



This is the 1<sup>st</sup> Affidavit of Shenwei (Sandra) Wu  
in this case and was made on March 15, 2024

No. S-236214  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

BETWEEN:

1392752 B.C. LTD.

PETITIONER

AND:

SKEENA SAWMILLS LTD.  
SKEENA BIOENERGY LTD.  
ROC HOLDINGS LTD.

RESPONDENTS

**AFFIDAVIT**

I, Shenwei (Sandra) Wu, businesswoman, c/o 1600 - 925 West Georgia Street, Vancouver, in the Province of British Columbia, SWEAR THAT:

1. I am a Director for the Petitioner 1392752 B.C. Ltd. (the "**Lender**"), as well as a Director for Cui Family Holdings Ltd. ("**Cui Holdings**"), and as such have personal knowledge of the matters herein deposed to, except where stated to be based on information and belief, in which case I verily believe them to be true. I am authorized to make this Affidavit on behalf of Cui Holdings.
2. Xiao Peng (Teddy) Cui ("**Mr. Cui**") and I are the principals of the Lender and the Respondents, Skeena Sawmills Ltd. ("**Sawmills**"), Skeena Bioenergy Ltd. ("**Bioenergy**") and ROC Holdings Ltd. ("**ROC**") and, together with Bioenergy and Sawmills, the "**Skeena Entities**"). Mr. Cui and I are the sole shareholders of the Lender and of the Skeena Entities. I was also the CEO of the Sawmills and Bioenergy until the Receivership Order in these proceedings (the "**Receivership Proceedings**") was pronounced on September 20, 2023.

3. I make this Affidavit in order to respond to issues raised by Timber Baron Contracting Ltd. ("**Timber Baron**") and Terrace Timber Ltd. ("**Terrace Timber**") and together with Timber Baron, the "**Bill 13 Contractors**") and certain other matters.

## Overview

### *a) The Skeena Entities' Perennial Operating Losses*

4. As set out in the consolidated financial statements (the "**Financial Statements**") at **Exhibits "A" to "G"**, the Skeena Entities' cumulative deficit for years ending 2015 through June 30, 2021 was \$69,288,114. Mr. Cui and I advanced approximately \$143 million (the "**Shareholder Loans**") to the Skeena Entities since 2011 to fund, among other things, operating losses, capital expenditures and other working capital needs. In January 2023, we decided we could no longer continue to make these advances.
5. As a result, the Lender determined that it was unable to maintain the status quo and issued demand upon the Skeena Entities in January 2023.
6. Attached and marked hereto as **Exhibit "A"** is a true copy of ROC's consolidated financial statements for the year ending June 30, 2015 independently audited by BDO Canada LLP ("**BDO**").
7. Attached and marked hereto as **Exhibit "B"** is a true copy of ROC's consolidated financial statements for the year ending June 30, 2016 independently audited by BDO.
8. Attached and marked hereto as **Exhibit "C"** is a true copy of the ROC's consolidated financial statements for the year ending June 30, 2017, a review engagement provided by BDO.
9. Attached and marked hereto as **Exhibit "D"** is a true copy of ROC's consolidated financial statements for the year ending June 30, 2018, a review engagement provided for by BDO.
10. Attached and marked hereto as **Exhibit "E"** is a true copy of ROC's consolidated financial statements for the year ending June 30, 2019, a review engagement provided for by BDO.

11. Attached and marked hereto as **Exhibit “F”** is a true copy of ROC’s consolidated financial statements for the year ending June 30, 2020, a review engagement provided for by BDO.
12. Attached and marked hereto as **Exhibit “G”** is a true copy of ROC’s consolidated financial statements for the year ending June 30, 2021, a review engagement provided for by BDO.

***b) The Licenses and the Retention Agreement***

13. Sawmills holds Forest License A16882 (“**A16882**”) and Tree Farm License 41 (“**TFL-41**” and together with A16882, the “**Licenses**”) issued by the Province. Pursuant to the *Timber Harvesting Contract and Subcontract Regulation*, BC Reg. 22/96 (the “**Regulations**”), Sawmills, as holder of the Licenses, is obligated to harvest a proportion of timber using the Bill 13 Contractors.
14. Alvarez & Marsal Canada Inc., in its capacity as Receiver of the Skeena Entities (the “**Receiver**”), initiated a sales process in these Receivership Proceedings. Upon learning about the sales process, Cui Holdings decided to put forward a credit bid for the Receiver’s consideration.
15. Cui Holdings and the Receiver entered into a Payment and Retention Agreement (the “**Retention Agreement**”) dated February 29, 2024, whereby Cui Holdings and the Receiver have agreed, by way of the Retention Agreement, to facilitate the retention of Cui Holdings’ shares in ROC and Bioenergy, as well as to vest off the Excluded Assets and Excluded Liabilities (each as defined in the Retention Agreement), which includes the Bill 13 Contracts and the related liabilities thereunder.

16. Cui Holdings' offer leading to the Retention Agreement is significant, and is broken down as follows:

Skeena Entities Offer from Cui Holdings - Payment Estimate (\$'000)		
Components		\$
<u>Credit bid</u>		
Promissory Notes		
- Principal	\$ 7,494	
- Interest (up to April 19, 2024)	507	\$ 8,000
Receiver's Certificates		
- Principal as at March 11, 2024	500	
- Interest (up to April 19, 2024)	27	
- Forecast advances to closing	400	
- Forecast interest for additional advances (up to April 19, 2024)	5	931
Total Credit bid amount		\$ 8,931
<u>Priority claims - estimate</u>		
- Property taxes	1,800	
- Stumpage	1,177	
- Source deduction remittances	82	
- Equipment leases - Sawmills (exclude Canter Line)	961	
- Equipment leases - Bioenergy	79	4,098
Work-in-progress inventory (Sawmills)		400
Fees to bankrupt ResidualCo.		30
<b>Total Payment Estimate</b>		<b>\$ 13,460</b>

17. Cui Holdings is proposing to make this significant investment with the intent of restarting Sawmills and Bioenergy's sawmill and pellet plant business (the "**Business**") as soon as reasonably practicable upon completing the Retention Agreement.
18. When fully operational, the Business employed approximately 150 individuals. Historically, the Business also purchased products and services from over 200 businesses or individuals, many of which are located in Terrace or the surrounding areas. Attached and marked collectively hereto as **Exhibit "H"** are true copies of Sawmills' accounts payable list as of January 2023.
19. Cui Holdings is proposing to make the above-noted investment with a view to returning the Business to full operation and economic viability. Once operating, I expect the Business will employ approximately the same number of people and will require the provision of services and products from local businesses at roughly the same levels as it has in the past.



*c) Retained Contracts and Permits*

20. In addition to the Licenses, Cui Holdings intends to retain the following contracts, permits and licenses (the “**Approved Contracts**”) under the Retention Agreement:
- (a) the collective bargaining agreement between Sawmills and United Steelworkers Local 1-1937;
  - (b) the land leases between ROC, as owner of certain lands, and Sawmills and Bioenergy, as tenants;
  - (c) any insurance policy purchased for the Skeena Entities or in respect of which a Skeena Entity is a beneficiary; and
  - (d) the following permits and licenses:
    - (i) Tree Farm Licence 41 and associated cutting permits;
    - (ii) Forest License A16882 and associated cutting permits;
    - (iii) Forest License A16885 and associated cutting permits;
    - (iv) Licence of Occupation SK926021;
    - (v) Licence of Occupation SK929701;
    - (vi) Licence of Occupation SK932307;
    - (vii) Road and Bridge permits R03012, R03036, R04088, R06006, R06007, R06207, R06273, R07185, R07521, R07570, R07799, R08791, R09609, R09697, R12655, R12656, R13212, R13213, R13578, R13750, R14658, R14664, R14742, R16154, R18835, R19749, R19867, R21229, R21237, R21396, R21564, R21604, R21723, R21793, R21962, R22071, R22094, R22191, R22824, R22948, R23124, R23143, R23213, R23276, R23279, R23281, R23436, R23700, R23721, R23735, R23736, R23850, R23885, R23912, and R07521;
    - (viii) Air Discharge permit 109209;
    - (ix) Certificate of Inspection permit 718765 (BC Hydro);

- (x) Gas Operating Permit GA-900885-2019;
- (xi) Air Permit PA-3008;
- (xii) Landfill Permit 3360;
- (xiii) Boiler and Pressure Vessels Permits 4878750, 4878751, 4878754, 4878755, 4878756, 4878757, 4878758, 4878759, 4878760, 4878761, 4878765, 4878762, 4878763, 4878764, 4878753, 4878752, BPV-885770-2019, BPV-885770-2019; and
- (xiv) Electrical Permit 5148516.

I am not aware of any other contracts that will be assumed as Approved Contracts.

***d) Strategic Plan for the Business***

- 21. Cui Holdings' strategic plan (the "**Strategic Plan**") for the long term economic viability of the business includes:
  - (a) increasing revenue streams;
  - (b) cost cutting and management; and
  - (c) capital expenditures and investments.
- 22. Sawmills' existing plant is old and uses outdated technology, which results in lost opportunities to improve lumber recovery and to reduce costs. Cui Holdings plans to make capital investments in various areas of the sawmill to improve overall business results and, in addition, to make capital investments to increase kilning capacity and increase the average value of lumber products sold by Sawmills.
- 23. These capital expenditures centre around value enhancement in order to improve operating results. This includes, among other things, installing an edger optimizer, moisture sorting, sawmill grade scanning, planner fencing trimmer and a second kiln.

**i. Increasing Revenue Streams**

- 24. In order to improve existing revenue streams and generate new ones for the business, Cui Holdings plans to, among other things, develop a timber-focused product line by:

- (a) focusing on Sawmills' production of timber, which is Sawmills' highest value product and has a low production cost;
  - (b) increasing revenue generated by pellet sales through the renegotiation of existing contracts as well as expansion of product lines;
  - (c) secure a stable supply of quality timber logs through supply agreements and limited partnerships with log purchasers, local licensees and First Nations; and
  - (d) increasing the Skeena Entities' customer base across Asia. For example, Cui Holdings has storage facilities in China and an ability to sell directly to end-users at a greater price than to market traders.
25. The development of a timber-focused product line frees up space in Sawmills' existing kiln, which can be used to dry lumber of dimensions 4x4 or lower. Timber larger than 4x4 cannot be kiln-dried in the existing kiln. This additional space, in conjunction with a second kiln, will allow Sawmills to kiln-dry an increased amount of lumber, which adds significant value to the lumber products. Better utilization of kiln in turn increases the value of Sawmills' lumber products significantly.

**ii. Cost Cutting and Management**

26. Cui Holdings plans to improve the Business' accounting processes to allow for effective cost management opportunities, which are highly dependent on efficient reporting and will allow management to make more effective and timely decisions. Improvements to the Business' cost management policies will also help to reduce unnecessary spending.

**iii. Capital Expenditures and Investments**

27. Cui Holdings plans to make significant capital expenditures and investments over a 36 month period in order to achieve profitability for the Business. These capital equipment improvements are focused on improving timber production and adding value to its lumber production by increasing drying capacity. In order to achieve profitability, Cui Holdings plans to make the following capital expenditures:
- (a) an improved timber extraction program;

- (b) a second kiln facility;
  - (c) value enhancement projects such as:
    - (i) edger optimizer;
    - (ii) moisture sorting;
    - (iii) sawmill grade sorting; and
    - (iv) planner fencing trimmer.
28. As a result of these expenditures, and the additional costs associated with restarting the Business, Cui Holdings expects, using its own funds and those of other investors, to make the following capital investments:
- (a) \$1.5 million for the initial restart period;
  - (b) \$12 million for the first 6 months following the restart; and
  - (c) an additional \$13 million over a three-year period following the restart of operations.
29. With respect to Sawmills, Cui Holdings is planning to make these expenditures and investments with a view to:
- (a) increasing timber production;
  - (b) increasing the amount of kiln-dried lumber produced;
  - (c) maximizing whole log chip production;
  - (d) securing a stable fiber supply; and
  - (e) strengthening Sawmills' presence in the Asian market.
30. These proposed expenditures will allow Sawmills to increase the volume of timber production from 15% of Sawmills' total product volume (mfbm) to 35%. This increase in timber volume will result in a substantial increasing in the EBITDA for Sawmills of approximately of \$3-\$5 million per year. This increase is primarily attributed to the fact that timber production requires less processing costs than lumber (including no need to kiln or plane), which results in lower conversion costs to process raw logs. The market price

for timber is usually higher than for processed lumber. Overall this change will bring additional cash profit to the Business.

31. The restarted Business will also maximize whole pulp log production into pulp chips to enhance the ability to market pulp chips. Previously, Sawmills had only one domestic customer for its pulp chips, largely because an insufficient volume of pulp logs to process into pulp chips. Producing an additional volume of pulp chips will allow the Business to market this product to a far wider range of possible customers, including overseas markets, for prices higher than were paid previously.
32. From the sales and marketing perspective, the location and volume of demand for Sawmill's products is mainly export sales to the Asian market, including China, Japan, and Korea. The existing presence of Cui Holdings in these markets will help the Business to market its products with a cost savings of at least 2%~5% by eliminating certain intermediary traders in China. Furthermore, Cui Holdings' existing storage facilities and established sales and supply chain networks in China will enable direct engagement with end-users, therefore maximizing profits.
33. Further, once the Business is re-started, we will market to overseas processors the hardwood that is logged under the Licenses. Up to 10% of the raw logs Sawmills receives are hardwood, such as Birch, and have no domestic value other than as fire wood. Sawmills incurred costs to sort these raw logs from the production line and they generated no revenue. We are exploring the ability to sell hardwood logs to overseas processors who will use them to manufacture products such as cutlery and similar disposable implements. The market for such products has grown in the wake of increasing intolerance for the use of plastics in the disposable implement market. We are currently in discussions with overseas processors who have indicated a willingness to purchase hardwood logs from Sawmills.
34. With respect to Bioenergy, Cui Holdings' expenditures and investments are being made with a view to:
  - (a) improving contracted pellet prices;
  - (b) diversifying pellet market access; and

- (c) significantly reducing GHG emissions.

*e) The Impact of Retaining the Bill 13 Contracts*

- 35. Given the perennial losses over the last 12 years and the working capital requirements needed to make the Business economically viable, Cui Holdings must ensure that:
  - (a) the Business' debt load is manageable; and
  - (b) the excessive costs of the Bill 13 Contracts do not continue.
- 36. Historically, the cost of the Bill 13 Contracts materially contributed to the losses suffered by the Skeena Entities. If the Business is to have any realistic chance of surviving as a viable entity, it is imperative that it not be burdened by the current Bill 13 Contracts, including the significant time and expense that will otherwise be taken up dealing with the protracted rate disputes and litigation with the Bill 13 Contractors.
- 37. As a result of the disputes with Timber Baron and Terrace Timber, Sawmills incurred legal fees in excess of \$380,000 for the period of June 2020 to September 2023. That type of expense is not one the Business can continue to incur if it is to survive.
- 38. As a result, and based on the Skeena Entities' past experiences, retaining the Bill 13 Contracts is unsustainable for Cui Holdings and detrimental to the long-term economic viability of the Business. Accordingly, the Retention Agreement is conditional on the retention of the Licenses without the burden of the Bill 13 Contracts.

**Disputes Arising from the Bill 13 Contracts**

*a) The Timber Baron Bill 13 Contract*

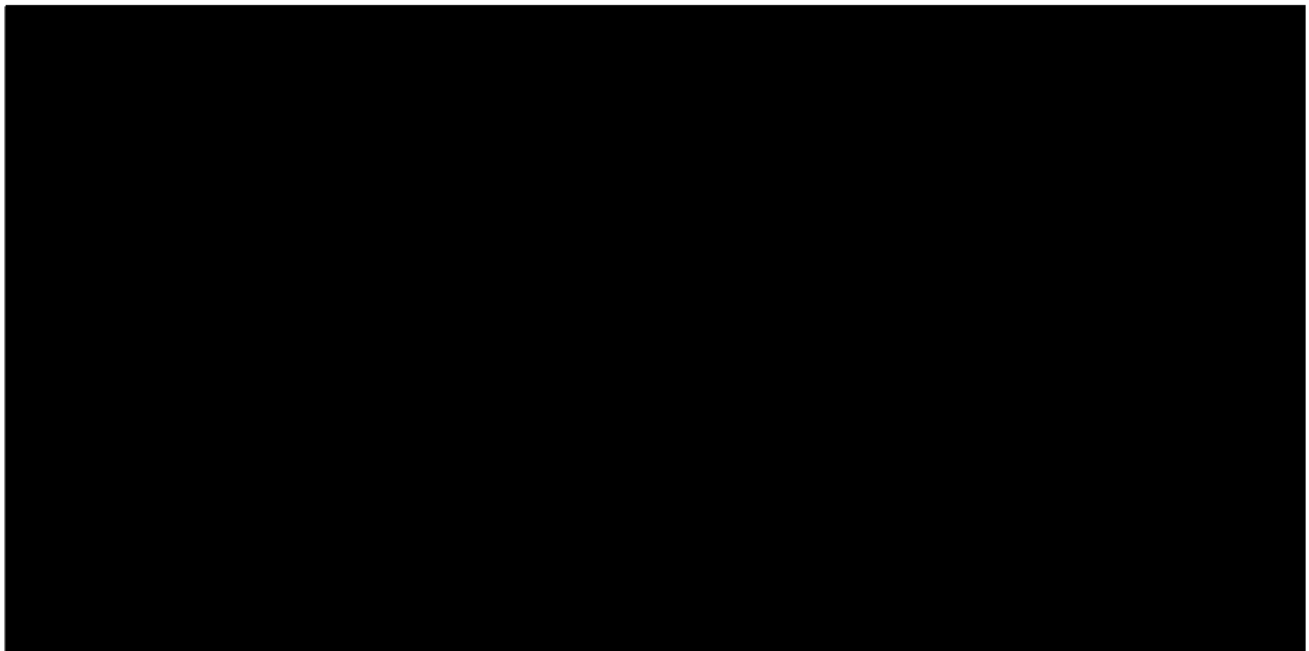
- 39. Sawmills and Timber Baron were parties to a Replaceable Interior Timber Harvesting Subcontract (the "**Timber Baron Bill 13 Contract**") dated January 1, 2016, whereby Timber Baron would perform harvesting services on the lands covered by A16882. Attached and marked hereto as **Exhibit "I"** is a true copy of the Timber Baron Bill 13 Contract. The Timber Baron Bill 13 Contract expired on December 31, 2020. By operation

of the Regulations, the Timber Baron Bill 13 Contract remained in force pending a further agreement between the parties.

40. As of September 2023, when these Receivership Proceedings commenced, Sawmills and Timber Baron were unable to agree on the terms of a replacement contract, primarily as a result of a series of long-standing disputes including rate disputes (the “**Timber Baron Rate Disputes**”) and allegations by Timber Baron that Skeena had failed to allocate sufficient work to it pursuant to the Timber Baron Bill 13 Contract.
41. No work has been performed by Timber Baron on the lands covered by A16882 since July 2022.

*b) The Timber Baron Rate Disputes*

42. The rate disputes with Timber Baron are set out in three separate Notices of Dispute issued by Sawmills on November 5, 2021, April 22, 2022 and March 22, 2023, respectively (the “**Timber Baron Rate Disputes**”). True copies of the Notices of Dispute are attached and marked collectively hereto as **Exhibit “J”**. As set out in the March 22, 2023 Notice of Dispute, the Timber Baron Rate Disputes pertain to rates payable for timber harvesting in nine specific areas within the lands covered by A16882, each known as a “cutblock” and measured in cubic meters (m3).



**Rate Dispute with Terrace Timber**

*a) The Terrace Timber Bill 13 Contract*

45. Sawmills and Terrace Timber were parties to a Replaceable Coast Stump to Dump Timber Harvesting Contract (the “**Terrace Timber Bill 13 Contract**”) dated January 1, 2015, whereby Terrace Timber would perform harvesting services on the lands covered by TFL-41. Attached and marked hereto as **Exhibit “L”** is a true copy of the Terrace Timber Bill 13 Contract. The Terrace Timber Bill 13 Contract expired on December 31, 2019. By



operation of the Regulations, the Terrace Timber Bill 13 Contract remained in force pending a further agreement or resolution between the parties.

46. As of September 2023, when these Receivership Proceedings commenced, Sawmills and Terrace Timber were unable to agree on the terms of a replacement contract as a result of, primarily, rate disputes (the “**Terrace Timber Rate Dispute**”) to be applied to 12 disputed cutblocks (the “**Disputed Terrace Timber Cutblocks**”) set out in a Notice of Dispute dated January 25, 2023. A true copy of this Notice of Dispute is attached and marked hereto as **Exhibit “M”**.
47. As set out in the Notice of Dispute:
- (a) On January 21, 2022, Terrace Timber provided Sawmills’ with a formal rate proposal for only two of the Disputed Terrace Timber Cutblocks in the amount of \$55.82/m<sup>3</sup>. Upon Sawmills’ rejection of this rate, Terrace Timber proposed the rate of \$36.55/m<sup>3</sup> on January 26, 2022.
  - (b) Terrace Timber informally proposed the following rates for three other Disputed Terrace Timber Cutblocks:
    - (i) \$45.47/m<sup>3</sup>;
    - (ii) \$47.13/m<sup>3</sup>; and
    - (iii) \$42.10/m<sup>3</sup>.
  - (c) Despite the parties being unable to agree on the rates payable for the Disputed Terrace Timber Cutblocks, Skeena paid Terrace Timber a provisional rate for timber harvesting work completed on the Disputed Terrace Timber Cutblocks in accordance with the Regulations, as follows:
    - (i) \$40.00/m<sup>3</sup> for Disputed Terrace Timber Cutblocks requiring the use of cable harvesting methods; and
    - (ii) \$28.50/m<sup>3</sup> for Disputed Terrace Timber Cutblocks requiring ground based harvesting methods;(the “**Provisional Rates**”).

48. Sawmills rejected all of the rates proposed by Terrace Timber on the basis that, in Sawmills' view, they were too expensive and did not reflect market rates for this harvesting.
49. No work has been performed by Terrace Timber on the lands covered by TFL-41 since at least May 2023.

*b) Attempted Resolution of Terrace Timber Rate Dispute*

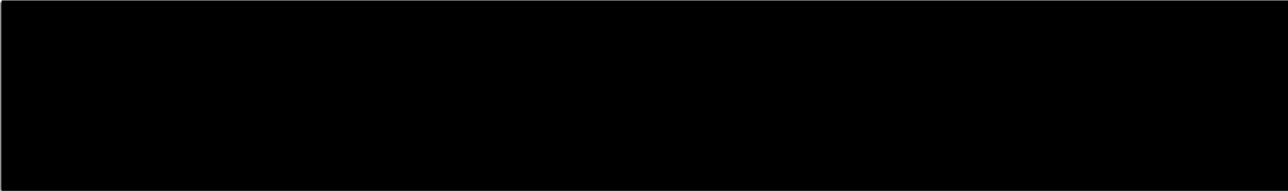
50. As set out in the Notice of Dispute, in July 2022, Sawmills and Terrace Timber engaged Timber Tracks Inc. ("**TTI**"), a third-party service provider primarily working for logging contractors, to provide an opinion on the appropriate rates to resolve the Timber Terrace Rate Dispute.
51. On December 21, 2022, TTI issued a preliminary report (the "**Preliminary Report**") with respect to the Terrace Timber Rate Dispute. A true copy of the Preliminary Report is attached and marked hereto as **Exhibit "N"**.
52. The Preliminary Report determined that rate applicable to the Disputed Terrace Timber Cutblocks was \$49.29/m<sup>3</sup> on 144,664 cubic meters of timber, for a total amount of \$7,127,531 (the "**TTI Rate**"). However, Sawmills expressed concern with respect to the methodology used by TTI in coming up with this rate because, in Sawmill's view, it was inconsistent with the framework established by the Regulations. As a result of this, in January 2023, Sawmills terminated the engagement with TTI before TTI issued a final report.
53. Despite the ongoing Terrace Timber Rate Dispute and disagreements over TTI's methodology in the TTI Report, Sawmills continued to pay the Provisional Rates to Terrace Timber until, at least, late January 2023.
54. As of January 2023, Sawmills had paid Provisional Rates to Terrace Timber in the amount of \$5,783,109.95. This represented over 80% of the TTI Rate and a difference between the TTI Rate and the Provisional Rates of \$1,344,421.05 (the "**Terrace Timber Delta**").


55. On or around January 6, 2023, Terrace Timber invoiced Sawmills for the Terrace Timber Delta. Sawmills advised Terrace Timber that it would not accept this invoice on the basis that, among other things, the Preliminary Report was not a final report and its underlying methodology was incorrect.

*c) Registration of Contractor Charges and Filing of Petition*

56. In January 2023, Terrace Timber registered a contractor lien and charge in the British Columbia Personal Property Registry against Sawmills asserting that it was owed the Terrace Timber Delta (the “**Terrace Timber Charges**”).
57. On January 25, 2023, Sawmills filed a petition with the court seeking, among other things, a declaration that the Terrace Timber Charges were invalid and an order that they be discharged.
58. In reasons for judgment indexed as *Skeena Sawmills Ltd. v. Terrace Timber Ltd.*, 2023 BCSC 550, Justice Chan held, among other things, that the Terrace Timber Charges were invalid and ordered that they be discharged.

**Sustainability of the Bill 13 Contracts**

59. The rate disputes with Timber Baron and Terrace Timber illustrate that these contractors sought to have Sawmills pay each of them higher than market rates, despite the fact that Sawmills was unprofitable and losing money year-over-year.
60. I am advised by Tim Moser (“**Mr. Moser**”), a Registered Professional Forester and Operations Superintendent employed with Sawmills since 2018, and verily believe, that the rates historically offered by Timber Baron for work performed under the Timber Baron Bill 13 Contract have been, and are, generally higher than the rate offers that Skeena received from, and ultimately agreed to, with its other harvesting contractors for comparable work.
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63. If the Business is to be operated sustainably, Cui Holdings must take proactive steps to eliminate unnecessary and avoidable losses and excessive expenditures. In my judgement, the future cost of the Bill 13 Contracts are unnecessary and avoidable expenses to Cui Holdings. The harvesting services on the Licenses can likely be provided by other service providers at a lower, more competitive cost.
  64. In the event Cui Holdings is unable to exclude the Bill 13 Contracts from the Retention Agreement, Cui Holdings will also inherit the on-going and unresolved rate disputes with each of Timber Baron and Terrace Timber. In addressing these disputes, Sawmills incurred in excess of \$380,000 in legal fees over a three year period without achieving any meaningful progress in resolving them. As a result, if Cui Holdings is required to take on the Bill 13 Contracts, it will likely need to incur legal fees in the coming years on this order of magnitude to defend these rate disputes. The ongoing rate dispute will also take up the time of management.
  65. Based on the foregoing, it is my considered view and business judgement that retaining the Bill 13 Contracts will be materially detrimental to Cui Holdings' ability to restart the Business in an economically-viable manner.

66. Cui Holdings' completion of the Retention Agreement is conditional on its ability to exclude the Bill 13 Contracts, failing which, Cui Holdings does not intend to complete the Retention Agreement.

### **Negotiations with First Nations**

67. Until the summer of 2023, Sawmills was in advanced discussions and negotiations with various First Nations, including Kitselas First Nation, Kitsumkalum First Nation and Metlakatla First Nation, to enter joint ventures for the sharing of the Licenses and the volume associated with the forest licenses of the First Nations. The parties were exchanging draft agreements in an effort to finalize joint venture arrangements with respect to sharing these licenses. For Sawmills, this was a way to increase the log supply which was needed to run its mills at full capacity. The Licenses authorize Sawmills to cut approximately 300,000 m<sup>3</sup> annually. To operate at full capacity, Sawmills requires approximately 500,000 m<sup>3</sup>. The negotiations with the First Nations for these joint ventures were intended to provide this additional timber to Sawmills. The Business will also require this additional timber to run economically and it is our intention to pick up and conclude these negotiations with the local First Nations to secure this additional timber supply.

### **Commitment and Risk of Delay**

68. Cui Holdings, Mr. Cui and I are committed to doing the work and arranging the funds necessary to restart and modernize the Business after the completion of the Retention Agreement.
69. However, as part of the efforts to restart the Business after completion of the Retention Agreement, Cui Holdings has sourced private investors to provide about \$10 million of the funds to be used by Cui Holdings for capital investments over the 12 months following the closing. While none of the investors have presently indicated they are no longer willing to provide these investment funds, they were told the completion would be in mid-April 2024.
70. If Cui Holdings loses these investor funds, it will delay the ability to restart the Business until Cui Holdings has been able to find alternate capital to fund restarting the Business. This delay will increase the holding costs for the Business until it is restarted. The delay

and additional costs provides no meaningful benefit. If Cui Holdings needs to go and find new capital investors in short order and is unable to do so on acceptable terms, there is a possibility that the Business may once again fail.

SWORN BEFORE ME at the City of  
Vancouver, in the Province of British  
Columbia, this 15th day of March 2024.



A Commissioner for taking Affidavits for  
British Columbia.



SHENWEI (Sandra) WU

**NOOR MANN**  
*Barrister & Solicitor*  
**1600 - 925 WEST GEORGIA ST.**  
**VANCOUVER, B.C. V6C 3L2**  
**(604) 685-3456**

This is Exhibit "A" referred to in the  
affidavit of SHENWEI (SANDRA) WU  
made before me at VANCOUVER, BC this 15 day of

March, 2024.



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A Commissioner for taking Affidavits  
within British Columbia

**ROC Holdings Ltd.**  
**Consolidated Financial Statements**  
**For the year ended June 30, 2015**



**ROC Holdings Ltd.**  
**Consolidated Financial Statements**  
**For the year ended June 30, 2015**

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**Contents**

<b>Independent Auditor's Report</b>	<b>2</b>
<b>Consolidated Financial Statements</b>	
Balance Sheet	3
Statement of Operations and Deficit	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 15
Schedule of General and Administrative Costs	16



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## Independent Auditor's Report

To the Board of Directors of ROC Holdings Ltd.

We have audited the accompanying consolidated financial statements of ROC Holdings Ltd., which comprise the consolidated balance sheet as at June 30, 2015, and the consolidated statements of operations and deficit 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 of these consolidated financial statements in accordance with Canadian standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ROC Holdings Ltd. as at June 30, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

### Emphasis of Matter

As explained in Note 2 of the financial statements, they have been restated to reflect a capital lease of property, plant and equipment.

*BDO Canada LLP*



Chartered Professional Accountants

Vancouver, British Columbia  
 February 1, 2016

**ROC Holdings Ltd.**  
**Consolidated Balance Sheet**

June 30	2015	2014
		(Restated Note 2)
<b>Assets</b>		
<b>Current</b>		
Accounts receivable	\$ 1,590,166	\$ 1,302,474
Inventories (Note 3)	2,813,975	2,781,041
Government remittances receivable	80,121	418,286
Prepaid expenses	630,124	756,803
Due from related party (Note 10)	69,006	-
	<u>5,183,392</u>	<u>5,258,604</u>
Timber licence deposits	105,189	129,199
Property, plant and equipment (Note 5)	9,089,151	7,993,326
Timber licences and other assets (Note 6)	<u>7,519,685</u>	<u>5,269,756</u>
	<u>\$ 21,897,417</u>	<u>\$ 18,650,885</u>
<b>Liabilities and Shareholders' Deficit</b>		
<b>Liabilities</b>		
<b>Current</b>		
Bank indebtedness (Note 4)	\$ 1,264,550	\$ 2,828,431
Accounts payable and accrued liabilities	4,688,024	3,544,411
Deferred contribution	9,881	3,032
Government remittances payable	50,994	4,458
Current portion of long term debt (Note 7)	-	600,000
Current portion of capital lease (Note 9)	170,941	202,356
Due to related party (Note 10)	-	25,342
	<u>6,184,390</u>	<u>7,208,030</u>
Long term debt (Note 7)	-	1,250,000
Long term portion of capital lease (Note 9)	131,796	233,042
Reforestation liabilities (Note 8)	406,496	379,375
Shareholder loan (Note 10)	<u>35,046,578</u>	<u>24,233,469</u>
	<u>41,769,260</u>	<u>33,303,916</u>
<b>Shareholders' Deficit</b>		
Share capital (Note 11)	100	100
Deficit	<u>(19,871,943)</u>	<u>(14,653,131)</u>
	<u>(19,871,843)</u>	<u>(14,653,031)</u>
	<u>\$ 21,897,417</u>	<u>\$ 18,650,885</u>

On behalf of the Board:

 Director
 
 Director

**ROC Holdings Ltd.**  
**Consolidated Statement of Operations and Deficit**

<b>For the year ended June 30</b>	<b>2015</b>	<b>2014</b>
		(Restated Note 2)
<b>Revenue</b>	<b>\$ 32,664,286</b>	<b>\$ 32,405,484</b>
<b>Cost of goods sold</b>		
Amortization	997,267	670,787
Contract services	90,244	247,261
Forestry and logging	18,613,030	19,689,786
Freight	5,496,752	5,937,508
Fuel and lube	480,624	522,469
Power	1,060,939	1,164,896
Salaries and benefits	941,539	903,246
Supplies	1,888,672	2,233,117
Wages and benefits	5,449,218	5,588,565
	<u>35,018,285</u>	<u>36,957,635</u>
<b>Gross loss</b>	<b>(2,353,999)</b>	<b>(4,541,014)</b>
<b>General and administrative costs (Schedule)</b>	<b>2,843,332</b>	<b>2,957,523</b>
	<u>(5,197,331)</u>	<u>(7,498,537)</u>
<b>Other items</b>		
Gain from sale of equipment	60,000	-
Exchange gain (loss)	(81,481)	11,137
	<u>(21,481)</u>	<u>-</u>
<b>Loss for the year</b>	<b>(5,218,812)</b>	<b>(7,498,537)</b>
<b>Deficit, beginning of year, originally stated</b>	<b>(14,710,915)</b>	<b>(7,154,594)</b>
<b>Restatement (Note 2)</b>	<b>57,784</b>	<b>-</b>
<b>Deficit, beginning of year, restated</b>	<b>(14,653,131)</b>	<b>(7,154,594)</b>
<b>Deficit, end of year</b>	<b><u>\$(19,871,943)</u></b>	<b><u>\$ (14,653,131)</u></b>

**ROC Holdings Ltd.**  
**Consolidated Statement of Cash Flows**

For the year ended June 30	2015	2014
		(Restated Note 2)
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Loss for the year	\$ (5,218,812)	\$ (7,498,537)
Items not involving cash		
Amortization		
Roads and bridges	264,527	34,104
Property, plant and equipment	732,740	636,683
	<u>(4,221,545)</u>	<u>(6,827,750)</u>
Changes in non-cash working capital items		
Accounts receivable	(287,692)	(717,839)
Government remittances receivable	338,165	(191,787)
Prepaid expenses	126,679	39,873
Inventories	(32,934)	1,232,502
Timber license deposit	24,010	(51,555)
Accounts payable and accrued liabilities	1,143,613	(336,905)
Deferred contribution	6,849	(199,886)
Government remittances payable	46,536	-
Reforestation liabilities	27,121	117,520
	<u>(2,829,198)</u>	<u>(6,935,827)</u>
<b>Investing activities</b>		
Acquisition of capital lease	65,298	531,605
Purchase of property, plant and equipment	(2,093,092)	(1,792,987)
Purchase of timber licenses and roads	(2,249,929)	(801,608)
	<u>(4,277,723)</u>	<u>(1,531,385)</u>
<b>Financing activities</b>		
Repayments on long term debt	(1,850,000)	(600,000)
Payment to related party	(94,348)	(165)
Advances from shareholder	10,813,109	8,202,674
Repayments (issuance) of bank indebtedness	(1,563,881)	864,703
Repayments of capital lease	(197,959)	-
	<u>7,106,921</u>	<u>8,467,212</u>
<b>Cash, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

(The accompanying notes are an integral part of these financial statements)

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**

**June 30, 2015**

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**1. Significant Accounting Policies**

**a) Nature of Business**

ROC Holdings Ltd. (the "Company") was formed under the Laws of the Province of British Columbia on March 16, 2010. The Company produces wood products in British Columbia for sale to markets around the world.

The Company acquired Skeena Sawmills Ltd., from West Fraser Timber Co., on July 19, 2011. The sawmill is in the early stages of operations and has commenced production in fiscal 2013. The Company's continuing operations and the realization of its assets are dependent on its ability to achieve and maintain profitable operations. During the development stage, the Company will receive additional capital when needed through its shareholder to ensure it has sufficient cash flow to continue operations and discharge its obligations for at least the next 12 months.

**b) Basis of Accounting**

The consolidated financial statements of the Company have been prepared using Canadian accounting standards for private enterprises ("ASPE").

**c) Basis of Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Skeena Sawmills Ltd. All significant intercompany transactions and balances have been eliminated on consolidation.

**d) Inventory**

Inventory consists of lumber, logs, biofuel and supplies. The inventory of supplies is stated at lower of cost and replacement cost. Logs, lumber and biofuel are stated at the lower of weighted average cost and net realizable value, which includes the cost of materials, direct labour and the applicable share of manufacturing overhead.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**

**June 30, 2015**

**1. Significant Accounting Policies - Continued**

**e) Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated amortization. Cost includes all amounts related to the acquisition and improvements of property, plant and equipment.

Property, plant and equipment are amortized on a straight- line basis as follows:

Buildings	20 years
Computer equipment	3 years
Furniture and equipment	5 years
Machinery and equipment	5-15 years
Vehicles	3-5 years

**f) Impairment of Long-Lived Assets**

The Company reviews property, plant and equipment, roads and bridges, and licences for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Recoverability is assessed by comparing the carrying amount to the estimated future net cash flows the assets are expected to generate. If the carrying amount exceeds the estimated future cash flows, the asset is written down to fair value.

Fair value is determined based on the discounted estimated net future cash flows expected to be generated over the useful lives of the assets. Estimated net future cash flows are based on several estimates including the future selling price of product, future production rates, future input costs and future capital requirements. The estimated net future cash flows are discounted at rates that reflect the Company's cost of capital. No further adjustments required.

**g) Timber and Tree Farm Licenses**

Timber and tree farm licenses are recorded at fair value on the date of acquisition. The tenure licenses with indefinite useful lives are not amortized and are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired.

**h) Roads**

Roads and bridges are recorded at cost and amortized based on useful life. Due to the current year development, the amortization was revised in 2015 to 8 to 20 years.

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**

**June 30, 2015**

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**1. Significant Accounting Policies - Continued**

i) Reforestation Liabilities

The Company harvests timber under various timber rights that require the Company to conduct reforestation. Estimated future reforestation obligations are measured at fair value and accrued and charged to earnings when timber is harvested. The reforestation obligation is reviewed periodically and changes to estimates are recognized in earnings.

The Company records the estimated fair value of a liability for other asset retirement obligations in the period a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset and amortized over its useful life. The liability is accreted through charges to earnings and is reduced by actual costs of settlement.

j) Environmental Liabilities

The Company's business activities are subject to environmental laws and regulations. The Company believes that it is in compliance with all such laws and regulations with the exception of the amounts recorded for the reforestation liabilities in the consolidated balance sheet. The Company makes expenditures to comply with the laws and regulations and to remediate environmental issues on its properties.

k) Leases

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. Assets recorded under capital leases are amortized on a straight-line basis over the estimated useful lives of the assets. All other leases are accounted for as operating leases.

l) Revenue Recognition

Revenue is recognized based on shipping terms and when the following criteria is met: evidence of an arrangement exists, delivery is assured, price is determined, and collectibility is reasonably assured. Other revenue consists of interest on cash holdings. Interest revenue is recognized when it is earned, when the amount is estimable and collection is reasonably assured.



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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**

**June 30, 2015**

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**1. Significant Accounting Policies - Continued**

**m) Related Party Transactions**

All monetary transactions in the normal course of operations are measured at the exchange value. Non-monetary transactions in the normal course of operations that have commercial substances and do not involve the exchange of property or product held for sale are also measured at exchange value. The commercial substance requirement is met when the future cash flows associated with the transfer of property are expected to change significantly as a result of the transaction. All other related party transactions are measured at carrying value.

**n) Income Taxes**

The Company accounts for income taxes using the taxes payable method. The taxes payable basis is a method of accounting under which the Company reports as an expense of the year only the cost of current income taxes for that year, determined in accordance with the rules established by taxation authorities.

**o) Use of Estimates**

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. An example of a significant area requiring estimates is determining the estimated useful lives of capital assets and roads, the valuation of inventories, allowance for accounts receivable, and the completeness of accounts payable and accrued liabilities. Actual results may ultimately differ from these estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies summarized above.

**p) Foreign Currency Translation**

Foreign currency transactions occurring during the year are translated into Canadian dollars at the exchange rate prevailing on the transaction date. All monetary assets and liabilities denominated in foreign currencies at year-end are translated at the exchange rate prevailing at year-end and the resulting gain or loss is included in income.

**q) Pension**

The Company participates in a defined contribution plan, which is the Forest Industry Pension Plan. Thus no pension liability has been accrued as of June 30, 2015.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**

**June 30, 2015**

**2. Prior Period Adjustment**

During 2015, additional information became available that indicated that June 30, 2014 property, plant and equipment was understated by \$350,974, current portion of capital lease was understated by \$95,700, long term portion of capital lease was understated by \$197,490, supplies was overstated by \$90,181, amortization expense was understated by \$20,646 and interest on long term debt was understated by \$11,751. These errors result in an understatement of 2014 deficit in the amount of \$57,784. These financial statements have been retroactively adjusted to correct these errors.

**3. Inventory**

The Company's inventories are analyzed as follows:

	2015	2014
Lumber	\$ 2,149,633	\$ 759,406
Biofuel	248,870	788,146
Logs	333,746	1,125,214
Other-supplies	81,726	108,275
	<u>\$ 2,813,975</u>	<u>\$ 2,781,041</u>

In 2014, the Company exchanged cedar logs in the amount of \$876,292 to a third party in exchange for hemlock logs. The trading ratio for hemlock to cedar was 1.5 times the volume of cedar. The transaction was measured at the fair value of the cedar logs exchanged, which approximates the fair value of the assets received. As of June 30, 2015, \$Nil (2014 - \$278,568) is included in accounts receivable from the third party for the same amount in hemlock logs. There were no transactions with the third party for 2015.

**4. Cash and Bank Indebtedness**

Cash consists of cash on deposit with a Canadian chartered bank which earns interest at prevailing rates for business operating accounts.

The Company has an authorized operating line of credit in the amount of \$2 million (2014 - \$2 million) and is in part of the combined credit facility with the same covenant restrictions and security requirements with Scotia Bank as documented in Note 6. Advances on the line of credit are repayable on demand and bear interest at prime plus 1.75% per annum (2014 - prime + 1.75% per annum) As of June 30, 2015, the operating line of credit utilized was \$1,251,134 (2014 - \$1,603,063). The excess of the operating line of credit are due to outstanding cheques at year-end. The operating line of credit was paid and settled subsequent to year-end on July 3, 2015 by an advance from the shareholder.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**

**June 30, 2015**

**5. Property, Plant and Equipment**

	<b>2015</b>		<b>2014</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Land	\$ 1,352,831	\$ -	\$ 1,352,831	\$ 1,352,831
Buildings	3,210,300	637,053	2,573,247	2,732,896
Computer equipment	80,554	59,935	20,619	32,492
Machinery and equipment	5,099,463	567,717	4,005,685	3,319,485
Office equipment	3,921	2,352	1,569	2,353
Vehicles	90,351	7,273	83,078	42,311
Assets under capital leases	596,079	70,018	526,061	510,958
	<b>\$ 10,433,499</b>	<b>\$ 1,344,348</b>	<b>\$ 9,089,151</b>	<b>\$ 7,993,326</b>

**6. Timber Licenses and Other assets**

	<b>2015</b>	<b>2014</b>
Timber licenses	\$ 3,894,111	\$ 3,864,111
Roads and bridges	3,625,574	1,405,645
	<b>\$ 7,519,685</b>	<b>\$ 5,269,756</b>

The Company holds two forest licences and one tree farm licence in the Kalum Forest District of British Columbia. These licences include road permits and cutting permits. The Company paid \$30,000 (2014 - \$45,000) to a logger to ensure its rights in respect to one of its forest licences. The annual allowable cut for all tenures is 311,552 cubic metres.

Roads and bridges assets cost are \$3,958,314 (2014 - \$1,473,859) with an accumulated amortization of \$332,740 (2014 - \$68,214).

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**

**June 30, 2015**

**7. Long-term Debt**

	<u>2015</u>	<u>2014</u>
Term loan repayable in monthly payments of principal of \$50,000 plus interest with Scotiabank. The interest is at prime plus 1.25% per annum and is due August 1, 2018.	\$ -	\$ 1,850,000
	<u>-</u>	<u>1,850,000</u>
Less: Current portion of the loan	<u>-</u>	<u>600,000</u>
	<u>\$ -</u>	<u>\$ 1,250,000</u>

In 2014, the financial covenants were:

- i) Consolidated ratio of Debt (including deferred taxes) to Tangible Net Worth (TNW) is not to exceed 2.50:1
- ii) Consolidated ratio of EBITDA plus net ownership injections for the period to interest expense plus the current portion of the long term debt and capital leases is not to be less than 1.25:1.

The Company has available \$1,000,000 equipment financing revolving line, which bears interest, at the Company's option, at either a floating rate based on prime plus 1.25% or a fixed rate based on the bank's leasing base rate plus 2.85% and has various repayment options depending on the age of the equipment purchased. As of June 30, 2015, the equipment financing utilized was \$659,348 (2014 - \$845,074). The equipment financing was paid subsequent to year-end on July 3, 2015 since the operating assets from Scotiabank were purchased by the Company as of June 30, 2015. The equipment financing is recorded in accounts payable.

The loans are secured by a General Security Agreement providing first charge on all the Company assets and subrogation of the shareholder of \$2 million. Subsequent to the year-end, the General Security Agreement was discharged on July 3, 2015.

Through the bank, a standby letter of credit in the amount of \$6,500 (2014 - \$6,500) has been issued.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**

**June 30, 2015**

**8. Reforestation Liabilities**

The Company has an obligation to reforest areas harvested under various timber rights. On acquisition of the timber licences, the Company assumed certain reforestation liabilities from the previous owner. An obligation is incurred as logging occurs and the fair value of the liability for reforestation is determined with reference to the present value of estimated future cash flows required to settle the obligation. Actual reforestation reduce the respective accruals.

	2015	2014
Opening obligation	\$ 379,375	\$ 261,855
Additional accrual from current year and change in estimate	27,121	117,520
Ending obligation	<u>\$ 406,496</u>	<u>\$ 379,375</u>

**9. Capital Lease**

The future minimum lease payments due under capital lease for the next 3 years are as follows:

2016	\$ 170,941
2017	118,249
2018	13,547
	<u>\$ 302,737</u>

**10. Related Party Balances**

As at June 30, 2015, the Company had an amount due from/to a company with a common director, in the amount of \$69,006 (2014 - (\$25,342)). The balance is non-interest bearing and is due on demand.

As at June 30, 2015, the Company had a loan due to the shareholder in the amount of \$35,046,578 (2014 - \$24,233,469). The amount owing to the shareholder according to the postponement agreement entered with the bank on December 12, 2012 are postponed in favour of the bank and the shareholder will not demand repayment of any amount unless written permission is obtained from the bank. The loan is non-interest bearing and is due on demand. The shareholder has waived the right to call the loan prior to June 30, 2016 (the amount has been reclassified as non-current in the accompanying financial statements).

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**

**June 30, 2015**

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**11. Share Capital**

Authorized:

Unlimited number of common shares

	2015	2014
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Issued:

100 Common shares at \$1.00 per share	\$ 100	\$ 100
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**12. Income Taxes**

The Company, including its subsidiary, has net losses for tax purposes of approximately \$22,846,625 (2014 - \$17,796,197) which may be carried forward to reduce future taxable income in future years. These tax losses expire from 2030 to 2035.

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**13. Contingencies and Commitments**

The Company's total obligations, under various operating leases for the next two years are as follows:

Year	Amount
2016	\$ 74,521
2017	<u>104,194</u>
	<u>\$ 178,715</u>

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**

**June 30, 2015**

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**14. Financial Instrument Risks**

The Company's activities result in exposure to a variety of financial risks including risks related to commodity prices, currency fluctuation, credit, liquidity and interest rates.

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk include cash and accounts receivable.

In order to mitigate the financial loss, cash is held with a Canadian chartered bank. The bank indebtedness as at June 30, 2015 was \$1,264,550 (2014 - \$2,828,431) as disclosed in Note 3. The Company does not believe there is any significant credit risk associated with the cash.

The Company establishes payment terms and regularly monitors its trade receivables with its significant customers in order to mitigate the credit risk.

b) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company manages liquidity by maintaining adequate cash through shareholder loans and by having appropriate lines of credit available.

c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates, foreign currency, and commodity prices.

d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates and terms of credit facility are disclosed in Notes 4 and 7. The amount due to the Company's shareholders are non-interest bearing as disclosed in Note 10.

e) Currency Risk

The Company is exposed to foreign exchange risk. The Company's products are sold globally with prices primarily denominated in US dollars or linked to prices quoted in US dollars. As at June 30, 2015, the Company's products sold totalled \$14,807,767 (denominated in Canadian dollars).

f) Commodity Price Risk

The Company's financial performance is principally dependent on the demand for and selling prices of its products. Both are subject to significant fluctuations. The market for lumber is highly volatile and is affected by factors such as global economic conditions including the strength of the global housing markets, changes in industry production capacity, changes in world inventory levels and other factors beyond the Company's control.

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**ROC Holdings Ltd.**  
**Schedule of General and Administrative Costs**

<u>June 30,</u>	<u>2015</u>	<u>2014</u>
<b>General and administrative costs</b>		
Advertising	\$ 2,139	\$ 3,183
Bank charges, interest, and penalties	196,899	36,705
Contract services/consulting	305,247	308,677
Insurance	405,941	502,013
Interest on long term debt	200,257	237,530
Licenses and permits	14,441	8,991
Office and administration	103,084	99,310
Professional fees	34,237	32,525
Property taxes	327,139	338,539
Rental/leases	94,317	96,264
Salaries and benefits	350,365	326,607
Sales discount/commissions paid/claims	580,837	839,420
Telephone	43,534	49,654
Training and development	12,245	7,073
Travel and entertainment	172,650	71,032
	<hr/>	<hr/>
<b>Total</b>	<b>\$ 2,843,332</b>	<b>\$ 2,957,523</b>

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This is Exhibit "B" referred to in the  
affidavit of SHENWEI (SANDRA) WU  
made before me at VANCOUVER, BC this 15 day  
of March, 2024.



.....  
A Commissioner for taking Affidavits  
within British Columbia

**ROC Holdings Ltd.**  
**Consolidated Financial Statements**  
**For the year ended June 30, 2016**

**ROC Holdings Ltd.**  
**Consolidated Financial Statements**  
**For the year ended June 30, 2016**

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**Contents**

<b>Independent Auditor's Report</b>	<b>2 - 3</b>
<b>Consolidated Financial Statements</b>	
Balance Sheet	<b>4</b>
Statement of Operations and Deficit	<b>5</b>
Statement of Cash Flows	<b>6</b>
Notes to the Financial Statements	<b>7 - 17</b>
Schedule of General and Administrative Costs	<b>18</b>

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## Independent Auditor's Report

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To the Board of Directors of ROC Holdings Ltd.

We have audited the accompanying consolidated financial statements of ROC Holdings Ltd., which comprise the Consolidated Balance Sheet as at June 30, 2016, and the Consolidated Statements of Operations and Deficit 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 of these consolidated financial statements in accordance with Canadian standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ROC Holdings Ltd. as at June 30, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that ROC Holdings Ltd. has incurred a loss of \$5,830,260 and had a shareholders' deficiency of \$25,702,103 as at June 30, 2016. This condition indicates the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

*BDO Canada LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
December 14, 2016

**ROC Holdings Ltd.**  
**Consolidated Balance Sheet**

June 30	2016	2015
<b>Assets</b>		
<b>Current</b>		
Cash (Note 4)	\$ 142,814	\$ -
Accounts receivable	980,685	1,590,166
Inventories (Note 3)	1,634,824	2,813,975
Government remittances receivable	-	29,127
Prepaid expenses	838,424	630,124
Due from related party (Note 10)	69,006	69,006
	<u>3,665,753</u>	<u>5,132,398</u>
Timber licence deposits	117,474	105,189
Property, plant and equipment (Note 5)	8,476,064	9,089,151
Timber licences and other assets (Note 6)	8,712,295	7,519,685
	<u>\$ 20,971,586</u>	<u>\$ 21,846,423</u>
<b>Liabilities and Shareholders' Deficit</b>		
<b>Liabilities</b>		
<b>Current</b>		
Bank indebtedness (Note 4)	\$ -	\$ 606,486
Accounts payable and accrued liabilities	3,828,196	4,688,024
Deferred contribution	12,501	9,881
Government remittances payable	23,786	-
Notes payable (Note 7)	2,416,548	-
Current portion of capital lease (Note 9)	238,804	444,924
	<u>6,519,835</u>	<u>5,749,315</u>
Long term portion of capital lease (Note 9)	265,402	515,877
Reforestation liabilities (Note 8)	471,864	406,496
Shareholder loan (Note 10)	39,416,588	35,046,578
	<u>46,673,689</u>	<u>41,718,266</u>
<b>Shareholders' Deficit</b>		
Share capital (Note 11)	100	100
Deficit	(25,702,203)	(19,871,943)
	<u>(25,702,103)</u>	<u>(19,871,843)</u>
	<u>\$ 20,971,586</u>	<u>\$ 21,846,423</u>

On behalf of the Board:

\_\_\_\_\_ Director \_\_\_\_\_ Director

**ROC Holdings Ltd.**  
**Consolidated Statement of Operations and Deficit**

<b>For the year ended June 30</b>	<b>2016</b>	<b>2015</b>
<b>Revenue</b>	<b>\$ 20,641,821</b>	<b>\$ 32,664,286</b>
<b>Cost of goods sold</b>		
Amortization	1,332,721	883,587
Contract services	106,206	90,244
Forestry and logging	9,886,038	18,410,716
Freight	5,254,806	5,467,475
Fuel and lube	256,563	475,811
Power	876,930	1,060,939
Salaries and benefits	4,870,750	5,944,894
Supplies	773,689	1,876,638
	<u>23,357,703</u>	<u>34,210,304</u>
<b>Gross loss</b>	<b>(2,715,882)</b>	<b>(1,546,018)</b>
<b>General and administrative costs (Schedule)</b>	<b>3,064,643</b>	<b>3,817,248</b>
	<u>(5,780,525)</u>	<u>(5,363,266)</u>
<b>Other items</b>		
Gain (loss) from sale of equipment	(11,756)	60,000
Exchange gain (loss)	(37,979)	84,454
	<u>(49,735)</u>	<u>144,454</u>
<b>Loss for the year</b>	<b>(5,830,260)</b>	<b>(5,218,812)</b>
<b>Deficit, beginning of year</b>	<b>(19,871,943)</b>	<b>(14,653,131)</b>
<b>Deficit, end of year</b>	<b><u>\$(25,702,203)</u></b>	<b><u>\$ (19,871,943)</u></b>

**ROC Holdings Ltd.**  
**Consolidated Statement of Cash Flows**

For the year ended June 30	2016	2015
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Loss for the year	\$ (5,830,260)	\$ (5,218,812)
Items not involving cash		
Amortization		
Roads and bridges and timber license	399,079	264,527
Property, plant and equipment	1,077,348	732,740
Reforestation liabilities accretion of interest and change in estimate	70,601	27,121
Accrued interest on notes payable	147,966	-
Unpaid consulting fees included in notes payable	281,497	-
	<u>(3,853,769)</u>	<u>(4,221,545)</u>
Changes in non-cash working capital items		
Accounts receivable	609,481	(287,692)
Government remittances	52,913	384,701
Prepaid expenses	(208,300)	126,679
Inventories	1,179,151	(32,934)
Accounts payable and accrued liabilities	(859,828)	1,143,613
Deferred contribution	2,620	6,849
	<u>(3,077,731)</u>	<u>(2,853,208)</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(389,262)	(1,828,565)
Purchase of timber licenses and roads	(1,666,689)	(2,514,456)
Purchase of timber license deposit	(12,285)	24,010
Reforestation expenditure	(5,233)	-
	<u>(2,073,469)</u>	<u>(4,319,011)</u>
<b>Financing activities</b>		
Repayments on long term debt	-	(1,850,000)
Issuance of notes payable	1,987,085	-
Payment to related party	-	(94,348)
Advances from shareholder	4,370,010	10,813,109
Repayments of bank indebtedness	(606,486)	(1,563,881)
Repayments of capital lease	(456,595)	(132,661)
	<u>5,294,014</u>	<u>7,172,219</u>
<b>Cash, end of year</b>	<b>\$ 142,814</b>	<b>\$ -</b>

(The accompanying notes are an integral part of these financial statements)



**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**

**June 30, 2016**

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**1. Significant Accounting Policies**

**a) Nature of Business**

ROC Holdings Ltd. (the "Company") was formed under the Laws of the Province of British Columbia on March 16, 2010. The Company produces wood products in British Columbia for sale to markets around the world.

The Company acquired Skeena Sawmills Ltd., from West Fraser Timber Co., on July 19, 2011. The sawmill commenced production in fiscal 2013.

**b) Basis of Presentation**

These consolidated financial statements were prepared in accordance with Part II of the Chartered Professional Accountants of Canada Handbook - Accounting Standards for Private Enterprises ("ASPE"), which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada and includes the significant accounting policies described hereafter.

**c) Basis of Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Skeena Sawmills Ltd. All significant intercompany transactions and balances have been eliminated on consolidation.

**d) Inventory**

Inventory consists of lumber, logs, biofuel and supplies. Logs, lumber and biofuel are stated at the lower of weighted average cost and net realizable value. Cost includes raw materials, direct labour and manufacturing overhead. Supplies inventory is stated at lower of cost and replacement cost.

**e) Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated amortization. Cost includes all amounts related to the acquisition and improvements of property, plant and equipment.

Property, plant and equipment are amortized on a straight- line basis as follows:

Buildings	20 years
Computer equipment	3 years
Office equipment	5 years
Machinery and equipment	5-15 years
Vehicles	3-5 years

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**

**June 30, 2016**

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**1. Significant Accounting Policies - Continued**

**f) Impairment of Long-Lived Assets**

The Company reviews property, plant and equipment, roads and bridges, timber licences and other long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Impairment is assessed by comparing the carrying amount of the asset with the total of the undiscounted cash flows expected from its use and disposition. If the asset is impaired, the impairment loss to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value, generally determined on a discounted cash flow basis. Any impairment results in a write-down of the asset and a charge to income during the year. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

**g) Timber Licenses**

Timber licenses are recorded at fair value on the date of acquisition. The tenure licenses with indefinite useful lives are not amortized and are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired.

**h) Roads and Bridges**

Roads and bridges are recorded at cost and amortized over their useful lives, which are 8 to 20 years.

**i) Reforestation Liabilities**

The Company harvests timber under various timber licenses that require the Company to conduct reforestation. Estimated future reforestation obligations are measured at fair value and accrued and charged to earnings when timber is harvested. The reforestation obligation is reviewed periodically and changes to estimates are recognized in earnings.

The Company records the estimated fair value of a liability for other asset retirement obligations in the period a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset and amortized over its useful life. The liability is accreted through charges to earnings and is reduced by actual costs of settlement.

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**

**June 30, 2016**

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**1. Significant Accounting Policies - Continued**

j) Leases

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the inception of the lease. Assets recorded under capital leases are amortized on a straight-line basis over the estimated useful lives of the assets. All other leases are accounted for as operating leases.

k) Revenue Recognition

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is usually upon delivery of goods so long as evidence of an arrangement exists, price is determined, and collectability is reasonably assured.

l) Related Party Transactions

All monetary transactions in the normal course of operations are measured at the exchange value. Non-monetary transactions in the normal course of operations that have commercial substances and do not involve the exchange of property or product held for sale are also measured at exchange value. The commercial substance requirement is met when the future cash flows associated with the transfer of property are expected to change significantly as a result of the transaction. All other related party transactions are measured at carrying value.

m) Income Taxes

The Company accounts for income taxes using the taxes payable method whereby only the cost or benefit of current income taxes for the year is reported, as determined in accordance with the rules established by taxation authorities.

n) Use of Estimates

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. An example of a significant area requiring estimates is determining the useful lives of capital assets and roads and bridges, the valuation of reforestation liability, the valuation of inventories, allowance for accounts receivable, and the completeness of accounts payable and accrued liabilities. Actual results may ultimately differ from these estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies summarized above.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**

**June 30, 2016**

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**1. Significant Accounting Policies - Continued**

**o) Foreign Currency Translation**

Foreign currency transactions occurring during the year are translated into Canadian dollars at the exchange rate prevailing on the transaction date. All monetary assets and liabilities denominated in foreign currencies at year-end are translated at the exchange rate prevailing at year-end and the resulting gain or loss is included in income.

**p) Pension**

The Company participates in a defined contribution plan, which is the Forest Industry Pension Plan.

**q) Financial instruments**

The Company measures its financial assets and financial liabilities at fair value at the acquisition date, except for financial assets and financial liabilities acquired in related party transactions. Transaction costs related to the acquisition of financial instruments subsequently measured at fair value are recognized at costs when incurred. The carrying amounts of financial instruments not subsequently measured at fair value are adjusted by the amount of transaction costs directly attributable to the acquisition of the instrument.

The Company subsequently measures all of its financial assets and financial liabilities at amortized cost.

**r) Impairment**

Financial assets measured at amortized cost are assessed for indications of impairment at the end of each reporting period. If impairment is identified, the amount of the write-down is recognized as an impairment loss in net earnings. Previously recognized impairment losses are reversed when the extent of the impairment decreases, provided that the adjusted carrying amount is no greater than the amount that would be reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net earnings.

