

Financial Statements of

FORESTRY FUTURES TRUST

And Independent Auditor's Report thereon

Year ended March 31, 2025



May 30, 2025

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Forestry Futures Trust ("Trust") are the responsibility of the Ontario Ministry of Natural Resources (the "Ministry") and RBC Investor Services Trust as Trustee for the Ministry. The financial position and operations of the Trust, pursuant to the Crown Forest Sustainability Act, are included in the financial statements, which have been prepared by management in accordance with Canadian public sector accounting standards. The statements include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

Management, with the assistance of the Trustee, maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that the Trust's assets are properly accounted for and adequately safeguarded.

The financial statements have been audited by KPMG LLP, a firm of independent external auditors appointed by the Trust's Committee, whose report follows.

David Repath
Manager, Forest Management Policy Section
Policy Division/MNR

Michael Keel
Associate, Client Operations,
Client Management *

*Representing RBC Investor Services Trust as Trustee for the Ontario Ministry of Natural Resources and Forestry Futures Trust.

**KPMG LLP**

Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan, ON L4K 0J3
Canada
Telephone 905 265 5900
Fax 905 265 6390

INDEPENDENT AUDITOR'S REPORT

To the Ontario Ministry of Natural Resources and Forestry (the "Ministry")
and the Trustee of Forestry Futures Trust

Opinion

We have audited the financial statements of Forestry Futures Trust (the Entity), which comprise:

- the statement of financial position as at March 31, 2025
- the statement of operations and changes in net assets for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2025, and its results of operations, its changes in net assets, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditor's Responsibilities for the Audit of the Financial Statements"** section of our auditor's report.

We are independent of the Entity 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 audit 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 Canadian public sector accounting standards 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Page 3

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

May 30, 2025

FORESTRY FUTURES TRUST

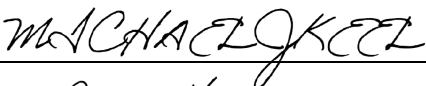
Statement of Financial Position

March 31, 2025, with comparative information for 2024

	2025	2024
Assets		
Current assets:		
Cash	\$ 106,018	\$ 140,484
Accrued investment income	358,596	352,245
Due from Forest Renewal Trust (note 8)	106,238	1,269,804
Capital funding in transit (note 8)	29,280	299,250
Prepaid Forestry Futures Trust Committee advances	100,486	116,022
Harmonized sales tax recoveries receivable	462,581	714,786
	1,163,199	2,892,591
Investments at fair value (notes 4 and 5)	57,560,455	60,858,218
	\$ 58,723,654	\$ 63,750,809
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 606,118	\$ 1,268,303
Holdbacks on Forestry Futures Trust project disbursements	62,153	33,750
	668,271	1,302,053
Net assets:		
Trust settlement	1	1
Net assets available for Forestry Futures Trust project disbursements	58,547,486	66,490,727
Accumulated remeasurement losses	(492,104)	(4,041,972)
	58,055,383	62,448,756
Commitments (note 9)		
	\$ 58,723,654	\$ 63,750,809

See accompanying notes to financial statements.

On behalf of the Trust:

 Trustee

 Ontario Ministry of Natural Resources and Forestry

FORESTRY FUTURES TRUST

Statement of Operations and Changes in Net Assets

Year ended March 31, 2025, with comparative information for 2024

	2025	2024
Investment income:		
Interest	\$ 1,853,350	\$ 2,172,220
Net realized loss on sale of investments	(1,051,887)	(1,515,997)
Total investment income	801,463	656,223
Expenses:		
Forestry Futures Trust Committee	402,008	417,477
Trustee and investment management fees	143,550	169,657
Audit fees	72,118	72,118
Total expenses	617,676	659,252
Excess of investment income over expenses (expenses over income)	183,787	(3,029)
Forestry Futures Trust capital funding transactions:		
Forestry Futures Trust charges (note 7(f))	17,594,586	23,767,647
Forestry Futures Trust project disbursements (note 7(f))	(25,721,614)	(47,440,677)
Net Forestry Futures Trust capital funding surplus	(8,127,028)	(23,673,030)
Deficit for the year	(7,943,241)	(23,676,059)
Net assets available for Forestry Futures Trust project disbursements, beginning of year	66,490,727	90,166,786
Net assets available for Forestry Futures Trust project disbursements, end of year	\$ 58,547,486	\$ 66,490,727

See accompanying notes to financial statements.

