

NUNAVUT EXCAVATING 2007 INC.

Financial Statements

Year Ended March 31, 2018

(Unaudited)

NUNAVUT EXCAVATING 2007 INC.

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Year Ended March 31, 2018

(Unaudited)

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EPR Kirby & Company

Chartered Professional Accountants



REVIEW ENGAGEMENT REPORT

To the Shareholders of Nunavut Excavating 2007 Inc.,

We have reviewed the balance sheet of Nunavut Excavating 2007 Inc. as at March 31, 2018 and the statements of income, retained earnings and cash flow for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, 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 financial statements.

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

Mount Pearl, NL
November 16, 2018


EPR KIRBY & COMPANY
CHARTERED PROFESSIONAL ACCOUNTANTS

NUNAVUT EXCAVATING 2007 INC.

Balance Sheet March 31, 2018 (Unaudited)

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 62,918	\$ 15,974
Accounts receivable	1,003,292	1,691,855
Accounts receivable from employees (Note 6)	10,704	11,300
Harmonized sales tax recoverable	149,060	-
Prepaid expenses	222,936	155,222
Tender deposits (Note 7)	350,000	355,000
Work in progress (Note 8)	1,741,057	7,400,000
Income taxes recoverable	-	418,474
	3,539,967	10,047,825
PROPERTY, PLANT AND EQUIPMENT (Note 9)	118,178	70,896
DUE FROM RELATED PARTIES (Note 12)	5,623,666	1,069,806
	\$ 9,281,811	\$ 11,188,527
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Short term debt (Note 10)	\$ 980,000	\$ 920,000
Accounts payable	1,902,377	2,958,985
Employee deductions payable	41,492	168,125
Deferred income (Note 11)	250,081	-
Income taxes payable	231,970	-
Harmonized sales tax payable	-	55,212
	3,405,920	4,102,322
DUE TO RELATED PARTY (Note 12)	158,300	1,442,540
	3,564,220	5,544,862
SHAREHOLDERS' EQUITY		
Share capital (Note 14)	100	100
Retained earnings	5,717,491	5,643,565
	5,717,591	5,643,665
	\$ 9,281,811	\$ 11,188,527

ON BEHALF OF THE BOARD

 Director

Director

NUNAVUT EXCAVATING 2007 INC.

Statement of Retained Earnings

Year Ended March 31, 2018

(Unaudited)

	2018	2017
RETAINED EARNINGS - BEGINNING OF YEAR	\$ 5,643,565	\$ 3,089,252
NET INCOME FOR THE YEAR	73,926	2,554,313
RETAINED EARNINGS - END OF YEAR	\$ 5,717,491	\$ 5,643,565

NUNAVUT EXCAVATING 2007 INC.**Statement of Income****Year Ended March 31, 2018***(Unaudited)*

	2018	2017
TRADE SALES	\$ 13,170,269	\$ 18,566,375
COST OF SALES		
Direct wages	4,155,684	4,615,449
Purchases	3,110,284	7,217,239
Equipment rentals	2,152,435	1,447,983
Freight	727,701	1,483,730
Trades and sub-contracts	507,868	71,805
Travel	390,938	452,800
Vehicle	191,552	300,187
Utilities	107,495	122,938
Rental	41,900	81,382
Business taxes and permits	19,378	112,110
Repairs and maintenance	9,075	21,050
Employee training	4,885	336
Crafting and packaging	4,287	22,526
Supplies	3,310	14,026
	11,426,792	15,963,561
GROSS PROFIT	1,743,477	2,602,814
EXPENSES		
Bad debts (recovery)	352,443	(24,462)
Professional fees	208,944	248,027
Insurance	116,928	78,222
Interest and bank charges	57,684	10,944
Office	26,268	10,993
Amortization	25,777	11,871
Telephone	20,677	-
Licenses and fees	2,500	20,510
Advertising and promotion	1,386	8,417
	812,607	364,522
INCOME FROM OPERATIONS	930,870	2,238,292
OTHER EXPENSES		
Management wages	214,900	121,000
INCOME BEFORE INCOME TAXES	715,970	2,117,292
INCOME TAXES (RECOVERED)	642,044	(437,021)
NET INCOME	\$ 73,926	\$ 2,554,313

See notes to financial statements

EPR KIRBY & COMPANY, Chartered Professional Accountants

NUNAVUT EXCAVATING 2007 INC.

Statement of Cash Flow

Year Ended March 31, 2018

(Unaudited)

	2018	2017
OPERATING ACTIVITIES		
Net income	\$ 73,926	\$ 2,554,313
Item not affecting cash:		
Amortization of property, plant and equipment	25,777	11,871
	99,703	2,566,184
Changes in non-cash working capital:		
Accounts receivable	688,563	(843,060)
Accounts receivable from employees	596	(12,300)
Work in progress	5,658,943	(7,400,000)
Accounts payable	(1,056,607)	2,702,586
Income taxes payable	650,444	(527,015)
Deferred income	250,081	-
Prepaid expenses	(67,714)	(137,722)
Harmonized sales tax payable	(204,272)	(11,013)
Tender deposits	5,000	(309,545)
Employee deductions payable	(126,633)	168,125
	5,798,401	(6,369,944)
Cash flow from (used by) operating activities	5,898,104	(3,803,760)
INVESTING ACTIVITY		
Purchase of property, plant and equipment	(73,060)	(72,564)
FINANCING ACTIVITIES		
Short term debt	60,000	480,061
Advances from (to) related parties	(5,838,100)	3,158,819
Advances from shareholders	-	55,235
Cash flow from (used by) financing activities	(5,778,100)	3,694,115
INCREASE (DECREASE) IN CASH FLOW	46,944	(182,209)
Cash - beginning of year	15,974	198,183
CASH - END OF YEAR	\$ 62,918	\$ 15,974
CASH FLOW SUPPLEMENTARY INFORMATION		
Interest paid	\$ 57,683	\$ 10,944
Income taxes paid (recovered)	\$ (8,400)	\$ 89,994

NUNAVUT EXCAVATING 2007 INC.

