

This is the 2<sup>nd</sup> Affidavit of Gui Hua (Jenny) Hu in this case and was made on January 5, 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, Gui Hua (Jenny) Hu, CPA, CGA, of 1518 - 1030 West Georgia Street, Vancouver in the Province of British Columbia, SWEAR THAT:

- At all material times discussed in this affidavit, I was the Chief Financial Officer for the Respondents, Skeena Sawmills Ltd. ("Sawmills") and Skeena Bioenergy Ltd. ("Bioenergy"), and as such have personal knowledge of the matters herein deposed to, except where stated to be based on information and belief.
- I am authorized to make this Affidavit on behalf of Sawmills and Bioenergy in order to provide evidence about the application of shareholder loans (the "2023 Shareholder Loans") made by the Petitioner, 1392752 B.C. Ltd. (the "Lender") to Sawmills pursuant to a grid promissory note dated January 31, 2023 (the "First Note") and a grid promissory note dated May 1, 2023 (the "Second Note" and together with the First Note, the "Grid Promissory Notes").

# **Attempts to Address Financial Difficulties**

- 3. In the first week of March 2023, Shenwei (Sandra) Wu ("Ms. Wu"), CEO of Sawmills and Bioenergy, Tracy Huang (Ms. Huang"), Sawmill's logistics manager, and I met and had discussions with Alvarez and Marsal Canada Inc. ("A&M"), as external consultants, on how to put Sawmills, Bioenergy and ROC Holdings Ltd. ("ROC") on a sustainable financial footing. Attached and marked hereto as Exhibit "A" is a true copy of an engagement letter dated March 13, 2023 between A&M and Sawmills.
- 4. Part of these discussions involved re-starting the operations of both Sawmills and Bioenergy. Sawmills shut down operations in early February 2023 for a variety of reasons including high operating costs, lack of consistent funding, out-dated sawmill equipment, weak lumber markets and an inability to access economically viable fibre,. Bioenergy shut down its operations in January 2023 for a variety of reasons including high manufacturing costs, particularly during the winter.
- 5. After consultations with A&M, Sawmills and Bioenergy seriously contemplated initiating restructuring proceedings, which may have included a possible plan of arrangement to be proposed to its creditors under the *Companies' Creditors Arrangement Act*. However, in or around April 2023, it was ultimately decided that Sawmills and Bioenergy would pursue direct negotiations and payment and/or forbearance arrangements with key creditors, including:
  - (a) Antler Creek Contracting Ltd. ("Antler Creek");
  - (b) K'alii Aks Timber Corporation;
  - (c) L&J Logging; and
  - (d) Cypress Forest Consultants Ltd.

Attached and marked collectively hereto as **Exhibit "B"** are true copies of executed Forbearance and Repayment Agreements between Sawmills and the above-noted creditors.

- 6. Sawmills and Bioenergy also attempted to negotiate payment and/or forbearance agreements with other key creditors but were unable to agree on terms. In addition, repayment arrangements were reached with one of Sawmills' larger creditors, Daudet Creek Contracting Ltd. ("Daudet"), but Sawmills was unable to follow through with those arrangements as a result of its business and financial circumstances.
- 7. Attached and marked hereto collectively as **Exhibit "C"** are true copies of emails dated May 24, 2023 through May 25, 2023 and from June 27, 2023 through June 28, 2023 respecting these arrangements between, among others, myself, Ms. Huang and Shaun Oviat, owner and superintendent of Daudet.
- 8. Sawmills re-started operations in May 2023, but ceased operations again in or around the beginning of July 2023.
- 9. Bioenergy resumed its operations for a brief period in June 2023, but also ceased operations in or around the beginning of July 2023.

# **Cash Flow Forecasts**

- 10. As part of my duties as CFO, I was responsible for preparing business plans and cash flow forecasts (the "Cash Flow Forecasts") with the assistance of A&M for Sawmills and Bioenergy. I typically updated the Cash Flow Forecasts on a weekly basis in the ordinary course of my duties as the CFO. The Cash Flow Forecasts include statements of fact regarding invoices submitted to Sawmills and Bioenergy by third parties and the planned payment of such invoices by Sawmills and Bioenergy.
- 11. Identified and marked collectively on a USB stick as **Exhibit "D"** are the Sawmills' Cash Flow Forecasts (the "**Cash Flow Forecasts**") that I created and updated on a rolling basis for the following weeks:
  - (a) January 2, 2023 through March 31, 2023;
  - (b) February 6, 2023 through March 31, 2023;
  - (c) March 6, 2023 through June 2, 2023;
  - (d) April 3, 2023 through June 2, 2023;

- (e) April 10, 2023 through June 2, 2023;
- (f) May 1, 2023 through September 29, 2023; and
- (g) May 29, 2023 through December 29, 2023.

The Cash Flow Forecasts are electronic spreadsheets that exceed ten printed pages in length and are not amenable to being printed in a useable page format.

12. Each time I updated the Cash Flow Forecasts, I would advise the Shareholders, who were also the principals of the Lenders, of the amounts I forecasted as being necessary to fund the operations of Sawmills over the coming 4-8 week periods.

# Application of the 2023 Shareholder Loans

- 13. The 2023 Shareholder Loans were used to fund the operating expenses of Sawmills and Bioenergy, including, but not limited to, payments to key vendors, payroll and statutory remittances. One of the guiding instructions regarding the management of payments by Sawmills and Bioenergy was to keep payments to employees as up to date and current as possible. The 2023 Shareholder Loans were not used for any other purpose.
  - 14. Attached and marked hereto as **Exhibit** "E" is a true copy of a spreadsheet I prepared based on Sawmill's internal accounting system, containing details regarding payments made to certain creditors on the dates indicated on the spreadsheet. As a matter of process, Sawmills' internal accounting software would generate an accounts payable file, which would be uploaded to Sawmills' online banking platforms, at which point I would approve the payments from Sawmills bank accounts. I approved the payments set out in Exhibit "E" to creditors on or about the dates listed, including payments to Delta Cedar Specialities Ltd., Timber Baron Contracting Ltd. and Antler Creek.
    - 15. The 2023 Shareholder Loans were used to make substantially all of the 2023 payments referenced in the spreadsheet at Exhibit "E".
    - 16. Once I advised the Shareholders of the amounts necessary to fund Sawmills' operations, I understand that the Shareholders attended to transferring these amounts for the Lender's bank accounts to Sawmills' bank account.

- 17. When I received confirmation from the Shareholders that the funds had been transferred, and verified on Sawmills' online banking platforms that such funds were received, I instructed my team to record the transfers in the financial records for Sawmills. On or around April 28, 2023, I advised Liyan Wu ("Liyan") of Lawson Lundell LLP of these advances. Liyan advised me, and I verily believe, that she then recorded these advances on the First Note at one time on or around that date. Similarly, on or around August 31, 2023, I advised Liyan of the additional advances made. Liyan advised me, and I verily believe, that she then recorded these advances on the Second Note at one time on or around that date.
  - 18. The following exhibits, marked "F" to "L" to my affidavit, are examples of my communications with the Shareholders about the need for additional funding for Sawmills and Skeena in 2023 and the use of the 2023 Shareholder Loans.
  - 19. Attached and marked hereto as **Exhibit "F"** is a true copy of an email dated February 7, 2023 that I sent to Ms. Wu, Laurence Wang, Skeena's business advisor from MNP Ltd., and certain employees of Sawmills. My email attached a screen shot of the summary page of the then current iteration of the Cash Flow Forecasts. My email provided a summary of my forecast of the probable funding needs for Sawmills and Bioenergy at that time, including to fund the planned re-start of their operations.
  - 20. Attached and marked hereto as **Exhibit** "G" is a true copy of an email dated March 24, 2023 that I sent to Ms. Wu forwarding to her an email thread from March 23, 2023 through March 24, 2023. The forwarded email thread contained a discussion between me and certain Sawmills employees about financial forecasting and the need for additional funds to pay various Sawmill obligations and fund the intended resumption of Sawmill operations.
  - 21. Attached and marked hereto as **Exhibit "H"** is a true copy of an email dated April 17, 2023 that I sent to Ms. Wu and Ms. Huang advising that for the week of April 24, 2023 through April 28, 2023, I forecast that a total of \$450,000 in additional funding was required to cover payment of stumpage fees, union benefits, payroll, business insurance, lease payments and contractor payments.

Attached and marked hereto as Exhibit "I" is a true copy of an email dated April 24, 2023 22. that I sent to Ms. Wu and Ms. Huang in which I advised that the existing funds were used for important payments such as payroll and insurance, that other payments, including stumpage fees and union benefits, had been pushed off to the following weeks, subject to receiving further funds that week. I also advised Ms. Wu that the situation was urgent, and that if the additional funds could not be received, then the Provincial Government and union should be informed of the delay. While I am not a certified translator, my translation of this email into English is as follows:

From: Jenny Hu

Sent: Monday, April 24, 2023 2:07 PM

To: Sandra Wu Cc: Tracy Huang

Subject: FW: cash to April 28

Attachments: Weekly Cashflow Forecast at Apr 21 2023 Current.xlsx

Importance: High

Sandra - Will we receive another transfer by Wednesday? 250,000 Canadian dollars (250,000)?

Lindsay kept the existing funds for the important payments such as payroll and insurance, and pushed off the rest planned payments to next week (or Friday, if the 2.5 million promised by the China side can arrive on Friday), including the stumpage fee and union benefits (due today).

If we receive another payment by Wednesday, he does not need to postpone the payment of either stumpage or union benefits, and he does not need to communicate with the provincial government and the union welfare management department about the payment delay, so as to avoid the risk that these two organizations do not give room for maneuver and cause complications. If it is confirmed that no money would come in before Wednesday, he should communicate with them early tomorrow morning at the latest.

The situation is a bit urgent and tricky, so I copied Tracy and then everyone is on the same page.

Attached and marked hereto as Exhibit "J" is a true copy of an email dated May 29, 2023 23. that I sent to Ms. Wu. I advised Ms. Wu that I forecasted that the minimum funding required for the week of June 12, 2023 through June 16, 2023 was \$1.55 million, and that the amount of \$7 million would be required to continue operations through the week ending August 18, 2023. I also told her there would a \$1.1 million shortfall following that week.

- 24. Attached and marked hereto as **Exhibit "K"** is a true copy of an email thread from June 1, 2023 through June 2, 2023 between myself, certain Sawmill employees and Ms. Wu, in which we discussed the process on how to pay Sawmills' operating expenses.
- 25. Attached and marked hereto as **Exhibit "L"** is a true copy of an email dated June 20, 2023 that I sent to the Shareholders forwarding an email I received from Lindsay Moyle, Sawmills controller. In my email, I advised the Shareholders of various reasons that the cash flow requirements had changed. I also advised that in order to continue Sawmills' operations through July 21, 2023, the amounts of \$1.350 million, \$430,000, \$153,000 and \$700,000 would be required and that additional funding after that would be required weekly. I projected that the amount of \$3.5 million would be required by September 15, 2023.

## The Financial Statements

- 26. The following exhibits, marked "M" to "S" to my affidavit, are the financial statements for years ending 2015 through 2021 for ROC, which include the accounts of Sawmills.
- 27. Attached and marked hereto as **Exhibit "M"** is a true copy of ROC's consolidated financial statements for the year ending June 30, 2015 independently audited by BDO Canada LLP ("**BDO**").
- 28. Attached and marked hereto as **Exhibit "N"** is a true copy of ROC's consolidated financial statements for the year ending June 30, 2016 independently audited by BDO.
- 29. Attached and marked hereto as **Exhibit "O"** is a true copy of the ROC's consolidated financial statements for the year ending June 30, 2017, a review engagement provided by BDO.
- 30. Attached and marked hereto as **Exhibit "P"** is a true copy of ROC's consolidated financial statements for the year ending June 30, 2018, a review engagement provided for by BDO.
- 31. Attached and marked hereto as **Exhibit "Q"** is a true copy of ROC's consolidated financial statements for the year ending June 30, 2019, a review engagement provided for by BDO.

- 32. Attached and marked hereto as **Exhibit "R"** is a true copy of ROC's consolidated financial statements for the year ending June 30, 2020, a review engagement provided for by BDO.
- 33. Attached and marked hereto as **Exhibit "S"** is a true copy of ROC's consolidated financial statements for the year ending June 30, 2021, a review engagement provided for by BDO.

SWORN BEFORE ME at the City of
Vancouver, in the Province of British
Columbia, this 5th day of January 2024.

A Commissioner for taking Affidavits for

GUI HUA (JENNY) HU

NOOR MANN

Barrister & Solicitor

1600 - 925 WEST GEORGIA ST

VANCOUVER, B.C. V6C 3L2

(604) 685-3456

British Columbia.

This is Exhibit "A" referred to in the affidavit of Gui Hua (Jenny) Hu made before me at Vancouver, B.C., on January <u>5</u>th, 2024.

A Commissioner for taking Affidavits within British Columbia.

March 13, 2023

Skeena Sawmills Ltd. c/o Lawson Lundell LLP 1600 Cathedral Place 925 West Georgia Street Vancouver BC V6C 3L2

Attention: Ms. Sandra Wu, CEO & President

Dear Ms. Wu:

This letter confirms and sets forth the terms and conditions of the engagement between Alvarez & Marsal Canada ULC ("A&M") and Skeena Sawmills Ltd. and related and affiliated companies (collectively, the "Company"), including the scope of the services to be performed and the basis of compensation for those services. Upon execution of this letter by each of the parties below and receipt of the retainer described below, this letter will constitute an agreement between the Company and A&M (the "Agreement").

# 1. <u>Description of Services</u>.

- (a) A&M shall provide consulting services to the Company's CEO and President in connection with their efforts in seeking to improve the Company's financial and operating performance, reporting directly to them, and assist the Company in its reorganization efforts. It is anticipated that A&M's activities shall include the following:
  - assistance in evaluation of the Company's current business plan and financial projections, and underlying assumptions, and presentation of such plan and forecast to the Board and its creditors (as necessary);
  - (ii) assistance in financing issues including assistance in preparation of reports, review of proposals and structures, and liaison with creditors;
  - (iii) assistance in managing the Company's liquidity, including the preparation of 13-week cash flows;
  - (iv) assistance in reviewing the Company's longer-term forecast and assistance with the identification and assessment of certain strategic alternatives; and
  - (v) other activities as are approved by you or the Board and agreed to by A&M.

- (b) The Company acknowledges that it will provide and require the full cooperation of management, officers, employees, professional advisors and agents of the Company to A&M throughout the term of this engagement. In particular, the Company agrees that:
  - (i) A&M and its employees and agents shall have unrestricted access to the books, records, information (however stored), facilities, assets and premises of the Company and A&M may copy any documents or information;
  - (ii) the Company and its officers, employees and agents shall answer all inquiries fairly, fully and to the best of their ability and they shall provide A&M with any information that it may request with respect to the affairs of the Company; and
  - (iii) the Company authorizes A&M to contact the Company's professional advisors, which in A&M's discretion is deemed appropriate in connection with this engagement.
  - (c) In rendering its services to the Company, A&M will report directly to the CEO and President of the Company and will make recommendations to and consult with the directors and other such senior officers as so directed.
  - (d) Todd M. Martin and Anthony Tillman, Managing Directors of A&M, will be responsible for the overall engagement. They will be assisted by other A&M personnel as required. A&M personnel providing services to the Company may also work with other A&M clients in conjunction with unrelated matters. In connection with the services to be provided hereunder, from time to time A&M may utilize the services of employees of its affiliates (as defined below). Such affiliates are wholly owned by A&M's parent company and A&M's employees.

For the purposes of this Agreement, "affiliate" means, with respect to any specified person, any other person directly or indirectly controlling, controlled by or under common control with such specified person. For purposes of this definition, the terms "controlling," "controlled by" or "under common control with" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise, or the power to elect at least 50% of the directors, managers, general partners, or persons exercising similar authority with respect to such person.

### Compensation. 2.

A&M will receive fees based on time spent by its employees and agents in connection with this engagement at its standard hourly rates, which may be adjusted from time to time. Standard hourly rates for our professionals are as follows:

va : Via Presidents	\$780 - 890
Managing Directors/Senior Vice Presidents	535 - 665
Directors	400 - 465
Associates and Analysts	

In addition, A&M will be reimbursed for its reasonable disbursements and expenses incurred in connection with this Agreement. All fees and expenses, including applicable sales or similar taxes, will be billed on a periodic basis, at A&M's discretion, and payable upon receipt. In addition, A&M shall be reimbursed for the reasonable fees and expenses of its counsel incurred in connection with the preparation, negotiation and enforcement of this Agreement.

- The Company shall promptly remit to A&M a retainer in the amount of \$25,000.00, which shall be credited against any amounts due at the termination of this engagement and returned upon the satisfaction of all obligations hereunder.
- All provisions in this Section 2 are in addition to any protections or remedies afforded to A&M at law or by statute.

#### Term. 3.

The engagement will commence as of the date hereof and may be terminated by either party without cause by giving 30 days' written notice to the other party. In the event of any such termination, any fees and expenses due to A&M shall be remitted promptly (including fees and expenses that accrued prior to but were invoiced subsequent to such termination). The Company may immediately terminate A&M's services hereunder at any time for Cause (as defined below) by giving written notice to A&M. Upon any such termination, the Company shall be relieved of all of its payment obligations under this Agreement, except for the payment of fees and expenses through the effective date of termination (including fees and expenses that accrued prior to but were invoiced subsequent to such termination) and its obligations under Sections 8 and 9 below. For purposes of this Agreement, "Cause" shall mean if A&M breaches any of its material obligations hereunder and does not cure such breach within 30 days of the Company having given written notice of such breach to A&M describing in reasonable detail the nature of the alleged breach. A&M shall be entitled to immediately terminate its services hereunder for Good Reason (as defined below). For purposes of this Agreement, termination for "Good Reason" shall mean either a breach by the Company of any of its material obligations under this Agreement that is not cured within 30 days of A&M having given written notice of such breach to the Company describing in reasonable detail the nature of the alleged breach.

