

March 19, 2026

Confidential

Alberni Valley Community Forest Corporation
7500 Airport Road
Port Alberni B.C. V9Y 8Y9

Attention: Erin Badesso, Chairman

Dear Erin:

Re: Client enclosure letter

ENCLOSURES

We are enclosing:

Engagement letter

- One copy of our standard engagement letter.

Financial information

- One copy of your audited financial information of Alberni Valley Community Forest Corporation for the year ended December 31, 2025.

Letter of representation

- One copy of the letter of representation.

Year end adjusting entries enclosed

- Our year-end journal entries and other relevant working papers are being provided to assist you in updating your accounting system. If you find after inputting our year-end entries that your general ledger does not agree to our closing balances, please contact our office so we may help you rectify the problem.

Invoice enclosed

- Our invoice, which we trust you will find in order.

OTHER MATTERS

Annual Report

The Company is required to file a report to the BC Corporate Registry annually on October 1. The last report filed was for October 1, 2024. If the Company fails to file annual reports for three years the Company will be struck from the register. There are serious and costly repercussions if this is allowed to happen. Please file your annual report for October 1, 2025.

Items requiring a signature

Below is a list of documents that require your immediate signature.

- "File Copy" of the Engagement Letter;
- "File Copy" of the Financial information
- "File Copy" of the Letter of Representation;
- "File Copy" of the Adjusting Journal Entries;

CLOSING COMMENTS

We have relied on you to provide us with the necessary information in a form sufficiently complete to enable us to prepare the financial information.

We thank you for the opportunity to be of service to you and trust everything is in order. If you have any questions or concerns, please contact us by email at Rob.Anderson@andersonassociates.pro or call (250) 724-5717.

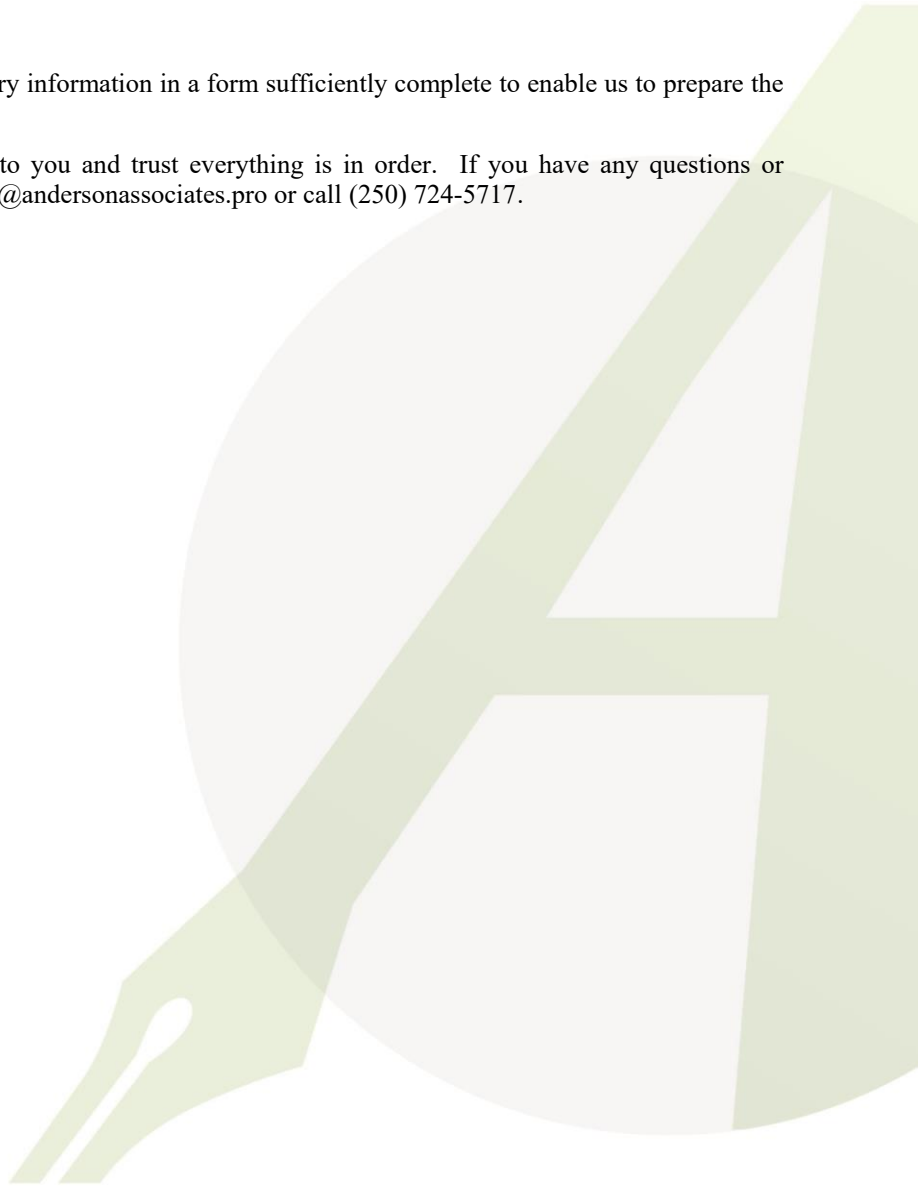
Yours truly,

R. ANDERSON & ASSOCIATES INC.

A handwritten signature in cursive script that reads "R. Anderson". The signature is written in black ink on a light-colored background.

Robert Anderson, CPA, CA
Partner
Rob.Anderson@andersonassociates.pro

Encl.



March 19, 2026

Confidential

Alberni Valley Community Forest Corporation
7500 Airport Road
Port Alberni B.C. V9Y 8Y9

Attention: Erin Badesso, Chairman

Dear Erin:

Re: Engagement letter

The Objective and Scope of the Audit

You have requested that we audit the financial statements of Alberni Valley Community Forest Corporation, which comprise the statement of financial position as at December 31, 2025, and the statements of income, retained earnings and cash flows for the year then ended, and notes to the financial statements (including a summary of significant accounting policies).

