

Sechelt Community Projects Inc.

Financial Statements

December 31, 2007

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The Coast Group

Chartered Accountants

Box 1610, Sechelt, B.C. V0N 3A0
Telephone: (604) 885-2254
Fax: (604) 885-3779

Auditors' Report

To the Directors of Sechelt Community Projects Inc.

We have audited the balance sheet of Sechelt Community Projects Inc. as at December 31, 2007 and the statements of operations and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian Generally Accepted Auditing Standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31 and 2007 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian Generally Accepted Accounting Principles. As required by the British Columbia Companies Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

The prior years financial statements were reviewed but not audited.

**Sechelt, BC
February 15, 2008**

Chartered Accountants

Sechelt Community Projects Inc.

Statement of Operations and Retained Earnings

For the year ended December 31,	2007	2006
Logging revenue	\$ 2,464,793	\$ -
Cost of sales		
Amortization	118,714	-
Logging	1,489,991	-
Silviculture	116,671	-
Supervision and quality control	35,415	-
	1,760,791	-
Gross margin (28.56%; 2006 - -%)	704,002	-
Interest income	1,325	247
	705,327	247
Expenses		
Advertising and communications	10,758	13,071
Amortization	429	238
Board and committee costs	8,301	14,989
Community relations	7,361	15,102
Insurance	525	525
Interest on promissory notes (note 5)	28,471	7,879
Legal and accounting	7,387	4,680
Management and administration	99,959	61,044
Office and miscellaneous	8,067	14,604
Rent	5,400	2,721
Telephone and communications	2,281	1,648
Travel	11,072	2,059
	190,011	138,560
Net income (loss) for the year	515,316	(138,313)
Deficit, beginning of year	(138,313)	-
Dividend	(25,890)	-
Retained earnings, end of year	\$ 351,113	\$ (138,313)

Sechelt Community Projects Inc.

Balance Sheet

December 31,	2007	2006
Assets		
Current		
Cash	\$ 944,239	\$ 3,073
Accounts receivable	9,010	-
Goods and service tax receivable	-	8,567
Inventory (note 1)	111,891	-
	1,065,140	11,640
Property and equipment (note 2)	122,930	2,144
Deferred operational costs (note 3)	83,034	161,052
Deferred licence acquisition costs (note 4)	192,514	265,361
	\$ 1,463,618	\$ 440,197

Liabilities

Current		
Accounts payable and accrued liabilities	\$ 95,006	\$ 88,261
Accrued silvicultural costs (note 1)	100,627	-
Goods and service tax payable	61,511	-
Advance from broker	186,136	-
Due to shareholder (note 5)	446,855	267,879
	890,135	356,140

Shareholder's Equity

Share capital (note 6)	172,600	172,600
Contributed surplus (note 7)	49,770	49,770
Retained Earnings (Deficit)	351,113	(138,313)
	573,483	84,057
	\$ 1,463,618	\$ 440,197

Approved by the Directors:

_____ Director

_____ Director

Sechelt Community Projects Inc.

Statement of Cash Flows

For the year ended December 31,	2007	2006
Cash provided by (used for)		
Operating activities		
Net income (loss) for the year	\$ 515,316	\$ (138,313)
Add (deduct) Item not affecting cash		
Amortization	119,143	238
Changes in non-cash working capital items		
Accounts receivable	(9,010)	-
Inventory	(111,891)	-
Deferred operational costs	78,018	(161,052)
Deferred licence aquisition costs	-	(55,168)
Accounts payable and accrued liabilities	177,450	79,694
Advance from broker	186,136	-
	955,162	(274,601)
Financing activities		
Shareholder advances	153,086	107,457
Issuance of share capital	-	172,599
	153,086	280,056
Investing activities		
Capital expenditures	(167,082)	(2,382)
Net increase in cash	941,166	3,073
Cash position, beginning of year	3,073	-
Cash position, end of year	\$ 944,239	\$ 3,073

Sechelt Community Projects Inc.

