COMFOR MANAGEMENT SERVICES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2015

COMFOR MANAGEMENT SERVICES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2015

CONTENTS

ComFor
Management Services Ltd.
P.O. BOX 788, BURNS LAKE, BC V0J 1E0
TEL: (250) 692-7724 FAX: (250) 692-7767

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Comfor Management Services Ltd. for the year ended October 31, 2015 were prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgements and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 3 to the consolidated financial statements.

Management has established systems of internal control over the financial reporting process, which were designed to provide reasonable assurance that relevant and reliable financial information is produced. The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. The members of the Board of Directors are not officers of the company. The Board of Directors meets with management as well as with the independent auditors to review the internal controls over the financial reporting process, the consolidated financial statement, and the auditor's report. The Board of Directors also review the Annual Report to ensure that the financial information reported therein is consistent with the information presented in the financial statements. The Board of Directors approves the consolidated financial statements for issuance to the shareholder and to other users on February 25, 2016.

Management recognized its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Jim McCormack
President of the Board of Directors

Kerry Martin
Operations Manager

February 25, 2016

Comfor Management Services Ltd.
P.O Box 788
Burns Lake, BC V0J 1E0

EDMISON MEHR
CHARTERED PROFESSIONAL ACCOUNTANTS

Box 969 1090 Main Street
Smithers, B.C. V0J 2N0
Tel (250)847-4325 Fax (250)847-3074
E-mail: info@edmisonmehr.ca

Partners:
BRIAN R. EDMISON, B.A., CPA, CA
MICHAEL B. MEHR, B.Comm, CPA, CA
JEANNE M. MACNEIL, B.Comm, CPA, CA

INDEPENDENT AUDITOR'S REPORT

To the Directors of
COMFOR MANAGEMENT SERVICES LTD.
BURNS LAKE, BC

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of COMFOR MANAGEMENT SERVICES LTD. and its subsidiaries, which comprise the Consolidated Statement of Financial Position as at October 31, 2015 and the Consolidated Statement of Comprehensive Income and Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of COMFOR MANAGEMENT SERVICES LTD. as at October 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Edmison Mehr

Smithers, B.C.
February 25, 2016

Edmison Mehr

COMFOR MANAGEMENT SERVICES LTD.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2015

	2015	2014
ASSETS		
CURRENT		
Cash	$ 2,525,131	$ 2,203,720
Accounts receivable	2,831	8,734
GST receivable	25,118	4,771
Prepaid expenses and deposits	95,128	98,804
	2,648,208	2,316,029
PROPERTY, PLANT AND EQUIPMENT, Note 4	521,848	560,792
OTHER ASSETS		
Investments, long term, Note 5	7,120,572	6,847,824
Province of British Columbia silviculture deposit	500,000	500,000
Loan receivable - Community Futures of Nadina	17,500	17,500
	7,638,072	7,365,324
	$ 10,808,128	$10,242,145
LIABILITIES		
CURRENT		
Accounts payable and accrued expenses	$ 226,141	$ 66,914
Wages and benefits payable	13,265	10,454
Accrued stakeholder license agreement payable	385,185	364,649
Accrued reforestation costs, Note 6	500,000	528,000
	1,124,591	970,017
ACCRUED REFORESTATION COSTS, Note 6	2,773,389	2,878,338
DUE TO SHAREHOLDER	1	1
SHAREHOLDER'S EQUITY		
SHARE CAPITAL, Note 7	1	1
RETAINED EARNINGS	6,910,146	6,393,788
	6,910,147	6,393,789
	$ 10,808,128	$10,242,145

APPROVED BY THE BOARD:

Jim McConnach DIRECTOR

Tim Tam DIRECTOR

COMFOR MANAGEMENT SERVICES LTD.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND CHANGES IN EQUITY
FOR THE YEAR ENDED OCTOBER 31, 2015