FORESTRY FUTURES TRUST

Statement of Remeasurement Gains and Losses

Year ended March 31, 2025, with comparative information for 2024

	2025	2024
Accumulated remeasurement losses, beginning of year	\$ (4,041,972)	\$ (5,835,638)
Change in unrealized gains attributable to investments	2,497,981	277,669
Amounts reclassified to the statement of operations:		
Net realized loss on sale of investments	1,051,887	1,515,997
Net remeasurement gains for the year	3,549,868	1,793,666
Accumulated remeasurement losses, end of year	\$ (492,104)	\$ (4,041,972)

See accompanying notes to financial statements.

FORESTRY FUTURES TRUST

Statement of Cash Flows

Year ended March 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operating activities:		
Excess of investment income over expenses (expenses over income)	\$ 183,787	\$ (3,029)
Item not involving cash:		
Net realized loss on sale of investments	1,051,887	1,515,997
Change in non-cash operating working capital:		
Accrued investment income	(6,351)	50,306
Due from Forest Renewal Trust	1,163,566	(642,553)
Unexpended Forestry Futures Trust Committee advances	15,536	(94,046)
Harmonized sales tax recoveries receivable	252,205	(255,799)
Accounts payable and accrued liabilities	(662,185)	701,276
Holdbacks on Forestry Futures Trust project disbursements	28,403	(20,742)
	2,026,848	1,251,410
Capital activities:		
Capital receipts - Forestry Futures Trust charges	17,864,556	23,837,737
Capital disbursements - Forestry Futures Trust project disbursements	(25,721,614)	(47,440,677)
	(7,857,058)	(23,602,940)
Investing activities:		
Purchase of investments	(184,124,706)	(134,991,427)
Net proceeds of investments sold	189,920,450	157,404,944
	5,795,744	22,413,517
Increase (decrease) in cash	(34,466)	61,987
Cash, beginning of year	140,484	78,497
Cash, end of year	\$ 106,018	\$ 140,484

See accompanying notes to financial statements.

FORESTRY FUTURES TRUST

Notes to Financial Statements

Year ended March 31, 2025

1. Reporting entity:

Pursuant to the Crown Timber Act, R.S.O. 1990, and subsequently, the Crown Forest Sustainability Act ("CFSA") S.O. 1994, the Forestry Futures Trust (the "Trust") was originally established by an agreement dated February 7, 1995 for the purpose of managing the funding of silviculture expenses in Crown forests where forest resources have been killed or damaged by fire or natural causes; on land that is subject to a forest resource license if the licensees become insolvent; for the funding of intensive stand management and pest control in respect of forest resources in Crown forests; and for such other purposes as may be specified by the Ontario Minister of Natural Resources and Forestry (the "Minister"). The Trust settlement amount of \$1 was paid to RBC Investor Services Trust (the "Trustee") by the Crown on that date. The terms of the Trust agreement were amended by a First Amending Agreement with an effective date of January 31, 1998, a Second Amending Agreement with an effective date of April 1, 2000, a Third Amending Agreement with an effective date of April 1, 2001, a Fourth Amending Agreement with an effective date of April 1, 2003, a Fifth Amending Agreement with an effective date of April 1, 2009 and an Interim Agreement Amending the Fifth Amending Agreement with an effective date of April 1, 2009. The Trust is domiciled in Canada and its registered office is 155 Wellington Street West, Toronto, Ontario M5V 3L3.

Licensees are invoiced by the Crown on a monthly basis according to the volume of wood harvested and delivered. These forestry futures charges are paid to the Trustee which, in turn, credits the payment to the appropriate account of the Trust (note 7). Since January 2018, funds received for forestry futures charges are initially deposited into a Ministry of Public and Business Service Delivery ("MPBSD"), previously Ministry of Government and Consumer Services account, and then transferred to the Trust. Decisions on allocations of funds from the Trust are made by the Forestry Futures Trust Committee (the "Committee"), the members of which are appointed by the Minister. The Committee provides payment authorization concerning the disbursement of the funds in accordance with the criteria established by the Minister.

Throughout the year, following Committee-generated Project Authorizations, applicants submit claims for work completed to date and in accordance with the scheduled payments set out on the Project Authorization Form. At the end of the fiscal year, with the exception of the Independent Forest Audit ("IFA") program, the applicants, other than members, are required to submit a project work report that details work completed, and any unused funds are available for release back into the Trust, though some funds can be transferred mid-project if requested, which are uncommitted for that particular project. The Trustee has no duty or obligation to assess the eligibility of cost claimed as it is the responsibility of the Committee and the Minister.

FORESTRY FUTURES TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2025

1. Reporting entity (continued):

The Trust was established by the Ministry to provide a funding mechanism independent of the provincial treasury to fund silviculture activities in Crown forests.

2. Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards ("PSAS").

(a) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Trust's functional currency. Except as otherwise indicated, all financial information presented in Canadian dollars has been rounded to the nearest dollar.

(b) Use of estimates and judgments:

The preparation of the financial statements in conformity with PSAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. These estimates include accrued investment income, inputs used to measure fair value of investments, and accounts payable and accrued liabilities. Actual results may differ from those estimates.

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

(c) Liquidity format:

The Trust presents its statement of financial position broadly in order of liquidity. Current assets and liabilities are expected to be recovered or settled within 12 months after the reporting date and non-current assets and liabilities are expected to be recovered or settled more than 12 months after the reporting date.

FORESTRY FUTURES TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2025

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these financial statements, unless otherwise indicated.

(a) Interest:

Interest income, including interest income from non-derivative financial assets at fair value, is recognized in profit or loss using the effective interest method on an accrual basis. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

(b) Realized gain from financial instruments at fair value:

Realized gain from financial instruments at fair value includes all realized fair value changes, but excludes interest and dividend income.

(c) Fees and other expenses:

Fees and other expenses are recognized in profit or loss on an accrual basis when due.

(d) Capital transactions:

Funds received for Trust charges are deposited into the Trust and are considered capital receipts at that time or when they are in transit from MPBSD. Since January 2018, funds received for future charges are initially deposited into a MPBSD account and then transferred to the Trust. Reimbursements are considered capital disbursements when they are claimed from the Trustee, as directed by the Ministry.

Capital receipts in transit include Trust charge received by the MPBSD before March 31, 2025, and were in transit to the Trust account.

FORESTRY FUTURES TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2025

3. Significant accounting policies (continued):

(e) Income taxes, harmonized sales tax ("HST") and goods and services tax ("GST"):

The Trust is considered to be an asset of the Crown and, as such, the Trustee, under the advisement of the Ministry, has taken the position that the income earned within the Trust is not subject to income taxes.

According to the Excise Tax Act interpretation, reimbursements paid to Forest License Holders from the Trust are consideration for a taxable supply of silviculture services for GST/HST purposes. As such, claims submitted by the applicants should be subject to GST/HST, and the Trust, through the Ministry, then files a recovery of an eligible rebate. Accordingly, GST/HST should be paid by the Trust and is accounted for with a net offset for GST/HST recoveries.

(f) Financial assets and liabilities:

(i) Financial assets:

The Trust initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value) are recognized initially on the trade date at which the Trust becomes a party to the contractual provisions of the instrument.

The Trust derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Trust is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Trust has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

FORESTRY FUTURES TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2025

3. Significant accounting policies (continued):

The Trust has the following non-derivative financial assets: investments at fair value and loans and receivables:

(a) Investments at fair value:

Investments are designated at fair value if the Trust manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Trust's Statement of Investment Policies and Goals (the "SIPG"). Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Subsequent remeasurement of financial assets measured at fair value are recognized in the statement of remeasurement gains and losses until realized, which are then recognized in the statement of operations and changes in net assets. The Trust's bond portfolio comprises its financial assets at fair value. The Trust has elected that all investments will be at fair value as they are managed and evaluated on the basis of fair value.

Realized gains are recorded in the statement of operations and changes in net assets, while unrealized gains/losses are recorded through the statement of remeasurement gains and losses.

(b) Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise accrued investment income, cash, due from Forest Renewal Trust, capital funding in transit, HST recoveries receivable, and unexpended Committee advances.

FORESTRY FUTURES TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2025

3. Significant accounting policies (continued):

(ii) Financial liabilities:

Financial liabilities are recognized initially on the trade date at which the Trust becomes a party to the contractual provisions in the instrument.

The Trust derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(g) Adoption of new accounting policies:

For year ended March 31, 2025, there were no new standards adopted by the Trust.

(h) Future accounting pronouncements:

These standards and amendments were not yet effective for the year ended March 31, 2025, and have therefore not been applied in preparing these financial statements. Management is currently assessing the impact of the following accounting standards updates on the future financial statements.

Public Sector ("PS") 1202 - Financial Statement Presentation, was approved in March 2023. This standard supersedes PS 1201 - Financial Statement Presentation and covers a new conceptual framework and reporting model. Prior period amounts would need to be restated to conform to the presentation requirements for comparative financial information. This standard is effective for fiscal years beginning on or after April 1, 2026 (the first effective year for the Trust being the year ending March 31, 2027).

