HFN FORESTRY LIMITED PARTNERSHIP
Amended Financial Statements
Year ended March 31, 2012

(Unaudited - see Notice to Reader)

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Be A Front Runner...

Presley & Partners

NOTICE TO READER

On the basis of information provided by management, we have compiled the amended statement of financial position of HFN Forestry Limited Partnership as at March 31, 2012 and the amended statements of financial performance, changes in partners' equity and cash flows for the year then ended. We have not performed an audit or a review engagement in respect of these amended financial statements and, accordingly, we express no assurance thereon. Readers are cautioned that these amended statements may not be appropriate for their purposes.

Subsequent to the release of the financial statements on October 10, 2012, additional transactions were discovered for expenses incurred of $42,864 and assets transferred from a related party of $60,322. The financial statements have been amended to reflect these transactions

PRESLEY & PARTNERS
Chartered Accountants

Courtenay, B.C.

November 14, 2012

HFN FORESTRY LIMITED PARTNERSHIP
AMENDED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2012
(Unaudited - see Notice to Reader)

ASSETS	2012	2011
CURRENT ASSETS		
Accounts receivable	$ 52,557	$ 367,525
Sales tax receivable	41,308	-
Inventory	13,071	372,573
Deposits	105,005	73,865
Prepaid logging costs	149,307	288,820
	361,248	1,102,783
DUE FROM HUU-AY-AHT FIRST NATIONS	-	107,837
PROPERTY AND EQUIPMENT *(Note 4)*	542,409	638,804
	$ 903,657	$ 1,849,424
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	$ 9,675	$ 553,333
Revolving demand loan *(Note 5)*	100,000	500,000
Accounts payable and accrued liabilities	191,557	495,460
Sales tax payable	-	5,268
Wages payable	21,088	31,036
Reforestation obligation	217,419	54,570
	539,739	1,639,667
PARTNERS' EQUITY		
PARTNERS' EQUITY	363,918	209,757
	$ 903,657	$ 1,849,424

Approved by the Partners

_____ Partner

_____ Partner

HFN FORESTRY LIMITED PARTNERSHIP

AMENDED STATEMENT OF CHANGES IN PARTNERS' EQUITY

YEAR ENDED MARCH 31, 2012

(Unaudited - see Notice to Reader)

	HFN Development LP	*568157 B.C. Ltd.*	*2012 Total*	*2011 Total*
PARTNERS' EQUITY AT BEGINNING OF YEAR	$ 206,992	$ 2,765	$ 209,757	$ 1,704,011
Loss for the year	(69,107)	(69)	(69,176)	(1,266,129)
	137,885	2,696	140,581	437,882
Capital contributed	342,291	-	342,291	-
Drawings	(118,954)	-	(118,954)	(228,125)
PARTNERS' EQUITY AT END OF YEAR	$ 361,222	$ 2,696	$ 363,918	$ 209,757

HFN FORESTRY LIMITED PARTNERSHIP
AMENDED STATEMENT OF FINANCIAL PERFORMANCE
YEAR ENDED MARCH 31, 2012
(Unaudited - see Notice to Reader)

	2012	2011
REVENUE		
Log sales	$ 6,709,488	$ 5,601,107
Shake and shingle sales	707,368	848,899
Spencer sort revenue	89,917	201,512
Other revenue	12,941	31,166
Investment income	316	229
	7,520,030	6,682,913
COST OF SALES - *Schedule*	6,601,382	6,895,660
GROSS PROFIT (LOSS)	918,648	(212,747)
EXPENSES		
Accounting and audit	25,353	42,163
Amortization	125,577	133,945
Consulting fees	141,842	149,403
Fuel	67,207	67,479
Insurance	20,974	8,287
Licences and dues	51,769	17,983
Legal	3,935	102
Office	41,466	45,060
Rent	-	20,866
Repairs and maintenance	4,078	3,000
Supplies	7,549	11,345
Telephone	7,980	13,401
Utilities	850	2,077
Vehicle operating	43,474	42,401
Wages and employee benefits	445,770	495,870
	987,824	1,053,382
LOSS FOR THE YEAR	$ 69,176	$ 1,266,129

HFN FORESTRY LIMITED PARTNERSHIP

AMENDED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2012
(Unaudited - see Notice to Reader)

	2012	2011
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Cash receipts from customers	$ 7,804,127	$ 6,944,161
Cash payments to suppliers	(6,168,935)	(6,061,430)
Cash paid to employees	(981,988)	(998,850)
Interest paid	(11,538)	(20,982)
	641,666	(137,101)
INVESTING ACTIVITY		
Purchase of capital assets	(29,182)	-
FINANCING ACTIVITIES		
Line of credit advances (payments)	(400,000)	55,000
Advances from Huu-Ay-Aht First Nations	107,837	6,447
Contributed by Huu-Ay-Aht Development Corporation	342,291	-
Partner drawings	(118,954)	(228,126)
	(68,826)	(166,679)
INCREASE (DECREASE) IN BANK INDEBTENESS	543,658	(303,780)
BANK INDEBTEDNESS AT BEGINNING OF YEAR	(553,333)	(249,553)
BANK INDEBTEDNESS AT END OF YEAR	$ (9,675)	$ (553,333)

1. NATURE OF BUSINESS

The partnership's operation consists of management, harvesting and sale of timber products.

