

ALBERNI VALLEY COMMUNITY FOREST CORPORATION

Financial Statements

Year Ended December 31, 2019

Expressed in Canadian Dollars

ALBERNI VALLEY COMMUNITY FOREST CORPORATION

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Year Ended December 31, 2019

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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, 2019, 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, 2019, 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:

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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
April 9, 2020

R. Anderson & Associates Inc.

CHARTERED PROFESSIONAL ACCOUNTANTS

ALBERNI VALLEY COMMUNITY FOREST CORPORATION**Statement of Income****For the Year Ended December 31, 2019**

	2019	2018
REVENUE - LOG SALES	\$ 3,056,224	\$ 662,502
COST OF SALES		
Engineering	144,870	110,835
FSP	1,661	1,661
Roadbuilding	5,935	62,327
Silviculture	102,568	84,180
Stumpage	136,912	-
Subcontracts	942,634	-
	1,334,580	259,003
GROSS PROFIT (56%; 2018 - 61%)	1,721,644	403,499
EXPENSES		
Accounting and legal	39,932	15,841
Advertising and promotion	755	2,675
Amortization	35,651	27,446
Business taxes, licenses and memberships	3,985	2,365
Consulting fees	70,496	55,280
Donations	250	-
Insurance	4,605	4,463
Interest and bank charges	239	156
Meals and entertainment	1,540	1,111
Office	1,863	687
Rental	10,918	10,918
Supplies	1,282	386
Telephone	1,005	1,022
Travel	11,764	11,152
	184,285	133,502
INCOME FROM OPERATIONS	1,537,359	269,997
OTHER INCOME (EXPENSES)		
Government grants (Note 13)	2,991,289	125,930
Interest income	11,627	7,663
Log harvest (Note 14)	(2,991,289)	(808,249)
Miscellaneous income	6,440	2,319
	18,067	(672,337)
INCOME (LOSS) BEFORE INCOME TAXES	1,555,426	(402,340)
INCOME TAXES (RECOVERED)		
Deferred income tax recovery	(9,626)	(30,452)
NET INCOME (LOSS)	\$ 1,565,052	\$ (371,888)

ALBERNI VALLEY COMMUNITY FOREST CORPORATION**Statement of Retained Earnings****Year Ended December 31, 2019**

	2019	2018
RETAINED EARNINGS - BEGINNING OF YEAR	\$ 1,721,134	\$ 2,093,022
NET INCOME (LOSS) FOR THE YEAR	1,565,052	(371,888)
	3,286,186	1,721,134
DIVIDENDS PAID	(150,000)	-
RETAINED EARNINGS - END OF YEAR	\$ 3,136,186	\$ 1,721,134

ALBERNI VALLEY COMMUNITY FOREST CORPORATION**Statement of Cash Flows****Year Ended December 31, 2019****(Expressed in Canadian Dollars)**

	2019	2018
OPERATING ACTIVITIES		
Net income (loss)	\$ 1,565,052	\$ (371,888)
Items not affecting cash:		
Amortization of property and equipment	35,651	27,446
Timber - government grants	-	682,319
Deferred income tax	(9,626)	(30,452)
Silviculture accrual	-	48,804
	1,591,077	356,229
Changes in non-cash working capital:		
Accounts receivable	(62,736)	-
Accounts payable	8,113	47,448
Prepaid expenses	61,031	60,286
Goods and services tax payable	(1,746)	(7,862)
Deposits	(77,000)	15,000
	(72,338)	114,872
Cash flow from operating activities	1,518,739	471,101
INVESTING ACTIVITY		
Purchase of property and equipment	(84,726)	(7,280)
FINANCING ACTIVITY		
Dividends paid	(150,000)	-
INCREASE IN CASH FLOW	1,284,013	463,821
Cash - beginning of year	1,786,194	1,322,373
CASH - END OF YEAR (Note 12)	\$ 3,070,207	\$ 1,786,194

ALBERNI VALLEY COMMUNITY FOREST CORPORATION**Statement of Financial Position****December 31, 2019****(Expressed in Canadian Dollars)**

	<i>December 31</i> 2019	<i>December 31</i> 2018
ASSETS		
CURRENT		
Cash (<i>Note 12</i>)	\$ 3,070,207	\$ 1,786,194
Accounts receivable	62,736	-
Goods and services tax recoverable	758	-
Prepaid expenses	82,348	143,379
	3,216,049	1,929,573
PROPERTY AND EQUIPMENT (<i>Note 7</i>)	197,198	148,123
DEFERRED INCOME TAXES	86,871	77,245
	\$ 3,500,118	\$ 2,154,941
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT		
Accounts payable	\$ 76,783	\$ 68,670
Deposits payable	-	77,000
Goods and services tax payable	-	988
Silviculture accrual (<i>Note 11</i>)	278,404	278,404
	355,187	425,062
SHAREHOLDER'S EQUITY		
Share capital (<i>Note 9</i>)	1	1
Contributed surplus	8,744	8,744
Retained earnings	3,136,186	1,721,134
	3,144,931	1,729,879
	\$ 3,500,118	\$ 2,154,941