PS 3251, Employee Benefits, will replace the current section PS 3250 - Retirement Benefits and PS 3255 - Post-employment Benefits, Compensated Absences and Termination Benefits. The proposed section is currently undergoing discussions where further changes are expected as a result of the re-exposure comments. Effective date is currently not determined.

FORESTRY FUTURES TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2025

4. Financial assets and liabilities:

- (a) The following table details the categories of financial assets and financial liabilities held by the Trust at the reporting date:

	2025	2024
Assets		
Financial assets at fair value:		
Designated at fair value upon initial recognition:		
Investment in bonds	\$ 52,915,061	\$ 57,858,053
Investment in Canada treasury bills and other discount notes	4,645,394	3,000,165
Total designated at fair value	57,560,455	60,858,218
Cash	106,018	140,484
Receivables and other assets	1,057,181	2,752,107
	1,163,199	2,892,591
Total assets	\$ 58,723,654	\$ 63,750,809
Liabilities		
Other liabilities:		
Accounts payable and accrued liabilities	\$ 606,118	\$ 1,268,303
Holdbacks on Forestry Futures Trust project disbursements	62,153	33,750
Total liabilities, excluding net assets available for Forestry Futures Trust project disbursements	\$ 668,271	\$ 1,302,053

- (b) The fair values of investments are as follows:

	2025	2024
Canada treasury bills and other discount notes	\$ 4,645,394	\$ 3,000,165
Canada bonds	19,090,706	22,608,382
Provincial bonds	11,429,280	12,362,571
Corporate bonds and notes over one year	22,395,075	22,887,100
	\$ 57,560,455	\$ 60,858,218

FORESTRY FUTURES TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2025

5. Fair value estimation:

Investments recorded at fair value on the Trust's statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by Public Sector PS 3450, Financial Instruments - Other Disclosures ("PS 3450"), and directly related to the amount of subjectivity associated with inputs to fair valuation of these assets, are as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset that are not based on observable market data.

The valuation of the Trust's invested assets under PS 3450 as at March 31 is as follows:

2025	Level 1	Level 2	Level 3	Total
Canada treasury bills and other discount notes	\$ –	\$ 3,745,394	\$ 900,000	\$ 4,645,394
Bonds	–	52,915,061	–	52,915,061
Total	\$ –	\$ 56,660,455	\$ 900,000	\$ 57,560,455

2024	Level 1	Level 2	Level 3	Total
Canada treasury bills and other discount notes	\$ –	\$ 2,800,165	\$ 200,000	\$ 3,000,165
Bonds	–	57,858,053	–	57,858,053
Total	\$ –	\$ 60,658,218	\$ 200,000	\$ 60,858,218

There were no transfers between levels during the year.

The investments are actively managed according to the SIPG for the Trust dated October 2013, which includes guidelines with respect to return expectations, asset mix, approved securities, constraints and investment strategies.

FORESTRY FUTURES TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2025

6. Financial instruments and associated risks:

The Trust may be exposed to financial risks as a result of its investment holdings. The Trust's risk management practices include the establishment of investment guidelines, as outlined in the SIPG and regular monitoring of compliance with these guidelines. The Trustee manages the potential effects of these financial risks on the Trust's performance by employing and overseeing portfolio advisors who regularly monitor the Trust's positions, market events and ensure that the investment portfolio is diversified in accordance with investment guidelines.

There have been no changes to exposures to financial risks, or the objectives, policies and processes in place for managing and measuring the risks.

Eligible investments include Canadian entities, such as equities, bonds, debentures, notes or other debt obligations of government agencies or public corporations, guaranteed investment certificates, annuities, cash and money market securities. The Trust's fixed income securities have a quality rating of "A" or better, as determined by a public bond rating agency.

(a) Credit risk:

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered with the Trust. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for the non-exchange traded financial instrument is not backed by an exchange clearing house. The Trust's fixed income investments are primarily in Canadian-issued instruments and are diversified among federal, provincial, corporate and other issuers. All transactions in listed securities are settled or paid for upon delivery using approved brokers. There were no significant concentrations of credit risk in the portfolio in either 2025 or 2024. The maximum credit risk exposure as at March 31, 2025 is \$58,517,150 (2024 - \$62,677,448), which includes investments, accrued investment income and capital funding in transit, and HST recoveries receivable.

