

Special-Purpose Financial Statements of

**TUMBLER RIDGE  
COMMUNITY FOREST CORP.**

And Independent Auditor's Report thereon

Year ended December 31, 2024



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## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Tumbler Ridge Community Forest Corp.

### ***Opinion***

We have audited the special-purpose financial statements of Tumbler Ridge Community Forest Corp. (the Company), which comprise:

- the balance sheet as at December 31, 2024
- the statement of earnings and retained earnings for the year then ended
- the statement of cash flows for the year then ended
- and notes to the special-purpose financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "Basis for Opinion" section of our auditor's report, the accompanying special-purpose financial statements are prepared, in all material aspects in accordance with the financial reporting framework described in Note 1(a).

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Special-Purpose Financial Statements***" section of our auditor's report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the special-purpose financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### ***Emphasis of Matter - Basis of Preparation***

We draw attention to Note 1(a) to the special-purpose financial statements, which describes the applicable financial reporting framework and the purpose of the special-purpose financial statements. As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect to this matter.



### ***Responsibilities of Management and Those Charged with Governance for the Special-Purpose Financial Statements***

Management is responsible for the preparation of the special-purpose financial statements in accordance with the financial reporting framework described in Note 1(a); this includes determining that the applicable financial reporting framework in an acceptable basis for the preparation of the special-purpose financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special-purpose financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Special-Purpose Financial Statements***

Our objectives are to obtain reasonable assurance about whether the special-purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the special-purpose financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.  
  
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special-purpose financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a single, long, horizontal, slightly wavy line.

Chartered Professional Accountants

Prince George, Canada

April 8, 2025

# TUMBLER RIDGE COMMUNITY FOREST CORP.

## Balance Sheet

December 31, 2024, with comparative information for 2023

|                                 | 2024         | 2023         |
|---------------------------------|--------------|--------------|
| <b>Assets</b>                   |              |              |
| Current assets:                 |              |              |
| Cash                            | \$ 456,607   | \$ 96,489    |
| Trade receivable                | -            | 24,208       |
| Investments (note 2)            | 4,900,654    | 2,578,989    |
| Sales tax receivable            | -            | 3,610        |
| Prepaid expenses                | 111,829      | 86,991       |
|                                 | 5,469,090    | 2,790,287    |
| Property and equipment (note 3) | 189,548      | 781          |
|                                 | \$ 5,658,638 | \$ 2,791,068 |

## Liabilities and Shareholder's Equity

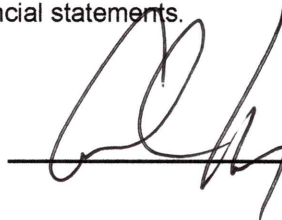
|                                                                                                       |              |              |
|-------------------------------------------------------------------------------------------------------|--------------|--------------|
| Current liabilities:                                                                                  |              |              |
| Accounts payable and accrued liabilities                                                              | \$ 26,371    | \$ 20,859    |
| Income taxes payable (note 6)                                                                         | 211,330      | -            |
| Sales tax payable                                                                                     | 42,633       | -            |
| Current portion of silviculture obligation (note 4)                                                   | 216,494      | 186,386      |
|                                                                                                       | 496,828      | 207,245      |
| Silviculture obligation (note 4)                                                                      | 1,281,736    | 158,894      |
| Shareholder's equity:                                                                                 |              |              |
| Share capital:                                                                                        |              |              |
| Class A voting common shares with no par value per share, authorized unlimited shares, issued 1 share | 200,000      | 200,000      |
| Retained earnings                                                                                     | 3,680,074    | 2,224,929    |
|                                                                                                       | 3,880,074    | 2,424,929    |
|                                                                                                       | \$ 5,658,638 | \$ 2,791,068 |

See accompanying notes to special-purpose financial statements.

On behalf of the Board:



