COMFOR MANAGEMENT SERVICES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2023

COMFOR MANAGEMENT SERVICES LTD.

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ComFor

Management Services Ltd.

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Comfor Management Services Ltd. for the year ended October 31, 2023 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 Corporation's circumstances. The significant accounting policies of the Corporation 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 corporation. 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 April 24, 2024.

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

Chairman of the Board of Directors

General Manager

April 24, 2024

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

EDMISON MEHR
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
COMFOR MANAGEMENT SERVICES LTD.
Burns Lake, BC

Opinion

We have audited the accompanying consolidated financial statements of COMFOR MANAGEMENT SERVICES LTD., which comprise the Consolidated Statement of Financial Position as at October 31, 2023, the Consolidated Statements of Comprehensive Income and Changes in Equity, and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at October 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilites 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated 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 misstatements, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, 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 misstatements when it exists. Misstatements can arise from fraud or errors 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 these consolidated financial statements. As part of an audit in accordance with Canadian auditing standards, we exercise professional judgement and maintain professional skepticism through the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated 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 controls.
- 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 purposes of expressing an opinion on the effectiveness of the Corporation'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 Corporation'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 consolidated 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 Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including disclosure, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

Edmison Mehr

Smithers, BC
April 24, 2024

Edmison Mehr

COMFOR MANAGEMENT SERVICES LTD.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2023

	2023	2022
ASSETS		
CURRENT		
Cash	$ 6,754,184	$ 7,054,027
Accounts receivable	1,241,542	456,809
GST receivable	2,143	82,878
Prepaid expenses	379,345	342,532
	8,377,214	7,936,246
PROPERTY, PLANT AND EQUIPMENT, Note 4	1,776,429	1,369,004
OTHER ASSETS		
Investments, long term, Note 5	7,807,758	7,753,041
Province of British Columbia silviculture deposit	500,000	500,000
	8,307,758	8,253,041
	$ 18,461,401	$ 17,558,291
LIABILITIES		
CURRENT		
Accounts payable and accrued expenses	$ 993,268	$ 608,104
Wages and benefits payable	69,950	58,002
Accrued reforestation costs, Note 6	1,195,000	1,170,000
Deferred lease revenue, Note 7	45,620	45,620
Accrued stakeholder license agreement payable, Note 10	1,283,338	1,575,636
Right-of-use lease liability due within one year, Note 8	13,819	16,700
	3,600,995	3,474,062
ACCRUED REFORESTATION COSTS, Note 6	416,974	316,276
DEFERRED LEASE REVENUE, Note 7	729,933	775,553
DUE TO SHAREHOLDER	1	1
LEASE LIABILITY, Note 8	-	15,936
SHAREHOLDER'S EQUITY		
SHARE CAPITAL, Note 9	1	1
RETAINED EARNINGS	13,713,497	12,976,462
	13,713,498	12,976,463
	$ 18,461,401	$ 17,558,291

APPROVED BY THE BOARD:

_____ DIRECTOR

_____ DIRECTOR

COMFOR MANAGAEMENT SERVICES LTD.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND CHANGES IN EQUITY
FOR THE YEAR ENDED OCTOBER 31, 2023

	2023	2022
REVENUE:		
Logging	$ 14,031,888	$ 9,428,919
Forest enhancement	-	59,850
Administrative and silviculture services and office rental	14,486	49,130
Road maintenance	1,909,558	1,446,337
LNG access lease	45,620	45,620
Other	1,050	13,079
	16,002,602	11,042,935
Cost of sales:		
Harvesting and supervision	7,221,383	1,563,883
Silviculture, Note 6	1,202,206	902,372
Stumpage	15,551	18,233
Road maintenance	2,258,343	1,516,607
Planning, mapping and permits	598,612	554,548
Other forest enhancement special projects	245,388	777,282
Depreciation	276,700	237,921
License agreement distribution, Note 10	1,283,338	1,575,636
	13,101,521	7,146,482
TOTAL GROSS PROFIT	2,901,081	3,896,453
ADMINISTRATIVE EXPENSES, Schedule	794,236	764,429
PROFIT FROM OPERATIONS	2,106,845	3,132,024
OTHER INCOME (EXPENSES):		
Investment income - realized	590,085	248,184
Gain on disposal of capital assets	-	927
Donations, Note 10	(1,954,102)	(2,922,792)
	(1,364,017)	(2,673,681)
PROFIT BEFORE INVESTMENT INCOME - CHANGE IN UNREALIZED	742,828	458,343
Investment income (loss) - change in unrealized	(5,793)	(1,097,815)
COMPREHENSIVE INCOME FOR THE YEAR	737,035	(639,472)
RETAINED EARNINGS, beginning of year	12,976,462	13,615,934
RETAINED EARNINGS, end of year	$ 13,713,497	$ 12,976,462