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**2. Going Concern**

For the year ended June 30, 2016, the Company has incurred a loss of \$5,830,260 (2015-\$5,218,812) and had a shareholders' deficit of \$25,702,103 as at June 30, 2016, all of which indicate material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The continuation of the Company is dependent upon the continuing availability of operating and long-term financing, maintaining appropriate level of cash flows for operations, and achieving a profitable level of operations.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**

**June 30, 2016**

**2. Going Concern - Continued**

Management plans to raise capital through issuance of additional debt and shareholder injections to finance the operations of the Company, until such time as the Company's operations are self-sustaining. While the Company is using its best efforts to achieve the above plans, there is no assurance that any such activity will generate sufficient funds for operations in order to pay debtors as they come due.

Accordingly, no adjustments to the carrying value of the assets and liabilities have been made in these financial statements. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

**3. Inventory**

The Company's inventories are analyzed as follows:

	2016	2015
Lumber	\$ 705,039	\$ 2,149,633
Biofuel	191,431	248,870
Logs	634,205	333,746
Other - supplies	104,149	81,726
	<u>\$ 1,634,824</u>	<u>\$ 2,813,975</u>

The amount of inventories recognized as expense during the year is \$23,113,993 (2015 - \$34,210,304). During the year, the Company incurred an impairment charge on inventory in the amount of \$243,710.

**4. Cash and Bank Indebtedness**

Cash consists of cash on deposit with a Canadian chartered bank which earns interest at prevailing rates for business operating accounts.

The Company had an authorized operating line of credit in the amount of \$2 million (2015 - \$2 million) and did bear interest at prime plus 1.75% per annum (2015 - prime + 1.75% per annum). This operating line has been paid in full during the year and as of June 30, 2016 and no longer utilized by the Company.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**

**June 30, 2016**

**5. Property, Plant and Equipment**

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 1,352,831	\$ -	\$ 1,352,831	\$ 1,352,831
Buildings	3,349,556	859,504	2,490,052	2,682,800
Computer equipment	89,783	89,333	450	20,620
Machinery and equipment	5,895,721	1,957,732	3,937,989	4,265,884
Office equipment	5,387	3,283	2,104	1,569
Vehicles	173,353	80,472	92,881	83,078
	<b>10,866,631</b>	<b>2,990,324</b>	<b>7,876,307</b>	<b>8,406,782</b>
Assets under capital lease:				
Machinery and equipment	752,387	152,630	599,757	682,369
	<b>\$ 11,619,018</b>	<b>\$ 3,142,954</b>	<b>\$ 8,476,064</b>	<b>\$ 9,089,151</b>

**6. Timber Licenses and Other assets**

	<u>2016</u>	<u>2015</u>
Timber licenses	\$ 3,819,111	\$ 3,894,111
Roads and bridges	4,893,184	3,625,574
	<b>\$ 8,712,295</b>	<b>\$ 7,519,685</b>

The Company holds two forest licences and one tree farm licence in the Kalum Forest District of British Columbia. These licences include road permits and cutting permits. The annual allowable cut for all tenures is 311,552 cubic metres. During the year, the Company has written off one of its expired timber licenses in the amount of \$75,000.

Roads and bridges assets cost are \$5,550,003 (2015 - \$3,958,314) with an accumulated amortization of \$656,819 (2014 - \$332,740).

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**

**June 30, 2016**

**7. Notes Payable**

The Company obtained advances from an arms length party and a former management consultant. The advances or loans are payable on demand and have a 12% interest per annum payable monthly. The term of the loans are 12 months and is due on March 22, 2017. The Company may pay early with no penalty except for lenders legal cost. The loans are secured by the Company's assets, including the timber licenses. The terms may also be renewed on mutual agreement. Total loans outstanding at year end is \$2,416,548.

**8. Reforestation Liabilities**

The Company has an obligation to reforest areas harvested under various timber licenses. On acquisition of the timber licences, the Company assumed certain reforestation liabilities from the previous owner. An obligation is incurred as logging occurs and the fair value of the liability for reforestation is determined with reference to the present value of estimated future cash flows required to settle the obligation. Actual reforestation reduce the respective accruals.

	2016	2015
Opening obligation	\$ 406,496	\$ 379,375
Accretion of interest	5,425	-
Change in estimate	65,176	27,121
Expenditures	(5,233)	-
Ending obligation	\$ 471,864	\$ 406,496

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**

**June 30, 2016**

**9. Capital Lease**

	<u>2016</u>	<u>2015</u>
Obligation under capital lease for machinery and equipment with interest rate of 5.9%, maturing on April 30, 2019	\$ 372,409	\$ 658,064
Obligation under capital lease for machinery and equipment with interest rate of 4.0%, maturing on June 30, 2017	106,221	254,518
Obligation under capital lease for machinery and equipment with interest rate of 4.0%, maturing on November 16, 2017	<u>25,576</u>	<u>48,219</u>
Total capital lease obligation	504,206	960,801
Less: current portion	<u>238,804</u>	<u>444,924</u>
	<u>\$ 265,402</u>	<u>\$ 515,877</u>

The future minimum lease payments due under capital lease for the next 3 years are as follows:

2017	\$ 238,804
2018	141,460
2019	<u>123,942</u>
	<u>\$ 504,206</u>

**10. Related Party Balances**

As at June 30, 2016, the Company had an amount due from/to a company with a common director, in the amount of \$69,006 (2015 - \$69,006). The balance is non-interest bearing and is due on demand.

As at June 30, 2016, the Company had a loan due to the shareholder in the amount of \$39,416,588 (2015 - \$35,046,578). The loan is non-interest bearing and is due on demand. The shareholder has waived the right to call the loan prior to June 30, 2017. Consequently, the loan has been classified as non-current in the accompanying financial statements.

During the year, the Company incurred consulting fees with former management consultant in the amount of \$281,497 (2015 - \$Nil) which is included in notes payable (Note 7).



**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**

**June 30, 2016**

**11. Share Capital**

Authorized:

Unlimited number of common shares

Issued:

100 Common shares at \$1.00 per share

	2016	2015
	<u>\$ 100</u>	<u>\$ 100</u>

**12. Income Taxes**

	2016	2015
Net loss for the year	\$ (5,830,260)	\$ (5,218,812)
Increase (decrease) in taxable income resulting from:		
Adjustment for lease payments	(456,595)	(78,381)
Difference in capital cost allowance and amortization	1,191,142	607,256
Difference in reforestation liability	65,368	27,121
Non-deductible meals and entertainment	5,478	5,446
Loss (gain) on dissolution of investment	11,756	(60,000)
Other non-deductible items	29,293	150,926
Net loss for tax purposes	<u>\$ (4,983,818)</u>	<u>\$ (4,566,444)</u>

The Company, including its subsidiary, has accumulated net losses for tax purposes of approximately \$27,500,444 (2015 - \$22,516,624) which may be carried forward to reduce future taxable income in future years. These tax losses expire from 2031 to 2036.

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**

**June 30, 2016**

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**13. Financial Instrument Risks**

The Company's activities result in exposure to a variety of financial risks including risks related to commodity prices, currency fluctuation, credit, liquidity and interest rates. The risks that the Company are exposed to this year are consistent with those identified in the prior year.

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk include cash and accounts receivable.

The Company establishes payment terms and regularly monitors its trade receivables with its significant customers in order to mitigate the credit risk.

b) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company manages liquidity by maintaining adequate cash through shareholder loans and by having appropriate lines of credit available.

c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates, foreign currency, and commodity prices.

d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates and terms of the notes payable are disclosed in Note 7. The amount due to the Company's shareholders are non-interest bearing as disclosed in Note 10.

e) Currency Risk

The Company is exposed to foreign exchange risk. The Company's products are sold globally with prices primarily denominated in US dollars or linked to prices quoted in US dollars. As at June 30, 2016, the Company's products sold in US dollars totalled \$8,949,102 (denominated in Canadian dollars).

f) Commodity Price Risk

The Company's financial performance is principally dependent on the demand for and selling prices of its products. Both are subject to significant fluctuations. The market for lumber is highly volatile and is affected by factors such as global economic conditions including the strength of the global housing markets, changes in industry production capacity, changes in world inventory levels and other factors beyond the Company's control.

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**

**June 30, 2016**

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**14. Comparative Amounts**

Certain comparative amounts on the financial statements have been reclassified in order to conform to the presentation adopted in the current year.

**ROC Holdings Ltd.**  
**Schedule of General and Administrative Costs**

June 30,	2016	2015
<b>General and administrative costs</b>		
Advertising	\$ 1,016	\$ 2,139
Amortization	143,706	113,680
Bad debt expense (recovery)	(119,586)	165,935
Bank charges, interest, and penalties	69,188	196,899
Contract services/consulting	436,309	461,296
Insurance	424,372	405,941
Interest on long term debt	272,062	200,257
Licenses and permits	31,658	14,441
Office and administration	151,755	137,415
Miscellaneous	27,638	11,793
Professional fees	85,632	80,502
Property taxes	433,085	327,139
Rental/leases	60,295	94,317
Salaries and benefits	808,215	796,228
Sales discount/commissions paid/claims	140,587	580,837
Telephone	35,713	43,534
Training and development	9,336	12,245
Travel and entertainment	53,662	172,650
<b>Total</b>	<b>\$ 3,064,643</b>	<b>\$ 3,817,248</b>

This is Exhibit "C" referred to in the  
affidavit of SHENWEI (SANDRA) WU  
made before me at VANCOUVER, BC this 15 day of  
March, 2024.



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A Commissioner for taking Affidavits  
within British Columbia

**ROC Holdings Ltd.**  
**Consolidated Financial Statements**  
**For the year ended June 30, 2017**  
**(Unaudited)**

**ROC Holdings Ltd.**  
**Consolidated Financial Statements**  
**For the year ended June 30, 2017**  
**(Unaudited)**

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**Contents**

<b>Review Engagement Report</b>	<b>2</b>
<b>Consolidated Financial Statements</b>	
Balance Sheet	3
Statement of Operations and Deficit	4
Statement of Cash Flows	5
Notes to the Consolidated Financial Statements	6 - 15
Schedule of General and Administrative Costs	16



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42

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## Review Engagement Report

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To the Shareholders of ROC Holdings Ltd.

We have reviewed the Consolidated Balance Sheet of ROC Holdings Ltd. as at June 30, 2017, and the Consolidated Statements of Operations, Deficit and Cash Flows for the year ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, 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 consolidated financial statements.

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

*BDO Canada LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
April 20, 2018



**ROC Holdings Ltd.**  
**Consolidated Balance Sheet**  
(Unaudited)

June 30, 2017	2017	2016
<b>Assets</b>		
<b>Current</b>		
Cash (Note 4)	\$ 988,455	\$ 142,814
Accounts receivable	2,537,276	980,685
Inventories (Note 3)	2,704,575	1,634,824
Prepaid expenses	1,032,753	838,424
Due from related party (Note 10)	484,028	69,006
	<u>7,747,087</u>	<u>3,665,753</u>
Timber licence deposits	77,447	117,474
Property, plant and equipment (Note 5)	8,197,750	8,476,064
Timber licences and other assets (Note 6)	6,128,633	8,712,295
	<u>\$ 22,150,917</u>	<u>\$ 20,971,586</u>
<b>Liabilities and Shareholders' Deficit</b>		
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	3,743,381	3,828,196
Deferred contribution	14,733	12,501
Government remittances payable	-	23,786
Notes payable (Note 7)	2,275,103	2,416,548
Current portion of capital lease (Note 9)	238,804	238,804
	<u>6,272,021</u>	<u>6,519,835</u>
Long term portion of capital lease (Note 9)	101,217	265,402
Reforestation liabilities (Note 8)	898,108	471,864
Shareholder loan (Note 10)	52,486,591	39,416,588
	<u>59,757,937</u>	<u>46,673,689</u>
<b>Shareholders' Deficit</b>		
Share capital (Note 11)	100	100
Deficit	(37,607,120)	(25,702,203)
	<u>(37,607,020)</u>	<u>(25,702,103)</u>
	<u>\$ 22,150,917</u>	<u>\$ 20,971,586</u>

Approved on behalf of the Board:

\_\_\_\_\_ Director \_\_\_\_\_ Director

**ROC Holdings Ltd.**  
**Consolidated Statement of Operations and Deficit**  
**(Unaudited)**

<b>For the year ended June 30, 2017</b>	<b>2017</b>	<b>2016</b>
<b>Revenue</b>	<b>\$ 32,414,505</b>	<b>\$ 20,641,821</b>
<b>Cost of goods sold</b>		
Amortization	984,413	1,332,721
Contract services	92,101	106,206
Forestry and logging	17,125,668	9,886,038
Freight	6,664,191	5,254,806
Fuel and lube	472,373	256,563
Power	1,476,239	876,930
Salaries and benefits	7,256,110	4,870,750
Supplies	2,398,199	773,689
	<u>36,469,294</u>	<u>23,357,703</u>
<b>Gross loss</b>	<b>(4,054,789)</b>	<b>(2,715,882)</b>
<b>General and administrative costs (Schedule)</b>	<b>3,704,398</b>	<b>3,064,643</b>
	<u>(7,759,187)</u>	<u>(5,780,525)</u>
<b>Other items</b>		
Gain (loss) from sale of equipment	-	(11,756)
Exchange gain (loss)	204,418	(37,979)
Write-off of roads and bridges	(4,350,148)	-
	<u>(4,145,730)</u>	<u>(49,735)</u>
<b>Loss for the year</b>	<b>(11,904,917)</b>	<b>(5,830,260)</b>
<b>Deficit, beginning of year</b>	<b>(25,702,203)</b>	<b>(19,871,943)</b>
<b>Deficit, end of year</b>	<b><u>\$(37,607,120)</u></b>	<b><u>\$ (25,702,203)</u></b>

**ROC Holdings Ltd.**  
**Consolidated Statement of Cash Flows**  
**(Unaudited)**

For the year ended June 30, 2017	2017	2016
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Loss for the year	\$ (11,904,917)	\$ (5,830,260)
Items not involving cash		
Amortization and write-off		
Roads and bridges and timber license	4,350,148	399,079
Property, plant and equipment	1,376,504	1,077,348
Reforestation liabilities accretion of interest and change in estimate	426,244	70,601
Accrued interest on notes payable	-	147,966
Unpaid consulting fees included in notes payable	-	281,497
Unrealized foreign exchange gain on notes payable	(141,445)	-
	<u>(5,893,466)</u>	<u>(3,853,769)</u>
Changes in non-cash working capital items		
Accounts receivable	(1,556,591)	609,481
Government remittances	(23,786)	52,914
Prepaid expenses	(194,329)	(208,300)
Inventories	(1,069,751)	1,179,151
Accounts payable and accrued liabilities	(84,815)	(859,828)
Deferred contribution	2,232	2,620
	<u>(8,820,506)</u>	<u>(3,077,731)</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(1,098,190)	(389,262)
Purchase of timber licenses and roads	(1,766,486)	(1,666,689)
Refund (purchase) of timber license deposit	40,027	(12,285)
Reforestation expenditure	-	(5,233)
	<u>(2,824,649)</u>	<u>(2,073,469)</u>
<b>Financing activities</b>		
Issuance of notes payable	-	1,987,085
Advances to related party	(415,022)	-
Advances from shareholder	13,070,003	4,370,010
Repayments of bank indebtedness	-	(606,486)
Repayments of capital lease	(164,185)	(456,595)
	<u>12,490,796</u>	<u>5,294,014</u>
<b>Increase in cash during the year</b>	<b>845,641</b>	<b>142,814</b>
<b>Cash, beginning of year</b>	<u><b>142,814</b></u>	<u><b>-</b></u>
<b>Cash, end of year</b>	<u><b>\$ 988,455</b></u>	<u><b>\$ 142,814</b></u>

(The accompanying notes are an integral part of these financial statements)

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2017**

**1. Significant Accounting Policies**

**(a) Nature of Business**

ROC Holdings Ltd. (the "Company") was formed under the Laws of the Province of British Columbia on March 16, 2010. The Company produces wood products in British Columbia for sale to markets around the world.

The Company acquired Skeena Sawmills Ltd., from West Fraser Timber Co., on July 19, 2011. The sawmill commenced production in fiscal 2013.

**(b) Basis of Presentation**

These consolidated financial statements were prepared in accordance with Part II of the Chartered Professional Accountants of Canada Handbook - Accounting Standards for Private Enterprises ("ASPE"), which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada and includes the significant accounting policies described hereafter.

**(c) Basis of Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Skeena Sawmills Ltd. All significant intercompany transactions and balances have been eliminated on consolidation.

**(d) Inventory**

Inventory consists of lumber, logs, biofuel and supplies. Logs, lumber and biofuel are stated at the lower of weighted average cost and net realizable value. Cost includes raw materials, direct labour and manufacturing overhead. Supplies inventory is stated at lower of cost and replacement cost.

**(e) Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated amortization. Cost includes all amounts related to the acquisition and improvements of property, plant and equipment.

Property, plant and equipment are amortized on a straight- line basis as follows:

Buildings	20 years
Computer equipment	3 years
Office equipment	5 years
Machinery and equipment	5 - 15 years
Vehicles	3 - 5 years

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2017**

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**1. Significant Accounting Policies - Continued**

**(f) Impairment of Long-Lived Assets**

The Company reviews property, plant and equipment, roads and bridges, timber licences and other long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Impairment is assessed by comparing the carrying amount of the asset with the total of the undiscounted cash flows expected from its use and disposition. If the asset is impaired, the impairment loss to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value, generally determined on a discounted cash flow basis. Any impairment results in a write-down of the asset and a charge to income during the year. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

**(g) Timber Licenses**

Timber licenses are recorded at fair value on the date of acquisition. The tenure licenses with indefinite useful lives are not amortized and are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired.

**(h) Roads and Bridges**

Roads and bridges are recorded at cost and amortized over their useful lives, which are 8 to 20 years.

**(i) Reforestation Liabilities**

The Company harvests timber under various timber licenses that require the Company to conduct reforestation. Estimated future reforestation obligations are measured at fair value and accrued and charged to earnings when timber is harvested. The reforestation obligation is reviewed periodically and changes to estimates are recognized in earnings.

The Company records the estimated fair value of a liability for other asset retirement obligations in the period a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset and amortized over its useful life. The liability is accreted through charges to earnings and is reduced by actual costs of settlement.

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

June 30, 2017

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**1. Significant Accounting Policies - Continued**

**(j) Leases**

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the inception of the lease. Assets recorded under capital leases are amortized on a straight-line basis over the estimated useful lives of the assets. All other leases are accounted for as operating leases.

**(k) Revenue Recognition**

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is usually upon delivery of goods so long as evidence of an arrangement exists, price is determined, and collectability is reasonably assured.

**(l) Related Party Transactions**

All monetary transactions in the normal course of operations are measured at the exchange value. Non-monetary transactions in the normal course of operations that have commercial substances and do not involve the exchange of property or product held for sale are also measured at exchange value. The commercial substance requirement is met when the future cash flows associated with the transfer of property are expected to change significantly as a result of the transaction. All other related party transactions are measured at carrying value.

**(m) Income Taxes**

The Company accounts for income taxes using the taxes payable method whereby only the cost or benefit of current income taxes for the year is reported, as determined in accordance with the rules established by taxation authorities.

**(n) Use of Estimates**

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. An example of a significant area requiring estimates is determining the useful lives of capital assets and roads and bridges, recoverability of timber licenses, the valuation of reforestation liability, the valuation of inventories, allowance for accounts receivable, and the completeness of accounts payable and accrued liabilities. Actual results may ultimately differ from these estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies summarized above.

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

June 30, 2017

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**1. Significant Accounting Policies - Continued**

(o) Foreign Currency Translation

Foreign currency transactions occurring during the year are translated into Canadian dollars at the exchange rate prevailing on the transaction date. All monetary assets and liabilities denominated in foreign currencies at year-end are translated at the exchange rate prevailing at year-end and the resulting gain or loss is included in income.

(p) Financial Instruments

The Company measures its financial assets and financial liabilities at fair value at the acquisition date, except for financial assets and financial liabilities acquired in related party transactions. Transaction costs related to the acquisition of financial instruments subsequently measured at fair value are recognized at costs when incurred. The carrying amounts of financial instruments not subsequently measured at fair value are adjusted by the amount of transaction costs directly attributable to the acquisition of the instrument.

The Company subsequently measures all of its financial assets and financial liabilities at amortized cost.

(q) Impairment of Financial Instruments

Financial assets measured at amortized cost are assessed for indications of impairment at the end of each reporting period. If impairment is identified, the amount of the write-down is recognized as an impairment loss in net earnings. Previously recognized impairment losses are reversed when the extent of the impairment decreases, provided that the adjusted carrying amount is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net earnings.

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**2. Going Concern**

For the year ended June 30, 2017 the Company has incurred a loss of \$11,904,917 (2016 \$5,830,260) and had a shareholders' deficit of \$37,607,020 as at June 30, 2017, all of which indicate material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The continuation of the Company is dependent upon the continuing availability of operating and long-term financing, maintaining appropriate level of cash flows for operations, and achieving a profitable level of operations.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2017**

**2. Going Concern - Continued**

Management plans to raise capital through issuance of additional debt and shareholder injections to finance the operations of the Company, until such time as the Company's operations are self-sustaining. While the Company is using its best efforts to achieve the above plans, there is no assurance that any such activity will generate sufficient funds for operations in order to pay debtors as they come due.

Accordingly, no adjustments to the carrying value of the assets and liabilities have been made in these financial statements. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

**3. Inventory**

The Company's inventories are analyzed as follows:

	<u>2017</u>	<u>2016</u>
Lumber	\$ 1,365,198	\$ 705,039
Biofuel	175,568	191,431
Logs	985,853	634,205
Other - supplies	<u>177,956</u>	<u>104,149</u>
	<u>\$ 2,704,575</u>	<u>\$ 1,634,824</u>

The amount of inventories recognized as expense during the year is \$40,815,821 (2016 - \$23,113,993). During the year, the Company incurred an impairment charge on inventory in the amount of \$nil (2016 - \$243,710).

**4. Cash**

Cash consists of cash on deposit with a Canadian chartered bank which earns interest at prevailing rates for business operating accounts.



**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

June 30, 2017

**5. Property, Plant and Equipment**

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 1,352,831	\$ -	\$ 1,352,831	\$ 1,352,831
Buildings	3,404,371	1,024,517	2,379,854	2,490,052
Computer equipment	94,414	94,414	-	450
Machinery and equipment	6,220,256	2,511,252	3,709,004	3,818,355
Office equipment	5,387	4,484	903	2,104
Vehicles	173,353	108,572	64,781	92,881
	11,250,612	3,743,239	7,507,373	7,756,673
Assets under capital lease:				
Machinery and equipment	990,081	299,704	690,377	719,391
	<u>\$ 12,240,693</u>	<u>\$ 4,042,943</u>	<u>\$ 8,197,750</u>	<u>\$ 8,476,064</u>

**6. Timber Licenses and Other Assets**

	<u>2017</u>	<u>2016</u>
Timber licenses	\$ 3,819,111	\$ 3,819,111
Roads and bridges	<u>2,309,522</u>	<u>4,893,184</u>
	<u>\$ 6,128,633</u>	<u>\$ 8,712,295</u>

The Company holds two forest licences and one tree farm licence in the Kalum Forest District of British Columbia. These licences include road permits and cutting permits. The annual allowable cut for all tenures is 311,552 cubic metres.

The cost of roads and bridges is \$7,316,489 (2016 - \$5,550,003) with an accumulated amortization of \$5,006,967 (2016 - \$656,819).

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

June 30, 2017

**7. Notes Payable**

The Company obtained advances from an arm's length party and a former management consultant. The advances or loans are payable on demand and have a 12% (2016 - 12% per annum) interest per annum payable monthly. The term of the loans is 12 months and is due on April 1, 2018. The Company may pay early with no penalty except for lenders' legal cost. The loans are secured by the Company's assets, including the timber licenses. The terms may also be renewed on mutual agreement. Total loans outstanding at year end is \$2,275,103 (2016 - \$2,416,548).

**8. Reforestation Liabilities**

The Company has an obligation to reforest areas harvested under various timber licenses. On acquisition of the timber licences, the Company assumed certain reforestation liabilities from the previous owner. An obligation is incurred as logging occurs and the fair value of the liability for reforestation is determined with reference to the present value of estimated future cash flows required to settle the obligation. Actual reforestation reduce the respective accruals.

	2017	2016
Opening obligation	\$ 471,864	\$ 406,496
Accretion of interest	33,984	5,425
Change in estimate	402,862	65,176
Expenditures	(10,602)	(5,233)
Ending obligation	<u>\$ 898,108</u>	<u>\$ 471,864</u>

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
(Unaudited)

June 30, 2017

**9. Capital Lease**

	<u>2017</u>	<u>2016</u>
Obligation under capital lease for machinery and equipment with interest rate of 5.9%, maturing on April 30, 2019	\$ 283,265	\$ 372,409
Obligation under capital lease for machinery and equipment with interest rate of 4.0%, matured on June 30, 2017	45,985	106,221
Obligation under capital lease for machinery and equipment with interest rate of 4.0%, maturing on November 16, 2017	<u>10,771</u>	<u>25,576</u>
Total capital lease obligation	340,021	504,206
Less: current portion	<u>238,804</u>	<u>238,804</u>
	<u>\$ 101,217</u>	<u>\$ 265,402</u>

The future minimum lease payments due under capital lease for the next 2 years are as follows:

2018	\$ 238,804
2019	<u>101,217</u>
	<u>\$ 340,021</u>

**10. Related Party Balances**

As at June 30, 2017, the Company had an amount due from/to a company with a common director, in the amount of \$484,028 (2016 - \$69,006). The balance is non-interest bearing and is due on demand.

As at June 30, 2017, the Company had a loan due to the shareholder in the amount of \$52,486,591 (2016 - \$39,416,588). The loan is non-interest bearing and is due on demand. The shareholder has waived the right to call the loan prior to June 30, 2017. Consequently, the loan has been classified as non-current in the accompanying financial statements.

During the year, the Company incurred consulting fees with a former management consultant in the amount of \$nil (2016 - \$281,497) which is included in notes payable (Note 7).

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
(Unaudited)

**June 30, 2017**

**11. Share Capital**

Authorized:

Unlimited number of common shares

Issued:

100 Common shares at \$1.00 per share

	2017	2016
	<u>\$ 100</u>	<u>\$ 100</u>

**12. Income Taxes**

	2017	2016
Net loss for the year	\$ (11,904,917)	\$ (5,830,260)
Increase (decrease) in taxable income resulting from:		
Adjustment for lease payments	(164,185)	(456,595)
Difference in capital cost allowance and amortization	5,498,517	1,191,142
Difference in reforestation liability	426,244	65,368
Non-deductible meals and entertainment	6,741	5,478
Loss (gain) on dissolution of investment	-	11,756
Other non-deductible items	-	29,293
Net loss for tax purposes	<u>\$ (6,137,600)</u>	<u>\$ (4,983,818)</u>

The Company, including its subsidiary, has accumulated net losses for tax purposes of approximately \$33,446,452 (2016 - \$27,308,852) which may be carried forward to reduce future taxable income in future years. These tax losses expire from 2031 to 2037.

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

June 30, 2017

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**13. Financial Instrument Risks**

The Company's activities result in exposure to a variety of financial risks including risks related to commodity prices, currency fluctuation, credit, liquidity and interest rates. The risks that the Company are exposed to this year are consistent with those identified in the prior year.

**(a) Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk include cash and accounts receivable.

The Company establishes payment terms and regularly monitors its trade receivables with its significant customers in order to mitigate the credit risk.

**(b) Liquidity Risk**

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company manages liquidity by maintaining adequate cash through shareholder loans.

**(c) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates and terms of the notes payable are disclosed in Note 7. The amount due to the Company's shareholders are non-interest bearing as disclosed in Note 10.

**(d) Currency Risk**

The Company is exposed to foreign exchange risk. The Company's products are sold globally with prices primarily denominated in US dollars or linked to prices quoted in US dollars. For the year ended June 30, 2017, the Company's products sold in US dollars totalled \$20,879,909 (2016 - \$8,949,102) (denominated in Canadian dollars).

**(e) Commodity Price Risk**

The Company's financial performance is principally dependent on the demand for and selling prices of its products. Both are subject to significant fluctuations. The market for lumber is highly volatile and is affected by factors such as global economic conditions including the strength of the global housing markets, changes in industry production capacity, changes in world inventory levels and other factors beyond the Company's control.

**ROC Holdings Ltd.**  
**Schedule of General and Administrative Costs**  
**(Unaudited)**

<b>June 30, 2017,</b>	<b>2017</b>	<b>2016</b>
<b>General and administrative costs</b>		
Advertising	\$ 7,213	\$ 1,016
Amortization	392,091	143,706
Bad debt expense (recovery)	-	(119,586)
Bank charges, interest, and penalties	12,006	69,188
Contract services/consulting	357,452	436,309
Insurance	368,914	424,372
Interest on long term debt	319,806	272,062
Licenses and permits	53,250	31,658
Office and administration	239,578	151,755
Miscellaneous	49,569	27,638
Professional fees	123,879	85,632
Property taxes	452,145	433,085
Rental/leases	62,068	60,295
Salaries and benefits	912,682	808,215
Sales discount/commissions paid/claims	182,253	140,587
Telephone	45,056	35,713
Training and development	42,954	9,336
Travel and entertainment	83,482	53,662
<b>Total</b>	<b>\$ 3,704,398</b>	<b>\$ 3,064,643</b>

This is Exhibit "D" referred to in the  
affidavit of SHENWEI (SANDRA) WU  
made before me at VANCOUVER, BC this 15 day of  
March, 2024.



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A Commissioner for taking Affidavits  
within British Columbia

**ROC Holdings Ltd.**  
**Consolidated Financial Statements**  
**For the year ended June 30, 2018**  
**(Unaudited)**



**ROC Holdings Ltd.**  
**Consolidated Financial Statements**  
**For the year ended June 30, 2018**  
**(Unaudited)**

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**Contents**

<b>Independent Practitioner's Review Engagement Report</b>	<b>2</b>
<b>Consolidated Financial Statements</b>	
Balance Sheet	<b>3</b>
Statement of Operations and Deficit	<b>4</b>
Statement of Cash Flows	<b>5</b>
Notes to the Consolidated Financial Statements	<b>6 - 16</b>
Schedule of General and Administrative Costs	<b>17</b>

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## Independent Practitioner's Review Engagement Report

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### To the Shareholders of ROC Holdings Ltd.

We have reviewed the accompanying consolidated financial statements of ROC Holdings Ltd. that comprise the Consolidated Balance Sheet as at June 30, 2018, and the Consolidated Statements of Operations, Deficit 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 consolidated 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 consolidated 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.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated financial statements do not present fairly, in all material respects, the financial position of the ROC Holdings Ltd. as at June 30, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

### Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 2 in the consolidated financial statements which indicates that ROC Holdings Ltd. has accumulated losses to date of \$548,357,002. This condition, along with other matters as set forth in Note 2, indicates the existence of a material uncertainty that may cast significant doubt about ROC Holdings Ltd.'s ability to continue as a going concern.

*BDO Canada LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
September 13, 2019

**ROC Holdings Ltd.**  
**Consolidated Balance Sheet**  
(Unaudited)

June 30	2018	2017
<b>Assets</b>		
<b>Current</b>		
Cash (Note 4)	\$ 1,039,190	\$ 988,455
Accounts receivable	2,012,931	2,537,276
Inventories (Note 3)	3,073,094	2,704,575
Prepaid expenses	1,482,023	1,032,753
	<u>7,607,238</u>	<u>7,263,059</u>
Due from related party (Note 10)	3,865,561	508,283
Timber licence deposits	214,736	77,447
Property, plant and equipment (Note 5)	9,426,840	8,197,750
Timber licences and other assets (Note 6)	6,487,845	6,128,633
	<u>\$27,602,220</u>	<u>\$ 22,175,172</u>
<b>Liabilities and Shareholders' Deficit</b>		
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	4,024,517	3,673,822
Deferred contribution	20,404	14,733
Government remittances payable	324,133	69,558
Notes payable (Note 7)	-	2,275,103
Current portion of capital lease (Note 9)	499,819	238,804
Due to related party (Note 10)	24,256	24,256
	<u>4,893,129</u>	<u>6,296,276</u>
Long term portion of capital lease (Note 9)	369,268	101,217
Reforestation liabilities (Note 8)	1,232,869	898,108
Shareholder loan (Note 10)	69,463,856	52,486,591
	<u>75,959,122</u>	<u>59,782,192</u>
<b>Shareholders' Deficit</b>		
Share capital (Note 11)	100	100
Deficit	(48,357,002)	(37,607,120)
	<u>(48,356,902)</u>	<u>(37,607,020)</u>
	<u>\$27,602,220</u>	<u>\$ 22,175,172</u>

Approved on behalf of the Board:

\_\_\_\_\_ Director \_\_\_\_\_ Director

**ROC Holdings Ltd.**  
**Consolidated Statement of Operations and Deficit**  
**(Unaudited)**

<b>For the year ended June 30</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>	<b>\$40,024,388</b>	<b>\$ 32,231,991</b>
<b>Cost of goods sold</b>		
Amortization	377,642	984,413
Contract services	91,198	92,101
Forestry and logging	21,589,616	17,125,668
Freight	9,080,980	6,664,191
Fuel and lube	519,064	472,373
Power	1,382,246	1,476,239
Salaries and benefits	8,849,627	7,256,110
Supplies	3,288,949	2,398,199
	<u>45,179,322</u>	<u>36,469,294</u>
<b>Gross loss</b>	<b>(5,154,934)</b>	<b>(4,237,303)</b>
<b>General and administrative costs (Schedule)</b>	<b>3,775,751</b>	<b>3,521,884</b>
	<u>(8,930,685)</u>	<u>(7,759,187)</u>
<b>Other items</b>		
Gain from disposition of equipment	35,637	-
Exchange gain	14,436	204,418
Write-off of roads and bridges	(1,869,270)	(4,350,148)
	<u>(1,819,197)</u>	<u>(4,145,730)</u>
<b>Loss for the year</b>	<b>(10,749,882)</b>	<b>(11,904,917)</b>
<b>Deficit, beginning of year</b>	<b>(37,607,120)</b>	<b>(25,702,203)</b>
<b>Deficit, end of year</b>	<b><u>\$(48,357,002)</u></b>	<b><u>\$ (37,607,120)</u></b>

**ROC Holdings Ltd.**  
**Consolidated Statement of Cash Flows**  
**(Unaudited)**

For the year ended June 30	2018	2017
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Loss for the year	\$ (10,749,882)	\$ (11,904,917)
Items not involving cash		
Amortization and write-off		
Roads and bridges and timber license	1,869,270	4,350,148
Property, plant and equipment	777,985	1,376,504
Reforestation liabilities accretion of interest and change in estimate	334,761	426,244
Gain from disposition of equipment	(35,637)	-
Unrealized foreign exchange gain on notes payable	-	(141,445)
	<u>(7,803,503)</u>	<u>(5,893,466)</u>
Changes in non-cash working capital items		
Accounts receivable	524,345	(1,556,591)
Government remittances payable	254,575	(23,786)
Prepaid expenses	(449,270)	(194,329)
Inventories	(368,519)	(1,069,751)
Accounts payable and accrued liabilities	350,695	(84,815)
Deferred contribution	5,671	2,232
	<u>(7,486,006)</u>	<u>(8,820,506)</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(2,123,626)	(1,098,190)
Purchase of timber licenses and roads	(2,228,482)	(1,766,486)
Refund (purchase) of timber license deposits	(137,289)	40,027
Proceeds from disposition of equipment	152,187	-
	<u>(4,337,210)</u>	<u>(2,824,649)</u>
<b>Financing activities</b>		
Repayment of notes payable	(2,275,103)	-
Advances to related party	(3,357,277)	(415,022)
Advances from shareholder	16,977,266	13,070,003
Increase (decrease) of capital lease	529,065	(164,185)
	<u>11,873,951</u>	<u>12,490,796</u>
<b>Increase in cash during the year</b>	<b>50,735</b>	<b>845,641</b>
<b>Cash, beginning of year</b>	<b>988,455</b>	<b>142,814</b>
<b>Cash, end of year</b>	<b>\$ 1,039,190</b>	<b>\$ 988,455</b>

(The accompanying notes are an integral part of these financial statements)

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2018**

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**1. Significant Accounting Policies**

**(a) Nature of Business**

ROC Holdings Ltd. (the "Company") was formed under the Laws of the Province of British Columbia on March 16, 2010. The Company produces wood products in British Columbia for sale to markets around the world.

The Company acquired Skeena Sawmills Ltd., from West Fraser Timber Co., on July 19, 2011. The sawmill commenced production in fiscal 2013.

**(b) Basis of Presentation**

These consolidated financial statements were prepared in accordance with Part II of the Chartered Professional Accountants of Canada Handbook - Accounting Standards for Private Enterprises ("ASPE"), which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada and includes the significant accounting policies described hereafter.

**(c) Basis of Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Skeena Sawmills Ltd. All significant intercompany transactions and balances have been eliminated on consolidation.

**(d) Inventory**

Inventory consists of lumber, logs, biofuel and supplies. Logs, lumber and biofuel are stated at the lower of weighted average cost and net realizable value. Cost includes raw materials, direct labour and manufacturing overhead. Supplies inventory is stated at lower of cost and replacement cost.

**(e) Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated amortization. Cost includes all amounts related to the acquisition and improvements of property, plant and equipment.

Property, plant and equipment are amortized on a straight- line basis as follows:

Buildings	20 years
Computer equipment	3 years
Office equipment	5 years
Machinery and equipment	5-15 years
Vehicles	3-5 years

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2018**

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**1. Significant Accounting Policies - Continued**

**(f) Impairment of Long-Lived Assets**

The Company reviews property, plant and equipment, roads and bridges, timber licences and other long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Impairment is assessed by comparing the carrying amount of the asset with the total of the undiscounted cash flows expected from its use and disposition. If the asset is impaired, the impairment loss to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value, generally determined on a discounted cash flow basis. Any impairment results in a write-down of the asset and a charge to income during the year. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

**(g) Timber Licenses**

Timber licenses are recorded at fair value on the date of acquisition. The tenure licenses with indefinite useful lives are not amortized and are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired.

**(h) Roads and Bridges**

Roads and bridges are recorded at cost and amortized over their useful lives, which are 8 to 20 years.

**(i) Reforestation Liabilities**

The Company harvests timber under various timber licenses that require the Company to conduct reforestation. Estimated future reforestation obligations are measured at fair value and accrued and charged to earnings when timber is harvested. The reforestation obligation is reviewed periodically and changes to estimates are recognized in earnings.

The Company records the estimated fair value of a liability for other asset retirement obligations in the period a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset and amortized over its useful life. The liability is accreted through charges to earnings and is reduced by actual costs of settlement.

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

June 30, 2018

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**1. Significant Accounting Policies - Continued**

**(j) Leases**

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the inception of the lease. Assets recorded under capital leases are amortized on a straight-line basis over the estimated useful lives of the assets. All other leases are accounted for as operating leases.

**(k) Revenue Recognition**

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is usually upon delivery of goods so long as evidence of an arrangement exists, price is determined, and collectability is reasonably assured.

**(l) Related Party Transactions**

All monetary transactions in the normal course of operations are measured at the exchange value. Non-monetary transactions in the normal course of operations that have commercial substances and do not involve the exchange of property or product held for sale are also measured at exchange value. The commercial substance requirement is met when the future cash flows associated with the transfer of property are expected to change significantly as a result of the transaction. All other related party transactions are measured at carrying value.

**(m) Income Taxes**

The Company accounts for income taxes using the taxes payable method whereby only the cost or benefit of current income taxes for the year is reported, as determined in accordance with the rules established by taxation authorities.

**(n) Use of Estimates**

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. An example of a significant area requiring estimates is determining the useful lives of property, plant and equipment and roads and bridges, recoverability of timber licenses, the valuation of reforestation liability, the valuation of inventories, allowance for accounts receivable, and the completeness of accounts payable and accrued liabilities. Actual results may ultimately differ from these estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies summarized above.



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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

June 30, 2018

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**1. Significant Accounting Policies - Continued**

**(o) Foreign Currency Translation**

Foreign currency transactions occurring during the year are translated into Canadian dollars at the exchange rate prevailing on the transaction date. All monetary assets and liabilities denominated in foreign currencies at year-end are translated at the exchange rate prevailing at year-end and the resulting gain or loss is included in income.

**(p) Financial Instruments**

The Company measures its financial assets and financial liabilities at fair value at the acquisition date, except for financial assets and financial liabilities acquired in related party transactions. Transaction costs related to the acquisition of financial instruments subsequently measured at fair value are recognized at costs when incurred. The carrying amounts of financial instruments not subsequently measured at fair value are adjusted by the amount of transaction costs directly attributable to the acquisition of the instrument.

The Company subsequently measures all of its financial assets and financial liabilities at amortized cost.

**(q) Impairment of Financial Instruments**

Financial assets measured at amortized cost are assessed for indications of impairment at the end of each reporting period. If impairment is identified, the amount of the write-down is recognized as an impairment loss in net earnings. Previously recognized impairment losses are reversed when the extent of the impairment decreases, provided that the adjusted carrying amount is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net earnings.

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**2. Going Concern**

For the year ended June 30, 2018 the Company has incurred a loss of \$10,749,882 (2017 - \$11,904,917) and had a shareholders' deficit of \$48,357,002 (2017 - \$37,607,120) as at June 30, 2018, all of which indicate material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The continuation of the Company is dependent upon the continuing availability of operating and long-term financing and shareholders' funding, maintaining appropriate level of cash flows for operations, and achieving a profitable level of operations.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2018**

**2. Going Concern - Continued**

Management plans to raise capital through issuance of additional debt and shareholder injections to finance the operations of the Company, until such time as the Company's operations are self-sustaining. While the Company is using its best efforts to achieve the above plans, there is no assurance that any such activity will generate sufficient funds for operations in order to pay debtors as they come due.

Accordingly, no adjustments to the carrying value of the assets and liabilities have been made in these consolidated financial statements. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

**3. Inventory**

The Company's inventories are analyzed as follows:

	2018	2017
Lumber	\$ 1,755,938	\$ 1,365,198
Biofuel	177,712	175,568
Logs	969,237	985,853
Other - supplies	170,207	177,956
	<u>\$ 3,073,094</u>	<u>\$ 2,704,575</u>

The amount of inventories recognized as expense during the year is \$44,810,803 (2017 - \$40,815,821).

**4. Cash**

Cash consists of cash on deposit with a Canadian chartered bank which earns interest at prevailing rates for business operating accounts.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

June 30, 2018

**5. Property, Plant and Equipment**

	<b>2018</b>		<b>2017</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Land	\$ 1,352,831	\$ -	\$ 1,352,831	\$ 1,352,831
Buildings	3,436,647	1,205,280	2,231,367	2,379,854
Computer equipment	137,214	95,526	41,688	-
Machinery and equipment	7,458,922	3,070,222	4,388,700	3,709,004
Office equipment	5,387	5,387	-	903
Vehicles	222,975	137,858	85,117	64,781
	<b>12,613,976</b>	<b>4,514,273</b>	<b>8,099,703</b>	<b>7,507,373</b>
Assets under capital lease:				
Machinery and equipment	1,610,314	283,177	1,327,137	690,377
	<b>\$14,224,290</b>	<b>\$ 4,797,450</b>	<b>\$ 9,426,840</b>	<b>\$ 8,197,750</b>

**6. Timber Licenses and Other Assets**

	<b>2018</b>	<b>2017</b>
Timber licenses	\$ 3,819,111	\$ 3,819,111
Roads and bridges	2,668,734	2,309,522
	<b>\$ 6,487,845</b>	<b>\$ 6,128,633</b>

The Company holds two forest licences and one tree farm licence in the Kalum Forest District of British Columbia. These licences include road permits and cutting permits. The annual allowable cut for all tenures is 311,552 cubic metres.

The cost of roads and bridges is \$9,979,234 (2017 - \$7,316,489) with an accumulated amortization of \$7,310,500 (2017 - \$5,006,967).

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

June 30, 2018

**7. Notes Payable**

The Company obtained advances from an arm's length party and a former management consultant. The advances or loans are payable on demand and have a 12% (2017 - 12% per annum) interest per annum payable monthly. The term of the loans is 12 months and is due on April 1, 2018. The Company may pay early with no penalty except for lenders' legal cost. The loans are secured by the Company's assets, including the timber licenses. The terms may also be renewed on mutual agreement. The notes payable were repaid in full during the year.

**8. Reforestation Liabilities**

The Company has an obligation to reforest areas harvested under various timber licenses. On acquisition of the timber licences, the Company assumed certain reforestation liabilities from the previous owner. An obligation is incurred as logging occurs and the fair value of the liability for reforestation is determined with reference to the present value of estimated future cash flows required to settle the obligation. Actual reforestation reduce the respective accruals.

	2018	2017
Opening obligation	\$ 898,108	\$ 471,864
Accretion of interest	40,674	33,984
Change in estimate	299,046	402,862
Expenditures	(4,959)	(10,602)
Ending obligation	<u>\$ 1,232,869</u>	<u>\$ 898,108</u>

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

June 30, 2018

**9. Capital Lease**

	2018	2017
Obligation under capital lease for machinery and equipment with interest rate of 5.9% per annum, maturing on April 30, 2019	\$ 166,847	\$ 283,265
Obligation under capital lease for machinery and equipment with interest rate of 4.0% per annum, matured on June 30, 2017	-	45,985
Obligation under capital lease for machinery and equipment with interest rate of 4.0% per annum, matured on November 16, 2017	-	10,771
Obligation under capital lease for machinery and equipment with interest rate of 2.0% per annum, maturing on May 16, 2019	43,621	-
Obligation under capital lease for machinery and equipment with interest rate of 0.00% per annum, on September 20, 2018	43,597	-
Obligation under capital lease for machinery and equipment with interest rate of 4.67% per annum, maturing on August 25, 2020	143,204	-
Obligation under capital lease for machinery and equipment with interest rate of 5.45% per annum, maturing on August 20, 2020	219,934	-
Obligation under capital lease for machinery and equipment with interest rate of 5.95% per annum, maturing on November 20, 2021	251,884	-
Total capital lease obligation	869,087	340,021
Less: current portion	499,819	238,804
	<u>\$ 369,268</u>	<u>\$ 101,217</u>

The future minimum lease payments due under capital lease for the next 4 years are as follows:

2019	\$ 532,385
2020	266,293
2021	116,942
2022	<u>3,043</u>
	918,663
Less imputed interest	<u>(49,576)</u>
Total	<u>\$ 869,087</u>

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

June 30, 2018

**10. Related Party Balances**

As at June 30, 2018, the Company had an amount due from (to) a company with a common director, in the amount of \$3,841,305 (2017 - \$484,028). The balance is non-interest bearing and is due on demand.

As at June 30, 2018, the Company had a loan due to the shareholder in the amount of \$69,463,856 (2017 - \$52,486,591). The loan is non-interest bearing and is due on demand. The shareholder has waived the right to call the loan prior to June 30, 2019. Consequently, the loan has been classified as non-current in the accompanying financial statements.

**11. Share Capital**

Authorized:

Unlimited number of common shares

Issued:

	2018	2017
100 Common shares at \$1.00 per share	\$ 100	\$ 100

**12. Income Taxes**

	2018	2017
Net loss for the year	\$ (10,749,882)	\$ (11,904,917)
Increase (decrease) in taxable income resulting from:		
Adjustment for lease payments	(577,835)	(164,185)
Difference in capital cost allowance and amortization	2,464,161	5,498,517
Difference in reforestation liability	334,760	426,244
Non-deductible meals and entertainment	10,499	6,741
Loss (gain) on disposal of assets	(35,637)	-
Other non-deductible items	55,237	-
Net loss for tax purposes	\$ (8,498,697)	\$ (6,137,600)

The Company, including its subsidiary, has accumulated net losses for tax purposes of approximately \$41,919,580 (2017 - \$33,446,452) which may be carried forward to reduce future taxable income in future years. These tax losses expire from 2031 to 2037.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

June 30, 2018

### 13. Contingencies and Commitments

The Company's total obligations, under various operating leases for the next four years are as follows:

Year	Amount
2019	\$ 42,417
2020	42,417
2021	42,417
2022	42,417
	<u>\$ 169,668</u>

### 14. Financial Instrument Risks

The Company's activities result in exposure to a variety of financial risks including risks related to commodity prices, currency fluctuation, credit, liquidity and interest rates. The risks that the Company are exposed to this year are consistent with those identified in the prior year.

#### (a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk include cash, accounts receivable and amounts due from related party.

The Company establishes payment terms and regularly monitors its receivables with its significant customers and related party in order to mitigate the credit risk.

#### (b) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company manages liquidity by primarily maintaining adequate cash through shareholder loans.

#### (c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Since the Company does not have significant assets or liabilities with variable interest rates, the Company is not exposed to significant interest rate risk.

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

June 30, 2018

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**14. Financial Instrument Risks (continued)**

**(d) Currency Risk**

The Company is exposed to foreign exchange risk. The Company's products are sold globally with prices primarily denominated in US dollars or linked to prices quoted in US dollars. For the year ended June 30, 2018, the Company's products sold in US dollars totalled \$26,052,788 (2017 - \$20,879,909) (denominated in Canadian dollars).

**(e) Commodity Price Risk**


The Company's financial performance is principally dependent on the demand for and selling prices of its wood products. Both are subject to significant fluctuations. The market for lumber is highly volatile and is affected by factors such as global economic conditions including the strength of the global housing markets, changes in industry production capacity, changes in world inventory levels and other factors beyond the Company's control.



**ROC Holdings Ltd.**  
**Schedule of General and Administrative Costs**  
**(Unaudited)**

<b>June 30</b>	<b>2018</b>	<b>2017</b>
<b>General and administrative costs</b>		
Advertising	\$ 30,141	\$ 7,213
Amortization	400,343	392,091
Bank charges, interest, and penalties	73,060	12,006
Contract services/consulting	654,762	357,452
Insurance	372,627	368,914
Interest on long term debt	169,170	297,088
Interest on capital lease	85,472	22,718
Licenses and permits	15,585	53,250
Miscellaneous	31,626	49,569
Office and administration	348,603	239,578
Professional fees	55,080	123,879
Property taxes	469,620	452,145
Rental/leases	152,552	62,068
Salaries and benefits	698,825	912,682
Sales discount/commissions paid/claims	1,220	(261)
Telephone	49,353	45,056
Training and development	39,706	42,954
Travel and entertainment	128,006	83,482
<b>Total</b>	<b>\$ 3,775,751</b>	<b>\$ 3,521,884</b>

This is Exhibit "E" referred to in the  
affidavit of SHENWEI (SANDRA) WU  
made before me at VANCOUVER, BC this 15 day of  
March, 2024.



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A Commissioner for taking Affidavits  
within British Columbia

**ROC Holdings Ltd.**  
**Consolidated Financial Statements**  
**For the year ended June 30, 2019**  
**(Unaudited)**

**ROC Holdings Ltd.**  
**Consolidated Financial Statements**  
**For the year ended June 30, 2019**  
**(Unaudited)**

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**Contents**

<b>Independent Practitioner's Review Engagement Report</b>	<b>2</b>
<b>Consolidated Financial Statements</b>	
Balance Sheet	<b>3</b>
Statement of Operations and Deficit	<b>4</b>
Statement of Cash Flows	<b>5</b>
Notes to the Consolidated Financial Statements	<b>6 - 16</b>
Schedule of General and Administrative Costs	<b>17</b>



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## Independent Practitioner's Review Engagement Report

### To the Shareholders of ROC Holdings Ltd.

We have reviewed the accompanying consolidated financial statements of ROC Holdings Ltd. that comprise the Consolidated Balance Sheet as at June 30, 2019, and the Consolidated Statements of Operations, Deficit 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 consolidated 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 consolidated 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.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated financial statements do not present fairly, in all material respects, the financial position of the ROC Holdings Ltd. as at June 30, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

### Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 2 in the consolidated financial statements which indicates that ROC Holdings Ltd. has incurred a net loss of \$7,949,007 for the year ended June 30, 2019 and as of that date, a accumulated losses of \$56,306,009. These conditions, along with other matters as set forth in Note 2, indicates the existence of a material uncertainty that may cast significant doubt about ROC Holdings Ltd.'s ability to continue as a going concern.

*BDO Canada LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
 April 23, 2021

**ROC Holdings Ltd.**  
**Consolidated Balance Sheet**  
(Unaudited)

June 30	2019	2018
<b>Assets</b>		
<b>Current</b>		
Cash (Note 4)	\$ 1,182,130	\$ 1,039,190
Accounts receivable	2,153,815	2,012,931
Inventories (Note 3)	5,533,436	3,073,094
Prepaid expenses	2,002,416	1,482,023
	<u>10,871,797</u>	<u>7,607,238</u>
Due from related party (Note 9)	8,295,417	3,865,561
Timber licence deposits	435,200	214,736
Property, plant and equipment (Note 5)	9,452,489	9,426,840
Timber licences and other assets (Note 6)	8,199,779	6,487,845
	<u>\$37,254,682</u>	<u>\$ 27,602,220</u>
<b>Liabilities and Shareholders' Deficit</b>		
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	7,708,335	4,024,517
Deferred contribution	23,215	20,404
Government remittances payable	159,702	324,133
Current portion of capital lease (Note 8)	305,676	499,819
Due to related party (Note 9)	23,933	24,256
	<u>8,220,861</u>	<u>4,893,129</u>
Long term portion of capital lease (Note 8)	102,304	369,268
Reforestation liabilities (Note 7)	1,115,989	1,232,869
Shareholder loan (Note 9)	84,121,437	69,463,856
	<u>93,560,591</u>	<u>75,959,122</u>
<b>Shareholders' Deficit</b>		
Share capital (Note 10)	100	100
Deficit	(56,306,009)	(48,357,002)
	<u>(56,305,909)</u>	<u>(48,356,902)</u>
	<u>\$37,254,682</u>	<u>\$ 27,602,220</u>

Approved on behalf of the Board:

\_\_\_\_\_ Director \_\_\_\_\_ Director

**ROC Holdings Ltd.**  
**Consolidated Statement of Operations and Deficit**  
**(Unaudited)**

<b>For the year ended June 30</b>	<b>2019</b>	<b>2018</b>
<b>Revenue</b>	<b>\$54,709,278</b>	<b>\$ 40,024,388</b>
<b>Cost of goods sold</b>		
Amortization	\$ 3,760,813	\$ 377,642
Forestry and logging	25,004,994	21,589,616
Freight	13,803,849	9,080,980
Fuel and lube	807,610	519,064
Power	1,392,813	1,382,246
Salaries and benefits	9,997,054	8,849,627
Supplies	3,818,183	3,288,949
	<u>58,665,739</u>	<u>45,179,322</u>
<b>Gross loss</b>	<b>(3,956,461)</b>	<b>(5,154,934)</b>
<b>General and administrative costs (Schedule)</b>	<b>3,970,953</b>	<b>3,775,751</b>
	<u>(7,927,414)</u>	<u>(8,930,685)</u>
<b>Other items</b>		
Gain from disposition of equipment	15,751	35,637
Exchange gain	(37,344)	14,436
Write-off of roads and bridges	-	(1,869,270)
	<u>(21,593)</u>	<u>(1,819,197)</u>
<b>Loss for the year</b>	<b>(7,949,007)</b>	<b>(10,749,882)</b>
<b>Deficit, beginning of year</b>	<b>(48,357,002)</b>	<b>(37,607,120)</b>
<b>Deficit, end of year</b>	<b><u>\$(56,306,009)</u></b>	<b><u>\$ (48,357,002)</u></b>

**ROC Holdings Ltd.**  
**Consolidated Statement of Cash Flows**  
(Unaudited)

For the year ended June 30	2019	2018
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Loss for the year	\$ (7,949,007)	\$ (10,749,882)
Items not involving cash		
Amortization and write-off		
Roads and bridges and timber license	3,360,912	1,869,270
Property, plant and equipment	842,053	777,985
Reforestation liabilities accretion of interest and change in estimate	(116,879)	334,761
Gain from disposition of equipment	(15,751)	(35,637)
	<u>(3,878,672)</u>	<u>(7,803,503)</u>
Changes in non-cash working capital items		
Accounts receivable	(140,884)	524,345
Government remittances payable	(164,431)	254,575
Prepaid expenses	(520,393)	(449,270)
Inventories	(2,460,342)	(368,519)
Accounts payable and accrued liabilities	3,683,818	350,695
Deferred contribution	2,811	5,671
	<u>(3,478,093)</u>	<u>(7,486,006)</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(906,541)	(2,123,626)
Purchase of timber licenses and roads	(5,072,847)	(2,228,482)
Refund (purchase) of timber license deposits	(220,464)	(137,289)
Proceeds from disposition of equipment	54,589	152,187
Advances to related party	(4,430,179)	(3,357,277)
	<u>(10,575,442)</u>	<u>(7,694,487)</u>
<b>Financing activities</b>		
Repayment of notes payable	-	(2,275,103)
Advances from shareholder	14,657,581	16,977,266
Increase (decrease) of capital lease	(461,106)	529,065
	<u>14,196,475</u>	<u>15,231,228</u>
<b>Increase in cash during the year</b>	<b>142,940</b>	<b>50,735</b>
<b>Cash, beginning of year</b>	<b>1,039,190</b>	<b>988,455</b>
<b>Cash, end of year</b>	<b>\$ 1,182,130</b>	<b>\$ 1,039,190</b>



**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2019**

**1. Significant Accounting Policies**

**(a) Nature of Business**

ROC Holdings Ltd. (the "Company") was formed under the Laws of the Province of British Columbia on March 16, 2010. The Company produces wood products in British Columbia for sale to markets around the world.

The Company acquired Skeena Sawmills Ltd., from West Fraser Timber Co., on July 19, 2011. The sawmill commenced production in fiscal 2013.

**(b) Basis of Presentation**

These consolidated financial statements were prepared in accordance with Part II of the Chartered Professional Accountants of Canada Handbook - Accounting Standards for Private Enterprises ("ASPE"), which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada and includes the significant accounting policies described hereafter.

**(c) Basis of Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Skeena Sawmills Ltd. All significant intercompany transactions and balances have been eliminated on consolidation.

**(d) Inventory**

Inventory consists of lumber, logs, biofuel and supplies. Logs, lumber and biofuel are stated at the lower of weighted average cost and net realizable value. Cost includes raw materials, direct labour and manufacturing overhead. Supplies inventory is stated at lower of cost and replacement cost.

**(e) Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated amortization. Cost includes all amounts related to the acquisition and improvements of property, plant and equipment.

Property, plant and equipment are amortized on a straight- line basis as follows:

Buildings	20 years
Computer equipment	3 years
Machinery and equipment	5-15 years
Vehicles	3-5 years

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2019**

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**1. Significant Accounting Policies - Continued**

**(f) Impairment of Long-Lived Assets**

The Company reviews property, plant and equipment, roads and bridges, timber licences and other long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Impairment is assessed by comparing the carrying amount of the asset with the total of the undiscounted cash flows expected from its use and disposition. If the asset is impaired, the impairment loss to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value, generally determined on a discounted cash flow basis. Any impairment results in a write-down of the asset and a charge to income during the year. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

**(g) Timber Licenses**

Timber licenses are recorded at fair value on the date of acquisition. The tenure licenses with indefinite useful lives are not amortized and are tested for impairment when events or changes in circumstances indicate that the asset might be impaired.

**(h) Roads and Bridges**

Main roads and bridges are recorded at cost and amortized over their estimated useful lives which are 15 years. The secondary road systems connecting to specific harvest areas are recorded at cost and amortized based on the current year harvest volume over the estimated harvest volume available for each area.

**(i) Reforestation Liabilities**

The Company harvests timber under various timber licenses that require the Company to conduct reforestation. Estimated future reforestation obligations are measured at fair value and accrued and charged to earnings when timber is harvested. The reforestation obligation is reviewed periodically and changes to estimates are recognized in earnings.

The Company records the estimated fair value of a liability for other asset retirement obligations in the period a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset and amortized over its useful life. The liability is accreted through charges to earnings and is reduced by actual costs of settlement.

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

June 30, 2019

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**1. Significant Accounting Policies - Continued**

**(j) Leases**

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the inception of the lease. Assets recorded under capital leases are amortized on a straight-line basis over the estimated useful lives of the assets. All other leases are accounted for as operating leases.

**(k) Revenue Recognition**

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is usually upon delivery of goods so long as evidence of an arrangement exists, price is determined, and collectability is reasonably assured.

**(l) Related Party Transactions**

All monetary transactions in the normal course of operations are measured at the exchange value. Non-monetary transactions in the normal course of operations that have commercial substances and do not involve the exchange of property or product held for sale are also measured at exchange value. The commercial substance requirement is met when the future cash flows associated with the transfer of property are expected to change significantly as a result of the transaction. All other related party transactions are measured at carrying value.

**(m) Income Taxes**

The Company accounts for income taxes using the taxes payable method whereby only the cost or benefit of current income taxes for the year is reported, as determined in accordance with the rules established by taxation authorities.

**(n) Use of Estimates**

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. An example of a significant area requiring estimates is determining the useful lives of property, plant and equipment and roads and bridges, recoverability of timber licenses, the valuation of reforestation liability, the valuation of inventories, allowance for accounts receivable, and the completeness of accounts payable and accrued liabilities. Actual results may ultimately differ from these estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies summarized above.

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

June 30, 2019

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**1. Significant Accounting Policies - Continued**

**(o) Foreign Currency Translation**

Foreign currency transactions occurring during the year are translated into Canadian dollars at the exchange rate prevailing on the transaction date. All monetary assets and liabilities denominated in foreign currencies at year-end are translated at the exchange rate prevailing at year-end and the resulting gain or loss is included in income.

**(p) Financial Instruments**

The Company measures its financial assets and financial liabilities at fair value at the acquisition date, except for financial assets and financial liabilities acquired in related party transactions. Transaction costs related to the acquisition of financial instruments subsequently measured at fair value are recognized as costs when incurred. The carrying amounts of financial instruments not subsequently measured at fair value are adjusted by the amount of transaction costs directly attributable to the acquisition of the instrument.