Director



Director

# TUMBLER RIDGE COMMUNITY FOREST CORP.

## Statement of Earnings and Retained Earnings

Year ended December 31, 2024, with comparative information for 2023

|                                               | 2024         | 2023         |
|-----------------------------------------------|--------------|--------------|
| Sales                                         | \$ 2,763,854 | \$ 16,250    |
| Cost of sales:                                |              |              |
| Silviculture adjustment                       | 1,178,650    | (150,109)    |
| Operating margin                              | 1,585,204    | 166,359      |
| Expenses:                                     |              |              |
| Amortization                                  | 653          | 22           |
| Bookkeeping                                   | 4,280        | 2,622        |
| Community support                             | 7,248        | 26,600       |
| Consulting fees                               | 85,166       | 44,899       |
| Wildfire reclamation                          | 178,733      | -            |
| Forest license rent                           | 16,091       | 18,303       |
| Forestry development                          | 153,776      | 81,815       |
| Grant support                                 | 26,600       | -            |
| Insurance and licenses                        | 5,021        | 5,923        |
| Interest and bank charges (recovery)          | (2,561)      | 2,855        |
| Meals and travel                              | 1,959        | 1,379        |
| Memberships and dues                          | 2,392        | 1,532        |
| Office and general                            | 12,305       | 9,752        |
| Professional fees                             | 47,094       | 23,627       |
| Supplies                                      | 256          | -            |
| Training                                      | 24,492       | 24,045       |
|                                               | 563,505      | 243,374      |
| Earnings (loss) before other income (expense) | 1,021,699    | (77,015)     |
| Other income (expense):                       |              |              |
| Investment income                             | 501,512      | 116,871      |
| Other income (note 5)                         | 294,566      | 7,146        |
| Unrealized (loss) gain on investments         | (127,094)    | 132,738      |
|                                               | 668,984      | 256,755      |
| Earnings before income taxes                  | 1,690,683    | 179,740      |
| Income taxes (note 6)                         | 211,330      | -            |
| Net earnings                                  | 1,479,353    | 179,740      |
| Retained earnings, beginning of year          | 2,224,929    | 2,045,189    |
| Dividends paid to shareholder                 | (24,208)     | -            |
| Retained earnings, end of year                | \$ 3,680,074 | \$ 2,224,929 |

See accompanying notes to special-purpose financial statements.

# TUMBLER RIDGE COMMUNITY FOREST CORP.

## Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

|                                                | 2024         | 2023       |
|------------------------------------------------|--------------|------------|
| Cash provided by (used in):                    |              |            |
| Operations:                                    |              |            |
| Net earnings                                   | \$ 1,479,353 | \$ 179,740 |
| Items not involving cash:                      |              |            |
| Amortization                                   | 653          | 22         |
| Unrealized loss (gain) on investments          | 127,094      | (132,738)  |
|                                                | 1,607,100    | 47,024     |
| Changes in non-cash operating working capital: |              |            |
| Trade receivable                               | 24,208       | (24,208)   |
| Sales tax payable                              | 46,243       | 3,114      |
| Prepaid expenses                               | (24,838)     | (83,554)   |
| Income taxes payable                           | 211,330      | -          |
| Accounts payable and accrued liabilities       | 5,512        | (27,387)   |
| Silviculture obligation                        | 1,152,950    | (176,939)  |
|                                                | 3,022,505    | (261,950)  |
| Financing:                                     |              |            |
| Dividends paid to shareholder                  | (24,208)     | -          |
|                                                | (24,208)     | -          |
| Investing:                                     |              |            |
| Investments                                    | (2,448,759)  | 283,906    |
| Acquisition of property and equipment          | (189,420)    | (803)      |
|                                                | (2,638,179)  | 283,103    |
| Increase in cash                               | 360,118      | 21,153     |
| Cash, beginning of year                        | 96,489       | 75,336     |
| Cash, end of year                              | \$ 456,607   | \$ 96,489  |

See accompanying notes to special-purpose financial statements.

# TUMBLER RIDGE COMMUNITY FOREST CORP.

Notes to Special-Purpose Financial Statements

Year ended December 31, 2024

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## Nature of operations:

Tumbler Ridge Community Forest Corp. (the "Company") was incorporated under the British Columbia Business Corporations Act on July 24, 2012. The Company has a community forest licence in the Tumbler Ridge, B.C. area.

## 1. Significant accounting policies:

The Company's significant accounting policies are as follows:

### (a) Basis of presentation:

Canadian Public Sector Accounting Standards prescribe that government business enterprises ("GBE") must apply Part I of the CPA Canada Handbook - Accounting (IFRS Accounting Standards) as their financial reporting framework for general purpose financial statements. Tumbler Ridge Community Forest Corp. is considered to be a GBE under Canadian Public Sector Accounting Standards and should be preparing general purpose financial statements in accordance with IFRS accounting standards.

Tumbler Ridge Community Forest Corp. has not prepared general purpose financial statements. Rather, these financial statements have been prepared in accordance with Part II of the CPA Canada Handbook – Accounting (Canadian Accounting Standards for Private Enterprises – "ASPE") which have not been designed for the use of GBEs. Therefore, these financial statements are special-purpose financial statements designed for the purpose and sole use of the board of directors' and shareholders' to assist them in oversight of the Corporation and its financial performance.

As a result, the special-purpose financial statements may not be suitable for another purpose.