# 4. <u>Relationship of the Parties.</u>

The parties intend that an independent contractor relationship will be created by this engagement letter. Neither A&M nor any of its personnel or subcontractors is to be considered an employee or agent of the Company. The Company acknowledges that A&M's engagement shall not constitute an audit, review or compilation, or any other type of financial statement reporting engagement that is subject to generally accepted accounting principles or the rules of any provincial, territorial or national professional or regulatory body. Accordingly, while the information gathered will be reviewed for reasonableness, A&M's work will not necessarily identify any errors or irregularities, if such exist, on the part of the Company or its officers or employees. Furthermore, A&M is entitled to rely on the accuracy and validity of the data disclosed to it or supplied to it by agents, advisors, employees and representatives of the Company. A&M is under no obligation to update data submitted to it or review any other areas unless specifically requested by the Company to do so. The Company agrees and acknowledges that the services to be rendered by A&M may include the assistance in the preparation and review of projections, forecasts and other forward-looking statements, and numerous factors can affect the actual results of the Company's operations, which may materially and adversely differ from those projections, forecasts and other forward-looking statements. A&M makes no representation or guarantee that any business plan or restructuring alternative is the best course of action. A&M shall not be required to certify any financial statements or information or to provide representations with respect therewith in connection with any audit or securities law disclosure documents. For greater certainty, during the course of this engagement, A&M shall be acting as a consultant to the Company in this matter and A&M shall not be assuming any decision making or other management responsibilities in connection with the affairs of the Company and A&M shall have no responsibility for the affairs of the Company during this engagement. In addition, A&M shall not do anything or perform any act pursuant to which A&M assumes any possession or control of the property, assets, undertakings, premises or operations of the Company for any purpose whatsoever.

The Company agrees that it will/may retain and take all necessary steps (including but not limited to obtaining approval from the Court) to appoint A&M as trustee, receiver, receiver and manager, monitor, or agent under any statute or under any court order and that A&M may (although it is not obligated), if necessary or desirable, accept any such appointment and that, notwithstanding anything in this Agreement to the contrary, including the provisions of Section 7, in the course of any such engagement, A&M may use the information acquired by it under this Agreement.

# 5. <u>No Third Party Beneficiary.</u>

The Company acknowledges that all advice (written or oral) given by A&M to the Company in connection with this engagement is intended solely for the benefit and use of the Company (limited to its Board and management) in considering the matters to which this engagement relates. The Company agrees that no such advice shall be used for any other purpose or reproduced, disseminated, quoted or referred to at any time in any manner

or for any purpose other than accomplishing the tasks referred to herein without A&M's prior approval (which shall not be unreasonably withheld), except as required by law.

### 6. Conflicts.

A&M is not currently aware of any relationship that would create a conflict of interest with the Company or those parties-in-interest of which you made us aware. Because A&M is a consulting firm that serves clients on an international basis in numerous cases, both in and out of court, it is possible that A&M may have rendered or will render services to or have business associations with other entities or people which had or have or may have relationships with the Company, including creditors of the Company. In the event you accept the terms of this engagement, A&M will not represent, and A&M has not represented, the interests of any such entities or people in connection with this matter.

## 7. Confidentiality.

A&M shall keep as confidential all non-public information received from the Company in conjunction with this engagement, except: (i) as requested by the Company or its legal counsel; (ii) as required by legal proceedings; or (iii) as reasonably required in the performance of this engagement. All obligations as to non-disclosure shall cease as to any part of such information to the extent that such information is or becomes public other than as a result of a breach of this provision.

### 8. Non-Solicitation.

The Company, on behalf of itself, its affiliates and any person (as such term is defined under the *Canada Business Corporations Act*) which may acquire all or substantially all of its assets, agrees that, until two years subsequent to the termination of this Agreement, it will not solicit, recruit, hire or otherwise engage any employee of A&M or its affiliates who worked on this engagement while employed by A&M or its affiliates ("Solicited Person"). Should the Company, any of its affiliates or any person who acquires all or substantially all of its assets extend an offer of employment to or otherwise engage any Solicited Person and should such offer be accepted, A&M shall be entitled to a fee from the party extending such offer equal to the Solicited Person's hourly client billing rate at the time of the offer multiplied by 4,000 hours for a Managing Director, 3,000 hours for a Senior Director and 2,000 hours for any other A&M employee. The fee shall be payable at the time of the Solicited Person's acceptance of employment or engagement.

## 9. Indemnification.

The indemnification provisions, attached hereto as Exhibit A, are incorporated herein by reference and the termination of this Agreement or the engagement shall not affect those provisions, which shall survive termination. Furthermore, all those provisions contained in Exhibit A are in addition to any protections or remedies afforded to A&M at law or by statute.

As to the services the Company has requested and A&M has agreed to provide as set forth in this Agreement, the total aggregate liability of A&M under this Agreement to the

Company and its successors and assigns, shall be limited to the actual damages incurred by the Company or its successors or assigns, respectively. In no event will A&M or any of its affiliates be liable to the Company or their successors or assigns for consequential, special or punitive damages, including loss of profit, data, business or goodwill. In no event shall the total aggregate liability of A&M under this Agreement to the Company and their successors and assigns exceed the total amount of fees received and retained by A&M hereunder.

## 10. Miscellaneous.

This Agreement (together with the attached indemnity provisions): (a) shall be governed and construed in accordance with the laws of the Province of British Columbia applicable therein without giving effect to such province's rules concerning conflicts of laws that might provide for any other choice of law; (b) incorporates the entire understanding of the parties with respect to the subject matter hereof; (c) may not be amended or modified except in writing executed by the parties hereto; and (d) may be executed by facsimile and in counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same agreement.

If the foregoing is acceptable to you, kindly sign the enclosed copy to acknowledge your agreement with its terms.

Very truly yours,

Alvarez & Marsal Canada ULC

By:

Anthony J. Tillman Managing Director

Accep	oted and agreed:	
Skeen	na Sawmills Ltd.	
By:		
_ ,	Name:	_
	Title:	

Company and its successors and assigns, shall be limited to the actual damages incurred by the Company or its successors or assigns, respectively. In no event will A&M or any of its affiliates be liable to the Company or their successors or assigns for consequential, special or punitive damages, including loss of profit, data, business or goodwill. In no event shall the total aggregate liability of A&M under this Agreement to the Company and their successors and assigns exceed the total amount of fees received and retained by A&M hereunder.

#### Miscellaneous. 10.

This Agreement (together with the attached indemnity provisions): (a) shall be governed and construed in accordance with the laws of the Province of British Columbia applicable therein without giving effect to such province's rules concerning conflicts of laws that might provide for any other choice of law; (b) incorporates the entire understanding of the parties with respect to the subject matter hereof; (c) may not be amended or modified except in writing executed by the parties hereto; and (d) may be executed by facsimile and in counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same agreement.

If the foregoing is acceptable to you, kindly sign the enclosed copy to acknowledge your agreement with its terms.

Very truly yours,

Alvarez & Marsal Canada ULC

By:

Anthony J. Tillman Managing Director

Accepted and agreed:

Skeena Sawmills Ltd.

### **EXHIBIT A**

# **Indemnity Provisions**

- The Company agrees to indemnify and hold harmless each of A&M, its affiliates and their respective shareholders, managers, members, employees, agents, representatives and A. subcontractors (each, an "Indemnified Party" and collectively, the "Indemnified Parties") against any and all losses, claims, damages, liabilities, penalties, obligations, disbursements and expenses, including the costs (fees and disbursements) for counsel or others (including employees of A&M, based on their then current hourly billing rates) in investigating, preparing or defending any action or claim, whether or not in connection with litigation in which any Indemnified Party is a party, or enforcing the Agreement (including these indemnity provisions), as and when incurred, caused by, relating to, based upon or arising out of (directly or indirectly) the Indemnified Parties' acceptance of or the performance or nonperformance of their obligations under the Agreement; provided, however, such indemnity shall not apply to any such loss, claim, damage, liability or expense to the extent it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) to have resulted primarily and directly from such Indemnified Party's gross negligence or willful misconduct. The Company also agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company for or in connection with the engagement of A&M, except to the extent for any such liability for losses, claims, damages, liabilities or expenses that are found in a final judgment by a court of competent jurisdiction (not subject to further appeal) to have resulted primarily and directly from such Indemnified Party's gross negligence or willful misconduct. The Company further agrees that it will not, without the prior consent of an Indemnified Party, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which such Indemnified Party seeks indemnification hereunder (whether or not such Indemnified Party is an actual party to such claim, action, suit or proceeding) unless such settlement, compromise or consent includes an unconditional release of such Indemnified Party from all liabilities arising out of such claim, action, suit or proceeding.
  - B. These indemnification provisions shall be in addition to any liability which the Company may otherwise have to the Indemnified Parties. In the event that, at any time whether before or after termination of the engagement or the Agreement, as a result of or in connection with the Agreement or A&M's and its personnel's role under the Agreement, A&M or any Indemnified Party is required to produce any of its personnel (including former employees) or for examination, discovery, deposition or other written, recorded or oral presentation, or A&M or any of its personnel (including former employees) or any other Indemnified Party is required to produce or otherwise review, compile, submit, duplicate, search for, organize or report on any material within such Indemnified Party's possession or control pursuant to a subpoena or other legal (including administrative) process, the Company will reimburse the Indemnified Party for its out of pocket expenses, including the reasonable fees and expenses of its counsel, and will compensate the Indemnified Party for the time expended by its personnel based on such personnel's then current hourly rate.

- If any action, proceeding or investigation is commenced to which any Indemnified Party C. proposes to demand indemnification hereunder, such Indemnified Party will notify the Company with reasonable promptness; provided, however, that any failure by such Indemnified Party to notify the Company will not relieve the Company from its obligations hereunder, except to the extent that such failure shall have actually prejudiced the defense of such action. The Company shall promptly pay expenses reasonably incurred by any Indemnified Party in defending, participating in, or settling any action, proceeding or investigation in which such Indemnified Party is a party or is threatened to be made a party or otherwise is participating in by reason of the engagement under the Agreement, upon submission of invoices therefor, whether in advance of the final disposition of such action, proceeding, or investigation or otherwise. Each Indemnified Party hereby undertakes, and the Company hereby accepts its undertaking, to repay any and all such amounts so advanced if it shall ultimately be determined that such Indemnified Party is not entitled to be indemnified therefor. If any such action, proceeding or investigation in which an Indemnified Party is a party is also against the Company, the Company may, in lieu of advancing the expenses of separate counsel for such Indemnified Party, provide such Indemnified Party with legal representation by the same counsel who represents the Company, provided such counsel is reasonably satisfactory to such Indemnified Party, at no cost to such Indemnified Party; provided, however, that if such counsel or counsel to the Indemnified Party shall determine that due to the existence of actual or potential conflicts of interest between such Indemnified Party and the Company such counsel is unable to represent both the Indemnified Party and the Company, then the Indemnified Party shall be entitled to use separate counsel of its own choice, and the Company shall promptly advance its reasonable expenses of such separate counsel upon submission of invoices therefor. Nothing herein shall prevent an Indemnified Party from using separate counsel of its own choice at its own expense. The Company will be liable for any settlement of any claim against an Indemnified Party made with the Company's written consent, which consent shall not be unreasonably withheld.
- D. In order to provide for just and equitable contribution if a claim for indemnification pursuant to these indemnification provisions is made but it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) that such indemnification may not be enforced in such case, even though the express provisions hereof provide for indemnification, then the relative fault of the Company, on the one hand, and the Indemnified Parties, on the other hand, in connection with the statements, acts or omissions which resulted in the losses, claims, damages, liabilities and costs giving rise to the indemnification claim and other relevant equitable considerations shall be considered; and further provided that in no event will the Indemnified Parties' aggregate contribution for all losses, claims, damages, liabilities and expenses with respect to which contribution is available hereunder exceed the amount of fees actually received by the Indemnified Parties pursuant to the Agreement. No person found liable for a fraudulent misrepresentation shall be entitled to contribution hereunder from any person who is not also found liable for such fraudulent misrepresentation.

- E. In the event the Company and A&M seek judicial approval for the assumption of the Agreement or authorization to enter into a new engagement agreement pursuant to either of which A&M would continue to be engaged by the Company, the Company shall promptly pay expenses reasonably incurred by the Indemnified Parties, including attorneys' fees and expenses, in connection with any motion, action or claim made either in support of or in opposition to any such retention or authorization, whether in advance of or following any judicial disposition of such motion, action or claim, promptly upon submission of invoices therefor and regardless of whether such retention or authorization is approved by any court. The Company will also promptly pay the Indemnified Parties for any expenses reasonably incurred by them, including attorneys' fees and expenses, in seeking payment of all amounts owed to it under the Agreement (or any new engagement agreement) whether through submission of a fee application or in any other manner, without offset, recoupment or counterclaim, whether as a secured claim, an administrative expense claim, an unsecured claim, a prepetition claim or a postpetition claim.
  - F. Neither termination of the Agreement nor termination of A&M's engagement nor the filing of a petition or application under the *Companies' Creditors Arrangement Act* or *Bankruptcy and Insolvency Act* (Canada) (nor the conversion of an existing case to a different form of proceeding, including a receivership) shall affect these indemnification provisions, which shall hereafter remain operative and in full force and effect.
  - G. The rights provided herein shall not be deemed exclusive of any other rights to which the Indemnified Parties may be entitled under the certificate of incorporation or by-laws of the Company, any policy of insurance, any other agreements, any vote of shareholders or disinterested directors of the Company, any applicable law or otherwise.

By:	Anthony J. Tillman Managing Director	
Acce	pted and agreed:	
Skeena Sawmills Ltd.		
By:	Name:	

Title:

- E. In the event the Company and A&M seek judicial approval for the assumption of the Agreement or authorization to enter into a new engagement agreement pursuant to either of which A&M would continue to be engaged by the Company, the Company shall promptly pay expenses reasonably incurred by the Indemnified Parties, including attorneys' fees and expenses, in connection with any motion, action or claim made either in support of or in opposition to any such retention or authorization, whether in advance of or following any judicial disposition of such motion, action or claim, promptly upon submission of invoices therefor and regardless of whether such retention or authorization is approved by any court. The Company will also promptly pay the Indemnified Parties for any expenses reasonably incurred by them, including attorneys' fees and expenses, in seeking payment of all amounts owed to it under the Agreement (or any new engagement agreement) whether through submission of a fee application or in any other manner, without offset, recoupment or counterclaim, whether as a secured claim, an administrative expense claim, an unsecured claim, a prepetition claim or a postpetition claim.
  - F. Neither termination of the Agreement nor termination of A&M's engagement nor the filing of a petition or application under the *Companies' Creditors Arrangement Act* or *Bankruptcy* and *Insolvency Act* (Canada) (nor the conversion of an existing case to a different form of proceeding, including a receivership) shall affect these indemnification provisions, which shall hereafter remain operative and in full force and effect.
  - G. The rights provided herein shall not be deemed exclusive of any other rights to which the Indemnified Parties may be entitled under the certificate of incorporation or by-laws of the Company, any policy of insurance, any other agreements, any vote of shareholders or disinterested directors of the Company, any applicable law or otherwise.

By:	
•	Anthony J. Tillman
	Managing Director
	Managing Birds

Accepted and agreed:

Skeena Sawmills Ltd.

Sy: Sor In Name: This is Exhibit "B" referred to in the affidavit of Gui Hua (Jenny) Hu made before me at Vancouver, B.C., on January 5th, 2024.

A Commissioner for taking Affidavits within British Columbia.

# FORBEARANCE AND REPAYMENT AGREEMENT

THIS AGREEMENT shall enter into effect upon signature by both Parties. (the "Effective Date")

# BETWEEN:

ANTLER CREEK CONTRACTING LTD., a company incorporated under the laws of British Columbia with an address at 3550 Highway 16 East, Terrace, BC V8G 5J3

(the "Creditor")

### AND:

SKEENA SAWMILLS LTD., a company incorporated under the laws of British Columbia with an address at 1518 - 1030 West Georgia Street, Vancouver, BC V6E 2Y3

(the "Debtor")

# WHEREAS:

- As of May 12, 2023, the Debtor is indebted to the Creditor in the amount of \$1,605,384.16 A. (the "Indebtedness"):
- All security (collectively and individually, the "Security") now or hereafter held by the Creditor in respect of the Indebtedness are provided in Schedule "A" attached hereto. B.
- The Debtor has requested that the Creditor forbear from taking steps to recover the Indebtedness, all on the terms and conditions set out in this Agreement, in order to provide C. the Debtor with a further reasonable period of time to repay the Indebtedness in full.
- The Creditor is willing to forbear from taking immediate steps to recover the Indebtedness, D. on the terms and conditions set forth below.

NOW THEREFORE in consideration of the mutual covenants and agreements contained in this Agreement (the receipt and sufficiency of which are acknowledged by the parties hereto), the parties covenant and agree with each other as follows:

#### **Definitions** 1.

- "Agreement" means this forbearance agreement, including any and all schedules, as it may be amended or restated in accordance with the terms hereof. 1.1
- "Business Day" means any day which is not a Saturday, Sunday or statutory holiday in 1.2 British Columbia, Canada.
- "Communication" has the meaning ascribed to it in paragraph 10.8 of this Agreement. 1.3

- 1.4 "Creditor" is defined in the description of the parties at the beginning of this Agreement.
- 1.5 "**Debtor**" is defined in the recitals above.
- 1.6 "Effective Date" is defined in the recitals above.
- 1.7 "Forbearance Period" is defined as starting on the Effective Date and ending on the day that the Indebtedness and related interest payable has been paid in full.
- 1.8 "Indebtedness" is defined in the recitals above and shall include, to the extent that it is unpaid, all interest accruing pursuant to paragraph 4.1.4 of this Agreement.
- 1.9 "Security" is defined in the recitals above.

# 2. Forbearance

- 2.1 Subject to the execution and delivery to the Creditor of this Agreement by the Debtor, the Creditor agrees that, provided the Debtor makes payments to the Creditor in accordance with Section 4 of this Agreement, it will not take steps to recover the Indebtedness including without limitation, commencement of legal proceedings against the Debtor or enforcement of the Security.
- 2.2 Notwithstanding the foregoing, or any term of this Agreement, the Creditor shall be free to take such steps as may be necessary, from time to time, to register, renew or maintain the registration of the Security pursuant to the *Forest Service Providers Protection Act*, or such other relevant legislation.

