Sechelt Community Projects Inc.
(Expressed in Canadian dollars)

Consolidated Financial Statements

December 31, 2013

Sechelt Community Projects Inc.
(Expressed in Canadian dollars)

Consolidated Financial Statements

December 31, 2013

Crowe MacKay LLP
Member Crowe Horwath International
1100 - 1177 West Hastings Street
Vancouver, BC V6E 4T5
+1.604.687.4511 Tel
+1.604.687.5805 Fax
+1.800.351.0426 Toll Free
www.crowemackay.ca

Independent Auditor's Report

To the Shareholder of
Sechelt Community Projects Inc.

We have audited the accompanying consolidated financial statements of Sechelt Community Projects Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sechelt Community Projects Inc. and its subsidiaries as at December 31, 2013 and December 31, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"Crowe MacKay LLP"

Chartered Accountants
Vancouver, British Columbia
March 11, 2014

Sechelt Community Projects Inc.
(Expressed in Canadian dollars)

Consolidated Statements of Comprehensive Income

For the year ended December 31,	2013	2012
Revenue	**$ 2,134,536**	$ 1,590,272
Cost of sales		
Amortization	**12,599**	11,918
Silviculture	**66,657**	64,584
Logging	**1,027,720**	940,090
	1,106,976	1,016,592
Gross margin (48.1%, 2012 36.1%)	**1,027,560**	573,680
Interest and other income	**11,457**	11,092
	1,039,017	584,772
Expenses		
Advertising and communications	**39,504**	12,456
Amortization	**1,910**	2,343
Bank charges and interest	**422**	1,252
Board and committee (note 13)	**14,469**	8,807
Community engagement	**6,663**	8,680
Consulting fees	**-**	3,542
Forestry projects	**59,227**	44,493
Insurance	**1,000**	1,960
Legal and accounting	**22,081**	44,988
Management and administration	**190,588**	191,487
Office and miscellaneous	**18,757**	17,812
Rent	**11,232**	11,159
Telephone and communications	**1,228**	1,169
Timber tax	**7,400**	7,400
Travel	**3,862**	773
	378,343	358,321
Income before income taxes	**660,674**	226,451
Income taxes (recovery)	**(184)**	130
Total income and comprehensive income for the year	**$ 660,858**	$ 226,321
Earnings per share	**$ 38.29**	$ 13.11
Average weighted number of common shares	**17,260**	17,260

Sechelt Community Projects Inc.
(Expressed in Canadian dollars)

Consolidated Statement of Changes in Equity

	Shares	Share capital	Contributed surplus	Retained Earnings	**Total**
As at December 31, 2011	17,260	$ 172,600	$ 49,770	$ 387,788	**$ 610,158**
Comprehensive income for the year	-	-	-	226,321	**226,321**
Dividends	-	-	-	(25,890)	**(25,890)**
As at December 31, 2012	17,260	172,600	49,770	588,219	**810,589**
Comprehensive income for the year	-	-	-	660,858	**660,858**
Dividends	-	-	-	(225,890)	**(225,890)**
As at December 31, 2013	**17,260**	**$ 172,600**	**$ 49,770**	**$ 1,023,187**	**$ 1,245,557**

Dividend per share for 2013 is $13.09 (2012 - $1.50)

Sechelt Community Projects Inc.
(Expressed in Canadian dollars)

Consolidated Statements of Financial Position

December 31,	2013	2012
Assets		
Current		
Cash	$ 1,147,375	$ 476,862
Accounts receivable	973	-
Due from broker	-	283,852
GST recoverable	16,473	4,882
Income taxes receivable	184	-
Inventory (note 4)	155,120	16,741
Work-in-process	-	37,725
Prepaid operational costs (note 5)	192,641	150,059
	1,512,766	970,121
Property and equipment (note 6)	214,493	228,676
	$ 1,727,259	$ 1,198,797
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 149,414	$ 117,394
Accrued silvicultural costs (note 7)	231,247	205,483
Accrued road deactivation costs (note 8)	72,874	39,311
Due to broker	2,277	-
Income taxes payable	-	130
Dividends payable (note 13)	25,890	25,890
	481,702	388,208
Shareholder's equity		
Share capital (note 9)	172,600	172,600
Contributed surplus (note 10)	49,770	49,770
Retained earnings	1,023,187	588,219
	1,245,557	810,589
	$ 1,727,259	$ 1,198,797

Approved and authorized by the Board of Directors on March 11, 2014, signed on behalf of the Board:

_______________ Director _______________ Director

Sechelt Community Projects Inc.
(Expressed in Canadian dollars)

