Financial Statements of

VALEMOUNT INDUSTRIAL PARK LIMITED PARTNERSHIP

And Independent Auditor's Report thereon

Year ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Partners of Valemount Industrial Park Limited Partnership

Opinion

We have audited the financial statements of Valemount Industrial Park Limited Partnership (the Entity), which comprise:

- the balance sheet as at December 31, 2022
- the statement of operations for the year then ended
- the statement of partners' deficiency for the year then ended
- the statements of cash flow for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present, in all material respects, the balance sheet of the Partnership as at December 31, 2022 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

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 Financial Statements"*** section of our auditor's report.

We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the 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 - Financial Reporting Framework

We draw attention to Note 1(a) to the financial statements, which describes the applicable financial reporting framework. The financial statements are prepared for the purposes of the Partners and Board of Directors' oversight of the Partnership and its financial performance.

Our opinion is not modified in respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the basis of accounting described in Note 1(a) to the financial statements; this includes determining that the applicable financial framework is an acceptable basis for the presentation of the financial statements in the circumstance, 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.

In preparing the financial statements, management is responsible for assessing the Partnership'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 Partnership or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 Partnership's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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 Partnership'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 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 Partnership 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.

KPMG LLP

Chartered Professional Accountants

Prince George, Canada

May 29, 2023

VALEMOUNT INDUSTRIAL PARK LIMITED PARTNERSHIP

Balance Sheet

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	$ 31,888	$ 174,824
Accounts receivable	122,405	69,527
Assets held for sale (note 2)	50,000	50,000
Inventories	494,660	190,451
Prepaid expenses	9,850	2,500
Current portion of loan receivable (note 3)	30,636	42,194
	739,439	529,496
Loan receivable (note 3)	211,638	240,363
Property and equipment (note 4)	6,004,341	6,056,058
	$ 6,955,418	$ 6,825,917
Liabilities and Partners' (Deficiency) Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 520,068	$ 279,796
Unearned revenue	-	7,052
Due to related parties (note 6)	6,636,680	6,136,680
	7,156,748	6,423,528
Partners' (deficiency) equity	(201,330)	402,389
	$ 6,955,418	$ 6,825,917

See accompanying notes to financial statements.

On behalf of the Board:

______________________ Partner ______________________ Partner

VALEMOUNT INDUSTRIAL PARK LIMITED PARTNERSHIP

Statement of Operations

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Lumber sales	$ 168,656	$ -
Lease	334,091	288,388
User charges	427,959	455,902
	930,706	744,290
Expenses:		
Amortization	509,932	45,025
Bad debts (recovered)	-	(138)
Bank charges and interest	1,271	10,101
Mill site	17,820	33,561
Insurance	30,658	9,567
Office and general	2,670	183
Professional fees	28,147	30,506
Property taxes	114,080	96,200
Salaries and benefits	539,332	148,027
Utilities	399,794	454,122
	1,643,704	827,154
Loss from operations before other income (expenses)	(712,998)	(82,864)
Other income (expenses):		
Impairment loss on assets held for sale	-	(55,000)
Interest income	17,938	14,825
Loss on sale of equipment	-	2,000
Miscellaneous	91,341	43,431
	109,279	5,256
Net loss	$ (603,719)	$ (77,608)

See accompanying notes to financial statements.

VALEMOUNT INDUSTRIAL PARK LIMITED PARTNERSHIP

Statement of Partners' Deficiency

Year ended December 31, 2022, with comparative information for 2021

2022	Partnership interest %		Balance, beginning of year		Net loss		Balance, end of year
Valemount Industrial Park Company Ltd.	0.01	$	40	$	(60)	$	(20)
The Corporation of the Village of Valemount	99.99		402,349		(603,659)		(201,310)
	100.00	$	402,389	$	(603,719)	$	(201,330)

2021	Partnership interest %		Balance, beginning of year		Net loss		Balance, end of year
Valemount Industrial Park Company Ltd.	0.01	$	48	$	(8)	$	40
The Corporation of the Village of Valemount	99.99		479,949		(77,600)		402,349
	100.00	$	479,997	$	(77,608)	$	402,389

See accompanying notes to financial statements.

VALEMOUNT INDUSTRIAL PARK LIMITED PARTNERSHIP

Statements of Cash Flow

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operations:		
Net loss	$ (603,719)	$ (77,608)
Items not involving cash:		
Amortization	509,932	45,025
Interest earned on loan receivable	(17,529)	(14,823)
Impairment loss on assets held for sale	-	55,000
	(111,316)	7,594
Change in non-cash operating working capital:		
Accounts receivable	(52,878)	162,314
Inventories	(304,209)	(190,451)
Prepaid expenses	(7,350)	28
Accounts payable and accrued liabilities	240,272	241,532
Unearned revenue	(7,052)	(4,948)
	(242,533)	216,069
Financing:		
Advances from related party	500,000	1,900,000
Investing:		
Acquisition of property and equipment	(458,215)	(2,186,803)
Loan payments received	57,812	55,394
	(400,403)	(2,131,409)
Decrease in cash	(142,936)	(15,340)
Cash, beginning of year	174,824	190,164
Cash, end of year	$ 31,888	$ 174,824

See accompanying notes to financial statements.

Nature of operations:

Valemount Industrial Park Limited Partnership (the "Partnership") was created under the British Columbia Partnership Act on January 14, 2019 as part of the reorganization of the Valemount Community Forest Company Ltd., from which all of the commercial real estate was transferred. The Partnership's operation includes providing loans and rentals of property and equipment.

1. Significant accounting policies:

(a) Basis of accounting:

Canadian Public Sector Accounting Standards prescribe that government business enterprises ("GBE") must apply Part I of the CPA Canada Handbook - Accounting (International Financial Reporting Standards - "IFRS") as their financial reporting framework. The Partnership is considered to be a GBE under Canadian Public Sector Accounting Standards and should be preparing IFRS financial statements.