The Company subsequently measures all of its financial assets and financial liabilities at amortized cost.

**(q) Impairment of Financial Instruments**

Financial assets measured at amortized cost are assessed for indications of impairment at the end of each reporting period. If impairment is identified, the amount of the write-down is recognized as an impairment loss in net earnings. Previously recognized impairment losses are reversed when the extent of the impairment decreases, provided that the adjusted carrying amount is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net earnings.

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**2. Going Concern**

For the year ended June 30, 2019 the Company has incurred a loss of \$7,949,007 (2018 - \$10,749,882) and had a shareholders' deficit of \$56,306,009 (2018 - \$48,357,002) as at June 30, 2019, all of which indicate material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The continuation of the Company is dependent upon the continuing availability of operating and long-term financing and shareholders' funding, maintaining appropriate level of cash flows for operations, and achieving a profitable level of operations.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2019**

**2. Going Concern - Continued**

Management plans to raise capital through issuance of additional debt and shareholder injections to finance the operations of the Company, until such time as the Company's operations are self-sustaining. While the Company is using its best efforts to achieve the above plans, there is no assurance that any such activity will generate sufficient funds for operations in order to pay debtors as they come due.

Accordingly, no adjustments to the carrying value of the assets and liabilities have been made in these consolidated financial statements. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

**3. Inventory**

The Company's inventories are analyzed as follows:

	2019	2018
Lumber	\$ 2,981,300	\$ 1,755,938
Biofuel	234,328	177,712
Logs	2,137,863	969,237
Other - supplies	179,945	170,207
	<u>\$ 5,533,436</u>	<u>\$ 3,073,094</u>

The amount of inventories recognized as expense during the year is \$54,904,926 (2018 - \$44,810,803).

**4. Cash**

Cash consists of cash on deposit with a Canadian chartered bank which earns interest at prevailing rates for business operating accounts.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

June 30, 2019

**5. Property, Plant and Equipment**

	<b>2019</b>		<b>2018</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Land	\$ 1,352,831	\$ -	\$ 1,352,831	\$ 1,352,831
Buildings	3,436,647	1,390,500	2,046,147	2,231,367
Computer equipment	270,286	112,900	157,386	41,688
Machinery and equipment	7,847,603	3,397,195	4,450,408	4,388,700
Vehicles	268,314	173,485	94,829	85,117
	<b>13,175,681</b>	<b>5,074,080</b>	<b>8,101,601</b>	<b>8,099,703</b>
Assets under capital lease:				
Machinery and equipment	1,910,926	560,038	1,350,888	1,327,137
	<b>\$15,086,607</b>	<b>\$ 5,634,118</b>	<b>\$ 9,452,489</b>	<b>\$ 9,426,840</b>

**6. Timber Licenses and Other Assets**

	<b>2019</b>	<b>2018</b>
Timber licenses	\$ 3,819,111	\$ 3,819,111
Roads and bridges	4,380,668	2,668,734
	<b>\$ 8,199,779</b>	<b>\$ 6,487,845</b>

The Company holds two forest licences and one tree farm licence in the Kalum Forest District of British Columbia. These licences include road permits and cutting permits. The annual allowable cut for all tenures is 311,552 cubic metres.

The cost of roads and bridges is \$15,052,081 (2018 - \$9,979,234) with an accumulated amortization of \$10,671,413 (2018 - \$7,310,500).

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

June 30, 2019

**7. Reforestation Liabilities**

The Company has an obligation to reforest areas harvested under various timber licenses. On acquisition of the timber licences, the Company assumed certain reforestation liabilities from the previous owner. An obligation is incurred as logging occurs and the fair value of the liability for reforestation is determined with reference to the present value of estimated future cash flows required to settle the obligation. Actual reforestation reduce the respective accruals.

	<u>2019</u>	<u>2018</u>
Opening obligation	\$ 1,232,869	\$ 898,108
Accretion of interest	69,295	40,674
Change in estimate	(161,177)	299,046
Expenditures	<u>(24,998)</u>	<u>(4,959)</u>
Ending obligation	<u>\$ 1,115,989</u>	<u>\$ 1,232,869</u>

The estimated reforestation liabilities are based on management best estimate. Management has considered these factors including, but not limited to, location, distance from major city centres, access constraints planting contract size, block size, planting density, site conditions, unit cost by type of project, discount rate, government legislated reforestation guidelines and COVID-19 regulations and restrictions. The estimate is a function of the changes in estimated probabilities, amounts and timing of settlement, as well as changes in the legal requirements of the obligation and in the discount rate. The actual cost that the Company may have to pay and the timing of the reforestation to be carried out are uncertain. Actual results could differ from the estimated amount and such differences could be material.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

June 30, 2019

**8. Capital Lease**

	<u>2019</u>	<u>2017</u>
Obligation under capital lease for machinery and equipment with interest rate of 5.9% per annum, maturing on June 30, 2019. The machinery and equipment was bought out subsequent to the year end	\$ 50,000	\$ 166,847
Obligation under capital lease for machinery and equipment with interest rate of 2.0% per annum, maturing on May 16, 2019	-	43,621
Obligation under capital lease for machinery and equipment with interest rate of 0.00% per annum, on September 20, 2018	-	43,597
Obligation under capital lease for machinery and equipment with interest rate of 4.67% per annum, maturing on September 25, 2021	78,677	143,204
Obligation under capital lease for machinery and equipment with interest rate of 5.45% per annum, maturing on August 20, 2020	121,397	219,934
Obligation under capital lease for machinery and equipment with interest rate of 5.95% per annum, maturing on May 1, 2021	<u>157,906</u>	<u>251,884</u>
Total capital lease obligation	407,980	869,087
Less: current portion	<u>305,676</u>	<u>499,819</u>
	<u>\$ 102,304</u>	<u>\$ 369,268</u>

The above leases are secured by the machinery and equipment in Note 5.

The future minimum lease payments due under capital lease for the next 2 years are as follows:

2020	\$ 305,676
2021	<u>103,700</u>
	409,376
Less imputed interest	<u>(1,396)</u>
Total	<u>\$ 407,980</u>



**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

June 30, 2019

**9. Related Party Balances**

As at June 30, 2019, the Company had an amount due from (to) a company with a common director, in the amount of \$8,271,484 (2018 - \$3,841,305). The balance is non-interest bearing and is due on demand.

As at June 30, 2019, the Company had a loan due to the shareholder in the amount of \$84,121,437 (2018 - \$69,463,856). The loan is unsecured, non-interest bearing and is due on demand. The shareholder has waived the right to call the loan prior to June 30, 2020. Consequently, the loan has been classified as non-current in the accompanying financial statements.

**10. Share Capital**

Authorized:

Unlimited number of common shares

Issued:

100 Common shares at \$1.00 per share

	2019	2018
	<u>\$ 100</u>	<u>\$ 100</u>

**11. Income Taxes**

	2019	2018
Net loss for the year	\$ (7,949,007)	\$ (10,749,882)
Combined basic federal and provincial tax rate	27.00 %	26.00 %
Expected income tax expense (recovery)	(2,146,232)	(2,794,969)
Increase (decrease) in income tax expense (recovery) resulting from:		
Adjustment for lease payments	(124,499)	(150,237)
Difference in capital cost allowance and amortization	1,093,120	640,682
Difference in reforestation liability	(31,557)	87,038
Non-deductible meals and entertainment	3,194	2,730
Loss (gain) on disposal of assets	(4,253)	(9,266)
Other non-deductible items	238	14,362
	<u>(1,209,989)</u>	<u>(2,209,660)</u>
Non-capital loss carryforward	1,209,989	2,209,660
Income tax expense (recovery)	<u>\$ -</u>	<u>\$ -</u>

The Company, including its subsidiary, has accumulated net losses for tax purposes of approximately \$46,496,433 (2018 - \$41,919,580) which may be carried forward to reduce future taxable income in future years. These tax losses expire from 2031 to 2039.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

June 30, 2019

## 12. Contingencies and Commitments

The Company's total obligations, under various operating leases for the next three years are as follows:

Year	Amount
2020	\$ 42,417
2021	42,417
2022	<u>38,882</u>
	<u>\$ 123,716</u>

## 13. Financial Instrument Risks

The Company's activities result in exposure to a variety of financial risks including risks related to commodity prices, currency fluctuation, credit, liquidity and interest rates. The risks that the Company are exposed to this year are consistent with those identified in the prior year.

### (a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. Financial instruments that potentially subject the Company to credit risk include cash, accounts receivable and amounts due from related party. Three customers in accounts receivable accounts for 75% (2018 - three customers 57%) of total amount as at June 30 2019. The Company establishes payment terms and regularly monitors its receivables with its significant customers and related party in order to mitigate the credit risk.

### (b) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company manages liquidity by primarily maintaining adequate cash through shareholder loans.

### (c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Since the Company does not have significant assets or liabilities with variable interest rates, the Company is not exposed to significant interest rate risk.

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

June 30, 2019

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**13. Financial Instrument Risks (continued)**

**(d) Currency Risk**

The Company is exposed to foreign exchange risk. The Company's products are sold globally with prices primarily denominated in US dollars or linked to prices quoted in US dollars. For the year ended June 30, 2019, the Company's products sold in US dollars totaled \$30,189,191 (2018 - \$26,052,788) (denominated in Canadian dollars). As at year end, cash of \$62,044 (2018 - \$260,287) are denominated in US dollars and converted into Canadian dollars at a rate of 1.3087 (2018 - 1.3168).

**(e) Commodity Price Risk**

The Company's financial performance is principally dependent on the demand for and selling prices of its wood products. Both are subject to significant fluctuations. The market for lumber is highly volatile and is affected by factors such as global economic conditions including the strength of the global housing markets, changes in industry production capacity, changes in world inventory levels and other factors beyond the Company's control.

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**14. Subsequent Events**

The global pandemic COVID-19 has disrupted economic activities and supply chains. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. The Company's ability to continue to meet obligations as they come due is dependent on the continued ability to generate earnings and cashflow.

**ROC Holdings Ltd.**  
**Schedule of General and Administrative Costs**  
**(Unaudited)**

<b>June 30</b>	<b>2019</b>	<b>2018</b>
<b>General and administrative costs</b>		
Advertising	\$ 13,957	\$ 30,141
Amortization	442,153	400,343
Bank charges, interest, and penalties	107,337	73,060
Contract services/consulting	480,730	654,762
Insurance	373,582	372,627
Interest on long term debt	-	169,170
Interest on capital lease	54,011	85,472
Licenses and permits	67,574	15,585
Miscellaneous	23,455	31,626
Office and administration	349,422	348,603
Professional fees	108,264	55,080
Property taxes	472,936	469,620
Rental/leases	144,741	152,552
Salaries and benefits	1,089,476	698,825
Sales discount/commissions paid/claims	-	1,220
Telephone	72,790	49,353
Training and development	68,814	39,706
Travel and entertainment	101,711	128,006
<b>Total</b>	<b>\$ 3,970,953</b>	<b>\$ 3,775,751</b>

This is Exhibit "F" referred to in the  
affidavit of SHENWEI (SANDRA) WU  
made before me at VANCOUVER, BC this 15 day of  
March, 2024.



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A Commissioner for taking Affidavits  
within British Columbia

**ROC Holdings Ltd.**  
**Consolidated Financial Statements**  
**For the year ended June 30, 2020**  
**(Unaudited)**

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**Contents**

<b>Independent Practitioner's Review Engagement Report</b>	<b>2</b>
<b>Consolidated Financial Statements</b>	
Consolidated Balance Sheet	<b>3</b>
Consolidated Statement of Operations and Deficit	<b>4</b>
Consolidated Statement of Cash Flows	<b>5</b>
Notes to the Consolidated Financial Statements	<b>6 - 17</b>
Schedule of General and Administrative Costs	<b>18</b>

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## Independent Practitioner's Review Engagement Report

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### To the Shareholders of ROC Holdings Ltd.

We have reviewed the accompanying consolidated financial statements of ROC Holdings Ltd. that comprise the Consolidated Balance Sheet as at June 30, 2020, and the Consolidated Statements of Operations, Deficit 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 consolidated 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 consolidated 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.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated financial statements do not present fairly, in all material respects, the financial position of the ROC Holdings Ltd. as at June 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

### Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 2 in the consolidated financial statements which indicates that ROC Holdings Ltd. has incurred a net loss of \$8,919,645 for the year ended June 30, 2020 and as of that date, has an accumulated deficit of \$65,225,654. These conditions, along with other matters as set forth in Note 2, indicates the existence of a material uncertainty that may cast significant doubt about ROC Holdings Ltd.'s ability to continue as a going concern.

*BDO Canada LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
October 12, 2021

**ROC Holdings Ltd.**  
**Consolidated Balance Sheet**  
(Unaudited)

June 30	2020	2019
<b>Assets</b>		
<b>Current</b>		
Cash (Note 4)	\$ 474,409	\$ 1,182,130
Accounts receivable	3,436,402	2,153,815
Inventories (Note 3)	5,025,360	5,533,436
Prepaid expenses and deposits	2,720,637	2,002,416
	<u>11,656,808</u>	<u>10,871,797</u>
Due from related party (Note 9)	11,951,399	8,295,417
Timber licence deposits	437,847	435,200
Property, plant and equipment (Note 5)	8,835,179	9,452,489
Timber licences and other assets (Note 6)	8,696,406	8,199,779
	<u>\$ 41,577,639</u>	<u>\$ 37,254,682</u>
<b>Liabilities and Shareholders' Deficit</b>		
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 7,692,382	\$ 7,263,925
Government remittances payable	1,067,322	627,327
Deferred revenue	1,250,000	-
Current portion of capital lease (Note 8)	239,895	305,676
Due to related party (Note 9)	23,569	23,933
	<u>10,273,168</u>	<u>8,220,861</u>
Long term portion of capital lease (Note 8)	290,851	102,304
Reforestation liabilities (Note 7)	1,634,666	1,115,989
Shareholder loan (Note 9)	94,604,508	84,121,437
	<u>106,803,193</u>	<u>93,560,591</u>
<b>Shareholders' Deficit</b>		
Share capital (Note 10)	100	100
Deficit	(65,225,654)	(56,306,009)
	<u>(65,225,554)</u>	<u>(56,305,909)</u>
	<u>\$ 41,577,639</u>	<u>\$ 37,254,682</u>

Approved on behalf of the Board:

\_\_\_\_\_ Director \_\_\_\_\_ Director

The accompanying notes are an integral part of these financial statements.



**ROC Holdings Ltd.**  
**Consolidated Statement of Operations and Deficit**  
**(Unaudited)**

<b>For the year ended June 30</b>	<b>2020</b>	<b>2019</b>
<b>Revenue</b>	<b>\$ 54,703,822</b>	<b>\$ 54,709,278</b>
<b>Cost of goods sold</b>		
Amortization	3,684,987	3,760,813
Contract services	76,051	80,423
Forestry and logging	26,061,318	25,004,994
Freight	13,374,437	13,803,849
Fuel and lube	822,140	807,610
Power	1,462,314	1,392,813
Salaries and benefits	11,286,503	9,997,054
Supplies	3,470,798	3,818,183
	<u>60,238,548</u>	<u>58,665,739</u>
<b>Gross loss</b>	<b>(5,534,726)</b>	<b>(3,956,461)</b>
<b>General and administrative costs (Schedule)</b>	<b>4,347,966</b>	<b>3,970,953</b>
	<u>(9,882,692)</u>	<u>(7,927,414)</u>
<b>Other items</b>		
(Loss) gain from disposition of equipment	(248,886)	15,751
Exchange gain (loss)	(57,808)	(37,344)
Wage subsidies (Note 15)	1,269,741	-
	<u>963,047</u>	<u>(21,593)</u>
<b>Loss for the year</b>	<b>(8,919,645)</b>	<b>(7,949,007)</b>
<b>Deficit, beginning of year</b>	<b>(56,306,009)</b>	<b>(48,357,002)</b>
<b>Deficit, end of year</b>	<b>\$ (65,225,654)</b>	<b>\$ (56,306,009)</b>

The accompanying notes are an integral part of these financial statements.

**ROC Holdings Ltd.**  
**Consolidated Statement of Cash Flows**  
**(Unaudited)**

For the year ended June 30	2020	2019
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Loss for the year	\$ (8,919,645)	\$ (7,949,007)
Items not involving cash		
Amortization		
Roads and bridges and timber license	3,163,501	3,360,912
Property, plant and equipment	991,651	842,053
Reforestation liabilities, accretion of interest and change in estimate	518,676	(116,879)
Loss/(gain) from disposition of equipment	248,886	(15,751)
Donations (Note 5)	173,000	-
	<u>(3,823,931)</u>	<u>(3,878,672)</u>
Changes in non-cash working capital items		
Accounts receivable	(1,282,587)	(140,884)
Government remittances payable	439,995	(164,431)
Prepaid expenses and deposits	(718,221)	(520,393)
Inventories	508,076	(2,460,342)
Accounts payable and accrued liabilities	428,457	3,683,818
Deferred contribution	-	2,811
Deferred revenue	1,250,000	-
	<u>(3,198,211)</u>	<u>(3,478,093)</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(229,695)	(906,541)
Purchase of timber licenses and roads	(3,660,128)	(5,072,847)
Payment of timber license deposits	(2,647)	(220,464)
Proceeds from disposition of equipment	-	54,589
Advances to related party	(3,656,346)	(4,430,179)
	<u>(7,548,816)</u>	<u>(10,575,442)</u>
<b>Financing activities</b>		
Advances from shareholder	10,483,071	14,657,581
Payments of capital lease	(443,765)	(461,106)
	<u>10,039,306</u>	<u>14,196,475</u>
<b>Increase (decrease) in cash during the year</b>	<b>(707,721)</b>	<b>142,940</b>
<b>Cash, beginning of year</b>	<b>1,182,130</b>	<b>1,039,190</b>
<b>Cash, end of year</b>	<b>\$ 474,409</b>	<b>\$ 1,182,130</b>

The accompanying notes are an integral part of these financial statements.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2020**

**1. Significant Accounting Policies**

**(a) Nature of Business**

ROC Holdings Ltd. (the "Company") was formed under the Laws of the Province of British Columbia on March 16, 2010. The Company produces wood products in British Columbia for sale to markets around the world.

The Company acquired Skeena Sawmills Ltd., from West Fraser Timber Co., on July 19, 2011. The sawmill commenced production in fiscal 2013.

**(b) Basis of Presentation**

These consolidated financial statements were prepared in accordance with Part II of the Chartered Professional Accountants of Canada Handbook - Accounting Standards for Private Enterprises ("ASPE"), which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada and includes the significant accounting policies described hereafter.

**(c) Basis of Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Skeena Sawmills Ltd. All significant intercompany transactions and balances have been eliminated on consolidation.

**(d) Inventory**

Inventory consists of lumber, logs, biofuel and supplies. Logs, lumber and biofuel are stated at the lower of weighted average cost and net realizable value. Cost includes raw materials, direct labour and manufacturing overhead. Supplies inventory is stated at lower of cost and replacement cost.

**(e) Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated amortization. Cost includes all amounts related to the acquisition and improvements of property, plant and equipment.

Property, plant and equipment are amortized on a straight-line basis as follows:

Buildings	20 years
Computer equipment	3 years
Machinery and equipment	5-15 years
Vehicles	3-5 years

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2020**

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**1. Significant Accounting Policies - Continued**

**(f) Impairment of Long-Lived Assets**

The Company reviews property, plant and equipment, roads and bridges, timber licences and other long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Impairment is assessed by comparing the carrying amount of the asset with the total of the undiscounted cash flows expected from its use and disposition. If the asset is impaired, the impairment loss to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value, generally determined on a discounted cash flow basis. Any impairment results in a write-down of the asset and a charge to income during the year. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

**(g) Timber Licenses**

Timber licenses are recorded at fair value on the date of acquisition. The tenure licenses with indefinite useful lives are not amortized and are tested for impairment when events or changes in circumstances indicate that the asset might be impaired.

**(h) Roads and Bridges**

Main roads and bridges are recorded at cost and amortized over their estimated useful lives which are 15 years. The secondary road systems connecting to specific harvest areas are recorded at cost and amortized based on the current year harvest volume over the estimated harvest volume available for each area.

**(i) Reforestation Liabilities**

The Company harvests timber under various timber licenses that require the Company to conduct reforestation. Estimated future reforestation obligations are measured at fair value and accrued and charged to earnings when timber is harvested. The reforestation obligation is reviewed periodically and changes to estimates are recognized in earnings.

The Company records the estimated fair value of a liability for other asset retirement obligations in the period a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset and amortized over its useful life. The liability is accreted through charges to earnings and is reduced by actual costs of settlement.

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2020**

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**1. Significant Accounting Policies - Continued**

**(j) Leases**

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the inception of the lease. Assets recorded under capital leases are amortized on a straight-line basis over the estimated useful lives of the assets. All other leases are accounted for as operating leases.

**(k) Revenue Recognition**

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is usually upon delivery of goods so long as evidence of an arrangement exists, price is determined, and collectability is reasonably assured. Payment received from a customer before delivery of goods is deferred as a liability. Deferred revenue is recognized as earned revenue on the statement of operations as the good is delivered to the customer.

**(l) Related Party Transactions**

All monetary transactions in the normal course of operations are measured at the exchange value. Non-monetary transactions in the normal course of operations that have commercial substances and do not involve the exchange of property or product held for sale are also measured at exchange value. The commercial substance requirement is met when the future cash flows associated with the transfer of property are expected to change significantly as a result of the transaction. All other related party transactions are measured at carrying value.

**(m) Income Taxes**

The Company accounts for income taxes using the taxes payable method whereby only the cost or benefit of current income taxes for the year is reported, as determined in accordance with the rules established by taxation authorities.

**(n) Use of Estimates**

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. An example of a significant area requiring estimates is determining the useful lives of property, plant and equipment and roads and bridges, recoverability of timber licenses, the valuation of reforestation liability, the valuation of inventories, allowance for accounts receivable, and the completeness of accounts payable and accrued liabilities. Actual results may ultimately differ from these estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies summarized above.

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2020**

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**1. Significant Accounting Policies - Continued**

**(o) Foreign Currency Translation**

Foreign currency transactions occurring during the year are translated into Canadian dollars at the exchange rate prevailing on the transaction date. All monetary assets and liabilities denominated in foreign currencies at year-end are translated at the exchange rate prevailing at year-end and the resulting gain or loss is included in income.

**(p) Financial Instruments**

The Company measures its financial assets and financial liabilities at fair value at the acquisition date, except for financial assets and financial liabilities acquired in related party transactions. Transaction costs related to the acquisition of financial instruments subsequently measured at fair value are recognized as costs when incurred. The carrying amounts of financial instruments not subsequently measured at fair value are adjusted by the amount of transaction costs directly attributable to the acquisition of the instrument.

The Company subsequently measures all of its financial assets and financial liabilities at amortized cost.

**(q) Impairment of Financial Instruments**

Financial assets measured at amortized cost are assessed for indications of impairment at the end of each reporting period. If impairment is identified, the amount of the write-down is recognized as an impairment loss in net earnings. Previously recognized impairment losses are reversed when the extent of the impairment decreases, provided that the adjusted carrying amount is no greater than the amount that would been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net earnings.

**(r) Government Assistance**

Government assistance is recognized where there is reasonable assurance that the Company will comply or continue to comply with the conditions attached to the assistance. Government assistance received or receivable is recognized in the same period as the related expenses and is presented either contra to the related expense or in other income depending on the nature of the government assistance. The amount receivable is recognized when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2020**

**2. Going Concern**

For the year ended June 30, 2020 the Company has incurred a loss of \$8,919,645 (2019 - \$7,949,007) and had a shareholders' deficit of \$65,225,654 (2019 - \$8,919,645) as at June 30, 2020, all of which indicate material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The continuation of the Company is dependent upon the continuing availability of operating and long-term financing and shareholders' funding, maintaining appropriate level of cash flows for operations, and achieving a profitable level of operations.

Management plans to raise capital through issuance of additional debt and shareholder injections to finance the operations of the Company, until such time as the Company's operations are self-sustaining. While the Company is using its best efforts to achieve the above plans, there is no assurance that any such activity will generate sufficient funds for operations in order to pay debtors as they come due.

Accordingly, no adjustments to the carrying value of the assets and liabilities have been made in these consolidated financial statements. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

**3. Inventory**

The Company's inventories are analyzed as follows:

	2020	2019
Lumber	\$ 2,660,550	\$ 2,981,300
Biofuel	-	234,328
Logs	2,219,051	2,137,863
Other - supplies	145,759	179,945
	<u>\$ 5,025,360</u>	<u>\$ 5,533,436</u>

The amount of inventories recognized as expense during the year is \$56,775,054 (2019 - \$54,904,926).

**4. Cash**

Cash consists of cash on deposit with a Canadian chartered bank which earns interest at prevailing rates for business operating accounts.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2020**

**5. Property, Plant and Equipment**

	<b>2020</b>		<b>2019</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Land <sup>1</sup>	\$ 1,287,407	\$ -	\$ 1,287,407	\$ 1,352,831
Buildings	3,389,779	1,554,181	1,835,598	2,046,147
Computer equipment	336,273	150,900	185,373	157,386
Machinery and equipment	8,540,274	4,330,777	4,209,497	4,450,408
Vehicles	268,314	203,709	64,605	94,829
	<b>13,822,047</b>	<b>6,239,567</b>	<b>7,582,480</b>	<b>8,101,601</b>
Assets under capital lease <sup>2</sup> :				
Machinery and equipment	1,451,115	213,755	1,237,360	1,350,888
Vehicles	16,139	800	15,339	-
	<b>\$ 15,289,301</b>	<b>\$ 6,454,122</b>	<b>\$ 8,835,179</b>	<b>\$ 9,452,489</b>

<sup>1</sup> During the year, the Company donated the land at 87 Kalum Lake Road, Terrace, B.C. to the City of Terrace to be used as parkland. The donation amount of \$173,000 was based on the value of the parcel as determined by the BC Assessment Authority.

<sup>2</sup> The Company acquired machinery, equipment and vehicles in the amount of \$566,533 (2019: \$Nil) by way of capital leases during the year.

**6. Timber Licenses and Other Assets**

	<b>2020</b>	<b>2019</b>
Timber licenses	\$ 3,819,111	\$ 3,819,111
Roads and bridges	4,877,295	4,380,668
	<b>\$ 8,696,406</b>	<b>\$ 8,199,779</b>

The Company holds two forest licences and one tree farm licence in the Kalum Forest District of British Columbia. These licences include road permits and cutting permits. The annual allowable cut for all tenures is 311,552 cubic metres.

The cost of roads and bridges is \$18,712,209 (2019 - \$15,052,081) with an accumulated amortization of \$13,834,914 (2019 - \$10,671,413).



**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2020**

**7. Reforestation Liabilities**

The Company has an obligation to reforest areas harvested under various timber licenses. On acquisition of the timber licences, the Company assumed certain reforestation liabilities from the previous owner. An obligation is incurred as logging occurs and the fair value of the liability for reforestation is determined with reference to the present value of estimated future cash flows required to settle the obligation. Actual reforestation reduce the respective accruals.

	<u>2020</u>	<u>2019</u>
Opening obligation	\$ 1,115,989	\$ 1,232,869
Accretion of interest	44,268	69,295
Change in estimate	700,547	(161,177)
Expenditures	<u>(226,138)</u>	<u>(24,998)</u>
Ending obligation	<u>\$ 1,634,666</u>	<u>\$ 1,115,989</u>

The estimated reforestation liabilities are based on management best estimate. Management has considered these factors including, but not limited to, location, distance from major city centres, access constraints, planting contract size, block size, planting density, site conditions, unit cost by type of project, discount rate, government legislated reforestation guidelines and COVID-19 regulations and restrictions. The estimate is a function of the changes in estimated probabilities, amounts and timing of settlement, as well as changes in the legal requirements of the obligation and in the discount rate. The actual cost that the Company may have to pay and the timing of the reforestation to be carried out are uncertain. Actual results could differ from the estimated amount and such differences could be material.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2020**

**8. Capital Lease**

	<u>2020</u>	<u>2019</u>
Obligation under capital lease for machinery and equipment with interest rate of 5.9% per annum, maturing on June 30, 2019. The capital lease was repaid in full during the year	\$ -	\$ 50,000
Obligation under capital lease for machinery and equipment with interest rate of 4.67% per annum, maturing on September 25, 2021	11,221	78,677
Obligation under capital lease for machinery and equipment with interest rate of 5.45% per annum, maturing on August 25, 2020	17,611	121,397
Obligation under capital lease for machinery and equipment with interest rate of 5.95% per annum, maturing on May 1, 2021	73,472	157,906
Obligation under capital lease for machinery and equipment with interest rate of 5.40% per annum, maturing on December 6, 2023	280,857	-
Obligation under capital lease for machinery and equipment with interest rate of 3.13% per annum, maturing on March 7, 2023	131,894	-
Obligation under capital lease for vehicle, with interest rate of 1.9% per annum, maturing on April 30, 2023	<u>15,691</u>	<u>-</u>
Total capital lease obligation	530,746	407,980
Less: current portion	<u>(239,895)</u>	<u>(305,676)</u>
	<u>\$ 290,851</u>	<u>\$ 102,304</u>

The above leases are secured by the machinery and equipment in Note 5.

The future minimum lease payments due under capital lease for the next four years are as follows:

2021	\$ 239,895
2022	137,590
2023	137,143
2024	<u>16,118</u>
Total	<u>\$ 530,746</u>



**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2020**

**11. Income Taxes**

	2020	2019
Net loss for the year	\$ (8,919,645)	\$ (7,949,007)
Combined basic federal and provincial tax rate	27.00 %	27.00 %
Expected income tax expense (recovery)	(2,408,304)	(2,146,232)
Increase (decrease) in income tax expense (recovery) resulting from:		
Adjustment for lease payments	(119,817)	(124,499)
Difference in capital cost allowance and amortization	1,085,926	1,093,120
Difference in reforestation liability	140,043	(31,557)
Non-deductible meals and entertainment	2,849	3,194
Loss (gain) on disposal of assets	81,723	(4,253)
Donations	46,710	-
Other non-deductible items	11,088	238
	(1,159,782)	(1,209,989)
Non-capital loss carryforward	1,159,782	1,209,989
Income tax expense (recovery)	\$ -	\$ -

The Company, including its subsidiary, has accumulated net losses for tax purposes of approximately \$50,888,098 (2019 - \$46,496,433) which may be carried forward to reduce future taxable income in future years. These tax losses expire from 2031 to 2040.

**12. Contingencies and Commitments**

The Company's total obligations, under various operating leases for the next two years are as follows:

Year	Amount
2021	\$ 42,417
2022	38,882
	<u>\$ 81,299</u>

The Company entered into a supplier contract in August 2020 for upgrading its manufacturing equipment and facilities in the amount of USD947,085 in order to improve operational efficiency. This project was completed during 2021.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2020**

**13. Financial Instrument Risks**

The Company's activities result in exposure to a variety of financial risks including risks related to commodity prices, currency fluctuation, credit, liquidity and interest rates. The risks that the Company are exposed to this year are consistent with those identified in the prior year.

**(a) Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. Financial instruments that potentially subject the Company to credit risk include cash, accounts receivable and amounts due from related party. Three customers in accounts receivable accounts for 65% (2019 - three customers 75%) of total amount as at June 30, 2020. The Company establishes payment terms and regularly monitors its receivables with its significant customers and related party in order to mitigate the credit risk.

**(b) Liquidity Risk**

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company manages liquidity by primarily maintaining adequate cash through shareholder loans. The Company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, government remittances payable, due to related party, obligation under capital lease and shareholder loan.

**(c) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Since the Company does not have significant assets or liabilities with variable interest rates, the Company is not exposed to significant interest rate risk.

**(d) Currency Risk**

The Company is exposed to foreign exchange risk. The Company's products are sold globally with prices primarily denominated in US dollars or linked to prices quoted in US dollars. For the year ended June 30, 2020, the Company's products sold in US dollars totaled \$28,731,678 (2019 - \$30,101,939) (denominated in Canadian dollars). As at June 30, 2020, cash of \$300,882 (2019 - \$62,044) is denominated in US dollars and converted into Canadian dollars at a rate of 1.3628 (2019 - 1.3087).

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2020**

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**13. Financial Instrument Risks (continued)**

**(e) Commodity Price Risk**

The Company's financial performance is principally dependent on the demand for and selling prices of its wood products. Both are subject to significant fluctuations. The market for lumber is highly volatile and is affected by factors such as global economic conditions including the strength of the global housing markets, changes in industry production capacity, changes in world inventory levels and other factors beyond the Company's control.

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**14. Significant Event**

The global pandemic COVID-19 has disrupted economic activities and supply chains. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. The Company's ability to continue to meet obligations as they come due is dependent on the continued ability to generate earnings and cashflow.

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**15. Canadian Emergency Wage Subsidy**

The Company received the Canada Emergency Wage Subsidy ("CEWS") from the Government of Canada for the 3 periods from April 12 to June 30, 2020. The amount of CEWS received and included in other income totaled \$1,269,741 for the year ended June 30, 2020. As at June 30, 2020, the Company had CEWS receivable in the amount of \$465,471 (2019: \$Nil). The relevant terms and conditions of the CEWS required the Company to have an open payroll program account with the Canada Revenue Agency as at March 15, 2020, incurred specific revenue reductions and filed a wage subsidy application for the claim period within the appropriate time period. Management has determined that the Company does not have an obligation to repay the Government of Canada for this subsidy as they have determined that the Company has met all applicable eligibility criteria.

**ROC Holdings Ltd.**  
**Schedule of General and Administrative Costs**  
**(Unaudited)**

<b>For the year ended June 30</b>	<b>2020</b>	<b>2019</b>
<b>General and administrative costs</b>		
Advertising	\$ 24,104	\$ 13,957
Amortization	470,182	442,153
Bank charges, interest, and penalties	57,839	107,337
Contract services/consulting	520,183	480,730
Donations (Note 5)	173,000	-
Insurance	441,130	373,582
Interest on capital lease	86,832	54,011
Licenses and permits	38,128	67,574
Miscellaneous	24,404	23,455
Office and administration	361,588	349,422
Professional fees	257,626	108,264
Property taxes	340,848	472,936
Rental/leases	144,926	144,741
Salaries and benefits	1,210,313	1,089,476
Telephone	58,844	72,790
Training and development	52,037	68,814
Travel and entertainment	85,982	101,711
<b>Total</b>	<b>\$ 4,347,966</b>	<b>\$ 3,970,953</b>

This is Exhibit "G" referred to in the  
affidavit of SHENWEI (SANDRA) WU  
made before me at VANCOUVER, BC this 15 day of  
March, 2024.



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A Commissioner for taking Affidavits  
within British Columbia



**ROC Holdings Ltd.**  
**Consolidated Financial Statements**  
**For the year ended June 30, 2021**  
**(Unaudited)**

**ROC Holdings Ltd.**  
**Consolidated Financial Statements**  
**For the year ended June 30, 2021**  
**(Unaudited)**

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**Contents**

<b>Independent Practitioner's Review Engagement Report</b>	<b>2</b>
<b>Consolidated Financial Statements</b>	
Consolidated Balance Sheet	<b>3</b>
Consolidated Statement of Operations and Deficit	<b>4</b>
Consolidated Statement of Cash Flows	<b>5</b>
Notes to the Consolidated Financial Statements	<b>6 - 17</b>
Schedule of General and Administrative Costs	<b>18</b>

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## Independent Practitioner's Review Engagement Report

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### To the Shareholders of ROC Holdings Ltd.

We have reviewed the accompanying consolidated financial statements of ROC Holdings Ltd. that comprise the Consolidated Balance Sheet as at June 30, 2021, and the Consolidated Statements of Operations, Deficit 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 consolidated 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 consolidated 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.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated financial statements do not present fairly, in all material respects, the financial position of the ROC Holdings Ltd. as at June 30, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

### Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 2 in the consolidated financial statements which indicates that ROC Holdings Ltd. has incurred a net loss of \$65,225,654 for the year ended June 30, 2021 and as of that date, has an accumulated deficit of \$69,288,114. These conditions, along with other matters as set forth in Note 2, indicates the existence of a material uncertainty that may cast significant doubt about ROC Holdings Ltd.'s ability to continue as a going concern.

*BDO Canada LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
October 11, 2022

**ROC Holdings Ltd.**  
**Consolidated Balance Sheet**  
**(Unaudited)**

June 30	2021	2020
<b>Assets</b>		
<b>Current</b>		
Cash (Note 4)	\$ 2,037,936	\$ 474,409
Accounts receivable	2,702,861	3,436,402
Inventories (Note 3)	4,233,761	5,025,360
Prepaid expenses and deposits	2,558,032	2,720,637
	<u>11,532,590</u>	<u>11,656,808</u>
Due from related party (Note 9)	15,694,372	11,951,399
Timber licence deposits	581,021	437,847
Property, plant and equipment (Note 5)	12,685,646	8,835,179
Timber licences and other assets (Note 6)	<u>11,500,652</u>	<u>8,696,406</u>
	<u>\$ 51,994,281</u>	<u>\$ 41,577,639</u>
<b>Liabilities and Shareholders' Deficit</b>		
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 9,409,398	\$ 7,692,382
Government remittances payable	986,512	1,067,322
Deferred revenue	-	1,250,000
Current portion of capital lease (Note 8)	297,489	239,895
Current portion of long term debt (Note 11)	283,695	-
Due to related party (Note 9)	<u>22,662</u>	<u>23,569</u>
	<u>10,999,756</u>	<u>10,273,168</u>
Long term portion of capital lease (Note 8)	532,238	290,851
Long term debt (Note 11)	223,526	-
Reforestation liabilities (Note 7)	2,806,574	1,634,666
Shareholder loan (Note 9)	<u>106,720,201</u>	<u>94,604,508</u>
	<u>121,282,295</u>	<u>106,803,193</u>
<b>Shareholders' Deficit</b>		
Share capital (Note 10)	100	100
Deficit	<u>(69,288,114)</u>	<u>(65,225,654)</u>
	<u>(69,288,014)</u>	<u>(65,225,554)</u>
	<u>\$ 51,994,281</u>	<u>\$ 41,577,639</u>

Approved on behalf of the Board:

\_\_\_\_\_ Director \_\_\_\_\_ Director

The accompanying notes are an integral part of these consolidated financial statements.

**ROC Holdings Ltd.**  
**Consolidated Statement of Operations and Deficit**  
**(Unaudited)**

<b>For the year ended June 30</b>	<b>2021</b>	<b>2020</b>
<b>Revenue</b>	<b>\$ 76,264,762</b>	<b>\$ 54,703,822</b>
<b>Cost of goods sold</b>		
Amortization	4,062,091	3,684,987
Contract services	93,658	76,051
Forestry and logging	36,934,590	26,061,318
Freight	14,349,974	13,374,437
Fuel and lube	918,225	822,140
Power	1,595,513	1,462,314
Salaries and benefits	13,495,084	11,286,503
Supplies	4,322,998	3,470,798
	<b>75,772,133</b>	<b>60,238,548</b>
<b>Gross margin (loss)</b>	<b>492,629</b>	<b>(5,534,726)</b>
<b>General and administrative costs (Schedule)</b>	<b>4,822,469</b>	<b>4,347,966</b>
	<b>(4,329,840)</b>	<b>(9,882,692)</b>
<b>Other items</b>		
Loss from disposition of equipment	-	(248,886)
Exchange loss	(114,739)	(57,808)
Wage subsidies (Note 15)	382,119	1,269,741
	<b>267,380</b>	<b>963,047</b>
<b>Loss for the year</b>	<b>(4,062,460)</b>	<b>(8,919,645)</b>
<b>Deficit, beginning of year</b>	<b>(65,225,654)</b>	<b>(56,306,009)</b>
<b>Deficit, end of year</b>	<b>\$ (69,288,114)</b>	<b>\$ (65,225,654)</b>

The accompanying notes are an integral part of these consolidated financial statements.

**ROC Holdings Ltd.**  
**Consolidated Statement of Cash Flows**  
**(Unaudited)**

For the year ended June 30	2021	2020
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Loss for the year	\$ (4,062,460)	\$ (8,919,645)
Items not involving cash		
Amortization		
Roads and bridges and timber license	3,570,714	3,163,501
Property, plant and equipment	974,900	991,651
Reforestation liabilities, accretion of interest and change in estimate	1,171,908	518,676
Loss from disposition of equipment	-	248,886
Donations (Note 5)	-	173,000
	<u>1,655,062</u>	<u>(3,823,931)</u>
Changes in non-cash working capital items		
Accounts receivable	733,541	(1,282,587)
Government remittances payable	(80,810)	439,995
Prepaid expenses and deposits	162,605	(718,221)
Inventories	791,599	508,076
Accounts payable and accrued liabilities	1,717,016	428,457
Deferred revenue	(1,250,000)	1,250,000
	<u>3,729,013</u>	<u>(3,198,211)</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(4,244,532)	(229,695)
Purchase of timber licenses and roads	(6,374,960)	(3,660,128)
Payment of timber license deposits	(143,174)	(2,647)
Advances to related party	(3,743,880)	(3,656,346)
	<u>(14,506,546)</u>	<u>(7,548,816)</u>
<b>Financing activities</b>		
Proceeds on long term debt	507,221	-
Advances from shareholder	12,115,693	10,483,071
Payments of capital lease	(281,854)	(443,765)
	<u>12,341,060</u>	<u>10,039,306</u>
<b>Increase (decrease) in cash during the year</b>	<b>1,563,527</b>	<b>(707,721)</b>
<b>Cash, beginning of year</b>	<b>474,409</b>	<b>1,182,130</b>
<b>Cash, end of year</b>	<b>\$ 2,037,936</b>	<b>\$ 474,409</b>
<b>Non-cash transaction:</b>		
Acquisition of equipment through capital leases	<u>\$ 580,835</u>	<u>\$ 566,533</u>

The accompanying notes are an integral part of these consolidated financial statements.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2021**

**1. Significant Accounting Policies**

**(a) Nature of Business**

ROC Holdings Ltd. (the "Company") was formed under the Laws of the Province of British Columbia on March 16, 2010. The Company produces wood products in British Columbia for sale to markets around the world.

The Company acquired Skeena Sawmills Ltd., from West Fraser Timber Co., on July 19, 2011. The sawmill commenced production in fiscal 2013.

**(b) Basis of Presentation**

These consolidated financial statements were prepared in accordance with Part II of the Chartered Professional Accountants of Canada Handbook - Accounting Standards for Private Enterprises ("ASPE"), which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada and includes the significant accounting policies described hereafter.

**(c) Basis of Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Skeena Sawmills Ltd. All significant intercompany transactions and balances have been eliminated on consolidation.

**(d) Inventory**

Inventory consists of lumber, logs, biofuel and supplies. Logs, lumber and biofuel are stated at the lower of weighted average cost and net realizable value. Cost includes raw materials, direct labour and manufacturing overhead. Supplies inventory is stated at lower of cost and replacement cost.

**(e) Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated amortization. Cost includes all amounts related to the acquisition and improvements of property, plant and equipment.

Property, plant and equipment are amortized on a straight-line basis as follows:

Buildings	20 years
Computer equipment	3 years
Machinery and equipment	5-15 years
Vehicles	3-5 years

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2021**

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**1. Significant Accounting Policies - Continued**

**(f) Impairment of Long-Lived Assets**

The Company reviews property, plant and equipment, roads and bridges, timber licences and other long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Impairment is assessed by comparing the carrying amount of the asset with the total of the undiscounted cash flows expected from its use and disposition. If the asset is impaired, the impairment loss to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value, generally determined on a discounted cash flow basis. Any impairment results in a write-down of the asset and a charge to income during the year. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

**(g) Timber Licenses**

Timber licenses are recorded at fair value on the date of acquisition. The tenure licenses with indefinite useful lives are not amortized and are tested for impairment when events or changes in circumstances indicate that the asset might be impaired.

**(h) Roads and Bridges**

Main roads and bridges are recorded at cost and amortized over their estimated useful lives which are 15 years. The secondary road systems connecting to specific harvest areas are recorded at cost and amortized based on the current year harvest volume over the estimated harvest volume available for each area.

**(i) Reforestation Liabilities**

The Company harvests timber under various timber licenses that require the Company to conduct reforestation. Estimated future reforestation obligations are measured at fair value and accrued and charged to earnings when timber is harvested. The reforestation obligation is reviewed periodically and changes to estimates are recognized in earnings.

The Company records the estimated fair value of a liability for other asset retirement obligations in the period a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset and amortized over its useful life. The liability is accreted through charges to earnings and is reduced by actual costs of settlement.



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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2021**

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**1. Significant Accounting Policies - Continued**

**(j) Leases**

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the inception of the lease. Assets recorded under capital leases are amortized on a straight-line basis over the estimated useful lives of the assets. All other leases are accounted for as operating leases.

**(k) Revenue Recognition**

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is usually upon delivery of goods so long as evidence of an arrangement exists, price is determined, and collectability is reasonably assured. Payment received from a customer before delivery of goods is deferred as a liability. Deferred revenue is recognized as earned revenue on the statement of operations as the good is delivered to the customer.

**(l) Related Party Transactions**

All monetary transactions in the normal course of operations are measured at the exchange value. Non-monetary transactions in the normal course of operations that have commercial substance and do not involve the exchange of property or product held for sale are also measured at exchange value. The commercial substance requirement is met when the future cash flows associated with the transfer of property are expected to change significantly as a result of the transaction. All other related party transactions are measured at carrying value.

**(m) Income Taxes**

The Company accounts for income taxes using the taxes payable method whereby only the cost or benefit of current income taxes for the year is reported, as determined in accordance with the rules established by taxation authorities.

**(n) Use of Estimates**

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. An example of a significant area requiring estimates is determining the useful lives of property, plant and equipment and roads and bridges, recoverability of timber licenses, the valuation of reforestation liability, the valuation of inventories, allowance for accounts receivable, and the completeness of accounts payable and accrued liabilities. Actual results may ultimately differ from these estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies summarized above.

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2021**

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**1. Significant Accounting Policies - Continued**

**(o) Foreign Currency Translation**

Foreign currency transactions occurring during the year are translated into Canadian dollars at the exchange rate prevailing on the transaction date. All monetary assets and liabilities denominated in foreign currencies at year-end are translated at the exchange rate prevailing at year-end and the resulting gain or loss is included in income.

**(p) Financial Instruments**

The Company measures its financial assets and financial liabilities at fair value at the acquisition date, except for financial assets and financial liabilities acquired in related party transactions. Transaction costs related to the acquisition of financial instruments subsequently measured at fair value are recognized as costs when incurred. The carrying amounts of financial instruments not subsequently measured at fair value are adjusted by the amount of transaction costs directly attributable to the acquisition of the instrument.

The Company subsequently measures all of its financial assets and financial liabilities at amortized cost.

**(q) Impairment of Financial Instruments**

Financial assets measured at amortized cost are assessed for indications of impairment at the end of each reporting period. If impairment is identified, the amount of the write-down is recognized as an impairment loss in net earnings. Previously recognized impairment losses are reversed when the extent of the impairment decreases, provided that the adjusted carrying amount is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net earnings.

**(r) Government Assistance**

Government assistance is recognized where there is reasonable assurance that the Company will comply or continue to comply with the conditions attached to the assistance. Government assistance received or receivable is recognized in the same period as the related expenses and is presented either contra to the related expense or in other income depending on the nature of the government assistance. The amount receivable is recognized when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2021**

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**2. Going Concern**

For the year ended June 30, 2021 the Company has incurred a loss of \$4,062,460 (2020 - \$8,919,645) and had a shareholders' deficit of \$69,288,114 (2020 - \$65,225,654) as at June 30, 2021, all of which indicate material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The continuation of the Company is dependent upon the continuing availability of operating and long-term financing and shareholders' funding, maintaining appropriate level of cash flows for operations, and achieving a profitable level of operations.

Management plans to raise capital through issuance of additional debt and shareholder injections to finance the operations of the Company, until such time as the Company's operations are self-sustaining. While the Company is using its best efforts to achieve the above plans, there is no assurance that any such activity will generate sufficient funds for operations in order to pay debtors as they come due.

Accordingly, no adjustments to the carrying value of the assets and liabilities have been made in these consolidated financial statements. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

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**3. Inventories**

The Company's inventories are analyzed as follows:

	2021	2020
Lumber	\$ 2,723,029	\$ 2,660,550
Logs	1,319,977	2,219,051
Other - supplies	190,755	145,759
	<u>\$ 4,233,761</u>	<u>\$ 5,025,360</u>

The amount of inventories recognized as expense during the year is \$8,139,203 (2020 - \$5,026,954).

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**4. Cash**

Cash consists of cash on deposit with a Canadian chartered bank which earns interest at prevailing rates for business operating accounts.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2021**

**5. Property, Plant and Equipment**

	<b>2021</b>		<b>2020</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Land <sup>1</sup>	\$ 1,287,407	\$ -	\$ 1,287,407	\$ 1,287,407
Buildings	3,384,236	1,716,351	1,667,885	1,835,598
Computer equipment	316,365	98,586	217,779	185,373
Machinery and equipment	12,766,183	4,465,962	8,300,221	4,209,497
Vehicles	315,296	238,747	76,549	64,605
	<b>18,069,487</b>	<b>6,519,646</b>	<b>11,549,841</b>	<b>7,582,480</b>
Assets under capital lease <sup>2</sup> :				
Machinery and equipment	1,334,221	213,755	1,120,466	1,237,360
Vehicles	16,139	800	15,339	15,339
	<b>\$19,419,847</b>	<b>\$ 6,734,201</b>	<b>\$12,685,646</b>	<b>\$ 8,835,179</b>

<sup>1</sup> During 2020, the Company donated the land at 87 Kalum Lake Road, Terrace, B.C. to the City of Terrace to be used as parkland. The donation amount of \$173,000 was based on the value of the parcel as determined by the BC Assessment Authority.

<sup>2</sup> The Company acquired machinery, equipment and vehicles in the amount of \$580,835 (2020 - \$566,533) by way of capital leases during the year.

**6. Timber Licenses and Other Assets**

	<b>2021</b>	<b>2020</b>
Timber licenses	\$ 3,819,111	\$ 3,819,111
Roads and bridges	7,681,541	4,877,295
	<b>\$11,500,652</b>	<b>\$ 8,696,406</b>

The Company holds two forest licences and one tree farm licence in the Kalum Forest District of British Columbia. These licences include road permits and cutting permits. The annual allowable cut for all tenures is 311,552 cubic metres.

The cost of roads and bridges is \$25,071,839 (2020 - \$18,712,209) with an accumulated amortization of \$17,390,298 (2020 - \$13,834,914).

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2021**

**7. Reforestation Liabilities**

The Company has an obligation to reforest areas harvested under various timber licenses. On acquisition of the timber licences, the Company assumed certain reforestation liabilities from the previous owner. An obligation is incurred as logging occurs and the fair value of the liability for reforestation is determined with reference to the present value of estimated future cash flows required to settle the obligation. Actual reforestation reduce the respective accruals.

	2021	2020
Opening obligation	\$ 1,634,666	\$ 1,115,989
Accretion of interest	67,584	44,268
Change in estimate	2,828,286	700,547
Expenditures	<u>(1,723,962)</u>	<u>(226,138)</u>
Ending obligation	<u>\$ 2,806,574</u>	<u>\$ 1,634,666</u>

The estimated reforestation liabilities are based on management best estimate. Management has considered these factors including, but not limited to, location, distance from major city centres, access constraints, planting contract size, block size, planting density, site conditions, unit cost by type of project, discount rate, government legislated reforestation guidelines and COVID-19 regulations and restrictions. The estimate is a function of the changes in estimated probabilities, amounts and timing of settlement, as well as changes in the legal requirements of the obligation and in the discount rate. The actual cost that the Company may have to pay and the timing of the reforestation to be carried out are uncertain. Actual results could differ from the estimated amount and such differences could be material.

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
(Unaudited)

**June 30, 2021**

**8. Capital Lease**

	2021	2020
Obligation under capital lease for machinery and equipment with interest rate of 1.99% per annum, maturing on May 7, 2025	\$ 419,726	\$ -
Obligation under capital lease for machinery and equipment with interest rate of 1.65% per annum, matured on June 10, 2022	46,085	-
Obligation under capital lease for machinery and equipment with interest rate of 4.67% per annum. The capital lease was repaid in full during the year	-	11,221
Obligation under capital lease for machinery and equipment with interest rate of 5.45% per annum. The capital lease was repaid in full during the year	-	17,611
Obligation under capital lease for machinery and equipment with interest rate of 5.95% per annum. The capital lease was repaid in full during the year	-	73,472
Obligation under capital lease for machinery and equipment with interest rate of 5.40% per annum, maturing on December 6, 2023	205,941	280,857
Obligation under capital lease for machinery and equipment with interest rate of 3.13% per annum, maturing on March 7, 2023	148,112	131,894
Obligation under capital lease for vehicle, with interest rate of 1.9% per annum, maturing on April 30, 2023	9,863	15,691
Total capital lease obligation	829,727	530,746
Less: current portion	(297,489)	(239,895)
	<u>\$ 532,238</u>	<u>\$ 290,851</u>

The above leases are secured by the machinery and equipment in Note 5.

The future minimum lease payments due under capital lease for the next four years are as follows:

2022	\$ 317,981
2023	261,551
2024	191,046
2025	95,285
	<u>865,863</u>
Less imputed interest	<u>(36,136)</u>
Total	<u>\$ 829,727</u>

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2021**

**9. Related Party Balances and Transactions**

As at June 30, 2021, the Company had an amount due from a company under common control in the amount of \$15,694,372 (2020 - \$11,951,399) and an amount due to another company under common control in the amount of \$22,662 (2020 - \$23,569). The balances are unsecured, non-interest bearing and due on demand. The Company has waived the right to call the loan prior to June 30, 2022.

As at June 30, 2021, the Company had a loan due to the shareholder in the amount of \$106,720,201 (2020 - \$94,604,508). The loan is unsecured, non-interest bearing and is due on demand. The shareholder has waived the right to call the loan prior to June 30, 2022. Consequently, the loan has been classified as non-current in the accompanying financial statements.

During the year, the Company sold sawdust hog and chips to a company under common control in the amount of \$1,854,068 (2020 - \$1,164,537).

**10. Share Capital**

Authorized:

Unlimited number of common shares

Issued:

100 Common shares at \$1.00 per share

	2021	2020
	<u>100</u>	<u>100</u>
	\$	\$
	<u>100</u>	<u>100</u>

**11. Long-term Debt**

Equipment loan denominated in US\$ bears 5% interest, is secured by equipment, repayable US\$20,342 monthly including interest, and matures in April 2023

Less current portion

	2021	2020
	<u>507,221</u>	<u>-</u>
	(283,695)	-
	<u>\$ 223,526</u>	<u>\$ -</u>

Principal repayments for the next two years are as follows:

2022	\$ 283,695
2023	<u>223,526</u>
	<u>\$ 507,221</u>

**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2021**

**12. Income Taxes**

	2021	2020
Net loss for the year	\$ (4,062,460)	\$ (8,919,645)
Combined basic federal and provincial tax rate	27.00 %	27.00 %
Expected income tax recovery	(1,096,864)	(2,408,304)
Increase (decrease) in income tax expense (recovery) resulting from:		
Adjustment for lease payments	(63,860)	(119,817)
Difference in capital cost allowance and amortization	1,195,616	1,085,926
Difference in reforestation liability	(145,245)	140,043
Non-deductible meals and entertainment	1,761	2,849
Loss (gain) on disposal of assets	-	81,723
Donations	-	46,710
Other non-deductible items	14,444	11,088
	(94,148)	(1,159,782)
Non-capital loss carryforward accumulated	178,159	1,159,782
Non-capital loss carryforward applied	(84,011)	-
Income tax expense	\$ -	\$ -

The Company, including its subsidiary, has accumulated net losses for tax purposes of approximately \$49,499,993 (2020 - \$50,888,098) which may be carried forward to reduce future taxable income in future years. These tax losses expire from 2032 to 2041.

**13. Contingencies and Commitments**

The Company's total obligation under an operating lease for its office premise for the next fiscal year is as follows:

Year	Amount
2022	\$ 38,882

In April 2022, the Company renewed the office lease on a 5-year term.



**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2021**

**14. Financial Instrument Risks**

The Company's activities result in exposure to a variety of financial risks including risks related to commodity prices, currency fluctuation, credit, liquidity and interest rates. The risks that the Company are exposed to this year are consistent with those identified in the prior year.

**(a) Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterpart to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk resulting from the possibility that a customer or counterpart to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterpart; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. Financial instruments that potentially subject the Company to credit risk include cash, accounts receivable and amounts due from related party. Three customers in accounts receivable accounts for 63% (2020 - 65%) of total amount as at June 30, 2021. The Company establishes payment terms and regularly monitors its receivables with its significant customers and related party in order to mitigate the credit risk.

**(b) Liquidity Risk**

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company manages liquidity by primarily maintaining adequate cash through shareholder loans. The Company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, government remittances payable, due to related party, obligation under capital lease and shareholder loan.

**(c) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Since the Company does not have significant assets or liabilities with variable interest rates, the Company is not exposed to significant interest rate risk.

**(d) Currency Risk**

The Company is exposed to foreign exchange risk. The Company's products are sold globally with prices primarily denominated in US dollars or linked to prices quoted in US dollars. For the year ended June 30, 2021, the Company's products sold in US dollars totaled \$27,284,520 (2020 - \$28,731,678) (denominated in Canadian dollars). As at June 30, 2021, cash of \$239,877 (2020 - \$235,860), account receivable of \$208,761 (2020 - \$1,111,001), account payable of \$983,360 (2020 - \$48,144) and long term debt of \$507,221 (2020 - \$nil) are denominated in US dollars and converted into Canadian dollars at a rate of 1.2394 (2020 - 1.3628).

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**ROC Holdings Ltd.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**June 30, 2021**

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**14. Financial Instrument Risks (continued)**

**(e) Commodity Price Risk**

The Company's financial performance is principally dependent on the demand for and selling prices of its wood products. Both are subject to significant fluctuations. The market for lumber is highly volatile and is affected by factors such as global economic conditions including the strength of the global housing markets, changes in industry production capacity, changes in world inventory levels and other factors beyond the Company's control.

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**15. COVID-19**

The global COVID-19 pandemic has continued to impact economic activities and supply chains. Due to the dynamic nature of these circumstances, the duration of any future business and related financial impacts related to COVID-19 cannot be reasonably estimated at this time. If the COVID-19 pandemic continues beyond current expectations, there could be further effects on the Company, its customers, suppliers, and other third-party businesses that could impact the Company's future financial position. At this time, the full potential impact of COVID-19 on the Company is not known.

During the year, the Company received the Canada Emergency Wage Subsidy ("CEWS") from the Government of Canada and included in other income totaled \$382,119 (2020 - \$1,269,741). As at June 30, 2021, the Company had CEWS receivable in the amount of \$nil (2020 - \$465,471).

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**16. Subsequent Events**

Subsequent to the year end, the Company entered into an equipment loan agreement in the amount of \$937,018 at an interest rate of 12.95% per annum for acquisition of various equipment and vehicles.

In addition, the Company entered into a log purchase and loan agreement with one of its customers. Under the terms of this agreement, the Company is to sell 10,000 cubic metres of logs per calendar year until December 31, 2023 and 15,000 cubic metres of logs per calendar year thereafter, or an aggregate of 45,000 cubic metres of logs over a consecutive three-year period on a rolling basis to the customer in the next 15 years in exchange for receiving a \$1,000,000 upfront payment as an incentive to enter into the agreement. If the agreement is terminated prior to completing the 15 years, a portion of the \$1,000,000 is to be repaid depending on the termination year.

**ROC Holdings Ltd.**  
**Schedule of General and Administrative Costs**  
**(Unaudited)**

<b>For the year ended June 30</b>	<b>2021</b>	<b>2020</b>
<b>General and administrative costs</b>		
Advertising	\$ 14,851	\$ 24,104
Amortization	483,523	470,182
Bank charges, interest, and penalties	80,910	57,839
Contract services/consulting	570,093	520,183
Donations	-	173,000
Insurance	468,682	441,130
Interest on long term debt	32,854	-
Interest on capital lease	180,955	86,832
Licenses and permits	91,876	38,128
Miscellaneous	28,108	24,404
Office and administration	351,044	361,588
Professional fees	420,563	257,626
Property taxes	345,151	340,848
Rental/leases	136,583	144,926
Salaries and benefits	1,448,656	1,210,313
Telephone	80,870	58,844
Training and development	48,266	52,037
Travel and entertainment	39,484	85,982
<b>Total</b>	<b>\$ 4,822,469</b>	<b>\$ 4,347,966</b>

This is Exhibit "H" referred to in the  
affidavit of SHENWEI (SANDRA) WU  
made before me at VANCOUVER, BC this 15 day of  
March, 2024.



