

Nawiinginokiima Forest Management Corporation

2022-23 Annual Report

Chair's Message

During my second year as the Chair of NFMFC, I personally was able to see the benefits our Board can bring to the Agency. There is no denying that operational struggles have continued, mainly due to the shortages in trucking and harvesting power, but the Board was able to concentrate with some key initiatives that can assist NFMFC in both the short and long term.

We continue to make progress on our Strategic Plan, and while this has taken longer than originally expected, we feel that the benefits of our approach will help NFMFC into the future. We have also been very methodical in building the relationships with Biigtigong Nishnaabeg and Netmizaaggamig Nishnaabeg, both of whom have reserved seats on the Board of Directors of NFMFC. We have regularly met with the First Nations and have created an Indigenous Relations Committee (IRC) to give the communities an easier avenue to have direct discussions with the Board while providing meaningful engagement into our forest management activities and Crown Agency responsibilities.

Using a lessons-learned approach from this fiscal year, the Board will focus on completing the Strategic Plan to assist with challenges we have faced, and ones we foresee facing into the future. Within the plan we will also continue to explore new economic development opportunities, while strengthening our local communities and forest industry. We will strategically take advantage of our newly formed IRC and move forward in a collaborative and inclusive way.

In conclusion, the Board appreciates and is thankful of our team at NFMFC. Our hard-working staff continues to progress and meet our responsibilities as a Sustainable Forest License holder and a Crown Agency. We are excited to have them help us achieve our vision as we roll-out the new Strategic Plan in 2024.

Respectfully,



Laird Van Damme, on behalf of the Board of Directors
Nawiinginokiima Forest Management Corporation

General Manager's Message

The 2022-23 fiscal year proved to be a challenging one for the Nawiinginokiima Forest Management Corporation (NPMC), as lingering effects from the COVID pandemic saw the Industry within our management area struggle with harvesting and trucking capacity. The resulting consequences of these challenges had harvest levels drop to the lowest volumes throughout NPMC's 10-year tenure. This negative trend on harvest levels has been carrying on for the past 3 years and this is concerning. There is no fix on the horizon for the lack of human resource capacity and new investment within our management area has been insufficient.

Financially, NPMC had a good year as management fees were increased to the mills due to their missed targets and we were able to keep our expenditures below the original budget estimates. Markets stayed positive throughout the year, with strong pulp prices leading the way for NPMC to outperform its revenue estimates, leaving the Agency in a strong financial position due to residual value revenues.

While operationally we had our struggles, there were a few success stories throughout the year: our Silviculture Program was successfully completed, including the planting of 5.5 million trees; we completed and implemented the White River Forest major amendment guiding forest management activities until 2023; and our Strategic Initiatives, Scholarships and Sponsorship Programs continued their strong momentum during the fiscal year as NPMC invested more than \$1M in our communities and forest industry.

In conclusion, the 2022-23 fiscal year was operationally difficult but financially strong for NPMC. Harvest levels must improve and attracting additional workforce is a priority. The Board continues to work on a new Strategic Plan that will help focus NPMC's efforts and address challenges that we are facing today, and into the future.

I am very proud of our staff and their resiliency throughout this past year. As a team, we will continue to explore ways we can strengthen and build positive momentum for our Agency moving into 2024. With the continued leadership and support from our Board of Directors, NPMC has the ability to overcome today's trials and work with our Communities and Industry to find long-term solutions that will make NPMC prosper.

Sincerely,



Carmelo Notarbartolo, General Manager
Nawiinginokiima Forest Management Corporation



Table of Contents

1. BACKGROUND 4

- Company Overview
- Agency Mandate
- Mission Statement
- Environmental Policy
- Strategic Direction

2. AGENCY GOVERNANCE & STAFFING 7

- Corporate Governance
- Board of Directors
- Board Committees
- Agency Location
- Agency's General Manager
- Agency Staff
- Training & Professional Development
- Agency Health & Safety

3. AGENCY PROGRAM ACTIVITIES 11

- Forest Certification
- Forest Product Markets
- Community Engagement & Supporting Local Communities
- Contributions to the Local Economy

4. ANALYSIS OF OPERATIONAL PERFORMANCE 14

- Performance Measures
- Operational Performance

5. ANALYSIS OF FINANCIAL PERFORMANCE 17

- Balance Sheet
- Revenues
- Expenditures

6. RISK EVENTS & MITIGATION STRATEGIES 20

7. THE PATH AHEAD 21

8. AUDITED FINANCIAL STATEMENTS 22

1. Background

Company Overview

NFMC is the first Ontario local forest management corporation (LFMC) established under the *Ontario Forest Tenure Modernization Act, 2011* (OFTMA). NFMC was established through the passage of Regulation 111/12 under the *OFTMA, 2011* on May 29, 2012.

NFMC's management area in 2022-23 remained static and is comprised of two forest management units (FMUs): Pic Forest and White River Forest (see Figure 1). While the original concept of the NFMC included the Nagagami



Figure 1. Map of NFMC management area as of March 31, 2023

forest, during the year the Board decided to not pursue the license for that forest and therefore changes to our management responsibilities are not expected for the near future.

NFMC, a classified operational enterprise Crown Agency, is self-financing with the mandate to sustainably manage the forests within its mandated area and to harvest, market, and sell the associated available wood supply. Forestry activities on the Pic and White River Forests are carried out under the authority of approved Forest Management Plans (FMPs). These activities are subject to an Independent Forest Audit (IFA) and the audit results are available to the public for review.

Agency Mandate

As outlined within its 2017-21 Strategic Plan, NFMC will strive to be recognized as a leader in sustainable forest management by implementing its vision to “manage forests in an exemplary manner to provide distinct opportunities to our communities.”

In September 2021, NFMC received a mandate letter from the provincial government that outlined the requirements for the Crown Agency in 2022-23. Requirements are outlined in Figure 2 below.

1. Competitiveness, sustainability, and expenditure management.
2. Transparency and accountability.
3. Risk management.
4. Workforce management.
5. Data collection.
6. Digital delivery and customer service.
7. Diversity and inclusion.
8. COVID-19 recovery.
9. Sustainably managing the Pic and White River Forests, including the development and implementation of FMPs.
10. Making progress towards the acquisition of the SFL for the Nagagami FMU.
11. Marketing and selling wood through negotiated sales to generate sufficient revenue to cover the agency's activities and maintain its operating reserve.
12. Maintaining a functioning Board of Directors and engage the committees outlined in the Corporation's by-law #1 and additional Board subcommittees, as required.
13. Continuing to implement the recommendations of Agency Task Force Reviews.
14. Continuing to implement strategic initiatives that focus on local and First Nation community economic development and create public awareness of NPMC's achievements, forest stewardship, and economic development opportunities with respect to forestry in NPMC's management areas.
15. Working with Indigenous communities and NDMNRF on Michano Land Claim matters, as required.
16. Continuing to provide training opportunities to the Board and orientation to new Board appointees, so that its members are informed of their roles, responsibilities, and powers, as well as their role in the relationship with the ministry, including when there is a potential conflict of interest.

Figure 2. Mandate requirements for NPMC

In addition to government-wide priorities, NPMC is expected to work towards tasks that mirror the objects of the LPMC detailed in the OPTMA (see Figure 3). NPMC's progress at addressing the mandate's requirements as well as the LPMC's objects are highlighted throughout the remainder of this Annual Report.

Mission Statement

The NPMC mission statement as outlined in its 2017-21 Strategic Plan, mirrors the objects of the LPMC per Figure 3.

1. To hold forest resources licences and manage Crown forests in accordance with the Crown Forest Sustainability Act, 1994 (CFSA) and to promote the sustainability of Crown forests.
2. To provide for economic development opportunities for Indigenous peoples.
3. To manage its affairs to become a self-sustaining business entity that optimizes value from Crown forest resources while recognizing the importance of local economic development.
4. To market, sell and enable access to a predictable and competitively priced supply of Crown forest resources.
5. To carry out such other objects as may be prescribed by regulation.