COMFOR MANAGEMENT SERVICES LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Comprehensive income for the year	$ 737,035	$ (639,472)
Add: Items not involving cash		
Depreciation	296,821	256,906
Gain on disposal of capital assets	-	(927)
	1,033,856	(383,493)
Net change in non-cash working capital		
Net (increase) decrease in:		
Accounts receivable	(784,733)	296,067
GST receivable	80,735	(78,840)
Prepaid expenses	(36,813)	(14,522)
Net increase (decrease) in:		
Accounts payable and accrued expenses	385,167	164,692
Wages and benefits payable	11,948	10,563
Accrued stakeholder license agreement payable	(292,298)	(749,798)
Accrued reforestation costs	125,698	(247,574)
Deferred lease revenue	(45,620)	(45,620)
	(555,916)	(665,032)
Cash flows from (used in) operating activities	477,940	(1,048,525)
FINANCING ACTIVITIES		
Repayment of lease liability	(18,817)	(34,253)
	(18,817)	(34,253)
INVESTING ACTIVITIES		
Purchase of capital assets	(704,248)	(817,537)
Proceeds on disposal of capital assets	-	8,410
Withdrawal from investments	150,000	220,000
Investment (income reinvested) loss incurred	(204,718)	1,610,903
	(758,966)	1,021,776
DECREASE IN CASH	(299,843)	(61,002)
CASH, beginning of year	7,054,027	7,115,029
CASH, end of year	$ 6,754,184	7,054,027

COMFOR MANAGEMENT SERVICES LTD.
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2023

	2023	2022
Advertising, promotion, and communication	$ 8,059	$ 11,682
Automotive	14,810	21,803
Bank charges and interest	3,385	4,148
Communications	20,826	30,342
Depreciation	20,121	18,985
Directors fees	50,475	37,100
Insurance	41,206	32,377
Legal	5,573	12,103
Licenses	8,480	3,887
Office	93,566	92,464
Professional fees - audit and other	35,313	29,684
Property taxes	17,538	17,208
Rent	24,700	19,200
Repairs and maintenance	7,110	8,534
Telephone	7,810	6,402
Travel and meals	33,054	12,640
Utilities	12,111	11,419
Wages and benefits	390,099	394,451
	$ 794,236	$ 764,429

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 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") as issued by the International Accounting Standards Board ("IASB") and have been authorized for issue by the Board of Directors on January 25, 2023. The company has adopted all IFRS issued and in effect at October 31, 2023.

b) Basis of measurement

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 as at and for the years ended October 31, 2023 and October 31, 2022 include the accounts of the company and its subsidiaries as stated below.

Comfor Management Services Ltd. (parent company)
Burns Lake Community Forest Ltd. (100% owned subsidiary)

d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars which is the reporting entity's functional currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies used by management in the preparation of these consolidated financial statements. No changes in accounting policies arose for this fiscal year.

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.

Work in progress - decked wood
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 less accumulated depreciation and accumulated impairment losses 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%

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An assets carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the assets fair value less costs to sell and value in use. Gains and losses on disposals are calculated by comparing proceeds with the carrying amount.

Leased assets

For any new lease contracts entered into on or after November 1, 2018, the Corporation considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Corporation assesses whether the contract meets three key evaluations which are whether;

a) the contract contains an identified asset, which is explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Corporation
b) the Corporation has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
c) the Corporation has the right to direct the use of the identified asset throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Corporation also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Corporation measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Corporation's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of a fixed payment.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment of modification, or if there are changes in substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already amortized to zero.

The Corporation has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets have been included in property, plant and equipment.

Measurement and recognition of leases as a lessor

The Corporation classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. The Corporation recognises assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. The Corporation recognises lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

The Corporation has elected to account for short-term leases and leases of low-value assets using the practical expedients. The receipts in relation to these are recognized as revenue in profit or loss in the month to which the lease receipt relates.

Investments, long term
The purchase and sale of investments are accounted for at the settlement date.

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 silviculture costs are recorded as a liability with the related expense being recorded in logging expenses - silviculture. All subsequent expenditures relating to the reforestation of these cut blocks are recorded against the related liability. When the inherent uncertainty with respect to future costs is reduced to an acceptable level for an individual stand, the accrual is adjusted to the amount of remaining planned costs for the stand.