# 3. Confirmation of Indebtedness

- 3.1 The Debtor acknowledges and agrees that the recitals to this Agreement are incorporated into and form an integral part of this Agreement and are true and accurate in every respect.
- 3.2 The Debtor acknowledges and agrees that the Indebtedness is due and owing to the Creditor, and hereby waives any rights which it may have as at the date of this Agreement to claim any abatement or offset of the amounts, whether arising by way of defence or counterclaim.
- For clarity, the amount of the Indebtedness is current up to May 12, 2023. The Indebtedness does not include any amounts which may become due and owing by the Debtor to the Creditor after May 12, 2023.

# 4. Repayment of the Indebtedness

- 4.1 The Debtor agrees to make payments to the Creditor in satisfaction of the Indebtedness as follows:
  - 4.1.1. Within three Business Days of the Effective Date, the Debtor will pay to the Creditor an amount equal to \$400,000 of the Indebtedness, and

- 4.1.2. On June 19, 2023, the Debtor will pay to the Creditor an amount equal to \$150,000 of the Indebtedness, and
- 4.1.3. The balance of the Indebtedness will be paid by the Debtor to the Creditor until the Indebtedness is paid in full by monthly payments of \$75,000 on or before the 15<sup>th</sup> calendar day of the month, with a first payment of \$75,000 on or before Jun 15, 2023, and a final monthly payment of \$5,384.16 on or before Oct 15, 2024.
- 4.1.4. Quarterly interest payments will be paid at 16% per annum, payable on or before the 30<sup>th</sup> calendar day of each calendar quarter (March, June, September, December), with a first interest payment on or before Jun 30, 2023.
- 4.2. For clarity, the repayment of the Indebtedness shall be in addition to and shall, in no way limit, the Creditor's entitlement to payment of all amounts that may become due and owing from the Debtor to the Creditor after the Effective Date.

# 5. Prepayment of the Indebtedness

Notwithstanding the repayment plan set out in Section 4, the Debtor may prepay the whole or a portion of the balance outstanding at any time and from time to time during the Forbearance Period.

## 6. Advances

During the Forbearance Period, Debtor agrees to provide advances to Creditor before Creditor performs work as follows:

## (a) Roads

- (i) Prior to commencing any road work, Debtor and Creditor will agree on the kilometres of road to be built, the cost per kilometre, and conditions for Debtor final acceptance of Creditor work.
- (ii) Debtor will provide a first advance of 50% less 10% holdback and Creditor will start road work upon receipt of the first advance. The 50% advance less 10% holdback will be calculated as follows: Agreed km x Agreed rate x 50% x 90%.
- (iii) Once the first advance has been billed, Debtor and Creditor will review the remaining work to be done and adjust the kilometres, rates, and conditions for final acceptance as necessary. A second advance will be provided for the remaining work to be done less 10% holdback, and Creditor will continue working on the road upon receipt of the second advance.
- (iv) Once the road is complete, Debtor and Creditor will review the road and determine if conditions for final acceptance have been met.

(v) Once all billings have been submitted and conditions for final acceptance have been met, the holdbacks for the particular road will be paid and any final adjustments to the kilometres or rates will be paid.

# (b) Logging

- (i) Prior to commencing any logging work, Debtor and Creditor will agree on the cubic metres of logs to be cut, the cost per cubic metre, and conditions for Debtor final acceptance of Creditor work.
- (ii) Debtor will provide a first advance of 50% less 10% holdback and Creditor will start logging work upon receipt of the first advance. The 50% advance less 10% holdback will be calculated as follows: Agreed m3 x Agreed rate x 50% x 90%.
- (iii) Once the first advance has been billed, Debtor and Creditor will review the remaining work to be done and adjust the cubic metres, rates, and conditions for final acceptance as necessary. A second advance will be provided for the remaining work to be done less 10% holdback, and Creditor will continue logging upon receipt of the second advance.
- (iv) Once the logging is complete, Debtor and Creditor will review the block(s) and determine if conditions for final acceptance have been met.
- (v) Once all billings have been submitted and conditions for final acceptance have been met, the holdbacks for the particular block(s) will be paid and any final adjustments to the cubic metres or rates will be paid.

# 7. Release and Discharge

- 7.1 Upon repayment of the Indebtedness in full, the Creditor releases and forever discharges the Debtor from any and all claims relating to the Indebtedness and the Security.
- 7.2 The Creditor will provide the Debtor with a discharge of the Security registered against the Debtor forthwith upon the Indebtedness being repaid in full.

# 8. Event of Default

- 8.1 The happening of any one of the following events will constitute an event of default under this Agreement ("Event of Default")
  - (a) the Debtor fails to make payments as set out in Section 4 of this Agreement and has not cured such default within 7 Business Days of such default,
  - (b) the Debtor fails to make payments as set out in Section 4 of this Agreement, if the Debtor has previously failed to make payments as set out in Section 4 of this Agreement on more than two occasions during the Forbearance Period (whether or not those defaults are cured within 7 Business Days)

- a judgment is entered against the Debtor and not vacated or fully satisfied within (c) 30 days after the date of entry;
- the business of the Debtor is in any way liquidated; (d)
- the Debtor makes any assignment for the benefit of creditors; (e)
- in the reasonable opinion of the Creditor, any part of the Debtor's assets is in danger (f) of seizure or confiscation; or
- the Debtor sells, alienates or assigns a substantial portion of its assets in a transaction other than in the ordinary course of its business. (g)
- Upon occurrence of an Event of Default, the Creditor may terminate this Agreement and 8.2 pursue any or all rights or remedies available to it at law.
- Upon the occurrence of an Event of Default, the Debtor shall at the request of the Creditor provide the Creditor with a complete list of all persons who are, or will become, indebted 8.3 to the Debtor, including particulars of such indebtedness as the Creditor may reasonably require.

#### **Confidentiality** 9.

The parties agree that this Agreement and the transactions contemplated herein and any information provided by either party to the other with respect to such transaction or the 9.1 Indebtedness will be kept strictly confidential, except that this duty of confidentiality will not apply to any information that becomes generally available to the public, except where made available in violation of this Section, or must otherwise be disclosed by operation of law or by order of a court of competent jurisdiction. The parties may give any such confidential information on a confidential basis to their advisors, consultants, current or prospective lenders and investors for the purposes of assisting with such transaction. The obligations in this Section 9 will survive the completion of the transactions contemplated by this Agreement or termination thereof.

#### General 10.

- Time. Time is of the essence in the performance of and compliance with each of the 10.1 provisions and conditions of the Agreement.
- Currency. All references to dollars and the "\$" sign refer to Canadian currency, and all amounts to be advanced, paid, tendered or calculated under this Agreement are to be 10.2 advanced, paid, tendered or calculated in Canadian currency.
- Entire Agreement. This Agreement, together with any agreement or instrument delivered pursuant to this Agreement, constitutes the entire agreement between the parties pertaining 10.3 to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties, and there are no representations, warranties or other agreements between the parties, express or implied, in connection with the subject matter of this Agreement except as specifically

set out in this Agreement or any agreement or instrument delivered pursuant to this Agreement. No party has been induced to enter into this Agreement in reliance on, and there will be no liability assessed, either in tort or contract, with respect to, any warranty, representation, opinion, advice or assertion of fact, except to the extent it has been reduced to writing and included as a term in this Agreement or any agreement or instrument delivered pursuant to this Agreement.

- Paramountcy. In the event of a conflict or inconsistency between this Agreement and any other agreement with the Creditor concerning or related to the Indebtedness, including without limitation, the Security, the provisions of this Agreement will prevail to the extent of such conflict or inconsistency.
- Amendment. Except as provided herein, no alteration, amendment or modification of this Agreement or any provision of this Agreement shall be valid and binding upon the parties hereto unless such alteration, amendment or modification is in writing executed by the parties.
- 10.6 Waiver. No waiver or delay on the part of the Creditor in exercising any right or privilege hereunder and no waiver as to any Event of Default hereunder shall operate as a waiver thereof unless made in writing and signed by the Creditor. No written waiver shall preclude the further or other exercise by the Creditor of any right, power or privilege hereunder or extend to or apply to any further Event of Default.
- 10.7 **Further Assurances**. The parties hereto shall execute and deliver all such further documents and instruments and do all such acts and things as any party may reasonably require in order to carry out the full intent and meaning of this Agreement.
- Notice. Any demand, notice or other communication (each a "Communication") to be made or given hereunder shall be in writing and, in order to be effectively given, shall be made or given by personal delivery to the address of the respective party set forth on the first page of this Agreement or by email as follows:

To the Creditor:

Attention: Geordie Munson

Email: Geordie@antlercreek.ca

To the Debtor:

Attention: Greg DeMille

Email: greg.demille@skeenasawmills.com

Either party may from time to time notify the other party hereto in accordance with this paragraph 10.8 of any change of address or email which thereafter, until changed by like notice, shall be the address or email of such party for all purposes under this Agreement. Any Communication made or given by personal delivery shall be conclusively deemed to

have been given on the day of actual delivery thereof. Any Communication made or given by email shall be conclusively deemed to have been given on the date of transmission (or the first Business Day thereafter, if the date of transmission is not a Business Day).

- 10.9 Governing Law. This Agreement shall be subject to, governed by, and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.
- 10.10 Severability. In the event any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained in this Agreement shall not in any way be affected or impaired thereby, and any such invalid, illegal or unenforceable provision shall be deemed to be severable.
- 10.11 **Binding and Enurement**. This Agreement shall be binding upon and shall enure to the benefit of the Debtor and the Creditor and their respective heirs, executors, administrators, estate trustees, trustees, personal or legal representatives, successors and permitted assigns.
- 10.12 Counterparts. This Agreement may be executed and delivered by the parties in one or more counterparts, each of which will be an original, and each of which may be delivered by facsimile, e-mail or other functionally equivalent electronic means of transmission, and those counterparts will together constitute one and the same instrument.

<u>Debtor</u> :	Creditor:
SKEENA SAWMILLS LTD.	ANTLER CREEK CONTRACTING LTD.
Per: M. W. Authorized Signatory	Per: Authorized Signatory
Name: Shenwei Wu Date: May 18th, 2023	Name: Grange Milliam  Date: Mby 17th 1073
Date. May Tour, 2020	

# SCHEDULE "A"

# SECURITY INTERESTS

Contractor Lien over Forest Products filed pursuant to Forestry Service Providers Protection Act under Base Registration No. 507680P dated May 1, 2023 in favour of the Creditor

Contractor Charge over Forest Products filed pursuant to Forestry Service Providers Protection Act under Base Registration No. 507684P dated May 1, 2023 in favour of the Creditor

# REPAYMENT AGREEMENT

THIS AGREEMENT shall enter into effect upon signature by both Parties. (the "Effective Date")

# BETWEEN:

CORPORATION, a company TIMBER incorporated under the laws of British Columbia with an address at AKS P.O. Box 231, 4714 Tait Avenue, Gitlaxta'amiks (New Aiyansh), British Columbia, V0J 1A0

(the "Creditor")

### AND:

SKEENA SAWMILLS LTD., a company incorporated under the laws of British Columbia with an address at 1518 - 1030 West Georgia Street, Vancouver, BC V6E 2Y3

(the "Debtor")

# WHEREAS:

- As of May 23, 2023, the Debtor is indebted to the Creditor in the amount of \$ 321,629.72 A. (the "Indebtedness"):
- The Creditor has agreed NOT to take any steps to recover the Indebtedness, all on the terms and conditions set out in this Agreement, in order to provide the Debtor with a further B. reasonable period of time to repay the Indebtedness in full.

NOW THEREFORE in consideration of the mutual covenants and agreements contained in this Agreement (the receipt and sufficiency of which are acknowledged by the parties hereto), the parties covenant and agree with each other as follows:

#### **Definitions** 1.

- "Agreement" means this repayment agreement, including any and all schedules, as it may be amended or restated in accordance with the terms hereof. 1.1
- "Business Day" means any day which is not a Saturday, Sunday or statutory holiday in 1.2 British Columbia, Canada.
- "Communication" has the meaning ascribed to it in paragraph 9.8 of this Agreement. 1.3
- "Creditor" is defined in the description of the parties at the beginning of this Agreement. 1.4
- "Debtor" is defined in the recitals above. 1.5

- 1.6 "Effective Date" is defined in the recitals above.
- 1.7 "Indebtedness" is defined in the recitals above.

# 2. Conditions

2.1 Subject to the execution and delivery to the Creditor of this Agreement by the Debtor, the Creditor agrees that, provided the Debtor makes payments to the Creditor in accordance with Section 4 of this Agreement, it will not take steps to recover the Indebtedness including without limitation, commencement of legal proceedings against the Debtor or enforcement of the Security.

# 3. Confirmation of Indebtedness

- 3.1 The Debtor acknowledges and agrees that the recitals to this Agreement are incorporated into and form an integral part of this Agreement and are true and accurate in every respect.
- 3.2 The Debtor acknowledges and agrees that the Indebtedness is due and owing to the Creditor, and hereby waives any rights which it may have as at the date of this Agreement to claim any abatement or offset of the amounts, whether arising by way of defence or counterclaim.
- For clarity, the amount of the Indebtedness is current up to May 23, 2023. The Indebtedness does not include any amounts which may become due and owing by the Debtor to the Creditor after May 23,2023.

# 4. Repayment of the Indebtedness

- 4.1 The Debtor agrees to make payments to the Creditor in satisfaction of the Indebtedness as follows:
  - 4.1.1. Upon the first delivery of logs delivered pursuant to the Log Purchase Contract between the Debtor and the Creditor dated May 18, 2023 with respect to timber block KSD611, the Debtor will pay to the Creditor an amount of \$100,000, towards the Indebtedness; and
  - 4.1.2. The balance of the Indebtedness will be paid by the Debtor to the Creditor until the Indebtedness is paid in full by monthly payments of \$25,000 on the 15<sup>th</sup> calendar day of the month, with a first payment of \$25,000 on June 20, 2023, and a final monthly payment of \$21,629.72 on February 15, 2024.
  - 4.1.3 Late Payment Interest Rate: In the event of late payment, a rate of 2.5% per month shall apply. However, it is expressly understood and agreed that this rate shall solely be applicable to the late portion of the Indebtedness and shall not be levied on the entire outstanding balance. The calculation of the late payment interest shall be pro-rated based on the number of days the payment remains overdue, rather than considering the entire month.

#### Prepayment of the Indebtedness 5.

Notwithstanding the repayment plan set out in Section 4, the Debtor may prepay the whole 5.1 or a portion of the balance outstanding at any time and from time to time during the Repayment Period.

#### Release and Discharge 6.

Upon repayment of the Indebtedness in full, the Creditor releases and forever discharges 6.1 the Debtor from any and all claims relating to the Indebtedness and the Security.

#### **Event of Default** 7.

If the Debtor fails to make payments as set out in Section 4, and has not cured such default 7.1 within 7 Business Days after receipt of a written notice of same from the Creditor, the Creditor may terminate this Agreement and pursue its rights and remedies.

#### Confidentiality 8.

The parties agree that this Agreement and the transactions contemplated herein and any information provided by either party to the other with respect to such transaction or the 8.1 Indebtedness will be kept strictly confidential, except that this duty of confidentiality will not apply to any information that becomes generally available to the public, except where made available in violation of this Section, or must otherwise be disclosed by operation of law or by order of a court of competent jurisdiction. The parties may give any such confidential information on a confidential basis to their advisors, consultants, current or prospective lenders and investors for the purposes of assisting with such transaction. The obligations in this Section 8 will survive the completion of the transactions contemplated by this Agreement or termination thereof.

#### General 9.

- Time. Time is of the essence in the performance of and compliance with each of the 9.1 provisions and conditions of the Agreement.
- Currency. All references to dollars and the "\$" sign refer to Canadian currency, and all 9.2 amounts to be advanced, paid, tendered or calculated under this Agreement are to be advanced, paid, tendered or calculated in Canadian currency.
- Entire Agreement. This Agreement, together with any agreement or instrument delivered pursuant to this Agreement, constitutes the entire agreement between the parties pertaining 9.3 to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties, and there are no representations, warranties or other agreements between the parties, express or implied, in connection with the subject matter of this Agreement except as specifically set out in this Agreement or any agreement or instrument delivered pursuant to this Agreement. No party has been induced to enter into this Agreement in reliance on, and there will be no liability assessed, either in tort or contract, with respect to, any warranty, representation, opinion, advice or assertion of fact, except to the extent it has been reduced

to writing and included as a term in this Agreement or any agreement or instrument delivered pursuant to this Agreement.

- Paramountcy. In the event of a conflict or inconsistency between this Agreement and any other agreement with the Creditor concerning or related to the Indebtedness, including without limitation, the Security, the provisions of this Agreement will prevail to the extent of such conflict or inconsistency.
- 9.5 Amendment. Except as provided herein, no alteration, amendment or modification of this Agreement or any provision of this Agreement shall be valid and binding upon the parties hereto unless such alteration, amendment or modification is in writing executed by the parties.
- 9.6 Waiver. No waiver or delay on the part of the Creditor in exercising any right or privilege hereunder and no waiver as to any Event of Default hereunder shall operate as a waiver thereof unless made in writing and signed by the Creditor. No written waiver shall preclude the further or other exercise by the Creditor of any right, power or privilege hereunder or extend to or apply to any further Event of Default.
- 9.7 **Further Assurances**. The parties hereto shall execute and deliver all such further documents and instruments and do all such acts and things as any party may reasonably require in order to carry out the full intent and meaning of this Agreement.
- Notice. Any demand, notice or other communication (each a "Communication") to be made or given hereunder shall be in writing and, in order to be effectively given, shall be made or given by personal delivery to the address of the respective party set forth on the first page of this Agreement or by email as follows:

To the Creditor:

Attention: Jon Dehouwer

Email: Jon.dehouwer@npvlp.ca

To the Debtor:

Attention: Greg DeMille

Email: greg.demille@skeenasawmills.com

Either party may from time to time notify the other party hereto in accordance with this paragraph 9.8 of any change of address or email which thereafter, until changed by like notice, shall be the address or email of such party for all purposes under this Agreement. Any Communication made or given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof. Any Communication made or given by email shall be conclusively deemed to have been given on the date of transmission (or the first Business Day thereafter, if the date of transmission is not a Business Day).

