

Financial Statements of

**LOGAN LAKE COMMUNITY  
FOREST CORPORATION**

And Independent Auditors' Report thereon

Year ended December 31, 2025



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## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholder of Logan Lake Community Forest Corporation

### ***Opinion***

We have audited the financial statements of Logan Lake Community Forest Corporation (the Entity), which comprise:

- the balance sheet as at December 31, 2025
  - 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 financial statements, including a summary of significant accounting policies
- (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2025, 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 Entity 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 - Basis of Preparation***

We draw attention to Note 1(a) to the financial statements, which describes the basis for accounting.

The financial statements are prepared for the purpose of the District of Logan Lake's oversight of the Logan Lake Community Forest Corporation and its financial performance.

As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect to this matter.



### ***Other Matter - Restriction on Use***

Our report is intended solely for the District of Logan Lake and the Logan Lake Community Forest Corporation and should not be used by parties other than the District of Logan Lake and the Logan Lake Community Forest Corporation.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for private enterprises, 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 Entity'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 Entity 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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' in a cursive, slanted font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants

Vernon, Canada

June 11, 2026

# LOGAN LAKE COMMUNITY FOREST CORPORATION

## Balance Sheet

December 31, 2025, with comparative information for 2024

	2025	2024
<b>Assets</b>		
Current assets:		
Cash	\$ 1,179,753	\$ 2,063,655
Investments and marketable securities (note 2)	2,464,499	1,356,202
Accounts receivable (note 3)	70,050	151,739
Prepaid expenses	16,154	4,345
	\$ 3,730,456	\$ 3,575,941

## Liabilities and Shareholder's Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 556,476	\$ 284,452
Deferred revenue	25,000	-
Current portion of silviculture liability (note 4)	639,159	455,583
	1,220,635	740,035
Accrued silviculture liability (note 4)	1,370,445	1,815,513
	2,591,080	2,555,548
Shareholder's equity:		
Share capital (note 5)	120	120
Retained earnings	1,139,256	1,020,273
	1,139,376	1,020,393
Related party transactions (note 6)		
	\$ 3,730,456	\$ 3,575,941

See accompanying notes to financial statements.

On behalf of the Board:



Director

Director

# LOGAN LAKE COMMUNITY FOREST CORPORATION

## Statement of Earnings and Retained Earnings

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

	2025	2024
Revenue:		
Logging	\$ 469,211	\$ 2,909,939
Project	1,651,995	1,482,450
	<u>2,121,206</u>	<u>4,392,389</u>
Expenses:		
Administrative	73,677	36,952
Consulting fees	872,242	564,019
Fire prevention	-	1,789
Forest licence fees	43,306	8,140
Implementation services	723,094	897,189
Professional fees	30,396	19,406
Silviculture	343,161	1,868,045
Stumpage and supplies	19,659	146,709
	<u>2,105,535</u>	<u>3,542,249</u>
Earnings before the undernoted items	15,671	850,140
Other income (expenses):		
Gain on sale of investments	9,589	13,059
Investment income	91,360	55,060
Investment management fees	(15,717)	(12,637)
Project sponsorships	(5,000)	(47,076)
Unrealized gain from investments and marketable securities measured at fair value	23,080	51,425
	<u>103,312</u>	<u>59,831</u>
Net earnings for the year	118,983	909,971
Retained earnings, beginning of year	1,020,273	110,302
Retained earnings, end of year	<u>\$ 1,139,256</u>	<u>\$ 1,020,273</u>

See accompanying notes to financial statements.

# LOGAN LAKE COMMUNITY FOREST CORPORATION

## Statement of Cash Flows

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

	2025	2024
Cash provided by (used in):		
Operations:		
Net earnings (loss) for the year	\$ 118,983	\$ 909,971
Items not involving cash:		
Unrealized gain from investments and marketable securities measured at fair value	(23,080)	(51,425)
Gain from sale of investments and marketable securities	(9,589)	(13,059)
Change in non-cash operating working capital:		
Accounts receivable	81,689	(60,482)
Prepaid expenses	(11,809)	8,468
Accounts payable and accrued liabilities	272,023	(153,055)
Silviculture liability	(261,491)	1,220,032
Deferred revenue	25,000	-
	191,726	1,860,450
Investing:		
Purchase of investments and marketable securities	(1,091,345)	(55,043)
Proceeds on disposal of investments and marketable securities	15,717	12,637
	(1,075,628)	(42,406)
(Decrease) increase in cash	(883,902)	1,818,044
Cash, beginning of year	2,063,655	245,611
Cash, end of year	\$ 1,179,753	\$ 2,063,655

See accompanying notes to financial statements.