ON BEHALF OF THE BOARD_____
*Director*_____
Director

The accompanying notes are an integral part of these financial statements

ALBERNI VALLEY COMMUNITY FOREST CORPORATION

Notes to Financial Statements

Year Ended December 31, 2019

1. DESCRIPTION OF BUSINESS

Alberni Valley Community Forest Corporation (the "Company") is domiciled in Canada and is incorporated under the Business Corporations Act of the Province of British Columbia. 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").

The financial statements were authorised for issue by the Board of Directors on April 9, 2020.

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 assets
- Note 11 - provisions

ALBERNI VALLEY COMMUNITY FOREST CORPORATION

Notes to Financial Statements

Year Ended December 31, 2019

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, 2019, 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.

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ALBERNI VALLEY COMMUNITY FOREST CORPORATION

Notes to Financial Statements

Year Ended December 31, 2019

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.

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ALBERNI VALLEY COMMUNITY FOREST CORPORATION

Notes to Financial Statements

Year Ended December 31, 2019

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.

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ALBERNI VALLEY COMMUNITY FOREST CORPORATION

Notes to Financial Statements

Year Ended December 31, 2019

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, 2019

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.

ALBERNI VALLEY COMMUNITY FOREST CORPORATION

Notes to Financial Statements

Year Ended December 31, 2019

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.

- Cash and cash equivalents - \$3,070,207 (2018 - \$1,786,194)
- Loans and receivables - \$Nil (2018 - \$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 assets.

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 - \$76,783 (2018 - \$68,674)
- Deposits - \$Nil (2018 - \$77,000)

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 ended December 31, 2019, the Company entered into a logging agreement with Island Timberlands to license and sell approximately 22,000 cubic meters of timber with an estimated value of \$3 million. As at December 31, 2019, all of the cubic meters of the timber under the agreement had been harvested. As at December 31, 2019 the biological asset inventory was valued at \$Nil.

ALBERNI VALLEY COMMUNITY FOREST CORPORATION

Notes to Financial Statements

Year Ended December 31, 2019

7. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Computer equipment	\$ 3,076	\$ 3,076	\$ -	\$ -
Roads	282,279	160,490	121,789	66,849
Bridges	84,773	26,848	57,925	61,316
Bridges; wooden	20,269	16,216	4,053	6,080
Trails	23,656	10,225	13,431	13,878
	\$ 414,053	\$ 216,855	\$ 197,198	\$ 148,123

8. RELATED PARTIES

	2019	2018
<u>Related party transactions</u>		
Canet & Co. <i>Accounting service provider</i> Accounting	\$ 5,975	\$ 5,841
Sproat Lake Forestry Service Limited <i>Contracted forest manager</i> Management expense	70,496	55,280
	\$ 76,471	\$ 61,121

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	Common shares without par value			
		2019		2018
Issued:				
1	Common Share (2013 1,501)	\$ 1	\$	1

ALBERNI VALLEY COMMUNITY FOREST CORPORATION

Notes to Financial Statements

Year Ended December 31, 2019

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.

2020	\$	6,718
2021		6,718
2022-2034		73,898
	\$	<u>87,334</u>

11. PROVISIONS

The Company has recognized a provision for site restoration and related costs of \$278,404 (2018 - \$278,404) for silviculture and waste removal activities to be undertaken in the 2020 year-end. This provision was determined based on professional experience of management and falls within industry guidelines of \$2 and \$5 per cubic metre of harvested timber.

12. CASH

	2019	2018
Cash	\$ 3,070,207	\$ 1,786,194

13. REVENUE

Revenue from government grants represents the fair value less costs to sell timber available for harvest under a cutting permit for approximately 22,000 cubic metres of timber (December 31, 2018 - 27,920 cubic metres) with a value of \$3 million (December 31, 2018 - \$125,930). As at December 31, 2019, the Company did not have any further cutting permits for timber under contract and all remaining cubic metres had been harvested during the year.

14. COST OF SALES

Cost of timber represents the value of timber received through government grants that was sold during the year. During the year 21,644 cubic metres of timber (December 31, 2018 - 21,428 cubic metres) with a value of \$3 million (December 31, 2018 - \$808,249), was harvested and sold by the Company.