The breakdown of the bond investment portfolio by credit ratings as at March 31 is as follows:

Credit rating	2025	2024
AAA	39%	45%
AA	22%	7%
A	39%	48%
	100%	100%

FORESTRY FUTURES TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2025

6. Financial instruments and associated risks (continued):

The breakdown of the Canada treasury bills and other discount notes by credit rating as at March 31 is as follows:

Credit rating	2025	2024
R-1 (High)	46%	71%
R-1 (Mid)	54%	12%
R-1 (Low)	0%	17%
	100%	100%

(b) Market risk:

Market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market factors, whether those changes are caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in the market. As the Trust's investments are carried at fair value with fair value changes recognized through income, all changes in market conditions will directly result in an increase or decrease in net assets. Market price risk is managed by the Trust through the construction of a diversified portfolio of instruments traded on various markets and across various industries, which is actively managed by a third party administrator.

The Trust's investment in fixed income securities is sensitive to interest rate movements. In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa. The magnitude of the decline will generally be greater for long-term debt securities than short-term debt securities. An immediate hypothetical 100-basis-point or 1% increase in interest rates, with all other variables held constant, would decrease net assets by approximately \$2,443,843 as at March 31, 2025 (2024 - \$2,724,543).

FORESTRY FUTURES TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2025

6. Financial instruments and associated risks (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Trust will be unable to meet its obligations as they come due because of an inability to liquidate assets.

The Trust's fixed income portfolio trades in an active market and can be readily sold. Although market events could lead to some investments becoming illiquid, the diversity of the Trust's portfolios should ensure that liquidity is available for future payments. The duration of investments are summarized below:

The following tables summarize the fair value of investments by maturity:

2025	Less than one year		1 - 3 years		3 - 10 years		More than 10 years		Total
Canada treasury bills and other discount notes	\$	4,645,394	\$	—	\$	—	\$	—	\$ 4,645,394
Bonds		450,391		9,321,156		41,516,930		1,626,584	52,915,061
	\$	5,095,785	\$	9,321,156	\$	41,516,930	\$	1,626,584	\$ 57,560,455

2024	Less than one year		1 - 3 years		3 - 10 years		More than 10 years		Total
Canada treasury bills and other discount notes	\$	3,000,165	\$	—	\$	—	\$	—	\$ 3,000,165
Bonds		1,686,426		4,606,669		50,520,987		1,043,971	57,858,053
	\$	4,686,591	\$	4,606,669	\$	50,520,987	\$	1,043,971	\$ 60,858,218

The above investments have varying effective yields of 1.5% to 4.9% (2024 - 1.2% to 8.9%). Interest earned is accrued on a daily basis.

FORESTRY FUTURES TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2025

6. Financial instruments and associated risks (continued):

(d) Fair values of financial instruments:

The fair values of the investments are as disclosed in note 4(b). The fair values of other financial instruments of the Trust, which consist of cash, accrued investment income, due from Forest Renewal Trust, holdbacks on Trust project disbursements, unexpended Committee advances, HST recoveries receivable and accounts payable and accrued liabilities, approximate their carrying values due to the short-term nature of these financial instruments.

7. Capital management:

The Trust's capital is represented by its net assets.

All charges received and disbursements made are applied to the applicable fund. Each account balance is expressed in terms of units of the main Trust for the purpose of tracking its share of Trust assets. These units are of equal value and without priority or preference.

Amounts received are held in each fund until the Trust valuation date, which is the last business day of the month. At that time, the amounts are transferred into the Trust in exchange for units. Disbursements made from each fund are funded through the redemption of units of the main Trust using the most recent determined valuation.

The value of each unit of the Trust is determined on a monthly basis based upon the net assets of the Trust. The value of a unit is determined by dividing the aggregate value of net assets of the main Trust by the total number of units outstanding prior to the issuance and redemption of units.

The main objective of the Trust is to sustain a certain level of net assets in order to meet the mandate as set out by the CFSA. The Trust is managed by the Trustee and funds are allocated to successful applicants under the direction of the Committee. The Committee members are appointed by the Minister.

FORESTRY FUTURES TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2025

7. Capital management (continued):

The Trust fulfills its primary objective by adhering to specific investment policies outlined in its SIPG, which is reviewed annually. The Trust manages net assets by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds (current year's receipts) in accordance with the approved SIPG. An increase in net assets is a direct result of investment income generated by investments held by the Trust and excess of receipts over disbursements made by the Trust.

Forest Futures charges to the Trust are established by the CFSA, including funding by harvest volume charges that are paid by licensees who harvest Crown timber.

The original purposes of the Trust were designated in CFSA. Additional purposes under Article 51(3) 4 of the CFSA have been identified for the Trust and in order to track funds separately, as required by the Trust agreement, the Trust is organized into separate accounts: Forestry Futures, Conversion, Far North Forestry Development Initiative ("FNFD") Program, Forest Resources Inventory ("FRI"), and the Local Forest Management Corporation ("LFMC"), Temagami Forest Management Corporation ("TFMC") and multiple Forest Management Component ("FMC") accounts and the Algonquin Land Claim Treaty Transition Program.