Consolidated Statements of Cash Flows

For the year ended December 31,	2013	2012
Cash provided by (used for)		
Operating activities		
Total income and comprehensive income for the year	$ 660,858	$ 226,321
Items not affecting cash		
Amortization	14,509	14,261
	675,367	240,582
Change in non-cash working capital items		
Accounts receivable	(973)	4,378
Due from broker	283,852	(283,852)
GST	(11,591)	661
Income taxes	(314)	(2,305)
Inventory	(138,705)	(14,330)
Work-in-process	37,725	(17,982)
Prepaid operational costs	(42,582)	(60,286)
Accounts payable and accrued liabilities	32,020	80,286
Accrued silvicultural costs	25,764	31,426
Accrued road deactivation costs	33,563	9,641
Due to broker	2,277	-
	896,403	(11,781)
Financing activity		
Dividends paid	(225,890)	-
Investing activity		
Redemption of GIC	-	262,656
Increase in cash	670,513	250,875
Cash, beginning of year	476,862	225,987
Cash, end of year	$ 1,147,375	$ 476,862

Supplemental cash flow information

The Company had the following cash transactions:		
Interest paid (received)	$ (11,809)	$ -
Income taxes paid	130	2,435

1. Nature of operations

Sechelt Community Projects Inc. (the "Company") was incorporated on March 8, 2005, under the laws of the Province of British Columbia and its major activity is utilizing certain timber rights pursuant to a Community Forest Agreement (K3F) dated May 30, 2011.

The address of the Company's corporate office and principal place of business is Unit C, 5588 Inlet Avenue, Sechelt, British Columbia, V0N 3A0.

The sole shareholder of the Company is the District of Sechelt.

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3(k).

3. Significant accounting policies

The following is a summary of the significant accounting policies used by management in the preparation of these consolidated financial statements.

(a) Principles of consolidation

These consolidated financial statements contained herein include the accounts of the Company as well as its wholly-owned subsidiaries Sunshine Coast Community Forest Ltd. which has a year end of December 31, 2013 and was incorporated on February 4, 2010, and has been inactive to date and SCCF Consulting Services Ltd. which has a year-end of December 31, 2013 and was incorporated May 30, 2011. All inter-company transactions and balances have been eliminated.

3. Significant accounting policies (continued)

(b) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined under the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated selling costs. Cost of inventories includes materials, direct labour, manufacturing overhead and other costs incurred in bringing the inventories to their present location and condition.

Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed (the reversal is limited to the amount of the original write-down).

(c) Work in process

Work-in-process consists of unbilled costs related to spacing contracts with the province of British Columbia.

(d) Property and equipment

Recognition and Measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition of the asset. Property and equipment is subsequently recorded at cost plus any costs of betterment less accumulated amortization. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs

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

Gains and losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized in income or loss.

3. Significant accounting policies (continued)

(d) Property and equipment (continued)

Amortization

Amortization of property and equipment are recorded at rates intended to amortize the related asset over its useful life. The following methods and rate are used:

Roads	25 years Straight-line
Furniture and equipment	20% Declining balance

Amortization methods, rates and residual values are reviewed by management annually and adjusted if necessary.

(e) Impairment of non-financial assets

Non-financial assets are subject to impairment tests at least annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

When it is not possible to estimate the recoverable amount of an asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to the income or loss, except to the extent that they reverse gains previously recognized in other comprehensive income or loss.

(f) Provisions

Accrued future silvicultural costs

The Company is subject to requirements relating to the reforestation under its timber forest licence. The Company records the estimated costs associated with reforestation when the timber is harvested. Upon harvesting the timber the related silvicultural costs are recorded as a liability with the related expenses being recorded in cost of sales - silviculture. All subsequent expenditures relating to the reforestation of these cut blocks are recorded against the related liability.

3. Significant accounting policies (continued)

(f) Provisions (continued)

Road deactivation costs

The Company is subject to requirements to deactivate logging roads once they are no longer in use. The Company accrues the related deactivation costs at the time the road is completed and available for use. Upon completion of the logging roads the estimated deactivation costs are recorded as a liability with the related expense being recorded in cost of sales - logging. All subsequent expenditures are recorded against the related liability.

The Company has not used a discount rate to calculate the net present value of these liabilities as they are current.

The related liabilities are adjusted for subsequent changes in estimates.

(g) Income taxes

As a municipal corporation, the Company is exempt from tax under Section 149 of Division H of the Income Tax Act. Income taxes are recorded using the asset-liability method in the Company's wholly owned subsidiary SCCF Consulting Services Ltd. and are accordingly reflected in the Company's consolidated financial statements.

