Forestry Innovation Investment

2025/26
Annual Service Plan Report

August 2026

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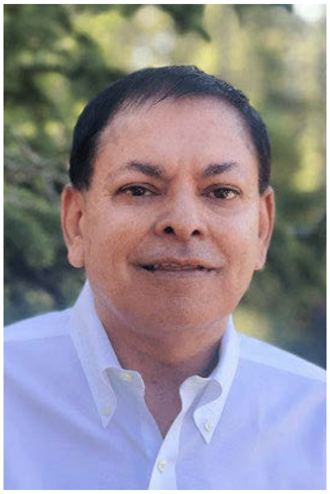
Board Chair's Accountability Statement



The Forestry Innovation Investment 2025/26 Annual Service Plan Report compares the organization's actual results to the expected results identified in the 2025/26 – 2027/28 Service Plan published in 2025. The Board is accountable for those results as reported.

Signed on behalf of the Board by:

Rick Doman
Board Chair
July 31, 2026

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Letter from the Board Chair

British Columbia's forest sector faced a challenging year in 2025/26, marked by weakened global economic conditions and punitive trade actions by the United States that constrained demand and reduced industry activity. Throughout this period, the Government of British Columbia worked with the forest industry, First Nations and communities to navigate these challenging times.

Forest Innovation Investment (FII) and its partners continue to play a critical role in strengthening the resilience of B.C.'s forest sector. To accelerate and expand FII's impact in 2025/26, FII's Board was strengthened through the appointment of new Directors with deep expertise in shipping logistics and global market development for B.C. forest products. This new Board is committed to maximizing FII's impact in wood product market development.

Over the year, FII intensified its focus on diversifying international markets for B.C. forest products. This work included expanding strategic segments in existing markets and exploring new and historic markets that are gaining relevance amid shifting global trade dynamics. A significant milestone was the establishment of an FII presence in the United Kingdom, enabling the pursuit of market opportunities both within the U.K. and in time across the broader European Union, Middle East, and North Africa regions.

Domestically, FII worked with partners to build capacity and advance wood innovation, including strengthening the prefabrication value chain through investments in skills, technical resources, and operational efficiency. FII also supported technical research essential to generating the evidence required to modernize building codes, develop new wood-based materials, and enhance building performance.

Throughout the year, FII engaged regularly with its Board and Advisory Committees to assess global and domestic market conditions and to guide FII's role within broader strategic initiatives aimed at expanding wood use in B.C. FII also worked with staff in both the Ministry of Forests and the Ministry of Jobs and Economic Growth (JEG) to ensure continued alignment in meeting the priorities established by Government.

The company concluded the year having met all of its targets related to the 2023 Mandate Letter and May 2025 Mandate Letter, and its core objectives established in the company's 2025/26 – 2027/28 Service Plan.

Rick Doman
Board Chair
July 31, 2026

Purpose of the Annual Service Plan Report

This annual service plan report has been developed to meet the requirements of the Budget Transparency and Accountability Act (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, a Minister Responsible for a government organization is required to make public a report on the actual results of that organization's performance related to the forecasted targets stated in the service plan for the reported year.

Strategic Direction

The strategic direction set by Government in 2024 and the Board Chair's Mandate Letter from the Minister Responsible shaped the goals, objectives, performance measures and financial plan outlined in the Forestry Innovation Investment 2025/26 – 2027/28 Service Plan and the actual results reported on in this annual report.

Purpose of the Organization

Forestry Innovation Investment (FII) is the Government of B.C.'s market development agency for forest products. FII works with the forest industry and government to develop and diversify demand for B.C. forest products in Canada and in key world markets; promote B.C.'s forest products and forest management to the global marketplace; and help ensure that the forest sector, through innovation and strong international sales, continues to be a leading contributor to the B.C. economy.