Figure 3. LFMC objects per the OFTMA

Environmental Policy

NFMC recognizes environmental protection as one of the Agency's primary drivers, as well as a key component of sound business performance. The Agency has an established Environmental Policy (Figure 4) with an ongoing commitment made to providing quality forest products and related services in a manner that minimizes the potential impact on the environment. In addition, NFMC will continue to operate in compliance with all relevant federal, provincial, and municipal environmental legislation and strives to use pollution prevention and environmental best practices. The Environmental Policy states that NFMC will:

1. Integrate the consideration of environmental concerns and impacts into all Agency decision making and activities.
2. Promote environmental awareness among our employees and encourage them to work in an environmentally responsible manner.
3. Train, educate, and inform our employees about environmental issues.
4. Where required by legislation or where significant health, safety or environmental hazards exist, develop and maintain appropriate emergency and spill Standard Operations Procedures.
5. Regularly communicate our Environmental Program to clients, customers, and the public, and encourage them to support it.
6. Commit to the advancement of sustainable forest management practices and continuing third-party certification on NFMC management area.
7. Strive to continually improve the Agency's environmental performance by periodically reviewing the NFMC Environmental Policy considering our current and planned future forestry activities.

Figure 4. Environmental Policy Tenets

Strategic Direction

In 2017, a Board led strategic planning exercise resulted in NFMC's inaugural Strategic Plan titled "Working Together – Strategic Plan 2017-2021." The Strategic Plan established NFMC's priorities for the 2017-2021 time period. Since 2017, NFMC's staff and Board have established three programs and developed policies to support the goals of the Strategic Plan. At a high level, the Strategic Plan's areas of focus include forests, governance, industry, and communities. In early 2022, NFMC began the process of creating a new Strategic Plan that will guide the Agency's direction for the 2023-2028 time period.

2. Agency Governance & Staffing

Corporate Governance

NFMC has a Memorandum of Understanding (MOU) with the Ministry of Natural Resources and Forestry (MNRF). Updated in April of 2021, and re-affirmed in December of 2022, the MOU outlines the responsibilities of the Minister, Deputy Minister, Chair of the Board, Board members, and the General Manager (GM).

The GM is accountable to the Board, via the Chair, for the management of the Agency's operations and staff, while ensuring compliance with all applicable Acts, regulations, and directives. The Board, in turn, is accountable to the Minister of the MNRF, again via the Chair, for: the oversight and governance of the Agency, setting goals, objectives, and the strategic direction for the Agency all while ensuring compliance with all applicable Acts, regulations and directives.

Board of Directors

NFMC's current Board (Figure 5) includes representatives from Manitouswage, Marathon, White River, Biigtigong Nishnaabeg First Nation, Hornepayne, Netmizaaggamig Nishnaabeg First Nation, and a member-at-large (who broadens the Board's functional knowledge base).

NFMC is attentive to individuals that could contribute to the Agency and serve as a potential Board member either representing their home community or as a member at large.

Biographies of Board members can be found on the NFMC webpage: <https://nfmcforestry.ca/staff/>.

NAME	POSITION	TENURE	COMMUNITY	2022-23 REMUNERATION
Laird Van Damme	Chair	20/08/22-19/08/23	At large	\$7,050
Adam Brown	Vice-Chair	02/07/20 – 01/07/23	Marathon	\$ 3,900
Tina Forsyth	Director	28/06/20 – 27/06/23	White River	\$ 1,400
Jesse Gaudette	Director	06/08/20 – 05/08/23	Netmizaaggamig Nishnaabeg First Nation	\$ 0
Grant Goodwin	Director	30/07/20 – 29/07/23	Manitouwadge	\$ 1,313
JoAnne Michano	Director	06/08/20 – 05/08/23	Biigtigong Nishnaabeg First Nation	\$ 0
Julie Roy-Ward	Director	02/05/22 – 01/05/25	Hornepayne	\$ 1,400

Figure 5. NPMC Board membership as of March 31, 2023

Board Committees

In accordance with the OFTMA, the NPMC Board of Directors have established four standing committees. The purpose of each committee is outlined below in Figure 6.

<p>Audit and Finance Committee</p> <p>Purpose: The Audit and Finance Committee is responsible for ensuring that appropriate controls and accountability exists within the Agency with respect to audit, finance, and areas of material risk.</p> <p>Chair: Laird Van Damme</p> <p>Members: All Board members</p> <p>Non-Voting Member: Jory Caruso</p>
<p>Governance Committee</p> <p>Purpose: The Governance Committee provides advice and recommendations on governance matters, including Board Vacancies</p> <p>Chair: Laird Van Damme</p> <p>Members: All Board members</p> <p>Non-Voting Member: Carmelo Notarbartolo</p>
<p>Indigenous Relations Committee</p> <p>Purpose: The IRC was created to build, maintain, and strengthen NPMC's relationships with our local Indigenous communities and organizations.</p> <p>Chair: Laird Van Damme</p> <p>Members: Jesse Gaudette and JoAnne Michano</p> <p>Non-Voting Member: Carmelo Notarbartolo</p>

Performance Management & Human Resources Committee

Purpose: The Performance Management & Human Resources Committee provides advice and recommendations on matters relating to performance management and human resources.

Chair: Adam Brown

Members: Laird Van Damme, Jesse Gaudette, and JoAnne Michano

Advisory Committees

Purpose: Also, in accordance with NFMC's By-law #1, the Board may establish a Stakeholder Advisory Committee whose membership will consist of individuals other than the current members of the Board. The Stakeholder Advisory Committee is intended to provide advice and recommendations to the Board on matters related to the Agency. NFMC believes the Committee will be established following the term of the current FMP Contingency Plan.

Chair: To be determined

Members: To be determined

Figure 6. NFMC Board committees

Agency Location

NFMC's primary office is located in Marathon, Ontario. The contact information for NFMC is:

Mailing Address

PO Box 1479
14 Hemlo Drive
Marathon, ON P0T 2E0

Contact Information

Phone: 807-229-8118
Website: www.nfmcforestry.ca
General inquiries: contact@nfmcforestry.ca

NFMC also maintains a satellite office in White River, Ontario to support operations on the White River Forest.

Agency's General Manager

The GM, who also acts as the Chief Executive Officer, reports to the Board of Directors. The GM is responsible for the day-to-day management of NFMC including: the financial, analytical, and administrative affairs of the Agency in accordance with the Agency mandate, the Minister's Directives, applicable government directives, accepted business and financial practices, and the MOU with the Minister.

NFMC has established its own human resource related policies such as the Compensation Strategy and Executive Compensation Framework. The Agency is directly responsible for the terms and conditions of employment and health and safety in accordance with its human resource and health and safety policies and applicable provincial and federal legislation and subject to approval by the Board. NFMC is subject to all applicable Government of Ontario directives.

Agency Staff

The organizational structure for NFMC (Figure 7) has been designed to be scalable and flexible to accommodate the needs of the Agency. NFMC maintained staffing levels in 2022-23 and does not expect significant changes in 2023-24. There may be changes if, in the future, the Nagagami Forest SFL is transferred to NFMC's management. This flexibility of staffing levels is an important tool for the GM to manage costs and operational risks associated with the current business climate in NFMC's management area.

