Work-in-progress	128,870	(82,880)
Prepaid expenses	(8,216)	(13,958)
Accounts payable and accrued liabilities	92,338	66,762
Subcontractor payable	(131,355)	273,236
Management fees payable	(646,955)	(240,232)
Unearned revenue	272,040	(247,509)
	937,495	123,407
Financing:		
Proceeds of long-term debt	598,000	983,059
Repayment of long-term debt	(606,130)	(495,944)
Repayment of obligations under capital lease	(136,966)	(117,071)
	(145,096)	370,044
Investing:		
Purchase of property and equipment	(1,308,710)	(1,047,557)
Proceeds on disposal of property and equipment	20,000	293,620
Advances from shareholders	646,955	-
	(641,755)	(753,937)
Increase (decrease) in cash and short-term investments	150,644	(260,486)
Cash and short-term investments, beginning of year	835,334	1,095,820
Cash and short-term investments, end of year	$ 985,978	$ 835,334
Non-cash transaction:		
Exercise of option, for nominal consideration, to acquire equipment under capital lease with a net book value of $269,405 (2020 - $nil) (note 3)	$ 269,405	$ -

See accompanying notes to financial statements.

Nature of operations:

LTN Contracting Ltd. (the "Company") is a private company incorporated under the British Columbia Business Corporations Act. The Company, owned equally by Roga Contracting Ltd. ("Roga") and Tano T'enneh Limited Partnership ("Tano"), is engaged in the business of contract logging and road building in the Prince George, British Columbia area. Subsequent to the year end, Tano purchased all of the shares owned by Roga.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for private enterprises. The Company's significant accounting policies are as follows:

(a) Cash and short term investments:

All short-term investments, with a maturity of three months or less at the date of purchase, are treated as cash and short term investments.

(b) Work-in-progress:

Work-in-progress is valued at the lower of cost and net realizable value.

(c) Property and equipment:

Property and equipment are stated at cost, less accumulated amortization. Amortization is provided using the following method and annual rates, less an estimated salvage value, over the period which approximates the useful life of the assets:

Asset	Basis	Rate
Automotive equipment	Straight-line	4 years
Logging equipment	Straight-line	2 to 5 years

(d) Assets under capital lease:

Equipment taken on lease terms which transfer substantially all of the benefits and risks of ownership to the Company are accounted for as "capital leases", as though an asset has been purchased and a liability incurred. Amortization is computed using the straight-line method over 2 to 5 years.

1. Significant accounting policies (continued):

(e) Impairment of long-lived assets:

Long-lived assets, including property and equipment and timber harvesting contracts subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Company uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

(f) Timber harvesting contracts:

The timber harvesting contracts are initially recorded at cost. Although the contracts are renewable, they are being amortized on a declining balance basis at 10%. The ongoing value is assessed whenever events or circumstances indicate that the carrying amount may not be recoverable, and any loss in value will be recorded in the year that it arises.

(g) Investment:

The Company accounts for its investment in an entity subject to significant influence using the cost method.

(h) Revenue recognition:

The Company recognizes revenue from logging and hauling based on the volume of wood delivered when the customer takes ownership and assumes risk of loss, collection of any related amount receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

Road building revenue is recognized as the services are provided.

Deposits received and revenue related to any advance billings are deferred in current liabilities until the sale is recorded.

1. Significant accounting policies (continued):

(i) Income taxes:

The Company uses the future income taxes method of accounting for income taxes. Under the future income taxes method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

(j) Financial instruments:

Financial instruments originating in arms' length transactions are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Company has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Company determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Company expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value

1. Significant accounting policies (continued):

(k) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of accounts receivable, work-in-progress, property and equipment and timber harvesting contract. Actual results could differ from those estimates.

2. Restricted cash:

Restricted cash consists of a cashable guaranteed investment certificate bearing interest at 1.25% per annum. It is being held as security for the letter of credit issued as disclosed in note 12.

3. Property and equipment:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Automotive equipment	$ 471,888	$ 206,244	$ 265,644	$ 333,633
Building	381,211	-	381,211	-
Computer software	30,823	-	30,823	-
Land	211,442	-	211,442	-
Logging equipment	3,543,127	1,701,003	1,842,125	1,438,541
	4,638,491	1,907,247	2,731,245	1,772,174
Assets under capital lease - logging equipment	-	-	-	269,405
	$ 4,638,491	$ 1,907,247	$ 2,731,245	$ 2,041,579

During the year, the Company exercised its option to acquire ownership of logging equipment wit a net book value of $269,405 on the expiry of the capital lease. The net book value of the equipment was reclassified to logging equipment.