Charges paid into the Trust will be administered by the Trustee as directed by the Ministry. The Committee provides direction on expenditures out of the Trust. The FRI and IFA programs are tendered and contracts awarded through the Ministry. The Committee directs which sub-account the contracts will be paid out of. Payments for both programs are made by the Trustee, with direction from the Committee, with the funds then reimbursed out of the appropriate fund of the Trust.

(a) Forestry Futures Trust Silviculture Program:

The first three initial purposes of the Trust as defined in the CFSA are known as the Silviculture Program. They are as follows:

- (i) The funding of silviculture expenses in Crown forests where forest resources have been killed or damaged by fire or natural causes.
- (ii) The funding of silvicultural expenses on land that is subject to forest resource licence, if the licensee becomes insolvent.
- (iii) The funding of intensive stand management and pest control in respect of forest resources in Crown forests.

FORESTRY FUTURES TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2025

7. Capital management (continued):

The fourth purpose as defined in the CFSA is:

(iv) Such other purposes as may be specified by the Minister.

Under purpose four, four additional programs were specified by the Minister and are funded from the Forestry Futures base charge and paid from the main Trust account. They are the IFA program, Scientific Memberships, Forest Genetic Resource Management Program, and the Silviculture Cost Program.

(1) Independent Forest Audits:

The Committee has worked with the Ministry since 1997 to deliver the annual IFA program. Audits are conducted on 3 to 5 management units per year. The scope of the IFAs is transitioning to auditing management units every 10 to 12 years instead of every 5 to 7 years. The audits are conducted by independent audit firms selected through a competitive bidding process by the Ministry.

The purposes of the IFAs are to:

- assess license holder and Ministry compliance with the Forest Management Planning Manual and the CFSA in conducting forest management planning, operations, monitoring and reporting activities;
- assess to what extent forest management activities comply with the CFSA and with the forest management plans, the manuals approved under the CFSA and the applicable guides;
- determine the effectiveness of forest management activities in meeting the forest management objectives set out in the forest management plan, as measured in relation to the criteria established for the audit;
- compare the forest management activities carried out with those that were planned;

FORESTRY FUTURES TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2025

7. Capital management (continued):

- assess the effectiveness of any action plans implemented to remedy shortcomings revealed by a previous audit; and
- review and assess a licensee's compliance with the terms and conditions of the forest resources license.

(2) Scientific Memberships:

The Trust provides funding for annual membership fees in FP Innovations, a science research-based organization engaged in sustainable forest management and forest productivity work. FP Innovations conducts research on solutions to forest industry challenges by bringing together the private sector, scientific community and federal and provincial governments providing for the sustainability of Ontario's Crown forests.

(3) Forest Genetic Resource Management Program:

The Trust provides funding for the Forest Genetic Resource Management Program which contributes to the achievement of goals of the Provincial Tree Improvement Master Plan and other Ministry policies, plans or strategies. Funding is provided for activities such as the maintenance of existing tree improvement assets, such as genetic testing and orchards and the tree breeding program design and establishment, regional association staff expenses, information management, establishment of genetic tests and forest gene conservation projects.

(b) Conversion:

These funds established by the Minister and are administered from a separate account within the main Trust account and drawn from monies remaining from the original Sustainable Forest License ("SFL") and Cooperative SFL conversion purpose. The conversion program now funds the Enhanced Sustainable Forest Licenses ("eSFL") Conversion, LFMC Conversion and Management Component programs.

(i) eSFL Conversion:

In June 2012, the Minister identified that the conversion program funds were to be allocated to support the transition to eSFL, which is a key element of the Tenure Modernization Program. There are no current eSFL initiatives.

FORESTRY FUTURES TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2025

7. Capital management (continued):

(ii) LFMC Conversion:

On August 30, 2012, a new purpose referred to as the "LFMC Conversion Program" was established by the Minister for the Trust to implement the approved approach for start-up financing. As part of that approval, an amount equivalent to what would otherwise have been deposited into the Consolidated Revenue Fund from the proposed management area for each particular LFMC will be deposited into the Trust. These funds are to be used by the LFMC to support establishment and start-up of the LFMC until a SFL is established. Currently, existing SFL holders have a broad array of forest management responsibilities, including forest management planning, harvesting, road construction and maintenance, and silviculture. Under the new tenure and pricing system, LFMCS, as the new SFL holder, would be required to undertake these responsibilities. Under the LFMC Conversion program Temagami was established as the Temagami Local Forest Management Corporation in December 2020.