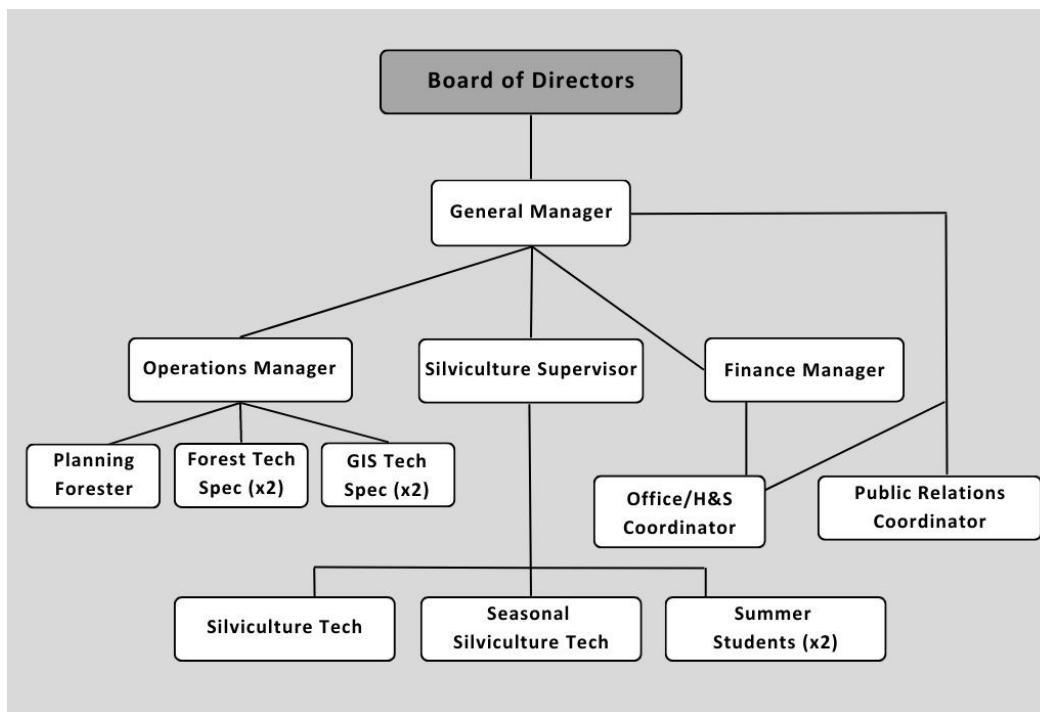


Figure 7. NFMC organizational chart as of March 31, 2023

NFMC's management team strives to make the Agency's work culture respectful, progressive, and inclusive.

NFMC has recognized that there is a large pool of knowledge available from consultants/service providers/subject matter experts from which it can draw. NFMC will continue to use consultants for specialized tasks where NFMC's staff may not possess adequate experience/knowledge or have the resources to complete.

The management team includes the Operations Manager and the Finance Manager. The Operations Manager, with the assistance of the Planning Forester, Forest Technicians, and GIS Technical Specialists, is responsible for the oversight and implementation of the Agency's forestry operations. These responsibilities include adherence to FMPs and all associated legislation and regulations, ensuring

required annual reporting is completed within proper timelines, and ensuring health and safety protocols are in place by contractors on the FMUs.

The Finance manager, who also acts as the Chief Financial Officer of the Agency, is responsible for the oversight and implementation of all the financial responsibilities, including the planning and preparation of the Annual Business Plan (ABP) and adhering to all directives applicable to the Agency.

The Silviculture Supervisor, who reports to the GM, ensures (with the assistance of Silviculture Technicians) that the NPMC forests meet the forest renewal and sustainability requirements set out by the MNRF, as well as third-party certification programs such as Forest Stewardship Council (FSC®), through the planning and oversight of the renewal activities on the FMUs.

Training & Professional Development

NPMC is committed to supporting training initiatives to improve health and safety or environmental performance for its employees and stakeholders. NPMC has been slowly working at facilitating training opportunities to assist local contractors. As we progress into 2023/24, greater efforts will be made to establish pre Covid-19 training levels.

Agency Health & Safety

NPMC's management and its Board of Directors are committed to the health and safety of its employees and all who are involved in forestry and silviculture operations on its management area. As such, health and safety is the NPMC's primary operational priority. NPMC continuously strives to create awareness of safety risks found specifically in forestry operations, especially the risks of driving on forest access roads.

NPMC is also committed to having an accident-free workplace through its endorsement and effective administration of its Workplace Safety North (WSN) certified Health and Safety Program (H&SP). NPMC's H&SP was re-certified by WSN in 2022. The comprehensive H&SP is tailored to adhere to provincial safety legislation and the Occupational Health and Safety Act (2023). NPMC considers its H&SP an evergreen document and it is continually updated to ensure continued employee and contractor safety.

To further encourage safe work practices in forestry, NPMC has established a partnership with WSN to provide complementary health and safety training courses to the various stakeholders/contractors operating within its management area.

3. Agency Program Activities

The program activities of NPMC are guided by the conditions of the SFLs it holds, consistent with the requirements of the CFSA and the OFTMA. NPMC has four forestry program areas:

- i. Forest management planning.
- ii. Forest operations (including harvesting, renewal programs, roads, and compliance).

- iii. Economic development initiatives.
- iv. Timber sales and marketing.

In 2022-23, 458,000 m³ of wood was delivered from the Pic and White River Forests to receiving mills- summarized in Figure 8. This is a decrease from the previous year when NFMC delivered 621,000 m³. A number of factors played a role in this decrease, including shortages in contractor capacity and trucking resources. These factors are concerns that NFMC will look to assist with through initiatives over the next few years.

NFMC's primary customers have not changed from prior years. Customers consist of: AV Terrace Bay Inc., Lecours Lumber Co., Levesque Plywood Limited, White River Forest Products, Hornepayne Lumber LP, and Nakina Lumber Inc (Figure 9).

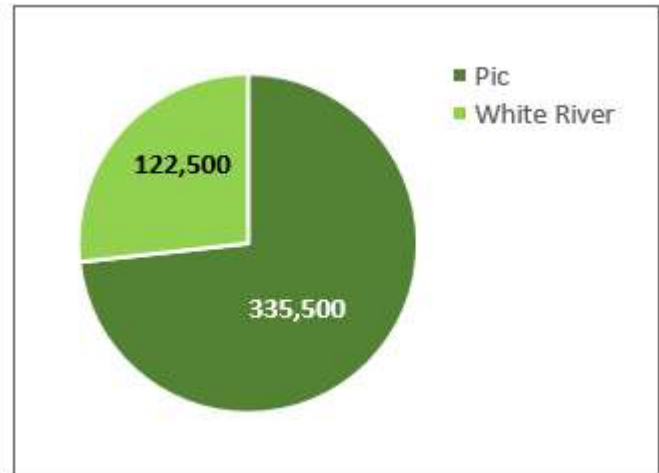


Figure 8. NFMC harvest levels by SFL in 2022-23 (in m³)

The majority of wood was delivered by four primary contractors on the FMUs: Manitouwadge Contracting Ltd., Lecours Lumber, White River Forest Products, and AV Terrace Bay Inc. NFMC continues to explore strategic initiatives to increase contractor capacity on the forest, specifically through arrangements that support local and First Nation economic development.

MILL	LOCATION	PRODUCT
AV Terrace Bay	Terrace Bay	Pulp/biomass
Hornepayne Lumber LP	Hornepayne	SPF lumber
Lecours Lumber Co. Ltd.	Calstock	SPF lumber
Levesque Plywood Ltd.	Hearst	Poplar veneer
Nakina Lumber	Nakina	SPF lumber
White River Forest Products Ltd.	White River	SPF lumber

Figure 9. NFMC primary customers (locations and products)

Forest Certification

NFMC maintained its FSC® certification on the White River in 2022-23. The Pic Forest had its certificate suspended as there is an outstanding dispute currently in process, with the intent to regain certification. NFMC's FSC® certification of the forests under its management has always been considered a major accomplishment that demonstrates its commitment to manage its forests sustainably, support its industry partners, and help facilitate local community and First Nation economic development. NFMC staff work hard to ensure the annual surveillance audits are successfully completed. This includes work by operations

staff to safeguard the Agency's renewal and harvesting activities, comply with its commitments, as well as planning and support staff for the audit teams.

Forest Product Markets

NFMC supplies four main forest products: lumber, panel, pulp and paper, and forest biomass. While markets fell slightly from the historical record highs seen during the pandemic, demand remained stronger than the average years pre-Covid. Unfortunately, the strong markets did not result in a great harvest year on the NFMC management area, mainly due to issues identified earlier in this section.

In addition to the human resource capacity shortages, local mills encountered production issues which were not anticipated; this unfortunately occurred while markets were at an all-time high.

The upcoming year's projections may vary greatly due to significant inflation increases and the subsequent response from financial institutions and governments. NFMC must prepare for another uncertain year, with little historical precedence in these circumstances.