2. OWNERSHIP AND INCOME ALLOCATION OF THE LIMITED PARTNERSHIP

The partners of Huu-ay-aht First Nations Forestry Limited Partnership are the Huu-Ay-Aht Development Corporation and 568157 B.C. Ltd.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Inclusions

The financial statements include only the assets, liabilities, revenues and expenses of the partnership. Provision has not been made in these financial statements for remuneration of the partners nor interest on the partners' capital invested.

b) Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

c) Valuation of Inventory and Prepaid Logging Costs

Felled timber is considered inventory with costs consisting of engineering, road building and falling.

Prepaid logging costs consist of engineering and road building incurred on properties that have not yet been logged.

Inventory is valued at the lower of cost and net realizable value.

d) Property and Equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is calculated on the straight line basis at the annual rates indicated in Note 4, except in the year of acquisition when one-half the normal rate is used.

. . . . . continued

3. SIGNIFICANT ACCOUNTING POLICIES, continued

e) Long-lived Assets

Long-lived assets consist of all non-current assets. Long-lived assets for use are measured and amortized as described in the applicable accounting policies.

The partnership performs testing on long-lived assets held for use, other than goodwill and intangible assets, whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the assets' carrying amount. Impairment is measured as the amount by which the assets' carrying value exceeds its fair value. Any impairment is included in earnings for the period.

f) Financial Instruments

All significant assets, financial liabilities and equity instruments of the partnership are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows and interest rate, credit or currency risk.

g) Revenue Recognition

The partnership recognizes revenue upon shipment when the significant risks and rewards of ownership are transferred to the customer. Title of the products is typically transferred to the customer at the time of shipment and payment is based on agreed prices and credit terms contained on sales invoices. Customers have no contractual right of return, except in the event of a quality issue.

Revenue from log sort services is recognized as the services are rendered based upon agreed rates.

4. PROPERTY AND EQUIPMENT

		2012			***2011***
	Years	*Cost*	*Accumulated Amortization*	*Net*	*Net*
Boats and rafts	7	$ 76,400	$ 63,085	$ 13,315	$ 24,229
Computer equipment	3	7,949	7,949	-	-
Equipment	3	68,912	66,612	2,300	1,830
Forestry and logging equipment	5	123,150	80,048	43,102	55,417
Sort and boom equipment	20	205,000	73,665	131,335	142,668
Vehicles	10	874,823	522,466	352,357	414,660
		$ 1,356,234	$ 813,825	$ 542,409	$ 638,804

5. REVOLVING DEMAND LOAN

The partnership has an approved line of credit in the amount of $500,000. It bears interest at bank prime plus .5% and is secured by a guarantee and postponement of claim by the Huu-ay-aht First Nations, 568157 B.C. Ltd. and 568159 B.C. Ltd. in the amount of $1,000,000 each.

6. RELATED PARTY TRANSACTIONS

The company used space at the offices of the Huu-ay-aht First Nations for part of the year for no monetary consideration (2011 - $20,866).

7. FINANCIAL INSTRUMENTS

The partnership, as part of its operations, carries a number of financial instruments. It is management's opinion that the partnership is not exposed to significant interest, credit or currency risks arising from these financial instruments except as otherwise disclosed.

Interest Rate Risk

The partnership is exposed to interest rate risk arising from fluctuations in interest rates on its deposits and short-term obligations.

Credit Risk

Credit risk is the risk that the partnership will incur losses based on credit that it has granted to other parties. The total amount of this exposure is the balance in accounts receivable, which consists of current invoices and as such the risk is reduced to a minimum.

8. ECONOMIC DEPENDENCE

The partnership is economically dependent on the financial support of the Huu-ay-aht First Nations.

9. COMPARATIVE FIGURES

Certain of the 2011 comparative figures have been reclassified to conform with the presentation adopted for 2012.

10. ENVIRONMENTAL MATTERS

The partnership is subject to various laws, regulations and government policies relating to health and safety, to the generation, storage, transportation, disposal and environment emissions of various substances, and to the protection of the environment in general. A risk of environmental liability is inherent in the operations; real estate ownership, operation or control; and other commercial activities of the partnership with respect to both current and past operations. Although the effect on operating results and liquidity cannot be reasonably estimated, management believes, based on current information, that future costs for environmental matters have been adequately accrued and reflected in these financial statements.

Management accrues estimate of future reforestation costs which is included in its liabilities.

HFN FORESTRY LIMITED PARTNERSHIP

Schedule

SCHEDULE OF COST OF SALES
YEAR ENDED MARCH 31, 2012
(Unaudited - see Notice to Reader)

	2012	*2011*
Consulting and engineering	$ 232,282	$ 247,946
Contractor fees	2,658,020	2,300,247
Freight	586,782	476,831
Logging road costs	537,471	755,122
Miscellaneous (recovered)	3,730	(4,602)
Reforestation	294,526	97,795
Shake and shingle	802,379	800,784
Shop supplies and small tools	1,034	344
Spencer Sort costs	1,182,931	1,135,780
Stumpage costs	302,227	1,085,413
	$ 6,601,382	$ 6,895,660