	2015	2014
CONTINUING OPERATIONS:		
REVENUE	$ 6,132,199	$ 4,777,112
COST OF SALES		
Harvesting and supervision	3,366,265	2,965,096
Silviculture obligation	362,325	351,129
Stumpage	136,460	49,416
Road maintenance	223,401	228,345
Planning, mapping and permits	453,353	120,750
Depreciation	26,772	27,048
Stakeholder license agreement distribution, Note 8	385,185	364,649
	4,953,761	4,106,433
GROSS PROFIT	1,178,438	670,679
ADMINISTRATIVE EXPENSES, Schedule	381,317	321,052
PROFIT FROM OPERATIONS	797,121	349,627
OTHER INCOME (EXPENSES):		
Investment income (loss)	156,420	335,209
Gain on disposal of capital assets	13,800	41,800
Donations, Note 8	(578,436)	(75,741)
	(408,216)	301,268
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	388,905	650,895
DISCONTINUED OPERATIONS		
Profit (loss) for the period from discontinued operations	-	(2,629)
PROFIT FOR THE YEAR	388,905	648,266
UNREALIZED GAIN - AVAILABLE FOR SALE SECURITIES	127,453	121,744
COMPREHENSIVE INCOME FOR THE YEAR	516,358	770,010
RETAINED EARNINGS, beginning of year, as originally stated	6,758,437	5,623,778
Correction of prior year error, Note 9	(364,649)	-
RETAINED EARNING, beginning of year, as restated	6,393,788	5,623,778
RETAINED EARNINGS, end of year	$ 6,910,146	$ 6,393,788

COMFOR MANAGEMENT SERVICES LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Comprehensive income for the year	$ 516,358	$ 770,010
Add: Items not involving cash		
Depreciation	38,944	41,304
Decrease (increase) in value of investments	(127,453)	(121,744)
Gain on disposal of capital assets	(13,800)	(41,800)
	414,049	647,770
Net change in non-cash working capital		
Net (increase) decrease in:		
Accounts receivable	5,903	84,590
GST receivable	(20,347)	(2,233)
Prepaid expenses and deposits	3,676	30,169
Net increase (decrease) in:		
Accounts payable and accrued expenses	159,227	(69,148)
Wages and benefits payable	2,811	(16,543)
Accrued stakeholder license agreement payable	20,536	364,649
Accrued reforestation costs	(132,949)	44,732
	38,857	436,216
Cash flows from (used in) operating activities	452,906	1,083,986
INVESTING ACTIVITIES		
Proceeds on disposal of capital assets	13,800	41,800
Purchase of investments	(145,295)	(1,438,979)
	(131,495)	(1,397,179)
INCREASE (DECREASE) IN CASH	321,411	(313,193)
CASH, beginning of year	2,203,720	2,516,913
CASH, end of year	$ 2,525,131	2,203,720

COMFOR MANAGEMENT SERVICES LTD.
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2015

	2015	2014
Accounting	$ 31,234	$ 20,920
Advertising and promotion	6,047	3,912
Automotive	14,850	5,163
Bank charges and interest	1,907	1,710
Depreciation	12,172	14,256
Directors fees	43,749	39,165
Insurance	13,720	12,344
Legal	6,081	7,961
Licenses	14,832	7,025
Office	23,885	18,873
Property taxes	12,878	9,770
Repairs and maintenance	6,292	5,760
Telephone	8,004	8,041
Travel and meals	3,335	942
Utilities	9,279	8,007
Wages and benefits	173,052	157,203
	$ 381,317	$ 321,052

COMFOR MANAGEMENT SERVICES LTD.
NOTES TO THE CONSOLIDTED FINANCIAL STATEMENTS
OCTOBER 31, 2015

1. NATURE OF THE REPORTING ENTITY AND OPERATIONS

The company is 100% owned and controlled by the Corporation of the Village of Burns Lake.

The corporation was incorporated October 5, 2001 under the Business Corporations Act of British Columbia. The registered address for the corporation is 117 Hwy 16, Burns Lake BC. The presentation and functional currency of the corporation is the Canadian dollar.

The nature of the corporate group's operations is to operate Community Forest License K1A under a Community Forest Agreement with the Province of British Columbia. The original Community Forest Agreement has been replaced with an agreement commencing on April 12, 2015 for a period of 25 years. All operations of the corporate group are conducted in the Burns Lake, BC area.

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") and have been authorized for issue by the Board of Directors on February 25, 2016. The company has adopted all IFRS issued and in effect at October 31, 2015.

b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except available-for-sale financial assets. The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

c) Basis of consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries as stated below. Sheraton Holdings Ltd. was amalgamated with Burns Lake Community Forest Ltd. effective November 1, 2014.