Community Engagement & Supporting Local Communities

During 2022-23, NFMC continued its increase in community outreach and face-to-face meetings with stakeholders. The efforts have resulted in a continued increase in uptake for our available Programs. NFMC was able to donate over \$55K toward local community events and sponsorships, award \$32K in scholarships to college and university students from the local management area, and approve over \$940K in strategic initiatives assisting local businesses in the forestry sector (including First Nation owned businesses).

We will continue to leverage our Programs to assist with challenges our Industry is facing and improve the quality of life our communities offer.

NFMC's social media presence is mainly used as a means for the Agency to reach out to the communities and residents within its management area. Our accounts include Twitter, Facebook, Instagram and our NFMC webpage. These are being leveraged to create awareness of NFMC activities, positive impacts of forestry within the management area, and advertising staffing vacancies within the Agency.

Contributions to the Local Economy

NFMC's mandate includes providing economic development opportunities for local communities and First Nations. NFMC developed a Procurement Policy with this in mind. NFMC sought, where possible, to source supplies and services from First Nations, local and regional vendors. NFMC directly contributed over \$2.0 million to the local and regional economy.

NFMC purchased goods and services from local First Nations valued over \$1.1 million including its support through strategic initiatives. NFMC purchased another \$1.0 million from vendors within or surrounding its management area located in Municipalities. In addition to purchases listed, NFMC paid almost \$1.2 million in wages and salaries that were spent in local communities (Figure 10).

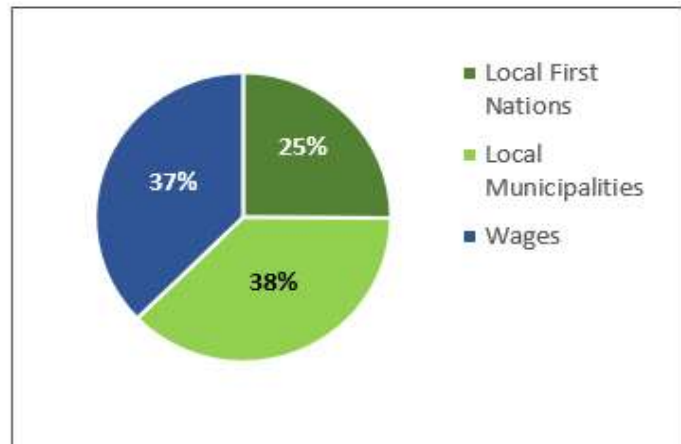


Figure 10. Breakdown of local spending in 2022-23

4. Analysis of Operational Performance

Performance Measures

NFMC will continue to develop operational performance measures and targets to ensure the achievement of its goals and objectives as well as the achievement of the objectives for the Agency (as described in the OFTMA). NFMC's performance measures and achievements are outlined below and are consistent with ones outlined in the Agency's ABP.

i. World class forest management company

- Maintained third-party FSC® Certification on the White River Forest.
- Completed renewal programs on both forests consistent with the expectations of the Forest Management Plans and Annual Work Schedules.
- Partnered with Canadian Company on the testing of semi-autonomous solutions for potential future forestry uptake; the uptake will be dependant on the success of the pilot project and future legislative changes.

ii. Financially Self-Sufficient

- Cash on hand (including reserves and investments) on March 31, 2023, is over \$28.9 million.
- NFMC's operating reserve is set at \$11.5 million as of March 31, 2023, consisting of funds that are segregated.
- NFMC has pursued investment opportunities which align with the Ontario Forest Tenure Modernization Act, 2011 to help sustain purchasing power.

iii. Extending scope of usage

- Commitment volumes made available but not fully utilized due to operational factors and conditions facing NFMC customers.

iv. Meeting governance requirements

- Timely submission for all Agency requirements to MNRF throughout the fiscal year.
- Posted required reports to its website, including travel, meal and hospitality expenses, MOU with Minister, and other reports for public disclosure.
- Governance training provided to Board members when required or requested.

v. Building new local forest related industry

- Provided SIP assistance to First Nation businesses working in the harvesting, road building and maintenance sectors. This will assist with the long-term goal of increasing capacity within the industry and maximizing the value of Crown resources.
- Awarded Strategic Initiatives Program applicants with financial support exceeding \$940k in the fields of harvesting, road building and road construction, creating new employment, and expanding local services.
- Working on a tool to identify the unused resources on the management area to provide a potential future investor, the initial information required to determine the ideal location for infrastructure and potential costs to bring product from forest to manufacturing plant.

vi. Establishing a new baseline for First Nation engagement

- Moved forward on strategic initiatives related to road maintenance and harvesting capacity with a local First Nation. Provided over \$1 million in payments to Indigenous contractors for services or in direct support.
- NFMC Board maintains representatives of both Netmizaaggamig Nishnaabeg First Nation and Biigtigong Nishnaabeg First Nation.
- Began free, prior, and informed consent (FPIC) agreement meetings with Biigtigong Nishnaabeg First Nation and continue to progress through these discussions.

vii. Engaging the community in forestry

- Board included representatives from Marathon, Manitouwadge, Hornepayne, and White River as well as at large members.
- Staff attended community educational events and tradeshow across the region including Marathon, Manitouwadge, Terrace Bay, Longlac, Wawa and Thunder Bay.
- NFMC awarded 12 scholarships, for a total value of \$32K to local students under its Scholarship Program. The Program is open to students from NFMC communities studying relevant fields.
- NFMC maintains active social media accounts as well as its website and uses these tools as our means of regular communication with local residents including information related to NFMC's operations, raising awareness of the positive impacts of forestry in our region, and employment opportunities within the Agency.
- NFMC is a member of the Ontario Forest Industry Association, which serves to provide a unified voice to the government and other industrial and business sectors.

Operational Performance

NFMC's core business and primary performance measures consist of harvest volume, renewal programs and financial results. During the 2022-23 fiscal year, the merchantable volume harvested on the NFMC management area was 458,000 m³. This volume was below the budget of 890,500 m³. While demand remained strong and prices for lumber and NBSK were also favourable, our local industry struggled with shortages in human resource capacity throughout the supply chain, including at the mills, in the harvesting sector as well as the trucking power. In addition, two of our main customers suffered unexpected operational performance issues throughout the year.

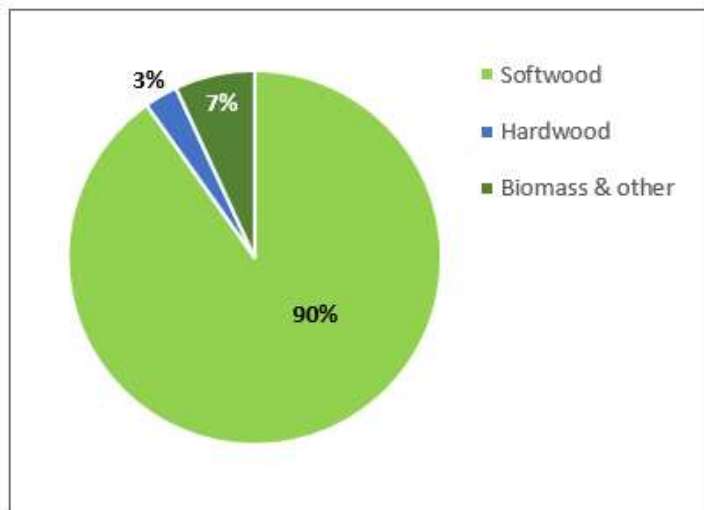


Figure 11. Volume distribution by species type 2022-23

Most of NFMC's delivered volume is softwood, which accounted for 90 percent of deliveries (Figure 11). Softwood demand has remained strong over the past few years and is projected to continue as mills require fibre from NFMC's FMUs to remain operational at ideal production levels. Identifying markets for biomass and merchantable hardwood remains a challenge within our management area and there is hope recent interest shown by new investors may spark changes on this front in future years.

NFMC provides fibre to mills from Terrace Bay to White River to Hearst. There are four softwood sawmills, one softwood pulp mill, one hardwood veneer facility and two plants that use biomass in or adjacent to its management area (see Figure 9 on page 12).

NFMC's primary customers were AV Terrace Bay and White River Forest Products Ltd., which together accounted for approximately 70 percent of delivered volume from NFMC's management area (Figure 12).