# LOGAN LAKE COMMUNITY FOREST CORPORATION

Notes to Financial Statements

Year ended December 31, 2025

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Logan Lake Community Forest Corporation (the "Corporation") was incorporated on January 25, 2007, under the laws of the Province of British Columbia and its major activity is utilizing certain timber rights pursuant to a permanent Community Forest Agreement issued on December 1, 2011.

## 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") in preparing their general purpose financial statements.

The Corporation is considered to be a GBE under Canadian Public Sector Accounting Standards and should be preparing IFRS financial statements. The Corporation has not prepared general purpose IFRS financial statements. Rather, these special purpose 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 District of Logan Lake's oversight of the Corporation and its financial performance. As a result, the financial statements may not be suitable for another purpose.

### (b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits, which are highly liquid with original maturities of less than three months from the date of acquisition.

### (c) Accrued silviculture liability:

The future estimated silviculture liability is accrued on the basis of the volume of timber cut from which revenue is earned by the Corporation. The obligation is accrued as the Corporation's share of the discounted estimated silviculture costs in the period in which the legal obligation was incurred. In periods subsequent to the initial measurement, changes in the liability resulting from the passage of time and revisions to fair value calculation are recognized in the statement of operations as they occur.

# LOGAN LAKE COMMUNITY FOREST CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

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## 1. Significant accounting policies (continued):

### (d) Revenue recognition:

The Corporation recognizes logging revenue on a fixed fee per cubic meter of scaled sawlog volumes delivered to a production facility, from the timber harvested pursuant to any cutting permits issued to the Corporation pursuant to the Community Forest Agreement ("CFA"). The income earned is recognized upon measurement and delivery to the mill yards, and collection of the receivable is reasonably assured.

Project revenue is recorded when receivable and in the period in which the related expenses are incurred. Project revenue received that relates to future expenses is included in deferred revenue. Investment income is reported as revenue in the period earned.

### (e) Use of estimates:

The preparation of the financial statements, in conformity with ASPE, 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. Significant items subject to such estimates and assumptions include the estimated silviculture liability and the recoverable amount of accounts receivable. Actual results could differ from those estimates.

### (f) Financial instruments:

#### (i) Initial measurement:

Financial instruments are measured at fair value on origination or acquisition, adjusted by, in the case of financial instruments that will not be subsequently measured at fair value, financing fees and transaction costs. All other transaction costs are recognized in net income in the year incurred.

When the Corporation issues a financial instrument that contains both a liability and an equity element, it measures the equity component as zero and allocates the entire proceeds to the liability component.

# LOGAN LAKE COMMUNITY FOREST CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

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## 1. Significant accounting policies (continued):

### (f) Financial instruments (continued):

#### (ii) Subsequent to initial recognition:

Investments in equity instruments that are quoted in an active market and free standing derivatives that are not designated in a qualifying hedging relationship are measured at fair value without any adjustment for transaction costs that may be incurred on sale or other disposal. Changes in fair value are recognized in net income in the period incurred. Investments in equity instruments that are not quoted in an active market are measured at cost, less any reduction for impairment. Other financial instruments are measured at amortized cost.

#### (iii) Impairment:

At year end, the Corporation assesses whether there are any indications that a financial asset measured at cost or amortized cost may be impaired. For purposes of impairment testing, each individually significant asset is assessed individually; the balance of the assets are grouped on the basis of similar credit risk characteristics. When there is an indication of impairment, the Corporation determines whether a significant adverse change has occurred during the year in the expected timing or amount of future cash flows from the financial asset. When there has been a significant adverse change, the carrying amount of the asset is reduced to the highest of the present value of expected cash flows; the amount that could be realized by selling the asset; and the amount that could be realized by exercising the Corporation's right to any collateral held as security.