### (b) Property and equipment:

Equipment is stated at cost, less accumulated amortization. Amortization is provided using the straight-line method and following annual rate:

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| Asset              | Rate    |
|--------------------|---------|
| Computer equipment | 3 years |
| Access bridge      | 4 years |

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# TUMBLER RIDGE COMMUNITY FOREST CORP.

Notes to Special-Purpose Financial Statements (continued)

Year ended December 31, 2024

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## 1. Significant accounting policies (continued):

### (c) Investments:

Investments are recorded at fair value. The difference between historical cost and fair value is recorded as an unrealized gain or loss and recorded in the net earnings (loss) in the period in which the difference occurred.

### (d) Revenue recognition:

The Company recognizes revenue from log sales based on the volume of wood delivered and scaled and at the time the customer takes ownership, assumes the risk of loss, and collection of the relevant receivable is probable.

Interest, distribution and dividend income from investments are recorded in the year earned. Realized gains and losses on the sale of investments are computed on the average cost basis. The change in fair values of investments is included in the statement of earnings.

### (e) Reforestation:

The Company harvests timber under forest licence K2O within the Province of British Columbia. Under the "licence agreement" the Company is obligated to reforest the harvest areas to a "free to grow" status. Free to grow is when the forest renewal stage has reached a level where it no longer needs human intervention, and the forest is considered "free to grow" naturally. The individual harvest opening reforestation obligations are recorded at the commencement of harvest of a cut block or harvest unit.

Prior to harvest, the Company, using over a decade of local historical experience determines what planned silviculture activities will be required by cut block ensure harvest area will achieve free to grow status.

Estimated future timber reforestation and silviculture obligations are accrued and expensed based on the per hectare silvicultural cost experienced in the last decade of historical silviculture activities undertaken on the licence area.

Each actual silviculture activity cost such as planting, or surveys are recorded at the time of "work done" and recorded as a per hectare cost. The per hectare costs are determined by dividing the current contracted cost of the activity on the block (such as planting) divided by the block area. Planned activity costs use these annual updated figures to predict the ongoing future silviculture obligations for all openings not yet free to grow. Once an activity on the opening has been successfully fulfilled, that activity cost for that opening is subtracted from the remaining block obligation cost.

# TUMBLER RIDGE COMMUNITY FOREST CORP.

Notes to Special-Purpose Financial Statements (continued)

Year ended December 31, 2024

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## 1. Significant accounting policies (continued):

### (f) Use of estimates:

The preparation of the special-purpose financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the special-purpose financial statements and the reported amounts of revenue and expenses during the year. A significant item subject to such estimates and assumptions include the silviculture obligation. Actual results could differ from those estimates

### (g) Income taxes:

The Company uses the taxes payable method to account for income taxes whereby the expense (income) of the period consists only of the cost (benefit) of current income taxes for that period, determined in accordance with the rules established by the taxation authorities

### (h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Company has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Company determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Company expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

# TUMBLER RIDGE COMMUNITY FOREST CORP.

Notes to Special-Purpose Financial Statements (continued)

Year ended December 31, 2024

## 2. Investments:

| 2024                  | Cost         | Fair value   |
|-----------------------|--------------|--------------|
| Canadian Fixed Income | \$ 240,520   | \$ 252,407   |
| Equities:             |              |              |
| Canadian              | 3,710,512    | 3,786,439    |
| United States         | 853,728      | 861,808      |
|                       | \$ 4,804,760 | \$ 4,900,654 |

| 2023          | Cost         | Fair value   |
|---------------|--------------|--------------|
| Equities:     |              |              |
| Canadian      | 1,726,195    | 1,901,605    |
| United States | 588,440      | 677,384      |
|               | \$ 2,314,635 | \$ 2,578,989 |

## 3. Property and equipment:

|                    | 2024       |                          | 2023           |                |
|--------------------|------------|--------------------------|----------------|----------------|
|                    | Cost       | Accumulated amortization | Net book value | Net book value |
| Computer equipment | \$ 1,544   | \$ 785                   | \$ 759         | \$ 781         |
| Access bridge      | 189,420    | 631                      | 188,789        | -              |
|                    | \$ 190,964 | \$ 1,416                 | \$ 189,548     | \$ 781         |

# TUMBLER RIDGE COMMUNITY FOREST CORP.

Notes to Special-Purpose Financial Statements (continued)