.....  
A Commissioner for taking Affidavits  
within British Columbia

## SSM

AP As of Jan 11 2023

135

Vendor no.	Vendor name	Currency	Current	1-30 days	31 - 60 days	61-90 days	91+ days	Total
MINFIN	Minister of Finance	CAD	-379,661.97	430.05	403,118.96	25,391.57	1,645,467.37	1,694,745.98
CITTER	City of Terrace	CAD	0.00	0.00	0.00	0.00	1,102,272.43	1,102,272.43
WORSAF	Work Safe BC	CAD	0.00	0.00	0.00	0.00	98,251.67	98,251.67
MINFINA	Minister of Finance	CAD	0.00	0.00	69,780.52	0.00	0.00	69,780.52
BCAMBU	Minister of Finance	CAD	0.00	848.00	0.00	0.00	0.00	848.00
CANREV	Canada Revenue Agency	CAD	0.00	527.74	0.00	0.00	0.00	527.74
IWAFOR	IWA-Forest Industry Benefit Plans	CAD	93,549.21	137,289.91	0.00	3,119.50	8,770.86	242,729.48
USWCOA	USW- Coastal Forest Industry Health and Welfare Plan	CAD	-2,255.25	34,879.60	0.00	0.00	0.00	32,624.35
UNISTE	United Steelworkers Local 1-1937	CAD	14,775.71	17,657.41	0.00	0.00	0.00	32,433.12
DAUCON	Daudet Creek Contracting	CAD	0.00	19,214.00	470,614.94	0.00	1,316,083.28	1,805,912.22
ANTCRE	Antler Creek Contracting Ltd.	CAD	493,375.69	539,191.41	194,748.09	295,143.90	0.00	1,522,459.09
TERTIM	Terrace Timber Ltd	CAD	-20,003.27	621,033.97	0.00	0.00	0.00	601,030.70
COAGAS	Coastal Gaslink Pipeline LP	CAD	0.00	0.00	0.00	0.00	428,328.19	428,328.19
KITFLP	Kitselas Forestry LP	CAD	0.00	404,053.48	0.00	0.00	0.00	404,053.48
KALAKS	K'Alji Aks Timber Corporation	CAD	3,077.38	4,037.01	4,492.09	7,780.89	291,428.08	310,815.45
LUCTEC	MICROTEC Inc	USD	1,555.77	2,070.21	0.00	0.00	258,822.76	262,448.74
STACON	Stardust Contracting Ltd	CAD	113,571.37	107,577.46	0.00	0.00	0.00	221,148.83
WINRES	Windfirm Resources Inc.	CAD	0.00	0.00	0.00	182,252.73	24,259.23	206,511.96
DRHOLT	D.R. Holtom	CAD	0.00	0.00	3,120.64	78,941.47	109,520.60	191,582.71
L&JLOG	L&J Logging	CAD	0.00	0.00	0.00	109,417.09	77,745.90	187,162.99
BCHYDR	BC Hydro	CAD	104,109.76	73,932.15	0.00	0.00	0.00	178,041.91
WOOFIB	Wood Fiber Canada Inc.	CAD	-10.92	25,276.61	19,951.47	54,239.33	57,350.80	156,807.29
DEUCRE	Deuce Creek Contracting Ltd.	CAD	0.00	931.04	0.00	34,532.56	117,028.60	152,492.20
WOONUR	Woodmere Nursery Ltd	CAD	18,089.40	0.00	0.00	43,259.63	82,974.22	144,323.25
JOIWOO	Joiser Wood Products Inc	CAD	63,946.51	0.00	0.00	45,858.96	0.00	109,805.47
NORTH PAC	NorthPac Forestry Group	CAD	0.00	0.00	0.00	0.00	104,743.98	104,743.98
HUNLIT	Hunter Litigation Chambers Law Corporation	CAD	7,960.96	4,256.00	38,043.58	21,842.63	31,336.16	103,439.33
TIMBAR	Timber Baron Contracting (2013) Ltd.	CAD	0.00	0.00	0.00	0.00	100,918.79	100,918.79
CYPFOR	Cypress Forest Consultants Ltd.	CAD	0.00	0.00	23,463.64	21,044.23	45,097.71	89,605.58
LAWLUN	Lawson Lundell LLP	CAD	5,347.93	11,118.80	9,423.13	2,077.60	54,914.35	82,881.81
PACNOR	Pacific Northern Gas Ltd.	CAD	78,168.41	0.00	0.00	0.00	0.00	78,168.41
INFSTE	Infinity-Pacific Stewardship Group	CAD	0.00	9,321.38	66,643.86	1,333.38	0.00	77,298.62
LITTRE	Little Trees Reforestation Inc.	CAD	0.00	938.62	43,354.11	893.40	31,036.10	76,222.23
AXIMOU	Axis Mountain Technical	CAD	0.00	0.00	0.00	0.00	72,025.95	72,025.95
VANDIS	Four Rivers Co-Operative	CAD	42,035.44	29,257.78	0.00	0.00	0.00	71,293.22
NORHAN	NORTH COAST LOG HANDLING	CAD	-247,443.83	35,858.19	26,306.66	88,582.96	158,860.87	62,164.85
FINCAN	Finning	CAD	8,980.25	33,296.10	16,986.04	0.00	0.00	59,262.39
FORSIT	Forsite Consultants Ltd.	CAD	-64,259.23	9,017.03	14,119.93	0.00	99,692.58	58,570.31
INFWES	Infinity West Enterprises Inc.	CAD	0.00	0.00	23,811.90	0.00	31,781.91	55,593.81
KALTIR	Kal Tire- Terrace	CAD	46,093.82	0.00	2,033.25	0.00	0.00	48,127.07
SILSER	Silvicon Services Inc.	CAD	0.00	8,121.75	0.00	0.00	37,383.11	45,504.86
LEAVITT	Leavitt Machinery Canada Inc	CAD	27,672.07	6,411.14	11,124.34	0.00	0.00	45,207.55
BDOCAN	BDO Canada LLP	CAD	0.00	0.00	4,494.00	0.00	39,295.29	43,789.29
SCHCAN	Schenker of Canada Ltd.	USD	19,877.28	23,155.46	0.00	0.00	0.00	43,032.74
KENPRI	Ken Pritchard Trucking	CAD	-20,376.32	4,624.20	6,363.00	46,859.00	0.00	37,469.88
SPACON	Spartan Controls Ltd.	CAD	0.00	0.00	18,612.30	18,537.27	0.00	37,149.57

UMBWEL	Umbrella Welding & Mechanical Ltd.	CAD	0.00	1,967.25	33,256.10	0.00	35,223.35
CANCON	CANZUS Consulting Ltd	CAD	34,944.00	0.00	0.00	0.00	34,944.00
KPMG LLP	KPMG LLP	CAD	33,251.67	0.00	681.73	0.00	33,933.40
ROKCON	ROK Contracting Ltd	CAD	0.00	0.00	0.00	31,074.40	31,074.40
SILWOO	Silverwood Natural Resource Consultants	CAD	0.00	0.00	0.00	28,962.49	28,962.49
TCSCON	TCSI Consulting Ltd.	CAD	0.00	8,925.00	8,925.00	0.00	26,775.00
MADENV	Madrone Environmental	CAD	0.00	14,120.80	342.56	9,834.57	25,785.00
JRPSOL	JRP Solutions Ltd.	CAD	24,584.00	0.00	0.00	0.00	24,584.00
TIDCOA	Tidal Coast Terminals Ltd.	CAD	0.00	23,625.00	0.00	0.00	23,625.00
CORMAN	Corley Manufacturing Company	USD	0.00	0.00	0.00	0.00	20,342.46
USNR	USNR	CAD	0.00	14,017.71	0.00	0.00	20,112.96
NORFIN	Northbridge Financial Corporation	CAD	0.00	0.00	20,000.00	0.00	20,000.00
EBHORS	E.B. Horsman and Son	CAD	8,633.15	5,293.92	5,404.23	0.00	19,976.52
DONRUS	Don Russell-Wesley	CAD	0.00	19,159.00	0.00	0.00	19,159.00
CYPCON	Cypress Contracting	CAD	0.00	0.00	0.00	19,080.60	19,080.60
SUPLIN	Superior Linen Supply	CAD	3,731.19	4,933.28	3,995.48	1,926.18	18,733.38
GUIINT	Guillevin International Co	CAD	1,005.66	12,185.43	3,850.14	0.00	18,219.91
SAGSOF	Sage Software Canada Ltd.	CAD	0.00	0.00	0.00	17,999.69	17,999.69
FPINNO	FP Innovations	CAD	0.00	0.00	17,529.44	0.00	17,529.44
CONIND	Connexus Industries Inc.	CAD	0.00	0.00	0.00	16,424.76	16,424.76
COATSI	Coast Tsimshian Resources LP	CAD	0.00	0.00	0.00	15,956.82	15,956.82
QUASIL	Quantum Silviculture Ltd.	CAD	0.00	0.00	0.00	0.00	15,671.25
GEIWAS	Geier Waste Services Ltd.	CAD	2,913.90	3,525.20	2,047.19	2,619.37	14,602.59
CARCHR	Cariboo Chrome & Hydraulics Ltd	CAD	0.00	0.00	2,340.30	7,114.15	14,434.78
WAJIND	Wajax Industrial Components LP	CAD	9,829.11	0.00	0.00	0.00	13,849.68
FOUTIR	Fountain Tire ( Terrace ) Ltd.	CAD	1,124.66	11,444.52	0.00	0.00	13,678.81
LINFOR	Lindsay Forest Products	CAD	0.00	6,072.15	0.00	0.00	13,569.15
MEZJUN	Meziadin Junction Limited Partnership	CAD	0.00	4,200.00	7,392.00	1,890.00	13,482.00
AIRLIQ	Air Liquide Inc.	CAD	4,814.92	4,398.50	0.00	0.00	13,471.52
DELCED	Delta Cedar Specialties Ltd.	CAD	13,109.85	0.00	0.00	0.00	13,109.85
TIMTRA	Timber Tracks	CAD	4,448.06	0.00	0.00	0.00	12,649.94
ZAPMED	Zappa Media Consultants Inc.	CAD	12,285.00	0.00	0.00	0.00	12,285.00
UNIMAC	Universe Machine Corporation	CAD	12,233.97	0.00	0.00	0.00	12,233.97
BEACRE	Bear Creek Contracting Ltd	CAD	0.00	0.00	0.00	12,032.34	12,032.34
HAITRI	Haisla Triton	CAD	0.00	0.00	897.75	10,771.46	11,669.21
TRIENV	Triton Environmental Consultants	CAD	0.00	0.00	0.00	11,509.09	11,509.09
ALEWHI	Alexander Whitehead	CAD	0.00	0.00	0.00	0.00	9,975.00
MOTCAN	Motion Canada	CAD	3,827.84	595.81	0.00	0.00	8,692.83
CORNOR	Cortex North American Corporation	USD	4,355.10	4,028.00	0.00	0.00	8,383.10
BURINT	Burrard International Inc	CAD	8,020.94	0.00	0.00	0.00	8,020.94
0983381	Noble 5 Creek Ltd	CAD	0.00	0.00	0.00	7,970.29	7,970.29
FYBSOL	FYBR Solutions Inc.	CAD	0.00	2,562.00	2,562.00	0.00	7,686.00
WILGAM	Wlfp Gamlakyeltxw	CAD	0.00	0.00	0.00	7,476.02	7,476.02
SKEENG	Skeans Engineering & Machinery Ltd	CAD	1,129.27	5,568.88	0.00	0.00	6,998.53
WESWES	Westburne West	CAD	0.19	0.00	0.00	0.00	6,766.48
KLECON	Kleanza Consulting Ltd.	CAD	0.00	1,387.16	0.00	4,417.78	5,804.94
ALTLOG	Altitude Logging Inc.	CAD	2,152.50	0.00	3,481.72	0.00	5,634.22
TERSTE	Terrace Steel Works Ltd.	CAD	514.50	3,141.43	558.30	0.00	5,385.51
HUGCON	Hu Gui Hua Consulting Inc	CAD	5,276.25	0.00	0.00	0.00	5,276.25
PREBAN	Premier Bandwheel & Equipment Ltd	CAD	0.00	0.00	0.00	0.00	5,111.40

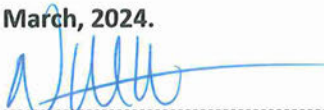
SIGNODE	Signode	CAD	0.00	0.00	75.40	5,030.93	0.00	5,106.33
BELSCA	B.Elliott Scaling Ltd	CAD	4,967.55	0.00	0.00	0.00	0.00	4,967.55
REDPLA	Redwood Plastics	CAD	0.00	2,667.00	1,926.75	0.00	0.00	4,593.75
NORIND	Tenaquip Ltd	CAD	144.73	1,982.62	1,437.94	879.38	0.00	4,444.67
PURLAT	PUROLATOR	CAD	798.80	1,077.13	2,376.46	0.00	0.00	4,252.39
MAGDIG	Magellan Digital Mapping	CAD	0.00	100.01	674.63	3,404.89	0.00	4,179.53
NALCRE	Nalibila Creek Property Management	CAD	4,145.00	0.00	0.00	0.00	0.00	4,145.00
SKEBLO	Skeena Blower & Sheet Metal Ltd	CAD	0.00	0.00	4,042.50	0.00	0.00	4,042.50
OVEWES	Overland West Freight Lines Ltd.	CAD	1,992.21	1,880.06	151.28	0.00	0.00	4,023.55
MTPHAU	M.T.P. Hauling	CAD	0.00	0.00	0.00	3,770.02	0.00	3,770.02
WESEQU	Western Equipment Ltd	CAD	2,518.50	1,140.15	0.00	0.00	0.00	3,658.65
DIATEC	Diacon Technologies Ltd	CAD	0.00	3,554.73	0.00	0.00	0.00	3,554.73
AJFORS	A.J. Forsyth	CAD	3,526.95	0.00	0.00	0.00	0.00	3,526.95
ACKGRA	Acklands-Grainger Inc	CAD	183.70	2,988.52	275.60	0.00	0.00	3,447.82
LARTIM	Larson Timber	CAD	3,205.90	0.00	0.00	0.00	0.00	3,205.90
KJMSAL	KJM Sales Ltd	CAD	2,089.50	1,081.39	0.00	0.00	0.00	3,170.89
LAKDRI	Lake Drive Lumber	CAD	0.00	0.00	0.00	0.00	3,136.00	3,136.00
NORFLU	Norcan Fluid Power Ltd	CAD	0.00	3,040.88	0.00	0.00	0.00	3,040.88
ADVSAF	Advanced Safety Management Ltd. (DATS)	CAD	0.00	1,385.44	1,618.81	0.00	0.00	3,004.25
WOLFTEK	Wolffek Industries Inc	CAD	1,962.03	964.53	0.00	0.00	0.00	2,926.56
SCHDIS	School District No 92 (Nisga'a)	CAD	0.00	0.00	2,850.00	0.00	0.00	2,850.00
MDAAUT	MDA Co-Auto Ltd. O/A	CAD	2,756.41	0.00	0.00	0.00	0.00	2,756.41
COAMOU	Westcan Advanced Communications Solutions	CAD	0.00	2,430.57	280.27	0.00	0.00	2,710.84
WESENV	Westwind Environmental Ltd.	CAD	0.00	0.00	0.00	0.00	2,646.00	2,646.00
BEDCON	Bedard Contracting	CAD	0.00	2,566.99	0.00	0.00	0.00	2,566.99
3ECOMP	3 E Company Canada	CAD	0.00	2,424.92	0.00	0.00	0.00	2,424.92
EAGPOW	Eagle Power & Engineering (1984) Ltd.	CAD	0.00	2,362.50	0.00	0.00	0.00	2,362.50
VETSHE	VETS SHEET METAL LTD	CAD	0.00	0.00	2,324.70	0.00	0.00	2,324.70
LAKMAC	Lakelse Machine & Performance Ltd	CAD	0.00	1,997.21	220.50	0.00	0.00	2,217.71
PROWET	Pro Wet and Dry Vac Services Ltd.	CAD	0.00	0.00	2,205.00	0.00	0.00	2,205.00
NORFUE	Northwest Fuels	CAD	1,285.25	904.99	0.00	0.00	0.00	2,190.24
FORSMI	FORGE AND SMITH	CAD	2,063.25	0.00	0.00	0.00	0.00	2,063.25
AIRSYS	Airex Systems Ltd	CAD	0.00	756.00	1,242.68	0.00	0.00	1,998.68
STJAMB	St. John Ambulance	CAD	0.00	0.00	0.00	0.00	1,975.28	1,975.28
COUFOR	Council of Forest Industries	CAD	0.00	1,973.51	0.00	0.00	0.00	1,973.51
HAINAT	Haisla Nation Council	CAD	0.00	1,850.00	0.00	0.00	0.00	1,850.00
THEANS	The Answer Company	CAD	978.08	201.08	658.56	0.00	0.00	1,837.72
SUNIIN	Sunshine Inn Executive Suites Inc.	CAD	0.00	0.00	0.00	1,770.86	0.00	1,770.86
TERREW	Terrace Rewind Ltd.	CAD	1,732.50	0.00	0.00	0.00	0.00	1,732.50
SINRAD	Sinkut Radiator & Oil Cooler Remanufacturing INC	CAD	0.00	0.00	0.00	0.00	1,731.32	1,731.32
RICOH	Ricoh Canda Inc	CAD	0.00	286.72	0.00	286.72	1,146.88	1,720.32
CANTIR	Canadian Tire	CAD	748.77	964.14	0.00	0.00	0.00	1,712.91
WOLENT	WOLFPAK ENTERPRISES INC.	CAD	0.00	0.00	0.00	1,650.00	0.00	1,650.00
KALUMTI	Kalum Tire Service Ltd	CAD	0.00	1,580.75	0.00	0.00	0.00	1,580.75
BANTRA	Bandstra Transportation	CAD	212.53	910.88	346.74	0.00	0.00	1,470.15
BCWOOD	BC Wood Specialties Group	CAD	0.00	0.00	1,417.50	0.00	0.00	1,417.50
BRAIND	Braun Industrial Ltd.	CAD	0.00	0.00	672.00	0.00	693.00	1,365.00
CLOPAI	Cloverdale Paint Inc	CAD	0.00	1,229.55	0.00	0.00	0.00	1,229.55
SPEEPG	SpeedDee	CAD	0.00	0.00	0.00	0.00	1,196.95	1,196.95
AQUPLU	Aqua Plumbing & Heating Ltd	CAD	1,164.77	0.00	0.00	0.00	0.00	1,164.77

NATGLA	Nate's Glass	1,117.89	0.00	0.00	0.00	1,117.89
BCOCON	B. Compton Contracting	1,102.97	0.00	0.00	0.00	1,102.97
ENVIBC	Enviro-BC	0.00	0.00	1,102.50	0.00	1,102.50
MANTRA	Manney Transport Ltd	0.00	0.00	0.00	0.00	0.00
PRIOFF	Prince George Office Systems	0.00	0.00	0.00	0.00	0.00
SPRTEC	Sprayco Technologies Inc	0.00	1,099.32	0.00	0.00	1,099.32
ZTEAUT	Z-Tec Automation Systems Inc	0.00	403.99	681.45	0.00	1,085.44
GREWES	Great West Equipment	0.00	0.00	0.00	708.75	1,029.56
COMSEC	Comtek Security Solutions	0.00	330.75	684.18	0.00	1,014.93
SICSYS	SiCam Systems Corporation	263.90	708.76	0.00	0.00	972.66
BEARIV	Beaver River Ventures	0.00	0.00	0.00	0.00	908.54
TRILOC	Trident Lock & Security	0.00	0.00	0.00	0.00	897.75
RUDHYD	Rudon Hydraulics	0.00	0.00	886.98	0.00	886.98
D&SSIG	D&S Sign Shop Inc	0.00	741.35	133.65	0.00	875.00
SCAMEG	ScanMeg Inc	0.00	0.00	0.00	0.00	817.60
ANDSHE	Andrew Sheret Ltd	0.00	0.00	813.75	0.00	813.75
WESDIS	Wesco Distribution Canada LP	360.46	433.92	0.00	0.00	794.38
BUCRID	Buck Ridge Contracting Ltd.	464.07	326.97	0.00	0.00	791.04
LMEQUI	L-M EQUIPMENT CO LTD	781.20	0.00	0.00	0.00	781.20
BRUMAC	Brunette Machinery Co.	735.00	0.00	0.00	0.00	735.00
COMINN	Comfort Inn & Suites Terrace	0.00	0.00	0.00	0.00	718.02
BRASTR	Brandt Strategy	0.00	647.68	0.00	0.00	647.68
STAADV	Corporate Express Canada Inc	630.00	0.00	0.00	0.00	630.00
EASREN	Easy-Rent-Tents	127.41	446.04	0.00	0.00	573.45
MACMOT	MacCarthy Motors (Terrace) Ltd.	0.00	0.00	0.00	0.00	556.50
WESPOI	West Point Rentals Ltd.	-6,241.90	533.70	0.00	0.00	533.70
TERBUI	Terrace Builders Centre Ltd.	0.00	0.00	0.00	522.20	522.20
KITCOU	Kitselas Courgars & Kitselas Grizzlies	0.00	412.98	101.17	0.00	514.15
KITSUM	Kitselas Sumax Group	0.00	0.00	0.00	0.00	500.00
AMAPRI	Amazon Business Prime	362.61	37.04	0.00	0.00	500.00
LINCAN	Linde Canada Inc.	-123.64	0.00	0.00	0.00	399.65
INDFOR	Industrial Forestry Service Ltd.	0.00	341.25	0.00	115.29	364.46
PERPEN	Perfect Pen & Stationery	0.00	0.00	0.00	0.00	341.25
CITWES	City West	292.36	0.00	0.00	326.61	326.61
KRIBEV	Kristie Lee Bevan	269.00	0.00	0.00	0.00	292.36
SKEGOL	Skeena Valley Golf & Country	0.00	0.00	0.00	0.00	269.00
STETOW	Steelhead Transport & Towing	0.00	0.00	0.00	0.00	250.00
THOSUB	Thornhill Subaru	231.22	236.25	0.00	0.00	236.25
JACENG	Jacobson Engineering	0.00	0.00	0.00	0.00	231.22
RAICOA	Rain Coast Wash & Lube	52.25	50.50	90.00	0.00	201.42
WILMAC	Williams Machinery LP	0.00	186.46	0.00	0.00	192.75
AARNUG	Aaron Nugent	90.00	90.00	0.00	0.00	186.46
ALLELE	Allied Electronics Canada Inc.	178.92	0.00	0.00	0.00	180.00
SAFAUT	Technical Safety BC	0.00	0.00	0.00	0.00	178.92
WEBREF	Webb Refrigeration Ltd	0.00	0.00	0.00	0.00	146.28
SIENET	Sienna Networks Ltd.	0.00	0.00	0.00	0.00	133.88
SILPRO	Silvertip Signs	0.00	0.00	0.00	0.00	128.82
DOYOUR	Do Your Part Recycling Co	94.50	0.00	0.00	0.00	115.93
EMJEXT	Emjay Extinguishers	75.60	0.00	0.00	0.00	94.50
DRMOOL	Dr. Johnathan Moolman	0.00	0.00	0.00	0.00	75.60
						48.25



MOHBUK	Dr. Mohamed Bukbres	CAD	0.00	0.00	0.00	46.40	46.40
JOHWEL	Johnny's Welding Ltd.	CAD	15.75	0.00	0.00	0.00	15.75
EDGPRO	Edge Production Supplies	CAD	-420.57	427.41	0.00	0.00	139
SUPPRO	Superior Propane	CAD	-190.07	0.00	0.00	109.64	-80.43
NORCOA	North Coast Equipment Ltd.	CAD	-106.89	0.00	0.00	0.00	-106.89
BLAPRE	Black Press Group Limited	CAD	-321.83	0.00	0.00	0.00	-321.83
CHAIND	Chamco	CAD	-497.70	0.00	0.00	0.00	-497.70
PROAUT	PROGRESSIVE AUTOMATIONS	CAD	-530.10	0.00	0.00	0.00	-530.10
NICMAN	Nicholson Manufacturing Ltd	CAD	-3,013.50	0.00	0.00	2,467.83	-545.67
NORTRA	Northside Transport Ltd.	CAD	-997.50	0.00	0.00	0.00	-997.50
SUSFOR	Sustainable Forestry Initiative, Inc	USD	-1,000.00	0.00	0.00	0.00	-1,000.00
CLRSKY	Clear Sky Ent Ltd.	CAD	-1,769.28	0.00	0.00	0.00	-1,769.28
CCCPCO	CCCP Contracting Inc.	CAD	-3,328.22	0.00	0.00	0.00	-3,328.22
PMGSAW	P.M.G. Sawmilling	CAD	-10,464.38	0.00	0.00	0.00	-10,464.38
TERCOM	Terrace Community Forest Ltd. Partnership	CAD	-57,455.12	0.00	0.00	36,750.66	-20,704.46
KALVEN	Kalum Ventures Ltd Partnership	CAD	-68,700.57	0.00	0.00	27,731.82	-40,968.75

This is Exhibit "I" referred to in the  
affidavit of SHENWEI (SANDRA) WU  
made before me at VANCOUVER, BC this 15 day of  
March, 2024.



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A Commissioner for taking Affidavits  
within British Columbia



CONTRACT NO. TBCL 16-00

**REPLACEABLE INTERIOR  
TIMBER HARVESTING CONTRACT  
(FIVE YEAR)**

**THIS CONTRACT** is made as of the 1<sup>st</sup> day of January, 2016

**BETWEEN:**

*Name:* **SKEENA SAWMILLS LTD.**  
*Delivery Address:* 5530 Highway 16 West  
Terrace, British Columbia  
*Mailing Address:* Box 780  
Terrace, B.C.  
V8G 4R1  
*Fax:* (250) 635-4335  
*Telephone:* (250) 635-6336  
*E-mail:* greg.demille@skeenasawmills.com  
*Contact:* Greg DeMille  
(the "Company")

**AND:**

*Name:* **TIMBER BARON CONTRACTING LTD.**  
*Delivery Address:* #203 – 4650 Lazelle Avenue  
Terrace, BC  
V8G 1S6  
*Mail Address:* Box 1138  
Terrace, BC  
V8G 4V1  
*Fax:* (250) 638-1757  
*Telephone:* (250) 635-7677  
*Contact:* Lee Thomson  
(the "Contractor")

**BACKGROUND:**

- A. The Company is the holder of Forest Licence A16882 (the "**Licence**").
- B. The Company and the Contractor are, as of December 31, 2015, parties to a replaceable timber harvesting contract under the Timber Harvesting Contract and Subcontract Regulation, B.C. Reg. 22/96 (the "**Regulation**") in respect of the Licence (the "**Previous Contract**").

- C. The Company has offered and the Contractor has accepted this Contract as the replacement for the Previous Contract.

**NOW THEREFORE**, for good and valuable consideration the receipt and sufficiency of which the Company and the Contractor each hereby acknowledge, the Company and the Contractor hereby agree as follows:

## MAIN AGREEMENT

1. **Term.** The term of this Contract is 5 years beginning on January 1, 2016 (the "**Commencement Date**") and ending on December 31, 2020, unless terminated earlier in accordance with this Contract (the "**Term**").

2. **Scope of Work.** Subject to and in accordance with this Contract, the Contractor will perform:

- (a) stump to dump timber harvesting;
- (b) road building services to construct roads, including the installation or construction of culverts and, but excluding the supply, installation or construction of bridges; and
- (c) all related services and obligations as described in, or allocated by the Company under, this Contract on lands subject to the Licence, or on such other lands as permitted under this Contract,

(collectively, the "**Work**").

3. **Amount of Work.** Subject to the Regulation and subject to the provisions of this Contract permitted or required by the Regulation, the amount of Work that the Company will allocate to the Contractor, and the Contractor will perform, in each year during the Term is:

- (a) in respect of the stump to dump timber harvesting referred to in Paragraph 2(a):
  - (i) subject to clause (ii), 50,395 m<sup>3</sup>/year; or
  - (ii) if the Company harvests less than 50,395 m<sup>3</sup>/year, the amount that the Company harvests; and

in respect of the road building services referred to in Paragraph 2(b), such amount of services required to facilitate the operations of the Contractor referred to in subparagraph (a), (collectively, the "**Amount of Work**").

4. **Allocation of Work.** The Company will allocate the Work to the Contractor in term sheets (each, a "**Term Sheet**") that the Company may issue from time to time, in which the Company will identify:

- (a) the operating area in which the Work is to be performed (the **"Operating Area"**);
- (b) the time during which the Contractor is to perform the Work;
- (c) the location to which the Contractor is to deliver logs produced from the Operating Area (the **"Point of Delivery"**);
- (d) the timber mark that applies in respect of the Operating Area;
- (e) the Work Plan that applies in respect of the Operating Area and the Work; and
- (f) such other reasonable terms and conditions, if any, in addition to those already specified in this Contract, that the Company determines apply to that Work.

5. **Rate.** The Company and the Contractor will make all commercially reasonable efforts to agree on the amount the Company is to pay the Contractor for the performance of the Work that the Company allocates under this Contract in accordance with Schedule "A" to this Contract, but, failing such agreement, the amount will be determined in accordance with Schedule "A" to this Contract (such amount, as agreed upon or determined, is the **"Rate"**) and when a Rate is so agreed upon or determined, the Company will enter that Rate into the applicable Term Sheet and provide a copy of that Term Sheet to the Contractor.

6. **Contractor's Information.** As of the Commencement Date, the Contractor's:

- (a) Federal Goods and Services Tax registration number is: 860557594;
- (b) Workers' Compensation Board number is: 846752;
- (c) insurance agent is:
  - (i) *Name:* Carson Insurance Brokers Ltd.
  - (ii) *Delivery Address:* 690 Victoria Street  
Price George, B.C.  
V2L 2K4
  - (iii) *Mail Address:* Same as above
  - (iv) *Fax:*
  - (v) *Telephone:*
  - (vi) *Contact:*
- (d) insurance underwriter is:
  - (i) *Name:*
  - (ii) *Delivery Address:*
  - (iii) *Mail*

- 4 -

- (iv) *Address:*  
*Fax:*  
(v) *Telephone:*  
(vi) *Contact:*

- (e) insurance policy numbers are:

7. **Contract Components.** This Contract (this “**Contract**”) is comprised of all of the following as the same may be issued, amended, replaced or otherwise changed from time to time in accordance with this Contract:

- (a) this Main Agreement (the “**Main Agreement**”);
- (b) the attached Schedule “A”: General Terms and Conditions;
- (c) the attached Schedule “B”: Log Quality Specifications; and
- (d) each Term Sheet issued under this Contract.

8. **Entire Agreement.** This Contract, and any amendments to it made in accordance with this Contract, constitutes the entire agreement between the Company and the Contractor, and supersedes all prior agreements, understandings, correspondence and documents of intent, if any such exist, in respect of the subject matter hereof.

9. **Amendments.** Except as otherwise expressly provided in this Contract, the parties may amend this Contract only by agreement in writing, executed by both parties.

10. **Replacement of Previous Contract.** This Contract replaces the Previous Contract and any separate or collateral agreement related to the Previous Contract, each of which is hereby terminated as of the Commencement Date, and each Party (the “**Releasor**”) hereby remise, release and forever discharge the other Party of and from all manner of actions, causes of action, notices of dispute, claims, demands, costs and expenses of any nature or kind the Releasor has or hereinafter can, will or may have by reason of any matter, cause or thing whatsoever existing to December 31, 2015.

- 5 -

IN WITNESS WHEREOF the parties have executed this Contract as of the date and year first above written.

**SKEENA SAWMILLS LTD.**

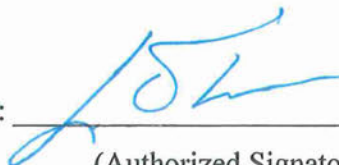
**TIMBER BARON CONTRACTING LTD.**

Per: \_\_\_\_\_



(Authorized Signatory)

Per: \_\_\_\_\_



(Authorized Signatory)

Greg DeMile

Name (Print)

LEE T HOMSON

Name (Print)

Woodlands Manager

Title (Print)

PRESIDENT

Title (Print)





CONTRACT NO. TBCL 16-00

**Schedule "A"**  
to  
**Replaceable Interior**  
**Timber Harvesting Contract**  
**(Five Year)**  
between Skeena Sawmills Ltd. and Timber Baron Contracting Ltd.  
made as of January 1, 2016

**PART 1 GENERAL TERMS AND CONDITIONS**  
**INTERPRETATION**

1.1 **Definitions.** In this Contract, unless this Contract specifies, or the context requires, otherwise:

- (a) **"Access Roads"** has the meaning given it in Paragraph 4.1;
- (b) **"Agreement Year"** means each 12 month period during the currency of this Contract commencing on the Commencement Date;
- (c) **"Amount of Work"** has the meaning given it in Paragraph 3 of the Main Agreement;
- (d) **"Amount of Work Compliance Period"** means:
  - (i) subject to clauses (ii) and (iii), the 5 year cut control period for the Licence;
  - (ii) if the Company terminates the cut control period for the Licence early, then whichever of the following the Company elects in a notice to the Contractor:
    - (A) the 5 year period that would have applied if the cut control period had not been terminated early, and each consecutive 5 year period thereafter;
    - (B) for the cut control period that was terminated early, the duration of that cut control period, then each consecutive 5 year cut control period for the Licence thereafter; or
    - (C) such other reasonable period the Company specifies in a notice to the Contractor; or
  - (iii) such other period as the Company and the Contractor may agree on in writing;
- (e) **"Applicable Laws"** means all federal, provincial, regional and municipal laws, by-laws, rules and regulations, including the Key Legislation, and all applicable, valid and subsisting orders of courts, government tribunals and government officials that apply in respect of the Work or the performance of the Contractor's obligations or the exercise of its rights under this Contract;
- (f) **"Assignment"** has the meaning given it in Paragraph 16.1;
- (g) **"BCICAC"** has the meaning given it in Paragraph 15.5(a);
- (h) **"Business Day"** means any day other than a day that is a Saturday, a Sunday or a statutory holiday in British Columbia;
- (i) **"Caused"**, as it is used in Paragraphs 6.1 and 6.5, means to start, light, fuel, cause, allow, permit or enable, in all such cases whether directly or indirectly or intentionally or unintentionally and whether in breach of this Contract, negligently or willfully;
- (j) **"Commencement Date"** has the meaning given it in Paragraph 1 of the Main Agreement;

– 2 –

- (k) **“Company”** has the meaning given it in the description of the parties to this Contract;
- (l) **“Company’s Rules”** means the Company’s policies, plans, standards, procedures and like requirements as communicated by the Company to the Contractor in accordance with this Contract and pertaining to forest stewardship; health and safety; protection of the environment; wildfire prevention, detection and control; compliance with legislation; compliance with any certification system that applies in respect of the Company, the Licence or the Work; performance of the Work and other obligations of the Contractor under this Contract; and use of Operating Areas, Access Roads and Points of Delivery, as may be established, amended or added to from time to time during the Term in accordance with this Contract, including the:
- (i) Fire Preparedness Plan;
  - (ii) Health and Safety Rules; and
  - (iii) Road Rules;
- (m) **“Contract”** has the meaning given it in Paragraph 7 of the Main Agreement;
- (n) **“Contractor”** has the meaning given it in the description of the parties to this Contract;
- (o) **“Contractor Check Scale”** has the meaning given it in Paragraph 8.4A
- (p) **“Contractor’s Workforce”** means:
- (i) the directors, officers, employees and agents of the Contractor; and
  - (ii) all other persons:
    - (A) whether individuals, companies, partners, partnerships, proprietorships, First Nations, government or otherwise;
    - (B) whether retained by, through, under, on behalf of or in any other relationship, direct or indirect, to the Contractor and whether similar to the foregoing or not;
    - (C) whether engaged as a contractor, subcontractor, agent or employee of any of the foregoing or in any other relationship, whether similar to the foregoing or not, including any director, officer, employee or agent of any of the foregoing; and
    - (D) regardless of where the person may be in the chain of relationships,
- engaged, directly or indirectly, by the Contractor to exercise a right or perform an obligation of the Contractor under this Contract;
- (q) **“Environmental, Health and Safety Laws”** means any statute, regulation, bylaw, judgment, decree, order, injunction, rule, guideline or ordinance in effect in British Columbia regulating the protection of the environment, forest stewardship or the health and safety of Workers as it relates to the Work or the performance of any of the Contractor’s other obligations under this Contract, including any requirements under the Key Legislation;
- (r) **“Environmental Policy”** means the Company’s environmental management policy governing the performance of its activities and those of its employees and contractors;
- (s) **“Dispute”** has the meaning given it in Paragraph 15.1 for the purposes of Part 15;
- (t) **“Fire Preparedness Plan”** means a plan that addresses any of the prevention, detection, reporting and control of wildfire, including any of the following:
- (i) compliance with the *Wildfire Act*;

- (ii) the number of people, types and numbers of tools and equipment and the anticipated location of the people and equipment during the performance of an industrial activity, including the tools and equipment to be available at a central cache;
  - (iii) the names of key personnel and how they may be contacted;
  - (iv) training requirements in respect of fire prevention, detection, reporting and control;
  - (v) the names of personnel who meet training requirements;
  - (vi) restrictions on smoking and the use of open fires at Operating Areas;
  - (vii) the location of weather stations that will be used to monitor the weather at Operating Areas and on Access Roads;
  - (viii) responsibilities for determining fire danger class and impacts on operations at Operating Areas and on Access Roads, including early shift and shutdown; and
  - (ix) fire watch;
- (u) **"Firefighting Costs"** means all costs and expenses, including costs and expenses pertaining to labour, equipment, materials, supplies, transportation and accommodation, reasonably incurred by the Contractor, the Company, or third parties, including the Contractor's Workforce, whose costs and expenses the Contractor or the Company is liable for, in connection with the containment, control or extinguishment of a fire that occurs on, spreads onto or from, or could reasonably be expected to spread onto or from an Operating Area or Access Road;
- (v) **"Health and Safety Rules"** means the Company's written policies, standards or requirements relating to occupational health and safety matters;
- (w) **"Key Legislation"** means the *Forest and Range Practices Act*, the *Wildfire Act*, the *Workers Compensation Act*, the *Fisheries Act*, the *Environmental Management Act*, the *Wildlife Act*, the *Species at Risk Act* and other legislation for the protection of the environment;
- (x) **"Lands"** means:
- (i) the land subject to the Licence;
  - (ii) if the Company requires the Contractor to perform Work under Paragraph 3.6, the land on which the Contractor is to perform that Work;
  - (iii) without limiting clauses (i) or (ii), each Operating Area, Access Road and Point of Delivery; and
  - (iv) any area not included in clauses (i) to (iii) where the Contractor is required to fight fire or perform other obligations under Part 6;
- (y) **"Licence"** has the meaning given it in Recital A of this Contract;
- (z) **"Log Quality Specifications"** means the log quality specifications attached as Schedule "B" to this Contract, including such log quality bonus and deduction provisions that are a part thereof, as amended from time to time by the Company in accordance with this Contract;
- (aa) **"Main Agreement"** has the meaning given it in Paragraph 7(a) of the Main Agreement;
- (bb) **"Ministry"** means the Ministry responsible for the *Forest Act*, and **"Minister"** has a corresponding meaning;
- (cc) **"Operating Area"** has the meaning given it in Paragraph 4(a) of the Main Agreement;
- (dd) **"Operational Document"** means any of the following documents:
- (i) the Licence;
  - (ii) any plan, prescription, cutting permit, road permit or other permit or like document applicable to the Lands, including a forest stewardship plan or site plan under the *Forest and Range Practices Act*; and

– 4 –

- (iii) any foreshore lease, licence of occupation or other lease, licence or similar authority issued by a government or governmental agency and applicable to the Contractor's operations under this Agreement;
- (ee) **"Payment Schedule"** has the meaning given it in Paragraph 8.6;
- (ff) **"Point of Delivery"** has the meaning given it in Paragraph 4(c) of the Main Agreement;
- (gg) **"Pollutant"** means any substance or material that does not occur naturally in the environment or which falls within the definition of "contaminants", "pollutants", "waste", "special waste", "deleterious substance", "hazardous chemicals", "hazardous waste", "dangerous goods", "toxic substances" or "pesticides" or any variation thereof or any similar term in any of the Environmental, Health and Safety Laws or other legislation applicable to the operations of the Contractor under this Contract;
- (hh) **"Previous Contract"** has the meaning given it in Recital B of this Contract;
- (ii) **"Rate"** has the meaning given it in Paragraph 5 of the Main Agreement;
- (jj) **"Regulation"** has the meaning given it in Recital B of this Contract;
- (kk) **"Release"** means to spill, leak, seep, pump, pour, emit, empty, throw, discharge, disperse, deposit, inject, escape, leach, dispose, dump or place, and includes migration;
- (ll) **"Releasor"** has the meaning given it in Paragraph 10 of the Main Contract;
- (mm) **"Road Rules"** means the Company's directions pertaining to the use of Access Roads, including hours of use, number of trips per day, locking of gates and closure of roads and bridges;
- (nn) **"Second Check Scale"** has the meaning given it in Paragraph 8.4B;
- (oo) **"Subcontract"** has the meaning given it in Paragraph 16.4 for the purposes of Part 16;
- (pp) **"Term"** has the meaning given it in Paragraph 1 of the Main Agreement;
- (qq) **"Term Sheet"** has the meaning given it in Paragraph 4 of the Main Agreement;
- (rr) **"Work"** has the meaning given it in Paragraph 2 of the Main Agreement;
- (ss) **"Work Plan"** includes a map, logging plan, road construction plan, road profiles, specifications and designs and other similar types of documents that pertain to the Work, and any such documents are deemed to be part of the Term Sheet to which they apply or are attached; and
- (tt) each of the following terms has the meaning given them in the *Workers Compensation Act*:
  - (i) **"Multiple-Employer Workplace"**;
  - (ii) **"Owner"**;
  - (iii) **"Prime Contractor"**;
  - (iv) **"Worker"**; and
  - (v) **"Workplace"**.

**1.2 References.** For the purposes of this Contract, except as otherwise expressly provided:

- (a) a reference to a corporation includes, and is also a reference to, a corporation that is its successor;
- (b) a word referring to a corporation includes an individual;

- (c) a word in the singular includes the plural and vice versa; and
- (d) a reference in the Main Agreement, a Schedule or a Term Sheet to a Paragraph or Part, as the case may be, by number is a reference to a Paragraph or Part, as the case may be, of that number in the Main Agreement, that Schedule or that Term Sheet, as the case may be.

1.3 **Headings.** All headings and subheadings in this Contract are inserted for convenience of reference only and will not affect the interpretation of this Contract.

1.4 **Use of "Including".** The word "including", when following any general statement, term or matter, is not to be construed to limit the general statement, term or matter to the specific items or matters set forth immediately following the word "including" or to similar items or matters, whether or not non-limiting language (such as "without limitation" or "but not limited to" or words of similar import) is used but, rather, the general statement, term or matter will be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter.

1.5 **Time of Essence.** Time is of the essence of this Contract.

1.6 **Severability.** If any one or more of the provisions contained in this Contract is or are invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby.

1.7 **Governing Law.** This Contract will be governed by and interpreted in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

1.8 **Legislation.** In this Contract:

- (a) the following references to Acts have the following meanings:
  - (i) "**Arbitration Act**" means the *Arbitration Act* R.S.B.C. 1996, c.55;
  - (ii) "**Canada Pension Plan**" means the *Canada Pension Plan* R.S.C. 1985, c. C-8;
  - (iii) "**Employment Insurance Act**" means the *Employment Insurance Act* S.C. 1996, c.23;
  - (iv) "**Employment Standards Act**" means the *Employment Standards Act* R.S.B.C. 1996, c.113;
  - (v) "**Environmental Management Act**" means the *Environmental Management Act* S.B.C. 2003, c.53;
  - (vi) "**Excise Tax Act**" means the *Excise Tax Act* R.S.C. 1985, c.E-15;
  - (vii) "**Fisheries Act**" means the *Fisheries Act* R.S.C. 1985, c. F-14;
  - (viii) "**Forest Act**" means the *Forest Act*, R.S.B.C. 1996, c.157;
  - (ix) "**Forest and Range Practices Act**" means the *Forest and Range Practices Act* S.B.C. 2002, c.69 and includes the *Forest Practices Code of British Columbia Act* R.S.B.C. 1996, c.159, as applicable thereunder and in its own right to the extent it remains in force;
  - (x) "**Forestry Service Providers Protection Act**" means the *Forestry Service Providers Protection Act* S.B.C. 2010, c.16;
  - (xi) "**Income Tax Act (British Columbia)**" means the *Income Tax Act* R.S.B.C. 1996, c.215;
  - (xii) "**Income Tax Act (Canada)**" means the *Income Tax Act* R.S.C. 1985, c. 1 (5th Supp.);
  - (xiii) "**Species at Risk Act**" means the *Species at Risk Act* S.C. 2002, c.29;
  - (xiv) "**Wildfire Act**" means the *Wildfire Act* S.B.C. 2004, c.31;
  - (xv) "**Wildlife Act**" means the *Wildlife Act* R.S.B.C. 1996, c.488;
  - (xvi) "**Woodworker Lien Act**" means the *Woodworker Lien Act* R.S.B.C. 1996, c.491; and
  - (xvii) "**Workers Compensation Act**" means the *Workers Compensation Act* R.S.B.C. 1996, c.492; and
- (b) any reference to an Act or regulation or a provision of the same is deemed to include:

– 6 –

- (i) that Act, regulation or provision, as the case may be, as amended, restated, renumbered or replaced from time to time;
- (ii) in the case of an Act, all regulations, standards and other like legal instruments promulgated thereunder; and
- (iii) any successor Act, regulation, provision, standard or other like legal instrument to the same general intent and effect.

## PART 2 OPERATING PROVISIONS

### 2.1 Performance of the Work. The Contractor will:

- (a) as directed by the Company from time to time, and in accordance with this Contract, perform all work and services required to perform, produce and deliver, within the time periods specified by the Company in the applicable Term Sheet, the Work allocated to the Contractor by the Company; and
- (b) provide all of the following necessary to perform the Work in accordance with this Contract:
  - (i) all skilled labour and adequate and competent supervision; and
  - (ii) all materials, equipment and supplies.

### 2.2 Specific Elements of the Work. Without limiting the definition of “Work” in this Contract, the Contractor will as part of the Work:

- (a) transport the Contractor’s Workforce, supervisory staff, equipment, materials and supplies to, from and within each Operating Area;
- (b) mobilize and demobilize all equipment, materials and supplies in respect of an Operating Area at the commencement and at the conclusion of the Work on the Operating Area;
- (c) prepare for Work on an Operating Area as follows:
  - (i) at all times be familiar with this Contract and the Company’s Rules;
  - (ii) before commencing the Work:
    - (A) review the Term Sheet and each Operational Document that applies to that Operating Area;
    - (B) if and as requested by the Company, attend a pre-work conference with the Company in respect of that Operating Area;
  - (iii) if and as requested by the Company, ensure each person in the Contractor’s Workforce attends a pre-work conference with the Company to review all aspects of the Work relevant to that person;
  - (iv) if the Company does not request that a person in the Contractor’s Workforce attend a pre-work conference under clause (iii), ensure each such person attends a pre-work conference held by the Contractor to review all aspects of the Work relevant to that person;
  - (v) if a person in the Contractor’s Workforce, does not attend a pre-work conference under clause (iii) or (iv), ensure that person is briefed in advance of performing their duties in respect of the Work of all aspects of the Work and of this Agreement relevant to those duties; and
  - (vi) despite any review or conference involving the Company under this subparagraph, be solely responsible for ensuring the Work and the Contractor’s other obligations under this Agreement are carried out in accordance with this Agreement;
- (d) before commencing Work on an Operating Area, ascertain the boundaries of the Operating Area, including reserves within the Operating Area, and avoid any trespass;

- 7 -

(e) unless requested by the Company not to do so, on behalf of the Company and prior to commencing any Work on an Operating Area for which a notice of commencement is required to be given to the Ministry under the *Forest and Range Practices Act*, give such notice in accordance with the *Forest and Range Practices Act*;

(f) not commence Work on an Operating Area until it has received written authorization from the Company to do so;

(g) once the Contractor has entered onto an Operating Area to perform the Work, carry out that Work continuously and diligently until the Contractor completes it in accordance with this Contract;

(h) ensure that, at all times while members of the Contractor's Workforce are engaged on an Operating Area, each such member has with them the Work Plan applicable to that Operating Area provided by the Company and understands their responsibilities in respect of the Work;

(i) perform the Work in accordance with maps, written instructions and oral instructions issued by the Company at the pre-work conference, during inspections and at any other time;

(j) without limiting any other obligations under this Contract that apply in respect of the Work, when constructing a road under this Contract:

- (i) construct the road in accordance with the plan and profile that is part of the Work Plan applicable to the road;
- (ii) apply special road construction techniques, such as end hauling or quarrying on a site-specific basis after consultation with, and in accordance with the directions of the Company representative;
- (iii) subject to any reserved timber not to be felled, fall timber and clear the road right-of-way, over the full clearing width of the road, as needed to construct the road;
- (iv) not bury any timber in the road right-of-way or otherwise use it as puncheon, unless the timber that does not meet the Log Quality Specifications and the Company's representative gives prior written approval to do so;
- (v) blast all rocks and stumps necessary for the construction of the subgrade if applicable.
- (vi) without limiting clause (i):

- (A) acquire, transport to the applicable road and install the ballast required for the subgrade for the road; and
- (B) construct the subgrade for the road;

- (vii) without limiting clause (i), construct or install all drainage structures for the road and, in that regard:

- (A) except for wooden culverts built on site at the road, pick up all culverts from the central cache needed to construct the road and transport them to the Work Area, and return all such culverts that are not used for the construction of the road to the central cache or to the next Work Area where the Contractor is constructing a road;
- (B) keep the central cache clean of all debris, including banding wire and lumber, resulting from culvert unloading;
- (C) install all culverts and temporary drainage structures concurrent with sub-grade construction;
- (D) use a temporary drainage structure only if a culvert cannot be installed concurrent with Subgrade construction, the temporary structure is authorized in advance by the Company representative and, without limiting Paragraph 2.9(a), the temporary structure maintains the natural drainage pattern; and
- (E) construct wooden culverts from sound, local material obtained from within the road right-of-way, unless otherwise instructed by the Company representative;
- (F) Use geo technical cloth when required to reduce soil contamination.

- (viii) without limiting clause (i):
  - (A) construct the number of turnouts and landings at the locations and to the size specified in the Work Plan or as otherwise instructed by the Company; and
  - (B) surface the road;
- (ix) construct the road to an all-weather or winter standard as specified in the Work Plan or, if not specified in the Work Plan, as specified by the Company's representative; and
- (x) if a standard for an aspect of the road construction is not specified in the Work Plan or any other thing referred to in Paragraph 2.9, perform that aspect in accordance with:
  - (A) subject to subclause (B), the appropriate standard specified in the Ministry's *Forest and Road Engineering Guidebook*, 2<sup>nd</sup> Edition, June 2002; or
  - (B) if the publication referred to in subclause (A) does not specify a standard, or that standard is less than the prevailing industry standard, then the industry standard;
- (k) fall, limb, buck, yard or skid, process, sort, load, mark and haul to the Point of Delivery all timber to be produced under this Contract;
- (l) modify its falling and yarding or skidding techniques and practices as required by the Company in order to protect watercourses, resource features or other environmental elements;
- (m) inform the Company as soon as possible of any matter that suggests to the Contractor that the Company should consider revising the Work Plan or any other aspect of the operations on an Operating Area to ensure the Contractor can achieve its obligations under this Contract;
- (n) take all reasonable precautions to ensure timber produced under this Contract is free of rocks, spikes, cables and other embedded material;
- (o) fall all snags; perform 3 m knockdown; pile all accumulations of slash and debris at landings or along roadside as instructed by the Company and, in any event, not within 10 metres of stream banks or a gully sidewall and, if practicable, on the low side of the road and at least 40 metres away from any standing timber; and place fire guards around each debris pile;
- (p) clean up all waste and debris, including all roadside logging debris, and clean all streams, creeks, gullies and other water bodies of all such waste and debris;
- (q) deactivate and, where directed by the Company,, rehabilitate skid and backspar trails;
- (r) remove all garbage daily from each Operating Area and disposed of it in compliance with all Applicable Laws and any requirement of the Company;
- (s) where applicable, using stamping hammers, provided by the Company, having marks or brands approved by the Ministry and registered in the name of the Company, mark all timber produced from the Work with the appropriate timber mark specified in the applicable Term Sheet and in accordance with the *Forest Act* and any related policies or directives of the Ministry in effect from time to time and, without limiting any other remedy of the Company under this Contract, any seizure cost resulting from poor timber marking will be at the Contractor's expense;
- (t) cut, remove and deliver to the Company all timber within an Operating Area that is not reserved from harvesting that meets the Company's Log Specifications;
- (u) not deliver to the Company any timber that does not meet the Company's Log Specifications;
- (v) perform and keep all obligations under this Contract in respect of an Operating Area current with the Contractor's operations on that Operating Area;



(w) if a Term Sheet includes more than one Operating Area, or more than one Term Sheet is in effect at any particular time, complete the Work on one block before commencing the Work on the next block;

(x) make, keep and maintain accurate, current and proper:

- (i) maps and plans (in addition to Work Plans) at, and regarding, each Operating Area and the Work to be performed there; and
- (ii) written books and records of the Contractor's operations under this Contract, including:

(A) information relevant to the progress and performance of the Work, including:

- (I) the location of logs felled, bucked, yarded, or skidded at any particular time; and
- (II) the amount and location of road constructed, the number and location of culverts and other drainage structures built or installed and the location of turnouts installed on roads constructed;

(y) on request of the Company:

- (i) deliver to it the maps, plans, books and records referred to in subparagraph (x), except accounting records of the Contractor's income and expenses;
- (ii) such other records as the Contractor is required to keep under this Contract; and
- (iii) report to the Company on the progress of the Work and the Contractor's compliance with this Contract; and

(z) perform such other services related to the Work as reasonably requested by the Company from time to time.

**2.3 Standard of Performance.** Without limiting any other obligation of the Contractor under this Contract, the Contractor will perform the Work in an environmentally sound, safe, efficient, timely, continuous, good, prudent and workmanlike manner, consistent with standard industry practice.

**2.4 Permits and Licences.** The Contractor will obtain and pay for all permits and licences (other than permits and licences held from time to time by the Company or available only to the Company) required for the performance of the Work, including the licensing and certification of equipment and operators.

**2.5 Supervision.** The Contractor will provide adequate supervision of the Contractor's Workforce, including permitted subcontractors.

**2.6 Training.** The Contractor will:

- (a) provide adequate and current training for its employees, and require employers within the Contractor's Workforce to do the same for their employees, including training in respect of safety, environmental protection, compliance with forest practices and prevention, detection and control of fire;
- (b) participate in, and as requested by the Company require that all other members of the Contractor's Workforce participate in, any training arranged or required by the Company, the Ministry or WorkSafe BC in respect of safety, environmental protection, compliance with forest practices and prevention, detection and control of fire or the Company's Rules or Operational Documents; and
- (c) without limiting Paragraph 2.2(w), make, keep and maintain accurate written records of all training referred to in subparagraphs (a) and (b), including the date the training occurred, the subject matter of the training and the persons who attended the training, and provide those records to the Company on a monthly basis as training occurs.

**2.7 Inspections.** The Company may, to assess compliance with this Contract by the Contractor and the Contractor's Workforce, at any time, from time to time, and without notice to the Contractor, inspect the Work of the Contractor, its use of the Lands permitted under this Contract, its labour, equipment, materials, supplies, records and other things provided or produced in connection with the Work and the exercise of any other right and the carrying out of any other obligation by the Contractor under this Contract, and the Contractor will:

- (a) co-operate with the Company in such inspections;
- (b) if and as reasonably requested by the Company, accompany the Company during an inspection; and
- (c) without limiting any other right of the Company under this Contract, if an inspection reveals any non-compliance with this Contract, take such action as the Company may reasonably direct the Contractor to take to remedy such non-compliance.

**2.8 Representatives.** Each Party will:

- (a) appoint, and maintain throughout the Term, a representative who:
  - (i) as of the commencement of the Term, is the contact listed on page 1 of the Main Agreement in the description of each Party to this Contract; or
  - (ii) is a person specified as a replacement representative in a notice from the Party to the other Party; and
- (b) empower and require the representative to act as the primary contact between the Parties in respect of issues regarding the operational fulfillment of the Parties' respective obligations under this Contract, and for greater certainty:
  - (i) a Party will first attempt to raise any such issue with the other Party's appointed representative but, if that is not practical in the circumstances, may raise the issue with another responsible representative of that other Party; and
  - (ii) nothing under this Paragraph affects or replaces:
    - (A) any right or obligation to give notice, or method for doing so, under this Contract; or
    - (B) the provisions of Part 15 regarding dispute resolution.

but nothing in this Paragraph precludes the Company from appointing an agent or field supervisor in respect of this Agreement.

**2.9 Compliance.** Without limiting the generality of any other provision of this Contract, the Contractor will perform the Work and any other obligation of the Contractor under this Contract and exercise the rights of the Contractor under this Contract to use the Access Roads in compliance with:

- (a) all Applicable Laws;
- (b) the Company's Rules;
- (c) each Term Sheet issued by the Company to the Contractor;
- (d) the applicable terms, conditions and operating standards of the Operational Documents;
- (e) except as expressly stated in this Contract, the Company's Log Quality Specifications in effect when the logs are produced;

– 11 –

- (f) all lawful instructions of any government agency given to the Contractor or given to the Company and disclosed to the Contractor by the Company;
- (g) all lawful instructions of the Company disclosed to the Contractor in respect of health and safety, forest stewardship and environmental protection generally, and the Key Legislation in particular;
- (h) all other instructions given to the Contractor by the Company in accordance with this Contract; and
- (i) contracts, agreements or other obligations binding on the Company that the Company has disclosed to the Contractor.

**2.10 Enforcement.** The Contractor will:

- (a) immediately notify the Company of:
  - (i) any possible contravention of the Key Legislation or the Company's Rules arising from or related to the Contractor's operations under this Contract;
  - (ii) any communication with government authorities in respect of the Contractor's operations under this Contract including any inspections or investigations under the Key Legislation; and
  - (iii) any allegation by government against the Contractor regarding contravention of any law arising from or related to the Contractor's operations under this Contract;
- (b) immediately notify the Company of any fine or penalty, remediation order or like decision levied or made against the Contractor regarding contravention of any law arising from or related to the Contractor's operations under this Contract or contravention by the Contractor of any Key Legislation regardless of whether the contravention relates to operations under this Contract.

**2.11 Risk for Logs.** The Contractor will bear the risk of damage to or loss of, and take all reasonable steps and precautions to safeguard and protect, each log produced under this Contract until the Contractor delivers the log to the Company at the applicable Point of Delivery. The Company does agree however to work with the Contractor to develop measures to help prevent the theft of logs.

**2.12 Status of Operating Areas.** The Contractor hereby:

- (a) acknowledges and agrees that:
  - (i) the Contractor has entered into this Contract relying solely on the basis of its own information;
  - (ii) before the Rate for an Operating Area is agreed upon or determined under this Contract, and any Work commences on an Operating Area, the Contractor will examine the Operating Area and satisfy itself as to all conditions in respect of the Operating Area, including the matters referred to in clause (iii);
  - (iii) the Company has not made any representation, or given any warranty, to the Contractor in respect of the quantity or quality of timber on any Operating Area, the conditions on any Operating Area, the ease or difficulty of the Work in respect of any Operating Area or the costs or profitability of performing the Work in respect of an Operating Area, all of which matters the Contractor will fully investigate and satisfied itself in respect of as indicated in clause (ii); and
- (b) absolutely releases the Company from any and all claims in respect of the foregoing matters.

**2.13 Correction of Work.** The Contractor will as part of the Work, on request of the Company, remediate or re-perform any portion of the Work not performed to the satisfaction of the Company, acting reasonably, and, if directed by the Company, have such remediation or re-performance done by a third party satisfactory to the Company.

– 12 –

**2.14 Failure to Perform Work.** Without limiting any of the Company's other rights or remedies in respect of any breach of this Contract by the Contractor, if the Contractor fails to perform the Work or any other obligation under this Contract, or any portion thereof, in accordance with this Contract, following receipt of notice from the Company to do so within a reasonable period of time, the Company may, but is not obligated to, perform that Work, other obligation or portion thereof or arrange for a third party to perform that Work, other obligation or portion thereof, and the Contractor will, immediately on receipt of a demand from the Company to do so, reimburse the Company an amount equal to the expense incurred by the Company in doing so.

### **PART 3 CHANGES IN OPERATIONS**

**3.1 Changes.** The Company may, for bona fide business and operational reasons and on reasonable notice to the Contractor, require the Contractor to do one or more of the following:

- (a) use methods, technology or systems to perform the Work that are different than those historically used by the Contractor under this Contract;
- (b) move to a new operating area;
- (c) comply with different operating specifications;
- (d) undertake any other operating change necessary to comply with a direction made by a government agency or lawful obligation imposed by a federal, provincial or municipal government,

and, subject to Paragraph 3.2, the Contractor will comply with such requirements.

**3.2 Termination Due to Substantial Changes.** If a requirement made by the Company under Paragraph 3.1 or 3.7 results in a substantial change in the Work, the Contractor may, within 15 days of receiving notice of the requirement, elect by notice to the Company, to terminate this Contract without incurring any liability to the Company in respect of such termination.

**3.3 Request for Rate Review.** If the Company makes a requirement under Paragraph 3.1, 3.7 and 14.4 that applies to Work for which a Rate has already been agreed upon or determined under this Contract, excluding any change, direction or instruction that pertains to the Contractor meeting an obligation that already exists under this Contract, and the Contractor does not elect to terminate this Contract under Paragraph 3.2, either party may, within 30 days of the Contractor receiving notice under Paragraph 3.1, 3.7, or 4.14 as the case may be, request a review of such a Rate.

**3.4 Resolving Rate Dispute.** If either party requests a Rate review pursuant to Paragraph 3.3 and if, within 14 days after such notice is given, the parties are unable to agree upon a new rate, either party may give to the other party a notice specifying that the parties are unable to agree on a new rate, in which case the rate must be determined in accordance with Part 15 of these General Terms and Conditions and Division 4 of Part 5 of the Regulation and, for greater certainty, sections 25(1) to (3) of the Regulation apply as part of determining the rate.

**3.5** [Deleted prior to execution.]

**3.6 Substituting Work.** The Company may, in accordance with s.21.1 of the Regulation, allocate to the Contractor Work that pertains to timber that the Company is entitled to harvest outside the Licence, in which case, as and to the extent and in the manner required by the Regulation:

- (a) the Company will inform the Contractor that the Work is being allocated in substitution for Work under the Licence before the Contractor commences the substituted work;
- (b) the Work is deemed to be allocated under this Contract and all the provisions of this Contract apply to the Work; and

- (c) there is no obligation for the Company to allocate any Work outside the Licence to the Contractor at any other time.