- Governing Law. This Agreement shall be subject to, governed by, and construed in accordance with the laws of the Province of British Columbia and the laws of Canada 9.9 applicable therein.
- Severability. In the event any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained in this Agreement shall not in any 9.10 way be affected or impaired thereby, and any such invalid, illegal or unenforceable provision shall be deemed to be severable.
- Binding and Enurement. This Agreement shall be binding upon and shall enure to the benefit of the Debtor and the Creditor and their respective heirs, executors, administrators, estate trustees, trustees, personal or legal representatives, successors and permitted assigns. 9.11
- Counterparts. This Agreement may be executed and delivered by the parties in one or more counterparts, each of which will be an original, and each of which may be delivered by facsimile, e-mail or other functionally equivalent electronic means of transmission, and 9.12 those counterparts will together constitute one and the same instrument.

Debtor:

Creditor:

SKEENA SAWMILLS LTD.

K'ALII AKS TIMBER CORPORATION

Per: Ali, U

Authorized Signatory

Per: Authorized Signatory

Date:

June 21st, 2023

Date: JUNE 20, 2023

# FORBEARANCE AND REPAYMENT AGREEMENT

THIS AGREEMENT is dated effective as of May 12, 2023 (the "Effective Date")

### BETWEEN:

**L&J LOGGING**, a company incorporated under the laws of British Columbia with an address at P.O. Box 65, Station Main, Terrace, BC V8G 4A2

(the "Creditor")

### AND:

SKEENA SAWMILLS LTD., a company incorporated under the laws of British Columbia with an address at 1518 - 1030 West Georgia Street, Vancouver, BC V6E 2Y3

(the "Debtor")

### WHEREAS:

- A. As at the Effective Date, the Debtor is indebted to the Creditor in the amount of \$187,162.99 (the "Indebtedness"):
- B. All security (collectively and individually, the "Security") now or hereafter held by the Creditor in respect of the Indebtedness are provided in Schedule A attached hereto.
- C. The Debtor has requested that the Creditor forbear from taking steps to recover the Indebtedness, all on the terms and conditions set out in this Agreement, in order to provide the Debtor with a further reasonable period of time to repay the Indebtedness in full.
- D. The Creditor is willing to forbear from taking immediate steps to recover the Indebtedness, on the terms and conditions set forth below.

**NOW THEREFORE** in consideration of the mutual covenants and agreements contained in this Agreement (the receipt and sufficiency of which are acknowledged by the parties hereto), the parties covenant and agree with each other as follows:

# 1. <u>Definitions</u>

- 1.1 "Agreement" means this forbearance agreement, including any and all schedules, as it may be amended or restated in accordance with the terms hereof.
- 1.2 "Business Day" means any day which is not a Saturday, Sunday or statutory holiday in British Columbia, Canada.
- 1.3 "Communication" has the meaning ascribed to it in Section 10.8.

- 1.4 "Creditor" is defined in the description of the parties at the beginning of this Agreement.
- 1.5 "**Debtor**" is defined in the recitals above.
- 1.6 "Effective Date" is defined in the recitals above.
- 1.7 "Indebtedness" is defined in the recitals above.
- 1.8 "Security" is defined in the recitals above.

## 2. Forbearance

2.1 Subject to the execution and delivery to the Creditor of this Agreement by the Debtor, the Creditor agrees that, provided the Debtor makes payments to the Creditor in accordance with Section 4 of this Agreement, it will not take steps to recover the Indebtedness including without limitation, commencement of legal proceedings against the Debtor or enforcement of the Security.

# 3. Confirmation of Indebtedness

- 3.1 The Debtor acknowledges and agrees that the recitals to this Agreement are incorporated into and form an integral part of this Agreement and are true and accurate in every respect.
- 3.2 The Debtor acknowledges and agrees that the Indebtedness is due and owing to the Creditor, and hereby waives any rights which it may have as at the date of this Agreement to claim any abatement or offset of the amounts, whether arising by way of defence or counterclaim.

# 4. Repayment of the Indebtedness

- 4.1 The Debtor agrees to make payments to the Creditor in satisfaction of the Indebtedness as follows:
  - 4.1.1. Within three Business Days of the Effective Date, the Debtor will pay to the Creditor an amount equal to \$25,000 of the Indebtedness, and
  - 4.1.2. The balance of the Indebtedness will be paid by the Debtor to the Creditor until the Indebtedness is paid in full by monthly payments of \$10,000 on or before the 15<sup>th</sup> calendar day of the month, with a first payment of \$10,000 on or before Jun 15, 2023, and a final monthly payment of \$2,162.99 on or before Oct 15, 2024.
  - 4.1.3. Quarterly interest payments will be paid at 8.7% per annum (Bank of Canada prime rate plus 2%), payable on or before the 30<sup>th</sup> calendar day of each calendar quarter (March, June, September, December), with a first interest payment on or before Jun 30, 2023.

#### Prepayment of the Indebtedness 5.

Notwithstanding the repayment plan set out in Section 4, the Debtor may prepay the whole or a portion of the balance outstanding at any time and from time to time during the 5.1 Forbearance Period.

#### **Condition Precedent** 6.

Intentionally left blank. 6.1

#### Release and Discharge 7.

- Upon repayment of the Indebtedness in full, the Creditor releases and forever discharges the Debtor from any and all claims relating to the Indebtedness and the Security. 7.1
- The Creditor will provide the Debtor with a discharge of the Security registered against the Debtor forthwith upon the Indebtedness being repaid in full. 7.2

#### **Event of Default** 8.

If the Debtor fails to make payments as set out in Section 4 and has not cured such default within 7 Business Days after receipt of a written notice of same from the Creditor, the 8.1 Creditor may terminate this Agreement and pursue its rights and remedies.

#### Confidentiality 9.

The parties agree that this Agreement and the transactions contemplated herein and any information provided by either party to the other with respect to such transaction or the Indebtedness will be kept strictly confidential, except that this duty of confidentiality will 9.1 not apply to any information that becomes generally available to the public, except where made available in violation of this Section, or must otherwise be disclosed by operation of law or by order of a court of competent jurisdiction. The parties may give any such confidential information on a confidential basis to their advisors, consultants, current or prospective lenders and investors for the purposes of assisting with such transaction. The obligations in this Section 9 will survive the completion of the transactions contemplated by this Agreement or termination thereof.

#### <u>General</u> 10.

- Time. Time shall be of the essence of this Agreement. 10.1
- Currency. All references to dollars and the "\$" sign refer to Canadian currency, and all amounts to be advanced, paid, tendered or calculated under this Agreement are to be 10.2 advanced, paid, tendered or calculated in Canadian currency.
- Entire Agreement. This Agreement, together with any agreement or instrument delivered pursuant to this Agreement, constitutes the entire agreement between the parties pertaining to the subject matter of this Agreement and supersedes all prior agreements, 10.3 understandings, negotiations and discussions, whether oral or written, of the parties, and

there are no representations, warranties or other agreements between the parties, express or implied, in connection with the subject matter of this Agreement except as specifically set out in this Agreement or any agreement or instrument delivered pursuant to this Agreement. No party has been induced to enter into this Agreement in reliance on, and there will be no liability assessed, either in tort or contract, with respect to, any warranty, representation, opinion, advice or assertion of fact, except to the extent it has been reduced to writing and included as a term in this Agreement or any agreement or instrument delivered pursuant to this Agreement.

- Paramountcy. In the event of a conflict or inconsistency between this Agreement and any other agreement with the Creditor concerning or related to the Indebtedness, including without limitation, the Security, the provisions of this Agreement will prevail to the extent of such conflict or inconsistency.
- Amendment. Except as provided herein, no alteration, amendment or modification of this Agreement or any provision of this Agreement shall be valid and binding upon the parties hereto unless such alteration, amendment or modification is in writing executed by the parties.
- 10.6 **Waiver**. No waiver or delay on the part of the Creditor in exercising any right or privilege hereunder and no waiver as to any Event of Default hereunder shall operate as a waiver thereof unless made in writing and signed by the Creditor. No written waiver shall preclude the further or other exercise by the Creditor of any right, power or privilege hereunder or extend to or apply to any further Event of Default.
- 10.7 **Further Assurances**. The parties hereto shall execute and deliver all such further documents and instruments and do all such acts and things as any party may reasonably require in order to carry out the full intent and meaning of this Agreement.
- Notice. Any demand, notice or other communication (each a "Communication") to be made or given hereunder shall be in writing and, in order to be effectively given, shall be made or given by personal delivery to the address of the respective party set forth on the first page of this Agreement or by email as follows:

To the Creditor:

Attention: Wes Funk

Email: wesfunk@live.com

To the Debtor:

Attention: Greg DeMille

Email: greg.demille@skeenasawmills.com

Either party may from time to time notify the other party hereto in accordance with this Section 10.8 of any change of address or email which thereafter, until changed by like notice, shall be the address or email of such party for all purposes under this Agreement. Any Communication made or given by personal delivery shall be conclusively deemed to

- have been given on the day of actual delivery thereof. Any Communication made or given by email shall be conclusively deemed to have been given on the date of transmission (or the first Business Day thereafter, if the date of transmission is not a Business Day).
- 10.9 **Governing Law**. This Agreement shall be subject to, governed by, and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.
- 10.10 **Severability**. In the event any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained in this Agreement shall not in any way be affected or impaired thereby, and any such invalid, illegal or unenforceable provision shall be deemed to be severable.
- 10.11 **Binding and Enurement**. This Agreement shall be binding upon and shall enure to the benefit of the Debtor and the Creditor and their respective heirs, executors, administrators, estate trustees, trustees, personal or legal representatives, successors and permitted assigns.
- 10.12 **Counterparts**. This Agreement may be executed and delivered by the parties in one or more counterparts, each of which will be an original, and each of which may be delivered by facsimile, e-mail or other functionally equivalent electronic means of transmission, and those counterparts will together constitute one and the same instrument.

[Signature page follows]

EACH of the parties hereto have caused this Agreement to be executed as of the date first set forth above.

## Creditor:

L&J LOGGING

Per:

Authorized Signator

Debtor:

SKEENA SAWMILLS LTD.

Per

Authorized Signatory

## SCHEDULE "A"

# SECURITY INTERESTS

e · · · ·

## FORBEARANCE AND REPAYMENT AGREEMENT

THIS AGREEMENT shall enter into effect upon signature by both Parties. (the "Effective Date")

#### BETWEEN:

Cypress Forest Consultants Ltd., a company incorporated under the laws of British Columbia with an address 5113 Keith Avenue Terrace, British Columbia, V8G 1K8 (the "Creditor")

#### AND:

SKEENA SAWMILLS LTD., a company incorporated under the laws of British Columbia with an address at 1518 - 1030 West Georgia Street, Vancouver, BC V6E 2Y3

(the "Debtor")

#### WHEREAS:

- A. As of May 19, 2023, the Debtor is indebted to the Creditor in the amount of \$89,605.58 (the "Indebtedness"):
- B. All security (collectively and individually, the "Security") now or hereafter held by the Creditor in respect of the Indebtedness are provided in Schedule "A" attached hereto.
- C. The Debtor has requested that the Creditor forbear from taking steps to recover the Indebtedness, all on the terms and conditions set out in this Agreement, in order to provide the Debtor with a further reasonable period of time to repay the Indebtedness in full.
- D. The Creditor is willing to forbear from taking immediate steps to recover the Indebtedness, on the terms and conditions set forth below.

**NOW THEREFORE** in consideration of the mutual covenants and agreements contained in this Agreement (the receipt and sufficiency of which are acknowledged by the parties hereto), the parties covenant and agree with each other as follows:

#### 1. Definitions

- 1.1 "Agreement" means this forbearance agreement, including any and all schedules, as it may be amended or restated in accordance with the terms hereof.
- 1.2 "Business Day" means any day which is not a Saturday, Sunday or statutory holiday in British Columbia, Canada.
- 1.3 "Communication" has the meaning ascribed to it in paragraph 10.8 of this Agreement.

- 1.4 "Creditor" is defined in the description of the parties at the beginning of this Agreement.
- 1.5 "**Debtor**" is defined in the recitals above.
- 1.6 "Effective Date" is defined in the recitals above.
- 1.7 "Forbearance Period" is defined as starting on the Effective Date and ending on the day that the Indebtedness and related interest payable has been paid in full.
- 1.8 "Indebtedness" is defined in the recitals above and shall include, to the extent that it is unpaid, all interest accruing pursuant to paragraph 4.1.3 of this Agreement.
- 1.9 "Security" is defined in the recitals above.

## 2. <u>Forbearance</u>

2.1 Subject to the execution and delivery to the Creditor of this Agreement by the Debtor, the Creditor agrees that, provided the Debtor makes payments to the Creditor in accordance with Section 4 of this Agreement, it will not take steps to recover the Indebtedness including without limitation, commencement of legal proceedings against the Debtor or enforcement of the Security.

## 3. Confirmation of Indebtedness

- 3.1 The Debtor acknowledges and agrees that the recitals to this Agreement are incorporated into and form an integral part of this Agreement and are true and accurate in every respect.
- 3.2 The Debtor acknowledges and agrees that the Indebtedness is due and owing to the Creditor, and hereby waives any rights which it may have as at the date of this Agreement to claim any abatement or offset of the amounts, whether arising by way of defence or counterclaim.
- For clarity, the amount of the Indebtedness is current up to May 19, 2023. The Indebtedness does not include any amounts which may become due and owing by the Debtor to the Creditor after May 19,2023.

## 4. Repayment of the Indebtedness

- 4.1 The Debtor agrees to make payments to the Creditor in satisfaction of the Indebtedness as follows:
  - 4.1.1. Within three Business Days of the Effective Date, the Debtor will pay to the Creditor an amount equal to \$30,000 of the Indebtedness, and
  - 4.1.2. The balance of the Indebtedness will be paid by the Debtor to the Creditor until the Indebtedness is paid in full by monthly payments of \$5,000 on or before the 15<sup>th</sup> calendar day of the month, with a first payment of \$5,000 on or before June 15, 2023, and a final monthly payment of \$4,605.58 on or before May 15, 2024.

4.1.3. Quarterly interest payments will be paid at 8.7 % per annum, payable on or before the 30<sup>th</sup> calendar day of each calendar quarter (March, June, September, December), with a first interest payment on or before June 30, 2023.

# 5. Prepayment of the Indebtedness

Notwithstanding the repayment plan set out in Section 4, the Debtor may prepay the whole or a portion of the balance outstanding at any time and from time to time during the Forbearance Period.

## 6. Advances

During the Forbearance Period, Debtor agrees to provide advances to Creditor before Creditor performs work as follows:

## 7. Release and Discharge

- Release of goods and services provided. Upon the payment as identified in 4.1.1, the creditor will release to the debtor all timber development, road, waste assessment, silviculture and other information it has in its procession and previously procured by the creditor. This includes but is not limited to all maps, shape files, reports, assessments, road designs and Road and Site Plans.
- 7.2 Upon repayment of the Indebtedness in full, the Creditor releases and forever discharges the Debtor from any and all claims relating to the Indebtedness and the Security.
- 7.3 The Creditor will provide the Debtor with a discharge of the Security registered against the Debtor forthwith upon the Indebtedness being repaid in full.

## 8. Event of Default

8.1 If the Debtor fails to make payments as set out in Section 4 of this Agreement and has not cured such default within 7 Business Days of such default after receipt of a written notice of same from the Creditor, the Creditor may terminate this Agreement and pursue its rights and remedies.

## 9. Confidentiality

9.1 The parties agree that this Agreement and the transactions contemplated herein and any information provided by either party to the other with respect to such transaction or the Indebtedness will be kept strictly confidential, except that this duty of confidentiality will not apply to any information that becomes generally available to the public, except where made available in violation of this Section, or must otherwise be disclosed by operation of law or by order of a court of competent jurisdiction. The parties may give any such confidential information on a confidential basis to their advisors, consultants, current or prospective lenders and investors for the purposes of assisting with such transaction. The obligations in this Section 9 will survive the completion of the transactions contemplated by this Agreement or termination thereof.

## 10. General

- 10.1 **Time**. Time is of the essence in the performance of and compliance with each of the provisions and conditions of the Agreement.
- 10.2 **Currency**. All references to dollars and the "\$" sign refer to Canadian currency, and all amounts to be advanced, paid, tendered or calculated under this Agreement are to be advanced, paid, tendered or calculated in Canadian currency.
- 10.3 Entire Agreement. This Agreement, together with any agreement or instrument delivered pursuant to this Agreement, constitutes the entire agreement between the parties pertaining to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties, and there are no representations, warranties or other agreements between the parties, express or implied, in connection with the subject matter of this Agreement except as specifically set out in this Agreement or any agreement or instrument delivered pursuant to this Agreement. No party has been induced to enter into this Agreement in reliance on, and there will be no liability assessed, either in tort or contract, with respect to, any warranty, representation, opinion, advice or assertion of fact, except to the extent it has been reduced to writing and included as a term in this Agreement or any agreement or instrument delivered pursuant to this Agreement.
  - 10.4 **Paramountcy**. In the event of a conflict or inconsistency between this Agreement and any other agreement with the Creditor concerning or related to the Indebtedness, including without limitation, the Security, the provisions of this Agreement will prevail to the extent of such conflict or inconsistency.
  - Amendment. Except as provided herein, no alteration, amendment or modification of this Agreement or any provision of this Agreement shall be valid and binding upon the parties hereto unless such alteration, amendment or modification is in writing executed by the parties.
  - 10.6 **Waiver**. No waiver or delay on the part of the Creditor in exercising any right or privilege hereunder and no waiver as to any Event of Default hereunder shall operate as a waiver thereof unless made in writing and signed by the Creditor. No written waiver shall preclude the further or other exercise by the Creditor of any right, power or privilege hereunder or extend to or apply to any further Event of Default.
  - 10.7 **Further Assurances**. The parties hereto shall execute and deliver all such further documents and instruments and do all such acts and things as any party may reasonably require in order to carry out the full intent and meaning of this Agreement.
  - Notice. Any demand, notice or other communication (each a "Communication") to be made or given hereunder shall be in writing and, in order to be effectively given, shall be made or given by personal delivery to the address of the respective party set forth on the first page of this Agreement or by email as follows:

To the Creditor:

Attention: Jason Bennett

Email: Jbennett@cypressfc.ca

To the Debtor:

Attention: Greg DeMille

Email: greg.demille@skeenasawmills.com

Either party may from time to time notify the other party hereto in accordance with this paragraph 10.8 of any change of address or email which thereafter, until changed by like notice, shall be the address or email of such party for all purposes under this Agreement. Any Communication made or given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof. Any Communication made or given by email shall be conclusively deemed to have been given on the date of transmission (or the first Business Day thereafter, if the date of transmission is not a Business Day).