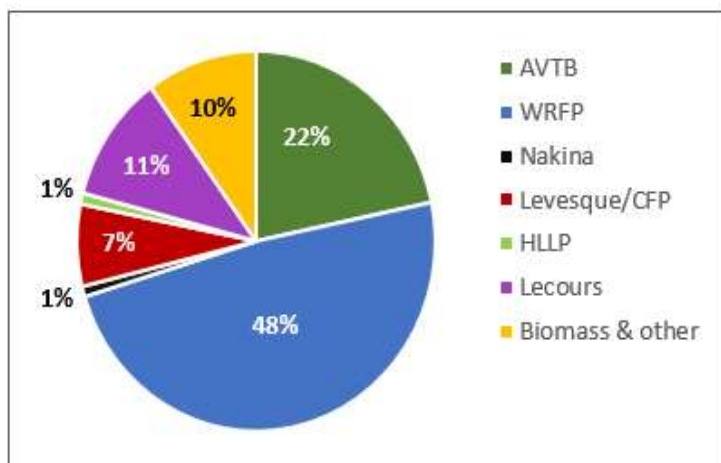


Figure 12. Volume distribution by destination 2022-23

NFMC's objective to grow forest operations activities to better achieve its mandate requires implementation of key operational strategies including the development of new/additional forest access roads and supporting/attracting logging contractors. These strategies represent significant investment of human and financial capital and are at various stages of development.

NFMC has continued to maintain the Caramat-Manitouwadge “Industrial Road” for the Ministry of Transport Ontario (MTO). NFMC utilizes a local First Nation contractor to maintain the Road thus providing an economic opportunity to the First Nation’s community. The NFMC’s webpage regularly posts updates on the condition of the Industrial Road to advise the public of travel conditions. The updates also identify areas of the Road that may require maintenance.

Forest management activities were carried out with support from qualified service providers to facilitate ongoing forest operations including any required amendments to FMPs and revisions to AWSs.

NFMC’s Silviculture Program spending from the Forest Renewal Trust (FRT) for 2022-23 was almost \$3.69 million. The Pic Forest’s expenditures were \$2.45 million, and the White River Forest’s expenditures were \$1.24 million. NFMC

continues to manage its Silviculture Program with the objective of achieving improved results and cost control through the timely treatment of harvest blocks, Free to Grow surveys, etc. During 2022-23, NFMC maintained surpluses in its renewal trust account on both the Pic and White River Forests. Renewal rates on softwood were set at \$4.75/m3 on the Pic Forest and \$4.40/m3 on the White River Forest. During the year, NFMC assessed that harvest volumes were significantly lagging budget and as a result, renewal rates were increased to \$6.50/m3 on the Pic Forest and \$10/m3 on the White River Forest. The NFMC’s 2022-23 Silviculture Program included the activities shown in Figure 13.

PROGRAM	QUANTITY
Planting	5,422,800 trees
Stock Production	6,300,000 trees
Mechanical Site Preparation	1,195 hectares
Debris Management	22 kms
Chemical Site Preparation	568 hectares
Tending	3,161 hectares

Figure 13. 2022-23 Silviculture Program Activities

5. Analysis of Financial Performance

The Agency appointed an independent auditor to review the accounts and financial transactions of the Agency for 2022-23 (see Section 8). NFMC is a Crown Agency and operates on a cost recovery basis and is exempt from income taxes under the federal *Income Tax Act*.

NFMC recorded a net profit of \$3.4 million in 2022-23 (2021-22 net income \$6.6 million). NFMC had a healthy financial fiscal year, but saw it’s profit decrease due to decreases in pulp and saw log prices and increases in the strategic initiatives program (2022-23 - \$1.4 million vs 2021-22 - \$0.8 million).

The forest products market was strong last year, and all area mills were operating at year end. While pulp and sawmill prices remained healthy in 2022-23, NFMC collected less residual value compared to 2021-22 (\$3.8 million vs \$6.4 million). The decrease is a combination of prices of pulp and saw logs moving closer to historical norms and operational issues of certain NFMC customers.

Balance Sheet

NFMC increased its cash and investments position by \$2.9 million to \$28.9 million during the 2022-23 audit period. The balance of accounts receivable at the end of the audit period was \$3.76 million, of which \$110k has been presented as long-term. The balance is comprised of \$1.87 million for stumpage fees, \$1.3m for roads reimbursements, \$84k from the FRT for silviculture reimbursements, \$237k in union dues, \$224k in roadside inventory, \$27k in HST, and \$18k in trade receivables. Trade receivables include administration, permit fees receivable from various mills, and overlapping agreement fees.

During the year, NFMC made some minor additions to its property, plant, and equipment. The Agency purchased computers and laptops with a value of \$7k. Property, plant, and equipment are recorded at cost less accumulated amortization.

Liabilities at year-end were \$2.3 million and are primarily related to the accrued Crown dues including deliveries in Feb-March 2023 but not billed until after the year-end, strategic initiative payments and province's Forest Roads Funding Program (FRFP) funds receivable by NFMC and repayable to the industry as part of the Beneficiary Flow-Through Agreement.

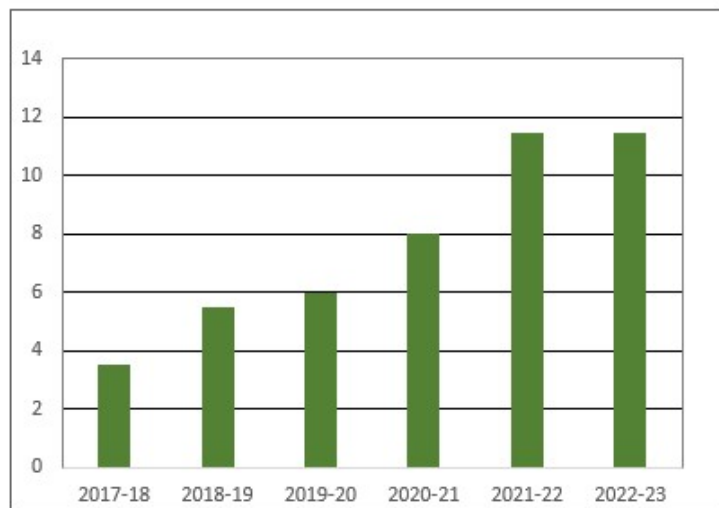


Figure 14. Operating reserve (\$ million) 2017-18 to 2022-23

Since NFMC was issued the SFL for the Pic Forest in 2017-18 the Agency has increased its operating reserve to \$11.5 million. The operating reserve provides NFMC's management with funds to cover approximately five years of regular operations.

Revenues

Revenues from management fees and forest renewal charges are recognized when wood is delivered. Revenues from the FRFP were recognized when the invoice was submitted for reimbursement.

The revenue for the period totalled almost \$10.0 million, as shown in Figure 15 (separated by category). Operating revenues from administration and similar fees for the audit period were almost \$673K. Also, in 2022-23, NFMC collected residual stumpage charges of \$3.8 million as the price for softwood pulp and lumber exceeded the benchmark level during the year. The former minimum stumpage (sometimes referred to as CRF) and residual charges are referred to collectively as Timber Sales Charges on the

income statement and reached \$5.4 million. Funds to maintain and improve forest access roads during the audit period include just under \$2.7 million from the FRFP and \$374K as part of the agreement with the MTO to maintain the Industrial Road. The Industrial Road is an important throughfare for the industry to move wood from one side of the FMU to the other and it is also used by local residents for travel and recreation purposes.