We are pleased to confirm our acceptance and our understanding of the nature, scope and terms of this audit engagement and all services related thereto, by means of this letter (the "Engagement").

The objectives of our audit 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 these financial statements.

The Responsibilities of the Auditor

We will conduct our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements. 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:

- a. 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.
- b. 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. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.

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

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

Form and Content of Audit Opinion

Unless unanticipated difficulties are encountered, our report will be substantially in the following form contained in Appendix A to this letter.

The Responsibilities of Management

Our audit will be conducted on the basis that management and, where appropriate, those charged with governance acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with IFRS;
2. For the design and implementation of 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; and
3. To provide us with timely:
 - i. Access to all the information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation and other matters;
 - ii. Information about all known or suspected fraud, any allegations of fraud or suspected fraud and any known or probable instances of non-compliance with legislative or regulatory requirements;
 - iii. Additional information that we may request from management for the purpose of the audit; and
 - A. Information relating to any illegal or possibly illegal acts, and all facts related thereto;
 - B. A listing of all related parties and related-party transactions and information pertaining to the measurement and disclosure of transactions with those related parties;
 - C. An assessment of the reasonableness of significant assumptions underlying fair value measurements and disclosures in the financial statements;
 - D. Any plans or intentions that may affect the carrying value or classification of assets or liabilities;
 - E. An assessment of all areas of measurement uncertainty known to management that are required to be disclosed in accordance with *MEASUREMENT UNCERTAINTY, Section 1508* of the CPA Canada Handbook - Accounting, Part II;
 - F. Information relating to claims and possible claims, whether or not they have been discussed with Alberni Valley Community Forest Corporation's legal counsel;
 - G. Information concerning subsequent events.
 - iv. Unrestricted access to persons within Alberni Valley Community Forest Corporation from whom we determine it necessary to obtain audit evidence.

As part of the audit process:

- a. We will make inquiries of management about the representations contained in the financial statements. At the conclusion of the audit, we will request from management [and, where appropriate, those charged with governance] written confirmation concerning those representations. If such representations are not provided in writing, management acknowledges and understands that we would be required to disclaim an audit opinion.

- b. We will communicate any misstatements identified during the audit other than those that are clearly trivial. We request that management correct all the misstatements communicated.

Use and Distribution of Our Report

The examination of the financial statements and the issuance of our audit report are solely for the use of Alberni Valley Community Forest Corporation and those to whom our report is specifically addressed by us. We make no representations or warranties of any kind to any third party in respect of these financial statements or our audit report, and we accept no responsibility for their use by any third party or any liability to anyone other than Alberni Valley Community Forest Corporation.

For greater clarity, our audit will not be planned or conducted for any third party or for any specific transaction. Accordingly, items of possible interest to a third party may not be addressed and matters may exist that would be assessed differently by a third party, including, without limitation, in connection with a specific transaction. Our audit report should not be circulated (beyond Alberni Valley Community Forest Corporation) or relied upon by any third party for any purpose, without our prior written consent.

You agree that our name may be used only with our prior written consent and that any information to which we have attached a communication be issued with that communication, unless otherwise agreed to by us in writing.

Ownership

The working papers, files, other materials, reports and work created, developed or performed by us during the course of the Engagement are the property of our firm, constitute our confidential information and will be retained by us in accordance with our firm's policies and procedures.

During the course of our work, we may provide, for your own use, certain software, spreadsheets and other intellectual property to assist with the provision of our services. Such software, spreadsheets and other intellectual property must not be copied, distributed or used for any other purpose. We also do not provide any warranties in relation to these items and will not be liable for any lost or corrupted data or other damage or loss suffered or incurred by you in connection with your use of them.

We retain the copyright and all intellectual property rights in any original materials provided to you.

File Inspections

In accordance with professional regulations (and by our firm policy), our client files may be periodically reviewed by practice inspectors and by other engagement file reviewers to ensure that we are adhering to our professional and firm standards. File reviewers are required to maintain confidentiality of client information.

Indemnity

Alberni Valley Community Forest Corporation hereby agrees to indemnify, defend (by counsel retained and instructed by us) and hold harmless our firm (and its partners, agents and employees) from and against any and all losses, costs (including solicitors' fees), damages, expenses, claims, demands and liabilities arising out of (or in consequence of):

- a. The breach by Alberni Valley Community Forest Corporation, or its directors, officers, agents or employees, of any of the covenants or obligations of Alberni Valley Community Forest Corporation herein, including, without restricting the generality of the foregoing, the misuse of, or the unauthorized dissemination of, our engagement report or the financial statements in reference to which the engagement report is issued, or any other work product made available to you by our firm.
- b. A misrepresentation by a member of your management or the board of directors.

Reproduction of Auditor's Report

If reproduction or publication of our audit report (or reference to our report) is planned in an annual report or other document, including electronic filings or posting of the report on a website, a copy of the entire document should be submitted to us in sufficient time for our review and approval in writing before the publication or posting process begins.

Management is responsible for the accurate reproduction of the financial statements, the auditor's report and other related information contained in an annual report or other public document (electronic or paper-based). This includes any incorporation by reference to either full or summarized financial statements that we have audited.

We are not required to read the information contained in your website or to consider the consistency of other information in the electronic site with the original document.

Fees at Regular Billing Rate

Our professional fees will be based on our regular billing rates, plus direct out-of-pocket expenses and applicable Sales tax, and are due when rendered. Fees for any additional services will be established separately.

Billing

Our fees and costs will be billed monthly and are payable upon receipt. Invoices unpaid 30 days past the billing date may be deemed delinquent and are subject to an interest charge of 1.50% per month or 18.00% (APR) per annum. We reserve the right to suspend our services or to withdraw from this Engagement in the event that any of our invoices are deemed delinquent. In the event that any collection action is required to collect unpaid balances due to us, you agree to reimburse us for our costs of collection, including lawyers' fees.