Year ended December 31, 2024

## 4. Silviculture obligation:

|                                                                             | 2024         | 2023       |
|-----------------------------------------------------------------------------|--------------|------------|
| Silviculture obligation, beginning of year                                  | \$ 345,280   | \$ 522,219 |
| Increase in accrual due to current year logging                             | 1,148,093    | -          |
| Increase (decrease) in accrual due to revised estimates from recent surveys | 19,559       | (150,109)  |
| Actual silviculture costs paid in the year                                  | (14,702)     | (26,830)   |
| Silviculture obligation, end of year                                        | 1,498,230    | 345,280    |
| Less: current portion                                                       | (216,494)    | (186,386)  |
| Long-term portion                                                           | \$ 1,281,736 | \$ 158,894 |

## 5. Other Income:

|                                         | 2024       | 2023     |
|-----------------------------------------|------------|----------|
| Province of British Columbia            | \$ 234,566 | \$ 7,146 |
| Quintette Resources Limited Partnership | 60,000     | -        |
|                                         | \$ 294,566 | \$ 7,146 |

Funding from Province of British Columbia includes funding under Section 108 of \$112,883 (2023 - nil) and Forest Investment Program of \$121,683 (2023 - \$7,146).

## 6. Income taxes:

The provision for income taxes consists of the following items:

|                 | 2024       | 2023 |
|-----------------|------------|------|
| Corporate taxes | \$ 121,003 | \$ - |
| Logging taxes   | 90,327     | -    |
|                 | \$ 211,330 | \$ - |

# TUMBLER RIDGE COMMUNITY FOREST CORP.

Notes to Special-Purpose Financial Statements (continued)

Year ended December 31, 2024

## 6. Income taxes (continued):

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory tax rates of 40% (2023 - 40.0%) to the earnings before income taxes. The reasons for the differences and related tax effects are as follows:

|                                                                    | 2024         | 2023       |
|--------------------------------------------------------------------|--------------|------------|
| Earnings before income taxes                                       | \$ 1,690,683 | \$ 179,740 |
| Income taxes on earnings before income taxes, at above basic rate  | \$ 676,273   | \$ 71,896  |
| Increase (decrease) in taxes resulting from:                       |              |            |
| Small business deduction                                           | (37,479)     | -          |
| Rate reduction                                                     | (194,145)    | -          |
| Non-taxable income or non-deductible expenses, net                 | (8,243)      | (8,268)    |
| Difference between capital cost allowance and amortization expense | (631)        | -          |
| Taxable dividend                                                   | (9,278)      | (7,494)    |
| Unrealized gain on investments                                     | 34,315       | (35,839)   |
| Application of non-capital losses carried forward                  | (148,047)    | (5,279)    |
| Other timing differences                                           | (101,435)    | (15,016)   |
|                                                                    | \$ 211,330   | \$ -       |

## 7. Community Forest Agreement:

The Company has entered into a Community Forest Agreement with the Province of British Columbia pursuant to an agreement dated January 1, 2011 (the "Agreement") that was originally entered into by the District of Tumbler Ridge on behalf of the Company. The Agreement is for a twenty-five year term and gives the Company the right to harvest certain levels of timber on an annual basis and in total over the term of the Agreement.

# TUMBLER RIDGE COMMUNITY FOREST CORP.

Notes to Special-Purpose Financial Statements (continued)

Year ended December 31, 2024

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## 8. Financial risks and concentration of risk:

The Company's financial instruments consist of cash, trade receivable, investments, sales tax (payable) receivable, accounts payable and accrued liabilities, and silviculture obligation.

Financial risks:

### (a) Liquidity risk:

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company manages its liquidity risk by monitoring its operating requirements to ensure it has sufficient funds to fulfill its obligations. There have been no significant changes to the Company's liquidity risk exposure from 2023.

### (b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. In management's opinion, the maximum amount of credit risk is the carrying value of those assets. The Company deals with creditworthy counterparties to mitigate the risk of financial loss from defaults. There have been no changes to the Company's credit risk exposure from 2023.

### (c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Company's income or the value of its financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

#### (i) Currency risk:

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. The Company holds investments and cash accounts in US dollars therefore are exposed to changes in foreign exchange rates. There have been no changes to the Company's foreign exchange risk exposure from 2023.

#### (ii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of the changes in the market interest rates. The Company has investments and cash accounts that are impacted by interest rates. There have been no changes to the Company's interest rate risk exposure from 2023.

# TUMBLER RIDGE COMMUNITY FOREST CORP.

Notes to Special-Purpose Financial Statements (continued)

Year ended December 31, 2024

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## 8. Financial risks and concentration of risk: (continued):

Concentration of risk:

### (a) Industry:

The Company sells wood as part of its agreement with the Province of British Columbia. A decline in economic conditions or other adverse conditions could lead to reduced revenue and gross margin.

## 9. Comparative information:

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2024 special-purpose financial statements. The changes do not affect prior year net loss.