

Financial Statements of

**VALEMOUNT COMMUNITY
FOREST LIMITED PARTNERSHIP**

And Independent Auditor's Report thereon

Year ended December 31, 2025



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Valemount Community Forest Limited Partnership

Opinion

We have audited the financial statements of Valemount Community Forest Limited Partnership (the "Partnership"), which comprise:

- the balance sheet as at December 31, 2025
- the statement of earnings for the year then ended
- the statement of partners' equity for the year then ended
- the statement of cash flows 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 as at and for the year ended December 31, 2025 of the Partnership are prepared, in all material respects, in accordance with the financial reporting provisions of the Partnership Agreement.

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) in the financial statements, which describes the applicable financial reporting framework and the purpose of the financial statements.

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

Our opinion is not modified in respect of this matter.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of the Partnership Agreement; this includes determining that the applicable financial reporting framework is an acceptable basis for the preparation of the financial statements in the circumstances, 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.

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

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.



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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 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 6, 2026

VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Balance Sheet

December 31, 2025, with comparative information for 2024

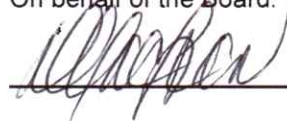
	2025	2024
Assets		
Current assets:		
Cash	\$ 1,517,296	\$ 1,536,131
Accounts receivable	401,411	1,557,403
Guaranteed investment certificates	1,165,803	1,138,915
Prepaid expenses	35,374	36,461
	<u>3,119,884</u>	<u>4,268,910</u>
Property and equipment (note 2)	85,323	116,722
Forest licences and contracts (note 3)	1,060,817	1,130,667
Undistributed patronage allocations - Four Rivers Co-op	3,070	3,070
	<u>\$ 4,269,094</u>	<u>\$ 5,519,369</u>


Liabilities and Partners' Equity

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 295,074	\$ 611,955
Due to partner (note 7)	2,398,332	2,400,828
Current portion of silviculture obligation (note 6)	265,983	322,820
	<u>2,959,389</u>	<u>3,335,603</u>
Silviculture obligation (note 6)	851,518	294,716
Provision for road decommissioning	46,581	57,192
	<u>3,857,488</u>	<u>3,687,511</u>
Partners' equity	411,606	1,831,858
	<u>\$ 4,269,094</u>	<u>\$ 5,519,369</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Partner

 Partner

VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Statement of Earnings

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Revenue:		
Logging	\$ 10,754,714	\$ 9,083,602
Direct expenses:		
Amortization	22,397	29,535
Amortization - forest licences	69,850	69,849
Contracting - supervision	64,149	-
Log purchases	-	76,091
Log yard	1,800	162,017
Other	38,648	28,395
Salaries and benefits	263,550	300,150
Silviculture	930,655	639,844
Stumpage	260,510	174,809
Subcontracting - logging and roads	8,367,012	6,747,797
Supplies	30,315	61,180
Timber development	157,093	126,390
	<u>10,205,979</u>	<u>8,416,057</u>
Operating margin	548,735	667,545
Expenses:		
Advertising	17,615	6,514
Consulting - forest inventory	70,294	26,630
Courier	124	226
Forest licence rent	18,021	36,320
Grant writing fees	8,000	16,297
Insurance	4,297	4,758
Meals and entertainment	817	690
Memberships and dues	16,022	15,298
Office and general	64,720	89,206
Planning	69,921	80,352
Professional fees	103,425	95,237
Rent	75,000	75,000
Grants	217,264	11,500
Telephone	4,758	4,235
Vehicles	13,310	25,594
	<u>683,588</u>	<u>487,857</u>
(Loss) earnings from operations before other income (expense)	(134,853)	179,688
Other income (expenses):		
Loss on disposal of property and equipment and contract	(1,002)	-
Interest on guaranteed investment certificates	26,888	48,392
Grant in-lieu of accounts receivables collection	(1,312,888)	-
Miscellaneous	1,603	11,369
	<u>(1,285,399)</u>	<u>59,761</u>
Net (loss) earnings	<u>\$ (1,420,252)</u>	<u>\$ 239,449</u>

See accompanying notes to financial statements.

VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Statement of Partners' Equity

Year ended December 31, 2025, with comparative information for 2024

2025	Partnership interest %	Balance, beginning of year	Net loss	Balance, end of year
Valemount Community Forest Company Ltd.	0.01	\$ 184	\$ (142)	\$ 42
The Corporation of the Village of Valemount	99.99	1,831,674	(1,420,110)	411,564
	100.00	\$ 1,831,858	\$ (1,420,252)	\$ 411,606

2024	Partnership interest %	Balance, beginning of year	Net earnings	Balance, end of year
Valemount Community Forest Company Ltd.	0.01	\$ 160	\$ 24	\$ 184
The Corporation of the Village of Valemount	99.99	1,592,249	239,425	1,831,674
	100.00	\$ 1,592,409	\$ 239,449	\$ 1,831,858

See accompanying notes to financial statements.

VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Statement of Cash Flows

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operations:		
Net (loss) earnings	\$ (1,420,252)	\$ 239,449
Items not involving cash:		
Amortization	22,397	29,535
Loss on disposal of property and equipment and contract	1,002	-
Amortization - forest licences	69,850	69,849
Grant in-lieu of accounts receivables collection	1,312,888	-
Silviculture accrual	930,655	639,845
	916,540	978,678
Change in non-cash operating working capital:		
Accounts receivable	(156,896)	(147,156)
Log inventory	-	107,407
Prepaid expenses	1,087	139,799
Accounts payable and accrued liabilities	(316,881)	(62,671)
Silviculture obligations paid	(430,690)	(667,472)
Provision for road decommissioning	(10,611)	35,662
	2,549	384,247
Investing:		
Guaranteed investment certificates	(26,888)	(48,392)
Repayment to related party	(2,496)	(7,025)
Proceeds from disposal of property and equipment	8,000	-
	(21,384)	(55,417)
(Decrease) increase in cash	(18,835)	328,830
Cash, beginning of year	1,536,131	1,207,301
Cash, end of year	\$ 1,517,296	\$ 1,536,131

See accompanying notes to financial statements.

VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Notes to Financial Statements

December 31, 2025

Nature of operations:

Valemount Community Forest Limited Partnership (the "Partnership") was created under the British Columbia Partnership Act on January 14, 2019. The Partnership has Community Forest Agreements and other forest tenure agreements in the Valemount, B.C. area.

1. Significant accounting policies:

(a) Basis of preparation:

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 general-purpose financial statements in accordance with IFRS Accounting Standards.

Valemount Community Forest Limited Partnership has not prepared general-purpose financial statements. Rather, these financial statements have been prepared in accordance with the recognition, measurement, disclosure and presentation principles in 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 financial statements designed for the purpose and sole use of the Partners to assist them in oversight of the Partnership and its financial performance.

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

(b) Log inventory:

Log inventory consists of logs held for resale. Log inventory is valued at the lower of estimated cost and net realizable value.

(c) 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
Computer and software	30%
Vehicles	20%

VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Notes to Financial Statements (continued)

December 31, 2025

1. Significant accounting policies (continued):

(d) Forest licences:

Forest licences include forest licences with the Province of British Columbia. Forest licences are carried at cost less accumulated amortization. Non-renewable licences are amortized over the period of the licence.

	Years
Forest licence - A93987	25
Forest licence - Community Forest Agreement K2T	25
Forest licence - Community Forest Agreement K5Q	25
Woodlot licence - WL 277	25

(e) 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 silviculture obligation, accrued liabilities, carrying value of forest licences, property and equipment, log inventory and accounts receivable. Actual results could differ from those estimates.

(f) Impairment of long-lived assets:

Long-lived assets, including property and equipment and forest licences 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 by 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 would be separately presented in the balance sheet and 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.

VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Notes to Financial Statements (continued)

December 31, 2025

1. Significant accounting policies (continued):

(g) Revenue recognition:

The Partnership 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.

Grant revenues are recognized when earned. Revenue unearned in the current period is reported on the balance sheet as deferred revenue.

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

(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 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 of carrying value in accordance with Section 3840, Related Party Transactions, rather than a fair value. If the sole relationship is in the capacity of management, the parties involved are deemed to be unrelated for purposes of Section 3856, Financial Instruments, and as such, transactions will be initially measured at fair value.

VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Notes to Financial Statements (continued)

December 31, 2025

1. Significant accounting policies (continued):

(i) Silviculture obligation:

The Partnership harvests timber under Community Forest Agreements (note 5) with the Province of British Columbia. Estimated future timber reforestation and silviculture obligations are accrued and expensed based on the volume of timber removed.