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

Logging volume 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.

Road maintenance contract revenue is recognized by reference to the stage of completion of contract activity where the outcome of the construction contract can be estimated reliably, otherwise revenue is recognized only to the extent of recoverable contract costs incurred.

Operating lease revenue is recognized on a straight-line basis over the term of the lease.

Other revenue for transactions involving forest enhancement funding are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other revenue for transactions involving the sale of services is recognized when the requirements as to performance are met and ultimate collection is reasonably assured.

Interest revenue is recognized using the accrual method.

Financial Instruments

(a) Recognition and initial measurement

The Corporation initially recognizes a financial asset or a financial liability on the date it becomes a party to the contractual provisions of the instrument. Except for trade receivables that do not contain a significant financing component, a financial asset or financial liability is initially measured at fair value. If a financial asset or financial liability is not subsequently recognized at fair value through profit or loss, the initial measurement includes transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Trade receivables that do not contain a significant financing component are initially recognized at their transaction price.

(b) Classification and subsequent measurement

On initial recognition, the Corporation classifies its financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Corporation's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are reclassified subsequently to their initial recognition when, and only when, the Corporation changes its business model for managing financial assets.

Financial assets measured at amortized cost

The Corporation classifies cash and cash equivalents as well as trade and other receivables as financial assets measured at amortized cost. A financial asset is subsequently measured at amortized cost using the effective interest method, less impairment losses, if:

i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest.

Interest income, foreign exchange gains or losses, and impairment losses are recognized in profit or loss. Upon derecognition, all gains or losses are also recognized in profit or loss.

Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortized cost are measured at fair value through profit or loss. This includes investments, long term. The Corporation may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

These assets are subsequently measured at fair value, and gains or losses, including interest income or dividend income, are recognized in profit or loss.

(c) Classification and subsequent measurement - non-derivative financial liabilities

Financial liabilities are classified as financial liabilities measured at amortized cost or as financial liabilities measured at fair value.

Financial liabilities measured at amortized cost
The Corporation currently classifies the trade and other payables, as financial liabilities measured at amortized cost. A financial liability is subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains or losses are recognized in profit or loss. Upon derecognition, all gains or losses are also recognized in profit or loss.

Financial liabilities measured at fair value through profit or loss
Financial liabilities are classified as measured at fair value through profit or loss if they are held for trading, are derivative financial liabilities or are designated as such on initial recognition. Financial liabilities at fair value through profit or loss are subsequently measured at fair value, and gains or losses, including interest expense, are recognized in profit or loss.

(d) Derecognition

Financial assets
The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when the Corporation transfers contractual rights to receive the cash flows of the financial asset in a transaction where substantially all the risks and rewards of ownership of the financial asset have been transferred or in a transaction where the Corporation neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but does not retain control of the asset. Any rights and obligations created or retained in the transfer by the Corporation are recognized as separate assets or liabilities.

Financial liabilities
The Corporation derecognizes a financial liability when the obligation specified in the contract is discharged or cancelled or expires.

The Corporation also derecognizes a financial liability when there is a substantial modification of the terms of an existing financial liability or a part of it. In this situation, a new financial liability under the new terms is recognized at fair value, and the difference between the carrying amount of the financial liability or a part of the financial liability extinguished and the new financial liability under the new terms is recognized in profit or loss.

(e) Impairment of financial assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost or fair value through other comprehensive income. The Corporation uses a matrix to determine the lifetime expected credit losses for trade receivables.

The Corporation uses historical patterns for the probability of default, the timing of collection and the amount of the incurred credit loss, which is adjusted based on management's judgment about whether current economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

The amount of the impairment loss on a financial asset measured at amortized cost is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss, and applied against trade and other receivables through a loss allowance account.

Critical accounting estimates and judgments

The management of the Corporation makes judgements for estimates and assumptions about the future based on an analysis of relevant information available at the time the decision is made. 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. Judgements relate to the application of accounting policies, recognition and disclosure of financial amounts.

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. When the inherent uncertainty with respect to future costs is reduced to an acceptable level for an individual stand, the accrual is adjusted to the amount of remaining planned costs for the stand. Management has determined that this event occurs ten years after planting.

Standards and interpretations issued but not yet effective

The following standards are not yet effective for the year ended October 31, 2023, and have not been early adopted in these consolidated financial statements. These new and amended standards are not expected to have a significant impact on the Corporation's consolidated financial statements.