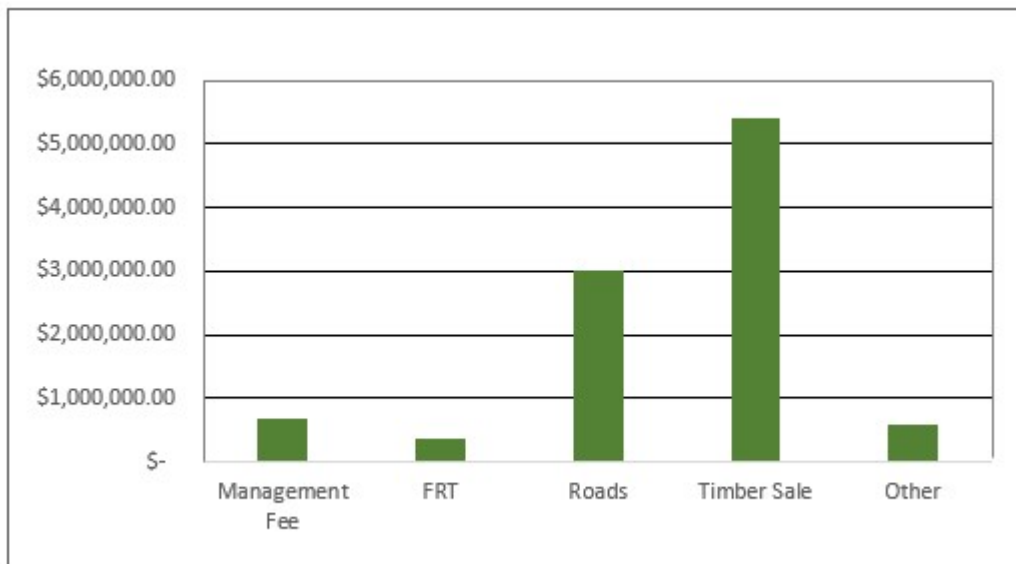


Figure 15. Revenue by source 2022-23

The revenue in 2022-23 was lower than the previous year (Figure 15) largely due to the decrease of saw log and pulp and paper prices. The price of lumber reached the highest levels recorded, over \$1,500 per thousand board feet in 2021-22. The residual fees on pulp wood are expected to continue into at least the first quarter of 2023-24 as the global economy navigates pressures due to inflation and supply chain challenges.

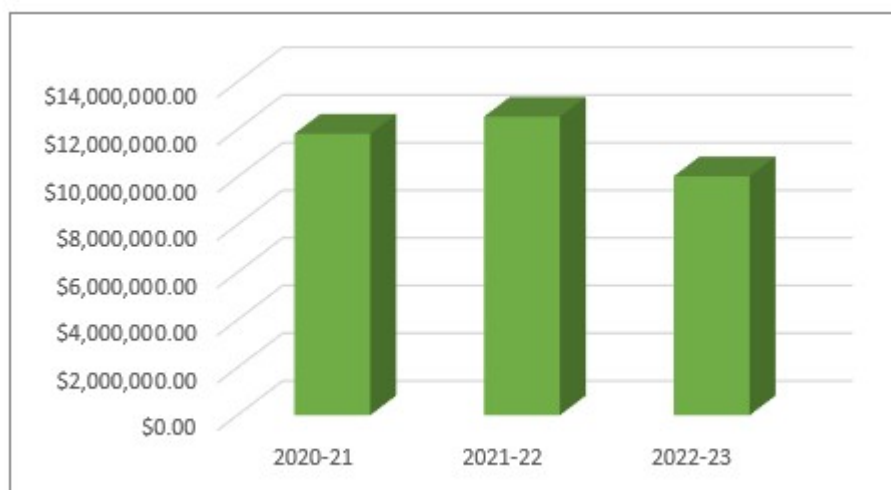


Figure 16. NFMFC Revenue 2020-21 to 2022-23

Expenditures

Wages and benefit costs incurred during the audit period totalled almost \$1.2 million, flat year over year. While NFMC saw staff vacancies for much of the year, savings were offset by staff promotions and salary increases. Due to certain staff vacancies, NFMC saw a corresponding increase in the use of contractors that provide forest management and GIS services. NFMC incurred just over \$178k in staff vehicle, mileage, and travel expenses during the year.

The Board of Director's expenses including remuneration and expenses totalled \$21,675, an increase from the previous year due to more travel as business continues to return to pre-pandemic trends.

Additional expenditures included costs of \$77k related to FSC® certification costs for both the Pic and White River Forests.

The largest expenditures during the period were for road construction and maintenance costs totalling over \$3 million, costs which were recovered during the year from the FRFP or the MTO Industrial Road Agreement. NFMC also began

to examine and plan for future capital expenditures to improve access to new harvest areas and replace some of the aging infrastructure on the FMUs.

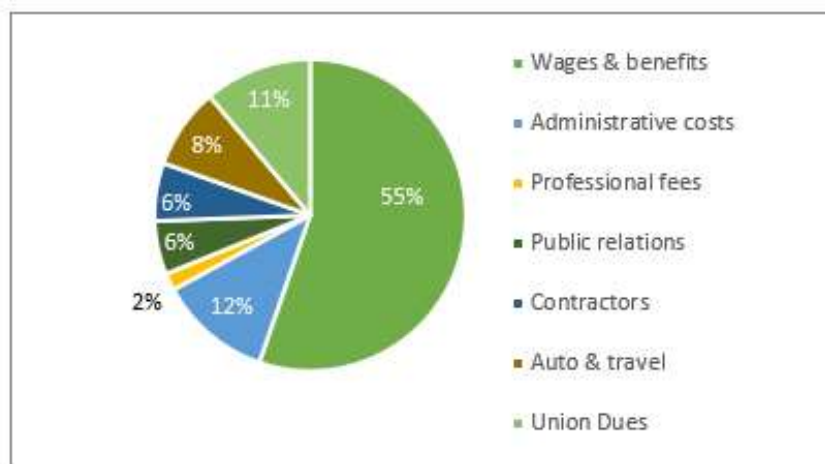


Figure 17. Expenses by type for 2022-23 (excluding Strategic Initiatives, FRFP, and Forest Renewal)

NFMC incurred professional fees of \$38K (\$118k in 2021-22) for the preparation of audited financial statements and legal and accounting advice to support various agreements and Agency decisions. As a Crown Agency, NFMC is subject to numerous rules and regulations not applicable to other SFL holders. As a result, what may otherwise be routine management decisions are subject to a thorough review by NFMC's lawyers and auditors. This results in some large swings year over year. Expenses by type are shown in Figure 17.

6. Risk Events & Mitigation Strategies

As a Crown Agency, there is a need to regularly identify, assess, and manage any risks that may impact NFMC, the MNRF and/or government objectives. To do this, NFMC follows the risk assessment and risk management process outlined in the Guide to the Risk-Based Approach. Annually, NFMC completes its

Risk Assessment Report and Risk Management Plan which are then submitted to the MNRF's Corporate Management Information Division.

NFMC discloses its risks on a quarterly basis. During 2022-23, no significant risks were identified for the Agency.

NFMC has an established Strategic Initiatives Program with the intent of assisting new start-ups or increasing capacity by current businesses within the management area. The goal of the Program is to promote local investment, provide employment and economic development opportunities for local First Nations and municipalities while strengthening the industry and in turn, NFMC's financial outlook.

The mandate of NFMC requires operating as a self-financing business, which included establishing an operating reserve to ensure continued sustainability in response to variations in economic cycles. NFMC has maximized its operating reserve to equal approximately five years of operating costs. In addition, NFMC sets aside money in its budget to address unforeseen events as part of its Unforeseen Events Policy.

NFMC's unique mandate requires specialized administrative functions including a forest products business-focused financial department and systems support. NFMC's workforce is highly skilled and mobile in today's economy. NFMC experiences high rates of employee turnover as skilled employees leave for positions which may offer better pay and benefits, to live in bigger city centers, or for family related reasons. Skilled and experienced employees are critical to NFMC business continuity and the delivery of required programs and support functions. The risk that NFMC faces is not being able to attract, and retain qualified and motivated employees, leading to performance issues, business, and service continuity risks.

NFMC has obtained, and will maintain, insurance appropriate for a prudent business in similar circumstances to the Corporation including comprehensive general liability insurance and Directors and Officer's obligation insurance.

The biggest risk currently facing NFMC are the consequences of an economic shutdown- The forest sector in northern Ontario is highly dependent upon the U.S. housing market as the primary driver of demand. The U.S. housing market has seen a recent decline and the increase in interest rates and inflation is a cause for concern. The outlook for pulp is also not optimistic as prices are expected to continue to slip. We remain cautiously optimistic that a recession will be avoided but this remains a risk to monitor.