Comfor Management Services Ltd. (parent company)
Burns Lake Community Forest Ltd. (100% owned subsidiary)
Sheraton Holdings Ltd. (100% owned subsidiary to amalgamation date of November 1, 2014))

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies used by management in the preparation of these consolidated financial statements.

Cash

Cash includes cash and cash equivalents. Cash equivalents are bank deposits and investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Trade and other receivables

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated taking into account fees or costs that are an integral part of the effective interest rate. The effective interest rate amortized is included in other income, as part of service charges income, in the statement of income and comprehensive income. The losses arising from impairments are recognized in the non-consolidated statement of income and comprehensive income as bad debts.

Inventory

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

Work in progress

Work in progress is valued at the lower of cost and net realizable value. Cost is determined under the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated selling costs. Cost of work in progress includes materials, direct labour, overhead and other costs incurred in bringing the work in progress to their present location and condition.

Work in progress is written down to net realizable value when the cost of the work in progress is not estimated to be recoverable. When the circumstances that previously caused the work in progress to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the writedown is reversed (the reversal is limited to the amount of the original write-down).

Property, plant and equipment

Property, plant and equipment are recorded at cost and are depreciated over their estimated useful lives on a straight-line basis at the following annual rates:

Buildings	5% and 10%
Roads and bridges	20%
Tools and equipment	20%
Logging and automotive	20%
Computer and office	20%

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Provision for accrued silviculture costs

The Corporation is subject to requirements relating to the reforestation under its timber forest licence. The Corporation records the estimated costs associated with reforestation when the timber is harvested. The estimated costs are determined by management based on the Corporation's operational plans, past experience, and independent expert analysis. The assessment is based on the location and terrain of the specific cut blocks and may differ from the actual costs associated with reforestation of the cut blocks. Upon harvesting the timber, the related silvicultural costs are recorded as a liability with the related expenses being recorded in logging expenses - silviculture. All subsequent expenditures relating to the reforestation of these cut blocks are recorded against the related liability.

Income taxes

The parent company which is 100% owned and controlled by the Corporation of the Village of Burns Lake and its wholly owned subsidiary company are exempt from taxation for all activities within the boundaries of the municipality and also are exempt from taxation for its business activities performed on Crown land under a direct written agreement with the Crown. For the current year all activities are exempt from taxation. Should the company realize income from non-exempt activities greater than 10% of the total income for the company then the income tax accounting policy is as described below.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Revenue recognition

Sales revenue is recognized when the significant risks and rewards of ownership of its product are transferred to the customer, which is generally when goods are shipped or delivered to the customer, and when ultimate collection is reasonably assured.

Interest revenue is recognized using the accrual method.

Financial Instruments

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a settlement date basis. The Corporation's accounting policy for each category is as follows:

a) Financial assets at fair value through profit or loss.

A financial asset is classified as fair value through profit or loss (FVTPL) if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk management or investment strategy. Financial assets designated as FVTPL are measured at fair value, and changes therein are recognized in profit or loss.

The Corporation has classified cash as FVTPL assets.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

b) Loans and Receivables

The Corporation has classified accounts receivable and loans receivable (current and long term) as loans and receivables. These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Corporation has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in income. The losses arising from impairment are recognized in income or loss. The Corporation did not have any held-to-maturity investments during the years ended October 31, 2015 and 2014.

d) Available-for-sale financial assets

Nonderivative financial assets not included in the above categories are classified as available-for-sale and comprise principally the Corporation's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive income or loss. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive income or loss, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost. The Corporation has classified long term investments as available-for-sale financial assets.

Impairment on Financial Assets

At each reporting date the Corporation assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Corporation that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the income statement.

b) Other financial liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of accounts payables and accrued liabilities and dividend payable. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Accounts payables and accrued liabilities represent liabilities for goods and services provided to the Corporation prior to the end of the period which are unpaid. Accounts payable and accrued liabilities amounts are unsecured and are usually paid within 30 days of recognition.