**3.7 Changes to Company Documents and Directions.** Without limiting any other provision of this Contract, the Company may, from time to time, by notice to the Contractor establish, specify, obtain, amend, replace, substitute or otherwise create or change any plan, direction, standard, specification, instruction, instrument, policy or other requirement, directive or document that applies in respect of the Contractor, the Work or the Lands, including any of the following, provided that such notice is given reasonably in advance and such amendment, replacement or other change is reasonable in the circumstances:

- (a) any Operational Document;
- (b) the Company's Rules, the Log Quality Specifications, the Payment Schedule and a Term Sheet; and
- (c) any direction or instruction the Company is permitted to give to the Contractor under this Contract.

#### PART 4 ROAD USE AND MAINTENANCE

**4.1 Rights to Use Access Roads.** The Company will, to the extent it has a right to do so, permit, or otherwise make commercially reasonable efforts to arrange for, the Contractor and the Contractor's Workforce to use roads to access the Operating Areas or to access the Points of Delivery from the Operating Areas, other than public highways but, for greater certainty, including the roads that the Contractor constructs under this Agreement, (collectively, the "Access Roads") on a non-exclusive basis and at their own risk, at reasonable times and subject to adverse weather conditions and restrictions on access imposed by land owners, government authorities or other persons with authority to restrict such access.

**4.2 Road Rules.** The Contractor will:

- (a) without limiting Paragraph 2.9, comply with the Road Rules; and
- (b) keep the Access Roads free and clear of all debris and other obstructions resulting from its performance of the Work in a manner consistent with the performance of a responsible and prudent operator.

**4.3 Status of Roads.** The Contractor hereby:

- (a) acknowledges and agrees that:
  - (i) before the Contractor uses an Access Road under this Contract, it will examine that Access Road to determine its condition and suitability for the Contractor's performance of the Work; and
  - (ii) the Company has not made any representation, or given any warranty, to the Contractor in respect of the matters referred to in clause (i).
- (b)

**4.4 Access Road Maintenance.** The Contractor will maintain all of the Access Roads the Contractor uses under this Contract that are the responsibility of the Company to maintain under the Applicable Laws or the applicable Operational Document and such maintenance will:

- (a) be performed in accordance with the Company's obligations under the Applicable Laws and the applicable Operational Document;
- (b) include:
  - (i) grading and spot surfacing;

– 14 –

- (ii) cleaning of culverts;
  - (iii) keeping ditches and culverts functioning at all times;
  - (iv) installing waterbars and cross ditches on all in-block roads, and on other Access Roads as directed by the Company, once hauling has been completed or when operations have been completed for the season; and
  - (v) such other activities as directed by the Company; and
- (c) without limiting subparagraph (a), must meet the objectives of:
- (i) minimizing sediment into streams, creeks and other water bodies and keeping water in its proper channel at all times;
  - (ii) protecting the structural integrity of the road prism and clearing width; and
  - (iii) keeping the road safe for industrial use.

## PART 5 SAFETY

5.1 **WCB Registration:** Without limiting the Contractor's obligations under Paragraph 2.9, the Contractor will:

- (a) obtain and, throughout the Term, maintain registration as an independent firm under the *Workers Compensation Act*;
- (b) by the time it executes this Contract, provide the Company with proof of such registration and the Contractor's Workers Compensation Board registration number; and
- (c) immediately inform the Company by notice of any change in the Contractor's status under the *Workers Compensation Act*.

5.2 **Compliance with Safety Requirements.** Without limiting the Contractor's obligations under Paragraph 2.9, the Contractor will:

- (a) before commencing the Work, review and ensure it is familiar with the *Workers Compensation Act*; and
- (b) plan and exercise every right and plan and perform every obligation of the Contractor under this Contract, and maintain every Workplace associated with all such rights and obligations:
  - (i) in compliance with the *Workers Compensation Act*, including Part 26 of the Occupational Health and Safety Regulation, whether or not the provisions of that Part 26 expressly impose an obligation on a specific person and, for greater certainty, in respect of all such rights and obligations, the Contractor is deemed for the purposes of this provision and s.26.2(2) of that Part 26, to be a person with knowledge and control of an activity in a Forestry Operation; and
  - (ii) in a manner that will ensure that at all times the Company is, in respect of such rights and obligations, in compliance with its obligations under:

- (A) Part 3 of the *Workers Compensation Act* as an Owner or Employer; and
- (B) Part 26 of the Occupational Health and Safety Regulation as an Owner of a Forestry Operation.

5.3 **Health and Safety Program.** The Contractor will:

- (a) maintain a health and safety program designed to prevent accidents involving the Contractor's Workforce or other persons present at the Workplaces associated with the Work, whether those other persons are associated with the Work or not; and

– 15 –

(b) provide to the Company, on such reasonable request as the Company may make from time to time, a copy of all documents that establish, describe or comprise the Contractor's health and safety program.

**5.4 Pre-Work Requirements.** The Contractor will:

(a) before commencing any Work, and so often thereafter as is necessary to ensure safety or compliance with the *Workers Compensation Act*, conduct a safety meeting with the Contractor's Workforce that communicates to the Contractor's Workforce:

(i) the health and safety hazards of:

(A) the Work; and

(B) any Workplace associated with the Work, including each Operating Area, Access Road and Point of Delivery; and

(ii) the Contractor's health and safety program and expectations, including emergency evacuation procedures; and

(b) provide the information referred to in subparagraph (a) to any person who joins the Contractor's Workforce after a meeting referred to in that subparagraph and before that person engages in any part of the Work.

**5.5 Working with Others.** The Contractor will:

(a) when performing the Work or any other obligation, or exercising any right, under this Contract on an area, coordinate the activities of the Contractor with those members of the Contractor's Workforce and any third party also working on that area for the purposes of ensuring that the activities of all persons on the area are safe; and

(b) without limiting subparagraph (a), if it is not the Prime Contractor in respect of a Multiple-Employer Workplace where the Work is being performed, including any Operating Area, Access Road or Point of Delivery, or another obligation or right under this Contract applies:

(i) determine who is the Prime Contractor for that Multiple-Employer Workplace; and

(ii) to enable that Prime Contractor to fulfill its obligations under the *Workers Compensation Act*, cooperate, and require all members of the Contractor's Workforce active at that Multiple-Employer Workplace to cooperate, with the Prime Contractor for that Multiple-Employer Workplace, in respect of the duties of that person as Prime Contractor as:

(A) directed by the Company; or

(B) in the absence of direction by the Company, as is appropriate in the circumstances and consistent with the Contractor's obligations under this Contract.

**5.6 Directions from the Company.** The Contractor will comply with all reasonable directions the Company may give it at any time and from time to time in respect of safety, provided, however, that at all times it is the Contractor's responsibility to ensure its operations and those of the Contractor's Workforce are safe and in compliance with the *Workers Compensation Act*.

**5.7 Hazards and Incidents.** The Contractor will:

(a) if a hazard exists in respect of the Work, any Workplace or the Lands that makes it unsafe to continue the Work or to perform any other obligation or exercise any right under this Contract, immediately cease or modify its operations so as to avoid injury and advise the Company of the hazard and the actions taken to avoid injury;

(b) immediately notify the Company of:

– 16 –

- (i) any serious accident, near miss or other safety incident involving the Contractor's Workforce whether or not the accident or other incident results in an inspection, investigation, order or other action under the *Workers Compensation Act*; and
- (ii) the actions the Contractor is taking to avoid any such accident or incident from that time forward; and

(c) without limiting subparagraphs (a) or (b), or Paragraph 2.2(w), make, keep and maintain accurate, complete and written minutes of safety meetings, accident reports and near-miss reports and submit each such document to the Company within one month of the applicable safety meeting or safety incident, or earlier on the reasonable request of the Company.

**5.8 SAFE Certification.** The Contractor will:

- (a) if not SAFE Certified as of the commencement of the Term, use all commercially reasonable efforts to become so as soon as commercially reasonable, if requested by the Company to do so;
- (b) if it is or becomes SAFE Certified, maintain SAFE Certified status throughout the remainder of the Term; and
- (c) on the reasonable request of the Company, which the Company may make from time to time, provide evidence satisfactory to the Company of the Contractor's SAFE Certified status.

**5.9 Qualified to be Prime Contractor.** The Contractor hereby represents and warrants to the Company that:

- (a) it has reviewed, and is familiar with, the qualifications and obligations of a Prime Contractor under the *Workers Compensation Act*; and
- (b) it is qualified in accordance with the *Workers Compensation Act* to serve as the Prime Contractor for each Multiple-Employer Workplace where the Contractor is performing the Work or any other obligation of the Contractor under this Contract or exercising any right of the Contractor under this Contract.

**5.10 Appointment as Prime Contractor.** The Contractor will, subject to Paragraph 5.12(b):

- (a) be the Prime Contractor for:
  - (i) each Multiple-Employer Workplace where the Work is being carried out; and
  - (ii) such other Multiple-Employer Workplaces that the Company designates the Contractor to be the Prime Contractor where the Contractor or the Contractor's Workforce is:
    - (A) operating on or using the Lands under this Contract; or
    - (B) exercising any other right or performing any other obligation of the Contractor under this Contract; and
- (b) will, on the request of the Company, sign an acknowledgement in writing that it is the Prime Contractor for the Multiple-Employer Workplaces referred to in subparagraph (a)(ii).

**5.11 Duties as Prime Contractor.** The Contractor will for those Multiple-Employer Workplaces for which it is the Prime Contractor under this Contract:

- (a) ensure each employer of Workers at those Multiple-Employer Workplaces has provided the Contractor the name of the person the employer has designated to supervise the employer's Workers at that Workplace;
- (b) perform the duties of a Prime Contractor under the *Workers Compensation Act*; and
- (c) without limiting subparagraph (b):



- (i) send to the Workers' Compensation Board such Notices of Project in respect of the Work when and as may be required under the *Workers Compensation Act*; and
- (ii) before such Work commences, provide to the Company by notice a copy of each such Notice of Project.

**5.12 Changes to Status as Prime Contractor.** The Contractor:

- (a) will immediately inform the Company if, for any reason, it becomes unqualified to serve as the Prime Contractor in accordance with the *Workers Compensation Act*;
- (b) will cease to be the Prime Contractor for a Multiple-Employer Workplace under this Contract for the time, circumstances, location or any combination thereof, and to the extent specified in, and in accordance with, any notice to that effect given by the Company to the Contractor, which the Company may give, amend or rescind from time to time; and
- (c) will not:
  - (i) assign or subcontract the Contractor's appointment, rights or responsibilities as Prime Contractor under this Contract or retain an agent to perform such responsibilities or exercise such rights; or
  - (ii) appoint anyone to act as Prime Contractor in respect of the Work.

## PART 6 FIRE PREVENTION AND SUPPRESSION

**6.1 Fire Prevention and Control.** Without limiting the Contractor's obligations under Paragraph 2.9 or elsewhere in this Part:

- (a) the Contractor will use all reasonable efforts to prevent, detect, control, contain and extinguish all fires, howsoever Caused, that occur on, spread onto or from or could reasonably be expected to spread onto or from an Operating Area or an Access Road or other area where the Contractor is required under the *Wildfire Act* to carry out such activity;
- (b) for the purposes of assessing the Contractor's compliance with the *Wildfire Act* under Paragraph 2.9, the Contractor, in the context of its operations under this Contract, is deemed to be a person carrying out an industrial activity and will do all things such a person must do, and not do anything such a person must not do, to comply with the *Wildfire Act*; and
- (c) without limiting subparagraph (a) or (b), where the Contractor is performing Work under this Contract between March 1 and October 31, inclusive, or such other period as is specified under the *Wildfire Act*, the Contractor will:
  - (i) daily:
    - (A) obtain such weather data as are needed to determine the fire danger class for each Operating Area;
    - (B) determine the fire danger class for each Operating Area in accordance with the *Wildfire Act*.
  - (ii) restrict its operations under this Agreement and take such other actions as required to comply with the *Wildfire Act* in light of the fire danger class for each day and consecutive days at each Operating Area.

**6.2 Fire Training.** Without limiting Paragraph 2.6, the Contractor will ensure at all times during the performance of the Work that a person who has been trained to a level acceptable to the Company and the Ministry

in the area of fire suppression techniques, fire behaviour and fireline safety is present on the site where the Work is being performed.

**6.3 Costs of Equipment and Prevention.** Without limiting the obligations of the Contractor under Paragraph 8.14, the Contractor is responsible for all costs and expenses the Contractor incurs:

- (a) providing and maintaining in good operating condition firefighting equipment at each Operating Area, Access Road and Point of Delivery in accordance with the *Wildfire Act* and any related requirements of the Ministry or other applicable authority and as required by this Contract; and
- (b) in taking precautions to prevent the occurrence of fires in the performance of the Work.

**6.4 Notification of Fire.** The Contractor will, in addition to its obligation under the *Wildfire Act* to report a fire, immediately notify the Company upon becoming aware of any forest fire in or around an Operating Area, an Access Road or any other area within the Lands.

**6.5 The Contractor's Responsibility for Firefighting Costs.** Subject to Paragraph 6.6(b), the Contractor will be responsible for all Firefighting Costs for fires that occur on or spread from the Operating Areas, or can reasonably be expected to spread onto any of the Operating Areas, except that:

- (a) the Contractor's responsibility for Firefighting Costs incurred directly by the Contractor in respect of any such fires will be limited to \$100,000, except that such limit will not apply if the fire is Caused by the clear and deliberate failure of the Contractor to perform its obligations under this Contract or Applicable Law;
- (b) the Contractor's responsibility for Firefighting Costs other than those incurred directly by the Contractor in respect of any such fire will be limited to the amount by which \$500,000 exceeds the lesser of:
  - (i) \$100,000; and
  - (ii) the Firefighting Costs incurred directly by the Contractor in respect of such fire,

except that such limit will not apply if the fire is Caused by the clear and deliberate failure of the Contractor to perform its obligations under this Contract or Applicable Law or to the extent that such Firefighting Costs are attributable to the clear and deliberate failure of the Contractor to perform its obligations under this Contract or Applicable Law; and

- (c) the Contractor will not be responsible for Firefighting Costs for any fire Caused by lightning or by the acts of third parties or the Company, except to the extent that such Firefighting Costs are attributable to the clear and deliberate failure of the Contractor to perform its obligations under this Contract or Applicable Law.

**6.6 The Company's Responsibility for Firefighting Costs.** The Company will:

- (a) be responsible for Firefighting Costs for fires that occur on or spread onto the Operating Areas to the extent that the Contractor is not responsible for such Firefighting Costs under this Contract and will reimburse the Contractor for its reasonable costs in controlling such fires where the Contractor incurs such costs as a result of an obligation on it under this Contract, including an obligation on it under the *Wildfire Act*, to control such fires; and
- (b) reimburse the Contractor for Firefighting Costs for any fire over which the Ministry assumes jurisdiction and control, but only to the extent that the Company receives payment from the Ministry for those Firefighting Costs incurred by the Contractor.

## PART 7 ENVIRONMENT

**7.1 Preventing Damage to the Environment.** Without limiting the Contractor's obligations under Paragraph 2.9, the Contractor will:

- (a) set up and maintain rainfall gauges at locations determined by the Company and record daily rainfall records and submit all records to the Company on a monthly basis;
- (b) without limiting subparagraph (c), adhere to any rainfall shutdown guidelines issued by the Company;
- (c) if weather or site conditions are such that the Contractor's operations result or may result in the slumping or sliding of land, including a washout of a road or related structure; impairment of a drainage structure; inordinate soil disturbance; deterioration of water quality; or other environmental damage, including "damage to the environment" as that phrase and "damage" as that word is used in section 46 of the *Forest and Range Practices Act*, cease operations in the affected area, take all reasonable steps to prevent any or any further damage to the environment and immediately report to the Company the event or potential event and the actions being taken by the Contractor; and
- (d) if the Contractor finds any feature of environmental, cultural or recreational significance or value in an Operating Area that is not identified in an Operational Document, modify or cease its operation in the vicinity of such feature to the extent necessary to refrain from harmfully altering, threatening, damaging or destroying it or rendering it ineffective, immediately advise the Company and not recommence such operation until informed by the Company to do so.

7.2 **Pollutants.** Without limiting the Contractor's obligations under Paragraph 2.9, the Contractor will:

- (a) not Release, store or transport any Pollutant in or on any of the Lands and will not permit member of the Contractor's Workforce to do so except as expressly authorized in writing by the Company and in compliance with all Applicable Laws, the Company's Rules and to a standard not less than that generally applied in the forest industry, and, for the purposes of the written authorization referred to in this subparagraph, but subject to notice otherwise from the Company, the Company hereby authorizes the Contractor and the Contractor's Workforce to transport and store fuel and lubricants used by the Contractor and the Contractor's Workforce in the ordinary course of the Contractor's performance of its obligations under this Contract, subject to the conditions specified in this subparagraph;
- (b) use all reasonable efforts to contain, clean up, and minimize damage resulting from Release of Pollutants by the Contractor on the Lands or on the lands or in the waters adjacent to the Lands; and
- (c) immediately report to the Company any Release of any Pollutant in or on any of the Lands and the actions that Contractor is taking to rectify the Release.

## PART 8

### RATES, SCALING, VOLUME, PAYMENTS AND OTHER FINANCIAL MATTERS

8.1 **Agreeing Upon a Rate.** For the purposes of the reference in Paragraph 5 of the Main Agreement to the efforts by the Company and the Contractor to agree upon a Rate:

- (a) the Contractor will:
  - (i) by notice to the Company offer:
    - (A) a rate for the Work allocated under each Term Sheet; and
    - (B) a rate for the maintenance of Access Roads that the Contractor will maintain in respect of that Work under Paragraph 4.4 (except for such maintenance of roads within any block being harvested as part of the Work, for which a rate separate from that which applies to the timber harvesting Work in respect of that block is not payable); and
  - (ii) make such offer:
    - (A) within 14 days of the Company issuing the Term Sheet to the Contractor; or

– 20 –

(B) if the Term Sheet specifies that the Work is to commence before that 14-day period ends, then by such earlier date as is practicable in the circumstances; and

(b) if:

- (i) the Contractor does not deliver an offer in accordance with subparagraph (a), the Company may, in addition to any other remedy it may have under this Contract, give notice to the Contractor specifying that the parties are unable to agree on a rate for the allocated Work; or
- (ii) within 10 days after the Contractor has delivered its offer in accordance with subparagraph (a), the parties have not agreed upon the applicable rate for the allocated Work, either party may give to the other party a notice specifying that the parties are unable to agree on a rate.

**8.2 Determining a Rate.** If a party gives a notice under Paragraph 8.1(b)(i) or (ii), the rate at issue will be determined in accordance with Part 15 of this Contract and Part 5, Division 4 of the Regulation including, for greater certainty, sections 25(1) to (3) of the Regulation apply as part of determining the rate.

**8.3 Scaling.** The Company will scale all logs delivered to it pursuant to this Contract in accordance with the *Forest Act* and any applicable scaling policy of the Ministry in effect from time to time and will provide the Contractor with copies of the scale reports pertaining to such logs.

**8.4 Volume Determination.** The Company will determine the volume of logs delivered by the Contractor to the Points of Delivery as follows:

- (a) by weigh-scale, using conversions developed by the Company based on samples scaled by licensed scalers or, when determined by the Company, by piece scale;
- (b) by selecting samples used to develop conversions randomly from deliveries made by the Contractor, including samples required by the Ministry as well as additional random samples selected by the Company at predetermined sampling frequencies..;
- (c) without making any reconciliations through the Company conversion and any Ministry conversion;
- (d) where, as determined by visual inspection at the weigh scale, a load does not appear to meet stratum definitions in the Log Quality Specifications, logs on the load can be 100% piece scaled and excluded from the sample population for developing conversions; and
- (e) by adjusting the scaled volume using any applicable adjustment specified in the Log Quality Specifications.

**8.4A Check Scale by Contractor.** The Contractor may, by prior notice to the Company, at the Contractor's expense and within a time limit mutually agreeable to the Company and the Contractor, both acting reasonably, retain an independent third party British Columbia-licensed log scaler satisfactory to the Company, acting reasonably, to conduct a check scale (a "**Contractor Check Scale**") of a sample of logs it has delivered under this Contract as follows:

- (a) at the location to which the Contractor delivered the Logs;
- (b) in accordance with the scaling procedures described in Paragraph 8.4; and
- (c) in a manner that is safe in the circumstances and does not unreasonably interfere with Company's operations or its use of the logs.

**8.4B Scaling Dispute.** If a Contractor Check Scale varies from the scale made by the Company by more than 3% by volume or by volume and grade, either party may retain an independent third party British Columbia- licensed

log scaler acceptable to the other party acting reasonably to perform a third scale (the "Second Check Scale") in accordance with the scaling procedures described in Paragraph 8.4 and if:

- (a) the results of the Second Check Scale vary by more than 3% by volume or by volume and grade from the scale made by the Company:
  - (i) the Second Check Scale will govern for the purposes of determining the volume of the logs in question and the Company will adjust its records accordingly; and
  - (ii) the Company will pay the cost of the scaler that conducted the Second Check Scale; or
- (b) the results of the Second Check Scale vary by 3% or less by volume or by volume and grade from the scale made by the Company:
  - (i) the Company's scale shall apply; and
  - (ii) the Contractor will pay the cost of the scaler that conducted the Second Check Scale.

**8.4C Ministry Check Scale.** If the Ministry conducts a check scale under the *Forest Act* of logs delivered by the Contractor under this Contract, and that check scale differs from the Company's check scale:

- (a) the Company will deliver to the Contractor by notice a copy of the Ministry's check scale; and
- (b) the Ministry's check scale will govern for the purposes of determining the volume of logs in question and the Company will adjust its records accordingly.

**8.5 Tax Registration:** The Contractor will:

- (a) throughout the Term:
  - (i) maintain registration as required under the *Excise Tax Act* for the collection and administration of the Goods and Service Tax and inform the Company, by the date of execution of this Contract, of the Contractor's Goods and Services registration number; and
  - (ii) maintain registration as required under all federal and provincial legislation pertaining to a sales, commodity, services, harmonized sales and other like taxes that apply in British Columbia and give notice to the Company of its registration number in respect thereof by the later of the date of execution of this Contract and the date registration is required; and
- (b) give notice to the Company immediately upon any change in the Contractor's status under a registration required under subparagraph (a).

**8.6 Payment of Rates and Other Amounts.** Subject to any deductions, holdbacks, set-offs and similar matters permitted or required under this Contract or at law, the Company will pay the Contractor:

- (a) the Rate applicable to Work or related service performed under and in accordance with this Contract twice per month based on:
  - (i) in respect of timber harvesting, the volume of logs the Contractor delivers in accordance with this Contract;
  - (ii) in respect of road building services, the road constructed; and
  - (iii) in respect of road maintenance under Paragraph 4.4, the amount of such maintenance performed,

prior to each pay period cut off date in a month, which dates the Company will specify in a notice to the Contractor from time to time (the "Payment Schedule") and which payment will be made within 10 days after the pay period cut off dates specified in the Payment Schedule; and

- (b) the amount payable by the Company under this Contract to the Contractor for Firefighting Costs, within 30 days of receipt of an invoice therefor that is given by notice from the Contractor to the

– 22 –

Company and that sets out, in a manner satisfactory to the Company, the detailed breakdown of such costs and the period and the location in respect of which they were incurred by the Contractor.

- (c) interest will be charged at a rate of 5% annually for all invoices over 30 days.

**8.7 Payments by the Contractor.** The Contractor will at all times:

(a) pay promptly as they become due all charges for and in respect of labour, materials, equipment, supplies, services and sub-contractors and other members of the Contractor's Workforce used or contracted for in the performance of the Work, including all wages, salaries and other remuneration due to employees, and all assessments and employee deductions, including as required under or referred to in the *Woodworker Lien Act*, the *Employment Standards Act*, the *Workers Compensation Act*, the *Employment Insurance Act*, the *Income Tax Act* (Canada), the *Income Tax Act* (British Columbia) and the *Canada Pension Plan*;

(b) on request, deliver to the Company evidence, to the Company's satisfaction, of the payment of the charges, assessments and deductions referred to in subparagraph (a), including:

- (i) receipted payrolls and certificates under or referred to in the *Woodworker Lien Act*; and
- (ii) a certificate from the Workers' Compensation Board confirming that the Contractor's assessments in respect of employees have been paid and that the Contractor is in good standing;

(c) pay as they become due all applicable income, sales, commodity, goods and services and all other taxes payable by the Contractor in respect of the performance of the Work; and

(d) when applicable, pay directly as they become due all rentals, taxes, rates and assessments that may at any time be imposed upon or assessed against any campsite buildings, or other facilities, owned, used or occupied by the Contractor within the area of the Licence, and provide written confirmation of such payments to the Company immediately upon request of the Company and, if paid by the Company, immediately reimburse the Company for such payment.

(e) **Deleted Prior to Execution.**

**8.8 Liens.** The Contractor:

(a) will not, except as provided under the *Forestry Service Providers Protection Act*:

- (i) by reason of this Contract or anything done by it under or pursuant to this Contract, acquire any rights, interest or title in or to any timber, logs or other property of the Company, other than payments made to and received by the Contractor pursuant to this Contract;
- (ii) purport to mortgage, charge, pledge or otherwise encumber such property; or
- (iii) cause any liens, charges or other encumbrances of any nature, including under the *Woodworker Lien Act* or the *Forestry Service Providers Protection Act*, to attach to or be registered against any timber, logs or other property of the Company, except any lien or charge that validly exists in favour of the Contractor under the *Forestry Service Providers Protection Act*; and

(b) will, immediately on demand of the Company, cause any such mortgage, lien, charge, pledge or other encumbrance of any nature as may attach or be registered to be discharged, except any lien or charge that validly exists in favour of the Contractor under the *Forestry Service Providers Protection Act*, until the payment that gave rise to such lien or charge is made.

**8.9 Failure to Discharge.** Without limiting any of the Company's other rights or remedies in respect of any breach of this Contract by the Contractor, if the Contractor fails to meet its obligations under Paragraph 8.7 or 8.9, the Company may take any steps reasonable in the circumstances to discharge any mortgage, lien, charge, pledge or other encumbrance referred to in that Paragraph, and the Contractor will, immediately on receipt of a demand from the Company to do so, reimburse the Company for the Company's reasonable expenses for doing so, including legal costs on a solicitor and own client basis.

**8.10 Set-Off.** The Company may at any time and from time to time satisfy any amount owing by it to the Contractor under this Contract or pursuant to any other agreement or obligation existing between them by way of deduction and set-off against any amount from time to time owing by the Contractor to the Company.

**8.11 Statutory Deductions and Holdbacks.** The Company may deduct, holdback or deduct and holdback the following amounts from amounts otherwise payable to the Contractor pursuant to this Contract and may remit such amounts to the applicable authority on the Contractor's behalf or pay such amount to the Contractor when permissible:

- (a) statutory deductions and holdbacks as required by applicable legislation; and
- (b) Workers Compensation remittances in the applicable amounts, unless the Contractor delivers to the Company evidence of payment of such amounts to the Workers' Compensation Board in the form of a clearance letter from the Board or such other evidence as the Company considers satisfactory.

**8.12** [Deleted before execution].

**8.13 Expenses.** Except as this Contract expressly provides otherwise, each party will exercise its rights and perform its obligations under this Contract at its expense.

**8.14 Billing for Waste within Specifications.** The Contractor:

- (a) is liable to the Company for the amount of any monetary waste billing applied by the government of British Columbia in respect of residue or waste in any Operating Area where the waste or residue is within the Log Quality Specifications;
- (b) will forthwith on receipt of an invoice therefor from the Company, reimburse the Company for that billing; and,
- (c) subparagraph (a) and (b) do not apply to situations where the Contractor has been instructed by the Company to leave waste or residue either standing or harvested in the Operating Area.

**8.15 Adjustment to Rates Payable.** The Rate the Company will pay to the Contractor in respect of timber delivered under this Contract is subject to adjustment in accordance with the Log Quality Specifications.

## PART 9 CURTAILMENT AND EVENTS BEYOND PARTY'S CONTROL

**9.1 Curtailment and Suspension of Operations.** The Company:

- (a) may, from time to time during the Term, direct the Contractor to curtail or temporarily suspend performance of the Work or other operations of the Contractor under this Contract for a specified or indefinite period if, in the opinion of the Company, such curtailment or suspension is required due to changes in the law, natural disasters, interference by a person who is not party to this Contract or any other event beyond the reasonable control of the Company, including adverse weather conditions, fire, flood, earthquake, war, insurrection, riot, blockades, protests or other civil disobedience, strike, lockout or other labour dispute or disturbance, market conditions, over supply of log inventory, failure of carriers to transport or provide transportation, any order, requisition or regulations of any court or governmental or regulatory authority whatsoever or the lack of any permit, approval or authorization from the applicable governmental or regulatory authorities required for the harvesting of timber under this Contract, but not including a change in the market price of logs; and
- (b) will, on or before the date on which the Contractor is permitted to resume performance of the Work or other operations under this Contract, notify the Contractor of any adjustments to the Amount of Work or

– 24 –

extensions of time for the production of the Amount of Work, such extensions to allow a reasonable time for the Contractor to produce the Amount of Work as adjusted.

**9.2 Events Beyond Control of Company.** The Company is not liable to the Contractor for any failure to allocate to the Contractor in any Agreement Year the Amount of Work, as adjusted pursuant to Paragraphs 10.2, 10.3 or 10.5 or as otherwise provided for in the Regulation, as a result of a curtailment or suspension pursuant to Paragraph 9.1.

**9.3 Events Beyond Control of Contractor.** The Contractor is not liable to the Company for any failure to perform the Work allocated by the Company to the Contractor in any Agreement Year if the failure results from changes in law, natural disasters, interference by a person who is not a party to this Contract or any other event beyond the reasonable control of the Contractor including those described in Paragraph 9.1, other than a change in the market price of logs.

## PART 10 AMOUNT OF WORK

**10.1 Reduction in Amount of Work.** The Company will not reduce the Amount of Work in any Agreement Year of this Contract except as provided in the Regulation or in this Contract.

**10.2 Experiments.** In any Agreement Year during the Term, the Company may allocate to the Contractor, and the Contractor must perform, an amount of Work that is less than the Amount of Work, if:

- (a) the reduction in the Amount of Work is necessary to enable the Company to experiment with timber harvesting methods, technology or silviculture systems different than those used historically by the Company on the Licence;
- (b) the Contractor receives reasonable notice of the reduction;
- (c) the experiment is for *bona fide* business and operating reasons;
- (d) it is not practicable for the Contractor to perform the work required to conduct the experiment; and
- (e) the Company has used reasonable efforts to distribute the reduction of Work associated with any experiments fairly among Company operations and other contractors carrying out timber harvesting operations under the Licence.

**10.3 Differing Amount of Work.** In any Agreement Year during the Term, the Company may allocate to the Contractor and the Contractor must perform an amount of Work that differs from the Amount of Work, provided that:

- (a) the difference is attributable to *bona fide* business and operating reasons on the part of the Company; and
- (b) the amount of Work that the Company allocates to the Contractor and that the Contractor is required to perform under this Contract over each Amount of Work Compliance Period of the Licence is equal to or greater than 95% of the aggregate of the Amount of Work provided for during that Amount of Work Compliance Period, less the aggregate of any reductions in that Amount of Work implemented during that Amount of Work Compliance Period under Paragraphs 9.1, 10.2 or 10.5.

**10.4 AAC Reduction Proposal.** The Company may make a proposal to the Contractor to reduce the Amount of Work or to terminate this Contract in accordance with section 27 of the Regulation if:

- (a) the allowable annual cut of the Licence is reduced; or



– 25 –

(b) the Licence is subject to a fibre basket agreement and such agreement expires, is cancelled or is surrendered.

**10.5 Amendment or Termination.** The Company and the Contractor will resolve any proposal made under Paragraph 10.4 in accordance with Division 5 of Part 5 of the Regulation and the Amount of Work will be amended or this Contract will be terminated in accordance with such resolution.

**10.6 Termination Due to Work Reduction.** If the Amount of Work is reduced as a result of a proposal made under Paragraph 10.4, the Contractor may, within 90 days of the reduction taking effect, by giving notice to the Company, terminate this Contract without incurring any liability to the Company in respect of such termination.

**10.7 Volume Charged to Amount of Work.** For the purposes of determining the Amount of Work allocated by the Company to the Contractor under this Contract, that amount is deemed to include:

- (a) the volume of timber scaled in accordance with this Contract;
- (b) the volume of timber estimated to be wasted or damaged in the Operating Areas, including all areas within each cutting permit issued under the Licence, and within each road permit associated with the Licence, that is harvested by the Contractor under this Contract, and attributed by the Ministry to the Licence in a cut control statement; and,
- (c) the volume of timber cut, damaged or destroyed by the Contractor without authorization and attributed by the Ministry to the Licence in a cut control statement,

## PART 11 TERMINATION

**11.1 Termination by the Company.** The Company may terminate this Contract immediately by giving notice of termination to the Contractor:

- (a) except as provided in subparagraph (b), if:
  - (i) the Contractor breaches any of its material obligations under this Contract; and
  - (ii) in the event of a breach that is capable of being remedied:
    - (A) such breach is not remedied within 20 Business Days after notice specifying the default is given by the Company to the Contractor; or
    - (B) if the breach is not capable of remedy within 20 Business Days after such notice, the Contractor has:
      - (I) failed to take all reasonable steps to remedy the breach; or
      - (II) whether or not it has taken all reasonable steps to remedy the breach, has not remedied the breach within 90 days after such notice; or
- (b) if the Contractor has failed to comply with any material provision of the Key Legislation, and, in the event of a failure that is capable of being corrected, the Contractor has not promptly taken all reasonable steps to correct that non-compliance.

**11.2 Termination on Expiry of Licence.** If the Licence expires or is cancelled or surrendered, this Contract may be terminated by either the Company or the Contractor without liability to the other party.

**11.3 Termination on Bankruptcy.** This Contract will be deemed to terminate immediately, without liability to the Company, upon the Contractor becoming insolvent or upon the Contractor's dissolution, general assignment for the benefit of creditors, appointment of a receiver or the filing of any petition or assignment in bankruptcy.

**11.4 No Bankruptcy Assets.** The parties hereby acknowledge and agree that none of the Work, the timber harvested by the Contractor or this Contract will be an asset of the Contractor in the event of the bankruptcy of the Contractor.

**11.5 Effect of Termination.** If this Contract terminates for any reason, including expiry, whether under this Part or otherwise:

- (a) all rights and privileges of the Contractor hereunder will cease except the Contractor's rights under subparagraphs (d) and (e) and the Contractor's right to be on an Operating Area to remove items in accordance with Paragraph 11.6;
- (b) the Contractor will immediately cease performing the Work;
- (c) the Company will be deemed to be in possession of all the Work performed under this Contract, including all of the products, including felled timber and logs, produced from that Work;
- (d) the Contractor will be entitled to payment for the Work for log volumes actually produced and delivered to the applicable Point of Delivery before the termination, less any amounts set off by the Company for monies owing to the Company by the Contractor;
- (e) the Contractor will be entitled to payment for the Work for log volumes produced before the termination but not delivered to the applicable Point of Delivery, only to the extent that such payment exceeds the cost to the Company of completing the Work in respect of such log volumes and obtaining delivery to the Company; and
- (f) without limiting Paragraph 13.3, the Company will not be liable to the Contractor for any consequential, direct or indirect damages of any kind under this Contract in respect of such termination, howsoever caused and whether arising in contract, tort (including negligence) or otherwise, whether as a result of a loss by the Contractor of present or prospective profits, expenditures, investments, or commitments made in connection with this Contract, or on account of any other reason or cause.

**11.6 Removal of Machinery, Equipment, Supplies, Buildings, Structures or Improvements.** Subject to Paragraph 11.7, if this Contract terminates for any reason, including expiry, the Contractor will remove its machinery, equipment, supplies, buildings, structures and improvements no later than the 40<sup>th</sup> Business Day following the day of receipt of notice from the Company to do so, or such earlier date specified in the notice for reasons of health, safety or environmental protection, and if not removed within that period, the Company may, without liability to the Contractor for loss, damage or compensation, either:

- (a) dismantle, if required, the Contractor's buildings, structures and improvements and deal with and dispose of them and any machinery, equipment and supplies in such manner as it may, in its absolute discretion, determine and the Contractor will reimburse the Company immediately on receipt of demand for all reasonable costs and expenses incurred by the Company in excess of any monies realized by the Company in such disposition.

**11.7 Extension for Removing Equipment.** If the Contractor is prevented from removing anything referred to in Paragraph 11.6 within the time limit referred to in that Paragraph because of fire hazard, adverse weather, road bans, strikes or other labour disruptions, the time for removing those things under Paragraph 11.6 is extended, provided that:

- (a) the burden is on the Contractor to prove that the conditions for extension under this Paragraph exist and that those conditions have affected the Contractor's ability to remove any such thing; and
- (b) the period of the extension will conclude on the earlier of:

– 27 –

- (i) a reasonable period for removing the thing not removed within the period referred to in Paragraph 11.6;
- (ii) 40 Business Days from the conclusion of the event that prevented the Contractor from removing the thing within the period referred to in Paragraph 11.6;
- (iii) 90 days from the date of the notice referred to in Paragraph 11.6; and
- (iv) the date that is 60 days before the expiry, surrender or other termination of the Licence, if any.

## PART 12 CONTRACT REPLACEMENT

**12.1 Replacement Contract.** Provided that the Contractor has satisfactorily performed the Contractor's obligations under this Contract, and subject to the Contractor continuing to do so, the Company will, at least 3 months before the expiry of this Contract, offer the Contractor a replacement contract that:

- (a) commences on or before the expiry of this Contract;
- (b) except as otherwise provided in subparagraph (c) and in the Regulation, has substantially the same terms and conditions as this Contract; and
- (c) provides for payment to the Contractor for Work at rates to be agreed upon by the parties, or failing agreement, determined by the method of dispute resolution provided for in the contract.

## 12.2 Deleted Prior to Execution

**12.3 Repeal or Amendment of Regulation.** If the Regulation is repealed or amended to eliminate or vary the requirement that a provisions to the effect of any of Paragraphs 3.1 to 3.3, 10.1 to 10.6, or 12.1 be contained in this Contract, this Contract will be deemed to be amended to delete or vary the provision as contemplated by the Regulation.

## PART 13 INDEMNITY

**13.1 Indemnity.** Subject to Paragraph 13.2, each Party (the "Indemnitor") will indemnify and save harmless the other Party (the "Indemnitee"), its directors, officers, employees, servants and agents from and against any and all claims, demands, actions, causes of action, damages, losses, deficiencies, costs, expenses, lawsuits, administrative sanctions (including orders under *Wildfire Act* s.27(1)(d)), remediation orders, tickets, penalties or fines that the Indemnitee, its directors, officers, employees, servants or agents may sustain, incur or be subject to, including legal costs on a solicitor and own client basis, arising out of, whether directly or indirectly:

- (a) the failure of the Indemnitor, or any member of the Indemnitor's Workforce, to comply fully with any term, condition, representation or warranty in this Contract; or
- (b) the carrying out of the obligations of the Indemnitor under this Contract or any matter or thing done, permitted or omitted to be done by the Indemnitor or any member of the Indemnitor's Workforce.

**13.2 Contributory Negligence.** To the extent that a penalty, fine or other sanction or order referred to in Paragraph 13.1 is, in part, a result of prior actions of the Indemnitee or a contractor of the Indemnitee other than the Indemnitor, the Indemnitor's liability under that Paragraph will be limited to a reasonable proportionate share of such liability.

**13.3 No Consequential Damages.** Neither Party will not be liable for any consequential damages of any kind under this Contract, howsoever caused and whether arising in contract, tort (including negligence) or otherwise, and whether as a result of a loss by the other Party of present or prospective profits, expenditures, investments, or commitments made in connection with this Contract, or on account of any other reason or cause.

– 28 –

13.4 **Survival.** This Part and Paragraphs 8.8 to 8.16 survive the expiry or earlier termination of this Contract.

#### PART 14 INSURANCE

14.1 **Insurance Coverage.** The Contractor will, as of the commencement of the Term, obtain and, thereafter throughout the Term, maintain insurance:

- (a) that:
  - (i) is on terms and with insurers satisfactory to the Company;
  - (ii) except for statutory motor vehicle insurance, names the Company as an additional insured;
  - (iii) is primary and does not require the sharing of any loss by any insurer of the Company;
  - (iv) includes a waiver of subrogation by the insurer as against the Company and its officers, directors, employees and agents; and
  - (v) is endorsed to require at least 30 days' prior notice from the insurer to the Company of alteration, cancellation or expiration;
- (b) that will protect the Company and its directors, officers, employees, agents and contractors and subcontractors not within the Contractor's Workforce from claims that may arise directly or indirectly out of the operations of the Contractor and the Contractor's Workforce in respect of this Contract, the Work and the operations pertaining thereto; and
- (c) that includes the following coverage to not less than each relevant minimum limit specified in Paragraph 14.2 on a per occurrence basis:
  - (i) Comprehensive General Liability covering liability for all bodily injury, death, property damage and property loss, and which will include, but not be limited to:
    - (A) products and completed operations liability;
    - (B) owner's and contractor's protective liability;
    - (C) blanket contractual liability covering the Contractor's liability under this Agreement and any other agreement with the Company, including every indemnity provided by the Contractor hereunder or thereunder;
    - (D) contingent employer's liability and contingent liability in respect of the Contractor's subcontractors;
    - (E) personal injury liability;
    - (F) non-owned automobile liability;
    - (G) cross liability;
    - (H) employees as additional insureds arising out of their duties as employees;
    - (I) broad form property damage;
    - (J) forest fire fighting expense;
    - (K) fire suppression liability, including contractual liability;
    - (L) first aid malpractice;
    - (M) unlicensed and specially licensed vehicles;
    - (N) attached machinery liability;
    - (O) occurrence property damage;
    - (P) any premises or property of the Contractor including unlicensed motor vehicles or provisionally licensed motor vehicles while operating off the public highway, and all operations of the Contractor;
    - (Q) liability for watercraft and aircraft that is owned, leased, used, operated, chartered or otherwise engaged by the Contractor in the performance of the Work or any operations related thereto, if watercraft and/or aircraft are part of the Work; and
    - (R) blasting liability, if blasting is part of the Work;

- (ii) Statutory Motor Vehicle Liability insurance on all motor vehicles and licensed equipment owned, operated by or for or leased or licensed in the name of the Contractor and used under this Agreement, including, without limitation, all provisionally licensed motor vehicles while operating on a public highway and all all-terrain vehicles, whether licensed or not;
- (iii) Environmental Impairment Insurance covering losses caused by pollution conditions including, without limitation, Release of Pollutants, that arise from the operations of the Contractor, and including coverage for bodily injury, including death; loss of or damage to property, including loss of use of damaged property or of property that has not been physically injured; cleanup costs; and costs and expenses incurred in the investigation, defence, or settlement of claims, and not subject to limitation based on a reporting period; and
- (iv) Aviation Insurance covering physical damage to aircraft that is owned, leased or non-owned and non-leased and used, operated, chartered or otherwise engaged by the Contractor in the performance of the Work or any operations related thereto, if aircraft are part of the Work.

**14.2 Minimum Limits.** For the purposes of the reference to minimum limits of insurance in Paragraph 14.1(c), the minimum limits are:

- (a) for Comprehensive General Liability Insurance, except forest fire fighting expense, \$5,000,000;
- (b) for forest fire fighting expense insurance: \$1,000,000;
- (c) for Statutory Motor Vehicle Liability Insurance, \$5,000,000;
- (d) for Environmental Impairment Insurance, \$1,000,000; and
- (e) for Aviation Insurance, \$5,000,000. if aircraft are part of the Work.

**14.3 Certificates and Policies:** The Contractor will, at the request of the Company, provide to the Company as of the commencement of the Term and at such times thereafter as the Company may reasonably request:

- (a) a certified copy of each policy required under this Part; or
- (b) a certificate of insurance in a form satisfactory to the Company, evidencing the coverage required by this Part, signed by the Contractor and certified by the insurer.

**14.4 Increase in Minimum Limits.** The Company may, by notice to the Contractor given reasonably in advance, require that the limits of insurance specified in Paragraph 14.2 be increased by a reasonable amount, and, on receipt of such notice, the Contractor will obtain the additional coverage and provide to the Company evidence of the additional coverage in accordance with Paragraph 14.3.

## PART 15 RESOLUTION OF DISPUTES

**15.1 Application to Disputes.** All disputes between the parties arising out of or in connection with this Contract (in this Part, called a "Dispute") will be dealt with in accordance with this Part, except:

- (a) a Dispute in respect of the Amount of Work, which will be resolved in accordance with Division 3 of Part 5 of the Regulation; and
- (b) as otherwise specified in this Part.

**15.2 Informal Resolution.** If a Dispute, other than a rate determination referred to in Paragraph 3.4 or 8.2, arises between the parties, and one party gives notice to the other party that a Dispute exists, describing in the notice the nature of the Dispute, the parties will endeavour to resolve the Dispute informally and as between them by amicable negotiations involving their duly authorized representatives, including personnel with decision making authority

regarding the Dispute, and, to do so, will provide frank, candid and timely disclosure of all relevant facts, information and documents to facilitate those negotiations.

**15.3 Mediation and Arbitration.** All Disputes that arise between the Contractor and the Company under or in connection with this Contract will be referred to mediation and, if not resolved through mediation, will be referred to arbitration in accordance with the dispute resolution systems established in the Regulation, except that:

- (a) if there is a conflict between sections 6(2) or (3) of the Regulation and this Part, this Part governs to the extent of the conflict;
- (b) sections 8(1) to (7) and 25(6)(a) to (d) of the Regulation do not apply.

**15.4 Notice of Mediation for Non-Rate Disputes.** If a Dispute that is subject to Paragraph 15.2 is not resolved within 14 days after the notice referred to in that Paragraph is given, either party may give notice to the other party requiring that the Dispute be referred to mediation, provided that the notice under this Paragraph must be given within 28 days after the notice referred to in Paragraph 15.2 is given and, if a notice is not given in accordance with this Paragraph, the Dispute is deemed to be terminated and not subject to further dispute resolution under this Part or otherwise.

**15.5 Appointment of Mediator for Non-Rate Disputes.** If:

- (a) a notice is given under Paragraph 15.4, a single mediator will be appointed by agreement of the parties or, if they do not do so agree within 14 days of that notice being given, either party may, within 28 days of that notice being given, ask the British Columbia International Commercial Arbitration Centre (the "BCICAC") to appoint a single mediator, and if a party makes such request, it will, on the same date it makes the request, deliver to the other party by notice a copy of that request; and
- (b) if the parties do not agree on a mediator and neither party asks the BCICAC to appoint a mediator in accordance with subparagraph (a), the Dispute is deemed to be terminated and not subject to further dispute resolution under this Part or otherwise.

**15.6 Appointment of Mediator and Arbitrator for Rate Dispute.** If a rate Dispute is deemed to exist under section 25(4) of the Regulation, and the parties have not agreed on the mediator or an arbitrator or both within 7 days of the rate Dispute being deemed to exist:

- (a) either party may, within 14 days of the rate Dispute being so deemed to exist, ask the BCICAC to appoint a single mediator or arbitrator or both, as the case may be, and, if a party makes such request to the BCICAC, it will, on the same date it makes the request, deliver to the other party by notice a copy of that request; and

**15.7 Participation in Mediation.** The parties will participate in good faith in the mediation before a mediator appointed under Paragraph 15.5 or 15.6.

**15.8 Notice of Arbitration for Non-Rate Dispute Not Resolved by Mediation.** If a Dispute subject to a notice of mediation given under and in accordance with Paragraph 15.4 is not resolved by mediation within 14 days of a mediator being agreed upon by the parties or appointed under Paragraph 15.5(a), or upon earlier written notice by the mediator to the parties that the Dispute is not likely to be resolved through mediation:

- (a) either party may, within 28 days of the mediator having been agreed upon or appointed as aforesaid, commence arbitration proceedings by giving a notice of arbitration setting out a description of the dispute to the other party.

**15.9 Appointment of Arbitrator for Non-Rate Disputes.** If a notice is given under Paragraph 15.8, a single arbitrator will be appointed by agreement of the parties or, if they do not so agree within 14 days of that notice being

– 31 –

given, either party may, within 28 days of that notice being given, ask the BCICAC to appoint a single arbitrator and:

- (a) if a party makes such request to the BCICAC, it will, on the same date it makes the request, deliver to the other party by notice a copy of that request.

**15.10 Arbitration Procedure.** Subject to this Part, all arbitrations under this Contract will be conducted in accordance with the *Arbitration Act* and the *Domestic Commercial Arbitration Shorter Rules of Procedure* of the BCICAC.

**15.11 Location of Arbitration.** All arbitrations under this Contract will take place at Vancouver, British Columbia.

**15.12 Participation in Arbitration.** The parties irrevocably submit to arbitration pursuant to this Part and each party will make every reasonable effort to ensure the arbitration process is conducted as speedily and inexpensively as possible.

## PART 16 ASSIGNMENT AND SUBCONTRACTING

**16.1 Assignment.** The Contractor may assign any of its rights or interest under this Contract, provided the Contractor first obtains the consent of the Company, which the Company will not unreasonably withhold.

**16.2 Consent of Company.** The company will not unreasonably withhold its consent to any assignment proposed by the Contractor.:

**16.3 Change in Control.** If the Contractor is a corporation or partnership, any event or transaction by which effective management control or voting control of the Contractor changes or will change from one person or group of persons to another person or group of persons will be deemed to be an Assignment by the Contractor of its rights and interest under this Contract.

**16.4 Company Approval of Subcontractors.** The Contractor will not subcontract, or otherwise permit the performance of, any part of the Work by any person other than the Contractor's employees (for the purposes of this Part, a "Subcontract") without the prior written approval of the Company, which approval the Company will not unreasonably withhold.

**16.5 Continuing Obligations.** No Assignment, mortgage, pledge, transfer, encumbering or other granting of security by the Contractor of or over its rights or interest under this Contract, nor any consent by the Company to any such action or to a Subcontract, will release the Contractor from any of its obligations under this Contract, whether arising before or after such action, unless the Company has executed and delivered to the Contractor an express written release of such obligations.

**16.6 Conditions.** The Contractor will comply with all conditions to a consent given by the Company under this Part and will:

- (a) deliver to the Company, together with its request for consent, a copy of any agreement or instrument by which an assignment, Subcontract or change in control referred to in this Part has occurred or will occur;
- (b) only enter into a Subcontract on terms and conditions expressly approved by the Company; and
- (c) deliver to the Company, together with its Assignment Notice or other request for consent, reasonable information requested by the Company regarding the experience, training, financial capacity and suitability of any proposed assignee, Subcontractor or person acquiring control of the Contractor.

**16.7 Copy of Subcontracts Consented to.** The Contractor, upon request of the Company, will provide to the Company a copy of each Subcontract the Company consents to under this Part.

**16.8 Other Transfers.** Except as provided in Paragraph 16.1, the Contractor will not at any time assign, mortgage, pledge, transfer, encumber or otherwise grant security over any of its rights or interest under this Contract, except:

- (a) the right to receive payments for Work completed in accordance with this Contract; or
- (b) with the prior written consent of the Company.

#### **PART 17 TRANSFER, SUBDIVISION AND CONSOLIDATION OF THE LICENCE**

**17.1 Licence Transfer.** If the Company transfers the Licence, the Company will require as a condition of the transfer of the Licence that the transferee of the Licence either:

- (a) assume the Company's obligations under this Contract; or
- (b) offer a new contract to the Contractor on substantially the same terms and conditions as this Contract.

**17.2 Licence Subdivision.** If the Licence to which this Contract pertains is amended such that the harvesting rights granted under that Licence are granted under two or more licences, and the Contractor's rights under this Contract are affected by the amendment, the Company will offer the Contractor one or more contracts that:

- (a) commence on the date of amendment;
- (b) terminate and replace this Contract;
- (c) pertain to one or more licences that arise from the subdivision;
- (d) specify an amount of work that, in aggregate with all contracts offered to the Contractor under this Paragraph, is equivalent to the Amount of Work; and
- (e) except as otherwise provided in this Paragraph, are on substantially the same terms and conditions as this Contract.

**17.3 Licence Consolidation.** If the Licence, together with one or more other licences held by the Company, are replaced with a single licence, the Company will offer the Contractor a contract that:

- (a) commences on the date of replacement;
- (b) terminates and replaces this Contract;
- (c) pertains to the licence that arises from the replacement;
- (d) subject to subparagraphs (e) and (f), specifies an amount of work equal to:

$$N \times (O \div P)$$

where:

- (i) N = the Amount of Work specified in this Contract;
- (ii) O = the allowable annual cut of the Licence; and
- (iii) P = the allowable annual cut of the replacement licence;



- (e) specifies the same Amount of Work as this Contract if this Contract specifies the Amount of Work as a fixed amount or a percentage;
- (f) specifies the equivalent Amount of Work as this Contract if this Contract specifies that Amount of Work in a manner other than as a fixed amount or a percentage; and
- (g) except as otherwise provided in this section, is on substantially the same terms and conditions as this Contract.

## PART 18 GENERAL PROVISIONS

**18.1 No Implied Waiver.** The failure of either party at any time to require performance by the other party of any provision under this Contract will not affect in any way the right to require such performance at any later time nor will the waiver by either party of a breach of any provision under this Contract be taken and held to be a waiver of such provision at any later time.

**18.2 Status of Contractor and Relationship of Parties.** The Contractor is an independent contractor and the Contractor and the Company expressly disclaim any intention to create, and nothing in this Contract may be construed as creating, an agency, except as expressly provided in this Contract, partnership, joint venture, contract of employment or joint and several liability between the Parties.

**18.3 Notices.** Every notice, demand, consent, request or direction (each, for the purposes of this section, a "notice") required or permitted under this Contract by either party to the other will be:

- (a) in writing;
- (b) given by one of the following means:
  - (i) delivered by hand;
  - (ii) sent by registered or certified mail postage prepaid and mailed in any government post office in British Columbia; or
  - (iii) sent by e-mail where this Contract expressly requires or permits notice by e-mail;
- (c) sent or delivered to:
  - (i) the delivery or mailing address of the applicable recipient or the e-mail address set out in the descriptions of the parties on the first page of the Main Agreement of this Contract; or
  - (ii) such other delivery or mailing address or e-mail address in British Columbia as is specified by the particular party by notice to the other; and
- (d) deemed to be given and received:
  - (i) if delivered by hand, on the date of actual delivery;
  - (ii) if mailed, on the earlier of the day of receipt and the fifth day after the day of mailing, provided that, if a notice is sent by mail and mail service between the point of mailing and the destination is interrupted by strike, slowdown, force majeure or other cause within seven days before or after the time of mailing, the notice will not be deemed to be received until actually received, and the party sending the notice will use another service which has not been so interrupted or will deliver the notice in order to ensure prompt receipt;
  - (iii) if sent by e-mail, as of the time and date indicated on the recipient's copy of the e-mail.

**18.4 Authority and Binding Agreement.** The Company represents and warrants to the Contractor and the Contractor represents and warrants to the Company that:

– 34 –

- (a) it has the power and authority to enter into this Contract and to make and fulfill its promises, covenants, representations, warranties and agreements set out in this Contract; and
- (b) this Contract is a legal, valid and binding obligation on it.

**18.5 Execution.** This Contract:

- (a) may be executed in any number of counterparts, each of which will together, for all purposes, constitute one and the same instrument binding on all the parties, and each of which will together be deemed to be an original, notwithstanding that all of the parties are not signatory to the same counterpart; and
- (b) is properly executed and delivered if executed by the parties in counterparts and executed copies exchanged by the parties by facsimile.

**18.6 Further Assurances.** Each party will, on the reasonable request of the other party, make, do, execute or cause to be made, done or executed all further and other lawful acts, deeds, things, devices, documents, instruments and assurances for the better and more perfect and absolute performance of the terms and conditions of this Contract.

**18.7 Confidentiality.** The Contractor will, and to the extent this Contract is revealed to a member of the Contractor's Workforce or an external advisor, will require that member of the Contractor's Workforce or that external advisor to, keep all terms and conditions of this Contract confidential unless, but only to the extent:

- (a) disclosure is required by law or by order of a court or administrative tribunal of competent jurisdiction or is to an arbitrator in an arbitration under this Contract;
- (b) the Company gives its prior written consent to the disclosure;
- (c) the Contractor must disclose this Contract to a financial institution to obtain financing to perform the Work and that institution agrees with the Company to keep such disclosed information confidential; or
- (d) the Company has disclosed this Contract to the public.

**18.8 Enurement.** Subject to Paragraph 18.9, this Contract will enure to the benefit of and be binding on the Company and its successors and assigns and the Contractor and its permitted successors and assigns.

**18.9 Non-Corporate Contractors.** The heirs, executors and administrators of a deceased Contractor will be entitled to the benefit of this Contract only to the extent of receiving payment of amounts, after all applicable deductions, to which the Contractor would have been entitled under this Contract up to the date of the Contractor's death whereupon this Contract will terminate.

END OF GENERAL TERMS AND CONDITIONS

CONTRACT NO.: TBCL-16-00

**Schedule "B"**  
**to**  
**Replaceable Interior**  
**Timber Harvesting Contract**  
**(Five Year)**  
**between Skeena Sawmills Ltd. and Timber Baron Contracting Ltd.**  
**made as of January 1, 2016**

**LOG QUALITY SPECIFICATIONS**  
**(as of January 1, 2016)**

*See the attached 2016 Skeena Sawmills Log Quality Handbook*



This is Exhibit "J" referred to in the  
affidavit of SHENWEI (SANDRA) WU  
made before me at VANCOUVER, BC this 15 day of

March, 2024.



.....  
A Commissioner for taking Affidavits  
within British Columbia

**IN THE MATTER OF THE *FOREST ACT*, RSBC 1996, c. 157, as amended,  
THE *TIMBER HARVESTING CONTRACT AND SUBCONTRACT REGULATION*, BC  
Reg. No. 22/96, as amended  
AND THE *ARBITRATION ACT*, S.B.C. 2020, c. 2**

**AND IN THE MATTER OF A DISPUTE**

BETWEEN:

**SKEENA SAWMILLS LTD**

CLAIMANT

AND:

**TIMBER BARON CONTRACTING LTD.**

RESPONDENT

**NOTICE OF DISPUTE**

**TO:** Timber Baron Contracting Ltd. (the "Respondent")

**AND TO:** Deputy Minister of Forests, Lands and Natural Resource Operations and Rural Development

**TAKE NOTICE** that Skeena Sawmills Ltd. seeks mediation and arbitration of a dispute which has arisen between the Claimant and the Respondent pursuant to a Replaceable Interior Timber Harvesting Subcontract dated January 1, 2016.

**I. PARTIES TO THE DISPUTE**

**Claimant:** Skeena Sawmills Ltd.

Claimant's solicitor and address for service:

HUNTER LITIGATION CHAMBERS  
(Mark S. Oulton/Nicole C. Gilewicz)  
2100 – 1040 West Georgia Street  
Vancouver, BC V6E 4H1

(604) 891-2408 (ph)  
[moulton@litigationchambers.com](mailto:moulton@litigationchambers.com) / [ngilewicz@litigationchambers.com](mailto:ngilewicz@litigationchambers.com) (email)

**Respondent:** Timber Baron Contracting Ltd.

The Respondent's address for service:

Timber Baron Contracting Ltd.  
#203 - 4650 Lazelle Avenue  
Terrace, BC V8G 4V1

**Attention: Lee Thomson**

(250) 638-1757 (fax)

## **I. NATURE OF DISPUTE**

The particulars of the dispute are as follows:

1. The Claimant, Skeena Sawmills Ltd. ("Skeena") and the Respondent, Timber Baron Contracting Ltd. ("Timber Baron"), are parties to a written Replaceable Interior Timber Harvesting Contract dated January 1, 2016 (the "Contract").
2. The Contract is a replaceable contract within the meaning of the *Timber Harvesting Contract and Subcontract Regulation*, BC Reg. No. 22/96, as amended (the "*Regulation*").
3. The Contract expired on December 31, 2020. Skeena has offered a replacement contract to Timber Baron, but the parties have not yet agreed on the terms of that replacement contract. In the interim, the Contract continues to govern.
4. Skeena and Timber Baron have been unable to agree on the rates applicable to the timber harvesting and road construction required under the Contract in respect of Cutting Permit 518, Block NIS005 (the "Block").
5. On July 29, 2021, Skeena issued a term sheet to Timber Baron in respect of the work required for the Block.
6. On August 6, 2021, Skeena followed up with Timber Baron, delivering all necessary work specifications required for the Block, in accordance with s. 19.1 of the *Regulation*.
7. On September 16, 2021, Skeena wrote to Timber Baron advising that Timber Baron was in breach of its requirement to provide a rate proposal in respect of the Block within the timelines specified in s. 25(1) of the *Regulation*.
8. On September 20, 2021, Timber Baron delivered a rate proposal for the Block pursuant to s. 25 of the *Regulation* as follows:

- |                                    |            |
|------------------------------------|------------|
| (a) Stump to Dump harvesting rate: | \$41.50/m3 |
| (b) Hauling                        |            |

– 3 –

- i. Cut to Length: \$4.26/tonne/hr
- ii. Long Logs: \$4.16/tonne/hr
- (c) Grade Construction: \$65.00 per linear metre;
- (d) Drilling and Blasting: Hourly plus 15%
- (e) Camp to be provided by Skeena or LOA of \$150/day
- (f) Mob/Demob to be paid hourly.

(collectively, the “Timber Baron Proposal”)

9. Skeena did not accept the Timber Baron Proposal and, on September 27, 2021, delivered a rate proposal to Timber Baron pursuant to s. 25(2)(b) of the *Regulation*, as follows:

- (a) Stump to Dump harvesting rate: \$33.25/m3
- (b) Hauling:<sup>1</sup>
  - i. Cut to Length: \$4.08/tonne/hr
  - ii. Long Logs: \$3.99/tonne/hr
- (c) Grade Construction: Tabular Rate as per Skeena Tabular Rates
- (d) Camp Rate: \$2.50/m3

(collectively, the “Skeena Proposal”)

10. Timber Baron did not accept the Skeena Proposal within 7 days and, in accordance with s. 25(4)(b) of the *Regulation*, a rate dispute was deemed to exist.