- 10.9 **Governing Law**. This Agreement shall be subject to, governed by, and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.
- 10.10 **Severability**. In the event any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained in this Agreement shall not in any way be affected or impaired thereby, and any such invalid, illegal or unenforceable provision shall be deemed to be severable.
- 10.11 **Binding and Enurement**. This Agreement shall be binding upon and shall enure to the benefit of the Debtor and the Creditor and their respective heirs, executors, administrators, estate trustees, trustees, personal or legal representatives, successors and permitted assigns.

10.12 Counterparts. This Agreement may be executed and delivered by the parties in one or more counterparts, each of which will be an original, and each of which may be delivered by facsimile, e-mail or other functionally equivalent electronic means of transmission, and those counterparts will together constitute one and the same instrument.

<u>Creditor</u>: Cypress Forest Consultants Ltd. Debtor:

SKEENA SAWMILLS LTD.

Jason Bennett - President Per: Per:

Authorized Signatory

Date: May 29, 2023 June 7th, 2023 Date:

# SCHEDULE "A" SECURITY INTERESTS

This is Exhibit "C" referred to in the affidavit of Gui Hua (Jenny) Hu made before me at Vancouver, B.C., on January 5<sup>th</sup>, 2024.

A Commissioner for taking Affidavits within British Columbia.

From:

Shaun Oviatt <Shaun@daudetcreek.com>

Sent:

Thursday, May 25, 2023 12:48 PM

To:

Mark Reiter

Cc:

Jenny Hu; Tracy Huang

Subject:

EXT - RE: Wathyl Road construction

Follow Up Flag:

Follow up

Flag Status:

Flagged

Mark I can make myself available some time next week for team or meet out there either way.

As for starting in the next couple week I don't think we can a bit booked up now but I will talk my team and see what we can figure out.

**Thanks** 

# SHAUN OVIATT

OWNER | SUPERINTENDENT M: 250-632-4831 | CELL: 250-632-1033 | F: 250-632-2322



From: Mark Reiter < Mark. Reiter@skeenasawmills.com>

Sent: Wednesday, May 24, 2023 4:00 PM

To: Shaun Oviatt <Shaun@daudetcreek.com> Cc: Jenny Hu < Jenny. Hu@skeenasawmills.com>; Tracy Huang < Tracy. Huang@skeenasawmills.com>

Subject: Wathyl Road construction

Hello Shawn,

After enduring through what is likely the toughest period in the company's history (under ROC holdings) and after 4 months of being shutdown Skeena Sawmills will be restarting both our sawmill and pellet plant operations. The log scales opened on May 16<sup>th</sup>, with the first load of logs delivered on May 19. The plan is to resume sawmill operations on May 29th. The sawmill will run on a one-shift/3-days a week schedule for the next 2 to 3 months with a focus on trying to ramp up to full production capacity when markets improve. Skeena Bioenergy will resume normal operations on June 5th. Without your support this would not have been possible. We still have many challenges in front of us but resuming operations is a big step and I am happy we are moving forward.

We would like to discuss with you our startup plan including the following.

- 1. Resuming payment on outstanding debts. Skeena Sawmills would like to discuss a revised payment plan. Our Controller Jenny Hu and executive assistant Tracey Huang would like to join the meeting remotely. Are you available for a MS teams video conference at your location. Alternatively we could meet here in Terrace and
- 2. Resume road building. Part of start up plan is to initiate CP 40 (Wathyl) road construction the first week of June. I am wondering if you are interested and have the resources available.

Let me know about the meeting including location, date and time you are available and I will set it up.

Sincerely,

Mark Reiter, RPF | Woodlands Manager | Skeena Sawmills Ltd

Phone +250 635 6336 ext. 1035 | mark.reiter@skeenasawmills.com 5330 Hwy 16W, Terrace BC V8G 0C6

Cell: 250-641-3224



This message came from a domain other than skeenasawmills.com. If the sender of the email is unknown to you please be aware that the email could be a phishing email and might contain content that could be harmful to your computer and the computer network. Please report an suspicious email to your local IT technician.

From:

Jenny Hu

Sent:

Wednesday, June 28, 2023 10:39 AM

To:

Shaun Oviatt

Cc:

Mark Reiter; Tracy Huang; Greg Demille; Lindsay Moyle

Subject:

RE: EXT - RE: Repayment of outstanding balance

Follow Up Flag:

Follow up

Flag Status:

Flagged

Hi Shaun,

Thank you so much again, for your prompt response and continuous support!

Kind regards,

# Jenny Hu, CPA CGA

Chief Financial Officer Skeena Sawmills Ltd. | Skeena BioEnergy Ltd. Jenny.hu@skeenasawmills.com 778-883-0366

From: Shaun Oviatt <Shaun@daudetcreek.com> Sent: Wednesday, June 28, 2023 10:33 AM

Cc: Mark Reiter < Mark.Reiter@skeenasawmills.com>; Tracy Huang < Tracy.Huang@skeenasawmills.com>; Greg Demille

<Greg.Demille@skeenasawmills.com>

Subject: EXT - RE: Repayment of outstanding balance

Jenny

Yes that works thank you

# SHAUN OVIATT

OWNER | SUPERINTENDENT M: 250-632-4831 | CELL: 250-632-1033 | F: 250-632-2322

Constitution of the Consti

From: Jenny Hu < Jenny. Hu@skeenasawmills.com>

Sent: Tuesday, June 27, 2023 11:40 PM

Cc: Mark Reiter < Mark.Reiter@skeenasawmills.com >; Tracy Huang < Tracy.Huang@skeenasawmills.com >; Greg Demille To: Shaun Oviatt < Shaun@daudetcreek.com >

< Greg. Demille@skeenasawmills.com > Subject: Repayment of outstanding balance

Importance: High

Hi Shaun,

1

Hope all has been well and you're enjoying the beautiful BC summer.

Further to our discussion a few weeks ago, I understood we didn't end up working with you on the CP40 road construction – it's a pity but I'm looking forward to other opportunities down the road for us to work together again.

I'm writing to pick up where we left for the repayment of existing balances with you. As I had mentioned last time, we intend to pay you with a portion of cedar sales from CP40. I now have a bit more info available, so I'd like to make a proposal to you:

- 1. Total cedar harvest is expected to be 11,238 m3. For every m3 of cedar sales, we will pay you \$30 \$that is, from this project we will be able to make a payment of 11,238 m3 x \$30 = \$337,140.
- 2. We're expecting to receive proceeds of the first boom in the last week of July and last boom in the 2<sup>nd</sup> half of October, so I'm proposing a first repayment to you on July 31<sup>st</sup>, then Aug 31<sup>st</sup>, Sep 30<sup>th</sup> and Oct 31<sup>st</sup>.

Please do note that - the above is just one tranche of our repayment plan, purely based on the CP40 project. We intend to revisit our cashflow at the end of August (that gives us 3 months for restarting the sawmills and hopefully getting us back on track) – we will determine then how much additional \$\$ we could commit to paying down our debts to you, which is a 2<sup>nd</sup> tranche. Hope this makes sense to you, but please let me know / give me a call if you have any comments or concerns.

Btw – I'm going to be away for a vacation starting Jul  $1^{st}$  to Jul  $13^{th}$ , but I will be able to check emails during evening and at night. So, please drop me an email if needed and I will get back to you in time.

Kind regards,

## Jenny Hu, CPA CGA

Chief Financial Officer Skeena Sawmills Ltd. | Skeena BioEnergy Ltd. Jenny.hu@skeenasawmills.com 778-883-0366

This message came from a domain other than skeenasawmills.com. If the sender of the email is unknown to you please be aware that the email could be a phishing email and might contain content that could be harmful to your computer and the computer network. Please report an suspicious email to your local IT technician.

This is Exhibit "E" referred to in the affidavit of Gui Hua (Jenny) Hu made before me at Vancouver, B.C., on January 5<sup>th</sup>, 2024.

A Commissioner for taking Affidavits within British Columbia.

```
Notes
             Delta Cedar Specialties Ltd.
                                                                                                                                                                         Payment
                                                                                                       Date Payment 2023-07-14 $ 6,554.93
                                                                                                                                                                                                                                                               interest payment
                Timber Baron Contracting Ltd.

Date Payment
2023-07-21 $ 20,000.00
                                                                                                                                                                                                                                                                    Vendor No. 14 ( AUTORE ) bill of Ander Creek Contracting Ltd.

Activity Aging Trappactoria Daymonto Service Contracting Ltd.

Activity Aging Trappactoria Daymonto
           Date Payment 2023-07-21 $ 20,000.00

Antier Creek Contracting Ltd.
Date Payment 2023-01-05 $ 100,000.00
2023-01-06 $ 100,000.01
2023-05-17 $ 400,000.00
2023-05-17 $ 400,000.00
2023-05-18 $ 400,000.00
2023-06-09 $ 150,938.94
2023-06-16 $ 75,000.00
2023-07-07 $ 21,856.55
2023-07-07 $ 21,856.55
2023-07-14 $ 76,427.48
2023-07-21 $ 150,000.00
2023-08-24 $ 55,000.00
                                                                                                                                                                                                                                                               the only payment in 2023
                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 Status Né
Status Value
                                                                                                                                                                                                                                                                       Status All
Status Value 7.7
                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          Vendor Currency CAD
                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | STANING VALUE | Promote Date | Pro
                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                Vendor Currency CAO
                                                                                                                                                                                                                                                                    Vendor No. 14 4 ESUDG P.F. . . ESUCagna
                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 F FT . a Deuce Creak Constacting Ltd
                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          Activity Aging Traggactions Ecomorés
                                                                                                                                                                                                                                                                                                                                                                                                             Vendor No 14 € UEUCHE
                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          Status Ni
Skarling Value // @
d. Deuce Creek Contracting Ltd.
                                                                                                                                                                                                                                                                                                                                                                                                                Activity Agina Transactiona Earments
                                                                                                                    ntracting Ltd.
Date Payment
2022-11-25 $ 69,526,88
2022-12-23 $ 35,000.00
                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           Pocument Date : *
                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             Vendor Contract CAD
                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Court | Cour
                                                                                                                                                                                                                                                                              no payments in 2023
                                                                                                                                                                                                                                                                                                                                                                                                                    | Company | Cab | Company | Cab | Ca
                                                                                                                                                                                                                                                                                                                                                                                                                                                                     [N ] 0
                                                                                                                                                                                                                                                                                                                                                                                                                    Status
                                                                                                                         Date Payment
2023-05-18 $ 25,000.00
2023-06-16 $ 10,000.00
2023-07-10 $ 64,281.27
2023-07-14 $ 10,000.00
2023-07-24 $ 90,271.83
2023-08-09 $ 10,000.00
                                L&J Loggind Ltd.
                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  SUDITA 90000111072 12,22,2002 
SUDITA 000000111014 5/12/202 
SOCTITA 000000111014 5/12/202 
SOCTITA 000000111014 5/12/202 
SOCTITA 000000111014 7/14/202 
BOMCAD 00000010127 7/14/202 
BOMCAD 00000010120 7/14/202 
SOCTITA
                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               90 271.83 CAD
10450 (3) CAG
                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             69.536.88 CAD
XXXXXXX CAD
                                                                                                                                                                                                                                                                                                                                                                                                                            50.0T/A 000000110928 11-25-2022

SOTIA 000000]11/073 12/23/2022
                                     Kitsela Forestry LP
                                                                                                                              Date Payment the only payment in 2023 2023-01-05 $250,000.00 the only payment in 2023
                                        Terrace Timber Ltd.
                                                                                                                                  td.
Date Payment
2023-06-12 $140,643.30
2023-07-04 $232,836.19
2023-07-10 $172,174.55
2023-07-10 $172,174.55
                                           Silvicon Services Inc.
                                                                                                                                     Inc.
Date Payment
2022-12-12 $ 26,762.56
2023-07-07 $ 3,000.00
2023-07-28 $ 3,000.00
```

j. k.	Timber Tracks Inc.  Date 2022-09-13  K'alii Aks Timber Corporation Date 2023-06-12 2023-06-23 2023-07-10 2023-07-14 2023-07-21 2023-08-09	\$125,000.00 \$60,000.00 \$25,000.00 \$100,000.00	no payments in 2023	Tregadiers	Payment Date 9/13/2022	Order By Verdor Currency Payment Amond 31,500.0	Document Date CAD  CAD  CAD
l.	Timertramp Contracting Ltd. Date 2022-10-11 2022-10-25	Payment \$ 10,710.00 \$ 15,015.00	no payments in 2023				
m.	Cypress Forest Consultations	\$ 5,489.68					

This is Exhibit "F" referred to in the affidavit of Gui Hua (Jenny) Hu made before me at Vancouver, B.C., on January 5<sup>th</sup>, 2024.

A Commissioner for taking Affidavits within British Columbia.

#### Jenny Hu

From:

Jenny Hu

Sent:

Tuesday, February 7, 2023 11:12 PM

To: Cc: Sandra Wu; Laurence Wang

Subject:

Greg Demille; Tracy Huang Cash requirement before end of March

Attachments:

Cashflow\_For SSM and Bio\_20230207.pdf; Weekly Cashflow Forecast\_Jan 2023\_Updated

20230207 Jenny.xlsx

Hi Sandra, Laurence,

Please see attached and below for the cash requirement before end of March -

- 1. Total cash needed to cover the very basic need for both operations till end of March is \$209k we do still have \$3.3M to expect from customers during the next 8 weeks. Please note by "very basic", I meant no production and no payments to vendors, except for (1) those on pre-authorized debits, (2) stumpage payment to provincial government for sawmills and (3) payments to PNG (natural gas vendor) for bio-energy.
- 2. However, because of the timing there will be some week that shortfall up to \$600k needing to be funded.
- 3. Passing end of March, there should be no more payments from customers that is, there won't be any current assets on the book.
- 4. Funds to re-start will be around \$10M, which covers (1) \$5M of existing SSM AP, (2) another \$5M to build inventory till payments from customers can be received. If we want to start Bio production in March as previously planned, half of a million is also needed.
- 5. Adding the \$3M for Bio trust funds (upped from \$2.5M to account for funds kept by SSM initially and the interest accrued), the total will be \$13M to ask. With this, it still leaves \$7.6M of existing AP outstanding likely needing to be paid within 12 months or so mainly the stumpage to provincial government and property tax to City of Terrace.

	6-Feb 10-Feb	13-Feb 17-Feb	20-Feb 24-Feb	27-Feb 3-Mar	6-Mar 10-Mar	13-Mar 17-Mar	20-Mar <b>24-Mar</b>	2 3'
SAWMILLS BEGINNING BALANCE	19,086						442,000	
CASH SURPLUS (SHORTFALL)	(84,804)	312,553	(213,460)	249,289	439,433	247,064	112,000	
BIO-ENERGY BEGINNING BALANCE	47,624							
CASH SURPLUS (SHORTFALL)	(368,452)	110,258	(358,896)	(90,132)	(61,452)	(63,000)	(177,000)	
COMBINED	(453,256)		(572,356)				(65,000)	ı (2
RESTARTING  SSM (50% of AP not on plan)  SSM (loggers pay x 3)  Bio (critial vendors)  Bio - Trust funds	= 50% of AP n = annual tenu	ot on plan, m re and purch	ainly for logge ase cost 39,00	rs' pay 10,000 / 12 m	onths x 1.5 mo	onths (6 wee	eks)	Market House

Kind regards,

# Jenny Hu, CPA CGA

Chief Financial Officer Skeena Sawmills Ltd. | Skeena BioEnergy Ltd. Jenny.hu@skeenasawmills.com 778-883-0366 This is Exhibit "G" referred to in the affidavit of Gui Hua (Jenny) Hu made before me at Vancouver, B.C., on January 5<sup>th</sup>, 2024.

A Commissioner for taking Affidavits within British Columbia.

## Jenny Hu

From:

Jenny Hu

Sent:

Friday, March 24, 2023 9:25 AM

To:

Sandra Wu

Subject:

FW: Updated cash forecast

**Attachments:** 

Weekly Cashflow Forecast at Mar 17 2023 Current.xlsx

Importance:

High

Hi Sandra,

Full email string appended here FYI – our cash will cover us for next week and will have a small shortfall of \$25k the week after (Apr 3 -7) which we could manage to get by.

If we do not have any extra payments from customers (than already forecasted) / funds from investors during the next 2 weeks, we will not be able to meet minimum payment needs starting the week of April  $10-14^{\rm th}$ .

I'm working with Lindsay today for an updated critical payment schedule and will send it to you once it's available.

If you want to communicate with investors right away – my rough estimate at this point is \$500k per week or \$1.5M for 3 weeks to get us till end of April.

Kind regards,

#### Jenny Hu, CPA CGA

Chief Financial Officer Skeena Sawmills Ltd. | Skeena BioEnergy Ltd. Jenny.hu@skeenasawmills.com 778-883-0366

From: Jenny Hu

Sent: Friday, March 24, 2023 8:57 AM

To: Greg Demille <greg.demille@skeenasawmills.com>
Cc: Lindsay Moyle <Lindsay.Moyle@skeenasawmills.com>

Subject: RE: Updated cash forecast

Hi Greg,

Sounds good. Will earmark that \$100k and execute only upon your further notice.

Kind regards,

#### Jenny Hu, CPA CGA

Chief Financial Officer
Skeena Sawmills Ltd. | Skeena BioEnergy Ltd.
Jenny.hu@skeenasawmills.com
778-883-0366

From: Greg Demille < Greg.Demille@skeenasawmills.com >

Sent: Friday, March 24, 2023 8:33 AM

To: Jenny Hu < Jenny. Hu@skeenasawmills.com >

Cc: Lindsay Moyle < Lindsay. Moyle@skeenasawmills.com >

Subject: RE: Updated cash forecast

Thanks Jenny. Based on our conversation yesterday morning I have already committed the \$100,000 payment so hopefully we can find a way to make that work. However, given your email it is clear that the \$50,000 payment is off the table. I will push back hard to find another solution with Stardust.

It is important to get the chip hauling going for a few key strategic reasons including the delay to the mill restart if we do not get the chips out of the way and the potential financial impacts to the business moving forward if we do not establish ourselves as the primary preference for the logistic infrastructure given that our competition is rumoured to be starting up a chipping operation shortly. I will keep you update as we negotiate through the weekend and please keep a place holder for the \$100,000 payment but do not execute on it until I give the go ahead.