Other Services

In addition to the audit services referred to above, we will, as allowed by the British Columbia *Code of Professional Conduct /Code of Ethics*, prepare your federal and provincial income tax returns as agreed upon. Unless expressly agreed in a separate engagement letter, we will have no involvement with or responsibility for the preparation or filing of Sales tax returns or any other (including foreign) tax returns, source deductions, information returns, slips, elections, designations, certificates or reports. Management will, on a timely basis, provide the information necessary to complete these federal and provincial income tax returns and will review and file them with the appropriate authorities on a timely basis.

Governing Legislation

This engagement letter is subject to, and governed by, the laws of the Province of British Columbia. The Province of British Columbia will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to any action being brought in those courts to claim that the action has been brought in an inappropriate forum or to claim that those courts do not have jurisdiction.

Communications

In performing our services, we will send messages and documents electronically. As such communications can be intercepted, misdirected, infected by a virus or otherwise used or communicated by an unintended third party, we cannot guarantee or warrant that communications from us will be properly delivered only to the addressee. Therefore, we specifically disclaim, and you release us from any liability or responsibility whatsoever for interception or unintentional disclosure of communications transmitted by us in connection with the performance of this Engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from such communications, including any that are consequential, incidental, direct, indirect, punitive, exemplary or special damages (such as loss of data, revenues, or anticipated profits).

If you do not consent to our use of electronic communications, please notify us in writing.

Not Liable For Any Failures or Delays Beyond Our Control

We will use all reasonable efforts to complete the engagement as described in this letter within the agreed-upon time frames. However, we shall not be liable for failures or delays in performance that arise from causes beyond our control, including the untimely performance by your company of its obligations.

Confidentiality

One of the underlying principles of the profession is a duty of confidentiality with respect to client affairs. Each practitioner must preserve the secrecy of all confidential information that becomes known during the practice of the profession. Accordingly, we will not provide any third party with confidential information concerning the affairs of Alberni Valley Community Forest Corporation unless:

- a. We have been specifically authorized with prior consent;
- b. We have been ordered or expressly required by law or by the British Columbia *Code of Professional Conduct/Code of Ethics*; or
- c. The information requested is (or enters into) public domain.

Use of Information

It is acknowledged that we will have access to all information about identified individuals ("personal information") in your custody that we require to complete our Engagement. Our services are provided on the basis that:

- a. You represent to us that management has obtained any required consents for our collection, use, disclosure, storage, transfer and process of personal information required under applicable privacy legislation and professional regulation; and

b. We will hold all personal information in compliance with our Privacy Statement.

Costs of Responding to Government or Legal Processes

In the event we are required to respond to a subpoena, court order, government agency or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this Engagement, you agree to compensate us at our normal hourly rates for the time we expend in connection with such response and to reimburse us for all of our out-of-pocket costs (including applicable Sales tax) incurred.

Accounting Advice

Except as outlined in this letter, this Engagement does not contemplate the provision of specific accounting advice or opinions or the issuance of a written report on the application of accounting standards to specific transactions and to the facts and circumstances of the entity. Such services, if requested, would be provided under a separate engagement letter.

Dispute Resolution

You agree that any dispute that may arise regarding the meaning, performance or enforcement of this Engagement will, prior to resorting to litigation, be submitted to mediation.

Limitation of Liability

Our aggregate liability for all claims, losses, liabilities and damages in connection with this Engagement, whether as a result of breach of contract, tort (including negligence), or otherwise, regardless of the theory of liability, is limited to \$-. Our liability shall be several and not joint and several. We shall only be liable for our proportionate share of any loss or damage, based on our contribution relative to the others' contributions and only if your claim is commenced within 24 months or less of the date Alberni Valley Community Forest Corporation should have been aware of the potential claim. In addition, we will not be liable in any event for consequential, incidental, indirect, punitive, exemplary, aggravated or special damages, including any amount for loss of profit, data or goodwill, whether or not the likelihood of such loss or damage was contemplated.

Time Frames

We will use all reasonable efforts to complete the Engagement as described in this letter within the agreed upon time frames.

However, we shall not be liable for failures or delays in performance that arise from causes beyond our reasonable control, including any delays in the performance by Alberni Valley Community Forest Corporation of its obligations.

Concerns

If at any time you would like to discuss our services or make a complaint, please contact your engagement partner or *[insert name of managing or other appropriate partner and phone number]*. We will listen to your concerns and investigate any complaint on a timely basis.

Termination

Management acknowledges and understands that failure to fulfill its obligations as set out in this engagement letter will result, upon written notice, in the termination of the Engagement.

Either party may terminate this agreement for any reason upon providing written notice to the other party *[not less than 30 calendar days before the effective date of termination]*. If early termination takes place, Alberni Valley Community Forest Corporation shall be responsible for all time and expenses incurred up to the termination date.

If we are unable to complete the audit or are unable to come to a conclusion on the financial statements, we may withdraw from the audit before issuing an auditor's report, or we may issue a denial of assurance on the financial statements. If this occurs, we will communicate the reasons and provide details.

Survival of Terms

This engagement letter will continue in force for subsequent audits unless terminated by either party by written notice prior to the commencement of the subsequent audit.

Consequential Loss

Our firm and its partners, officers or employees will not be responsible for any consequential loss, injury or damages suffered by the client including but not limited to loss of use, earnings and business interruption, or the unauthorized distribution of any confidential document or report prepared by or on behalf of our firm, including the partners, officers or employees of the accounting firm for the exclusive use of the client.

Relevant Parties

The client will not assert any claim for damages against our firm unless the client has concurrently or previously asserted a claim against all other persons who might reasonably be liable in relation to that claim. Any release, waiver, or covenant to otherwise not sue or enforce any remedy known to law given by the client to a third party shall be deemed to apply in favour of our firm.

Third Parties

The financial documents are prepared solely for the use of the client with whom we have entered into a contract and there are no representations of any kind made by us to any party with whom we have not entered into a written contract.

Conclusion

This engagement letter includes the relevant terms that will govern the Engagement for which it has been prepared. The terms of this letter supersede any prior oral or written representations or commitments by or between the parties. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all of the parties.