Notes to the Financial Statements

December 31, 2007

1. Significant accounting policies

The company was incorporated on March 8, 2005, under the laws of the Province of British Columbia and its major activity is utilizing certain timber rights pursuant to a Probationary Community Forest Agreement (K3F) dated May 31, 2006. The following is a summary of the significant accounting policies used by management in the preparation of these financial statements.

a) Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first out basis.

b) Property and equipment

Property and equipment is recorded at the lower of original cost plus any costs of betterment less accumulated amortization and its net recoverable value. Amortization of furniture and equipment is calculated using the declining balance method at the rate indicated in note 2. Roads are amortized over the allowable timber volume of 100,000 cubic metres as those volumes are utilized.

c) Income taxes

As a municipal corporation, the company is exempt from tax under Section 149 of Division H of the Income Tax Act.

d) Accrued silvicultural costs

The company accrues the undiscounted estimated cost of reforestation required under its timber forest licence at the time the timber is harvested.

e) Revenue Recognition

Logging revenue is recognized when the significant risks and rewards of ownership of its products are transferred to the customer, which is generally at the time of shipment to the customer or delivery of logs to the customer. Interest income is recognized on an accrual basis.

f) Financial instruments

All significant financial assets, financial liabilities and equity instruments of the company are either recognized or disclosed in the financial statements together with available information for a reasonable assessment of future cash flows, interest rate risk and credit risk. Where practical, the fair values of financial assets and liabilities have been determined and disclosed; otherwise only available information pertinent to fair value has been disclosed.

Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of the financial instruments approximates their carrying value, unless otherwise noted.

Sechelt Community Projects Inc.

Notes to the Financial Statements

December 31, 2007

1. Significant accounting policies (Continued)

g) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the reported amounts of revenue and expenses during the year including amortization of assets and accrued liabilities. Actual results could differ from these estimates.

h) Going Concern

These financial statements have been prepared on a going concern basis which assumes that the company is going to continue to operate under the terms of its probationary licence and going to continue to realize on its assets and satisfy its liabilities. In the absence of this assumption, many of the amounts and disclosures in these financial statements would be significantly different.

2. Property and equipment

		2007			2006
		Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	20 %	\$ 2,382	\$ 667	\$ 1,715	\$ 2,144
Roads		167,082	45,867	121,215	-
		\$ 169,464	\$ 46,534	\$ 122,930	\$ 2,144

3. Deferred operational costs

Management has identified certain costs incurred in the year that relate to the anticipated activities for certain areas and amounts of timber that have not completed and as such, these costs have been deferred and are being expensed as the anticipated volumes for those areas are realized.

4. Deferred licence acquisition costs

The company incurred certain costs related to the application for the Probationary Community Forest Agreement that was executed on May 31, 2006. These costs are being amortized over the allowable timber volume of 100,000 cubic metres as those volumes are utilized.

Sechelt Community Projects Inc.

Notes to the Financial Statements

December 31, 2007

5. Due to shareholder

In the current and prior year, the sole shareholder advanced monies to the company pursuant to a partnering agreement (see note 8) in the form of five promissory notes that bear interest at 7.5% per annum and which are payable on the earlier of demand and April 30, 2011. These notes are secured by a general security agreement.

6. Share capital

Authorized

Unlimited common shares with no par value

			2007	2006
Issued				
	17,260	Common shares	\$ 172,600	\$ 172,600

7. Contributed surplus

The shareholder of the company received a SICEAI Grant of \$49,770 from the Community Futures Development Corporation in 2004 and expended those monies on behalf of the company in conjunction with the application for the Probationary Community Forest Agreement.

8. Partnering agreement

The company is party to a partnering agreement with its sole shareholder which provides for financing of up to \$400,000 at a rate of 7.5% per annum. As at December 31, 2007 the company had drawn \$385,000 of that amount.