Regards,

Greg

From: Jenny Hu < Jenny. Hu@skeenasawmills.com >

Sent: Friday, March 24, 2023 12:06 AM

**To:** Greg Demille < <u>Greg.Demille@skeenasawmills.com</u> > **Cc:** Lindsay Moyle < <u>Lindsay.Moyle@skeenasawmills.com</u> >

Subject: FW: Updated cash forecast

Hi Greg,

I've looked into the cashflow in more details, and believe at this moment we are not able to make payment of more than \$75k to Stardust – but even this we would be stretching ourselves really tight....

We probably have to postpone the start of hauling chips, unless we receive something next week from investors. However, at this stage, I'm not sure if that could happen....

We can chat a bit more tomorrow morning.

man and a time to great any or an analysis of the contract of		declared to the description we will be a finite of the declared to the decla			
	Week Beg Week End	6-Mar <b>10-Mar</b>	13-Mar <b>17-Mar</b>	20-Mar <b>24-Mar</b>	27 <b>31</b>
Bank Balance A/C - CAD		364,431	225,696	228,881	
Bank Balance A/C - USD Uncleared Items					
Funding from Shareholders Interco - (to) from Bio		(140,000)	(140,000)	(60,000)	(
Transfer (to) from BMO				270,000	C
Customer payment	Lumber - Export	45.580		187,536 ັ	
- Existing AR - Existing AR	Lumber - Dom CAD	166,060	469,495 <sup>™</sup>	403,752	
- New AR / Sales	Lumber - Domestic				
GST refund & Others CASH AVAILABLE - TOTAL		436,071	555,192	1,030,169	
PMT - New AP Loggers	AND A THE STATE OF		20,625		
PAD - BFL	ini ili dele ini ili ancioni			-	
PAD - Dynamic Capitals		6,489	l <sub>ess</sub>	***************************************	
PAD - Manual life PAD - ICBC, NationalLeasing	. GM. GrnShield, Telus		0,703		
PAD - CAT Financial	, and a second s	17,680			
Payroll - Salary		64,505		37,474	
CRA - Salary Payroll - Hourly			75,000		
CRA - Hourly		30,153		35,768	
EHT Stumpage in payment plan	de construir de co			120,000	
BC Hydro				15,000	
PNG			17,122	10,000	
Worksafe Benefit plan - pacific blue cro	100				
Benefit plan - IWA	Pension		77,577		
Benefit plan - USW	Medical			15,276	
Benefit plan - United Steelwo	orl Union Due	21,840	26,540	4,846	
General Supplies	accompany was	45,051	72,734	20,000	-
Transportation/Hauling Apartment Rent/Vanc office	and the	4,145	22,875	100,000	

Kind regards,

#### Jenny Hu, CPA CGA

Chief Financial Officer

Skeena Sawmills Ltd. | Skeena BioEnergy Ltd.

Jenny.hu@skeenasawmills.com

778-883-0366

From: Greg Demille < Greg.Demille@skeenasawmills.com >

Sent: Thursday, March 23, 2023 1:20 PM

To: Lindsay Moyle <<u>Lindsay.Moyle@skeenasawmills.com</u>>; Jenny Hu <<u>Jenny.Hu@skeenasawmills.com</u>>

Cc: Linda McColman < Linda. McColMan@skeenasawmills.com >

Subject: RE: Updated cash forecast

Thanks Lindsay,

Still working through things with Excel. It is looking like we will have to set up a payment schedule along the lines of the following:

April  $3^{rd}$  - \$50,000 (they are saying their shareholders are demanding to be paid half of the amount owed up front before they start hauling). I am wanting to counter with spreading the payments out a bit.

Then we have proposed selling them the equivalent remaining owed to them in chips (Approximately \$183,000 including a small amount from Bioenergy), equivalent to about 1800 ODT of chips. Which she would sell to Harmac. This way is a little cleaner then the lien option I reviewed yesterday. Still waiting to verify if Harmac is okay with this.

Jenny – Do we think we can squeeze out the extra \$50,000 a week later? Hauling would begin on the 27<sup>th</sup>.

Regards,

Greg

From: Lindsay Moyle < Lindsay. Moyle@skeenasawmills.com >

To: Jenny Hu < Jenny Hu@skeenasawmills.com >; Greg Demille < Greg.Demille@skeenasawmills.com >

Cc: Linda McColman < Linda. McColMan@skeenasawmills.com >

Subject: Updated cash forecast

Hi Jenny and Greg,

Linda and I have worked through the forecast and tried to get cash positive to the end of Apr 14, but we can only get cash positive to the end of Apr 7.

## A few points:

- 1. We have not received the BMO transfer yet, the amount for this week on the forecast is a forecast number for
- 2. In order to be cash positive the first week of April, we are showing a second transfer from BMO
- 3. Since we can be cash positive until Apr 7, we should pay GST and EHT on time to avoid further interest or
- 4. If we want to pay \$100,000 to Excel/Stardust, we will need to decide where to remove that amount somewhere
- 5. I have asked Linda to check with Hao as to how much lumber is left in the yard to sell, but I believe it is not
- 6. As things stand now we are headed for a serious cash crunch the second week of April.

Lindsay

Lindsay Moyle (he/him), MBA, CPA, CGA Corporate Controller

Skeena Sawmills Ltd. | Skeena Bioenergy Ltd.

Cell 778-675-7490 | email lindsay.moyle@skeenasawmills.com Operations: 5330 and 5402 Highway 16 West, Terrace BC V8G 0C6 Corporate: 1518-1030 West Georgia Street, Vancouver BC V6E 2Y3





This is Exhibit "H" referred to in the affidavit of Gui Hua (Jenny) Hu made before me at Vancouver, B.C., on January 5th, 2024.

A Commissioner for taking Affidavits within British Columbia.

#### Jenny Hu

From:

Jenny Hu

Sent:

Monday, April 17, 2023 12:35 PM

To:

Sandra Wu Tracy Huang

Cc: Subject:

FW: cash to April 28

Attachments:

Weekly Cashflow Forecast at Apr 14 2023 LM Test.xlsx

Sandra – we need \$450k for sure for next week Apr 24 - 28. Do you think we could get that first this week?

Timeline of funds needed is as follows:

Monday - \$205K (stumpage and union benefits), less \$75K bank balance – net need is \$130k

Friday - \$185K payroll, \$115k bank auto-debits for business insurance and lease payments, \$20K contractor and supplier payments – net need is \$320k

Kind regards,

## Jenny Hu, CPA CGA

Chief Financial Officer Skeena Sawmills Ltd. | Skeena BioEnergy Ltd. Jenny.hu@skeenasawmills.com 778-883-0366

From: Lindsay Moyle <Lindsay.Moyle@skeenasawmills.com>

Sent: Monday, April 17, 2023 8:17 AM

To: Greg Demille < Greg. Demille@skeenasawmills.com>

Cc: Jenny Hu < Jenny. Hu@skeenasawmills.com>

Subject: cash to April 28

Good morning Greg,

I have looked at the cash and pushed as many payments as possible to the first week of May. There is still \$100k of union benefit payments that could be pushed, although I don't know if that's a good idea. There is also the \$120k stumpage payment.

Right now the attached says we need CAD\$400k by next Wednesday (payroll all happens on Wednesday afternoon). The CAD\$114k balance at the end of this week should cover the automatic payments coming out next week before the funds are received.

Pushing the union benefits would lower that to CAD\$300k, pushing the stumpage would lower that to CAD\$200k.

Lindsay

Lindsay Moyle (he/him), MBA, CPA, CGA Corporate Controller

# Skeena Sawmills Ltd. | Skeena Bioenergy Ltd.

Cell 778-675-7490 | email lindsay.moyle@skeenasawmills.com Operations: 5330 and 5402 Highway 16 West, Terrace BC V8G 0C6 Corporate: 1518-1030 West Georgia Street, Vancouver BC V6E 2Y3





This is Exhibit "I" referred to in the affidavit of Gui Hua (Jenny) Hu made before me at Vancouver, B.C., on January 5<sup>th</sup>, 2024.

A Commissioner for taking Affidavits within British Columbia.

# Jenny Hu

From: Sent: To: Cc: Subject: Attachments:	Jenny Hu Monday, April 24, 2023 2:07 PM Sandra Wu Tracy Huang FW: cash to April 28 Weekly Cashflow Forecast at Apr 21 2023 Current.xlsx						
Importance:	High						
现存资金Lindsay留着付工资和 全可以在周五到账的话),这	到转款吗?加币25万(250000)? 可保险等重要款项,把其余的计划都推到下周(或者周五,如果国内答应的250万资 这里边包括stumpage fee and union benefits (今天到期)。						
如果咱们周三之前会再收到款的话,他可以不用推迟either stumpage or union benefits, 不需要去跟省府和工会福如果咱们周三之前会再收到款的话,他可以不用推迟either stumpage or union benefits, 不需要去跟省府和工会福利管理部门去沟通付款延迟,避免这两个机构不给回旋余地,节外生枝的风险。当然,如果确认周三之前没有款项进来的话,他应该最迟明天一早要去跟他们沟通。							
情形有点紧急和tricky,所以我抄送Tracy,so everyone is on the same page.							
Kind regards,							
Jenny Hu, CPA CGA Chief Financial Officer Skeena Sawmills Ltd.   Skeena Jenny.hu@skeenasawmills.co 778-883-0366	ı BioEnergy Ltd. <u>m</u>						
Sent: Monday, April 24, 2023	enasawmilis.com> lle@skeenasawmills.com>; Sandra Wu <sandra.wu@skeenasawmills.com>; Linda</sandra.wu@skeenasawmills.com>						
Hi Jenny,	the pushed off to next week, including the stumpage payment.						
Here is the updated cash with everything possible pushed off to next week, including the stumpage payment.  The only payments going through are the automatic payments and payroll related. The contractor pay is only you							
half of March and a paymen	t to Sanura.						
	o, including getting the USD\$75k, we are short \$20k.						
Lindsay							

Lindsay Moyle (he/him), MBA, CPA, CGA Corporate Controller

Skeena Sawmills Ltd. | Skeena Bioenergy Ltd.

Cell 778-675-7490 | email lindsay.moyle@skeenasawmills.com Operations: 5330 and 5402 Highway 16 West, Terrace BC V8G 0C6 Corporate: 1518-1030 West Georgia Street, Vancouver BC V6E 2Y3





From: Jenny Hu < Jenny. Hu@skeenasawmills.com >

Sent: Monday, April 24, 2023 11:44 AM

To: Lindsay Moyle < Lindsay. Moyle@skeenasawmills.com >

Cc: Greg Demille < Greg. Demille@skeenasawmills.com >; Sandra Wu < Sandra . Wu@skeenasawmills.com >

Subject: FW: cash to April 28

Importance: High

Hi Lindsay,

Could you please update the cashflow for this week at your earliest and send out to us for review?

Kind regards,

Jenny Hu, CPA CGA

Chief Financial Officer Skeena Sawmills Ltd. | Skeena BioEnergy Ltd. <u>Jenny.hu@skeenasawmills.com</u> 778-883-0366

From: Lindsay Moyle < Lindsay. Moyle@skeenasawmills.com >

Sent: Monday, April 17, 2023 8:17 AM

To: Greg Demille < Greg.Demille@skeenasawmills.com >

Cc: Jenny Hu < Jenny. Hu@skeenasawmills.com>

Subject: cash to April 28

Good morning Greg,

I have looked at the cash and pushed as many payments as possible to the first week of May. There is still \$100k of union benefit payments that could be pushed, although I don't know if that's a good idea. There is also the \$120k stumpage payment.

Right now the attached says we need CAD\$400k by next Wednesday (payroll all happens on Wednesday afternoon). The CAD\$114k balance at the end of this week should cover the automatic payments coming out next week before the funds are received.

Pushing the union benefits would lower that to CAD\$300k, pushing the stumpage would lower that to CAD\$200k.

Lindsay

Lindsay Moyle (he/him), MBA, CPA, CGA Corporate Controller

Skeena Sawmills Ltd. | Skeena Bioenergy Ltd.

Cell 778-675-7490 | email lindsay.moyle@skeenasawmills.com Operations: 5330 and 5402 Highway 16 West, Terrace BC V8G 0C6 Corporate: 1518-1030 West Georgia Street, Vancouver BC V6E 2Y3





This is Exhibit "J" referred to in the affidavit of Gui Hua (Jenny) Hu made before me at Vancouver, B.C., on January 51, 2024.

A Commissioner for taking Affidavits within British Columbia.

### Jenny Hu

From:

Jenny Hu

Sent:

Monday, May 29, 2023 12:18 PM

To:

Sandra Wu Tracy Huang

Cc: Subject:

FW: Updated cash forecast

**Attachments:** 

Weekly Cashflow Forecast at May 26 2023 Current\_JH.xlsx

Hi Sandra,

I've added a few lines at the top of this weekly forecast to show the minimum cash requirement for that week. For example, for the week of Jun 12-16, total cash needed is \$1.55M. There is \$800K left from the \$1.7M that will be received in the previous week, so there is still a shortfall of \$750k / we will need another \$750k for that week.

Total funds required starting from this week is \$7M – this can get us through till the week ending Aug 18<sup>th</sup>, and we will have cash shortfall in the following week of \$1.1M (due largely to loggers' pay on the 25<sup>th</sup>).

Minimum cash	requirement (fo	or the beginning	of the week)	<b>250,000</b> 250,000	<b>900,000</b> 1,700,000	1,550,000	550,000	900,000	150,
1 unda reco	CIVE OF COMMI	Funding surpl		112 m 110 <b>-</b> 8 2244	800,000	(750,000)			
1-May 5- <b>May</b>	8-May <b>12-May</b>	15-May <b>19-May</b>	22-May <b>26-May</b>	29-May <b>2-Jun</b>	5-Jun 9- <b>Jun</b>	12-Jun 16-Jun	19-Jun 23-Jun	26-Jun 30-Jun	3-J <b>7-J</b>
123,512	210,168	41,239	21,180	59,388	5,863	40,279	3,603	20,547	51,
78.07	(0)								

Kind regards,

#### Jenny Hu, CPA CGA

Chief Financial Officer Skeena Sawmills Ltd. | Skeena BioEnergy Ltd. Jenny.hu@skeenasawmills.com

778-883-0366

From: Linda McColman < Linda. McColMan@skeenasawmills.com>

Sent: Monday, May 29, 2023 11:13 AM

To: Lindsay Moyle <Lindsay.Moyle@skeenasawmills.com>; Sandra Wu <Sandra.Wu@skeenasawmills.com>; Jenny Hu

<Jenny.Hu@skeenasawmills.com>; Greg Demille <Greg.Demille@skeenasawmills.com>

Subject: Updated cash forecast

Hi all,

Here is the update for cash.

Regards. Linda McColman Controller 250-635-6336 Ext 1024



This is Exhibit "K" referred to in the affidavit of Gui Hua (Jenny) Hu made before me at Vancouver, B.C., on January 5<sup>th</sup>, 2024.

A Commissioner for taking Affidavits within British Columbia.

### Jenny Hu

From:

Jenny Hu

Sent:

Friday, June 2, 2023 1:18 PM

To:

Lindsay Moyle; Greg Demille

Cc:

Sandra Wu

Subject:

**RE: Payment Process** 

Importance:

High

Follow Up Flag:

Follow up

Flag Status:

Flagged

Hi Greg, Lindsay,

#### I concur with both of you:

- 1. For the \$125k will go with Greg's process, so I will review and transfer funds to make it available by Wednesday of the week.
- 2. For other items on the cashflow forecast I will make transfers twice: (1) one on Friday for the need of the following Monday / Tuesday; (2) another one on Wednesday for the rest of the week (including the \$125k allowance for supplies).

Kind regards,

## Jenny Hu, CPA CGA

Chief Financial Officer Skeena Sawmills Ltd. | Skeena BioEnergy Ltd. Jenny.hu@skeenasawmills.com

778-883-0366

From: Lindsay Moyle <Lindsay.Moyle@skeenasawmills.com>

Sent: Thursday, June 1, 2023 3:57 PM

To: Greg Demille < Greg. Demille@skeenasawmills.com>

Cc: Sandra Wu <Sandra.Wu@skeenasawmills.com>; Jenny Hu <Jenny.Hu@skeenasawmills.com>

Subject: RE: Payment Process

One clarification – we sometimes need money on Monday for bills that are due early in the week or will automatically clear the bank early in the week. I expect the pattern will be that we need some of the funds transferred and available Monday, and the balance transferred and available Wednesday. This will be clarified when we send out the cash forecast when funds are needed on Monday the following week.

Lindsay

Lindsay Moyle (he/him), MBA, CPA, CGA Corporate Controller

Skeena Sawmills Ltd. | Skeena Bioenergy Ltd.

Cell 778-675-7490 | email lindsay.moyle@skeenasawmills.com

Operations: 5330 and 5402 Highway 16 West, Terrace BC V8G 0C6 Corporate: 1518-1030 West Georgia Street, Vancouver BC V6E 2Y3





From: Greg Demille < Greg. Demille@skeenasawmills.com >

Sent: Thursday, June 1, 2023 3:52 PM

To: Lindsay Moyle < Lindsay. Moyle@skeenasawmills.com >

Cc: Sandra Wu < Sandra. Wu@skeenasawmills.com >; Jenny Hu < Jenny. Hu@skeenasawmills.com >

**Subject:** Payment Process

Hi Lindsay and Jenny,

Now that operations have started, I just want to clarify the process that will be used for paying supplies, transportation, and maintenance. Currently my understanding is the following:

- 1. In the cash forecast there is \$125,000 per week set up to cover these costs.
- 2. Each Monday the accounting group in Terrace will develop a vendor payment list based on the needs and priorities of the business focused on using only what is necessary to maintain operations. This list will be part of the file that contains the cash forecast used by Linda.
- 3. This list will be reviewed by Lindsay and the request for funds will be made to Jenny.
- 4. Jenny will review and approve the transfer/use of funds by Wednesday of the week.
- 5. The accounting department will make payments on Thursday and Friday of the week.

I highlight this process only to ensure that there is a clear understanding of the process as it does play an integral role in ensuring the success of our operations. If this is not quite the process, please let me know what it is.