(i) Deferred tax related to assets and liabilities arising from a single transaction

On May 7, 2021, the IASB published Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12, Income Tax) that clarify how deferred tax on transactions such as leases and decommissioning obligations is accounted for. The main change in these amendments is an exemption from the initial recognition exemption provided in IAS 12. Accordingly, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities. The amendments are effective for the Corporation's fiscal year beginning January 1, 2023 with early adoption permitted. The Corporation is in the process of assessing the impact of these amendments.

(ii) Definition of accounting estimates

On February 12, 2021, the IASB published Definition of Accounting Estimates (Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors) to help entities to distinguish between accounting policies and accounting estimates. The amendments introduce a new definition for accounting estimates by clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for the Corporation's fiscal year beginning January 1, 2023 with early adoption permitted and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the start of that period. The Corporation is in the process of assessing the impact of these amendments.

(iii)Supplier Finance

For annual periods begining on or after January 1, 2024, there is an amendement to IAS 7 and IFRS 7 which require disclosures to enhance the transparency of supplier finance arragements and their effects on the entity's liabilities and cash flows and exposure to liquidity risk. The Corporation is in the process of assessing the impact of these amendments.

4. PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the years ended October 31, 2023 and October 31, 2022 is as follows:

	BUILDINGS	ROADS AND BRIDGES	TOOLS AND EQUIPMENT	LOGGING AND AUTOMOTIVE	COMPUTER AND OFFICE	LAND	TOTAL
2023:							
COST:							
Balance, October 31, 2022	$ 471,568	1,891,609	813,788	183,151	386,129	405,518	$ 4,151,763
Additions	11,443	514,240	18,409	138,249	21,906	-	704,247
Balance, October 31, 2023	483,011	2,405,849	832,197	321,400	408,035	405,518	4,856,010
ACCUMULATED DEPRECIATION:							
Balance, October 31, 2022	433,723	1,135,623	770,296	91,627	351,490	-	2,782,759
Depreciation	32,201	186,578	8,029	36,300	33,714	-	296,822
Balance, October 31, 2023	465,924	1,322,201	778,325	127,927	385,204	-	3,079,581
NET BOOK VALUE, October 31, 2023	$ 17,087	1,083,648	53,872	193,473	22,831	405,518	$ 1,776,429
2022:							
COST:							
Balance, October 31, 2021	$ 466,568	1,137,069	788,326	223,723	353,594	405,518	$ 3,374,798
Additions	5,000	754,540	25,462	-	32,535	-	817,537
Disposals	-	-	-	(40,572)	-	-	(40,572)
Balance, October 31, 2022	471,568	1,891,609	813,788	183,151	386,129	405,518	4,151,763
ACCUMULATED DEPRECIATION:							
Balance, October 31, 2021	402,285	995,983	763,899	89,402	307,373	-	2,558,942
Depreciation	31,438	139,640	6,397	35,314	44,117	-	256,906
Disposals	-	-	-	(33,089)	-	-	(33,089)
Balance, October 31, 2022	433,723	1,135,623	770,296	91,627	351,490	-	2,782,759
NET BOOK VALUE, October 31, 2022	$ 37,845	755,986	43,492	91,524	34,639	405,518	$ 1,369,004

Included in the Logging and Automotive net book value at October 31, 2022 are two automotive right-to-use lease assets with a total net book value of $31,839 (2021 two automotive right-to-use lease assets with a total net book value is $66,144). The right-to-use lease asset additions for the current year are $nil (2021-$31,285). The depreciation charge for the right-to-use lease assets for the current year is $26,821 (2021-$21,954).

5. INVESTMENTS, LONG TERM

	2023	2022
Mutual funds	$ 6,977,091	$ 7,709,273
Fixed income	765,482	-
Broker account	65,185	43,768
	$ 7,807,758	$ 7,753,041

The total cost of the investments at October 31, 2023 is $7,601,892 (2022 - $7,541,382). 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 rate estimated by management for the discounted costs to reforest. Management has determined the risk for unanticipated future costs is low for stands once 10 years have passed after planting. The estimate will be more accurately determined for all such stands by recording the accrual at the estimated planned costs to complete the reforetation of the stand. The difference between the rate per hectare less actual costs and the future planned costs amount for these particular stands is recognized each year as a current expense (recovery). Small stands (less than 5.9 hectares) are immediately adjusted to planned costs from harvest start due to the necessary higher cost per hectare. As there are many unknown factors that could affect 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.