(j) 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. Property and equipment:

			2025	2024
	Cost	Accumulated amortization	Net book value	Net book value
Computer and software	\$ 23,536	\$ 12,423	\$ 11,113	\$ 13,929
Vehicles	187,514	113,304	74,210	102,793
	\$ 211,050	\$ 125,727	\$ 85,323	\$ 116,722

3. Forest licences:

The Partnership has entered into four Community Forest Tenure Agreements with the Province of British Columbia. The Agreements are for a twenty-five year term respectively and give the Partnership the right to harvest certain levels of timber on an annual basis and in total over the terms of the Agreements.

VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Notes to Financial Statements (continued)

December 31, 2025

3. Forest licences (continued):

	Cost	Accumulated amortization	Net book value 2025	Net book value 2024
Forest licence - A93987	\$ 85,893	\$ 27,330	\$ 58,563	\$ 62,468
Forest licence - Community Forest Agreement K2T	1	-	1	1
Forest licence - Community Forest Agreement K5Q	1,307,072	415,886	891,186	950,598
Woodlot licence - WL277	156,800	45,733	111,067	117,600
	\$ 1,549,766	\$ 488,949	\$ 1,060,817	\$ 1,130,667

4. Accounts payable and accrued liabilities:

	2025	2024
Trade payables	\$ 220,981	\$ 557,030
Logging holdbacks	48,582	32,607
Wages & Benefits payable	25,511	17,781
Government remittances payable	-	4,537
	\$ 295,074	\$ 611,955

VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Notes to Financial Statements (continued)

December 31, 2025

5. Due from related party:

The balance due from Valemount Industrial Park Limited Partnership, related by way of common ownership, is unsecured and has no specified terms of repayment. In 2023, it has been written down to net realizable value.

	2025	2024
Valemount Industrial Park Limited Partnership	\$ 2,900,000	\$ 2,900,000
Less write down to net realizable value	(2,900,000)	(2,900,000)
	\$ -	\$ -

6. Silviculture obligation:

	2025	2024
Silviculture obligation, beginning of year	\$ 617,536	\$ 645,163
Increase in accrual due to current year logging	930,655	639,845
Actual silviculture costs paid in the year	(430,690)	(667,472)
Silviculture obligation, end of year	1,117,501	617,536
Less: current portion	(265,983)	(322,820)
Long-term portion	\$ 851,518	\$ 294,716

The silviculture obligation is in respect of harvesting undertaken subsequent to the transfer of the timber licenses to the Partnership.

7. Due to partner:

The balance due to Valemount Community Forest Company Ltd. is unsecured, has no specified terms of repayment and is due on demand.

VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Notes to Financial Statements (continued)

December 31, 2025

8. 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.

	2025	2024
Ainslie Jackman, Director of the general partner:		
Planning	\$ 454	\$ -
The Corporation of the Village of Valemount, partner:		
Accounts payable	\$ 5,196	\$ 17,642
Advertising	1,276	1,888
Legal	6,980	9,556
Grant writing fees	8,000	8,000
Grants	500	500
Cliff Jackman Contracting Ltd., owned by the spouse of a Director of the general partner:		
Subcontracting - logging and roads	\$ 7,076	\$ 76,697
Jackpine Construction Ltd., owned by the son of a Director of the general partner		
Accounts payable	\$ -	\$ 1,473
Subcontracting - logging and roads	273,121	155,078
Valemount Industrial Park Limited Partnership, related by way of common ownership:		
Accounts receivable	\$ 304,221	\$ 1,417,128
Log sales	(377,388)	(492,034)
Grant in-lieu of accounts receivable collection	1,312,888	-
Grants	203,964	-
Office and general	4,000	-
Rent	75,000	75,000
Scales	-	870
Swift Creek Holdings, owned by a Director of the general partner:		
Subcontracting - logging and roads	\$ 1,100	\$ 2,671

VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Notes to Financial Statements (continued)

December 31, 2025

9. Financial risks and concentration of risk:

The Partnership's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, silviculture obligation and provision for road decommissioning. In management's opinion, the Partnership is not subject to interest rate risk and currency risk as they do not make purchases denominated in foreign currency.

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 changes to the risk exposures from 2024.

Concentration of risk:

(a) Industry:

The Partnership sells logs 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.

(b) Limited counterparties:

A substantial portion of the Partnership's operating revenue is derived from the sale of products to one customer. Sales to this customer accounted for 68% (2024 - 61%) of revenue. The loss of this relationship would have a significant impact on the Partnership's revenue.

10. Comparative information:

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 earnings.