Regards,

**Greg DeMille MSc., RPF** | Chief Operating Officer | Skeena Sawmills | Skeena Bioenergy Phone +250 635 6336 Ext 1110 | Cell +604-803-7719 | <a href="mailto:greg.demille@skeenasawmills.com">greg.demille@skeenasawmills.com</a> 5330 Hwy 16W, Terrace BC V8G 0C6





This is Exhibit "L" referred to in the affidavit of Gui Hua (Jenny) Hu made before me at Vancouver, B.C., on January 5<sup>th</sup>, 2024.

A Commissioner for taking Affidavits within British Columbia.

## Jenny Hu

From:

Jenny Hu

Sent:

Tuesday, June 20, 2023 12:50 AM

To:

Sandra Wu; cuixiaopeng@hotmail.com; Teddy Cui

Cc:

Greg Demille

Subject:

FW: Updated cash flow per our meeting today Weekly Cashflow Forecast at June 19 2023.xlsx

Attachments:

Importance:

High

Hi Sandra, Teddy, There are some significant changes to the required funding, as compared to what I had communicated to you on Jun

The sawmill will require the rest of the promised 9M much sooner – 1,350K / 430k / 1530k / 700k for the following 4weeks. This gets the operations through the week ending July 21.

After that, the operations basically requires additional funding every week — by the week ending Sep 15th, additional \$3.5M is projected. Hopefully by then (3 months from now) we will know if there is a profitable market in China for our products.

The reasons why the cashflow changed so significantly in just one week are -

- (1) with the sawmills re-starting for a few weeks, we are now a lot more clearer on the differences between the planned startup product mix and the actual. We are not making any timbers and are planning all of the lumber, so the average revenues are lower and taking longer to come in. Additionally, there is some lumber we are exporting for developing China market that we aren't getting paid for until later.
- (2) The Pellet plant has had a difficult startup so the first revenue payment for them is lower than expected. Due to a minor delay in rail cars, the first pellet payment will also be a week later.
- (3) The Cedar sales added to the forecast are helping, but it still takes a few weeks for them to come in to offset the reductions outlined above.

Assumptions:	- ningan-akan mati yasi) angang-angang-angan-angan-an-ak sakat antatan ze s jam mata pangangan antatan mendan ke terbang bahajahan -		a pala antonina aparitamentan'i ana transportan'i propriessa antoninamena a silia antonina 100° to	the annual factor annual and the specimen compares to the specimen of the spec		
Tues-Thurs sawmill, Mon	&Fri planer Week Beg Week End	29-May <b>2-Jun</b>	5-Jun 9-Jun	12-Jun 16-Jun	19-Jun <b>23-Jun</b>	26-Jun 30- <b>Jun</b>
CASH AVAILABLE  Bank Balance A/C - CAD  Bank Balance A/C - USD  Adjust opening balance fo	or exchange rate	59,415 (32)	6,916	291,271	129,833	184,400
Funding from Shareholde Interco - (to) from Bio Transfer (to) from BMO / C		(75,000) 250.000	(50,000) 795,003	(60,000) 996,870	(150,000) 850,000	(220,000) 1,350,000 4
Customer payment - Existing AR - Existing AR	Lumber - Export Lumber - Dom CAD			1,015		
- Existing AR - New AR / Sales	Lumber - Dom USD Log - WL/scrap sales Chips Lumber - Export Lumber - Domestic		116,619 <sup>¶</sup>	4	66.000°	220,000 -

Kind regards,

#### Jenny Hu, CPA CGA

Chief Financial Officer
Skeena Sawmills Ltd. | Skeena BioEnergy Ltd.
Jenny.hu@skeenasawmills.com

778-883-0366

From: Lindsay Moyle <Lindsay.Moyle@skeenasawmills.com>

Sent: Monday, June 19, 2023 4:53 PM

To: Jenny Hu < Jenny. Hu@skeenasawmills.com>; Greg Demille < Greg. Demille@skeenasawmills.com>

Subject: Updated cash flow per our meeting today

As discussed at our meeting:

- 1. I have added \$100,000 to each contractor pay to the end of September
- 2. Cedar sales have been adjusted per Greg
- 3. I have added required cash to get us to the end of September in red numbers (total is CAD\$4,660,000)

Lindsay

Lindsay Moyle (he/him), MBA, CPA, CGA

Corporate Controller

Skeena Sawmills Ltd. | Skeena Bioenergy Ltd.

Cell 778-675-7490 | email lindsay.moyle@skeenasawmills.com

Operations: 5330 and 5402 Highway 16 West, Terrace BC V8G 0C6 Corporate: 1518-1030 West Georgia Street, Vancouver BC V6E 2Y3





This is Exhibit "M" referred to in the affidavit of Gui Hua (Jenny) Hu made before me at Vancouver, B.C., on January 5th, 2024.

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

	Contents
Independent Auditor's Report	2
Consolidated Financial Statements	
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



Tel: 604 688 5421 Fax: 604 688 5132 vancouver@bdo.ca www.bdo.ca

BDO Canada LLP 600 Cathedral Place 925 West Georgia Street Vancouver BC V6C 3L2 Canada

## 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.

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

ROC Holdings Ltd.
Consolidated Statement of Operations and Deficit

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

# ROC Holdings Ltd. Consolidated Statement of Cash Flows

or the year ended June 30	2015	2014
or the year ended		(Restated Note 2)
Cash provided by (used in)		
Operating activities  Loss for the year  Items not involving cash	\$ (5,218,812) \$	(7,498,537)
Amortization	264,527	34,104
Roads and bridges	732,740	636,683
Property, plant and equipment	(4,221,545)	(6,827,750)
Changes in non-cash working capital items	(287,692)	(717,839)
Accounts receivable	338,165	(191,787)
Government remittances receivable	126,679	39,873
Prepaid expenses	(32,934)	1,232,502
Inventories	24,010	(51,555)
Timber license denosit		(336,905)
Accounts payable and accrued liabilities	1,143,613	(199,886)
Deferred contribution	6,849	(177,000)
Government remittances payable	46,536 27,1 <u>21</u>	117,520
Reforestation liabilities	(2,829,198)	(6,935,827)
Investing activities	65,298	531,605
Acquisition of capital lease	(2,093,092)	(1,792,987)
Purchase of property, plant and equipment Purchase of timber licenses and roads	(2,249,929)	(801,608)
Purchase of timber licenses and rough	(4,277,723)	(1,531,385)
41.845		// 00 000°
Financing activities	(1,850,000)	(600,000
Repayments on long term debt	(94,348)	(165)
Payment to related party	10,813,109	8,202,674
Advances from shareholder	(1,563,881)	864,703
Repayments (issuance) of bank indebtedness	(197,959)	
Repayments of capital lease	7,106,921	8,467,212
	<u> </u>	\$
Cash, end of year	\$ -	*

June 30, 2015

## 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.

June 30, 2015

## 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 3 years
Computer equipment Furniture and equipment Machinery and equipment	5 years 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.

June 30, 2015

## 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.

June 30, 2015

## 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.

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

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

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

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

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).

Jun	e 30, 2015		
7.	Long-term Debt	2015	2014
	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
	13 due / mg /		1,850,000
		•	600,000
	Less: Current portion of the loan	\$ - \$	1,250,000

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 yearend, 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.

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 Additional accrual from current year and change in estimate	\$ 379,3 <b>7</b> 5 27,121	\$	261,855 117,520
Ending obligation	\$ 406,496	\$	379,375

## 9. Capital Lease

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

2016 2017 2018	\$ 170,941 118,249 13,547
2010	\$ 302,737

## 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).

June 30, 2015

## 11. Share Capital

#### Authorized:

Unlimited number of common shares

2014 2015

Issued:

100 Common shares at \$1.00 per share

100 \$ 100

## 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.

## 13. Contingencies and Commitments

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

Year	Amount
2016 2017	\$ 74,521 104,194
2017	\$ 178,715

#### June 30, 2015

## 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-interesting 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.

# ROC Holdings Ltd. Schedule of General and Administrative Costs

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

This is Exhibit "N" referred to in the affidavit of Gui Hua (Jenny) Hu made before me at Vancouver, B.C., on January 5<sup>th</sup>, 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

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



Tel: 604 688 5421 Fax: 604 688 5132 vancouver@bdo.ca www.bdo.ca

BDO Canada LLP 600 Cathedral Place 925 West Georgia Street Vancouver BC V6C 3L2 Canada

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

# ROC Holdings Ltd. Consolidated Statement of Operations and Deficit

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

# ROC Holdings Ltd. Consolidated Statement of Cash Flows

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

## June 30, 2016

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

#### June 30, 2016

#### 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.

#### June 30, 2016

# 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) <u>Income Taxes</u>

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.

June 30, 2016

## 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.

#### g) 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 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.

#### 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.

June 30, 2016

#### Going Concern - Continued 2.

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.

#### Inventory

The Company's inventories are analyzed as follows:

The Company's inventories are analyzed as follows.	 2016	 2015
Lumber Biofuel Logs Other - supplies	\$ 705,039 191,431 634,205 104,149	\$ 2,149,633 248,870 333,746 81,726
Other - supplies	\$ 1,634,824	\$ 2,813,975

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.

# 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

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

#### 6. Timber Licenses and Other assets

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

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).

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 tinber 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.

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

June 30, 2016

9.	Capital Lease	2016	2015
	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	25,576	48,219
	Total capital lease obligation	504,206	960,801
		 238,804	444,924
	Less: curent portion	\$ 265,402 \$	515,877

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

2017 2018 2019	\$ 238,804 141,460 123,942
20.7	\$ 504,206

# 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).

Jun	e 30, 2016			
11.	Share Capital			
	Authorized: Unlimited number of common shares	ARRAGO ANTO ANTO ANTO ANTO ANTO ANTO ANTO ANT	2016	2015
	Issued:			
	100 Common shares at \$1.00 per share	\$	100	\$ 100
12.	Income Taxes		2016	2015
	Net loss for the year Increase (decrease) in taxable income resulting from: Adjustment for lease payments Difference in capital cost allowance and amortization Difference in reforestation liability Non-deductible meals and entertainment Loss (gain) on dissolution of investment Other non-deductible items	(	830,260) 456,595) 191,142 65,368 5,478 11,756 29,293	(5,218,812) (78,381) 607,256 27,121 5,446 (60,000) 150,926
	Net loss for tax purposes	\$ (4,	983,818)	\$ (4,566,444)

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.

#### June 30, 2016

## 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) <u>Market Risk</u>

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-interesting 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.

June 30, 2016

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

This is Exhibit "O" referred to in the affidavit of Gui Hua (Jenny) Hu made before me at Vancouver, B.C., on January 5th, 2024.

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)

	Contents
Review Engagement Report	2
Consolidated Financial Statements	
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



Tel: 604 688 5421 Fax: 604 688 5132 vancouver@bdo.ca www.bdo.ca BDO Canada LLP 600 Cathedral Place 925 West Georgia Street Vancouver BC V6C 3L2 Canada

# Review Engagement Report

# 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)

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

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

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

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

For the year ended June 30, 2017	2017	2016
Cash provided by (used in)		
Operating activities	\$ (11,904,917) \$	(5,830,260)
Loss for the year Items not involving cash	<b>4</b> (11) 1 2 3 7 7 7 7 7	, , , , ,
Amortization and write-off		200 070
Roads and bridges and timber license	4,350,148	399,079 1,077,348
Property, plant and equipment	1,376,504	1,077,340
Reforestation liabilities accretion of interest and	426,244	70,601
change in estimate	720,211	147,966
Accrued interest on notes payable Unpaid consulting fees included in notes payable	-	281,497
Unrealized foreign exchange gain on notes payable	(141,445)	-
5	(5,893,466)	(3,853,769)
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
	(8,820,506)	(3,077,731)
Investing activities	(4.000.400)	(200.242)
Purchase of property, plant and equipment	(1,098,190)	(389,262) (1,666,689)
Purchase of timber licenses and roads	(1,766,486)	(12,285)
Refund (purchase) of timber license deposit	40,027 -	(5,233)
Reforestation expenditure	(2,824,649)	(2,073,469)
	(2,021,017)	(-),
Financing activities	_	1,987,085
Issuance of notes payable	(415,022)	1,707,003
Advances to related party	13,070,003	4,370,010
Advances from shareholder	-	(606,486)
Repayments of bank indebtedness Repayments of capital lease	(164,185)	(456,595
(Cpayments of a	12,490,796	5,294,014
Increase in cash during the year	845,641	142,814
Cash, beginning of year	142,814	
	\$ 988,455	\$ 142,814
Cash, end of year	3 700,433	7 12,011

#### 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

June 30, 2017

# 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.

June 30, 2017

# 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.

June 30, 2017

## 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.

## (g) 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.

#### 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.

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:

The company's inventories are analyzou as remaining	2017	2016
Lumber Biofuel Logs Other - supplies	\$ 1,365,198 \$ 175,568 985,853 177,956	705,039 191,431 634,205 104,149
outer supplies	\$ 2,704,575 \$	1,634,824

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

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

6.	Timber Licenses and Other Assets	2017	2016
	Timber licenses Roads and bridges	\$ 3,819,111 \$ 2,309,522	3,819,111 4,893,184
	Nodes and arrages	\$ 6,128,633 \$	8,712,295

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).

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

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

June 30, 2017

9.	Capital Lease	2017	2016
	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	10,771	25,576
	Total capital lease obligation	340,021	504,206
	Less: current portion	238,804	238,804
	•	\$ 101,217 \$	265,402

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

2018 2019	\$ 238,804 101,217
	\$ 340,021

## 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).

June 30, 2017		
11. Share Capital		
Authorized: Unlimited number of common shares	2017	2016
Issued:		
100 Common shares at \$1.00 per share	\$ 100	\$ 100
12. Income Taxes	2017	2016
Net loss for the year Increase (decrease) in taxable income resulting from: Adjustment for lease payments Difference in capital cost allowance and amortization Difference in reforestation liability Non-deductible meals and entertainment Loss (gain) on dissolution of investment Other non-deductible items	\$ (11,904,917) (164,185) 5,498,517 426,244 6,741	\$ (5,830,260) (456,595) 1,191,142 65,368 5,478 11,756 29,293
Net loss for tax purposes	\$ (6,137,600)	\$ (4,983,818)

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.

June 30, 2017

## 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-interesting 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)

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

This is Exhibit "P" referred to in the affidavit of Gui Hua (Jenny) Hu made before me at Vancouver, B.C., on January 5th, 2024.

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)

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



Tel: 604 688 5421 Fax: 604 688 5132 vancouver@bdo.ca www.bdo.ca BDO Canada LLP 600 Cathedral Place 925 West Georgia Street Vancouver BC V6C 3L2 Canada

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

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

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

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

Roads and bridges and unine receited Property, plant and equipment Reforestation liabilities accretion of interest and change in estimate Gain from disposition of equipment Unrealized foreign exchange gain on notes payable  Changes in non-cash working capital items Accounts receivable Government remittances payable Prepaid expenses Inventories Accounts payable and accrued liabilities Deferred contribution  Investing activities Purchase of property, plant and equipment Purchase of timber licenses and roads Refund (purchase) of timber license deposits Proceeds from disposition of equipment Advances to related party Advances for mishareholder Increase (decrease) of capital lease  Increase in cash during the year  7777,985 1,376,5 7777,985 1,376,5 334,761 426,2 (7,803,503) (5,893,4 (1,556,5 224,345 (1,556,5 224,345 (1,556,5 224,345 (1,969,5 (194,270) (194,27	For the year ended June 30	2018	2017
Operating activities Loss for the year Items not involving cash Amortization and write-off Roads and bridges and timber license Property, plant and equipment Reforestation liabilities accretion of interest and change in estimate Gain from disposition of equipment Unrealized foreign exchange gain on notes payable  Changes in non-cash working capital items Accounts receivable Government remittances payable Prepaid expenses Inventories Accounts payable and accrued liabilities Deferred contribution  Investing activities Purchase of property, plant and equipment Purchase of fimber license and roads Refund (purchase) of timber license deposits Proceeds from disposition of equipment Advances to related party Advances from shareholder Increase (decrease) of capital lease  1,869,270 4,350,14 1,376,5 1,376,27 1,376,5 1,376,27 1,376,5 1,376,27 1,376,5 1,376,27 1,376,5 1,376,27 1,376,5 1,376,2			
Loss for the year   Items not involving cash   Amortization and write-off   Roads and bridges and timber license   Property, plant and equipment   Reforestation liabilities accretion of interest and change in estimate   Gain from disposition of equipment   (35,637)   (141,4	Cash provided by (used in)		
Amortization and write-off Roads and bridges and timber license Property, plant and equipment Reforestation liabilities accretion of interest and change in estimate Gain from disposition of equipment Unrealized foreign exchange gain on notes payable  Changes in non-cash working capital items Accounts receivable Government remittances payable Prepaid expenses Inventories Inventories Accounts payable and accrued liabilities Deferred contribution  Investing activities Purchase of property, plant and equipment Purchase of timber licenses and roads Refund (purchase) of timber license deposits Proceeds from disposition of equipment Advances to related party Advances to related party Advances from shareholder Increase (decrease) of capital lease  1,869,270 4,350,14 26,26,26 334,761 426,26 334,761 426,26 334,761 344,9770 (194, 254,345 (1,556,56 254,345 (1,556,56 254,345 (1,556,56 254,345 (1,556,56 254,345 (1,669,770) (1,069,706 350,695 (1,098,790) (1,069,706 350,695 (1,098,790) (1,069,706 (1,098,790) (1,099,790) (1,099	Loss for the year	\$ (10,749,882)	\$ (11,904,917)
Reforestation liabilities accretion of interest and change in estimate   Gain from disposition of equipment Unrealized foreign exchange gain on notes payable	Amortization and write-off Roads and bridges and timber license Property, plant and equipment Reforestation liabilities accretion of interest and change in estimate Gain from disposition of equipment		4,350,148 1,376,504
Unrealized foreign exchange gain on notes payable  (7,803,503) (5,893,4  (7,803,503) (5,893,4  (7,803,503) (5,893,4  (7,803,503) (5,893,4  (1,556,5			426,244
Changes in non-cash working capital items	Unrealized foreign exchange gain on notes payable	_	(141,445)
Accounts receivable Government remittances payable Prepaid expenses Inventories Accounts payable and accrued liabilities Deferred contribution  Investing activities Purchase of property, plant and equipment Purchase of timber licenses and roads Refund (purchase) of timber license deposits Proceeds from disposition of equipment Repayment of notes payable Advances to related party Advances from shareholder Increase (decrease) of capital lease  Accounts payable (449, 270) (194, 766, 769, 769, 769, 769, 769, 769, 769		(7,803,503)	(5,893,466)
Investing activities Purchase of property, plant and equipment Purchase of timber licenses and roads Refund (purchase) of timber license deposits Proceeds from disposition of equipment Proceeds from disposition of equipment  Financing activities Repayment of notes payable Advances to related party Advances from shareholder Increase (decrease) of capital lease  Increase in cash during the year  (2,123,626) (1,098, (2,228,482) (1,766, (137,289) (4,337,210) (2,824, (4,337,210) (3,357,277) (415, (4,5,4) (4,5,	Accounts receivable Government remittances payable Prepaid expenses Inventories Accounts payable and accrued liabilities	254,575 (449,270) (368,519) 350,695	(1,556,591) (23,786) (194,329) (1,069,751) (84,815) 2,232
Purchase of property, plant and equipment Purchase of timber licenses and roads Refund (purchase) of timber license deposits Proceeds from disposition of equipment  Financing activities Repayment of notes payable Advances to related party Advances from shareholder Increase (decrease) of capital lease  Increase in cash during the year  Advances in cash during the year  Purchase (1,2,275,103) (2,228,482) (1,766, (137,289) (1,376, (137,289) (1,377,289) (1,376, (1,377,289) (1,376, (1,376, (1,376, (1,376, (1,376, (1,376, (1,376, (1,37,289) (1,37,289) (1,37,289) (1,376, (1,37,289) (1,37,289) (1,37,289) (1,37,289) (1,37,289) (1,37,289) (1,37,289) (1,37,289) (1,37,289) (1,37,289) (1,37,289) (1,37,289) (1,376, (1,37,289) (1,37,289) (1,37,289) (1,376, (1,37,289) (1,33,357,277) (415,490) (1,337,210) (2,824,482) (2,824,482) (2,824,482) (2,824,482) (2,824,4		(7,486,006)	(8,820,506)
Financing activities  Repayment of notes payable Advances to related party Advances from shareholder Increase (decrease) of capital lease  Increase in cash during the year  (4,337,210) (2,824, (2,275,103) (3,357,277) (415, 16,977,266 13,070, 529,065 (164, 11,873,951 12,490	Purchase of property, plant and equipment Purchase of timber licenses and roads Refund (purchase) of timber license deposits	(2,228,482) (137,289)	(1,098,190) (1,766,486) 40,027
Repayment of notes payable       (2,273,103)         Advances to related party       (3,357,277)       (415, 415, 415, 415, 415, 415, 415, 415,		(4,337,210)	(2,824,649)
11,873,951 12,490  Increase in cash during the year 50,735 845	Repayment of notes payable Advances to related party Advances from shareholder Increase (decrease) of capital lease	(3,357,277) 16,977,266	
Increase in cash during the year 50,735 845		11,873,951	12,490,796
988 455 147			845,641
COME DESIGNING OF YOUR		988,455	142,814
· -	· ·	\$ 1.039.190	\$ 988,455