The Corporation expends approximately 40% of the silviculture provision in proximity to the harvest date as seeds and seedlings are acquired for planting in advance of the planting activity. The planting activity for harvested stands is typically expended within three years of harvest which is approximately 40-45% of the silviculture provision. The remaining 15-20% will be expended in years three to fifteen at which time stands typically reach Free to Grow status.

	2023	2022
Balance - beginning of year	$ 1,486,276	$ 1,733,850
Silviculture provision for harvest in year		
Hectares harvested in year	646.4	614.2
Average accrual rate per hectare	1,023	1,023
	661,267	628,327
Other provision adjustments in year		
Surplus provision on Free to Grow stands in year	(46,624)	(36,933)
Stand provisions revised to planned future costs	(74,969)	(37,342)
Adjustment to hectares harvested on WFN 2080 212.7 Ha	-	217,592
Transfer stand cost over-runs to silviculture expense	468,615	-
Other	89,005	(3,470)
	436,027	139,847
Sub-total - silviculture expense in accrued reforestation	1,097,294	768,174
Silviculture costs applied to accrued reforestation in year	(971,596)	(1,015,748)
Total accrued silviculture costs	1,611,974	1,486,276
Less: current portion of accrued silviculture costs	1,195,000	1,170,000
Long term portion of accrued silviculture costs	$ 416,974	$ 316,276
Silviculture obligation expense:		
Silviculture expense in accrued reforestation costs provision	$ 1,097,294	$ 768,174
Seed and other silviculture costs excluded from provision	104,912	93,714
Other adjustments	-	40,484
Silviculture obligation expense	$ 1,202,206	$ 902,372

7. DEFERRED LEASE REVENUE

The Corporation received lease proceeds in the 2019 fiscal year of $958,033 under an agreement providing right of use of an area included in the Community Forest License K1A Agreement. This lease is classified as an operating lease. The Corporation recognizes income on this operating lease on a straight-line basis over the period of the Community Forest License K1A Agreement commencing in the year the lessee obtains access to the leased asset and ending in the final year of the Community Forest License K1A Agreement. Lessee access commenced in the 2020 fiscal year which results in $45,620 being recorded annually as operating lease revenue through to fiscal 2040.

	2023	2022
Deferred lease revenue	$ 775,553	821,173
Current portion of deferred lease revenue	45,620	45,620
Long term portion of deferred lease revenue	$ 729,933	775,553

8. RIGHT-OF-USE LEASE LIABILITY

	2023	2022
Right-of-use lease liability, beginning of year	$ 32,636	$ 66,889
Right-of-use lease liability disposals in year	701	(7,664)
Right-of-use lease payments in year	(19,518)	(28,026)
Right-of-use lease interest expense	-	1,437
Right-of-use lease liability, end of year	13,819	32,636
Less right-of-use lease liability due within one year	13,819	16,700
	$ -	$ 15,936

9. 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

		2023	2022
Issued			
1	Class 'B' common	$ 1	$ 1

10. 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:

	2023	2022
Stakeholder license agreement distribution	$ 1,283,338	$ 1,575,636
Stakeholder donations:		
Village of Burns Lake	$ 1,038,098	$ 1,582,531
Burns Lake First Nation	250,281	419,814
Wet'suwet'en First Nation	250,281	419,814
Total stakeholder donations	1,538,660	2,422,159
Other community donations	415,442	500,633
Total donations	$ 1,954,102	$ 2,922,792

11. RELATED PARTY TRANSACTIONS

IAS 24, Related Party Disclosure requires that reporting entity disclose compensation transactions with key management personnel who are defined as persons who have authority and responsibility for planning, directing and controlling the activities. The company has identified two employees as key management personnel. No post-employment benefits, other long-term benefits, termination benefits or share-based payment compensation have been paid to key management personnel. The total remuneration paid to key managmenent personnel is as follows:

	2023	2022
Short-term employee benefits	$ 334,015	$ 285,559

The Village of Burns Lake is the sole shareholder of the corporation. Donations were made to the Village of Burns Lake as disclosed in Note 10. No other transactions arose with this related party during the year.

12. 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, 2023, the Corporation had a cash balance of $6,754,184 (October 31, 2022 - $7,054,027) to settle current liabilities of $3,575,995 (October 31, 2022 - $3,474,062). The Corporation intends to settle these with funds from its working capital position and if necessary by withdrawal from the long term investments.

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.
The reporting entity also has commodity price risk due to forest health issues. Numerous forest health issues could significantly impact the overall health of the timber supply ultimately impacting the price and quantity of future timber harvest. The entity studies potential forest health issues and implements practices and policies in order to minimize the potential impact of these issues.

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.