11. Timber Baron commenced harvesting the Block on or about September 29, 2021.

12. The parties were unable to agree on rates for the work prior to the commencement of harvesting on the Block. Skeena has paid Timber Baron provisional rates for the work carried out to date under the Block.

13. To date, Timber Baron has not completed the road construction and timber harvesting work required for the Block under the Contract.

14. Skeena submits this dispute to mediation and arbitration proceedings in accordance with s. 8 of the *Regulation*.

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<sup>1</sup> Rate in effect on the start date is based on the price of Clear Diesel and would be adjusted at the start of the next semi-monthly pay period, and biweekly after that, based on the price of Clear Diesel for each period, in accordance with the Skeena Trucking Rate Model.



**II. THE REMEDIES SOUGHT**

15. In the event this matter proceeds to arbitration, Skeena seeks the following relief:

- (a) an order that the rates applicable to the Block, as determined in accordance with s. 26.01 of the *Regulation*, are as set out in the Skeena Proposal;
- (b) costs equal to Skeena Sawmills' actual reasonable legal fees, taxes and disbursements; and
- (c) such further and other relief as counsel may advise.

**III. NAMES OF MEDIATORS**

16. The parties have not yet agreed to the name of any individual or individuals to act as arbitrator. Skeena proposes that any one of the following would be a suitable mediator in this matter:

- (a) John Logan, QC;
- (b) Simon Margolis, QC; or
- (c) Daniel Bennett, QC.

RESPECTFULLY SUBMITTED THIS 5th DAY OF NOVEMBER, 2021.



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Mark S. Oulton  
Counsel for the Claimant,  
Skeena Sawmills Ltd.

**IN THE MATTER OF THE *FOREST ACT*, RSBC 1996, c. 157, as amended,  
THE *TIMBER HARVESTING CONTRACT AND SUBCONTRACT REGULATION*, BC  
Reg. No. 22/96, as amended  
AND THE *ARBITRATION ACT*, S.B.C. 2020, c. 2**

**AND IN THE MATTER OF A DISPUTE**

**BETWEEN:**

**SKEENA SAWMILLS LTD.**

**CLAIMANT**

**AND:**

**TIMBER BARON CONTRACTING LTD.**

**RESPONDENT**

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**NOTICE OF DISPUTE**

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**HUNTER LITIGATION CHAMBERS  
(Per: Mark S. Oulton/Nicole Gilewicz)  
2100 – 1040 West Georgia Street  
Vancouver, B.C. V6E 4H1  
Telephone: (604) 891-2400  
Fax: (604) 647-4554**

IN THE MATTER OF THE *FOREST ACT*, RSBC 1996, c. 157, as amended, THE  
*TIMBER HARVESTING CONTRACT AND SUBCONTRACT REGULATION*, BC Reg.  
 No. 22/96, as amended AND THE *ARBITRATION ACT*, S.B.C. 2009, c. 2

AND IN THE MATTER OF A DISPUTE

BETWEEN:

TIMBER BARON CONTRACTING LTD.

CLAIMANT

AND:

SKEENA SAWMILLS LTD.

RESPONDENT

### NOTICE OF DISPUTE

**TO:** Skeena Sawmills Ltd. (the "Respondent")

**AND TO:** Deputy Minister of Forests, Lands and Natural Resource Operations and Rural  
 Development

**TAKE NOTICE** that Timber Baron Contracting Ltd. seeks mediation and arbitration of a  
 dispute which has arisen between the Claimant and the Respondent pursuant to a  
 Replaceable Interior Timber Harvesting Subcontract dated January 1, 2016.

#### I. PARTIES TO THE DISPUTE

**Claimant:** Timber Baron Contracting Ltd.

Claimant's solicitor and address for service:

DLA Piper (Canada) LLP

Dean Dalke  
2800 - 666 Burrard Street  
Vancouver, BC V6C 2Z7

604-643-6369  
[dean.dalke@ca.dlapiper.com](mailto:dean.dalke@ca.dlapiper.com)

**Respondent:** Skeena Sawmills Ltd.

Respondent's solicitor and address for service:

HUNTER LITIGATION CHAMBERS  
(Mark S. Oulton/Nicole C. Gilewicz)  
2100 - 1040 West Georgia Street  
Vancouver, BC V6E 4H1

(604) 891-2408 (ph)  
[moulton@litigationchambers.com](mailto:moulton@litigationchambers.com) /  
[ngilewicz@litigationchambers.com](mailto:ngilewicz@litigationchambers.com) (email)

## II. NATURE OF DISPUTE

1. The Claimant, Timber Baron Contracting Ltd. ("Timber Baron") and the Respondent, Skeena Sawmills Ltd. ("Skeena") are parties to a written Replaceable Interior Timber Harvesting Contract dated January 1, 2016 (the "Contract").
2. Timber Baron is a contractor providing timber harvesting services within the meaning of the *Timber Harvesting Contract and Subcontract Regulation*, BC Reg. 22/96, as amended (the "*Regulation*").
3. Skeena is a licence holder within the meaning of the *Regulation*.
4. The Contract is a replaceable contract within the meaning of the *Regulation*.
5. The Contract expired on December 31, 2020. The parties have not yet agreed on the terms of a replacement contract. In the interim, the Contract continues to govern.

6. Timber Baron raises the following issues:
- (a) Skeena has allocated an insufficient amount of work to Timber Baron under the Contract;
  - (b) Skeena is obliged to compensate Timber Baron for lowbedding costs;
  - (c) Timber Baron seeks rate determinations for additional cutblocks; and
  - (d) Skeena owes Timber Baron for interest on late payments under the Contract.

**a) *Skeena has allocated an insufficient amount of work to Timber Baron***

7. Section 17 of the *Regulation* requires replaceable contracts to specify an amount of work to be performed by a contractor in each year of a replaceable contract.
8. Section 3 of the Contract provides that Skeena will allocate to Timber Baron, and Timber Baron will perform, in each year during the term of the Contract:
- (a) 50,395 m<sup>3</sup>/year of stump-to-dump timber harvesting; or
  - (b) if Skeena harvests less than 50,395 m<sup>3</sup>/year, the amount that Skeena harvests.

(the "Amount of Work")

9. Skeena has not allocated sufficient work to Timber Baron under the Contract. Skeena's failure to allocate the Amount of Work was not in accordance with the *Regulation* or the Contract. Skeena is accordingly liable to Timber Baron for damages for failure to allocate the Amount of Work required under the Contract.
10. Specifically, Skeen failed to allocate the Amount of Work to Skeena in 2017, 2020 and 2021.

***b) Lowbedding costs***

11. Timber Baron, due to lack of work allocated to it by Skeena, was forced to shut down its operations over the fall of 2020. Timber Baron incurred demobilization costs to return equipment to Terrace, British Columbia. Timber Baron then incurred further costs to remobilize and move equipment back when Skeena requested that Timber Baron perform further work for Skeena.
12. The lowbedding costs arise from Skeena's failure to perform its contractual obligations in good faith to Timber Baron. Alternatively, the lowbedding costs represent specific damage that Timber Baron has suffered as a result of Skeena's failure to allocate adequate work to Timber Baron or as a result of curtailments in work by Skeena that were in breach of Skeena's obligations under the Contract.
13. In the further alternative, Timber Baron is entitled to recover lowbedding costs as part of the rates owed by Skeena to Timber Baron.

***c) Rate disputes***

14. Skeena directed Timber Baron to perform work in relation to several cut blocks without an agreement among the parties upon the rates applicable to such work. Instead, Skeena directed that the parties would come to agreement upon rates or, if not, the rates would be determined in accordance with the Contract.
15. During the interim, Skeena paid Timber Baron in accordance with interim rates. The parties have not agreed upon rates for certain cutblocks, nor have the rates otherwise been determined in accordance with the Contract.
16. The cutblocks for which there is no agreement upon rates include:
  - (a) 451-1;
  - (b) 451-2;
  - (c) 510-1;

- (d) 510-2;
- (e) PAW001;
- (f) PAW002;
- (g) NIS001; and
- (h) NIS005.

17. Timber Baron seeks an order that rates be set for Timber Baron's work related to the above-noted cutblocks.

***d) Interest on late payments***

18. Section 8.6(c) of Schedule "A" of the Contract provides that Skeena will pay Timber Baron 5% annual interest on all invoices over 30 days.
19. Skeena has repeatedly failed to pay invoices within 30 days. Skeena owes Timber interest on the amount of such invoices at an annual rate of 5% pursuant to s. 8.6(c) of Schedule "A" of the Contract.

**III. REMEDIES SOUGHT**

1. In the event this matter proceeds to arbitration, Timber Baron seeks the following relief:
- (a) An order that rates be set for Timber Baron's work in cutblocks 451-1, 451-2, 510-1, 510-2, PAW001, PAW002, NIS001 and NIS005, and that Skeena pay Timber Baron an amount equal to the difference between the rates set under this order and the interim rates actually paid;
  - (b) payment of outstanding interest owing on invoices not paid within 30-days in the amount of at least \$24,087.62 as of the date of this notice;
  - (c) damages for breach of contract, including, *inter alia*, lowbedding costs;

- (d) costs equal to Timber Baron's actual reasonable legal fees, taxes and disbursements; and
- (e) such further and other relief as counsel may advise.

#### IV. NAMES OF MEDIATORS

1. The parties have agreed to appoint Daniel Bennett, QC, as mediator in this matter.

April 22, 2022

Dated



Signature of ☒ lawyer for filing party  
DLA Piper (Canada) LLP (Dean Dalke)  
Lawyer for the Claimant



IN THE MATTER OF THE FOREST ACT, RSBC  
1996, c. 157, as amended, THE TIMBER  
HARVESTING CONTRACT AND SUBCONTRACT  
REGULATION, BC Reg. No. 22/96, as amended AND  
THE ARBITRATION ACT, S.B.C. 2009, c. 2

AND IN THE MATTER OF A DISPUTE BETWEEN:

TIMBER BARON CONTRACTING LTD.

CLAIMANT

AND:

SKEENA SAWMILLS LTD.

RESPONDENT

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**NOTICE OF DISPUTE**

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DLA Piper (Canada) LLP  
Barristers & Solicitors  
2800 Park Place  
666 Burrard Street  
Vancouver, BC V6C 2Z7

Tel. No. 604.687.9444  
Fax No. 604.687.1612

File No.: 050676-00005

DXD:pea

IN THE MATTER OF THE *FOREST ACT*, RSBC 1996, c. 157, as amended, THE  
*TIMBER HARVESTING CONTRACT AND SUBCONTRACT REGULATION*, BC Reg.  
No. 22/96, as amended AND THE *ARBITRATION ACT*, S.B.C. 2009, c. 2

AND IN THE MATTER OF A DISPUTE

BETWEEN:

TIMBER BARON CONTRACTING LTD.

CLAIMANT

AND:

SKEENA SAWMILLS LTD.

RESPONDENT

### NOTICE OF DISPUTE

**TO:** Skeena Sawmills Ltd. (the "Respondent")

**AND TO:** Deputy Minister of Forests, Lands and Natural Resource Operations and Rural  
Development

**TAKE NOTICE** that Timber Baron Contracting Ltd. seeks mediation and arbitration of a  
dispute which has arisen between the Claimant and the Respondent pursuant to a  
Replaceable Interior Timber Harvesting Subcontract dated January 1, 2016.

#### I. PARTIES TO THE DISPUTE

**Claimant:** Timber Baron Contracting Ltd.

Claimant's solicitor and address for service:

DLA Piper (Canada) LLP

Dean Dalke  
2800 - 666 Burrard Street  
Vancouver, BC V6C 2Z7

604-643-6369  
[dean.dalke@ca.dlapiper.com](mailto:dean.dalke@ca.dlapiper.com)

**Respondent:** Skeena Sawmills Ltd.

Respondent's solicitor and address for service:

Nathanson Schachter & Thomson LLP  
(Mark S. Oulton)  
Suite 750 – 900 Howe Street  
Vancouver, British Columbia, V6Z 2M4

moulton@nst.ca  
T: 778.945.1473

## II. NATURE OF DISPUTE

1. The Claimant, Timber Baron Contracting Ltd. ("Timber Baron") and the Respondent, Skeena Sawmills Ltd. ("Skeena") are parties to a written Replaceable Interior Timber Harvesting Contract dated January 1, 2016 (the "Contract").
2. Skeena is a licence holder within the meaning of the *Regulation*.
3. The Contract is a replaceable contract within the meaning of the *Regulation*.
4. The Contract expired on December 31, 2020. The parties have not yet agreed on the terms of a replacement contract. In the interim, the Contract continues to govern.

5. In addition to the issues raised in Timber Baron's Notice of Dispute dated April 22, 2022 (the "**First Dispute Notice**"), in this Notice of Dispute Timber Baron raises the following issues:

- (a) Skeena has allocated an insufficient amount of work to Timber Baron under the Contract in the year 2022;
- (b) Timber Baron seeks rate determinations for additional cutblocks;
- (c) Skeena has failed to pay Timber Baron provisional rates for work completed during the parties' rate dispute, contrary to section 26 of the Regulation; and
- (d) Skeena owes Timber Baron for interest on late payments under the Contract.

**a) *Skeena has allocated an insufficient amount of work to Timber Baron***

6. Section 17 of the *Regulation* requires replaceable contracts to specify an amount of work to be performed by a contractor in each year of a replaceable contract.

7. Section 3 of the Contract provides that Skeena will allocate to Timber Baron, and Timber Baron will perform, in each year during the term of the Contract:

- (a) 50,395 m<sup>3</sup>/year of stump-to-dump timber harvesting; or
- (b) if Skeena harvests less than 50,395 m<sup>3</sup>/year, the amount that Skeena harvests.

(the "Amount of Work")

8. Skeena has not allocated sufficient work to Timber Baron under the Contract. Skeena's failure to allocate the Amount of Work was not in accordance with the *Regulation* or the Contract. Skeena is accordingly liable to Timber Baron for damages for failure to allocate the Amount of Work required under the Contract.

9. Specifically, Skeena failed to allocate the Amount of Work to Skeena in 2022, in addition to its failure to allocate the Amount of Work 2017, 2020 and 2021 as identified in the First Dispute Notice.

***b) Rate disputes***

10. Skeena directed Timber Baron to perform work in relation to several cut blocks without an agreement among the parties upon the rates applicable to such work. Instead, Skeena directed that the parties would come to agreement upon rates or, if not, the rates would be determined in accordance with the Contract.
11. During the interim, Skeena paid Timber Baron in accordance with interim rates. The parties have not agreed upon rates for certain cutblocks, nor have the rates otherwise been determined in accordance with the Contract.
12. In addition to those cutblocks identified in the First Dispute Notice, further cutblocks for which there is no agreement upon rates include PAW003 and NIS002.
13. Timber Baron seeks an order that rates be set for Timber Baron's work related to the above-noted cutblocks.

***c) Failure to pay provisional rates***

14. Section 26 of the Regulation provides that if parties to a rate dispute are unable to agree on the amount to be paid for timber harvesting services under a contract, the contractor must be paid a provisional rate equal to the rate in effect for prior timber harvesting services provided by the contractor immediately before the rate dispute.
15. Skeena has failed to pay Timber Baron at provisional rates for work completed under the Contract.

***d) Interest on late payments***

16. Section 8.6(c) of Schedule "A" of the Contract provides that Skeena will pay Timber Baron 5% annual interest on all invoices over 30 days.
17. Skeena has repeatedly failed to pay invoices within 30 days. Skeena owes Timber Baron interest on the amount of such invoices at an annual rate of 5% pursuant to s. 8.6(c) of Schedule "A" of the Contract.

**III. REMEDIES SOUGHT**

1. In the event this matter proceeds to arbitration, Timber Baron seeks the following relief:
  - (a) an order that rates be set for cutblocks PAW003 and NIS002, and that Skeena pay Timber Baron an amount equal to the difference between the rates set under this order and the interim rates actually paid;
  - (b) an order that Skeena pay to Timber Baron provisional rates for work performed under the Contract in accordance with section 26 of the Regulation;
  - (c) payment of outstanding interest owing on invoices not paid within 30-days;
  - (d) damages for breach of contract;
  - (e) costs equal to Timber Baron's actual reasonable legal fees, costs, taxes and disbursements; and
  - (f) such further and other relief as counsel may advise.

**IV. NAMES OF MEDIATORS**

1. The parties have agreed to appoint Daniel Bennett, KC, as mediator and arbitrator in this matter.

March 22, 2023

Dated



Signature of ☒ lawyer for filing party  
DLA Piper (Canada) LLP (Dean Dalke)  
Lawyer for the Claimant

IN THE MATTER OF THE FOREST ACT, RSBC  
1996, c. 157, as amended, THE TIMBER  
HARVESTING CONTRACT AND SUBCONTRACT  
REGULATION, BC Reg. No. 22/96, as amended AND  
THE ARBITRATION ACT, S.B.C. 2009, c. 2

AND IN THE MATTER OF A DISPUTE BETWEEN:

TIMBER BARON CONTRACTING LTD.

CLAIMANT

AND:

SKEENA SAWMILLS LTD.

RESPONDENT

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**NOTICE OF DISPUTE**

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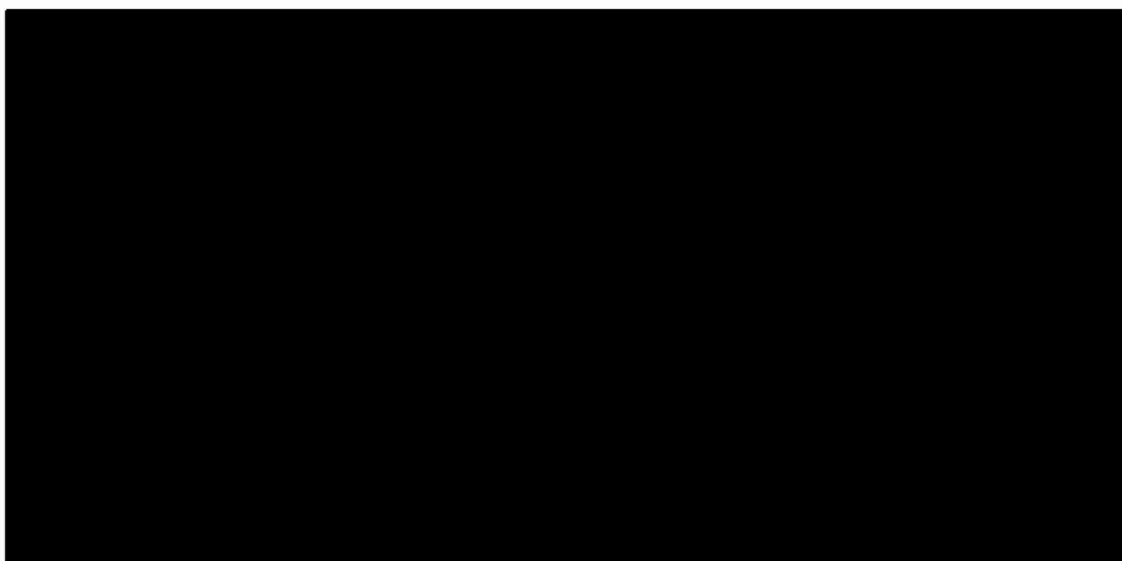
DLA Piper (Canada) LLP  
Barristers & Solicitors  
2800 Park Place  
666 Burrard Street  
Vancouver, BC V6C 2Z7

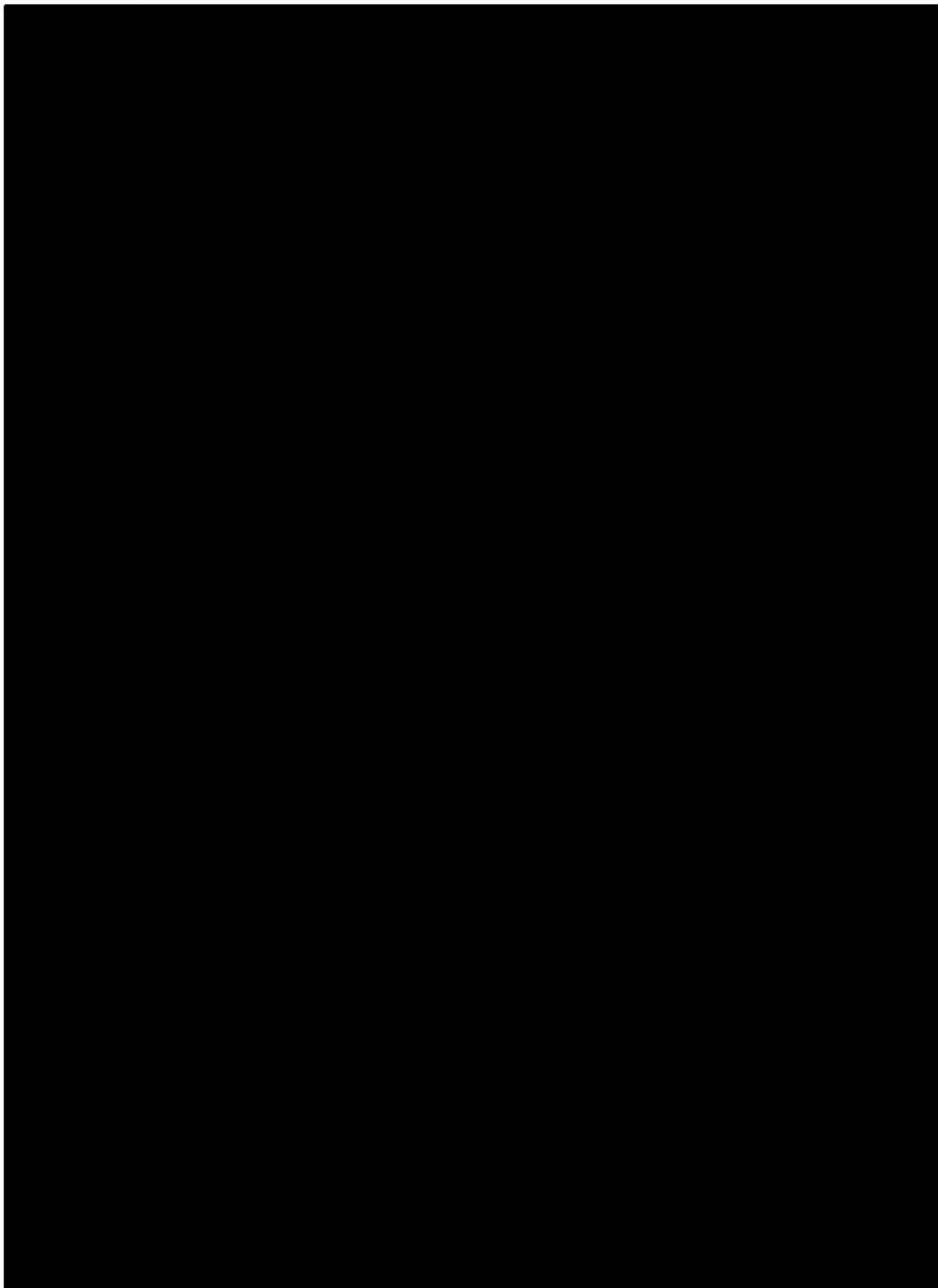
Tel. No. 604.687.9444  
Fax No. 604.687.1612

File No.: 050676-00005

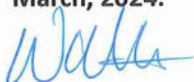
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This is Exhibit "L" referred to in the  
affidavit of SHENWEI (SANDRA) WU  
made before me at VANCOUVER, BC this 15 day of  
March, 2024.



.....  
A Commissioner for taking Affidavits  
within British Columbia

CONTRACT NO. TERTI-15-00

**REPLACEABLE COAST  
STUMP TO DUMP TIMBER HARVESTING CONTRACT  
(FIVE YEAR)**

**THIS CONTRACT** is made as of the 1<sup>st</sup> day of January, 2015

**BETWEEN:**

*Name:* **SKEENA SAWMILLS LTD.**  
*Delivery Address:* 5530 Highway 16 West  
Terrace, British Columbia  
*Mailing Address:* Box 780  
Terrace, B.C.  
V8G 4R1  
*Fax:* (250) 635-4335  
*Telephone:* (250) 635-6336  
*Contact:* Greg DeMille  
(the "**Company**")

**AND:**

*Name:* **TERRACE TIMBER LTD.**  
*Delivery and Mail Address:* 3103 Hampton Street  
Terrace, BC  
V8G 1N9  
*Fax:* (250) 635-6598  
*Telephone:* (250) 635-7150  
*Contact:* Greg Main  
(the "**Contractor**")

**BACKGROUND:**

- A. The Company is the holder of Tree Farm Licence 41 (the "**Licence**").
- B. The Company and the Contractor are parties to a replaceable timber harvesting contract under the Timber Harvesting Contract and Subcontract Regulation, B.C. Reg. 22/96 (the "**Regulation**") in respect of the Licence, dated January 1, 2010 (the "**Previous Contract**").
- C. The Company has offered and the Contractor has accepted this Contract as the replacement for the Previous Contract.

**NOW THEREFORE**, for good and valuable consideration the receipt and sufficiency of which the Company and the Contractor each hereby acknowledge, the Company and the Contractor hereby agree as follows:

### **MAIN AGREEMENT**

1. **Term.** The term of this Contract is 5 years beginning on January 1, 2015 and ending on December 31, 2019, unless terminated earlier in accordance with this Contract (the **"Term"**).
2. **Scope of Work.** Subject to and in accordance with this Contract, the Contractor will perform stump to dump timber harvesting specifically limited to the following phases: felling, bucking, yarding, loading and hauling and all related services and obligations as described in, or allocated by the Company under, this Contract on lands subject to the Licence, or on such other lands as permitted under this Contract, (the **"Work"**).
3. **Amount of Work.** Subject to the Regulation and subject to the provisions of this Contract permitted or required by the Regulation, the amount of Work that the Company will allocate to the Contractor, and the Contractor will perform, in each year during the Term is 100% of the total amount of the Volume of Timber Harvested from the Licence in each such year (the **"Amount of Work"**).
4. **Allocation of Work.** The Company will allocate the Work to the Contractor in term sheets (each, a **"Term Sheet"**) that the Company may issue from time to time, in which the Company will identify:
  - (a) the operating area in which the Work is to be performed (the **"Operating Area"**);
  - (b) the time during which the Contractor is to perform the Work;
  - (c) the location to which the Contractor is to deliver logs produced from the Operating Area (the **"Point of Delivery"**);
  - (d) the timber mark that applies in respect of the Operating Area;
  - (e) a map or logging plan that applies in respect of the Operating Area and the Work;
  - (f) such other reasonable terms and conditions, if any, in addition to those already specified in this Contract, that the Company determines apply to that Work.
5. **Rate.** The Company and the Contractor will make all commercially reasonable efforts to agree on the amount the Company is to pay the Contractor for the performance of the Work that the Company allocates under this Contract in accordance with Schedule "A" to this Contract, but, failing such agreement, the amount will be determined in accordance with Schedule "A" to this Contract (such amount, as agreed upon or determined, is the **"Rate"**) and when a Rate is so agreed upon or determined, the Company will enter that Rate into the applicable Term Sheet and provide a copy of that Term Sheet to the Contractor.

6. **Contractor's Information.** The Contractor's:

- (a) Federal Goods and Services Tax registration number is: 890509169;
- (b) Workers' Compensation Board number is: 585113-141;
- (c) insurance agent is:
  - (i) *Name:* Jardine Lloyd Thompson Canada
  - (ii) *Delivery Address:* 350 - 4396 West Saanich Rd.  
Victoria B.C. V8Z 3E9
  - (iii) *Mail Address:*
  - (iv) *Fax:* 250-388-9926
  - (v) *Telephone:* 250-388-4416
  - (vi) *Contact:*
- (d) insurance underwriter and insurance policy numbers are:
  - (i) *Underwriter:* Lloyd's of London
  - (ii) *Policy numbers:* LTLI1541474
- (e) subcontractor that has been consented to by the Company or its predecessor and that is a subsisting subcontract that meets the requirements of the Regulation as of the date of this Contract is Bonmor Falling Ltd., whose subcontract is for the falling phase of the Work.

7. **Contract Components.** This Contract (this "Contract") is comprised of all of the following as the same may be issued, amended, replaced or otherwise changed from time to time in accordance with this Contract:

- (a) this Main Agreement (the "**Main Agreement**");
- (b) the attached Schedule "A": General Terms and Conditions;
- (c) the attached Schedule "B": Log Quality Specifications; and
- (d) each Term Sheet issued under this Contract.

8. **Entire Agreement.** This Contract, and any amendments to it made in accordance with this Contract, constitutes the entire agreement between the Company and the Contractor, and supersedes all prior agreements, understandings, correspondence and documents of intent, if any such exist, in respect of the subject matter hereof.

- 4 -


9. **Amendments.** Except as otherwise expressly provided in this Contract, the parties may amend this Contract only by agreement in writing, executed by both parties.


10. **Replacement of Previous Contract.** This Contract replaces the Previous Contract and the Prime Contractor Agreement referred to in Paragraph 7(c) of the main agreement in the Previous Contract, each of which is hereby terminated as of the commencement of the Term, and the Contractor does hereby remise, release and forever discharge the Company of and from all manner of actions, causes of action, notices of dispute, claims, demands, costs and expenses of any nature or kind the Contractor has or hereinafter can, will or may have by reason of any matter, cause or thing whatsoever existing to December 31, 2014.

**IN WITNESS WHEREOF** the parties have executed this Contract as of the date and year first above written.

**SKEENA SAWMILLS LTD.**

**TERRACE TIMBER LTD.**

Per:   
(Authorized Signatory)

Per:   
(Authorized Signatory)

Greg DeMille  
Name (Print)

GREG MAIN  
Name (Print)

Woodlands Manager  
Title (Print)

PREP  
Title (Print)

CONTRACT NO.: TERTI-15-00

**Schedule "A"**  
to  
**Replaceable Coast**  
**Stump to Dump Timber Harvesting Contract**  
**(Five Year)**  
between Skeena Sawmills Ltd. and Terrace Timber Ltd.  
made as of January 1, 2015

## GENERAL TERMS AND CONDITIONS

### PART 1 INTERPRETATION

1.1 **Definitions.** In this Contract, unless this Contract specifies, or the context requires, otherwise:

- (a) "Access Roads" has the meaning given it in Paragraph 4.1;
- (b) "Agreement Year" means each 12 month period during the currency of this Contract commencing at the beginning date of this Contract;
- (c) "Amount of Work" has the meaning given it in Paragraph 3 of the Main Agreement;
- (d) "Amount of Work Compliance Period" means:
  - (i) subject to clauses (ii) and (iii), the 5 year cut control period for the Licence;
  - (ii) if the Company terminates the cut control period for the Licence early, then whichever of the following the Company elects in a notice to the Contractor:
    - (A) the 5 year period that would have applied if the cut control period had not been terminated early, and each consecutive 5 year period thereafter;
    - (B) for the cut control period that was terminated early, the duration of that cut control period, then each consecutive 5 year cut control period for the Licence thereafter; or
    - (C) such other reasonable period the Company specifies in a notice to the Contractor; or
  - (iii) such other period as the Company and the Contractor may agree on in writing;
- (e) "Applicable Laws" means all federal, provincial, regional and municipal laws, by-laws, rules and regulations, including the Key Legislation, and all applicable, valid and subsisting orders of courts, government tribunals and government officials that apply in respect of the Work or the performance of the Contractor's obligations or the exercise of its rights under this Contract;
- (f) "BCICAC" has the meaning given it in Paragraph 15.5(a);
- (g) "Business Day" means any day other than a day that is a Saturday, a Sunday or a statutory holiday in British Columbia;
- (h) "Caused", as it is used in Paragraphs 6.1 and 6.5, means to start, light, fuel, cause, allow, permit or enable, in all such cases whether directly or indirectly or intentionally or unintentionally and whether in breach of this Contract, negligently or willfully;



- (i) "Company" has the meaning given it in the description of the parties to this Contract;
- (j) "Company's Rules" means the Company's policies, plans, standards, procedures and like requirements as communicated by the Company to the Contractor in accordance with this Contract and pertaining to forest stewardship; health and safety; protection of the environment; wildfire prevention, detection and control; compliance with legislation; compliance with any certification system that applies in respect of the Company, the Licence or the Work; performance of the Work and other obligations of the Contractor under this Contract; and use of Operating Areas, Access Roads and Points of Delivery, as may be established, amended or added to from time to time during the Term in accordance with this Contract, including the:
  - (i) Fire Preparedness Plan;
  - (ii) Health and Safety Rules; and
  - (iii) Road Rules;
- (k) "Contract" has the meaning given it in Paragraph 7 of the Main Agreement;
- (l) "Contractor" has the meaning given it in the description of the parties to this Contract;
- (m) "Contractor's Workforce" means:
  - (i) the directors, officers, employees and agents of the Contractor; and
  - (ii) all other persons:
    - (A) whether individuals, companies, partners, partnerships, proprietorships, First Nations, government or otherwise;
    - (B) whether retained by, through, under, on behalf of or in any other relationship, direct or indirect, to the Contractor and whether similar to the foregoing or not;
    - (C) whether engaged as a contractor, subcontractor, agent or employee of any of the foregoing or in any other relationship, whether similar to the foregoing or not, including any director, officer, employee or agent of any of the foregoing; and
    - (D) regardless of where the person may be in the chain of relationships,

engaged, directly or indirectly, by the Contractor to exercise a right or perform an obligation of the Contractor under this Contract;
- (n) "Environmental, Health and Safety Laws" means any statute, regulation, bylaw, judgment, decree, order, injunction, rule, guideline or ordinance in effect in British Columbia regulating the protection of the environment, forest stewardship or the health and safety of Workers as it relates to the Work or the performance of any of the Contractor's other obligations under this Contract, including any requirements under the Key Legislation;
- (o) "Environmental Policy" means the Company's environmental management policy governing the performance of its activities and those of its employees and contractors;
- (p) "Fire Preparedness Plan" means a plan that addresses any of the prevention, detection, reporting and control of wildfire, including any of the following:
  - (i) compliance with the *Wildfire Act*;
  - (ii) the number of people, types and numbers of tools and equipment and the anticipated location of the people and equipment during the performance of an industrial activity, including the tools and equipment to be available at a central cache;
  - (iii) the names of key personnel and how they may be contacted;

- (iv) training requirements in respect of fire prevention, detection, reporting and control;
  - (v) the names of personnel who meet training requirements;
  - (vi) restrictions on smoking and the use of open fires at Operating Areas;
  - (vii) the location of weather stations that will be used to monitor the weather at Operating Areas and on Access Roads;
  - (viii) responsibilities for determining fire danger class and impacts on operations at Operating Areas and on Access Roads, including early shift and shutdown; and
  - (ix) fire watch;
- (q) “**Firefighting Costs**” means all costs and expenses, including costs and expenses pertaining to labour, equipment, materials, supplies, transportation and accommodation, reasonably incurred by the Contractor, the Company, or third parties, including the Contractor’s Workforce, whose costs and expenses the Contractor or the Company is liable for, in connection with the containment, control or extinguishment of a fire that occurs on, spreads onto or from, or could reasonably be expected to spread onto or from an Operating Area or Access Road;
- (r) “**Health and Safety Rules**” means the Company’s written policies, standards or requirements relating to occupational health and safety matters;
- (s) “**Key Legislation**” means the *Forest and Range Practices Act*, the *Wildfire Act*, the *Workers Compensation Act*, the *Fisheries Act*, the *Environmental Management Act*, the *Wildlife Act*, the *Species at Risk Act* and other legislation for the protection of the environment;
- (t) “**Lands**” means:
- (i) the land subject to the Licence;
  - (ii) if the Company requires the Contractor to perform Work under Paragraph 3.6, the land on which the Contractor is to perform that Work;
  - (iii) without limiting clauses (i) or (ii), each Operating Area, Access Road and Point of Delivery; and
  - (iv) any area not included in clauses (i) to (iii) where the Contractor is required to fight fire or perform other obligations under Part 6;
- (u) “**Licence**” has the meaning given it in Recital A of this Contract;
- (v) “**Log Quality Specifications**” means the log quality specifications attached as Schedule “B” to this Contract, including such log quality bonus and deduction provisions that are a part thereof, as amended from time to time by the Company in accordance with this Contract;
- (w) “**Main Agreement**” has the meaning given it in Paragraph 7(a) of the Main Agreement;
- (x) “**Ministry**” means the Ministry responsible for the *Forest Act*, and “**Minister**” has a corresponding meaning;
- (y) “**Operating Area**” has the meaning given it in Paragraph 4(a) of the Main Agreement;
- (z) “**Operational Document**” means any of the following documents:
- (i) the Licence;
  - (ii) any plan, prescription, cutting permit, road permit or other permit or like document applicable to the Lands, including a forest stewardship plan or site plan under the *Forest and Range Practices Act*; and
  - (iii) any foreshore lease, licence of occupation or other lease, licence or similar authority issued by a government or governmental agency and applicable to the Contractor’s operations under this Agreement;

– 4 –

- (aa) **“Payment Schedule”** has the meaning given it in Paragraph 8.6;
- (bb) **“Point of Delivery”** has the meaning given it in Paragraph 4(c) of the Main Agreement;
- (cc) **“Pollutant”** means any substance or material that does not occur naturally in the environment or which falls within the definition of “contaminants”, “pollutants”, “waste”, “special waste”, “deleterious substance”, “hazardous chemicals”, “hazardous waste”, “dangerous goods”, “toxic substances” or “pesticides” or any variation thereof or any similar term in any of the Environmental, Health and Safety Laws or other legislation applicable to the operations of the Contractor under this Contract;
- (dd) **“Previous Contract”** has the meaning given it in Recital B of this Contract;
- (ee) **“Rate”** has the meaning given it in Paragraph 5 of the Main Agreement;
- (ff) **“Regulation”** has the meaning given it in Recital B of this Contract;
- (gg) **“Release”** means to spill, leak, seep, pump, pour, emit, empty, throw, discharge, disperse, deposit, inject, escape, leach, dispose, dump or place, and includes migration;
- (hh) **“Road Rules”** means the Company’s directions pertaining to the use of Access Roads, including hours of use, number of trips per day, locking of gates and closure of roads and bridges;
- (ii) **“Term”** has the meaning given it in Paragraph 1 of the Main Agreement;
- (jj) **“Term Sheet”** has the meaning given it in Paragraph 4 of the Main Agreement;
- (kk) **“Volume of Timber Harvested”**, as it is used in Paragraph 3 of the Main Agreement, means the timber volumes that are attributed to the Licence in cut control statements issued on behalf of the government to the Company, excluding any such volume attributed to the licence by the Minister under the authority of a regulation made under section 75(3)(b) of the *Forest Act*;
- (ll) **“Work”** has the meaning given it in Paragraph 2 of the Main Agreement;
- (mm) each of the following has the meaning given them in Paragraph 16.1:
  - (i) **“Acquisition Agreement”**;
  - (ii) **“Company Negotiation Period”**;
  - (iii) **“Interest Notice”**;
  - (iv) **“Termination Agreement”**; and
  - (v) **“Third Party Negotiating Period”**; and
- (nn) each of the following terms has the meaning given them in the *Workers Compensation Act*:
  - (i) **“Multiple-Employer Workplace”**;
  - (ii) **“Owner”**;
  - (iii) **“Prime Contractor”**;
  - (iv) **“Worker”**; and
  - (v) **“Workplace”**.

**1.2 References.** For the purposes of this Contract, except as otherwise expressly provided:

- (a) a reference to a corporation includes, and is also a reference to, a corporation that is its successor;
- (b) a word referring to a corporation includes an individual;

- (c) a word in the singular includes the plural and vice versa; and
- (d) a reference in the Main Agreement, a Schedule or a Term Sheet to a Paragraph or Part, as the case may be, by number is a reference to a Paragraph or Part, as the case may be, of that number in the Main Agreement, that Schedule or that Term Sheet, as the case may be.

1.3 **Headings.** All headings and subheadings in this Contract are inserted for convenience of reference only and will not affect the interpretation of this Contract.

1.4 **Use of "Including".** The word "including", when following any general statement, term or matter, is not to be construed to limit the general statement, term or matter to the specific items or matters set forth immediately following the word "including" or to similar items or matters, whether or not non-limiting language (such as "without limitation" or "but not limited to" or words of similar import) is used but, rather, the general statement, term or matter will be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter.

1.5 **Time of Essence.** Time is of the essence of this Contract.

1.6 **Severability.** If any one or more of the provisions contained in this Contract is or are invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby.

1.7 **Governing Law.** This Contract will be governed by and interpreted in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

1.8 **Legislation.** In this Contract:

- (a) the following references to Acts have the following meanings:
  - (i) "*Arbitration Act*" means the *Arbitration Act* R.S.B.C. 1996, c.55;
  - (ii) "*Canada Pension Plan*" means the *Canada Pension Plan* R.S.C. 1985, c. C-8;
  - (iii) "*Employment Insurance Act*" means the *Employment Insurance Act* S.C. 1996, c.23;
  - (iv) "*Employment Standards Act*" means the *Employment Standards Act* R.S.B.C. 1996, c.113;
  - (v) "*Environmental Management Act*" means the *Environmental Management Act* S.B.C. 2003, c.53;
  - (vi) "*Excise Tax Act*" means the *Excise Tax Act* R.S.C. 1985, c.E-15;
  - (vii) "*Fisheries Act*" means the *Fisheries Act* R.S.C. 1985, c. F-14;
  - (viii) "*Forest Act*" means the *Forest Act*, R.S.B.C. 1996, c.157;
  - (ix) "*Forest and Range Practices Act*" means the *Forest and Range Practices Act* S.B.C. 2002, c.69 and includes the *Forest Practices Code of British Columbia Act* R.S.B.C. 1996, c.159, as applicable thereunder and in its own right to the extent it remains in force;
  - (x) "*Forestry Service Providers Protection Act*" means the *Forestry Service Providers Protection Act* S.B.C. 2010, c.16;
  - (xi) "*Income Tax Act (British Columbia)*" means the *Income Tax Act* R.S.B.C. 1996, c.215;
  - (xii) "*Income Tax Act (Canada)*" means the *Income Tax Act* R.S.C. 1985, c. 1 (5th Supp.);
  - (xiii) "*Species at Risk Act*" means the *Species at Risk Act* S.C. 2002, c.29;
  - (xiv) "*Wildfire Act*" means the *Wildfire Act* S.B.C. 2004, c.31;
  - (xv) "*Wildlife Act*" means the *Wildlife Act* R.S.B.C. 1996, c.488;
  - (xvi) "*Woodworker Lien Act*" means the *Woodworker Lien Act* R.S.B.C. 1996, c.491; and
  - (xvii) "*Workers Compensation Act*" means the *Workers Compensation Act* R.S.B.C. 1996, c.492; and
- (b) any reference to an Act or regulation or a provision of the same is deemed to include:

— 6 —

- (i) that Act, regulation or provision, as the case may be, as amended, restated, renumbered or replaced from time to time;
- (ii) in the case of an Act, all regulations, standards and other like legal instruments promulgated thereunder; and
- (iii) any successor Act, regulation, provision, standard or other like legal instrument to the same general intent and effect.

## PART 2 OPERATING PROVISIONS

### 2.1 Performance of the Work. The Contractor will:

- (a) as directed by the Company from time to time, and in accordance with this Contract, perform all work and services required to perform, produce and deliver, within the time periods specified by the Company in the applicable Term Sheet, the Work allocated to the Contractor by the Company; and
- (b) provide all of the following necessary to perform the Work in accordance with this Contract:
  - (i) all skilled labour and adequate and competent supervision; and
  - (ii) all materials, equipment and supplies.

### 2.2 Specific Elements of the Work. Without limiting the definition of "Work" in this Contract, the Contractor will as part of the Work:

- (a) transport the Contractor's Workforce, supervisory staff, equipment, materials and supplies to, from and within each Operating Area;
- (b) mobilize and demobilize all equipment, materials and supplies at the commencement and the conclusion of the Work on each Operating Area;
- (c) prepare for Work on an Operating Area as follows:
  - (i) at all times be familiar with this Contract and the Company's Rules;
  - (ii) before commencing the Work:
    - (A) review the Term Sheet and each Operational Document that applies to that Operating Area;
    - (B) if and as requested by the Company, attend a pre-work conference with the Company in respect of that Operating Area;
  - (iii) if and as requested by the Company, ensure each person in the Contractor's Workforce attends a pre-work conference with the Company to review all aspects of the Work relevant to that person;
  - (iv) if the Company does not request that a person in the Contractor's Workforce attend a pre-work conference under clause (iii), ensure each such person attends a pre-work conference held by the Contractor to review all aspects of the Work relevant to that person;
  - (v) if a person in the Contractor's Workforce, does not attend a pre-work conference under clause (iii) or (iv), ensure that person is briefed in advance of performing their duties in respect of the Work of all aspects of the Work and of this Agreement relevant to those duties; and
  - (vi) despite any review or conference involving the Company under this subparagraph, be solely responsible for ensuring the Work and the Contractor's other obligations under this Agreement are carried out in accordance with this Agreement;
- (d) before commencing Work on an Operating Area, ascertain the boundaries of the Operating Area, including reserves within the Operating Area, and avoid any trespass;

- (e) unless requested by the Company not to do so, on behalf of the Company and prior to commencing any Work on an Operating Area for which a notice of commencement is required to be given to the Ministry under the *Forest and Range Practices Act*, give such notice in accordance with the *Forest and Range Practices Act*;
- (f) not commence Work on an Operating Area until it has received written authorization from the Company to do so;
- (g) once the Contractor has entered onto an Operating Area to perform the Work, carry out that Work continuously and diligently until the Contractor completes it in accordance with this Contract;
- (h) ensure that, at all times while members of the Contractor's Workforce are engaged on an Operating Area, each such member has with them the map or logging plan applicable to that Operating Area provided by the Company and understands their responsibilities in respect of the Work;
- (i) perform the Work in accordance with maps, written instructions and oral instructions issued by the Company at the pre-work conference, during inspections and at any other time;
- (j) fall, limb, buck, yard or skid, process, sort, load, mark and haul to the Point of Delivery all timber to be produced under this Contract;
- (k) modify its falling and yarding or skidding techniques and practices as required by the Company in order to protect watercourses, resource features or other environmental elements;
- (l) inform the Company as soon as possible of any matter that suggests to the Contractor that the Company should consider revising the map or logging plan or any other aspect of the operations on an Operating Area to ensure the Contractor can achieve its obligations under this Contract;
- (m) take all reasonable precautions to ensure timber produced under this Contract is free of rocks, spikes, cables and other embedded material;
- (n) fall all snags; perform 3 m knockdown; pile all accumulations of slash and debris at landings or along roadside as instructed by the Company and, in any event, not within 10 metres of stream banks or a gully sidewall and, if practicable, on the low side of the road and at least 40 metres away from any standing timber; and place fire guards around each debris pile;
- (o) clean up all waste and debris, including all roadside logging debris, and clean all streams, creeks, gullies and other water bodies of all such waste and debris;
- (p) deactivate and, where directed by the Company, rehabilitate skid and backspar trails;
- (q) remove all garbage daily from each Operating Area and disposed of it in compliance with all Applicable Laws and any requirement of the Company;
- (r) where applicable, using stamping hammers having marks or brands approved by the Ministry and registered in the name of the Company, mark all timber produced from the Work with the appropriate timber mark specified in the applicable Term Sheet and in accordance with the *Forest Act* and any related policies or directives of the Ministry in effect from time to time and, without limiting any other remedy of the Company under this Contract, any seizure cost resulting from poor timber marking will be at the Contractor's expense;
- (s) cut, remove and deliver to the Company all timber within an Operating Area that is not reserved from harvesting that meets the Company's Log Specifications;
- (t) not deliver to the Company any timber that does not meet the Company's Log Specifications;

- (u) perform and keep all obligations under this Contract in respect of an Operating Area current with the Contractor's operations on that Operating Area;
- (v) if a Term Sheet includes more than one Operating Area, or more than one Term Sheet is in effect at any particular time, complete the Work on one block before commencing the Work on the next block;
- (w) make, keep and maintain accurate, current and proper:
  - (i) maps and plans at, and regarding, each Operating Area and the Work to be performed there; and
  - (ii) written books and records of the Contractor's operations under this Contract, including:
    - (A) information relevant to the progress and performance of the Work, including the quantity, quality and species of logs felled, bucked, yarded, skidded or loaded at any particular time; and
    - (B) such other reports pertaining to the Contractor's operations under this Contract as the Company may reasonably request from time to time;
- (x) on request of the Company, immediately:
  - (i) deliver to it the maps, plans, books and records referred to in subparagraph (w), except accounting records of the Contractor's income and expenses;
  - (ii) such other records as the Contractor is required to keep under this Contract; and
  - (iii) report to the Company on the progress of the Work and the Contractor's compliance with this Contract; and
- (y) perform such other services related to the Work as reasonably requested by the Company from time to time.

**2.3 Standard of Performance.** Without limiting any other obligation of the Contractor under this Contract, the Contractor will perform the Work in an environmentally sound, safe, efficient, timely, continuous, good, prudent and workmanlike manner.

**2.4 Permits and Licences.** The Contractor will obtain and pay for all permits and licences (other than permits and licences held from time to time by the Company or available only to the Company) required for the performance of the Work, including the licensing and certification of equipment and operators.

**2.5 Supervision.** The Contractor will provide adequate supervision of the Contractor's Workforce, including permitted subcontractors.

**2.6 Training.** The Contractor will:

- (a) provide adequate and current training for its employees, and require employers within the Contractor's Workforce to do the same for their employees, including training in respect of safety, environmental protection, compliance with forest practices and prevention, detection and control of fire;
- (b) participate in, and as requested by the Company require that all other members of the Contractor's Workforce participate in, any training arranged or required by the Company, the Ministry or WorkSafe BC in respect of safety, environmental protection, compliance with forest practices and prevention, detection and control of fire or the Company's Rules or Operational Documents; and
- (c) without limiting Paragraph 2.2(w), make, keep and maintain accurate written records of all training referred to in subparagraphs (a) and (b), including the date the training occurred, the subject matter of the training and the persons who attended the training, and provide those records to the Company on a monthly basis as training occurs.

**2.7 Inspections.** The Company may, to assess compliance with this Contract by the Contractor and the Contractor's Workforce, at any time, from time to time and without notice to the Contractor, inspect the Work of the Contractor, its use of the Lands permitted under this Contract, its labour, equipment, materials, supplies, records and other things provided or produced in connection with the Work and the exercise of any other right and the carrying out of any other obligation by the Contractor under this Contract, and the Contractor will:

- (a) co-operate with the Company in such inspections;
- (b) if and as reasonably requested by the Company, accompany the Company during an inspection; and
- (c) without limiting any other right of the Company under this Contract, if an inspection reveals any non-compliance with this Contract, take such action as the Company may reasonably direct the Contractor to take to remedy such non-compliance.

**2.8 Representatives.** Each Party will:

- (a) appoint, and maintain throughout the Term, a representative who:
  - (i) as of the commencement of the Term, is the contact listed on page 1 of the Main Agreement in the description of each Party to this Contract; or
  - (ii) is a person specified as a replacement representative in a notice from the Party to the other Party; and
- (b) empower and require the representative to act as the primary contact between the Parties in respect of issues regarding the operational fulfillment of the Parties' respective obligations under this Contract, and for greater certainty:
  - (i) a Party will first attempt to raise any such issue with the other Party's appointed representative but, if that is not practical in the circumstances, may raise the issue with another responsible representative of that other Party; and
  - (ii) nothing under this Paragraph affects or replaces:
    - (A) any right or obligation to give notice, or method for doing so, under this Contract; or
    - (B) the provisions of Part 15 regarding dispute resolution,

but nothing in this Paragraph precludes the Company from appointing an agent or field supervisor in respect of this Agreement.

**2.9 Compliance.** Without limiting the generality of any other provision of this Contract, the Contractor will perform the Work and any other obligation of the Contractor under this Contract and exercise the rights of the Contractor under this Contract to use the Access Roads in compliance with:

- (a) all Applicable Laws;
- (b) the Company's Rules;
- (c) each Term Sheet issued by the Company to the Contractor;
- (d) the applicable terms, conditions and operating standards of the Operational Documents;
- (e) except as expressly stated in this Contract, the Company's Log Quality Specifications in effect when the logs are produced;



- (f) all lawful instructions of any government agency given to the Contractor or given to the Company and disclosed to the Contractor by the Company;
- (g) all lawful instructions of the Company disclosed to the Contractor in respect of health and safety, forest stewardship and environmental protection generally, and the Key Legislation in particular;
- (h) all other instructions given to the Contractor by the Company in accordance with this Contract;
- (i) contracts, agreements or other obligations binding on the Company that the Company has disclosed to the Contractor; and
- (j) without limiting subparagraph (i), with the requirements in the agreement between Rio-Tinto Alcan ("RTA") and the Ministry that permits access to the Bish Forest Service Road, or as directed by RTA or by the Company, for the use of facilities owned by RTA or when on property owned by RTA.

**2.10 Enforcement.** The Contractor will:

- (a) immediately notify the Company of:
  - (i) any possible contravention of the Key Legislation or the Company's Rules arising from or related to the Contractor's operations under this Contract;
  - (ii) any communication with government authorities in respect of the Contractor's operations under this Contract including any inspections or investigations under the Key Legislation; and
  - (iii) any allegation by government against the Contractor regarding contravention of any law arising from or related to the Contractor's operations under this Contract;
- (b) if and as reasonably requested by the Company, co-operate with the Company in assessing and developing defences against any allegations against the Company or the Contractor regarding contravention of any law arising from or related to the Contractor's operations under this Contract; and
- (c) immediately notify the Company of any fine or penalty, remediation order or like decision levied or made against the Contractor regarding contravention of any law arising from or related to the Contractor's operations under this Contract or contravention by the Contractor of any Key Legislation regardless of whether the contravention relates to operations under this Contract.

**2.11 Risk for Logs.** The Contractor will bear the risk of damage to or loss of, and take all reasonable steps and precautions to safeguard and protect, each log produced under this Contract until the Contractor delivers the log to the Company at the applicable Point of Delivery.

**2.12 Status of Operating Areas.** The Contractor hereby:

- (a) acknowledges and agrees that:
  - (i) the Contractor has entered into this Contract relying solely on the basis of its own information;
  - (ii) before the Rate for an Operating Area is agreed upon or determined under this Contract, and any Work commences on an Operating Area, the Contractor will examine the Operating Area and satisfy itself as to all conditions in respect of the Operating Area, including the matters referred to in clause (iii);
  - (iii) the Company has not made any representation, or given any warranty, to the Contractor in respect of the quantity or quality of timber on any Operating Area, the conditions on any Operating Area, the ease or difficulty of the Work in respect of any Operating Area or the costs or profitability of performing the Work in respect of an Operating Area, all of which matters the Contractor will fully investigate and satisfied itself in respect of as indicated in clause (ii); and
- (b) absolutely releases the Company from any and all claims in respect of the foregoing matters.

**2.13 Correction of Work.** The Contractor will as part of the Work, on request of the Company, remediate or re-perform any portion of the Work not performed to the satisfaction of the Company, acting reasonably; and, if directed by the Company, have such remediation or re-performance done by a third party satisfactory to the Company.

**2.14 Failure to Perform Work.** Without limiting any of the Company's other rights or remedies in respect of any breach of this Contract by the Contractor, if the Contractor fails to perform the Work or any other obligation under this Contract, or any portion thereof, in accordance with this Contract, following receipt of notice from the Company to do so within a reasonable period of time, the Company may, but is not obligated to, perform that Work, other obligation or portion thereof or arrange for a third party to perform that Work, other obligation or portion thereof, and the Contractor will, immediately on receipt of a demand from the Company to do so, reimburse the Company an amount equal to the expense incurred by the Company in doing so.

### **PART 3 CHANGES IN OPERATIONS**

**3.1 Changes.** The Company may, for bona fide business and operational reasons and on reasonable notice to the Contractor, require the Contractor to do one or more of the following:

- (a) use timber harvesting methods, technology or silviculture systems that are different than those historically used by the Contractor under the Contract;
- (b) move to a new operating area;
- (c) comply with different operating specifications;
- (d) undertake any other operating change necessary to comply with a direction made by a government agency or lawful obligation imposed by a federal, provincial or municipal government,

and, subject to Paragraph 3.2, the Contractor will comply with such requirements.

**3.2 Termination Due to Substantial Changes.** If a requirement made by the Company under Paragraph 3.1 results in a substantial change in the Work, the Contractor may, within 15 days of receiving notice of the requirement, elect by notice to the Company, to terminate this Contract without incurring any liability to the Company in respect of such termination.

**3.3 Request for Rate Review.** If the Company makes a requirement under Paragraph 3.1 and the Contractor does not elect to terminate this Contract under Paragraph 3.2, either party may, within 30 days of the Contractor receiving notice under Paragraph 3.1, request a review of the Rate for the Work then in effect.

**3.4 Resolving Rate Dispute.** If either party requests a Rate review pursuant to Paragraph 3.3 and if, within 14 days after such notice is given, the parties are unable to agree upon a new rate, either party may give to the other party a notice specifying that the parties are unable to agree on a new rate, in which case the rate must be determined in accordance with Part 15 of these General Terms and Conditions and Division 4 of Part 5 of the Regulation and, for greater certainty, sections 25(1) to (3) of the Regulation apply as part of determining the rate.

**3.5 Contractor's Replacement of Equipment.** The Contractor will not replace the equipment it uses to perform the Work and its other obligations under this Contract without the prior written consent of the Company, which consent the Company will not unreasonably withhold.

**3.6 Substituting Work.** The Company may, in accordance with s.21.1 of the Regulation, allocate to the Contractor Work that pertains to timber that the Company is entitled to harvest outside the Licence, in which case, as and to the extent and in the manner required by the Regulation:

- (a) the Company will inform the Contractor that the Work is being allocated in substitution for Work under the Licence before the Contractor commences the substituted work;
- (b) the Work is deemed to be allocated under this Contract and all the provisions of this Contract apply to the Work; and
- (c) there is no obligation for the Company to allocate any Work outside the Licence to the Contractor at any other time.

**3.7 Changes to Company Documents and Directions.** Without limiting any other provision of this Contract, the Company may, from time to time, by notice to the Contractor establish, specify, obtain, amend, replace, substitute or otherwise create or change any plan, direction, standard, specification, instruction, instrument, policy or other requirement, directive or document that applies in respect of the Contractor, the Work or the Lands, including any of the following, provided that such notice is given reasonably in advance and such amendment, replacement or other change is reasonable in the circumstances:

- (a) any Operational Document;
- (b) the Company's Rules, the Log Quality Specifications, the Payment Schedule and a Term Sheet; and
- (c) any direction or instruction the Company is permitted to give to the Contractor under this Contract.

#### **PART 4 ROAD USE AND MAINTENANCE**

**4.1 Rights to Use Access Roads.** The Company will, to the extent it has a right to do so, permit, or otherwise make commercially reasonable efforts to arrange for, the Contractor and the Contractor's Workforce to use roads to access the Operating Areas or to access the Points of Delivery from the Operating Areas, other than public highways, (collectively, the "Access Roads") on a non-exclusive basis and at their own risk, at reasonable times and subject to adverse weather conditions and restrictions on access imposed by land owners, government authorities or other persons with authority to restrict such access.

**4.2 Road Rules.** The Contractor will:

- (a) without limiting Paragraph 2.9, comply with the Road Rules; and
- (b) keep the Access Roads free and clear of all debris and other obstructions resulting from its performance of the Work in a manner consistent with the performance of a responsible and prudent operator.

**4.3 Status of Roads.** The Contractor hereby:

- (a) acknowledges and agrees that:
  - (i) before the Contractor uses an Access Road under this Contract, it will examine that Access Road to determine its condition and suitability for the Contractor's performance of the Work; and
  - (ii) the Company has not made any representation, or given any warranty, to the Contractor in respect of the matters referred to in clause (i); and
- (b) releases the Company from any and all claims in respect of the foregoing matters.

**4.4 Access Road Maintenance.** The Contractor will maintain all of the Access Roads the Contractor uses under this Contract that are the responsibility of the Company to maintain under the Applicable Laws or the applicable Operational Document and such maintenance will:

- (a) be performed in accordance with the Company's obligations under the Applicable Laws and the applicable Operational Document;
- (b) include:
  - (i) grading and spot surfacing;
  - (ii) cleaning of culverts;
  - (iii) keeping ditches and culverts functioning at all times;
  - (iv) installing waterbars and cross ditches on all in-block roads, and on other Access Roads as directed by the Company, once hauling has been completed or when operations have been completed for the season; and
  - (v) such other activities as directed by the Company; and
- (c) without limiting subparagraph (a), must meet the objectives of:
  - (i) minimizing sediment into streams, creeks and other water bodies and keeping water in its proper channel at all times;
  - (ii) protecting the structural integrity of the road prism and clearing width; and
  - (iii) keeping the road safe for industrial use.

**PART 5  
SAFETY**

5.1 **WCB Registration:** Without limiting the Contractor's obligations under Paragraph 2.9, the Contractor will:

- (a) obtain and, throughout the Term, maintain registration as an independent firm under the *Workers Compensation Act*;
- (b) by the time it executes this Contract, provide the Company with proof of such registration and the Contractor's Workers Compensation Board registration number; and
- (c) immediately inform the Company by notice of any change in the Contractor's status under the *Workers Compensation Act*.