Critical accounting estimates and judgments

The Corporation makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgment are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in comprehensive income in the period of change, if the change affects that period only, or in the period of the change and future periods, if the change affects both. Information about critical accounting estimates that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are outlined below:

Accrued silvicultural costs

The Corporation accrues the estimated discounted cost of reforestation required under its timber forest licence at the time the timber is harvested. The estimated costs are determined by management based on the Corporation's operational plans, past experience, and independent expert analysis. The assessment is based on the location and terrain of the specific cut blocks and may differ from the actual costs associated with reforestation of the cut blocks. Estimates are reviewed annually by management with any changes being applied prospectively.

Accounting policies not yet adopted

There are new pronouncements subsequently issued which were not effective for fiscal years ending October 31, 2015 which were not early adopted. None of these pronouncements would be expected to have a material impact on the Corporation reporting.

IFRS 9 Financial Instruments. IFRS 9, published in July 2014, replaces the existing guidance IAS 39 Financial Instruments - Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment of financial assets. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 Revenue from Contracts with Customers. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is to be recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue. IFRS 15 is effective for annual reporting periods on or after January 1, 2017, with early adoption permitted.

The Company has chosen not to early adopt either of the above standards.

4. PROPERTY, PLANT AND EQUIPMENT

	BUILDINGS	ROADS AND BRIDGES	TOOLS AND EQUIPMENT	LOGGING AND AUTOMOTIVE	COMPUTER AND OFFICE	LAND	TOTAL
COST:							
Balance, beginning of year	$ 427,581	938,689	1,167,242	293,768	292,051	414,193	$ 3,533,524
Additions	-	-	-	-	-	-	-
Disposals	-	-	(78,429)	(137,653)	(30,515)	-	(246,597)
Balance, end of year	427,581	938,689	1,088,813	156,115	261,536	414,193	3,286,927
ACCUMULATED DEPRECIATION:							
Balance, beginning of year	293,224	938,688	1,165,093	293,767	281,960	-	2,972,732
Depreciation	33,902	-	1,725	-	3,317	-	38,944
Disposals	-	-	(78,429)	(137,653)	(30,515)	-	(246,597)
Balance, at end of year	327,126	938,688	1,088,389	156,114	254,762	-	2,765,079
NET BOOK VALUE:							
Balance, beginning of year	$ 134,357	1	2,149	1	10,091	414,193	$ 560,792
Balance, at end of year	$ 100,455	1	424	1	6,774	414,193	$ 521,848

5. INVESTMENTS, LONG TERM

	2015	2014
Mutual funds	$ 7,073,098	$ 6,824,860
Broker account	47,474	22,964
	$ 7,120,572	$ 6,847,824

The total cost of the mutual funds at October 31, 2015 is $6,547,948. The fair value measurement of the mutual funds are derived from Level 1 input values (see Note 10).

6. ACCRUED REFORESTATION COSTS

The Corporation is responsible for the cost of reforestation required under its timber forest license related to areas logged. The estimated cost is accrued at the appraised value as prescribed by the Province of BC rate allowed for each specific area less any silviculture costs incurred to date. The estimated accrual is the amount required to reforest to the free growing stage as approved by the Province of BC. As there are many unknown factors that could effect the actual cost to reforest and the time required to achieve a free growing status can often be ten or more years, the future actual cost may differ from that accrued and recorded as an expense in each year.

	2015	2014
Balance - beginning of year	$ 3,406,338	$ 3,361,606
Silviculture provision for harvest in year		
Hectares harvested in year	527.3	445.6
Accrual rate per hectare	900	900
	474,570	401,040
Other provision adjustments in year		
Surplus provision on Free to Grow stands in year	(48,841)	(32,124)
Other adjustments to specific stands	(63,404)	(16,109)
Total silviculture accrual addition for year	362,325	352,807
Silviculture costs incurred in year	(495,274)	(308,075)
Total accrued silviculture costs	3,273,389	3,406,338
Less: current portion of accrued silviculture costs	500,000	528,000
Long term portion of accrued silviculture costs	$ 2,773,389	$ 2,878,338