(h) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company’s common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Earnings Per Share

Basic earnings per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

(i) Revenue recognition

Revenue includes the sale of raw logs and provision of logging related services. Revenue from the sale of raw logs is measured net of brokerage fees and recognized upon transfer of significant risks and reward of ownership, provided collectability is reasonably assured. Revenues are accounted for under the percentage of completion method. The degree of completion is determined on the basis of costs incurred to date compared with the total expected costs for the entire contract. Losses on the contracts are accounted for as soon as they can be determined. Interest income is recognized when earned and accrued if payment has not yet been received by the Company.

Consulting fees are recognized as revenue when services have been substantially provided and collectability is reasonably assured.

3. Significant accounting policies (continued)

(j) Financial instruments

Financial assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a settlement date basis. The Company's accounting policy for each category is as follows:

Transactions costs associated with financial assets classified as fair value through profit or loss (FVTPL) are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial assets at fair value through profit or loss

A FVTPL financial asset is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial assets designated as FVTPL are measured at fair value, and changes therein are recognized in profit or loss. The Company has not classified any financial assets as FVTPL at December 31, 2013 and 2012.

Loans and Receivables

The Company has classified cash, accounts receivable and due from broker as loans and receivables. These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in income. The losses arising from impairment are recognized in income or loss. The Company did not have any held-to-maturity investments during the years ended December 31, 2013 and 2012.

3. Significant accounting policies (continued)

(j) Financial instruments (continued)

Available-for-sale financial assets

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive income or loss. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive income or loss, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

The Company did not have any available-for-sale assets at December 31, 2013 and 2012.

Impairment on Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

The Company has not designated any financial liabilities upon initial recognition as fair value through profit or loss.

3. Significant accounting policies (continued)

(j) Financial instruments (continued)

Financial liabilities (continued)

Other financial liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of accounts payables and accrued liabilities, due to broker, and dividend payable. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Accounts payables and accrued liabilities represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Accounts payable and accrued liabilities amounts are unsecured and are usually paid within 30 days of recognition.

Dividend payable represent distributions of the Company's retained earnings to the shareholder. These payments have been declared payable on December 31, 2013 and will be distributed to the shareholder subsequent to year end.

3. Significant accounting policies (continued)

(k) Critical accounting estimates and judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgment are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in profit or loss in the period of change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

Expected timber volumes from certain cut blocks

Expected timber volumes from certain cut blocks are determined initially by third party engineers who assess the expected timber supply in each cut block. The associated engineering and road building costs for each block are recorded as inventory and expensed as these cut blocks are logged with reference to the expected volumes. These estimates are reviewed and updated annually by management with any changes being applied prospectively. The estimated volume from cut blocks may differ from the actual timber volume.

Accrued future silvicultural costs

The Company accrues the undiscounted estimated cost of reforestation required under its timber forest licence at the time the timber is harvested. The estimated costs are determined by management based on the Company's operational plans, past experience, and independent expert analysis. The assessment is based on the location and terrain of the specific cut blocks and may differ from the actual costs associated with reforestation of the cut blocks.

Road deactivation costs

Road deactivation costs are based on managements estimates of such costs based on the standard cost per meter of road. These estimates are based on historical data and past experiences with the costs associated with the deactivation of the roads and consist mainly of subcontractor costs. These costs are accrued at the time of completion of the service roads. Subsequent to the recording of the deactivation costs all related expenditures are removed from the liability as incurred.

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(l) Adoption of new accounting standards

The Company has adopted these accounting standards effective January 1, 2013. The adoption of these standards had no significant impact on the consolidated financial statements. These standards are:

IFRS 7	Financial Instruments Disclosure
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interest in Other Entities
IFRS 13	Fair Value Measurement
IAS 1	Presentation of Other Comprehensive Income
IAS 12	Deferred Tax: Recovery of Underlying Assets
IAS 19	Employee Benefits
IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures

(m) Accounting policies not yet adopted

The following new standards, amendments and interpretations, that have not been early adopted in these financial statements, will or may have an effect on the Company's future results and financial position:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. Chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues. The Company's management have yet to assess the impact of this new standard on the Company consolidated financial statements. However, Management does not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

4. Inventory

	2013	2012
Work-in-process in inventory	$ 152,014	$ -
Finished goods	3,106	16,741
	$ 155,120	$ 16,741

(Expressed in Canadian dollars)

5. Prepaid operational costs

Management has identified certain engineering and temporary road building costs incurred in the year that relate to the anticipated activities for certain areas and amounts of timber that have not completed and as such, these costs have been deferred and are expensed as the anticipated volumes for those areas are realized.