If you have any questions about the contents of this letter, please raise them with us. If the services outlined are in accordance with your requirements, and if the above terms are acceptable to you, please sign the attached copy of this letter in the space provided and return it to us.

We appreciate the opportunity of continuing to be of service to your company.

Yours truly,

R. ANDERSON & ASSOCIATES INC.

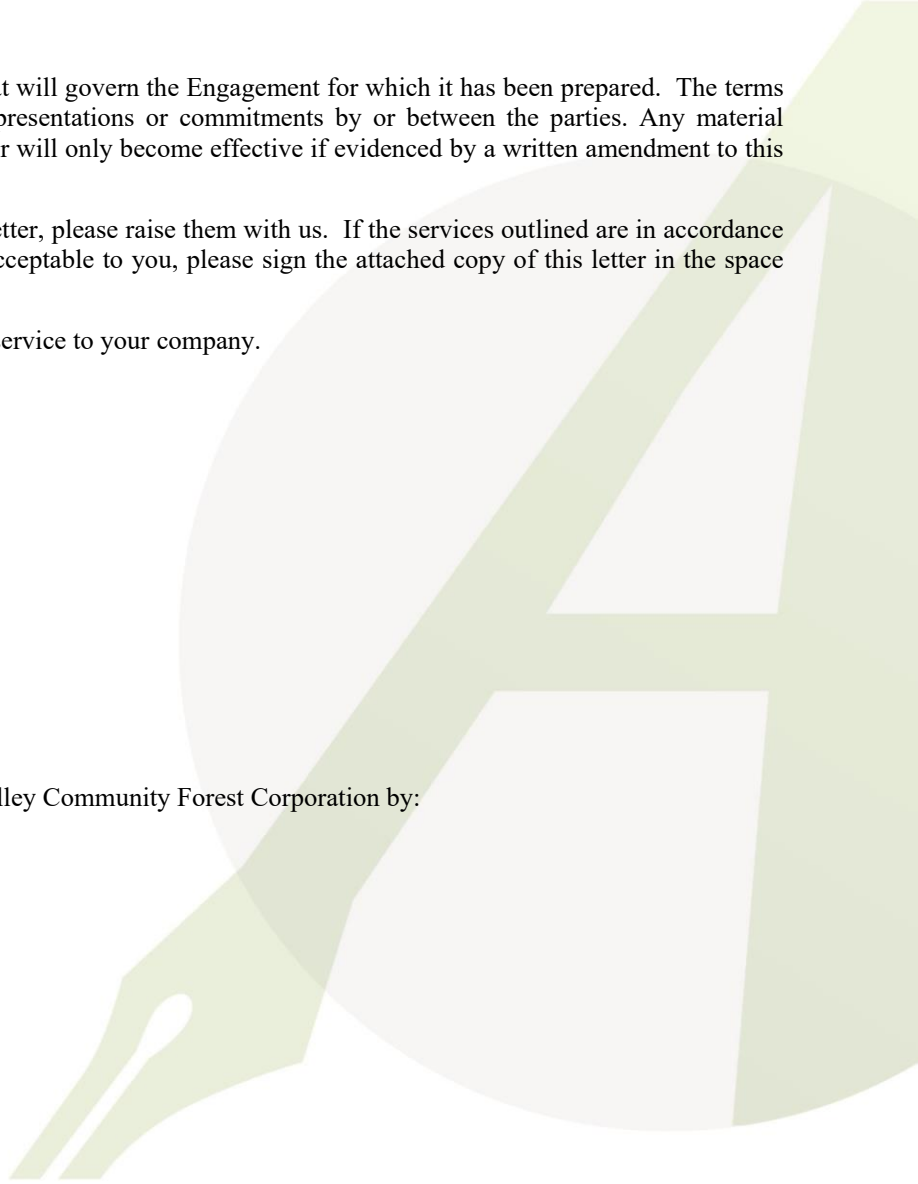


Robert Anderson, CPA, CA
Partner
Rob.Anderson@andersonassociates.pro

Acknowledged and agreed to on behalf of Alberni Valley Community Forest Corporation by:

Mr. Erin Badesso, Chairman

Date signed



Appendix A - Expected Form of Report

To the Shareholder of Alberni Valley Community Forest Corporation

Opinion

We have audited the financial statements of Alberni Valley Community Forest Corporation (the company), which comprise the statement of financial position as at December 31, 2025, and the statements of income, retained earnings 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 financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2025, and the financial performance and cash flow for the period then ended in accordance with International Financial Reporting Standards (IFRS).

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 company in accordance with 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 company'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 company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