7. The Path Ahead

NFMC is working on a new Strategic Plan that should take us into the next 3 to 5 years. While many goals and successes were realized during the previous Strategic Plan, it is now time to look ahead begin addressing the new challenges and opportunities NFMC faces in the near future.

The Board of Directors have made a concerted effort to have this next plan well thought-out with a substantial amount of input from our First Nation partners, Municipalities, and industry leaders. The results should benefit NFMC with a Strategic Plan that sets us up for great success.

As has always been stated in previous Annual Reports, NFMC maintains that its staff are the Agency's greatest asset. NFMC recognizes the difficulties of attracting staff to Marathon and other small communities in NFMC's management area, especially given the changing nature of work and the expectations of the millennial generation. The Agency continues to create an environment that promotes each staff member to achieve their full potential by encouraging professional development and growth.

Lastly, NFMC will look to broaden the market for its products by working with new entrants. New investments in the Wawa area have created potential opportunities for our forests' fibre supply. We will also continue to explore additional markets for under-utilized species such as poplar and birch. Leveraging our Strategic Initiatives Program, NFMC will encourage new entrants to the forest industry and support initiatives that make sense for the communities, mills, forest sustainability, and the environment.

8. Audited Financial Statements

**Nawiinginokiima Forest
Management Corporation**
Financial Statements
For the year ended March 31, 2023

	Contents
Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	4
Statement of Operations and Accumulated Net Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7



Tel: 807-625-4444
Fax: 807-623-8460
Toll free: 800-465-6868
www.bdo.ca

BDO Canada LLP
1095 Barton Street
Thunder Bay ON P7B 5N3

Independent Auditor's Report

**To the Board of Directors of
Nawiinginokiima Forest Management Corporation**

Opinion

We have audited the financial statements of Nawiinginokiima Forest Management Corporation (the Corporation), which comprise the statement of financial position as at March 31, 2023, and the statements of operations and accumulated net assets 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 Corporation as at March 31, 2023, and its results of operations and its cash flows for the period then ended in accordance with Canadian public sector accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the 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 these financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations, 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 Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

Independent Auditor's Report (cont'd)

Auditor's Responsibility 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario
July 11, 2023

Nawiinginokiima Forest Management Corporation Statement of Financial Position

March 31 2023 2022

Assets

Current

Cash (Note 3)	\$18,018,253	\$ 25,943,166
Accounts receivable (Note 4)	3,651,056	3,157,388
Short term investments (Note 5)	8,347,719	-
Prepaid expenses	176,294	61,725

30,193,322 29,162,279

Long term receivables (Note 4)	110,000	-
Long term investments (Note 5)	2,529,692	-
Roadside inventory (Note 6)	143,735	578,573
Property, plant and equipment (Note 7)	106,957	119,041

\$33,083,706 \$ 29,859,893

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 9)	\$ 2,281,556	\$ 2,468,738
---	--------------	--------------

Net assets

Unrestricted	19,302,150	15,891,155
Operating reserve (Note 10)	11,500,000	11,500,000

30,802,150 27,391,155

\$33,083,706 \$ 29,859,893

On behalf of the Board:

Director

Director

The accompanying notes are an integral part of these financial statements.

Nawiinginokiima Forest Management Corporation Statement of Operations and Accumulated Net Assets

For the year ended March 31	2023	2022
Revenue		
Management fees	\$ 675,714	\$ 673,339
Forest renewal activity	357,247	279,705
Interest income	321,116	1,817
Union dues recovery	236,691	-
Forest access roads	3,016,988	3,065,867
Timber sales charges	5,404,208	8,505,898
Other	28,046	15,306
	<u>10,040,010</u>	<u>12,541,932</u>
Expenses		
Amortization	19,788	17,016
Bank and service fees	14,698	45,852
Bad debt (recovery)	(3,620)	59,012
Board of Directors activities	21,675	12,381
Strategic initiatives	1,391,999	786,291
Contract services	50,123	4,208
Forest certification	77,326	65,610
Forest management services	106,443	79,612
Human resources development	25,110	23,332
Insurance	6,253	12,501
Miscellaneous (recovery)	(3,177)	24
Office	104,170	103,458
Professional fees	37,930	107,639
Public access road maintenance	3,012,978	3,073,384
Public relations	117,384	118,083
Rent and lease	64,200	89,465
Travel and automotive	177,817	163,863
Union dues	236,691	-
Wages and benefits	1,171,227	1,190,668
	<u>6,629,015</u>	<u>5,952,399</u>
Excess of revenue over expenses	3,410,995	6,589,533
Net assets - unrestricted, beginning of the year	15,891,155	12,801,622
Transfer to operating reserve (Note 10)	-	(3,500,000)
Net assets - unrestricted, end of the year	\$19,302,150	\$ 15,891,155
Net assets - internally restricted, beginning of the year	\$11,500,000	\$ 8,000,000
Transfer to operating reserve (Note 10)	-	3,500,000
Net assets - internally restricted, end of the year	\$11,500,000	\$ 11,500,000

The accompanying notes are an integral part of these financial statements.

Nawiinginokiima Forest Management Corporation Statement of Cash Flows

For the year ended March 31	2023	2022
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 3,410,995	\$ 6,589,533
Item not involving cash:		
Amortization	19,788	17,016
	3,430,783	6,606,549
Change in non-cash working capital items:		
Accounts receivable	(269,668)	1,314,069
Prepaid expenses	(114,569)	38,275
Accounts payable and accrued liabilities	(187,182)	42,370
	2,859,364	8,001,263
Cash used in investing activities		
Long term receivable advances	(110,000)	-
Repayment of long term receivables	-	406,082
Purchase of investments	(10,877,411)	-
Decrease in roadside inventory	210,838	152,472
	(10,776,573)	558,554
Cash used in capital activities		
Purchase of property, plant and equipment	(7,705)	(6,663)
Increase (decrease) in cash during the year	(7,924,914)	8,553,154
Cash, beginning of year	25,943,166	17,390,012
Cash, end of year	\$18,018,253	\$ 25,943,166

The accompanying notes are an integral part of these financial statements.

Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies

Basis of Accounting	These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations.								
Financial instruments	<p>The Corporation's financial assets and financial liabilities are accounted for as follows:</p> <p>Cash is measured at fair value. Accounts receivable are recorded at amortized cost less any valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and net recoverable value, when collectability and risk of loss exists. Changes in valuation allowances are recognized in the statement of operations.</p> <p>Investments are recorded at amortized cost less any valuation valuation allowances. Interest and dividends attributable to financial instruments are reported in the statement of operations.</p> <p>Roadside inventory is recorded at cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.</p> <p>Accounts payable and accrued liabilities are recorded at cost.</p>								
Property, Plant and Equipment	<p>Property, plant and equipment are recorded at cost less accumulated amortization.</p> <p>Road costs are expensed when incurred.</p> <p>Cost includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development that are directly attributable to the acquisition or construction of the asset.</p> <p>Amortization is provided for on a straight-line basis as follows:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 70%;">Computer equipment</td><td style="text-align: right;">- 3 years</td></tr> <tr> <td>Furniture and fixtures</td><td style="text-align: right;">- 5 years</td></tr> <tr> <td>Leasehold Improvements</td><td style="text-align: right;">- 10 years</td></tr> <tr> <td>Computer software</td><td style="text-align: right;">- 3 years</td></tr> </table>	Computer equipment	- 3 years	Furniture and fixtures	- 5 years	Leasehold Improvements	- 10 years	Computer software	- 3 years
Computer equipment	- 3 years								
Furniture and fixtures	- 5 years								
Leasehold Improvements	- 10 years								
Computer software	- 3 years								

Nawiinginiima Forest Management Corporation Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies (cont'd)

Revenue Recognition

Revenue from management fees and timber sales charges are recognized when the wood is delivered, and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed and determinable.

Revenue from forest renewable activity and forest access roads is recognized when earned and collection is reasonably assured.