The Temagami LFMC - Forestry Futures Trust Conversion fund was established in December 2020 to support start-up costs as the Agency works towards acquiring the Temagami SFL. This conversion was granted by the Minister on March 14, 2022 and the Agency would have begun collecting dues as of that date. During the implementation of the Temagami LFMC-Forestry Futures Trust Conversion fund, the timber price component of stumpage charge was set to zero and a new LFMC conversion component to the Forestry Futures charge was added at an equivalent rate until April 1, 2022, when SFL was issued. Effective, April 1, 2022 the charge was removed and Temagami LFMC began to collect this revenue itself to sustain its operations and meet the mandated objects.

FORESTRY FUTURES TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2025

7. Capital management (continued):

(iii) Management Component:

In the event that a SFL is returned to the Crown due to bankruptcy or insolvency, the Ministry assumes responsibility for all planned forest management on a management unit. Expenditures by the Crown are funded from an additional component to the Forestry Futures charge, which has been termed the "Forest Management Component".

The charge will be included as part of the Forestry Futures charge and be included in stumpage payable to the Trust for those specific management units returned to the Crown. Currently, there is a Forest Management Component General account which includes funds for the Wabadowgang Noopming, Kenogami and Ogoki Forests. There are also individual Forest Management Component accounts for the Pic River, Big Pic, Sapawe Forest, Magpie and Whiskey Jack Forests.

(c) Far North Forestry Development Program:

This program terminated on March 31, 2013; however, the Trust account still maintains a balance. These funds supported projects related to land use planning and the collection of background information necessary to evaluate the feasibility of commercial forestry in the far north. Under this program, only First Nations were eligible for funding.

(d) FRI:

This program is designed to develop a new Forest Resource Inventory, utilizing current technologies, for the portion of the province within the "Managed Forest", as defined by the Timber Class Environmental Assessment and the southern portion of the Far North Planning Area. Funds for this program come from a portion of the harvest volume charge that is paid. Funding under the FRI program also includes Knowledge Transfer and Tool Development projects.

FORESTRY FUTURES TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2025

7. Capital management (continued):

(e) Treaty settlements transition component:

Algonquin Treaty Settlement Purpose:

On December 8, 2020, Pursuant to Section 51(3), paragraph 4 of the CFSA, a new Trust purpose was established to fund capacity building and economic development related to forestry, for Indigenous communities as treaty settlements are finalized. This new purpose is referred to as the "Treaty Settlements Transition Component". Under this purpose the Algonquin Land Claim Treaty Transition Program was established. Ontario signed an Agreement in Principle with the Algonquins of Ontario ("AOO") back in 2016 which legally commits the Province to work with the Algonquins in relation to the development of economic opportunities in the Forest Industry.

For the Algonquin Land Claim Treaty Transition Program a portion of stumpage revenue from wood harvested on proposed AOO settlement lands will be held in trust for AOO, effective April 1, 2019 for Nipissing Forest, and effective April 1, 2021 for the Bancroft-Minden, Mazinaw-Lanark and Ottawa Valley Forests. The intent is to make the funds available to the AOO for forestry related capacity building and economic development purposes within the context of an agreement between the AOO community and the Ontario. The account entitled the Algonquin Land Claim Treaty Transition Program has been created for this purpose.

FORESTRY FUTURES TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2025

7. Capital management (continued):

(f) Capital transactions by fund:

(i) Changes in net assets resulting from capital transactions:

																			2025	2024						
	Forestry Futures	Conversion	FNFD	FRI	LFMC	LFMC Temagami	Forest Management Component General	Big Pic	Sapawe Forest	Whiskey Jack	Pic River	Maggie	Algonquin Land	Total	Total											
Capital transactions:																										
Capital receipts																										
Forestry Futures Trust charges	\$	6,999,548	\$	–	\$	–	\$	10,583,553	\$	–	\$	1,823	\$	–	\$	–	\$	–	\$	–	\$	9,662	\$	17,594,586	\$	23,767,647
Capital disbursements:																										
Forestry Futures Trust project disbursements	(6,907,713)	–	–	(16,742,155)	(5,743)	–	5,570	–	–	–	–	–	1,339	(23,648,702)	(46,191,372)											
IFA fees	(336,850)	–	–	–	–	–	–	–	–	–	–	–	–	(336,850)	(294,080)											
Scientific memberships	(525,000)													(525,000)	(525,000)											
Forest Genetic Resource Management	(1,211,062)													(1,211,062)	(430,225)											
	(8,980,625)	–	–	(16,742,155)	(5,743)	–	5,570	–	–	–	–	–	1,339	(25,721,614)	(47,440,677)											
Total investments held in trust	\$	(1,981,077)	\$	–	\$	–	\$	(6,158,602)	\$	–	\$	(3,920)	\$	–	\$	–	\$	–	\$	–	\$	11,001	\$	(8,127,028)	\$	(23,673,030)