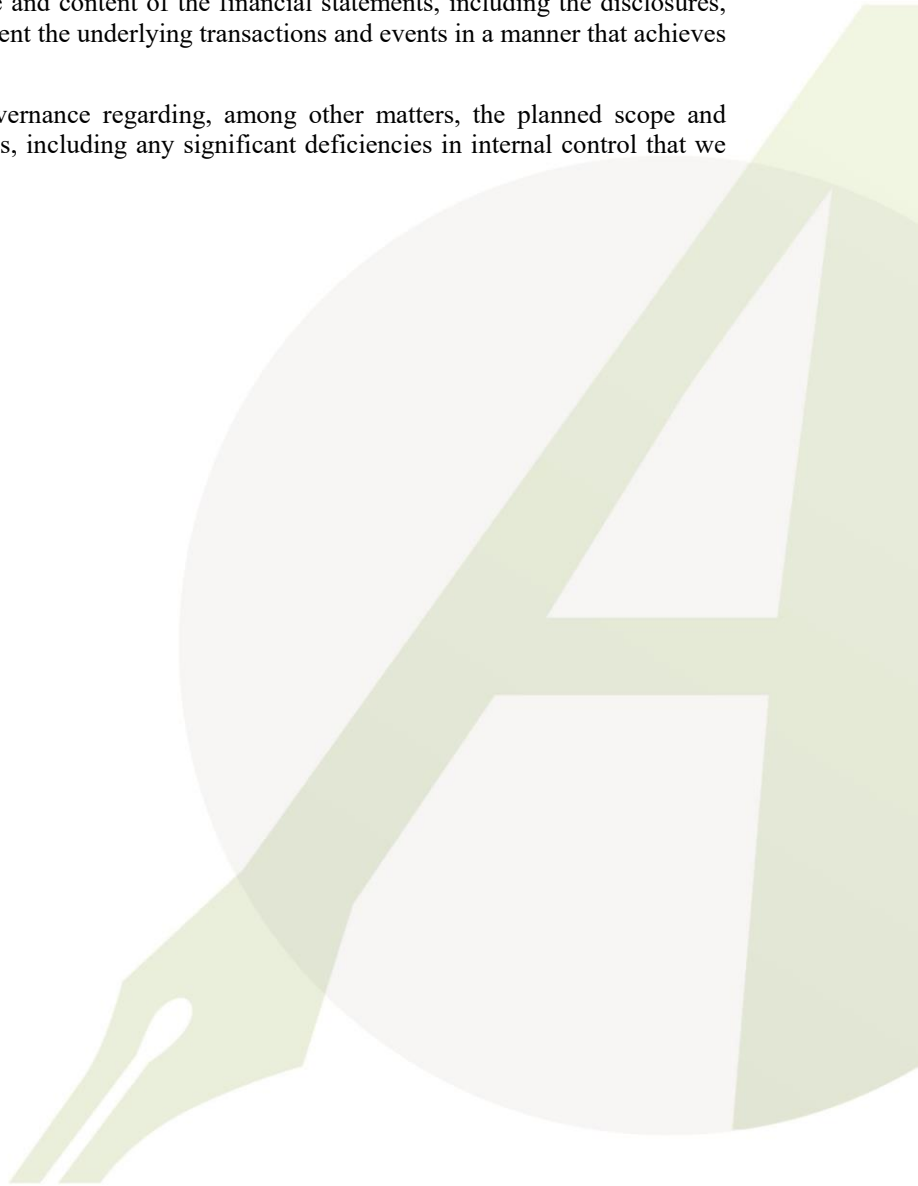
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Appendix A (continued)

- 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 company'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 company 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.

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.



ALBERNI VALLEY COMMUNITY FOREST CORPORATION

Financial Statements

Year Ended December 31, 2025

ALBERNI VALLEY COMMUNITY FOREST CORPORATION

Index to Financial Statements

Year Ended December 31, 2025

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Income	3
Statement of Retained Earnings	4
Statement of Cash Flows	5
Statement of Financial Position	6
Notes to Financial Statements	7 - 15

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Alberni Valley Community Forest Corporation

Opinion

We have audited the financial statements of Alberni Valley Community Forest Corporation (the company), which comprise the statement of financial position as at December 31, 2025, and the statements of income, retained earnings 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 financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2025, and the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS)

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 company in accordance with 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 company'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 company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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:

(continues)

Independent Auditor's Report to the Shareholder of Alberni Valley Community Forest Corporation *(continued)*

- 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 company'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 company'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 company 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.

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.

Port Alberni, BC
March 19, 2026

R. Anderson & Associates Inc.
CHARTERED PROFESSIONAL ACCOUNTANTS

ALBERNI VALLEY COMMUNITY FOREST CORPORATION**Statement of Income****Year Ended December 31, 2025**

	2025	2024
REVENUES - LOG SALES	\$ -	\$ 129,807
COST OF SALES		
Engineering	11,971	7,393
FSP	2,075	2,075
Roadbuilding	10,980	14,071
Silviculture	63,526	96,130
Stumpage	1,910	16,463
	90,462	136,132
GROSS PROFIT (-%; 2024 - (4.87)%)	(90,462)	(6,325)
EXPENSES		
Accounting and legal	17,088	17,672
Advertising and promotion	1,122	1,545
Amortization	94,176	76,910
Business taxes, licenses and memberships	2,949	4,543
Consulting fees	66,355	38,310
Insurance	8,416	7,996
Interest and bank charges	213	223
Meals and entertainment	2,697	1,218
Office	1,729	905
Rental	11,218	11,218
Supplies	3,603	1,437
Telephone	1,242	969
Travel	10,265	6,825
	221,073	169,771
LOSS FROM OPERATIONS	(311,535)	(176,096)
OTHER INCOME		
Government grants	1,336,897	9,943
Interest income	19,868	11,300
Log Harvest	-	(130,074)
Miscellaneous income	-	2,669
Silvicultural Accrual Adjustments	(115,000)	125,000
	1,241,765	18,838
INCOME (LOSS) BEFORE INCOME TAXES (RECOVERED)	930,230	(157,258)
INCOME TAXES (RECOVERED)		
Deferred income tax recovery	(56,477)	12,984
NET INCOME (LOSS)	\$ 986,707	\$ (170,242)

ALBERNI VALLEY COMMUNITY FOREST CORPORATION

Statement of Retained Earnings

Year Ended December 31, 2025

	2025	2024
RETAINED EARNINGS - BEGINNING OF YEAR	\$ 1,934,355	\$ 2,404,597
NET INCOME (LOSS) FOR THE YEAR	986,707	(170,242)
	2,921,062	2,234,355
DIVIDENDS PAID	-	(300,000)
RETAINED EARNINGS - END OF YEAR	\$ 2,921,062	\$ 1,934,355

ALBERNI VALLEY COMMUNITY FOREST CORPORATION**Statement of Cash Flows****Year Ended December 31, 2025**