The Corporation accounts for Forestry Futures Trust Funding when an agreement is signed by the Corporation, MNR and the Forestry Futures Trust Committee.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector for not-for-profit organizations accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. The principal estimates used in the preparation of these financial statements are the useful lives of property, plant and equipment, and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

Contributed Materials and Services

Contributed materials and services which are used in the normal course of the Corporation's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

Nawiinginkiima Forest Management Corporation Notes to Financial Statements

March 31, 2023

2. Nature of Business

The Nawiinginkiima Forest Management Corporation (NFMC) is a Crown Agency which was established by the Ontario Government on May 29, 2012 under the Ontario Modernization Act of 2011. Operations commenced in February 2013. NFMC was established to operate within the defined management area that includes the communities of the Ojibways of the Pic River First Nation, Pic Mobert First Nation, Hornpayne Aboriginal community, Marathon, Hornpayne, Manitouwadge and White River. NFMC operates on a not-for-profit basis and is exempt from income taxes under the Income Tax Act.

The mandate for Nawiinginkiima Forest Management Corporation is as follows:

- Manage Crown forests sustainability in accordance with the *Crown Forest Sustainability Act, 1994* including the development and implementation of Forest Management Plans.
- Market and sell available Crown timber.
- Provide economic benefits to communities.
- Provide for opportunities and greater role for local and Aboriginal communities in the management of Crown forests.
- Promote and attract forest sector investment in the local management area.
- Operate as a self financing business, which includes establishing an operating reserve which will ensure continued sustainable forest management in response to variations in economic cycles.
- Reinvest in the forest to improve the Crown forest asset.
- Advise the Minister of Natural Resources on matters related to the forest industry and forest sector.
- Collect, maintain and provide Crown timber sales and pricing information.

3. Cash

The Corporation holds an interest bearing bank account with a year end balance of \$1,757,234 (2022 - \$11,563,641), as at March 31, 2023 the account beared interest of 4.3%

Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2023

4. Accounts Receivables

	2023	2022
Forest Renewal Trust	\$ 84,242	\$ 42,683
Roads program	1,301,495	311,291
Stumpage fees	1,869,418	2,691,134
Trade	17,695	117,280
Union dues recovery	236,691	-
Current portion of road side inventory (Note 6)	224,000	-
HST Receivable	27,515	-
	3,761,056	3,162,388
Less: long term portion	(110,000)	-
Less: allowance for doubtful accounts	-	(5,000)
	<u>\$ 3,651,056</u>	<u>\$ 3,157,388</u>

5. Investments

	2023	2022
Short term investments	\$ 8,347,719	\$ -
Long term investments	2,529,692	-
	<u>10,877,411</u>	<u>-</u>

The entity holds investments in a variety of guaranteed investment certificates with fixed interest rates varying between 4.25% and 4.89% with maturity dates between June 2023 and December 2024.

6. Roadside Inventory

In March 2019, the Corporation entered into a service agreement with a harvester, B&M Hauling Ltd., whereby B&M Hauling Ltd. would provide certain services to the Corporation, and a percentage of the service fee would be applied against the roadside inventory advance until the amount was paid in full.

The Corporation was committed to provide advances to B&M Hauling Ltd to a maximum amount of \$900,000 for roadside inventory. The advance was secured by wood processed at roadside or delivered to mills and a general security agreement covering all assets of B&M Hauling Ltd.

Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2023

6. Roadside Inventory (cont'd)

During the March 31, 2022 fiscal year, a new contractor assumed the roadside inventory liability including the repayment plan. NFMC and the new contractor entered into an agreement for repayment of the roadside inventory. Repayment will be made at \$1 per cubic meter for deliveries by the contractor to mills on forests which NFMC is the SFL holder. The balance owing as of March 31, 2023 was \$367,735 (\$578,573 - 2022).

7. Property, Plant and Equipment

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	\$ 67,167	\$ 67,167	\$ 67,167	\$ 67,167
Leasehold improvements	154,064	53,110	154,064	37,703
Computer software	36,330	36,330	49,215	49,215
Computer equipment	52,732	46,729	46,646	43,966
	<u>\$ 310,293</u>	<u>\$ 203,336</u>	<u>\$ 317,092</u>	<u>\$ 198,051</u>
Net book value		<u>\$ 106,957</u>		<u>\$ 119,041</u>

8. Credit Facility

The corporation has been a maximum available business visa facility of \$ 50,000 with TD Canada Trust

9. Accounts Payable

	2023	2022
Trade	\$ 474,943	\$ 382,363
HST payable	-	9,946
Roads	1,008,137	1,707,655
Stumpage fees	456,838	269,180
Wages	104,947	99,594
Union Dues	236,691	-
	<u>\$ 2,281,556</u>	<u>\$ 2,468,738</u>

Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2023

10. Operating Reserve

The Board has established an operating reserve for the purpose of funding future possible operating deficits of Nawiinginokiima Forest Management Corporation. The release of these internally restricted amounts must be approved by representatives of the Board.

	2023	2022
Balance, beginning and end of year	\$11,500,000	\$ 8,000,000
Transfer from unrestricted net assets	-	3,500,000
Balance, end of year	\$11,500,000	\$ 11,500,000

11. Remuneration

Total remuneration of the Board members of the Corporation was \$15,063 (\$9,800 - 2022) during the year.

12. Commitments

During the 2020 fiscal year, NFMC entered into 10 year office lease agreement, with a 10 renewal option, at an annual cost of \$30,221. Monthly lease payments are adjusted annually on September 1st, based on the building operating costs incurred by the lessor in the previous year.

During a previous year, NFMC entered into a sustainable forestable forest license agreements with White River Forest Products Partnership, which includes a commitment to invest in road infrastructure. NFMC agreed to provide a financial investment of up to \$1,250,000 over a five year period, beginning in 2021. During the year ended March 31, 2023 \$347,590 was paid by NFMC. The remaining payment commitment for 2024 is up to \$150,000.

During a previous year, NFMC entered into a memorandum of understanding with a third party to test and demonstrate the use of semi-autonomous and autonomous operation of drive by-wire converted trucks and trailers on logging road terrain. As part of the memorandum of understanding, a minimum of \$330,000 has been committed by NFMC for the purchase of trucks and hardware. As at March 31, 2023, NFMC has incurred approximately \$269,000 related to the project.

During the year, NFMC entered into an agreement with a contractor to help with harvest capacity. Under the terms of the agreement, NFMC has committed to provide \$1,000,000 over a two-year period. As at March 31, 2023, \$500,000 has been paid to the contractor. The remaining \$500,000 will be paid during the March 31, 2024, fiscal year.

NFMC is legally committed to make wood available, through crown commitments and direct business arrangements, to mills within and surrounding the management area. NFMC has an agreement in place with the mills to ensure that management operations are revenue neutral, where an annual reconciliation is completed to recover any deficit or return a surplus.

Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2023

13. Financial Risks and Concentration of Credit Risk

General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Corporation's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Corporation's General Manager. The Board of Directors receives monthly reports from the Corporation's General Manager through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

NFMC is not exposed to significant foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. NFMC is exposed to this risk through its investments and interest bearing bank accounts where a interest rate change could impact interest income.

Liquidity risk

Liquidity risk is the risk that NFMC encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, NFMC will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities and commitments. Management is of the opinion that the Corporation is not exposed to significant liquidity risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for another party by failing to discharge an obligation. NFMC is exposed to credit risk from its accounts receivable and roadside inventory advances. NFMC mitigates its potential credit risk through proactive credit management policies that include approval and monitoring processes. Certain receivables are from government sources and the Corporation works to ensure it meets all eligibility criteria in order to qualify to receive credits. Furthermore, it evaluates the collectibility of accounts receivable and roadside inventory and records an impairment allowance for doubtful accounts, which reduces the receivables to the amount management believes will be collected. At year end, NFMC's accounts receivable are as follows: current \$1,628,417 (\$982,244 - 2022), 31 to 60 days \$244,440 (\$34,673 - 2022), 61 to 90 days \$318,895 (\$311,340 - 2022), and over 90 days \$217,335 (\$5,352 - 2022).

Approximately 62% (73% - 2022) of NFMC's total revenues for the year and 41% (71% - 2022) of year end trade receivables was derived from three mills operating in Northwestern Ontario.

NFMC is exposed to a credit risk as cash balances held with one institution exceeds the federally insured limit.

Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2023

14. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.