When the extent of impairment decreases and the decrease can be related to an event occurring after the impairment was recognized, the impairment is reversed to the extent of the improvement in the year the reversal occurs.

### (g) Income taxes:

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

# LOGAN LAKE COMMUNITY FOREST CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

## 2. Investments and marketable securities:

The Corporation holds various mutual funds and deposit notes. These investments are carried at fair market value.

	2025	2024
Balance, beginning of year	\$ 1,356,202	\$ 1,249,312
Purchases	1,091,345	55,043
Disposals	(6,128)	422
Fair value adjustment	23,080	51,425
Balance, end of year	\$ 2,464,499	\$ 1,356,202

## 3. Accounts receivable:

Included in accounts receivable are amounts owing from the District of Logan Lake of \$nil (2024 - \$46,750).

## 4. Accrued silviculture liability:

The Corporation's silviculture obligation relates to legislation that requires the Corporation to incur the cost of reforestation on its forest timber licenses and forest tenures.

	2025	2024
Silviculture liability, beginning of year	\$ 2,271,096	\$ 1,051,064
Silviculture costs incurred during the year	(604,652)	(648,013)
Change in provision during the year, net of accretion	343,161	1,868,045
Reforestation obligation at end of year	2,009,605	2,271,096
Less: current portion of reforestation obligation	639,159	455,583
	\$ 1,370,446	\$ 1,815,513

The total undiscounted amount of the estimated future expenditures required to settle the reforestation obligation at December 31, 2025 is \$2,392,112 (2024 - \$2,663,641). The reforestation expenditures are expected to occur over the next 1 to 17 years and have been discounted at a long-term risk-free interest rate of 4.68% (2024 - 4.37%).

# LOGAN LAKE COMMUNITY FOREST CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

## 5. Share capital:

	2025	2024
Authorized:		
Unlimited Class A common shares, voting, participating, no par value		
Unlimited Class B preferred shares, non-voting, participating, redeemable at \$1,000 per share, no par value		
Issued:		
120 Class A common shares	\$ 120	\$ 120
	\$ 120	\$ 120

## 6. Related party transactions:

During the year, the Corporation received payment of \$nil (2024 - \$46,750) from the District of Logan Lake for reimbursement of Wildfire Resiliency Plan project costs and paid administrative expenses of \$1,854 (2024 - \$2,099). The Corporation also donated \$nil (2024 - \$nil) to the District of Logan Lake for contributions to be used towards community events and various capital projects.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 7. Financial instruments

There has been no change to the risk exposures from the prior year.

### (a) Credit risk:

Credit risk is the risk the Corporation will suffer a financial loss due to a third party failing to meet its financial contractual obligations with the Corporation. The maximum credit risk exposure for relates to the trade accounts receivable which are due from the Corporation's customers. There have been no changes to the credit policy.

# LOGAN LAKE COMMUNITY FOREST CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

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## 7. Financial instruments (continued):

### (b) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation prepares budgets to mitigate this risk. The Corporation does not consider its exposure to liquidity risk to be material at this time.

### (c) Concentration of risk:

During the year, the Corporation earned 100% of its logging income from one company. The Corporation relies on contracts with private forest companies and other entities in order to operate. The Corporation operates in the forestry sector and a decline in demand for forest products would adversely effect financial results.

### (d) Investment risk:

The Corporation's investments in marketable securities are measured at fair value. Fair value is determined using the net asset value ("NAV") of the underlying investment funds are reported by the fund managers at the reporting date. The NAV represents the Corporation's proportionate interest in the net assets of the fund and is considered to be a reasonable approximation of the fair value.

The Corporation does not make any adjustments to the NAV reported by the investment managers, as management believes the NAV is based on observable market inputs and redemption prices available at the reporting date. As a result, the Corporation is not exposed to significant valuation uncertainty with respect to these investments.

The Corporation is not involved in any derivative financial instruments for trading purposes. The Corporation's investment portfolio is managed by a single investment manager and is diversified across a range of marketable securities. Management does not believe the Corporation is exposed to significant investment risk.