	2025	2024
OPERATING ACTIVITIES		
Net income (loss)	\$ 986,707	\$ (170,242)
Items not affecting cash:		
Amortization of property and equipment	94,176	76,910
Deferred income tax	(56,477)	12,984
Silviculture accrual	115,000	(125,000)
Timber - government grants	(1,336,897)	(9,943)
Cost of Sales - Log Harvest	-	130,074
	(197,491)	(85,217)
Changes in non-cash working capital:		
Accounts payable	76,609	5,131
Income taxes payable	-	1,311
Prepaid expenses	(8,817)	(31,536)
Goods and services tax payable	(8,704)	(52,145)
Deposits payable	150,000	(150,000)
	209,088	(227,239)
Cash flow from (used by) operating activities	11,597	(312,456)
INVESTING ACTIVITY		
Purchase of property and equipment	(175,745)	-
FINANCING ACTIVITY		
Dividends paid	-	(300,000)
DECREASE IN CASH FLOW	(164,148)	(612,456)
Cash - beginning of year	1,473,589	2,086,045
CASH - END OF YEAR	\$ 1,309,441	\$ 1,473,589
CASH CONSISTS OF:		
Cash	\$ 657,927	\$ 841,873
Term deposits	651,514	631,716
	\$ 1,309,441	\$ 1,473,589

ALBERNI VALLEY COMMUNITY FOREST CORPORATION**Statement of Financial Position****December 31, 2025**

	<i>December 31</i> 2025	<i>December 31</i> 2024
ASSETS		
CURRENT		
Cash	\$ 657,927	\$ 841,873
Term deposits	651,514	631,716
Inventory	1,336,897	-
Goods and services tax recoverable	12,125	3,421
Prepaid expenses	125,137	116,320
Future income taxes	213,709	157,232
	2,997,309	1,750,562
PROPERTY AND EQUIPMENT <i>(Note 7)</i>	599,914	518,345
	\$ 3,597,223	\$ 2,268,907
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT		
Accounts payable	\$ 130,366	\$ 53,757
Deposits payable	200,000	50,000
Silviculture accrual	337,050	222,050
	667,416	325,807
SHAREHOLDER'S EQUITY		
Share capital <i>(Note 9)</i>	1	1
Contributed surplus	8,744	8,744
Retained earnings	2,921,062	1,934,355
	2,929,807	1,943,100
	\$ 3,597,223	\$ 2,268,907

ON BEHALF OF THE BOARD_____
*Director*_____
Director

ALBERNI VALLEY COMMUNITY FOREST CORPORATION

Notes to Financial Statements

Year Ended December 31, 2025

1. DESCRIPTION OF BUSINESS

Alberni Valley Community Forest Corporation (the "company") is domiciled in Canada and is incorporated under the Business Corporations Act of British Columbia. The "Company" was incorporated on October 01, 2009. The address of the registered office is 7500 Airport Road, Port Alberni, BC. and the Company operates in the geographical area known as the Alberni-Clayoquot Regional District, which is in close proximity to the City of Port Alberni.

The vision of the Company is to put control of lands and resources into the hands of local people by building a financially viable timber and non-timber forest resource business which provides benefits to the community and manages the forest in a manner that achieves a balance between community values and practicable management

The City of Port Alberni owns 100% of the Company.

2. BASIS OF PRESENTATION

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), replacing pre-changeover Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

Basis of presentation

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- biological assets are measured at fair value less costs to sell

In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 6 - biological asset
- Note 11 - provision

ALBERNI VALLEY COMMUNITY FOREST CORPORATION

Notes to Financial Statements

Year Ended December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's accounts receivable are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss.

Transaction 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.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. At December 31, 2023, the Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. The Company has classified deferred income taxes as FVTPL.

Biological assets

Biological assets are measured at fair value less costs to sell, with any change therein recognised in profit or loss. Costs to sell include all costs that would be necessary to sell the assets. Standing timber is sold immediately upon harvest and therefore no inventory is maintained unless there is remaining timber to be harvested at year end.

(continues)

ALBERNI VALLEY COMMUNITY FOREST CORPORATION

Notes to Financial Statements

Year Ended December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment

Property and equipment are measured at cost less accumulated amortization and accumulated impairment losses. Where applicable, cost of property and equipment are also reduced by government grants received in respect of a particular asset.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the item, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

An item of property or 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 disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of property or equipment is composed of major components with different useful lives, the components are accounted as separate items of equipment. Expenditures incurred to replace a component of an item of property or equipment that is accounted separately, including major inspection and overhaul expenditures, are capitalized.

Property and equipment are amortized over the amortizable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss over the estimated useful lives of each part of an item of property and equipment, according to the methods below. The methods chosen most closely reflect the expected pattern of consumption of the future economic benefits embodied in the asset:

Computer equipment	3 years	straight-line method
Roads	10 years	straight-line method
Steel Bridges	25 years	straight-line method
Bridges - Wooden	10 years	straight-line method
Trails	10 years	straight-line method

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

(continues)

ALBERNI VALLEY COMMUNITY FOREST CORPORATION

Notes to Financial Statements

Year Ended December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Goods sold

Revenue from the sale of timber is measured at the fair value of the consideration received or receivable. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Government grants

Government grants related to biological assets are recognized in profit or loss as income when the grant becomes receivable and the Company has met all conditions attached to the grant.

Government grants related to assets are recognized as a reduction in the cost of the particular asset to which the grant relates.

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

- Biological assets

The fair value of standing timber under a cutting permit is based on the market price of the estimated recoverable wood volumes, net of costs to sell.

Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the year. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(continues)

ALBERNI VALLEY COMMUNITY FOREST CORPORATION

Notes to Financial Statements

Year Ended December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the balance sheet liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

ALBERNI VALLEY COMMUNITY FOREST CORPORATION

Notes to Financial Statements

Year Ended December 31, 2025

4. FINANCIAL RISK MANAGEMENT

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

It is Management's and the Board of Director's assessment that the Company is not exposed to significant credit, liquidity, market, or operational risks arising from its use of financial instruments. Sensitivity analysis would not provide any further information than what is available in the financial statements and these notes.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management framework is reflected in the Company's operating structure. The management of the Company is the responsibility of the contracted forest manager and the Board is responsible for evaluating the performance of the forest manager. The Board ultimately has responsibility for assessing and monitoring both risks that have been identified by the forest manager and potential risks identified through discussion at regular Board meetings.

Capital management

The Board's policy is to maintain a strong capital base to sustain future development of the business. The Board defines capital as total assets less total liabilities and is focused on growth through internally generated cash flows.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

5. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and deposits. The fair value of these financial instruments approximate their carrying values unless otherwise noted.