(ii) Investments held in the Trust by fund:

																2025	2024
	Forestry Futures	Conversion	FNFD	FRI	LFMC	LFMC Temagami	Forest Management Component General	Big Pic	Sapawe Forest	Whiskey Jack	Pic River	Maggie	Algonquin Land	Total	Total		
Cash, accrued investment income, capital funding in transit and investments held in trust	\$ 24,380,704	\$ 2,075,932	\$ 200,892	\$ 28,698,386	\$ 497,991	\$ 1,586	\$ 759,052	\$ 450,853	\$ 66,798	\$ 585,183	\$ 3,001	\$ 130,374	\$ 203,688	\$ 58,054,440	\$ 61,650,197		
Less holdbacks on Forestry Futures Trust project disbursements	(59,316)	–	–	(2,837)	–	–	–	–	–	–	–	–	–	(62,153)	(33,750)		
Fund balance in Trust, net	\$ 24,321,388	\$ 2,075,932	\$ 200,892	\$ 28,695,549	\$ 497,991	\$ 1,586	\$ 759,052	\$ 450,853	\$ 66,798	\$ 585,183	\$ 3,001	\$ 130,374	\$ 203,688	\$ 57,992,287	\$ 61,616,447		

Fund balance in Trust, net amount only includes assets and liabilities that are specific to each individual fund. Fund balance in Trust, net does not include assets and liabilities that are allocated at Entity level. These include due from Forest Renewal Trust, prepaid Forestry Futures Trust Committee advances, harmonized sales tax recoveries receivable, and accounts payable due to the shared nature of these balances.

FORESTRY FUTURES TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2025

8. Related party information:

The Trust is related to the Trustee, the Ministry and the MPBSD in terms of economic interest. The Trust is related to Forest Renewal Trust in terms of common ownership.

The Trust enters into transactions with these entities in the normal course of business and on normal trade terms. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Trustee fees are assessed on the combined average book value of the Trust and Forest Renewal Trust with the resultant charge apportioned to each Trust on the basis of its average book value. In 2022, the fee structure was determined as follows: On the first \$50 million in average book value, the Trustee fee was 0.05%; on the next \$50 million in average book value, the Trustee fee was 0.04%; and on the average book value in excess of \$100 million, the Trustee was 0.02%. In 2020, there was an amendment to the fee structure between the Trustee and the Trust to change the fee to a fixed percentage. The trust fee based on the new agreement is a fixed at 0.04%, based on the average book value of the investments. There have been no changes to the fee structure during the current year. Additional fees include fund administration and reporting for the investment funds and master trust fund, transaction charges and other charges. Total fees paid to the Trustee were \$65,029 (2024 - \$69,195).

Ontario Ministry of Natural Resources and Forestry administrative fees represent a fixed fee incurred by the Trust for account receivable management activities performed by the Ministry. Total administration fees paid to the Ministry were nil (2024 - nil).

As at March 31, 2025, \$106,238 (2024 - \$1,269,804) was receivable from Forest Renewal Trust.

The MPBSD receives silviculture charges on behalf of the Ministry which are subsequently transferred into the Trust. As at March 31, 2025, \$29,280 (2024 - \$299,250) of capital funding was in transit as confirmed with the MPBSD.

FORESTRY FUTURES TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2025

9. Commitments:

The Trust is committed to fund projects that have been approved by the Committee. At the year-end date, these projects may not yet be complete or the final invoice reporting incurred expenditures may not have been submitted by the project applicant for final payment. As a result, the potential liability is considered to be a commitment and has not been recorded in these financial statements.

Projects approved and disbursed up to March 31, 2025 are noted in the table below.

The commitments reported below pertain to projects that are currently active. Projects completed in the prior years have not been included in the amounts reported below since there are no remaining commitments for the completed projects.

	A+B+C		A		B		C	
	Total awarded		Total spent		Funds awarded but not spent and no longer committed		Current commitments remaining	
Futures silvicultures projects	\$	55,037,627	\$	35,238,440	\$	4,629,870	\$	15,169,317
FRI		19,477,490		13,696,428		4,988,335		792,727
Total	\$	74,515,117	\$	48,934,868	\$	9,618,205	\$	15,962,044