4. Timber harvesting contract:

	2021	2020
Timber harvesting contract	$ 1,629,463	$ 1,629,463
Less: accumulated amortization	(1,218,837)	(1,173,212)
	$ 410,626	$ 456,252

The Timber harvesting contract is an evergreen logging contract between LTN Contracting Ltd. and Canadian Forest Products Ltd. The contract is renewable every five years and was renewed in August 2016.

5. Investment:

	2021	2020
Shas Resources Ltd., 30 Class A Common shares, representing a 25% ownership interest.	$ 1	$ 1

Shas Resources Ltd. is the general partner of Shas Resources Limited Partnership, a partnership over which the shareholders of the Company have significant influence.

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $37,829 (2020 - $9,984), which includes amounts payable for payroll related taxes and workers' safety insurance.

7. Long-term debt:

	2021	2020
Scotia Bank, term loan, repayable in monthly installments of $12,917 including interest at 4.14%. Skip payment provisions in May, June and November. Secured by specific equipment with a carrying value of $130,575. Due October 2021.	$ 63,440	$ 161,575
Scotia Bank, term loan, repayable in monthly installments of $12,576 including interest at 4.14%. Skip payment provisions in May, June and November. Secured by specific equipment with a carrying value of $130,575. Due December 2021.	61,765	169,546
Scotia Bank, term loan, repayable in monthly installments of $14,244 including interest at 4.14%. Skip payment provisions in May, June and November. Secured by specific equipment with a carrying value of $261,274. Due December 2021.	69,958	192,037
Scotia Bank, term loan, repayable in monthly instalments of $19,766 including interest at 4.53%. Skip payment provision in May, June and November. Secured by specific equipment with a carrying value of $484,676. Due May 2023.	338,177	496,136
Scotia Bank, term loan, repayable in monthly instalments of $1,598 including interest at 5.64%. Secured by specific equipment with a carrying value of $60,925. Due February 2025.	65,964	80,958
Scotia Bank, term loan, repayable in monthly instalments of $1,598 including interest at 5.64%. Secured by specific equipment with a carrying value of $60,925. Due February 2025.	65,964	80,958
Scotia Bank, term loan, repayable in monthly instalments of $1,598 including interest at 5.64%. Secured by specific equipment with a carrying value of $60,925. Due February 2025.	65,964	80,958
Scotia Bank, term loan, repayable in monthly instalments of $1,598 including interest at 5.64%. Secured by specific equipment with a carrying value of $65,925. Due February 2025.	65,964	80,958
Carry forward	797,196	1,343,126

7. Long-term debt (continued):

	2021	2020
Carried forward	797,196	1,343,126
Scotia Bank, term loan, repayable in monthly instalments of $12,026 including interest at 3.28%. Secured by specific equipment with a carrying value of $456,890. Due November 2024.	407,750	-
Wells Fargo, conditional sales agreement, repayable in monthly instalments of $3.646 including interest at 3.88%. Secured by specific equipment with a carrying value of $100,472. Due December 2022.	70,050	-
Scotia Bank, Canadian Emergency Business Account non-interest bearing loan from the Federal Government. $60,000 loan of which $20,000 is forgivable if the loan is repaid by December 31, 2022. $20,000 recorded as taxable income in the year received with the $60,000 recorded as long-term debt.	60,000	-
	1,334,996	1,343,126
Less scheduled cash repayments for long-term debt	574,238	559,026
	$ 760,758	$ 784,100

The shareholders have provided a postponement of claim to Scotiabank in the amount of $500,000 each.

Principal repayments are due as follows:

2022	$ 574,238
2023	440,333
2024	186,852
2025	133,573
2026	-

8. Obligations under capital lease:

The Company has financed certain equipment by entering into capital leasing arrangements. Capital lease repayments are due as follows:

	2021	2020
Inland Kenworth, lease, repaid in the year,	$ -	$ 136,966
Less scheduled cash repayments for obligations under capital lease	-	136,966
	$ -	$ -

9. Advances from shareholders and related party transactions:

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

(a) The Company paid Roga $1,719,841 (2020 - $1,723,296) in subcontracting expenses; $347,613 (2020 - $231,415) in lowbedding expenses; $57,211 (2020 - $56,220) in equipment rental; $6,600 (2020 - $14,400) in shop rent and $162,133 (2020 - $187,868) in administration fees which are included in subcontracting expense.

(b) The Company made an education fund contribution of $67,711 (2020 - $73,965) to Lheidli T'enneh Band, an entity related to a shareholder. Included in accounts payable and accrued liabilities is $67,711 (2020 - $73,965) to Lheidli T'enneh Band.