All financial instruments of the Company are carried at amortized cost

The carrying values of financial assets, as presented in the statement of financial position, represent the maximum credit exposure

(continues)

ALBERNI VALLEY COMMUNITY FOREST CORPORATION

Notes to Financial Statements

Year Ended December 31, 2025

5. FINANCIAL INSTRUMENTS *(continued)*

- Cash and cash equivalents - \$1,309,441 (2024 - \$1,473,589)
- Loans and receivables - \$Nil (2024 - \$Nil)

The credit quality of financial assets are high. Cash and cash equivalents are held with a Credit Union with deposit insurance while the Company's clients have a long history within the industry with no indication of defaults. There has been no impairment of financial asset

The carrying values of financial liabilities, as presented in the statement of financial position, represent the Company's liquidity risk. All trade and other payables have payment terms of under 30 days.

- Trade and other payables - \$130,366 (2024 - \$53,756)
- Deposits - \$200,000 (2024 - \$50,000)

Liquidity risk is low given the Company's significant positive cash flows and there is no indication that this will change.

6. BIOLOGICAL ASSETS

The Company's biological assets are composed of timber available for harvest under cutting permit.

The Community Forest Agreement under which the Company operates places restrictions on the ability of the Company to harvest timber. Specifically, a cutting permit from the Ministry of Forests, Lands, and Natural Resource Operations is required to allow the Company to harvest. The Company will only apply for cutting permits on mature timber and therefore all biological assets recognized by the Company are considered available for harvest.

During the year end December 31, 2025, the Company entered into an agreement with Otter Point Timber Ltd, to license and sell approximately 21,027m3 of timber with an estimated value of \$1,336,897. As at December 31, 2025, none of the cubic meters of timber under the agreement had been harvested.

7. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2025 Net book value	2024 Net book value
Computer equipment	\$ 3,932	\$ 3,361	\$ 571	\$ -
Roads	1,078,702	527,694	551,008	464,043
Bridges	84,773	47,194	37,579	40,970
Bridges; wooden	20,269	20,269	-	-
Trails	40,218	29,462	10,756	13,332
	\$ 1,227,894	\$ 627,980	\$ 599,914	\$ 518,345

8. RELATED PARTY TRANSACTIONS

2025 2024

(continues)

ALBERNI VALLEY COMMUNITY FOREST CORPORATION

Notes to Financial Statements

Year Ended December 31, 2025

8. RELATED PARTY TRANSACTIONS *(continued)*

	2025	2024
Canet & Co. Accounting	\$ 6,960	\$ 7,058
	-	-
	6,960	7,058
Sproat Lake Forestry Service Limited Contracted forestry management	66,355	38,310
	-	-
	66,355	38,310
City of Port Alberni Legal services	689	666
	-	-
	689	666
	\$ 74,004	\$ 46,034

In addition to the above transactions, the Company reimbursed related parties for expenses they incurred on behalf of the Company. All related party transactions were in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The Company's related parties are the City of Port Alberni, Sproat Lake Forestry Service Limited (contract forest manager), Canet & Co. (accounting service provider) and the members of the Board of Directors.

9. SHARE CAPITAL

Authorized:

Unlimited Class A Common voting shares without par value

	2025	2024
Issued:		
1 Common shares Class A	\$ 1	\$ 1

10. OPERATING LEASE COMMITMENTS

The Company leases crown land under a 25 year Community Forest Agreement with the Province of British Columbia. The agreement expires in 2034. Under the lease, the Company is required to pay rent of \$6,718 per year.

2026	\$ 6,718
2027-2034	53,744
	<u>\$ 60,462</u>

ALBERNI VALLEY COMMUNITY FOREST CORPORATION

Notes to Financial Statements

Year Ended December 31, 2025

11. CONTRACTUAL OBLIGATIONS

On February 16, 2011 the company entered into a rental agreement with Regional District of Alberni-Clayoquot to rent office space identified as Unit B, 7400 Airport Road. The rent is \$350.00 per month plus GST and the term is on a month-to-month basis.

12. PROVISIONS

The Company has recognized a provision for site restoration and related costs of \$337,050 (2024 - \$222,050) for silviculture and waste removal activities to be undertaken in the 2026 year-end. This provision was determined based on professional experience of management and falls within industry guidelines of \$2 and \$6 per cubic metre of harvested timber.

13. REVENUE

Revenue from government grants represents the fair value less costs to sell timber available for harvest under a cutting permit. During the year ended December 31, 2025, the Company recognized government grant revenue related to a cutting permit representing approximately 21,027 cubic meters of timber with a value of \$1,336,897. In the prior year, the Company recognized related government grant revenue to a cutting permit representing approximately 89 cubic meters of timber with a value of \$9,943.

14. COST OF SALES

Cost of timber represents the value of timber received through government grants cutting permits in 2025. During the year ended December 31, 2025, the Company did not harvest any timber. During the prior year ended December 31, 2024, the Company harvested 1,161 cubic metres of timber with a value of \$130,074.

ALBERNI VALLEY COMMUNITY FOREST CORPORATION

7500 Airport Road
Port Alberni, B.C.
V9Y 8Y9

March 19, 2026

Confidential

R. Anderson & Associates Inc.
3483 3rd Avenue
Port Alberni BC V9Y 4E4

Attention: Robert Anderson, CPA, CA

Dear Sir:

Re: Management representations letter

This representation letter is provided in connection with your audit of the financial statements of Alberni Valley Community Forest Corporation for the year ended December 31, 2025, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with International Financial Reporting Standards.

In making the representations outlined below, we took the time necessary to appropriately inform ourselves on the subject matter through inquiries of entity personnel with relevant knowledge and experience, and, where appropriate, by inspecting supporting documentation.