June 30, 2018

#### 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 year	ars
Computer equipment 3 year	ars
Office equipment 5 years	ars
Machinery and equipment 5-15 years	ars
Vehicles 3-5 yes	ars

June 30, 2018

### 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.

June 30, 2018

#### 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.

June 30, 2018

#### 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 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.

#### 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.

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:

The Company's inventories are analyzed as follows.	2018	2017	
Lumber Biofuel Logs Other - supplies	\$ 1,755,938 \$ 177,712 969,237 170,207	1,365,198 175,568 985,853 177,956	
outer supplies	\$ 3,073,094 \$	2,704,575	

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

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

6.	Timber Licenses and Other Assets	2018	2017
	Timber licenses Roads and bridges	\$ 3,819,111 \$ 2,668,734	3,819,111 2,309,522
	Nodes and average	\$ 6,487,845 \$	6,128,633

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).

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

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	340,02
	Less: current portion	 499,819	 238,80
	2000, Carrons Posterior	\$ 369,268	\$ 101,21

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

	2019 2020 2021 2022	-	532,385 266,293 116,942 3,043
Less imputed interest			 918,663 (49,576)
Total		1	\$ 869,087

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		2018		2017
	Issued:  100 Common shares at \$1.00 per share	\$	100	\$	100
12.	Income Taxes		2018		2017
	Net loss for the year Increase (decrease) in taxable income resulting from: Adjustment for lease payments Difference in capital cost allowance and amortization Difference in reforestation liability Non-deductible meals and entertainment Loss (gain) on disposal of assets Other non-deductible items	·	0,749,882) (577,835) 2,464,161 334,760 10,499 (35,637) 55,237		1,904,917) (164,185) 5,498,517 426,244 6,741
	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.

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
	\$ 169,668

#### 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.

June 30, 2018

### 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)

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

This is Exhibit "Q" referred to in the affidavit of Gui Hua (Jenny) Hu made before me at Vancouver, B.C., on January 5th, 2024.

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)

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



Tel: 604 688 5421 Fax: 604 688 5132 vancouver@bdo.ca www.bdo.ca BDO Canada LLP 1100 Royal Centre 1155 West Georgia Street PO Box 11101 Vancouver BC V6E 3P3 Canada

### 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)

		(Unaudited)
June 30	2019	2018
Assets		
Current Cash (Note 4)	\$ 1,182,130 \$	1,039,190 2,012,931
Accounts receivable	2,153,815	3,073,094
Inventories (Note 3)	5,533,436 2,002,416	1,482,023
Prepaid expenses		
	10,871,797	7,607,238
Due from related party (Note 9)	8,295,417	3,865,561
Timber licence deposits	435,200	214,736 9,426,840
Property, plant and equipment (Note 5) Timber licences and other assets (Note 6)	9,452,489 8,199,779	6,487,845
Timber necinces and outside assets.	\$37,254,682 \$	27,602,220
Liabilities and Shareholders' Deficit		
Liabilities		
Current	7,708,335	4,024,517
Accounts payable and accrued liabilities	23,215	20,404
Deferred contribution 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
	8,220,861	4,893,129
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
	93,560,591	75,959,122
Shareholders' Deficit	400	100
Share capital (Note 10)	100	100 (48,357,002)
Deficit	(56,306,009)	
	(56,305,909)	(48,356,902
	\$37,254,682	\$ 27,602,220
1 1 16 (the Decade		
Approved on behalf of the Board:		
Director		Director

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

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

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

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

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

June 30, 2019

#### 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.

June 30, 2019

#### 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.

#### (I) 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.

June 30, 2019

#### 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.

#### 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.

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:

The Company's inventories are analyzed as rollows.	2019	2018
Lumber Biofuel Logs Other - supplies	\$ 2,981,300 \$ 234,328 2,137,863 179,945	1,755,938 177,712 969,237 170,207
Other supplies	\$ 5,533,436 \$	3,073,094

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.

June 30, 2019

#### 5. Property, Plant and Equipment

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

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

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).

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.

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

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.

June 30, 2019

8.	Capital Lease	 2019	- Parker Parker	2017
	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 \$	5	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	 157,906		251,884
	Total capital lease obligation	407,980		869,087
	Less: current portion	 305,676		499,819
	·	\$ 102,304	\$	369,268

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 2021	\$ ——	305,676 103,700
Less imputed interest			409,376 (1,396)
Total		\$	407,980

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	_	2019		2018
	Issued:				
	100 Common shares at \$1.00 per share	Ç	100	\$	100
11.	Income Taxes		2019		2018
	Net loss for the year Combined basic federal and provincial tax rate	\$	(7,949,007) 27.00 %	\$ (	10,749,882) 26.00 %
	Expected income tax expense (recovery) Increase (decrease) in income tax expense (recovery) result	ing	(2,146,232) from:		(2,794,969)
	Adjustment for lease payments  Difference in capital cost allowance and amortization  Difference in reforestation liability  Non-deductible meals and entertainment	5	(124,499) 1,093,120 (31,557) 3,194		(150,237) 640,682 87,038 2,730
	Loss (gain) on disposal of assets Other non-deductible items	_	(4,253) 238		(9,266) 14,362
	Non-capital loss carryforward	_	(1,209,989) 1,209,989		(2,209,660) 2,209,660
	Income tax expense (recovery)	\$	-	\$	-

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.

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	 38,882
	\$ 123,716

#### 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.

June 30, 2019

#### 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.

#### 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)

June 30	 2019		2018
General and administrative costs	42.057	۰.	20.444
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	<u>-</u>		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
Total	\$ 3,970,953	\$	3,775,751

This is Exhibit "R" referred to in the affidavit of Gui Hua (Jenny) Hu made before me at Vancouver, B.C., an January 5th, 2024.

A Commissioner for taking Affidavits within British Columbia.

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

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

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



Tel: 604 688 5421 Fax: 604 688 5132 vancouver@bdo.ca www.bdo.ca BDO Canada LLP Unit 1100 -Royal Centre 1055 West Georgia Street Vancouver, BC V6E 3P3 Canada

### 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, 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)

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

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

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

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

For the year ended June 30		2020	2019
Cash provided by (used in)			
Operating activities  Loss for the year  Items not involving cash	\$	(8,919,645) \$	(7,949,007)
Amortization Roads and bridges and timber license Property, plant and equipment		3,163,501 991,651	3,360,912 842,053
Reforestation liabilities, accretion of interest and change in estimate Loss/(gain) from disposition of equipment Donations (Note 5)		518,676 248,886 173,000	(116,879) (15,751) -
,		(3,823,931)	(3,878,672)
Changes in non-cash working capital items Accounts receivable Government remittances payable Prepaid expenses and deposits Inventories Accounts payable and accrued liabilities		(1,282,587) 439,995 (718,221) 508,076 428,457	(140,884) (164,431) (520,393) (2,460,342) 3,683,818 2,811
Deferred contribution Deferred revenue		1,250,000	2,011
	_	(3,198,211)	(3,478,093)
Investing activities Purchase of property, plant and equipment Purchase of timber licenses and roads Payment of timber license deposits Proceeds from disposition of equipment		(229,695) (3,660,128) (2,647) - (3,656,346)	(906,541) (5,072,847) (220,464) 54,589 (4,430,179)
Advances to related party	ecolot	(7,548,816)	(10,575,442)
Financing activities Advances from shareholder Payments of capital lease	_	10,483,071 (443,765)	14,657,581 (461,106)
	_	10,039,306	14,196,475
Increase (decrease) in cash during the year		(707,721)	142,940
Cash, beginning of year	_	1,182,130	1,039,190
Cash, end of year	(	474,409	\$ 1,182,130

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

June 30, 2020

### 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.

June 30, 2020

### 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.

### ROC Holdings Ltd.

Notes to Consolidated Financial Statements (Unaudited)

June 30, 2020

### 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.

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

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.

June 30, 2020

### 5. Property, Plant and Equipment

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

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

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).

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.

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

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		2020	2019
	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	Management of the Control of the Con	15,691	-
	Total capital lease obligation		530,746	407,980
	Less: current portion		(239,895)	(305,676)
		\$	290,851 \$	102,304

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		16,118_
Total	\$	530,746
	2000 S400 S400	Girls of the Control

June 30, 2020

### 9. Related Party Balances and Transactions

As at June 30, 2020, the Company had an amount due from a company under common control in the amount of \$11,951,399 (2019 - \$8,295,417) and an amount due to another company under common control in the amount of \$23,569 (2019 - \$23,933). The balances are unsecured, non-interest bearing and due on demand.

As at June 30, 2020, the Company had a loan due to the shareholder in the amount of \$94,604,508 (2019 - \$84,121,437). 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, 2021. 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 \$1,164,537 (2019 - \$411,721).

10.	Share Capital		
	Authorized: Unlimited number of common shares	2020	2019
	Issued:		
	100 Common shares at \$1.00 per share	\$ 100	\$ 100

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

June 30, 2020

11

۱.	Income Taxes		2020		2019
	Net loss for the year Combined basic federal and provincial tax rate	\$	(8,919,645) 27.00 %	\$	(7,949,007) 27.00 %
	Expected income tax expense (recovery)		(2,408,304)		(2,146,232)
	Increase (decrease) in income tax expense (recovery) resulting	ng '	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)
	\ <del>-</del>		46,710		-
	Donations Other non-deductible items		11,088	-	238
	Non-capital loss carryforward		(1,159,782) 1,159,782		(1,209,989) 1,209,989
	, , , , , , , , , , , , , , , , , , , ,				
	Income tax expense (recovery)	\$	-	<u>Ş</u>	-

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 2022	\$ 42,417 38,882
	\$ 81,299

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.

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).

June 30, 2020

### 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.

### 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.

### 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)

For the year ended June 30	202	20	2019
General and administrative costs			
Advertising	\$ 24,10	4 \$	13,957
Amortization	470,18	2	442,153
Bank charges, interest, and penalties	57,83	9	107,337
Contract services/consulting	520,18	3	480,730
Donations (Note 5)	173,00	0	-
Insurance	441,13	0	373,582
Interest on capital lease	86,83	2	54,011
Licenses and permits	38,12	.8	67,574
Miscellaneous	24,40	4	23,455
Office and administration	361,58	8	349,422
Professional fees	257,62	6	108,264
Property taxes	340,84	8	472,936
Rental/leases	144,92	26	144,741
Salaries and benefits	1,210,3	3	1,089,476
Telephone	58,84		72,790
Training and development	52,03	37	68,814
Travel and entertainment	85,98		101,711
Hayer and effect caninone	Experimental Conference of Con		
Total	\$ 4,347,90	6 \$	3,970,953

This is Exhibit "S" referred to in the affidavit of Gui Hua (Jenny) Hu made before me at Vancouver, B.C., on January 5th, 2024.

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)

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



Tel: 604 688 5421 Fax: 604 688 5132 vancouver@bdo.ca www.bdo.ca BDO Canada LLP Unit 1100 - Royal Centre 1055 West Georgia Street Vancouver, BC V6E 3P3 Canada

### 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, 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

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO potwert of independent member firms

# ROC Holdings Ltd. Consolidated Balance Sheet (Unaudited)

	(Unaudited)
June 30	<b>2021</b> 2020
Assets	
Current	4 007 004 6 474 400
Cash (Note 4)	\$ 2,037,936 \$ 474,409
Accounts receivable	<b>2,702,861</b> 3,436,402 <b>4,233,761</b> 5,025,360
Inventories (Note 3)	<b>2,558,032</b> 2,720,637
Prepaid expenses and deposits	
	<b>11,532,590</b> 11,656,808
Due from related party (Note 9)	<b>15,694,372</b> 11,951,399
Timber licence deposits	<b>581,021</b> 437,847
Property, plant and equipment (Note 5)	<b>12,685,646</b> 8,835,179
Timber licences and other assets (Note 6)	11,500,652 8,696,406
	<b>\$ 51,994,281</b> \$ 41,577,639
Liabilities and Shareholders' Deficit	
Liabilities	
Current	A 0 400 200 6 7 402 202
Accounts payable and accrued liabilities	\$ 9,409,398 \$ 7,692,382
Government remittances payable	<b>986,512</b> 1,067,322 - 1,250,000
Deferred revenue	<b>297,489</b> 239,895
Current portion of capital lease (Note 8) Current portion of long term debt (Note 11)	283,695
Due to related party (Note 9)	<b>22,662</b> 23,569
	<b>10,999,756</b> 10,273,168
Long term portion of capital lease (Note 8)	<b>532,238</b> 290,851
Long term debt (Note 11)	223,526
Reforestation liabilities (Note 7)	<b>2,806,574</b> 1,634,666
Shareholder loan (Note 9)	<b>106,720,201</b> 94,604,508
	<b>121,282,295</b> 106,803,193
Shareholders' Deficit	
Share capital (Note 10)	<b>100</b> 100
Deficit	<b>(69,288,114)</b> (65,225,654)
	(69,288,014) (65,225,554

\_\_\_\_ Director

\_\_\_\_\_ Director

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

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

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

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

### 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

June 30, 2021

### 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.

June 30, 2021

### 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.

June 30, 2021

### 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.

June 30, 2021

### 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.

### 3. Inventories

The Company's inventories are analyzed as follows:

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

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

### 4. Cash

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

June 30, 2021

### 5. Property, Plant and Equipment

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

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

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).

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

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.

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)
		\$ 532,238	\$ 290,851

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

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		2021	Amountaine	2020
Issued:				
100 Common shares at \$1.00 per share	\$	100	\$	100
11. Long-term Debt		2021		2020
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	\$  \$	507,221 (283,695) 223,526	\$	
Principal repayments for the next two years are as follows:  2022 \$ 283,695 2023 \$ 223,526 \$ 507,221		220,020	<u>marikungani</u>	

June 30, 2021

12.	Income Taxes		2021		2020
	Not have fought a many	<b>5</b>	(4,062,460)	ċ	(8 010 6/5)
	Net loss for the year Combined basic federal and provincial tax rate	<b>,</b> 	27.00 %	ب	27.00 %
	Expected income tax recovery		(1,096,864)		(2,408,304)
	Increase (decrease) in income tax expense (recovery) resulting	ng			
	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.

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).

June 30, 2021

### 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.

### 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).

### 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)

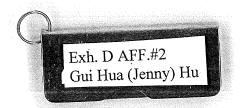
For the year ended June 30	ended June 30 2021		2020	
General and administrative costs				
Advertising	\$	14,851	\$	24,104
Amortization		483,523		470,182
Bank charges, interest, and penalties		80,910		57,839
Contract services/consulting		570,093		520,183
Donations				173,000
Insurance		468,682		441,130
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
Total	\$	4,822,469	\$	4,347,966

Exh. D AFF.#2 Gui Hua (Jenny) Hu

This is the **Exhibit "D"** referred to in the Affidavit of Gui Hua (Jenny) Hu made before me at Vancouver, B.C. this 5<sup>th</sup> day of January, 2024.

A Commissioner for taking Affidavits within British Columbia.

See attached USB



# IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

1392752 B.C. LTD.

5.C. L1*D*.

PETITIONER

AND:

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

# AFFIDAVIT #1 G.H. (JENNY) HU



Suite 1600 Cathedral Place 925 West Georgia Street, Vancouver BC V6C 3L2

Phone: 604-685-3456
Attention: Bryan C. Gibbons bgibbons@lawsonlundell.com