5.2 **Compliance with Safety Requirements.** Without limiting the Contractor's obligations under Paragraph 2.9, the Contractor will:

- (a) before commencing the Work, review and ensure it is familiar with the *Workers Compensation Act*; and
- (b) plan and exercise every right and plan and perform every obligation of the Contractor under this Contract, and maintain every Workplace associated with all such rights and obligations:
  - (i) in compliance with the *Workers Compensation Act*, including Part 26 of the Occupational Health and Safety Regulation, whether or not the provisions of that Part 26 expressly impose an obligation on a specific person and, for greater certainty, in respect of all such rights and obligations, the Contractor is deemed for the purposes of this provision and s.26.2(2) of that Part 26, to be a person with knowledge and control of an activity in a Forestry Operation; and
  - (ii) in a manner that will ensure that at all times the Company is, in respect of such rights and obligations, in compliance with its obligations under:
    - (A) Part 3 of the *Workers Compensation Act* as an Owner or Employer; and
    - (B) Part 26 of the Occupational Health and Safety Regulation as an Owner of a Forestry Operation.

**5.3 Health and Safety Program.** The Contractor will:

- (a) maintain a health and safety program designed to prevent accidents involving the Contractor's Workforce or other persons present at the Workplaces associated with the Work, whether those other persons are associated with the Work or not; and
- (b) provide to the Company, on such reasonable request as the Company may make from time to time, a copy of all documents that establish, describe or comprise the Contractor's health and safety program.

**5.4 Pre-Work Requirements.** The Contractor will:

- (a) before commencing any Work, and so often thereafter as is necessary to ensure safety or compliance with the *Workers Compensation Act*, conduct a safety meeting with the Contractor's Workforce that communicates to the Contractor's Workforce:
  - (i) the health and safety hazards of:
    - (A) the Work; and
    - (B) any Workplace associated with the Work, including each Operating Area, Access Road and Point of Delivery; and
  - (ii) the Contractor's health and safety program and expectations, including emergency evacuation procedures; and
- (b) provide the information referred to in subparagraph (a) to any person who joins the Contractor's Workforce after a meeting referred to in that subparagraph and before that person engages in any part of the Work.

**5.5 Working with Others.** The Contractor will:

- (a) when performing the Work or any other obligation, or exercising any right, under this Contract on an area, coordinate the activities of the Contractor with those members of the Contractor's Workforce and any third party also working on that area for the purposes of ensuring that the activities of all persons on the area are safe; and
- (b) without limiting subparagraph (a), if it is not the Prime Contractor in respect of a Multiple-Employer Workplace where the Work is being performed, including any Operating Area, Access Road or Point of Delivery, or another obligation or right under this Contract applies:
  - (i) determine who is the Prime Contractor for that Multiple-Employer Workplace; and
  - (ii) to enable that Prime Contractor to fulfill its obligations under the *Workers Compensation Act*, cooperate, and require all members of the Contractor's Workforce active at that Multiple-Employer Workplace to cooperate, with the Prime Contractor for that Multiple-Employer Workplace, in respect of the duties of that person as Prime Contractor as:
    - (A) directed by the Company; or
    - (B) in the absence of direction by the Company, as is appropriate in the circumstances and consistent with the Contractor's obligations under this Contract.

**5.6 Directions from the Company.** The Contractor will comply with all reasonable directions the Company may give it at any time and from time to time in respect of safety, provided, however, that at all times it is the Contractor's responsibility to ensure its operations and those of the Contractor's Workforce are safe and in compliance with the *Workers Compensation Act*.

**5.7 Hazards and Incidents.** The Contractor will:

(a) if a hazard exists in respect of the Work, any Workplace or the Lands that makes it unsafe to continue the Work or to perform any other obligation or exercise any right under this Contract, immediately cease or modify its operations so as to avoid injury and advise the Company of the hazard and the actions taken to avoid injury;

(b) immediately notify the Company of:

(i) any serious accident, near miss or other safety incident involving the Contractor's Workforce whether or not the accident or other incident results in an inspection, investigation, order or other action under the *Workers Compensation Act*; and

(ii) the actions the Contractor is taking to avoid any such accident or incident from that time forward; and

(c) without limiting subparagraphs (a) or (b), or Paragraph 2.2(w), make, keep and maintain accurate, complete and written minutes of safety meetings, accident reports and near-miss reports and submit each such document to the Company within one month of the applicable safety meeting or safety incident, or earlier on the reasonable request of the Company.

**5.8 SAFE Certification.** The Contractor will:

(a) if not SAFE Certified as of the commencement of the Term, use all commercially reasonable efforts to become so as soon as commercially reasonable, if requested by the Company to do so;

(b) if it is or becomes SAFE Certified, maintain SAFE Certified status throughout the remainder of the Term; and

(c) on the reasonable request of the Company, which the Company may make from time to time, provide evidence satisfactory to the Company of the Contractor's SAFE Certified status.

**5.9 Qualified to be Prime Contractor.** The Contractor hereby represents and warrants to the Company that:

(a) it has reviewed, and is familiar with, the qualifications and obligations of a Prime Contractor under the *Workers Compensation Act*; and

(b) it is qualified in accordance with the *Workers Compensation Act* to serve as the Prime Contractor for each Multiple-Employer Workplace where the Contractor is performing the Work or any other obligation of the Contractor under this Contract or exercising any right of the Contractor under this Contract.

**5.10 Appointment as Prime Contractor.** The Contractor will, subject to Paragraph 5.12(b):

(a) be the Prime Contractor for:

(i) each Multiple-Employer Workplace where the Work is being carried out; and

(ii) such other Multiple-Employer workplaces that the Company designates the Contractor to be the Prime Contractor where the Contractor or the Contractor's Workforce is:

(A) operating on or using the Lands under this Contract; or

(B) exercising any other right or performing any other obligation of the Contractor under this Contract; and

(b) will, on the request of the Company, sign an acknowledgement in writing that it is the Prime Contractor for the Multiple-Employer Workplaces referred to in subparagraph (a)(ii).

**5.11 Duties as Prime Contractor.** The Contractor will for those Multiple-Employer Workplaces for which it is the Prime Contractor under this Contract:

- (a) ensure each employer of Workers at those Multiple-Employer Workplaces has provided the Contractor the name of the person the employer has designated to supervise the employer's Workers at that Workplace;
- (b) perform the duties of a Prime Contractor under the *Workers Compensation Act*; and
- (c) without limiting subparagraph (b):
  - (i) send to the Workers' Compensation Board such Notices of Project in respect of the Work when and as may be required under the *Workers Compensation Act*; and
  - (ii) before such Work commences, provide to the Company by notice a copy of each such Notice of Project.

**5.12 Changes to Status as Prime Contractor.** The Contractor:

- (a) will immediately inform the Company if, for any reason, it becomes unqualified to serve as the Prime Contractor in accordance with the *Workers Compensation Act*;
- (b) will cease to be the Prime Contractor for a Multiple-Employer Workplace under this Contract for the time, circumstances, location or any combination thereof, and to the extent specified in, and in accordance with, any notice to that effect given by the Company to the Contractor, which the Company may give, amend or rescind from time to time; and
- (c) will not:
  - (i) assign or subcontract the Contractor's appointment, rights or responsibilities as Prime Contractor under this Contract or retain an agent to perform such responsibilities or exercise such rights; or
  - (ii) appoint anyone to act as Prime Contractor in respect of the Work.

## PART 6 FIRE PREVENTION AND SUPPRESSION

**6.1 Fire Prevention and Control.** Without limiting the Contractor's obligations under Paragraph 2.9 or elsewhere in this Part:

- (a) the Contractor will use all reasonable efforts to prevent, detect, control, contain and extinguish all fires, howsoever Caused, that occur on, spread onto or from or could reasonably be expected to spread onto or from an Operating Area or an Access Road or other area where the Contractor is required under the *Wildfire Act* to carry out such activity; and
- (b) for the purposes of assessing the Contractor's compliance with the *Wildfire Act* under Paragraph 2.9, the Contractor, in the context of its operations under this Contract, is deemed to be a person carrying out an industrial activity and will do all things such a person must do, and not do anything such a person must not do, to comply with the *Wildfire Act*.

**6.2 Fire Training.** Without limiting Paragraph 2.6, the Contractor will ensure at all times during the performance of the Work that a person who has been trained to a level acceptable to the Company and the Ministry in the area of fire suppression techniques, fire behaviour and fireline safety is present on the site where the Work is being performed.

**6.3 Costs of Equipment and Prevention.** Without limiting the obligations of the Contractor under Paragraph 8.14, the Contractor is responsible for all costs and expenses the Contractor incurs:

(a) providing and maintaining in good operating condition firefighting equipment at each Operating Area, Access Road and Point of Delivery in accordance with the *Wildfire Act* and any related requirements of the Ministry or other applicable authority and as required by this Contract; and

(b) in taking precautions to prevent the occurrence of fires in the performance of the Work.

**6.4 Notification of Fire.** The Contractor will, in addition to its obligation under the *Wildfire Act* to report a fire, immediately notify the Company upon becoming aware of any forest fire in or around an Operating Area, an Access Road or any other area within the Lands.

**6.5 The Contractor's Responsibility for Firefighting Costs.** Subject to Paragraph 6.6(b), the Contractor will be responsible for all Firefighting Costs for fires that occur on or spread from the Operating Areas, or can reasonably be expected to spread onto any of the Operating Areas, except that:

(a) the Contractor's responsibility for Firefighting Costs incurred directly by the Contractor in respect of any such fires will be limited to \$100,000, except that such limit will not apply if the fire is Caused by the clear and deliberate failure of the Contractor to perform its obligations under this Contract or applicable law;

(b) the Contractor's responsibility for Firefighting Costs other than those incurred directly by the Contractor in respect of any such fire will be limited to the amount by which \$500,000 exceeds the lesser of:

(i) \$100,000; and

(ii) the Firefighting Costs incurred directly by the Contractor in respect of such fire,

except that such limit will not apply if the fire is Caused by the clear and deliberate failure of the Contractor to perform its obligations under this Contract or applicable law or to the extent that such Firefighting Costs are attributable to the clear and deliberate failure of the Contractor to perform its obligations under this Contract or applicable law; and

(c) the Contractor will not be responsible for Firefighting Costs for any fire Caused by lightning or by the acts of third parties or the Company, except to the extent that such Firefighting Costs are attributable to the clear and deliberate failure of the Contractor to perform its obligations under this Contract or applicable law.

**6.6 The Company's Responsibility for Firefighting Costs.** The Company will:

(a) be responsible for Firefighting Costs for fires that occur on or spread onto the Operating Areas to the extent that the Contractor is not responsible for such Firefighting Costs under this Contract; and

(b) reimburse the Contractor for Firefighting Costs for any fire over which the Ministry assumes jurisdiction and control, but only to the extent that the Company receives payment from the Ministry for those Firefighting Costs incurred by the Contractor.

## **PART 7 ENVIRONMENT**

**7.1 Preventing Damage to the Environment.** Without limiting the Contractor's obligations under Paragraph 2.9, the Contractor will:

(a) set up and maintain rainfall gauges at locations determined by the Company and record daily rainfall records and submit all records to the Company on a monthly basis;

(b) without limiting subparagraph (c), adhere to any rainfall shutdown guidelines issued by the Company;



(c) if weather or site conditions are such that the Contractor's operations result or may result in the slumping or sliding of land, including a washout of a road or related structure; impairment of a drainage structure; inordinate soil disturbance; deterioration of water quality; or other environmental damage, including "damage to the environment" as that phrase and "damage" as that word is used in section 46 of the *Forest and Range Practices Act*, cease operations in the affected area, take all reasonable steps to prevent any or any further damage to the environment and immediately report to the Company the event or potential event and the actions being taken by the Contractor; and

(d) if the Contractor finds any feature of environmental, cultural or recreational significance or value in an Operating Area that is not identified in an Operational Document, modify or cease its operation in the vicinity of such feature to the extent necessary to refrain from harmfully altering, threatening, damaging or destroying it or rendering it ineffective, immediately advise the Company and not recommence such operation until informed by the Company to do so.

**7.2 Pollutants.** Without limiting the Contractor's obligations under Paragraph 2.9, the Contractor will:

(a) not Release, store or transport any Pollutant in or on any of the Lands and will not permit member of the Contractor's Workforce to do so except as expressly authorized in writing by the Company and in compliance with all Applicable Laws, the Company's Rules and to a standard not less than that generally applied in the forest industry, and, for the purposes of the written authorization referred to in this subparagraph, but subject to notice otherwise from the Company, the Company hereby authorizes the Contractor and the Contractor's Workforce to transport and store fuel and lubricants used by the Contractor and the Contractor's Workforce in the ordinary course of the Contractor's performance of its obligations under this Contract, subject to the conditions specified in this subparagraph;

(b) use all reasonable efforts to contain, clean up, and minimize damage resulting from Release of Pollutants by the Contractor on the Lands or on the lands or in the waters adjacent to the Lands; and

(c) immediately report to the Company any Release of any Pollutant in or on any of the Lands and the actions that Contractor is taking to rectify the Release.

## **PART 8**

### **RATES, SCALING, VOLUME, PAYMENTS AND OTHER FINANCIAL MATTERS**

**8.1 Agreeing Upon a Rate.** For the purposes of the reference in Paragraph 5 of the Main Agreement to the efforts by the Company and the Contractor to agree upon a Rate:

(a) the Contractor will by notice to the Company offer a rate for the Work allocated under each Term Sheet:

- (i) within 14 days of the Company issuing the Term Sheet to the Contractor; or
- (ii) if the Term Sheet specifies that the Work is to commence before that 14-day period ends, then by such earlier date as is practicable in the circumstances; and

(b) if:

- (i) the Contractor does not deliver an offer in accordance with subparagraph (a), the Company may, in addition to any other remedy it may have under this Contract, give notice to the Contractor specifying that the parties are unable to agree on a rate for the allocated Work; or
- (ii) within 10 days after the Contractor has delivered its offer in accordance with subparagraph (a), the parties have not agreed upon the applicable rate for the allocated Work, either party may give to the other party a notice specifying that the parties are unable to agree on a rate.

**8.2 Determining a Rate.** If a party gives a notice under Paragraph 8.1(b)(i) or (ii), the rate at issue will be determined in accordance with Part 15 of this Contract and Part 5, Division 4 of the Regulation and, for greater certainty, sections 25(1) to (3) of the Regulation apply as part of determining the rate.

**8.3 Scaling.** The Company will scale all logs delivered to it pursuant to this Contract in accordance with the *Forest Act* and any applicable scaling policy of the Ministry in effect from time to time.

**8.4 Volume Determination.** The Company will determine the volume of logs delivered by the Contractor to the Points of Delivery as follows:

- (a) by weigh-scale, using conversions developed by the Company based on samples scaled by licensed scalers or, when determined by the Company, by piece scale;
- (b) by selecting samples used to develop conversions randomly from deliveries made by the Contractor, including samples required by the Ministry as well as additional samples selected by the Company as required in its discretion;
- (c) without making any reconciliation between the volume determined through the Company conversion and any Ministry conversions;
- (d) where, as determined by visual inspection at the weigh scale, a load does not appear to meet stratum definitions in the Log Quality Specifications, logs on the load can be 100% piece scaled and excluded from the sample population; and
- (e) by adjusting the scaled volume using any applicable adjustment specified in the Log Quality Specifications.

**8.5 Tax Registration:** The Contractor will:

- (a) throughout the Term:
  - (i) maintain registration as required under the *Excise Tax Act* for the collection and administration of the Goods and Service Tax and inform the Company, by the date of execution of this Contract, of the Contractor's Goods and Services registration number; and
  - (ii) maintain registration as required under all federal and provincial legislation pertaining to a sales, commodity, services, harmonized sales and other like taxes that apply in British Columbia and give notice to the Company of its registration number in respect thereof by the later of the date of execution of this Contract and the date registration is required; and
- (b) give notice to the Company immediately upon any change in the Contractor's status under a registration required under subparagraph (a).

**8.6 Payment of Rates.** Subject to any deductions, holdbacks, set-offs and similar matters permitted or required under this Contract or at law, the Company will pay the Contractor the Rate applicable to Work performed under and in accordance with this Contract twice per month based on the volume of logs the Contractor delivers in accordance with this Contract prior to each pay period cut off date in a month, which dates the Company will specify in a notice to the Contractor from time to time (the "Payment Schedule").

**8.7 Payments by the Contractor.** The Contractor will at all times:

- (a) pay promptly as they become due all charges for and in respect of labour, materials, equipment, supplies, services and sub-contractors and other members of the Contractor's Workforce used or contracted for in the performance of the Work, including all wages, salaries and other remuneration due to employees, and all assessments and employee deductions, including as required under or referred to in the *Woodworker*

*Lien Act, the Employment Standards Act, the Workers Compensation Act, the Employment Insurance Act, the Income Tax Act (Canada), the Income Tax Act (British Columbia) and the Canada Pension Plan;*

(b) on request, deliver to the Company evidence, to the Company's satisfaction, of the payment of the charges, assessments and deductions referred to in subparagraph (a), including:

- (i) receipted payrolls and certificates under or referred to in the *Woodworker Lien Act*; and
- (ii) a certificate from the Workers' Compensation Board confirming that the Contractor's assessments in respect of employees have been paid and that the Contractor is in good standing;

(c) pay as they become due all applicable income, sales, commodity, goods and services and all other taxes payable by the Contractor in respect of the performance of the Work; and

(d) when applicable, pay directly as they become due all rentals, taxes, rates and assessments that may at any time be imposed upon or assessed against any campsite buildings, or other facilities, owned, used or occupied by the Contractor within the area of the Licence, and provide written confirmation of such payments to the Company immediately upon request of the Company and, if paid by the Company, immediately reimburse the Company for such payment.

#### 8.8 Payments to Subcontractors, Suppliers and Service Providers. The Company:

(a) may, prior to any payment by the Company to the Contractor for the Work, require that the Contractor deliver a statutory declaration to the Company, in the form required by the Company, accompanied by supporting invoices and documentation, setting out the amounts owing by the Contractor to each subcontractor, other member of the Contractor's Workforce, supplier or service provider relating to the Work performed during such payment period and containing a declaration by the Contractor that no other amounts are outstanding;

(b) as agent for the Contractor, may, but is not obligated to do so, or liable in any manner to the Contractor for doing so or not doing so, pay any amounts owing by the Contractor to the Contractor's subcontractors, other member of the Contractor's Workforce, suppliers, or service providers for which liens, charges or any other encumbrance of any nature may arise in respect of or attach to or be registered against any timber, logs or other property of the Company in respect of the Contractor's operations under this Contract, including under the *Woodworker Lien Act* or the *Forestry Service Providers Protection Act*, whether or not a statement is filed, such lien, charge or other encumbrance is registered or any other proceeding is taken in respect of such lien, charge or other encumbrance; and

(c) after such payment, but subject to this Contract, will pay the balance of monies owing, if any, to the Contractor.

#### 8.9 Liens. The Contractor:

(a) will not, except as provided under the *Forestry Service Providers Protection Act*:

- (i) by reason of this Contract or anything done by it under or pursuant to this Contract, acquire any rights, interest or title in or to any timber, logs or other property of the Company, other than payments made to and received by the Contractor pursuant to this Contract;
- (ii) purport to mortgage, charge, pledge or otherwise encumber such property; or
- (iii) cause or permit any liens, charges or other encumbrances of any nature, including under the *Woodworker Lien Act* or the *Forestry Service Providers Protection Act*, to attach to or be registered against any timber, logs or other property of the Company, except any lien or charge that validly exists in favour of the Contractor under the *Forestry Service Providers Protection Act*; and

(b) will, immediately on demand of the Company, cause any such mortgage, lien, charge, pledge or other encumbrance of any nature as may attach or be registered to be discharged, except any lien or charge that

validly exists in favour of the Contractor under the *Forestry Service Providers Protection Act*, until the payment that gave rise to such lien or charge is made.

**8.10 Failure to Discharge.** Without limiting any of the Company's other rights or remedies in respect of any breach of this Contract by the Contractor, if the Contractor fails to meet its obligations under Paragraph 8.7 or 8.9, the Company may take any steps reasonable in the circumstances to discharge any mortgage, lien, charge, pledge or other encumbrance referred to in that Paragraph, and the Contractor will, immediately on receipt of a demand from the Company to do so, reimburse the Company for the Company's reasonable expenses for doing so, including legal costs on a solicitor and own client basis.

**8.11 Set-Off.** The Company may at any time and from time to time satisfy any amount owing by it to the Contractor under this Contract or pursuant to any other agreement or obligation existing between them by way of deduction and set-off against any amount from time to time owing by the Contractor to the Company.

**8.12 Statutory Deductions and Holdbacks.** The Company may deduct, holdback or deduct and holdback the following amounts from amounts otherwise payable to the Contractor pursuant to this Contract and may remit such amounts to the applicable authority on the Contractor's behalf or pay such amount to the Contractor when permissible:

- (a) statutory deductions and holdbacks as required by applicable legislation; and
- (b) Workers Compensation remittances in the applicable amounts, unless the Contractor delivers to the Company evidence of payment of such amounts to the Workers' Compensation Board.

**8.13 Security Holdback.** In addition to, and not in substitution for, any other deduction, holdback, set-off or other right or remedy under this Contract or otherwise, the Company:

- (a) will, without liability, withhold an amount equal to 5% of each payment due to the Contractor for Work performed in accordance with this Contract;
- (b) will hold any such amount as security for the performance of the Contractor's obligations under this Contract in respect of the Operating Area to which the payment applies;
- (c) may apply that amount to remedy any breach of this Contract by the Contractor in respect of that Operating Area; and
- (d) will release to the Contractor any portion of such holdback unused under subparagraph (c) only on the later of the date when, as determined solely by the Company:
  - (i) the Contractor has performed all of the Work in the Operating Area to which the holdback pertains and met all obligations of the Contractor under this Contract in respect of that Work; or
  - (ii) the Company has remedied any and all breaches in respect of the Work in that Operating Area under subparagraph (c).

**8.14 Expenses.** Except as this Contract expressly provides otherwise, each party will exercise its rights and perform its obligations under this Contract at its expense.

**8.15 Billing for Waste within Specifications.** The Contractor:

- (a) is liable to the Company for the amount of any monetary waste billing applied by the government of British Columbia in respect of residue or waste in any Operating Area where the waste or residue is within the Log Quality Specifications; and
- (b) will forthwith on receipt of an invoice therefor from the Company, reimburse the Company for that billing.

8.16 **Adjustment to Rates Payable.** The Rate the Company will pay to the Contractor in respect of timber delivered under this Contract is subject to adjustment in accordance with the Log Quality Specifications.

## PART 9 CURTAILMENT AND EVENTS BEYOND PARTY'S CONTROL

9.1 **Curtailment and Suspension of Operations.** The Company:

(a) may, from time to time during the Term, direct the Contractor to curtail or temporarily suspend performance of the Work or other operations of the Contractor under this Contract for a specified or indefinite period if, in the opinion of the Company, such curtailment or suspension is required due to changes in the law, natural disasters, interference by a person who is not party to this Contract or any other event beyond the reasonable control of the Company, including adverse weather conditions, fire, flood, earthquake, war, insurrection, riot, blockades, protests or other civil disobedience, strike, lockout or other labour dispute or disturbance, market conditions, over supply of log inventory, failure of carriers to transport or provide transportation, any order, requisition or regulations of any court or governmental or regulatory authority whatsoever or the lack of any permit, approval or authorization from the applicable governmental or regulatory authorities required for the harvesting of timber under this Contract, but not including a change in the market price of logs; and

(b) will, on or before the date on which the Contractor is permitted to resume performance of the Work or other operations under this Contract, notify the Contractor of any adjustments to the Amount of Work or extensions of time for the production of the Amount of Work, such extensions to allow a reasonable time for the Contractor to produce the Amount of Work as adjusted.

9.2 **Events Beyond Control of Company.** The Company is not liable to the Contractor for any failure to allocate to the Contractor in any Agreement Year the Amount of Work, as adjusted pursuant to Paragraphs 10.2, 10.3 or 10.5 or as otherwise provided for in the Regulation, as a result of a curtailment or suspension pursuant to Paragraph 9.1.

9.3 **Events Beyond Control of Contractor.** The Contractor is not liable to the Company for any failure to perform the Work allocated by the Company to the Contractor in any Agreement Year if the failure results from changes in law, natural disasters, interference by a person who is not a party to this Contract or any other event beyond the reasonable control of the Contractor including those described in Paragraph 9.1, other than a change in the market price of logs.

## PART 10 AMOUNT OF WORK

10.1 **Reduction in Amount of Work.** The Company will not reduce the Amount of Work in any Agreement Year of this Contract except as provided in the Regulation or in this Contract.

10.2 **Experiments.** In any Agreement Year during the Term, the Company may allocate to the Contractor, and the Contractor must perform, an amount of Work that is less than the Amount of Work, if:

- (a) the reduction in the Amount of Work is necessary to enable the Company to experiment with timber harvesting methods, technology or silviculture systems different than those used historically by the Company on the Licence;
- (b) the Contractor receives reasonable notice of the reduction;
- (c) the experiment is for *bona fide* business and operating reasons;
- (d) it is not practicable for the Contractor to perform the work required to conduct the experiment; and

- (e) the Company has used reasonable efforts to distribute the reduction of Work associated with any experiments fairly among Company operations and other contractors carrying out timber harvesting operations under the Licence.

**10.3 Differing Amount of Work.** In any Agreement Year during the Term, the Company may allocate to the Contractor and the Contractor must perform an amount of Work that differs from the Amount of Work, provided that:

- (a) the difference is attributable to *bona fide* business and operating reasons on the part of the Company; and
- (b) the amount of Work that the Company allocates to the Contractor and that the Contractor is required to perform under this Contract over each Amount of Work Compliance Period of the Licence is equal to or greater than 95% of the aggregate of the Amount of Work provided for during that Amount of Work Compliance Period, less the aggregate of any reductions in that Amount of Work implemented during that Amount of Work Compliance Period under Paragraphs 9.1, 10.2 or 10.5.

**10.4 AAC Reduction Proposal.** The Company may make a proposal to the Contractor to reduce the Amount of Work or to terminate this Contract in accordance with section 27 of the Regulation if:

- (a) the allowable annual cut of the Licence is reduced; or
- (b) the Licence is subject to a fibre basket agreement and such agreement expires, is cancelled or is surrendered.

**10.5 Amendment or Termination.** The Company and the Contractor will resolve any proposal made under Paragraph 10.4 in accordance with Division 5 of Part 5 of the Regulation and the Amount of Work will be amended or this Contract will be terminated in accordance with such resolution.

**10.6 Termination Due to Work Reduction.** If the Amount of Work is reduced as a result of a proposal made under Paragraph 10.4, the Contractor may, within 90 days of the reduction taking effect, by giving notice to the Company, terminate this Contract without incurring any liability to the Company in respect of such termination.

**10.7 Volume Charged to Amount of Work.** Without limiting the definition of "Volume of Timber Harvested" in this Contract, but for greater certainty, if the Contractor leaves within an Operating Area residue or waste that is within the Log Quality Specifications, the volume left will be deemed to be part of the Amount of Work allocated by the Company to the Contractor under this Contract

## PART 11 TERMINATION

**11.1 Termination by the Company.** The Company may terminate this Contract immediately by giving notice of termination to the Contractor:

- (a) except as provided in subparagraph (b), if the Contractor breaches any of its material obligations under this Contract and, in the event of a breach that is capable of being remedied, such breach is not remedied within 20 Business Days after notice specifying the default is given by the Company to the Contractor; or
- (b) if the Contractor has failed to comply with any material provision of the Key Legislation, and, in the event of a failure that is capable of being corrected, the Contractor has not promptly taken all reasonable steps to correct that non-compliance.

**11.2 Termination on Expiry of Licence.** If the Licence expires or is cancelled or surrendered, this Contract may be terminated by either the Company or the Contractor without liability to the other party.

**11.3 Termination on Bankruptcy.** This Contract will be deemed to terminate immediately, without liability to the Company, upon the Contractor becoming insolvent or upon the Contractor's dissolution, general assignment for the benefit of creditors, appointment of a receiver or the filing of any petition or assignment in bankruptcy.

**11.4 No Bankruptcy Assets.** The parties hereby acknowledge and agree that none of the Work, the timber harvested by the Contractor or this Contract will be an asset of the Contractor in the event of the bankruptcy of the Contractor.

**11.5 Effect of Termination.** If this Contract terminates for any reason, including expiry, whether under this Part or otherwise:

- (a) all rights and privileges of the Contractor hereunder will cease except the Contractor's rights under subparagraphs (d) and (e) and the Contractor's right to be on an Operating Area to remove items in accordance with Paragraph 11.6;
- (b) the Contractor will immediately cease performing the Work;
- (c) the Company will be deemed to be in possession of all the Work performed under this Contract, including all of the products, including felled timber and logs, produced from that Work;
- (d) the Contractor will be entitled to payment for the Work for log volumes actually produced and delivered to the applicable Point of Delivery before the termination, less any amounts set off by the Company for monies owing to the Company by the Contractor;
- (e) the Contractor will be entitled to payment for the Work for log volumes produced before the termination but not delivered to the applicable Point of Delivery, only when such logs are delivered to the applicable Point of Delivery and only to the extent that such payment exceeds the cost to the Company of completing the Work in respect of such log volumes and obtaining delivery to the Company; and
- (f) without limiting Paragraph 13.3, the Company will not be liable to the Contractor for any consequential, direct or indirect damages of any kind under this Contract in respect of such termination, howsoever caused and whether arising in contract, tort (including negligence) or otherwise, whether as a result of a loss by the Contractor of present or prospective profits, expenditures, investments, or commitments made in connection with this Contract, or on account of any other reason or cause.

**11.6 Removal of Machinery, Equipment, Supplies, Buildings, Structures or Improvements.** If this Contract terminates for any reason, including expiry, the Contractor will remove its machinery, equipment, supplies, buildings, structures and improvements no later than the 20<sup>th</sup> Business Day following the day of receipt of notice from the Company to do so, or such earlier date specified in the notice for reasons of health, safety or environmental protection, and if not removed within that period, the Company may, without liability to the Contractor for loss, damage or compensation, either:

- (a) take, keep or use the Contractor's machinery, equipment, supplies or any buildings, structures or improvements as its own property; or
- (b) dismantle, if required, the Contractor's buildings, structures and improvements and deal with and dispose of them and any machinery, equipment and supplies in such manner as it may, in its absolute discretion, determine and the Contractor will reimburse the Company immediately on receipt of demand for all direct and indirect costs and expenses incurred by the Company in excess of any monies realized by the Company in such disposition.

## **PART 12 CONTRACT REPLACEMENT**

**12.1 Replacement Contract.** Provided that the Contractor has satisfactorily performed the Contractor's obligations under this Contract, and subject to the Contractor continuing to do so, the Company will, at least 3 months before the expiry of this Contract, offer the Contractor a replacement contract that:

- (a) commences on or before the expiry of this Contract;
- (b) except as otherwise provided in subparagraph (c) and in the Regulation, has substantially the same terms and conditions as this Contract; and
- (c) provides for payment to the Contractor for Work at rates to be agreed upon by the parties, or failing agreement, determined by the method of dispute resolution provided for in the contract.

**12.2 Acceptance of Replacement Contract.** An offer under Paragraph 12.1 will be open for acceptance for a period of 20 Business Days and, if not accepted by the Contractor by giving notice of acceptance to the Company within such period, will terminate at the end of the 20<sup>th</sup> Business Day after which the offer is made.

**12.3 Repeal or Amendment of Regulation.** If the Regulation is repealed or amended to eliminate or vary the requirement that a provision be contained in this Contract, this Contract will be deemed to be amended to delete or vary the provision as contemplated by the Regulation.

## **PART 13 INDEMNITY**

**13.1 Indemnity.** Subject to Paragraph 13.2, the Contractor will indemnify and save harmless the Company, its directors, officers, employees, servants and agents from and against any and all claims, demands, actions, causes of action, damages, losses, deficiencies, costs, expenses, lawsuits, administrative sanctions (including orders under *Wildfire Act* s.27(1)(d)), remediation orders, tickets, penalties or fines that the Company, its directors, officers, employees, servants or agents may sustain, incur or be subject to, including legal costs on a solicitor and own client basis, arising out of, whether directly or indirectly:

- (a) the failure of the Contractor, or any member of the Contractor's Workforce, to comply fully with any term, condition, representation or warranty in this Contract; or
- (b) the carrying out of the obligations of the Contractor under this Contract or any matter or thing done, permitted or omitted to be done by the Contractor or any member of the Contractor's Workforce.

**13.2 Contributory Negligence.** To the extent that a penalty, fine or other sanction or order referred to in Paragraph 13.1 is, in part, a result of prior actions of the Company or a contractor of the Company other than the Contractor or persons in that other contractor's workforce, the Contractor's liability under that Paragraph will be limited to a reasonable proportionate share of such liability.

**13.3 No Consequential Damages.** The Company will not be liable to the Contractor for any consequential damages of any kind under this Contract, howsoever caused and whether arising in contract, tort (including negligence) or otherwise, and whether as a result of a loss by the Contractor of present or prospective profits, expenditures, investments, or commitments made in connection with this Contract, or on account of any other reason or cause.

**13.4 Survival.** This Part and Paragraphs 8.8 to 8.16 survive the expiry or earlier termination of this Contract.

## **PART 14 INSURANCE**



**14.1 Insurance Coverage.** The Contractor will, as of the commencement of the Term, obtain and, thereafter throughout the Term, maintain insurance:

- (a) that:
  - (i) is on terms and with insurers satisfactory to the Company;
  - (ii) except for statutory motor vehicle insurance, names the Company as an additional insured;
  - (iii) is primary and does not require the sharing of any loss by any insurer of the Company;
  - (iv) includes a waiver of subrogation by the insurer as against the Company and its officers, directors, employees and agents; and
  - (v) is endorsed to require at least 30 days' prior notice from the insurer to the Company of alteration, cancellation or expiration;
- (b) that will protect the Company and its directors, officers, employees, agents and contractors and subcontractors not within the Contractor's Workforce from claims that may arise directly or indirectly out of the operations of the Contractor and the Contractor's Workforce in respect of this Contract, the Work and the operations pertaining thereto; and
- (c) that includes the following coverage to not less than each relevant minimum limit specified in Paragraph 14.2 on a per occurrence basis:
  - (i) Comprehensive General Liability covering liability for all bodily injury, death, property damage and property loss, and which will include, but not be limited to:
    - (A) products and completed operations liability;
    - (B) owner's and contractor's protective liability;
    - (C) blanket contractual liability covering the Contractor's liability under this Agreement and any other agreement with the Company, including every indemnity provided by the Contractor hereunder or thereunder;
    - (D) contingent employer's liability and contingent liability in respect of the Contractor's subcontractors;
    - (E) personal injury liability;
    - (F) non-owned automobile liability;
    - (G) cross liability;
    - (H) employees as additional insureds arising out of their duties as employees;
    - (I) broad form property damage;
    - (J) forest fire fighting expense;
    - (K) fire suppression liability, including contractual liability;
    - (L) first aid malpractice;
    - (M) unlicensed and specially licensed vehicles;
    - (N) attached machinery liability;
    - (O) occurrence property damage;
    - (P) any premises or property of the Contractor including unlicensed motor vehicles or provisionally licensed motor vehicles while operating off the public highway, and all operations of the Contractor;
    - (Q) liability for watercraft and aircraft that is owned, leased, used, operated, chartered or otherwise engaged by the Contractor in the performance of the Work or any operations related thereto; and
    - (R) blasting liability, if blasting is part of the Work;
  - (ii) Statutory Motor Vehicle Liability insurance on all motor vehicles and licensed equipment owned, operated by or for or leased or licensed in the name of the Contractor and used under this Agreement, including, without limitation, all provisionally licensed motor vehicles while operating on a public highway and all all-terrain vehicles, whether licensed or not;

- (iii) Environmental Impairment Insurance covering losses caused by pollution conditions including, without limitation, Release of Pollutants, that arise from the operations of the Contractor, and including coverage for bodily injury, including death; loss of or damage to property, including loss of use of damaged property or of property that has not been physically injured; cleanup costs; and costs and expenses incurred in the investigation, defence, or settlement of claims, and not subject to limitation based on a reporting period; and
- (iv) Aviation Insurance covering physical damage to aircraft that is owned, leased or non-owned and non-leased and used, operated, chartered or otherwise engaged by the Contractor in the performance of the Work or any operations related thereto.

**14.2 Minimum Limits.** For the purposes of the reference to minimum limits of insurance in Paragraph 14.1(c), the minimum limits are:

- (a) for Comprehensive General Liability Insurance, except forest fire fighting expense, \$5,000,000;
- (b) for forest fire fighting expense insurance: \$1,000,000;
- (c) for Statutory Motor Vehicle Liability Insurance, \$5,000,000;
- (d) for Environmental Impairment Insurance, \$1,000,000; and
- (e) for Aviation Insurance, \$5,000,000.

**14.3 Certificates and Policies:** The Contractor will, at the request of the Company, provide to the Company as of the commencement of the Term and at such times thereafter as the Company may reasonably request:

- (a) a certified copy of each policy required under this Part; or
- (b) a certificate of insurance in a form satisfactory to the Company, evidencing the coverage required by this Part, signed by the Contractor and certified by the insurer.

**14.4 Increase in Minimum Limits.** The Company may, by notice to the Contractor given reasonably in advance, require that the limits of insurance specified in Paragraph 14.2 be increased by a reasonable amount, and, on receipt of such notice, the Contractor will obtain the additional coverage and provide to the Company evidence of the additional coverage in accordance with Paragraph 14.3.

## PART 15 RESOLUTION OF DISPUTES

**15.1 Application to Disputes.** All disputes between the parties arising out of or in connection with this Contract (in this Part, called a "Dispute") will be dealt with in accordance with this Part, except:

- (a) a Dispute in respect of the Amount of Work, which will be resolved in accordance with Division 3 of Part 5 of the Regulation; and
- (b) as otherwise specified in this Part.

**15.2 Informal Resolution.** If a Dispute, other than a rate determination referred to in Paragraph 3.4 or 8.2, arises between the parties, and one party gives notice to the other party that a Dispute exists, describing in the notice the nature of the Dispute, the parties will endeavour to resolve the Dispute informally and as between them by amicable negotiations involving their duly authorized representatives, including personnel with decision making authority regarding the Dispute, and, to do so, will provide frank, candid and timely disclosure of all relevant facts, information and documents to facilitate those negotiations.

**15.3 Mediation and Arbitration.** All Disputes that arise between the Contractor and the Company under or in connection with this Contract will be referred to mediation and, if not resolved through mediation, will be referred to arbitration in accordance with the dispute resolution systems established in the Regulation, except that:

- (a) if there is a conflict between sections 6(2) or (3) of the Regulation and this Part, this Part governs to the extent of the conflict;
- (b) sections 8(1) to (7) and 25(5)(a) and (b) of the Regulation do not apply; and
- (c) the reference in section 25(e) of the Regulation to "paragraph (b)" is deemed to be a reference to Paragraph 15.5(b) of this Contract and a reference in section 25(f) of the Regulation to "paragraph (e)" is deemed to be a reference to that paragraph (e) as modified by this subparagraph.

**15.4 Notice of Mediation for Non-Rate Disputes.** If a Dispute that is subject to Paragraph 15.2 is not resolved within 14 days after the notice referred to in that Paragraph is given, either party may give notice to the other party requiring that the Dispute be referred to mediation, provided that the notice under this Paragraph must be given within 28 days after the notice referred to in Paragraph 15.2 is given and, if a notice is not given in accordance with this Paragraph, the Dispute is deemed to be terminated and not subject to further dispute resolution under this Part or otherwise.

**15.5 Appointment of Mediator.** If:

- (a) a notice is given under Paragraph 15.4, a single mediator will be appointed by agreement of the parties or, if they do not do so agree within 14 days of that notice being given, either party may, within 28 days of that notice being given, ask the British Columbia International Commercial Arbitration Centre (the "BCICAC") to appoint a single mediator (other than a person who is a registered mediator under the Regulation), and if a party makes such request, it will, on the same date it makes the request, deliver to the other party by notice a copy of that request; or
- (b) if a rate Dispute is deemed to exist under section 25(4) of the Regulation, and the parties have not agreed on the mediator within 7 days of the rate Dispute being deemed to exist, either party may, within 14 days of the rate Dispute being so deemed to exist, ask the BCICAC to appoint a single mediator (other than a person who is a registered mediator under the Regulation), and if a party makes such request to the BCICAC, it will, on the same date it makes the request, deliver to the other party by notice a copy of that request,

and, if the parties do not agree on a mediator or a party does not ask the BCICAC to appoint a mediator in accordance with this Paragraph, the Dispute is deemed to be terminated and not subject to further dispute resolution under this Part or otherwise and, if the Dispute is a rate Dispute, the rate that, as between the parties, is the rate most recently offered or proposed by a party in accordance with this Contract is deemed to be the applicable Rate.

**15.6 Participation in Mediation.** The parties will participate in good faith in the mediation before a mediator appointed under Paragraph 15.5

**15.7 Notice of Arbitration for Non-Rate Dispute Not Resolved by Mediation.** If a Dispute subject to a notice of mediation given under and in accordance with Paragraph 15.4 is not resolved by mediation within 14 days of a mediator being agreed upon by the parties or appointed under Paragraph 15.5(a), or upon earlier written notice by the mediator to the parties that the Dispute is not likely to be resolved through mediation:

- (a) either party may, within 28 days of the mediator having been agreed upon or appointed as aforesaid, commence arbitration proceedings by giving a notice of arbitration setting out a description of the dispute to the other party; and
- (b) if a notice is not given in accordance with subparagraph (a), the Dispute is deemed to be terminated and not subject to further dispute resolution under this Part or otherwise.

**15.8 Appointment of Arbitrator for Non-Rate Disputes.** If a notice is given under Paragraph 15.7, a single arbitrator will be appointed by agreement of the parties or, if they do not so agree within 14 days of that notice being given, either party may, within 28 days of that notice being given, ask the BCICAC to appoint a single arbitrator (other than a person who is a registered arbitrator under the Regulation) and:

- (a) if a party makes such request to the BCICAC, it will, on the same date it makes the request, deliver to the other party by notice a copy of that request; and
- (b) if the parties do not agree on an arbitrator or a party does not ask the BCICAC to appoint an arbitrator in accordance with this Paragraph, the Dispute is deemed to be terminated and not subject to further dispute resolution under this Part or otherwise.

**15.9 Arbitration Procedure.** Subject to this Part, all arbitrations under this Contract will be conducted in accordance with the *Arbitration Act* and the *Domestic Commercial Arbitration Shorter Rules of Procedure* of the BCICAC.

**15.10 Location of Arbitration.** All arbitrations under this Contract will take place at Terrace, British Columbia.

**15.11 Participation in Arbitration.** The parties irrevocably submit to arbitration pursuant to this Part and each party will make every reasonable effort to ensure the arbitration process is conducted as speedily and inexpensively as possible.

## PART 16 ASSIGNMENT AND SUBCONTRACTING

**16.1 Right of First Refusal.** Before the Contractor invites, makes or accepts an offer or counter-offer to sell and assign this Contract, or any of its rights or interests under this Contract, to a person other than the Company (a "Third Party"):

- (a) the Contractor will:
  - (i) give notice to the Company that, subject to this Part, it intends to do so; and
  - (ii) include with such notice a copy of any such invitation, offer or counter-offer, if any, that the Contractor has made or intends to make to or received from the Third Party;

**16.2 Assignment.** If the Contractor has entered into a legally binding, written agreement with a Third Party in accordance with Paragraph 16.1, the Contractor may assign this Contract, or any of its rights or interest under this Contract, in accordance with that agreement, provided that the Contractor first:

- (a) gives a notice to the Company that requests the consent of the Company and describes the intended assignee; and
- (b) obtains the written consent of the Company.

**16.3 Consent of Company.** The Company will not unreasonably withhold its consent to any assignment proposed by the Contractor in accordance with Paragraph 16.2.

**16.4 Grounds for Withholding Consent.** Without limiting the circumstances in which Company may reasonably withhold its consent to an assignment referred to in Paragraph 16.3, the Company will be deemed to reasonably withhold its consent if the assignee:

- (a) already has a contract with the Company;
- (b) has previously had a contract with the Company that the Company terminated for default;

- (c) does not have the skills, experience, equipment or financial capability to carry out the Contractor's obligations under this Contract;
- (d) has a record of non-compliance in respect of the Key Legislation that is out of the ordinary course of business for contractors engaged in the type of work required under this Contract; or
- (e) is or has been subject to any of the matters or committed any of the acts referred to in Paragraph 11.3.

**16.5 Other Transfers.** Except as provided in Paragraph 16.2, the Contractor will not at any time assign, mortgage, pledge, transfer, encumber or otherwise grant security over any of its rights or interest under this Contract, except:

- (a) the right to receive payments for Work completed in accordance with this Contract; or
- (b) with the prior written consent of the Company.

**16.6 Company Approval of Subcontractors.** The Contractor will not subcontract, or otherwise permit the performance of, any part of the Work by any person other than the Contractor's employees (for the purposes of this Part, a "Subcontract") without the prior written approval of the Company, which approval the Company will not unreasonably withhold.

**16.7 Continuing Obligations.** No assignment, mortgage, pledge, transfer, encumbering or other granting of security by the Contractor of or over its rights or interest under this Contract, nor any consent by the Company to any such action or to a Subcontract, will release the Contractor from any of its obligations under this Contract, whether arising before or after such action, unless the Company has executed and delivered to the Contractor an express written release of such obligations.

**16.8 Change in Control.** If the Contractor is a corporation or partnership, any event or transaction by which effective management control or voting control of the Contractor changes or will change from one person or group of persons to another person or group of persons will be deemed, for the purposes of Paragraph 16.2, to be an assignment by the Contractor of this Contract or its rights and interest under this Contract.

**16.9 Conditions.** The Contractor will comply with all conditions to a consent given by the Company under this Part and will:

- (a) deliver to the Company, together with its request for consent, a copy of any agreement or instrument by which an assignment, Subcontract or change in control referred to in this Part has occurred or will occur;
- (b) only enter into a Subcontract on terms and conditions expressly approved by the Company; and
- (c) deliver to the Company, together with its request for consent, reasonable information requested by the Company regarding the experience, training, financial capacity and suitability of any proposed assignee, Subcontractor or person acquiring control of the Contractor.

**16.10 Copy of Subcontracts Consented to.** The Contractor, upon request of the Company, will provide to the Company a copy of each Subcontract the Company consents to under this Part.

## PART 17 TRANSFER, SUBDIVISION AND CONSOLIDATION OF THE LICENCE

**17.1 Licence Transfer.** If the Company transfers the Licence, the Company will require as a condition of the transfer of the Licence that the transferee of the Licence either:

- (a) assume the Company's obligations under this Contract; or

- (b) offer a new contract to the Contractor on substantially the same terms and conditions as this Contract.

**17.2 Licence Subdivision.** If the Licence to which this Contract pertains is amended such that the harvesting rights granted under that Licence are granted under two or more licences, and the Contractor's rights under this Contract are affected by the amendment, the Company will offer the Contractor one or more contracts that:

- (a) commence on the date of amendment;
- (b) terminate and replace this Contract;
- (c) pertain to one or more licences that arise from the subdivision;
- (d) specify an amount of work that, in aggregate with all contracts offered to the Contractor under this Paragraph, is equivalent to the Amount of Work; and
- (e) except as otherwise provided in this Paragraph, are on substantially the same terms and conditions as this Contract.

**17.3 Licence Consolidation.** If the Licence, together with one or more other licences held by the Company, are replaced with a single licence, the Company will offer the Contractor a contract that:

- (a) commences on the date of replacement;
- (b) terminates and replaces this Contract;
- (c) pertains to the licence that arises from the replacement;
- (d) subject to subparagraphs (e) and (f), specifies an amount of work equal to:

$$N \times (O \div P)$$

where:

- (i) N = the Amount of Work specified in this Contract;
- (ii) O = the allowable annual cut of the Licence; and
- (iii) P = the allowable annual cut of the replacement licence;
- (e) specifies the same Amount of Work as this Contract if this Contract specifies the Amount of Work as a fixed amount or a percentage;
- (f) specifies the equivalent Amount of Work as this Contract if this Contract specifies that Amount of Work in a manner other than as a fixed amount or a percentage; and
- (g) except as otherwise provided in this section, is on substantially the same terms and conditions as this Contract.

## PART 18 GENERAL PROVISIONS

**18.1 No Implied Waiver.** The failure of either party at any time to require performance by the other party of any provision under this Contract will not affect in any way the right to require such performance at any later time nor will the waiver by either party of a breach of any provision under this Contract be taken and held to be a waiver of such provision at any later time.

**18.2 Status of Contractor and Relationship of Parties.** The Contractor is an independent contractor and the Contractor and the Company expressly disclaim any intention to create, and nothing in this Contract may be construed as creating, an agency, except as expressly provided in this Contract, partnership, joint venture, contract of employment or joint and several liability between the Parties.

**18.3 Notices.** Every notice, demand, consent, request or direction (each, for the purposes of this section, a "notice") required or permitted under this Contract by either party to the other will be:

- (a) in writing;
- (b) given by one of the following means:
  - (i) delivered by hand;
  - (ii) sent by facsimile transmission; or
  - (iii) sent by registered or certified mail postage prepaid and mailed in any government post office in British Columbia;
- (c) sent or delivered to:
  - (i) the address of the applicable recipient or the facsimile number set out in the descriptions of the parties on the first page of this Contract; or
  - (ii) such other address or facsimile number in British Columbia as is specified by the particular party by notice to the other; and
- (d) deemed to be given and received:
  - (i) if delivered by hand, on the date of actual delivery;
  - (ii) if sent by facsimile transmission, on the Business Day following the day the sender receives the facsimile upon confirmation of receipt by telephone call from the party giving the notice to the party receiving the notice to the telephone number of the party set out in the descriptions of the parties on the first page of this Contract or, if not confirmed by telephone, 72 hours after the time of sending, provided that the sender has evidence that the notice was received by the facsimile machine of the party to whom the notice was sent; or
  - (iii) if mailed, on the earlier of the day of receipt and the fifth day after the day of mailing, provided that, if a notice is sent by mail and mail service between the point of mailing and the destination is interrupted by strike, slowdown, force majeure or other cause within seven days before or after the time of mailing, the notice will not be deemed to be received until actually received, and the party sending the notice will use another service which has not been so interrupted or will deliver the notice in order to ensure prompt receipt.

**18.4 Authority and Binding Agreement.** The Company represents and warrants to the Contractor and the Contractor represents and warrants to the Company that:

- (a) it has the power and authority to enter into this Contract and to make and fulfill its promises, covenants, representations, warranties and agreements set out in this Contract; and
- (b) this Contract is a legal, valid and binding obligation on it.

**18.5 Execution.** This Contract:

- (a) may be executed in any number of counterparts, each of which will together, for all purposes, constitute one and the same instrument binding on all the parties, and each of which will together be deemed to be an original, notwithstanding that all of the parties are not signatory to the same counterpart; and

- (b) is properly executed and delivered if executed by the parties in counterparts and executed copies exchanged by the parties by facsimile.

**18.6 Further Assurances.** Each party will, on the reasonable request of the other party, make, do, execute or cause to be made, done or executed all further and other lawful acts, deeds, things, devices, documents, instruments and assurances for the better and more perfect and absolute performance of the terms and conditions of this Contract.

**18.7 Confidentiality.** The Contractor will, and to the extent this Contract is revealed to a member of the Contractor's Workforce or an external advisor, will require that member of the Contractor's Workforce or that external advisor to, keep all terms and conditions of this Contract, including Rates, confidential unless, but only to the extent:

- (a) disclosure is required by law or by order of a court or administrative tribunal of competent jurisdiction or is to an arbitrator in an arbitration under this Contract;
- (b) the Company gives its prior written consent to the disclosure;
- (c) the Contractor must disclose this Contract to a financial institution to obtain financing to perform the Work and that institution agrees with the Company to keep such disclosed information confidential; or
- (d) the Company has disclosed this Contract to the public.

**18.8 Enurement.** Subject to Paragraph 18.9, this Contract will enure to the benefit of and be binding on the Company and its successors and assigns and the Contractor and its permitted successors and assigns.

**18.9 Non-Corporate Contractors.** The heirs, executors and administrators of a deceased Contractor will be entitled to the benefit of this Contract only to the extent of receiving payment of amounts, after all applicable deductions, to which the Contractor would have been entitled under this Contract up to the date of the Contractor's death whereupon this Contract will terminate.

#### END OF GENERAL TERMS AND CONDITIONS





CONTRACT NO.: TERTI-15-00

**Schedule "B"**  
**to**  
**Replaceable Coast**  
**Stump to Dump Timber Harvesting Contract**  
**(Five Year)**  
**between Skeena Sawmills Ltd. and Terrace Timber Ltd.**  
**made as of January 1, 2015**

**LOG QUALITY SPECIFICATIONS**

This is Exhibit "M" referred to in the  
affidavit of SHENWEI (SANDRA) WU  
made before me at VANCOUVER, BC this 15 day of

March, 2024.



.....  
A Commissioner for taking Affidavits  
within British Columbia

[334]

**IN THE MATTER OF THE FOREST ACT, RSBC 1996, c. 157, as amended,  
THE TIMBER HARVESTING CONTRACT AND SUBCONTRACT REGULATION, BC  
Reg. No. 22/96, as amended  
AND THE ARBITRATION ACT, S.B.C. 2020, c. 2  
AND IN THE MATTER OF CERTAIN DISPUTES**

BETWEEN:

SKEENA SAWMILLS LTD

CLAIMANT

AND:

TERRACE TIMBER LTD.

RESPONDENT

**NOTICE OF DISPUTE****TO:** Terrace Timber Ltd. (the "Respondent")**AND TO:** Deputy Minister of Forests, Lands and Natural Resource Operations and Rural Development

**TAKE NOTICE** that Skeena Sawmills Ltd. seeks mediation and arbitration of disputes which have arisen between the Claimant and the Respondent pursuant to (i) a Replaceable Coast Stump to Dump Timber Harvesting Contract dated January 1, 2015; and (ii) a Road Construction and Maintenance Contract dated effective February 10, 2021.

**I. PARTIES TO THE DISPUTE****Claimant:** Skeena Sawmills Ltd.

Claimant's solicitor and address for service:

HUNTER LITIGATION CHAMBERS  
(Mark S. Oulton)  
2100 – 1040 West Georgia Street  
Vancouver, BC V6B 4H1

(604) 891-2408 (ph)  
[moulton@litigationchambers.com](mailto:moulton@litigationchambers.com) (email)

[335]  
- 2 -

**Respondent:** Terrace Timber Ltd.

The Respondent's address for service:

Terrace Timber Ltd.  
3103 Hampton Street  
Terrace, BC V8G 1N9

(As required under s. 18.3 of the Contract (defined below) and s. 19.2 of the Road Construction and Maintenance Contract (discussed below))

AND TO: (as a courtesy)

MCLEAN & ARMSTRONG LLP  
(Vince Aldridge/Chris Moore)  
300-1497 Marine Drive  
West Vancouver, BC V7T 1B8

(604) 925-0672 (ph)  
vince@mcleanarmstrong.com  
cmoore@mcleanarmstrong.com (email)

## I. NATURE OF DISPUTE

The particulars of the dispute are as follows:

1. The Claimant, Skeena Sawmills Ltd. ("Skeena") and the Respondent, Terrace Timber Ltd. ("Timber"), are parties to a Replaceable Coast Stump to Dump Timber Harvesting Contract dated January 1, 2015 (the "Contract").
2. The Contract is a replaceable contract within the meaning of the *Timber Harvesting Contract and Subcontract Regulation*, BC Reg. No. 22/96, as amended (the "Regulation").
3. The Contract expired on December 31, 2019. Skeena has offered a replacement contract to Terrace Timber, but the parties have not yet agreed on the terms of that replacement contract. In the interim, the Contract continues to govern.
4. There are two disputes for which the Claimant seeks dispute resolution:
  - (a) a rate dispute, or more accurately, a series of rate disputes in respect of 13 different cut blocks; and
  - (b) a dispute over road maintenance charges, specifically snow removal.

[336]

- 3 -

*The Rate Disputes*

5. Skeena and Terrace Timber have been unable to agree on the rates applicable to the timber harvesting and hauling services required under the Contract in respect of the following cut blocks under Tree Farm Licence 41 ("TFL 41"). Each block is identified by cutting permit ("CP") and block number:

- (a) CP 10H - Block 21-100-6, Unit A;
- (b) CP 9A - Block 30-1000-14;
- (c) CP 10H - Block 5-5-16;
- (d) CP 1N - Block 6-0-2;
- (e) CP 5RG - Block 6-20-5;
- (f) CP 5RG - Block 6-30-3
- (g) CP 4JL - Block KIT003, Unit A;
- (h) CP 4JL - Block KIT005;
- (i) CP 4JP - Block KIT007, Units A and B;
- (j) CP 8A - Block 30-2000-6;
- (k) CP 8A - Block 30-2000-8; and
- (l) CP 10H - Block 21-100-6, Unit B.

(collectively, the "Disputed Blocks", and each a "Disputed Block")

6. For each of the Disputed Blocks, Skeena provided the information contemplated under section 19.1 prior to initiating rate negotiations and prior to commencing operations under any of the Disputed Blocks.

7. Of the Disputed Blocks, Terrace Timber has only provided formal rate proposals for two of them, as follows:

- (a) CP 4JP - Blocks KIT007A & B
  - (i) Formal rate proposal (\$55.82 per cubic metre) delivered by Terrace Timber on January 21, 2022;

[337]

- 4 -

- (ii) Rejection and responding rate proposal (\$36.55 per cubic metre) delivered by Skeena on January 26, 2022;<sup>1</sup>

8. Contrary to s. 25 of the *Regulation*, Terrace Timber has failed to deliver a formal rate proposal for the remaining Disputed Blocks.

9. Terrace Timber has delivered informal rate offers as part of the rate negotiation process for three other Disputed Blocks, namely:

- (a) CP 8A - Block 30-2000-6 (\$45.47 per cubic metre);
- (b) CP 8A - Block 30-2000-8 (\$47.13 per cubic metre); and
- (c) CP 10H - Block 21-100-6A (\$42.10 per cubic metre).

10. Skeena rejected the rates proposed by Terrace Timber for these blocks.

11. While the parties waited on the outcome of a prior ongoing rate arbitration, the parties effectively suspended rate negotiations with respect to the work completed or to be completed by Terrace Timber on TFL 41 except as noted above.

12. As of mid-2022, there were 13 cut blocks - specifically the Disputed Blocks - for which no rate had been agreed.

13. Skeena paid and continues to pay Terrace Timber provisional rates for timber harvesting work completed on the Disputed Blocks, in accordance with s. 26 of the *Regulation*, as follows:

- (a) \$40.00 per cubic metre for Disputed Blocks requiring the use of cable harvesting methods; and
- (b) \$28.50 per cubic metre for the Disputed Blocks requiring ground-based harvesting methods.

14. All of the Disputed Blocks contained some component of cable harvest, with the exception of CP 10H, Block 5-5-16 which was 100% ground based.

15. In July 2022, in an attempt to avoid the time and expense of a complex rate arbitration, Skeena and Terrace Timber agreed to submit the issue of the logging rates applicable to the Disputed Blocks to Timber Tracks Inc. ("TTI"), a third-party service provider who primarily worked for logging contractors, for an independent determination. By written agreement reached July 29, 2022, the parties jointly and severally engaged TTI to collect information and issue a "determination of rates for the historical work" that would be "final and binding without recourse" (the "TTI Agreement").

16. The TTI Agreement included among other things, termination provisions that permitted any party to terminate the engagement on written notice, with immediate effect.

<sup>1</sup> Skeena also proposed a log hauling rate of \$4.18 per tonne per hour, an access road maintenance rate (winter) of \$1.10 per cubic metre and an access road maintenance rate (April - October) of \$0.22 per cubic metre.

[338]

- 5 -

17. On December 22, 2022, TTI delivered "a preliminary report", which it "intend[ed] to finalize shortly after receiving final details from Terrace Timber on the three final blocks." The preliminary report contained a preliminary rate determination of \$49.29 per cubic metre for the package of work comprising the Disputed Blocks (the "TTI Rate").

18. Based on its initial review of the preliminary report, Skeena wrote to TTI on January 3, 2023 expressing concerns that TTI's methods "appear[ed] to be fundamentally inconsistent in many material respects with the framework established by ss. 26.01 and 26.02 of the [Regulation] which expressly formed part of the terms of reference for [TTI's] work." Skeena requested that TTI "immediately cease any further work on [the] matter" while Skeena reviewed the report. Failing this, Skeena indicated that its email would represent Skeena's "written notice of termination of [TTI's] retainer".

19. On January 4, 2023, when TTI refused to cease work on the engagement, Skeena exercised its termination rights by giving written notice in accordance with the termination provisions of the TTI Agreement, thereby immediately terminating the TTI Agreement.

20. On or about January 6, 2023, Terrace Timber issued an invoice to Skeena claiming the difference between the provisional rates paid for the Disputed Blocks and the TTI Rate.

21. On January 9, 2023, Skeena wrote to Terrace Timber advising that the invoice based on the TTI Rate was not accepted and would not be processed. The TTI Agreement had been terminated, TTI's preliminary report had not been finalized prior to termination and was not binding on the parties. Skeena also requested formal rate proposals from Terrace Timber for each of the Disputed Blocks for which formal rate offers had not yet been received contrary to s. 25 of the *Regulation*.

22. To date, Terrace Timber has neglected or otherwise refused to provide formal rate proposals in respect of the Disputed Blocks other than for CP 4JP - Blocks KIT007A & B.

23. The parties have been unable to agree on rates for the work comprised of the Disputed Blocks or on the validity of TTI Rate. These are all disputes arising out of or in connection with the Contract and are therefore governed by the dispute resolution provisions of the Contract.

24. Skeena submits these disputes to mediation and arbitration proceedings in accordance with s. 8 of the *Regulation*.

25. Given the acrimonious recent history between the parties, Skeena suggests that the parties avoid the time and expense of a mediation and proceed directly to arbitration.