We confirm that (to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves):

Financial Statements

We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated December 17, 2024 for:

- a) Preparing and fairly presenting the financial statements in accordance with International Financial Reporting Standards;
- b) Providing you all relevant information, such as:
 - i) Accounting records, supporting data and other relevant documentation,
 - ii) Minutes of meetings (such as shareholders, board of directors and audit committees) or summaries of actions taken for which minutes have not yet been prepared, and
 - iii) Information on any other matters, of which we are aware, that is relevant to the preparation of the financial statements
- c) Ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements; and
- d) Designing and implementing such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We have also communicated to you any deficiencies in the design and implementation or the maintenance of internal control over financial reporting of which management is aware.

Fraud and Non Compliance

We have disclosed to you:

- a) All of our knowledge in relation to actual, alleged or suspected fraud affecting the entity's financial statements involving:
 - i) Management;
 - ii) Employees who have significant roles in internal control; or

- iii) Others where the fraud could have a material effect on the financial statements;
- b) All of our knowledge in relation to allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others;
- c) All known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements that should be considered when preparing the financial statements;
- d) All known, actual, or possible litigation and claims that should be considered when preparing the financial statements; and
- e) The results of our risk assessments regarding possible fraud or error in the financial statements.

Related Parties

We have disclosed to you the identity of all of the entity's related-party relationships and transactions of which we are aware. All related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

Estimates

We acknowledge our responsibility for determining the accounting estimates required for the preparation of the financial statements in accordance with International Financial Reporting Standards. Those estimates reflect our judgment based on our knowledge and experience of past and current events, and on our assumptions about conditions we expect to exist and courses of action we expect to take. We believe that the significant assumptions and measurement methods used by us in making accounting estimates, including those measured at fair value, are reasonable.

Subsequent Events

All events subsequent to the date of the financial statements and for which International Financial Reporting Standards requires adjustment or disclosure have been adjusted or disclosed.

Commitments and Contingencies

There are no commitments, contingent liabilities/assets or guarantees (written or oral) that should be disclosed in the financial statements. This includes liabilities arising from contract terms, illegal acts or possible illegal acts, and environmental matters that would have an impact on the financial statements.

Adjustments

We have reviewed, approved and recorded all of your proposed adjustments to our accounting records. This includes journal entries, changes to account coding, classification of certain transactions and preparation of, or changes to, certain accounting records.

Misstatements

We believe the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter.

General

1. We have reviewed, approved and recorded all of the following:
 - a) Adjusting journal entries you prepared or changed;
 - b) Account codes you determined or changed;
 - c) Transactions you classified; and
 - d) Accounting records you prepared or changed.
2. We have responded fully to all inquiries made to us and have made available to you all accounting and financial records and related data of the company during your audit.
3. We believe the effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
4. We believe that the significant assumptions used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements are reasonable and appropriate in the circumstances.

5. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
6. The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
7. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.
8. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
9. The company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

Where the value of any asset has been impaired, an appropriate provision has been made in the financial statements. This includes:

- a) Appropriate provisions for idle, abandoned, destroyed or obsolete assets or where site restoration costs will be necessary; and
 - b) Impairments in the value of goodwill or intangible assets.
10. We have disclosed to you, and the company has complied with, all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
 11. There have been no events subsequent to the statement of financial position date up to the date hereof that would require recognition or disclosure in the financial statements. Further, there have been no events subsequent to the date of the comparative financial statements that would require adjustment of those financial statements and the related notes.
 12. We have disclosed to you all significant customers and/or suppliers of the company who individually represent a significant volume of transactions with our company. We are of the opinion that the volume of transactions (e.g., sales, services, purchases, borrowing and lending) done by the company with any one party is not of sufficient magnitude that discontinuance would have a material negative effect on the ongoing operations of the company.
 13. Provision has been made for any material loss to be sustained in the fulfillment of, or from an inability to fulfill, any sales commitments.
 14. There were no inventories on consignment, bill-and-hold, or other arrangements, either owned by us or by our suppliers. Provision, when material, has been made (i) to reduce excess or obsolete inventories to their estimated net realizable value and (ii) for any loss to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.
 15. There are no material unrecorded assets or contingent assets (such as claims relating to patent infringements or unfulfilled contracts whose value depends on satisfying conditions regarded as uncertain), that have not been disclosed to you.
 16. We have disclosed to you all significant estimates and fair value measurements. We are of the opinion that:
 - a) The measurement methods used are permitted under International Financial Reporting Standards and appropriate in the circumstances;
 - b) The underlying assumptions are reasonable and reflect management's best estimates considering existing market information;
 - c) The method of valuation has been applied consistently;
 - d) The assumptions are consistent with management's intended courses of action; and
 - e) Financial statement disclosures are in accordance with International Financial Reporting Standards.
 17. We have obtained all consents that are required under applicable privacy legislation for the collection, use, and disclosure to you of personal information.
 18. The minute books of the company are a complete record of all meetings and resolutions of shareholder and directors throughout the period and to the present date.

19. We are aware of the environmental laws and regulations that have an impact on our company and we are in compliance.
There are no known environmental liabilities that have not been accrued for or disclosed in the financial statements.

Yours truly,

ALBERNI VALLEY COMMUNITY FOREST CORPORATION

Erin Badesso, Chairman

Alberni Valley Community Forest Corporation

Year End: December 31, 2025

Adjusting journal entries

Date: 1/1/2025 To 12/31/2025

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
AJE01	12/31/2025	Inventory	1300			1,336,897.00			
AJE01	12/31/2025	Government grants	4020				1,336,897.00		
		To record inventory for Otter Point contract							
AJE02	12/31/2025	Silviculture Accrual	2310				115,000.00		
AJE02	12/31/2025	Other Income - Silviculture Adjustment	4030			115,000.00			
		To increase silviculture accrual for current year							
AJE03	12/31/2025	Deferred tax asset - short-term	1470			31,050.00			
AJE03	12/31/2025	Deferred tax liability - long-term	2370			25,427.00			
AJE03	12/31/2025	Deferred income taxes	5995				56,477.00		
		To record deferred income tax for 2025 FYE							
						1,508,374.00	1,508,374.00		
Net Income (Loss)			986,706.95						

The above adjusting journal entries AJE#01 to AJE#03 have been hereby approved

Erin Badesso, Director