7. SHARE CAPITAL

Authorized

1,000	Class 'A' common non-participating voting shares
10,000	Class 'B' common participating voting shares
10,000	Class 'C' common participating non-voting shares
100,000	Class 'D' common participating non-voting shares
100,000	Class 'E' preferred non-cumulative non-voting shares
100,000	Class 'F' preferred non-cumulative non-voting shares
100,000	Class 'G' preferred non-cumulative non-voting shares
100,000	Class 'H' preferred non-cumulative non-voting shares
100,000	Class 'I' preferred non-cumulative non-voting shares
100,000	Class 'J' preferred non-cumulative non-voting shares

		2015	2014
Issued			
1	Class 'B' common	$ 1	$ 1

8. STAKEHOLDER AND COMMUNITY DISTRIBUTIONS AND DONATIONS

Under the terms of the Community Forest Agreement K1A with the Ministry of Forest Lands and Natural Resource Operations the company is required to distribute 18% of the after tax net profit of the licensee company. The payments required under this agreement are accrued annually and are recorded as cost of sales expense. In addition the company provides donations to the stakeholder entities and to community organizations. The distributions and donations during the year are as follows:

	2015	2014
Stakeholder license agreement distribution	$ 385,185	$ 364,649
Stakeholder donations:		
Village of Burns Lake	$ 220,172	$ -
Burns Lake First Nation	37,847	-
Wet'suwet'en First Nation	37,847	-
Total stakeholder donations	295,866	-
Other community donations	282,570	75,741
Total donations	$ 578,436	$ 75,741

9. CORRECTION OF PRIOR YEAR ERROR

Under the terms of the Community Forest Agreement K1A with the Ministry of Forest Lands and Natural Resource Operations the company is required to distribute 18% of the after tax net profit of the licensee company. No payment was accrued at October 31, 2014 in error. These financial statements correct for this error by recording the stakeholder license agreement distribution expense of $364,649 for the year ended October 31, 2014 as well as recording accrued stakeholder license agreement distribution payable at October 31, 2014 for the same amount. As a result comprehensive income for the year and retained earnings at end of year for the October 31, 2014 year have decreased by $364,649.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfil its payment obligations. Financial instruments that potentially subject the Corporation to a concentration of credit risk consist primarily of cash, investments and accounts receivable. The Corporation limits its exposure to credit loss by placing its cash and investments with major Canadian financial institutions. The Corporation reduces its credit risk from customers by reviewing a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. The Corporation has a small number of customers which results in a concentration of credit risk. The Corporation's maximum exposure to credit risk for cash, investments and accounts receivable at the year end are the amounts disclosed in the statement of financial position.

Fair Value risk

All financial instruments measured at fair value are categorized into one of three hierarchy levels for disclosure purposes (described below). Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

Level 1 - Values are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - Values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 - Values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Foreign Currency risk

Currency risk is the risk to the Corporation's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Corporation is exposed to foreign currency exchange risk on cash, accounts receivable, investments and accounts payable held in U.S. dollars. The Corporation does not use derivative instruments to reduce its exposure to foreign currency risk. Other than investments held in U.S. dollars from time to time, the Corporation's currency risk is not significant.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to evaluate current and expected liquidity requirements under both normal and stressed conditions to ensure that it maintains sufficient reserves of cash or have an available credit facility to meet its liquidity requirements in the short and long term.

As at October 31, 2015, the Corporation had a cash balance of $2,525,131 (October 31, 2014 - $2,203,720) to settle current liabilities (excluding silviculture provision) of $563,961 (October 31, 2014 - $442,017). The Corporation intends to settle these with funds from its positive working capital position.

Market risk

Market risk incorporates a range of risks. Movement in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Corporation is exposed to these risks as the ability of the Corporation to develop or market its products and the future profitability of the Corporation is related to the market price of logs.

Commodity Price risk

Market risk incorporates a range of risks. Movement in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Corporation is exposed to these risks because the ability of the Corporation to develop or market its products and its ability to earn future profits is related to the market price of logs.

Interest rate risk

The Corporation is exposed to interest rate risk to the extent that the cash, investments and bank indebtedness credit facilities maintained at financial institutions are subject to a floating rate of interest. The interest rate risk on cash, investments and bank indebtedness is not considered significant.

Capital Management

The Corporation has an ongoing process of determining and maintaining the quantity and quality of capital appropriate to support it's planned operations and the Corporation's license agreeement requirements.