#### *The Snow Removal Invoice Dispute*

26. At all material times, the snow removal, snow plowing and other road maintenance obligations of Terrace Timber were outlined in a written or implied Road Construction and Maintenance Contract which incorporated by reference, or necessary implication, the "Company's Rules" which were defined to include, among other things, any policies communicated by Skeena to Terrace Timber.



[339]

- 6 -

27. As early as March 9, 2018, Skeena communicated the terms of its Road Maintenance Policy to its road maintenance contractors, including Terrace Timber, the material terms of which included:

- (a) all of Skeena's road maintenance contractors were required to have a signed General Services Contract and a term sheet specifying the operating area, and time period in which road maintenance work was to be carried out;
- (b) a road maintenance must be authorized by Skeena prior to commencing the work and, if not authorized, will not be paid; and
- (c) all invoices conducted on an hourly basis must include daily time cards and invoices that do not include time cards which meet the specifications set out in Skeena's Road Maintenance Policy will not be processed.

28. Skeena reminded its road maintenance contractors, including Terrace Timber, from time to time of the content of its Road Maintenance Policy, including the requirements for pre-authorization for any snow plowing work and the provision of time cards to support any hourly road maintenance work.

29. Prior to February 10, 2021, Terrace Timber had carried out its road maintenance obligations within TFL 41 through a corporate affiliate, Main Logging Ltd. ("Main Logging"), which held a Road Construction and Maintenance Contract with Skeena dated December 4, 2019. That contract expired December 31, 2020.

30. Subject to paragraph 31 below, between January 1, 2021 and February 10, 2021 Terrace Timber continued to carry out, or have carried out, its road maintenance obligations on the expectation and understanding that a new road construction and maintenance contract, on substantially similar material terms as the contract between Main Logging and Skeena, would be entered into between Skeena and Terrace Timber or Main Logging and that the terms of the expired contract would continue to govern until that time.

31. On January 28, 2021, Skeena gave written notice to Terrace Timber that it would not process any road maintenance invoices, including invoices for snow removal, until the parties agreed on a new form of road maintenance contract.

32. On February 10, 2021, Skeena and Terrace Timber entered into a new Road Construction and Maintenance Contract, which expired on the earlier of December 31, 2021 or the completion of all of the work allocated to Terrace Timber under the contract.

33. On February 12, 2021, Terrace Timber issued an invoice dated January 31, 2021 to Skeena in the total amount of \$68,469.14 for snow plowing and removal carried out in January 2021 along the access roads for three of the Disputed Blocks (the "January Snow Removal Invoice").

34. On March 3, 2021, Terrace Timber issued an invoice dated February 28, 2021 to Skeena in the total amount of \$49,058.69 for snow plowing and removal carried out in February 2021

[340]

- 7 -

along the access roads for two of the Disputed Blocks (the "February Snow Removal Invoice" and, collectively with the January Snow Removal Invoice, the "Snow Removal Invoices").

35. Between March 8 and 17, 2021, Skeena wrote to Terrace Timber advising of certain discrepancies between the Snow Removal Invoices and Skeena's Road Maintenance Policy.

36. From February 10 to April 15, 2021, road maintenance, snow plowing and removal and related work in respect of Terrace Timber's harvesting operations under the Contract was carried out pursuant to the Road Construction and Maintenance Contract between Skeena and Terrace Timber dated February 10, 2021.

37. Between March and November 2021, the parties continued to discuss the Snow Removal Invoices and Skeena issued partial payment for each of the Snow Removal Invoices.

38. The outstanding balance claimed by Terrace Timber under the Snow Removal Invoices totals \$23,082.14 (the "Disputed Snow Removal Charges"). This amount remains in dispute and is unpaid by Skeena due to Terrace Timber's failure to comply with Skeena's Road Maintenance Policy including the requirements for pre-authorization of any snow plowing or snow removal work and the provision of time cards to support any claim for payment for hourly road maintenance work, including snow plowing.

39. Skeena submits this dispute to mediation and arbitration proceedings in accordance with Part 16 of the Road Construction and Maintenance Contract between Skeena and Terrace Timber.

40. Given the acrimonious recent history between the parties, Skeena suggests that the parties avoid the time and expense of a mediation and proceed directly to arbitration.

## II. THE REMEDIES SOUGHT

41. In the event this matter proceeds to arbitration, Skeena seeks the following relief:

- (a) an order that the rates applicable to the Block, as determined in accordance with s. 26.01 of the *Regulation*, are as set out in the final offers that Skeena delivers for each of the Disputed Blocks in accordance with s. 25.02(6) of the *Regulation*, or as otherwise directed by the arbitrator;
- (b) a declaration that the Disputed Snow Removal Charges are invalid and therefore not due and owing by Skeena;
- (c) costs equal to Skeena Sawmills' actual reasonable legal fees, taxes and disbursements in accordance with s. 10.1 of the *Regulation*; and
- (d) such further and other relief as counsel may advise.

[341]

- 8 -

### III. NAMES OF MEDIATORS/ARBITRATORS

42. The parties have not yet discussed or agreed to the name of any individual or individuals to act as mediator. While Skeena is of the view that a mediation is unlikely to be successful, in the event that Terrace Timber disagrees, Skeena proposes that any one of the following would be a suitable mediator in this matter:

- (a) John Logan, KC;
- (b) Simon Margolis, KC; or
- (c) Daniel Bennett, KC.

43. The parties have similarly not yet discussed or agreed to the name of any individual or individuals to act as arbitrator. In the event that this matter proceeds to arbitration, Skeena proposes that any one of the following would be a suitable arbitrator in this matter:

- (a) John Logan, KC;
- (b) Brook Greenberg, KC; or
- (c) Simon Margolis, KC.

RESPECTFULLY SUBMITTED THIS 25<sup>th</sup> DAY OF JANUARY, 2023.



Mark S. Oulton  
Counsel for the Claimant,  
Skeena Sawmills Ltd.

This is Exhibit "N" referred to in the  
affidavit of SHENWEI (SANDRA) WU  
made before me at VANCOUVER, BC this 15 day of March,

2024,



.....  
A Commissioner for taking Affidavits  
within British Columbia

December 21, 2022

Skeena Sawmills Ltd.  
Suite 1500 – 701 West Georgia Street  
Vancouver, BC V7Y 1C6

Terrace Timber Ltd.  
3103 Hampton Street  
Terrace, BC V8G 1N9

Re: Preliminary Log Rate Determination

Timber Tracks Inc. is pleased to provide Skeena Sawmills Ltd. and Terrace Timber Ltd. with our preliminary rate determination for 11 blocks in dispute with a total delivered volume of 144,604 cubic metres. This determination is preliminary as we are still waiting for some information from Terrace on three of the blocks just completed. Both Skeena and Terrace have requested that we not delay production of the report and therefore our rate determination is preliminary until that information is received. We do not anticipate material variances in our preliminary rate determination however, it is prudent to review the information before the rate determination is finalized.

Our report outlines the considerations used to provide this rate determination. We undertook a comprehensive review of information provided by both parties when applying our professional opinion to the rate determination.

Our preliminary rate determination is a rate of \$49.29 per cubic metre for the entire package of work. We also found that there were opportunities, primarily for Skeena, that had they been done, could have reduced the rate by \$3.85 per cubic metre to \$45.44 per cubic metre.

We appreciate the opportunity to serve you and trust you will be satisfied with our report.

If you have any questions or concerns, please do not hesitate to contact us.

Sincerely,



Aaron Sinclair  
Founder

TTI Preliminary Report – Skeena & Terrace Logging Rates - 2022-12-21.docx

## Table of Contents

<b>TABLE OF CONTENTS</b> .....	<b>2</b>
<b>INTRODUCTION</b> .....	<b>3</b>
<b>DETERMINING LOGGING RATES</b> .....	<b>4</b>
CONTRACT TERMS.....	4
<b>CONSIDERATIONS FOR RATE DETERMINATION</b> .....	<b>6</b>
PAYMENT FOR SERVICES .....	6
AMOUNT OF WORK.....	6
OPERATING CIRCUMSTANCES .....	6
ENGINEERING .....	7
DELIVERY CURTAILMENTS .....	7
ROAD MAINTENANCE .....	7
TRUST AND COMMUNICATION .....	7
<b>RATE DETERMINATION</b> .....	<b>8</b>
METHODOLOGY .....	8
FINAL RATE DETERMINATION .....	8
<b>TRUCKING</b> .....	<b>9</b>



## Introduction

Skeena Sawmills Ltd. ("Skeena") and Terrace Timber Ltd. ("Terrace") are licence holder and contractor, respectively, within the definition of the Timber Harvesting Contract and Subcontract Regulation<sup>1</sup> of the *Forest Act* (the "Regulation") and are each a party or parties referred to individually or collectively within this report.

Skeena and Terrace have been unable to agree on logging rates for certain services performed by Terrace, as contractor, for Skeena, as licence holder, on Tree Farm Licence 41 ("TFL41"). The parties have decided to forgo the dispute resolution methods outlined in the Regulation in favour of an independent review of work and determination of logging rates by Timber Tracks Inc.

This report provides the final determinative rates for the following harvesting blocks. Total delivered volume on all the blocks is 144,604 cubic metres:

Block	Merch Area ha	Harvested ha	Cruise m3	Delivered m3	Variance m3
21-100-6	94.1	93.4	48,473	25,769	53.2%
30-1000-14	39.4	38.5	18,778	11,799	62.8%
30-2000-6	18.1	17.3	10,211	6,719	65.8%
30-2000-8	27.7	26.2	15,341	7,605	49.6%
5-5-16	17.3	13.6	7,399	4,597	62.1%
6-0-2	35.1	32.1	19,415	16,010	82.5%
6-20-5	3.8	2.9	2,588	1,223	47.3%
6-30-3	34.2	31.8	22,465	10,859	48.3%
KIT003	29.8	26.0	13,159	11,692	88.9%
KIT005	39.9	38.2	21,573	19,475	90.3%
KIT007	86.4	85.9	45,636	28,854	63.2%
<b>Totals</b>	<b>425.8</b>	<b>405.9</b>	<b>225,038</b>	<b>144,604</b>	<b>64.3%</b>

This report is the preliminary report awaiting final information from Terrace on 6-20-3, 6-30-5 and KIT005. Our analysis otherwise included those three blocks.

<sup>1</sup> [https://www.bclaws.gov.bc.ca/civix/document/id/complete/statreg/22\\_96](https://www.bclaws.gov.bc.ca/civix/document/id/complete/statreg/22_96)





## Determining Logging Rates

The British Columbia forest sector has regulated contractors and market contractors. A logging contractor can be either or both types of contractors. A logging contractor contracts services to a tenure holder who may be a licensee with a right to harvest land owned by the Crown, an owner of fee-simple lands that they wish to harvest, or may the right to harvest timber that is owned by someone else entirely.

Regulated contractors have a contract that is regulated by the Regulation which is commonly referred to by multiple names such as a Bill 13 contract, a replaceable contract, or an evergreen contract. For the purposes of this report, these contracts will be referred to as Bill 13 contracts. A Bill 13 contract is attached to one or more forest licenses, of whatever type, issued by the Province of British Columbia for the right to harvest crown land.

Bill 13 contracts carry with them obligations on both the contractor and the tenure holder. Without repeating the requirements outlined within the Regulation, it outlines how the contractor and the tenure holder determine rates and how to legally resolve any rate disputes.

A market contractor is a logging contractor who enters into a commercial relationship with the tenure holder. These commercial relationships are not regulated and are only subject to the terms agreed to between the contractor and the tenure holder. The contracts may include harvesting from a forest license of Crown timber.

When determining logging rates for a Bill 13 contract, the license holder and contractor should consider a number of factors that determine the best appropriate rate for the services to be provided to the contractor. The following factors should be considered:

1. Amount of annual work to be performed.
2. Operating circumstances for the work.
3. Contract conditions that affect contractor's ability to perform the work.
4. Level of trust and communication between the parties.

Each of these factors, and how they affect the opinion for this project, are discussed in subsequent sections of this report.

## CONTRACT TERMS

Skeena is the holder of TFL41, a form of area-based tenure that provides the licence holder with a near exclusive right to harvest timber on a specific area of Crown land. Terrace has a Bill 13 contract with Skeena to perform 100% of the logging work on TFL41. The current contract between the parties is contract number TERTI-15-00 with a date of January 1, 2015 and an end date of December 31, 2019 (the "Contract"). It is understood that the parties have not agreed to a new contract and, under terms of the Regulation, the Contract remains in force until that situation is resolved.

Under Part 2, section 2.2 of Schedule "A" of the Contract, amongst other specific elements of the work, Terrace is required to fall, limb, buck, yard or skid, process, sort, load, mark and haul all timber produced under the Contract within the Skeena's log specifications. Further, Terrace is required to clean up waste and debris, deactivate and, when directed, rehabilitate trails and other services related to the harvesting work.

Under Part 4, section 4.4 of Schedule "A" of the Contract, Terrace is required to conduct access road maintenance including grading and spot surfacing, cleaning of culverts, installation of waterbars and cross ditches, and other activities as directed by Skeena. There is no specific mention of snow removal, a significant item for winter operations, however it could be included under other activities as directed. Access road maintenance is not a scope of work detailed in the main agreement or a specific element of work under Part 2 of Schedule "A" but is still a condition within the Contract.

Under Part 8, section 8.6 of Schedule "A" of the Contract, Skeena is required to pay Terrace for any work within a pay period at least twice per month according to a pre-defined schedule of payments.

Under Part 9, section 9.1 of Schedule "A" of the Contract, Skeena is permitted to curtail and suspend Terrace's operations for a series of reasons including market conditions and over supply of logs. This section recognizes that Terrace is not





liable to Skeena for failures to perform as a result of a curtailment or suspension of work initiated by Skeena other than curtailments or suspensions for market price of logs.

Under Part 11, section 11.1 of Schedule "A" of the Contract, Skeena is permitted to terminate the contract after 20 business days after notification by Skeena of a material breach of the Contract by Terrace if the material breach is not remedied. There is no definition within the Contract of what constitutes a material obligation.

These contract terms are all considered material terms when considering the impact on the rate determination.

## Considerations for Rate Determination

The following are the considerations used when determining the rate in this report.

### PAYMENT FOR SERVICES

Skeena has had a multi-year history of late or delayed payments for services to its contractors. Occasional late or delayed payments are an unfortunate circumstance but regular occurrences are a reason for concern. Both parties have agreed that Skeena is late or has delayed payments on a frequency greater than occasional.

Late or delayed payments add increased risk and working capital requirements to a contractor's operations. Both factors lead to **upward rate pressure**.

### AMOUNT OF WORK

On the premise that there are summer and winter seasons for logging, it is best practice for licence holders to have three seasons of fully permitted and developed blocks available for their contractors to harvest. This means a licence holder would have approximately 18 months of work available for a contractor. Fully permitted and developed blocks means that the cutting permits have been issued, roads have been fully built, and the contractor could commence harvesting immediately on direction of the licence holder.

The benefit of having this amount of standing timber inventory available is that it provides both the licence holder and the contractor with predictability of upcoming harvest expectations, a proper work plan to operate to, and alternative options if unforeseen factors impact a logging block scheduled for the current season. For example, if harvesting in winter season and an unexpected event, such as a significant avalanche, prevents access to a block, a block from the subsequent winter season could be brought forward to the current season so the contractor is able to continue work and the licence holder continues to receive logs.

The Contract specifies a requirement that Terrace is provided 100% of the harvesting from TFL41. Effective January 31, 2012, the Chief Forester for British Columbia provided a rationale for annual allowable cut ("AAC") determination for TFL41 at 128,000 cubic metres per year. According to the Contract, Terrace must be prepared to perform the work to harvest up to 128,000 cubic metres per year.

As a best practice, Skeena should have three seasons of work planned and provided to Terrace at all times. This provides clarity to Terrace of Skeena's work expectations over the next 18 months and allows efficient utilization of resources. Best practice planning provides **downward rate pressure**.

### OPERATING CIRCUMSTANCES

Engineering for block design and harvesting practices should consider efficient utilization of the contractor's fleet of equipment. A Bill 13 contractor must be ready, willing, and able to perform the required work on relatively short notice from the licence holder. If engineering requires little use of certain equipment over a year, that phase of work may require a premium to either maintain that equipment availability or to subcontract that amount of work. For example, efficient utilization of a skidder may require 2,000 hours per year but a plan and engineering that requires 1,200 hours per year recognizes that the contractor must have skidding capacity available but that the utilization will not be efficient. The contractor must cover its annual ownership costs which leads to either a higher skidding rate, finding alternative work, or subcontracting skidding capacity.

Higher skidding rates are commercially unlikely. Finding alternative work is an option if there are skidding opportunities within a reasonable distance and the work plan allows the contractor to deploy a skidder elsewhere to get its efficient annual utilization. A work plan that does not allow a contractor to find reasonable alternative work means this may not be an option. Lastly, subcontracting the work is only a realistic option if there is local skidding capacity that is unutilized and can meet the schedule requirements. If scheduling is mismatched, subcontracting may require extended schedules for work to be performed.



The schedule to perform work and engineering of blocks must ensure that personnel and equipment can be utilized in an efficient manner. Factors such as phase congestion, inappropriate scheduling, and inefficient harvesting methodologies can all lead to inefficient operations.

Conversely, a Bill 13 contractor should not over equipment their fleet and should ensure their primary production machines are late model machines or machines in good repair that have undergone substantive rebuilds to ensure proper operating efficiency. Uptime is a major factor for contractors being able to be efficient and productive. Machines in disrepair that result in downtime affect this efficiency and productivity. These factors are solely within the contractor's control and require that the contractor maintain their equipment for maximum reliability and productivity.

A proper plan schedule is one of the greatest factors to impact utilization. A phase should enter a block, perform its scope, and move to the next block that is ready for that phase to be executed. An even flow of work, by phase, scheduled through a year will maximize utilization of personnel and equipment and leads to **downward rate pressure**.

### ENGINEERING

Engineering and design of a block can have significant impact on rates. Engineering can set a contractor up for success or for failure. It is important that planned harvesting methods, and logging rates, should be discussed between Skeena and Terrace with consideration to adapting the plan that improves block economics for both parties.

### DELIVERY CURTAILMENTS

The even flow of operations is an important component of equipment and personnel utilization. Significant delivery curtailments lead to personnel challenges, equipment downtime, contractor working capital requirements that have an impact on the logging rate.

In our analysis of the correspondence provided by Skeena and Terrace, over the period of deliveries through to the summer of 2022, Skeena's scales were closed or deliveries were curtailed more than 12% of the time. This is a substantive impact on operational flow of Terrace and has resulted in **upward rate pressure**.

### ROAD MAINTENANCE

Road maintenance in the Contract is not a core component of the work. It is a requirement of the Contract but is not a material obligation. Road maintenance rates should be negotiated separately from the specific scope of work within Part 2 of Schedule "A" of the Contract.

Following best practice of having three seasons of work fully permitted and developed, summer road maintenance is relatively predictable based on the work, engineering, planning, and settled state of built roads. Under these conditions, a per cubic metre rate for summer road maintenance is an appropriate rate mechanism. Green roads that are not settled have a degree of uncertainty that make predictability difficult. A contractor required to repair roads as a result of being new or deficient construction is not predictable. In these circumstances a contractor should be paid by the hour in addition to the normal road maintenance costs.

Winter road maintenance in areas with frequent and significant snow events is not a predictable operating environment for a contractor. Furthermore, snow is not a specified scope of work for road maintenance in the Contract. While it could be included as an additional activity as required, due to its unpredictability, snow removal should be paid by the hour. The timing of snow removal is predicated on weather and the need to maintain efficient operations. Delays in snow removal have a direct impact of logging efficiency and will lead to **higher rate pressure**.

### TRUST AND COMMUNICATION

The review of correspondence and communication between the parties indicates a high-level of mistrust. It is certain that if the parties wish to continue working together, substantial work needs to be done to improve trust and healthy communication between them.

## Rate Determination

### METHODOLOGY

TimberTracks undertook three analyses – two quantitative and one qualitative – to help to determine a fair and reasonable rate for work undertaken by Terrace for the subject blocks.

The first quantitative analysis took time sheet data from Terrace and applied industry-standard hourly charge-out rates developed by TimberTracks to determine the costs to log the subject blocks. Rates applied include operator time, maintenance and ownership costs for equipment and fuel. Variations in fuel costs, which have been significant in the last 24 months, are taken into account, and machine hourly rates are assigned on a monthly basis.

The second quantitative analysis applied phase productivity rates for the coastal BC region to the amount harvested. This determined how many hours, under normal working conditions, it would take for the machines used (yarders, hoe-chuckers, loaders, skidders and processors) to complete the work. The number of hours was then multiplied by the TimberTracks hourly rate for the specific machine during the month work was completed to result in an "optimal" operating cost.

In practical terms, the second quantitative analysis pertains to yarding, hoe-chucking, processing and loading phases specifically.

The qualitative analysis performed involved working through the substantial amount of communication and background information provided by both Skeena and Terrace to develop a comprehensive, 360 degree understanding of the working relationship between the parties, the direction provided to Terrace by Skeena in the conduct of their work and the response to environmental and other challenges faced in the process of logging the blocks by Terrace and Skeena. This qualitative analysis helps to inform the validity and applicability of the first two quantitative analyses to the rate determination.

### FINAL RATE DETERMINATION

Considering the factors outlined within this report, the rate that should be paid for logging stump to truck in the subject blocks is **\$49.29 per cubic metre** on 144,604 cubic metres of timber, or \$7,127,531.

Considering the factors earlier in this report that indicate opportunities for efficient logging operations that are within the control of Skeena, the impact of not implementing these factors on the subject blocks is determined to be \$3.85 per cubic metre. Had Skeena implemented these factors, it could have realized a rate of \$45.44 per cubic metre or saved \$556,725.

Snow clearing, if the responsibility of Terrace, should be paid by the hour.



## Trucking

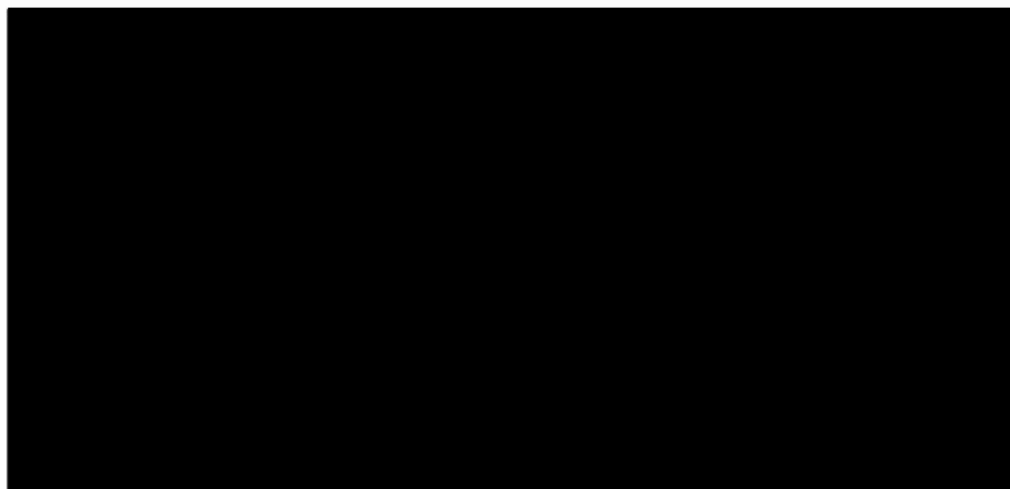
The scope of this engagement was limited to stump to truck. The parties could not agree to including an assessment of trucking rates.

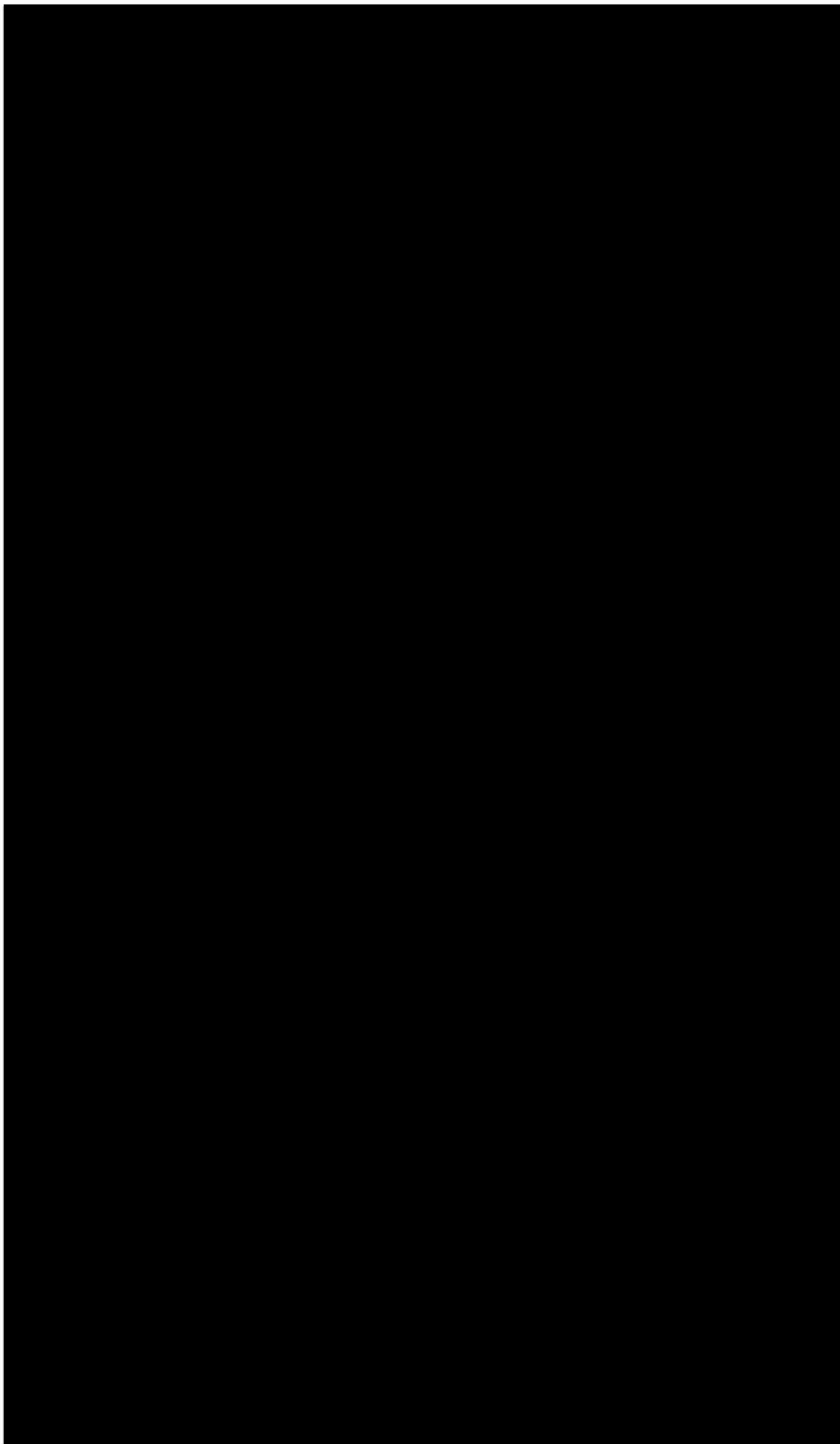
Skeena has indicated that it is still using a model developed from TimberTracks that was provided in 2016. It is unknown whether this model has been updated for changes in input costs. The last version of this model provided by TimberTracks indicated a rate for a tridem pole trailer configuration of \$143.17 per hour for Coastal operations. Current rates, some six years later, for that configuration reflect an hourly rate of \$221.76 per hour.

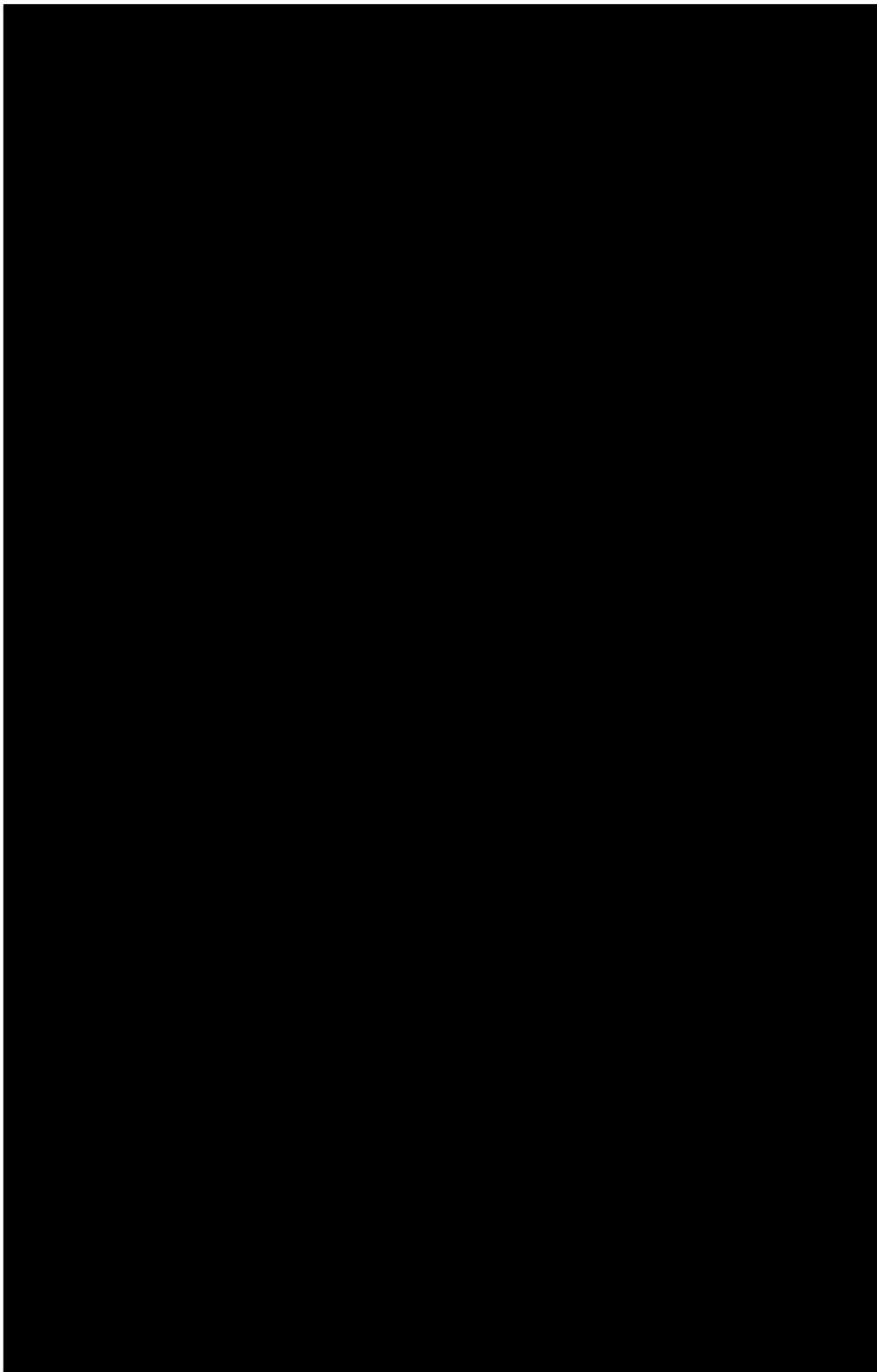
The main reasons for the substantial increase in the hourly rate are the cost of the truck and trailer, fuel prices, and increasing labour costs as both a result of pay increases but also statutory costs.

If the trucking model has not been updated, it is recommended that the model be revised and maintained on an ongoing basis.

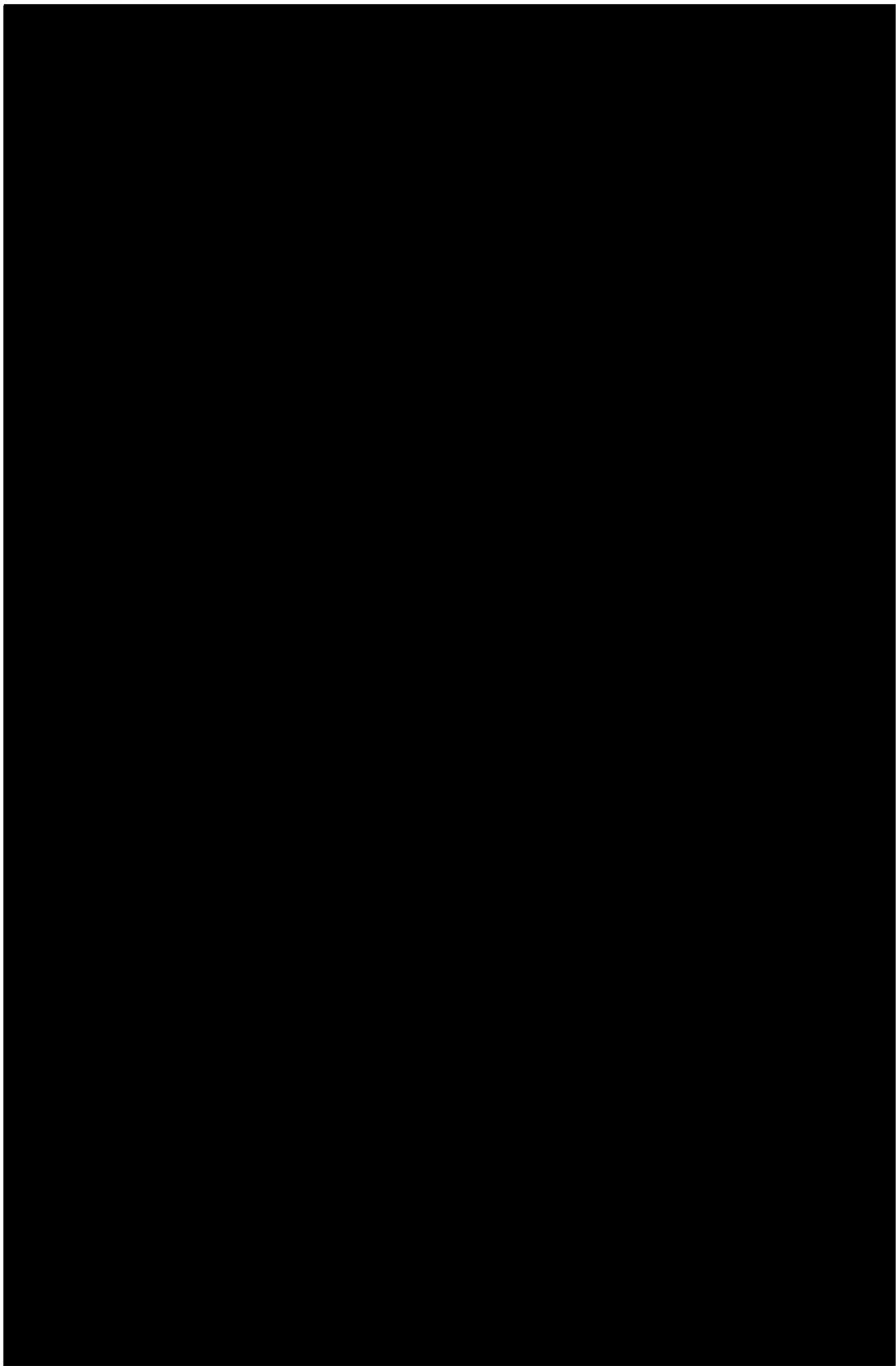


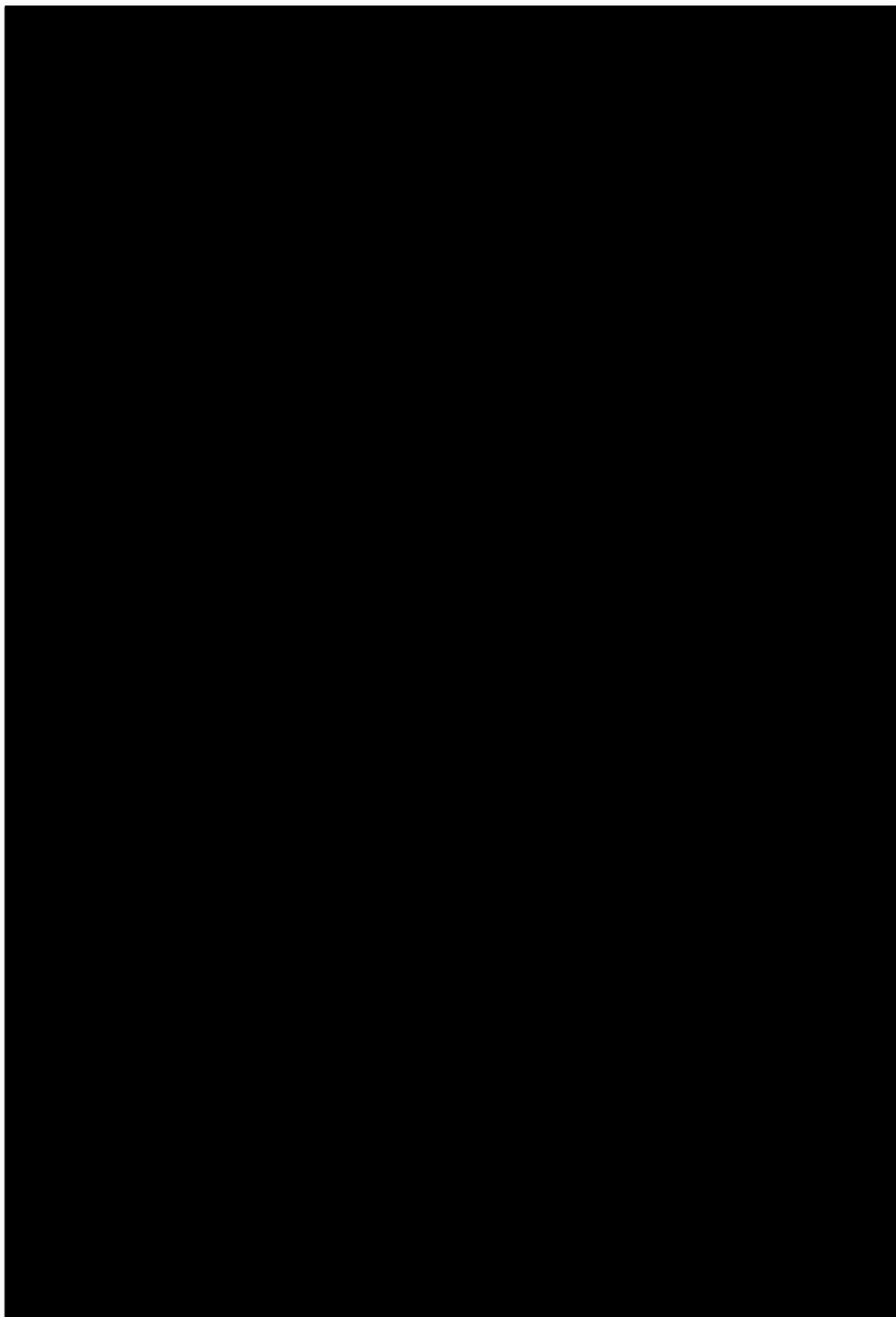


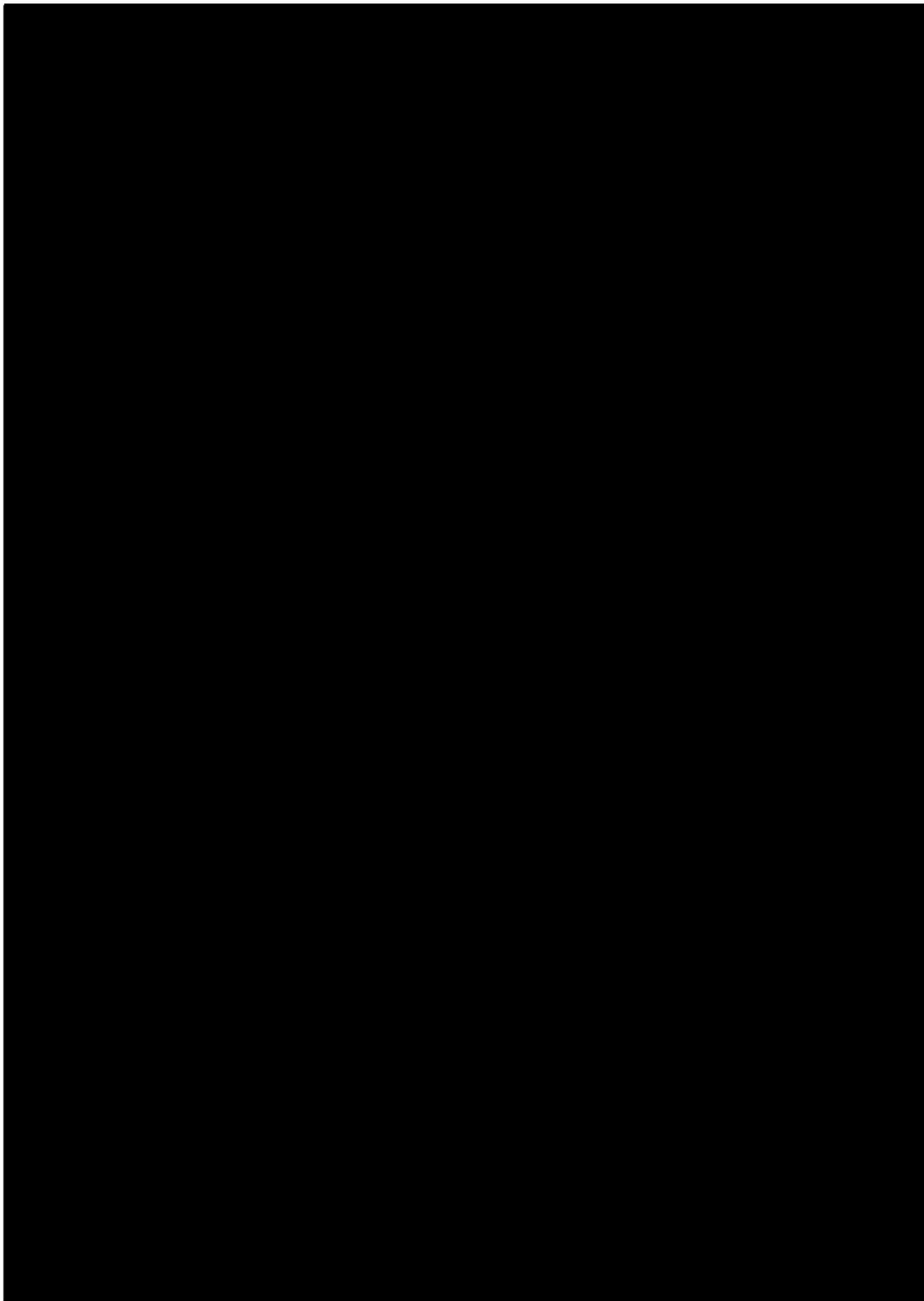


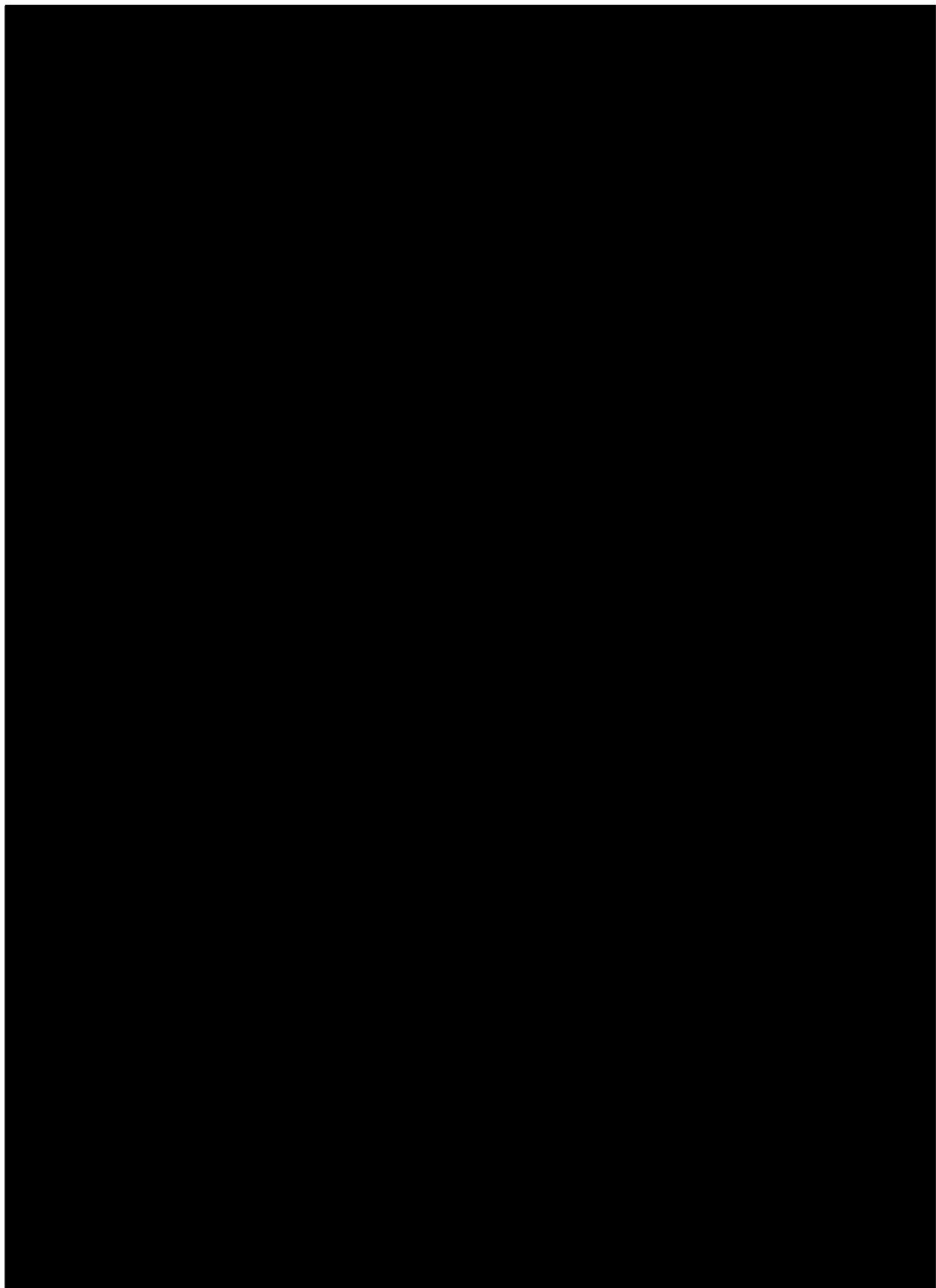


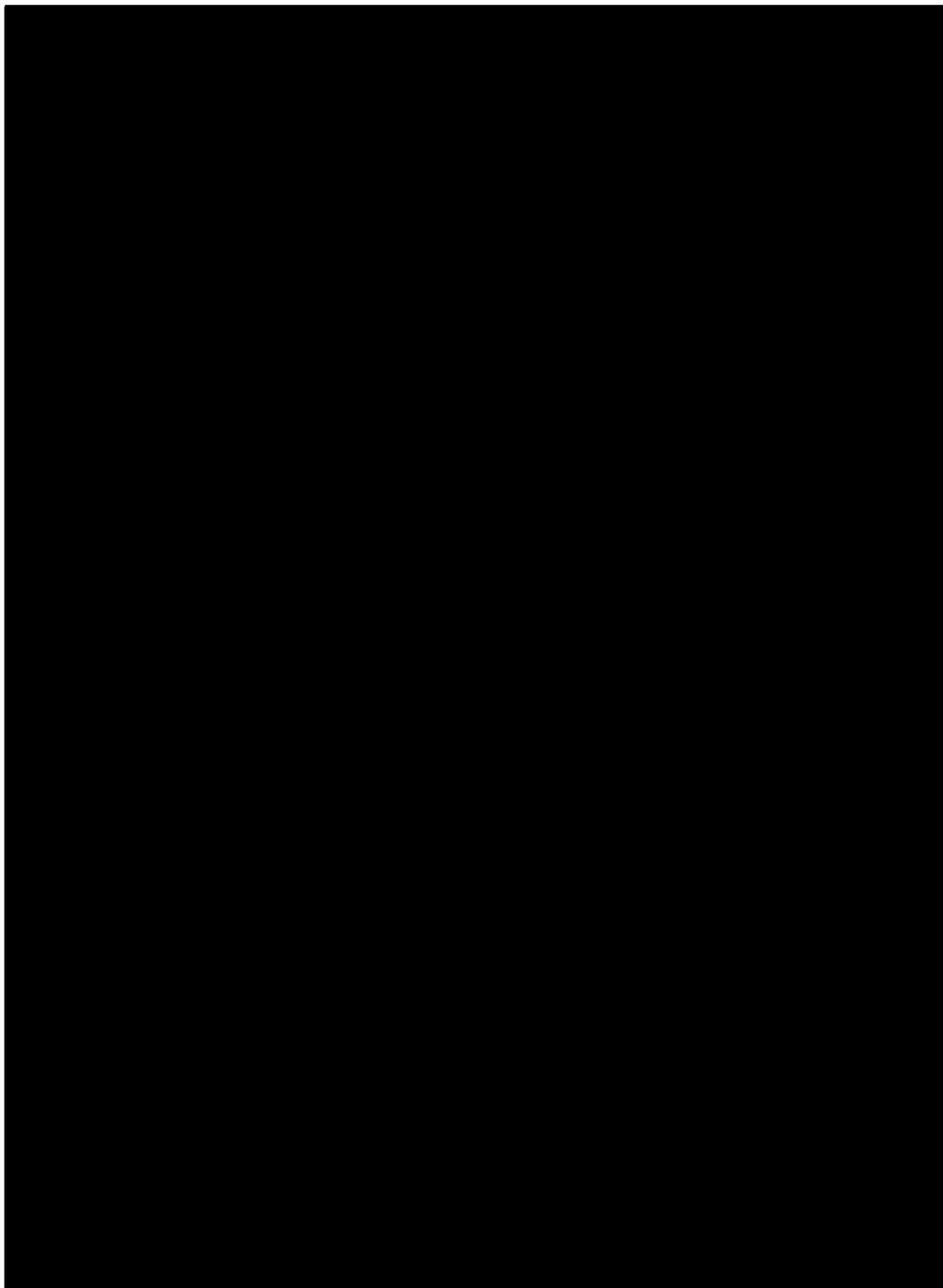


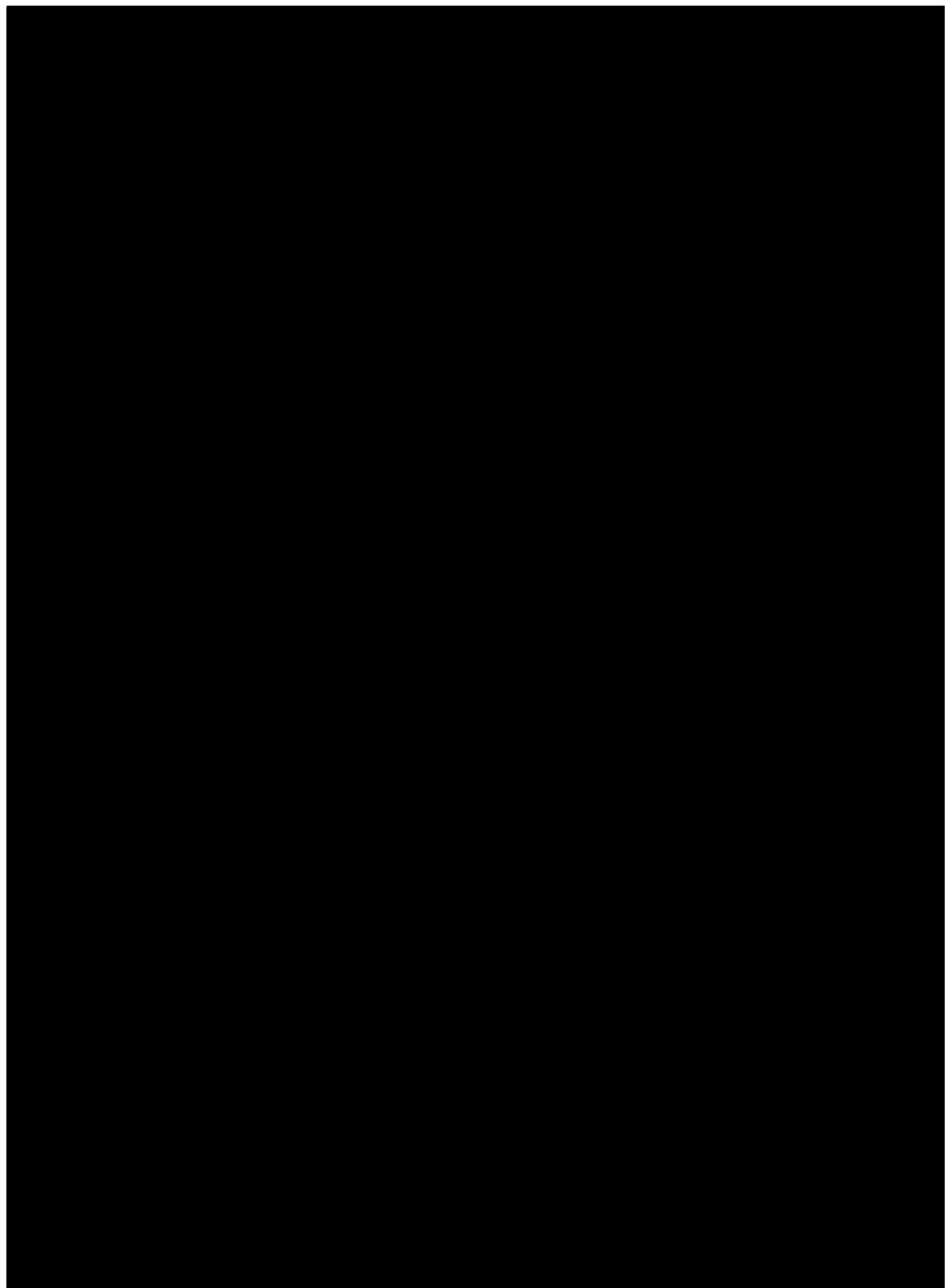


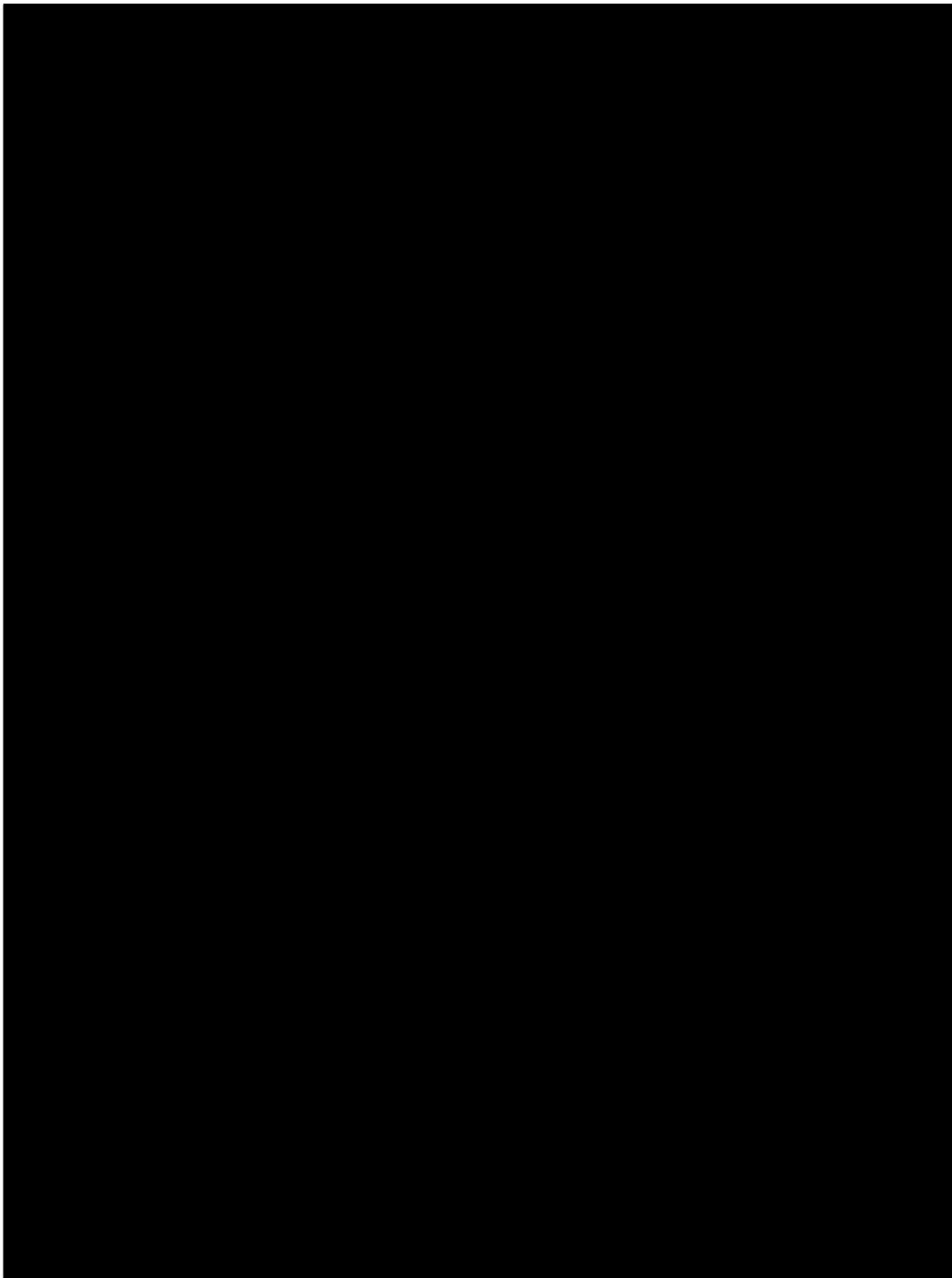


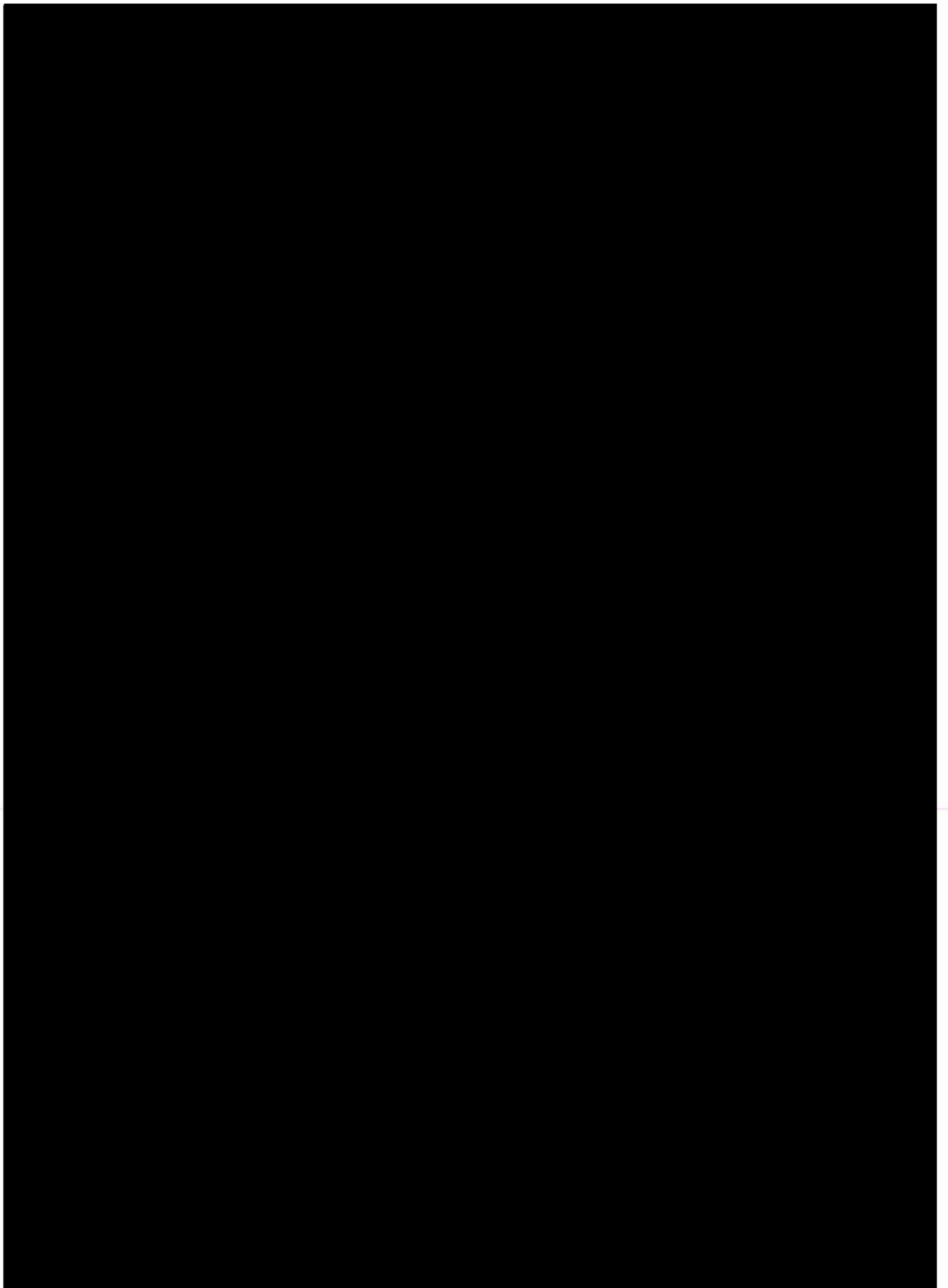














No. S-236214  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH  
COLUMBIA**

BETWEEN:

1392752 B.C. LTD.

PETITIONER

AND:

SKEENA SAWMILLS LTD.  
SKEENA BIOENERGY LTD.  
ROC HOLDINGS LTD.

RESPONDENTS

---

AFFIDAVIT #1 OF SHENWEI (SANDRA) WU

---



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