Notes to Financial Statements

Year Ended March 31, 2018

(Unaudited)

1. DESCRIPTION OF BUSINESS

Nunavut Excavating 2007 Inc. (the "company") is incorporated under the Nunavut Business Corporations Act. The company operates a snow clearing and civil construction business.

2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for private enterprises (ASPE).

3. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

The company's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts which fluctuate frequently from being positive to overdrawn.

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization. Property, plant and equipment is amortized over its estimated useful life on a declining balance basis at the following rates.

Equipment	20%
Motor vehicles	30%
Computer equipment	100%

The company regularly reviews its property, plant and equipment to eliminate obsolete items.

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

Income taxes

The company uses the income taxes payable method of accounting for income taxes. Under this method, the company reports as an expense (income) of the period only the cost (benefit) of current income taxes determined in accordance with the rules established by taxation authorities.

Revenue recognition

The company recognizes revenues when they are earned, specifically when all the following conditions are met:

- services are provided or products are delivered to customers
- there is clear evidence that an arrangement exists
- amounts are fixed or can be determined
- the ability to collect is reasonably assured.

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NUNAVUT EXCAVATING 2007 INC.

Notes to Financial Statements

Year Ended March 31, 2018

(Unaudited)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

5. FINANCIAL INSTRUMENTS

The company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the company's risk exposure and concentration as of March 31, 2018.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company is exposed to credit risk from customers. In order to reduce its credit risk, the company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The company has a significant number of customers which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, and accounts payable.

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 market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The company is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the company manages exposure through its normal operating and financing activities. The company is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

NUNAVUT EXCAVATING 2007 INC.

Notes to Financial Statements

Year Ended March 31, 2018

(Unaudited)

6. ACCOUNTS RECEIVABLE FROM EMPLOYEES

Amounts due from employees are non-interest bearing and have no terms of repayment.

7. TENDER DEPOSITS

These amounts are bid deposits on construction contracts and are short term in nature. They are refunded if the contract has been awarded to another company or held upon completion of the project.

8. WORK IN PROGRESS

The company has ongoing construction projects that are not billed to customers at March 31, 2018. Using the percentage of completion method and costs to complete, the company estimates there are \$1,741,057 in unbilled construction projects at year end.

9. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Equipment	\$ 105,643	\$ 18,032	\$ 87,611	\$ 37,337
Motor vehicles	73,578	43,712	29,866	33,559
Computer equipment	1,402	701	701	-
	\$ 180,623	\$ 62,445	\$ 118,178	\$ 70,896

10. SHORT TERM DEBT

The short term debt consists of a Royal Bank of Canada line of credit, due on demand, with maximum borrowing allowed of \$1,000,000. The credit line bears interest at 4.95%, with interest payments due monthly.

11. DEFERRED INCOME

Amounts received prior to the completion of a project or invoice date have been recorded as deferred revenue.

12. DUE TO (FROM) RELATED PARTIES

	2018	2017
Long term portion due from related parties		
Due from Bricon Enterprises Inc.	\$ -	\$ 69,806
Due from TBG Construction Limited	4,671,466	-
Due from Artic Villas Development Corporation	952,200	1,000,000
	\$ 5,623,666	\$ 1,069,806

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NUNAVUT EXCAVATING 2007 INC.

Notes to Financial Statements

Year Ended March 31, 2018

(Unaudited)

12. DUE TO (FROM) RELATED PARTIES *(continued)*

Long term portion due to related party			
Due to Bricon Enterprises Inc.	\$	158,300	\$ -
Due to TBG Construction Limited		-	1,442,540
	\$	158,300	\$ 1,442,540

Advances to and from related companies are non-interest bearing and have no set repayment terms. These transactions occur in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

13. DUE TO SHAREHOLDERS

The amounts due to shareholders are non-interest bearing and have no set repayment terms. Accordingly, the advances from shareholders have been classified as a long term liability.

14. SHARE CAPITAL

Authorized:

Unlimited Common voting shares

	2018	2017
Issued:		
100 Common shares Class A	\$ 100	\$ 100

15. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 13.16% (2017 - 13.50%) to the income for the year and is reconciled as follows:

	2018	2017
Income before income taxes	\$ 715,970	\$ 2,117,292
Income tax expense at the combined basic federal and provincial tax rate:	\$ 94,222	\$ 285,834
Increase (decrease) resulting from:		
Capital cost allowance claimed (in excess of) or less than amortization	(19)	206
Non-deductible expenses	11,900	5
Deferred expenses	(29,338)	-
Work in progress	1,698,683	(1,011,207)
Non-capital loss carried back (forward)	(1,133,404)	306,688
Effective tax (recovery) expense	\$ 642,044	\$ (418,474)