6. Property and equipment

	Furniture and equipment	Roads	Total
Cost			
As at January 1, 2013	**$ 21,427**	**$ 306,827**	**$ 328,254**
As at December 31, 2013	**21,427**	**306,827**	**328,254**
Accumulated amortization			
As at January 1, 2013	**11,958**	**87,620**	**99,578**
Additions	**1,909**	**12,274**	**14,183**
As at December 31, 2013	**13,867**	**99,894**	**113,761**
Net book value, December 31, 2013	**$ 7,560**	**$ 206,933**	**$ 214,493**

	Furniture and equipment	Roads	Total
Cost			
As at January 1, 2012	$ 21,427	$ 306,827	$ 328,254
As at December 31, 2012	21,427	306,827	328,254
Accumulated amortization			
As at January 1, 2012	9,614	75,347	84,961
Additions	2,344	12,273	14,617
As at December 31, 2012	11,958	87,620	99,578
Net book value, December 31, 2012	$ 9,469	$ 219,207	$ 228,676

7. Accrued silvicultural costs

The Company accrues silvicultural costs based on the volume of production measured in cubic metres. During the year the Company accrued costs of $65,864 (2012 - $65,454) and spent $40,100 (2012 - $34,028) on the related activities.

8. Accrued road deactivation cost

The Company accrues road deactivation costs at the completion of the construction of the logging road. During the year the Company accrued costs of $36,838 (2012 - $22,716) and spent $3,275 (2012 - $13,075) on the related activities.

9. Share capital

Authorized

Unlimited common shares with no par value

10. Contributed surplus

The shareholder of the Company received a SICEAI Grant of $49,770 from the Community Futures Development Corporation in 2004 and expended those monies on behalf of the Company in conjunction with the application for the Probationary Community Forest Agreement.

11. Financial instruments fair value and risk management

Fair value

The Company estimates the fair value of its financial instruments based on current interest rates, market value and pricing of financial instruments with comparable terms. Unless otherwise indicated, the carrying value of these financial instruments approximates their fair market value because of the near maturity of those instruments.

Financial instruments recorded at fair value on the Consolidated Statements of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: valuation techniques based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e derived from prices); and

Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfil its payment obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with major financial institutions and invests only in short-term obligations that are guaranteed by the Canadian government or by a British Columbia Credit Union. The Company's maximum exposure to credit risk for cash is the amount disclosed in the consolidated statement of financial position.

Management believes that the credit risk concentration with respect to financial instruments included in cash and receivables is minimal.

11. Financial instruments fair value and risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to evaluate current and expected liquidity requirements under both normal and stressed conditions to ensure that it maintains sufficient reserves of cash or have an available credit facility to meet its liquidity requirements in the short and long term.

As at December 31, 2013, the Company had a cash balance of $1,147,375 (2012 - $476,862) to settle current liabilities of $481,702 (2012 - $388,208). All of the Company's financial liabilities are classified as current and are anticipated to mature within this fiscal period. The Company intends to settle these with funds from its positive working capital position.

Market risk

Market risk incorporates a range of risks. Movement in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is exposed to these risks as the ability of the Company to develop or market its products and the future profitability of the Company is related to the market price of logs.

i) Foreign currency risk

The Company does not have assets held in foreign currencies as at December 31, 2013 and 2012 and therefore is not exposed to foreign currency risk.

ii) Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

iii) Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institution is subject to a floating rate of interest. The interest rate risk on cash and investments is not considered significant.

(Expressed in Canadian dollars)

12. Capital disclosures

The Company considers the net and unencumbered financial assets held to be capital for the purposes of this section. Capital is calculated by adding cash, accounts receivable, due from broker, income taxes receivable, and GST recoverable then deducting total current liabilities.

The Company's objective in managing capital is to ensure sufficient capital is available during the year and on an on-going basis to fund current operations, to provide for future liabilities and contingencies and to provide a reasonable rate of return to the shareholder. The Company's capital management is done by management in conjunction with the board by budgeting, regular review of financial reporting and longer-term capital planning. As at December 31, 2013, the Company's capital was $683,303 (2012 - $377,388).

There were no changes in the Company’s approach to capital management during the year ended December 31, 2013. The Company was not subject to externally imposed covenants.

13. Related party transactions

The consolidated financial statements include the financial statements of the Company and the subsidiaries and their respective ownership listed in the following table:

Sunshine Coast Community Forest Ltd	100%
SCCF Consulting Services Ltd.	100%

During the year, the Company paid $25,890 (2012 - $NIL) in dividends which were declared as payable in the prior year and declared payable a dividend of $225,890 (2012 - $25,890) of which $25,890 will be paid after the year end.

Key management compensation

During the year, the Company paid honourariums totaling $6,000 (2012 - $4,500) to the president.