The Partnership has not prepared IFRS 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") for the purposes of the Partnership's Board of Directors' oversight of the Partnership and its financial performance. As a result, the financial statements may not be suitable for another purpose.

(b) Cash:

Cash consists of cash-on-hand and cheques issued in excess of deposits.

(c) Inventories:

Inventory consists of logs and timber held for resale. Inventory is valued at the lower of cost and net realizable value.

(d) Property and equipment:

Property and equipment is stated at cost, less accumulated amortization. Amortization is provided using the declining balance method and following annual rates:

Asset	Rate
Buildings	4%
Saw mill	4%
Infrastructure	4%
Weigh scales	20%
Machinery and equipment	30%

1. Significant accounting policies (continued):

(e) Impairment of long-lived assets:

Long-lived assets, including property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Partnership uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

Assets to be disposed of are presented separately in the balance sheet, are reported at the lower of the carrying amount or fair value less costs to sell and are no longer amortized. The asset and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

(f) Revenue recognition:

Revenue is recognized when services are provided, the customer takes ownership and assumes risk of loss in accordance with customer contracts, collection of relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Lease and user charges revenue received in advance of the actual month it is due is recorded by the Partnership as unearned revenue.

Interest income is reported as revenue in the period that it is earned.

Other revenue is recognized when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

(g) Use of estimates:

The preparation of the financial statements 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 financial statements and the reported amounts of revenue and expenses during the year. Items subject to such estimates and assumptions include the useful lives of property and equipment, carrying value of inventories and collection of accounts and loans receivable. Actual results could differ from those estimates.

1. Significant accounting policies (continued):

(h) Financial instruments:

Financial instruments originating in an arm's length transaction 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 Partnership 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 rate 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 Partnership 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 Partnership expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

In the case of financial instruments that originate as a result of related party transactions, initial measurement will be at exchange amount or carrying value in accordance with Section 3840, Related Party Transactions, rather than fair value. If deemed to be unrelated for purposes of Section 3856, Financial Instruments, and as such, transactions will be initially measured at fair value.

(i) Related party transactions:

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is an exchange of a product of property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount. All other related party transactions are measured at the carrying amount.

2. Assets held for sale:

The Partnership is holding the Wesley Matkovich mill for sale. In 2021, a write-down of $55,000 was recognized in the Statement of Operations to adjust the asset to net realizable value.

3. Loan receivable:

	2022	2021
Balance at January 1, 2022	$ 282,557	$ 323,128
Interest earned	17,529	14,823
Payments received	(57,812)	(55,394)
	$ 242,274	$ 282,557

	2022	2021
Comprised of:		
Current portion	$ 30,636	$ 42,194
Long-term portion	211,638	240,363
	$ 242,274	$ 282,557

The term loan due from Cedar Valley Holdings Ltd. bears interest at a rate of prime plus 3.5% (prime rate in ranged from 2.45% - 6.45%) per annum, is secured by specific property as defined in a general security agreement and is due in August 2031. The loan is receivable in monthly instalments of $4,576 from Cedar Valley Holdings Ltd.

4. Property and equipment:

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	$ 309,458	$ -	$ 309,458	$ 309,458
Buildings	98,203	14,795	83,408	86,884
Saw mill	3,020,134	60,403	2,959,732	-
Construction in progress	-	-	-	5,326,081
Infrastructure	291,753	31,274	260,477	253,625
Weigh scales	9,054	5,345	3,708	4,636
Machinery and equipment	2,880,765	493,207	2,387,558	75,374
	$ 6,609,367	$ 605,024	$ 6,004,341	$ 6,056,058

5. Accounts payable and accrued liabilities:

	2022	2021
Trade payables	$ 518,224	$ 275,631
Wages and related costs payable	-	2,375
Government remittances payable	1,843	1,790
	$ 520,067	$ 279,796

6. Due to related parties:

	2022	2021
Valemount Community Forest Company Ltd.	$ 4,236,680	$ 4,236,680
Valemount Community Forest Limited Partnership	2,400,000	1,900,000
	$ 6,636,680	$ 6,136,680

The balances due to related parties are unsecured, have no specified repayment terms and are due on demand. The parties are related to the Partnership by way of common ownership.

7. Related party transactions:

During the course of the year the Partnership had the following transactions with related parties that were conducted within the normal course of business and were valued at exchange value, which is the amount agreed to by the parties.

	2022	2021
Mickelson Investments Ltd., owned by a Director of the general partner:		
Mill site expenses	$ (2,000)	$ (2,000)
Valemount Community Forest LP, related by way of common ownership:		
Lease revenue	$ 75,000	$ 75,000
Inventories - log purchases	259,633	190,451
Accounts payable	(472,588)	(199,974)

8. Financial risks and concentration of risk:

The Partnership's financial instruments consist of cash, accounts receivable, loan receivable, and accounts payable and accrued liabilities. It is management's opinion that the Partnership is not exposed to significant market, currency and interest rate risk arising from these financial instruments and that the fair value of these financial instruments approximate their carrying value.

Financial risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Partnership deals with creditworthy counterparties to mitigate the risk of financial loss from defaults.

(b) Liquidity risk:

Liquidity risk is the risk that the Partnership will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Partnership manages its liquidity risk by monitoring its operating requirements.

There has been no change to the risk exposures from 2021.

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

Concentration of risk:

(a) Industry:

The Partnership operates in the forestry environment and is affected by general economic trends. A decline in economic conditions, consumer-spending levels or other adverse conditions could lead to reduced revenue and gross margin.

9. Comparative amounts:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year's net loss.