(c) The Company recorded an aggregate amount of $nil (2020 - $1,346,955) in management fees, payable to the two shareholders, Roga and Tano; $nil each (2020 - $673,478 each).

(d) Included in accounts payable and accrued liabilities is an amount of $52,984 (2020 - $63,480) owing to Roga.

(e) Included in accounts receivable is an amount of $10,352 (2020 - $23,736) receivable from Roga.

9. Advances from shareholders and related party transactions (continued):

	2020	2019
Advances from shareholders:		
Tano T'enneh Limited Partnership - non-interest bearing with no set terms of repayment specified.	$ 955,059	$ 631,582
Roga Contracting Ltd. - non-interest bearing with no set terms of repayment specified.	955,060	631,582
	$ 1,910,119	$ 1,263,164

The shareholders have confirmed in writing that payment will not be demanded before May 1, 2022.

10. Share capital:

	2020	2019
Class A voting common shares without par value Authorized 10,000 shares; issued 120 shares	$ 120	$ 120
Class B non-voting common shares without par value Authorized 10,000 shares; issued nil	-	-
Class C non-voting common shares without par value Authorized 10,000 shares; issued nil	-	-
Preference shares with a par value and redemption value of $1 per share Authorized 100,000 shares; issued 120 shares	120	120
	$ 240	$ 240

11. Income taxes:

For income tax purposes, the Company has losses which can be applied to reduce future years' taxable income. These losses expire as follows:

2035	$	26,302
2036		121,931
2037		37,473
2038		317,886
	$	503,592

The potential income tax benefit arising from these losses has been recognized in these financial statements as a reduction of the future income tax liability.

12. Contingent liability:

The Company is contingently liable on a letter of credit issued by the Royal Bank of Canada to Suncor Energy Products Partnership in the amount of $100,000. The letter of credit is secured by the guaranteed investment certificate referred to in note 2.

13. Economic dependence:

A substantial portion of the Company's revenue is derived from one customer. The loss of this relationship would have a significant impact on the Company's revenue.

14. Financial risks and concentration of risk:

Financial risks (continued):

(a) Market risk:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 ("COVID-19) outbreak a pandemic. This has resulted in governments worldwide, including the Canadian and B.C. Governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self imposed quarantine periods, closures of non-essential businesses and physical distancing, have caused a material disruption to businesses in B.C. and globally, resulting in an economic slowdown. The ultimate duration and magnitude of the impact on the economy and the financial effect on the Company's future revenues, operating results and overall financial performance is not known at this time; however, the impact could be material.

14. Financial risks and concentration of risk: (continued):

Financial risk (continued):

(a) Market risk (continued):

At the reporting date, the Company determined that COVID-19 had no impact of its significant accounting policies, contracts or lease agreements, the assessment of provisional and contingent liabilities, credit risk or the timing of revenue recognition. The Company has implemented COVID safety measures as required by the Province of British Columbia and local health authorities.

The Company's liabilities are comprised primarily of amounts due to Scotiabank. If the Company does not receive continuing financial support from its lenders or generate positive cash flows from operations, it may not be able to continue as a going concern and realize its assets and pay its liabilities as the fall due.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Company deals with creditworthy counterparties to mitigate the risk of financial loss from defaults.

At April 30, 2021, 96.9% of accounts receivable is due from one customer.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company manages its liquidity risk by monitoring its operating requirements.

There has been no change to the risk exposures from 2020.

Concentration of risk:

(a) Industry:

The Company operates in the forestry industry. A decline in the economic conditions of the forestry industry could lead to reduced revenue and gross margin.

15. Subsequent event:

Subsequent to the year end, Tano T'enneh Limited Partnership purchased all of the share capital and shareholder loan from Roga Contracting Ltd. and became the sole shareholder of the Company.

LTN CONTRACTING LTD.

Schedule 1 - General and Administrative Expenses

Year ended April 30, 2021, with comparative information for 2020
(Unaudited)

	2021	%	2020	%
Advertising and donations	$ 1,672	-	$ 23,524	0.1
Bank charges and interest	10,443	0.1	7,401	-
Business taxes	2,407	-	-	-
Education fund	67,711	0.5	73,965	0.5
Interest on long-term debt	64,173	0.5	69,063	0.4
Management fees	-	-	1,346,955	8.3
Miscellaneous	11,828	0.1	9,163	0.1
Office and general	35,392	0.3	20,299	0.1
Professional fees	17,558	0.2	17,335	0.1
Rent	6,600	-	14,400	0.1
Telephone	3,078	-	2,474	-
Travel	13,603	0.1	33,304	0.2
Utilities	4,607	-	-	-
	$ 239,072	1.8	$ 1,617,883	9.9