In pursuing its mandate, FII uses a collaborative delivery model for its programs. Under this model, FII works with the forest industry, research institutions, government, Indigenous organizations and other partners to deliver a mix of research and capacity building, as well as market development and promotional activities. This approach takes advantage of partner expertise and marketing networks and ensures program costs are shared with other organizations, including industry. FII also works closely with Natural Resources Canada, B.C.'s Trade and Investment Representatives, as well as Canadian Trade Commissioners in select global markets. By leveraging these partnerships, FII is able to lead a comprehensive effort to diversify B.C.'s exports to priority markets and to foster greater capacity and innovation in the domestic manufacturing sector.

FII receives its mandate letter direction from the Ministry of Forests (FOR) and supports the Government's strategic direction to FOR and the Ministry of Jobs and Economic Growth (JEG).

FII's mandate is closely aligned with a range of government priorities, with FII actively collaborating with and supporting other agencies and partners in areas of common interest. This includes working with both FOR and JEG staff on accelerating market diversification efforts—both in B.C./Canada and in key global markets—to expand opportunities for B.C. wood products and reduce reliance on the U.S. market. Collaboration with JEG, FOR and agencies across government is helping to advance the use of engineered wood products, mass timber wood building solutions, and off-site prefabricated building solutions. Expanding the use of mass timber products at home in B.C. and in export markets contributes to the Province's green building objectives by reducing greenhouse gas emissions from construction and to securing greater value from B.C.'s forest resource. Work with BC Housing and the Ministry of Housing and Municipal Affairs supports the expansion of building codes and the development of taller, advanced wood building solutions to enhance affordability objectives and the availability of rental housing in the province. Collaboration with JEG, FOR and others will support the advancement of off-site prefabricated construction, to address growing housing needs, address labour shortages in the construction sector, and respond to Canada's Build Canada Homes strategy of doubling residential construction in Canada by 2035.

Across all activities, FII is committed to advancing reconciliation with Indigenous Peoples and diversity, equity and inclusion principles. In doing so, FII works with the B.C. government, First Nations and other partners to understand the diverse needs of different groups to ensure equitable access, and to explore opportunities to make a positive impact.

Details on FII's mandate, governance, goals and values, locations, and organizational structure are available at www.bcfii.ca, as are previous service plans and annual service plan reports. Details on FII's subsidiaries can be found in Appendix B.

Economic Statement

Economic activity in British Columbia advanced in 2025, after modest growth in 2024, despite facing notable headwinds. Last year, homebuilding activity in the province continued at a steady pace, and lower interest rates and easing inflation supported household spending. Meanwhile, high uncertainty around the impacts of U.S. tariffs and significantly lower population growth tempered economic activity in B.C., and across many provinces. Overall, B.C.'s real GDP rose by 2.0 per cent in 2025, up from 1.2 per cent growth in 2024. B.C. was one of only two provinces that saw an increase in the rate of real GDP growth from 2024 to 2025. On an industry basis, B.C.'s economic growth in 2025 was led by real estate, rental and leasing; health care and social assistance services; mining, quarrying, and oil and gas extraction; and construction.

B.C.'s labour market moderated in 2025, amid slower population growth and trade-related economic uncertainty. Total employment rose by 1.1 percent (+32,200 jobs), while wages and salaries rose by 3.1 percent. The unemployment rate averaged 6.2 percent in 2025, up from 5.6 percent in 2024, as labour force growth outpaced job creation. Despite rising last year, B.C.'s unemployment rate remained below the national average of 6.8 percent. B.C. housing starts totalled 44,193 units in 2025, down 3.6 percent from 2024, but remained above the 10-year historical average. Meanwhile, B.C. home sales activity declined by 5.7 percent compared to 2024, with muted demand contributing to a 2.9 percent decrease in the average home price. Inflationary pressures continued to moderate in 2025, reflecting slower price growth for services and subdued inflation for goods. Shelter inflation was the largest contributor to headline inflation last year but slowed substantially for both rented and owned accommodation compared to recent years. Lower gasoline prices, partly due to the removal of the B.C. consumer carbon tax, also helped ease headline inflation. Overall, B.C.'s consumer price inflation averaged 2.1 percent in 2025, down from 2.6 percent in 2024. Lower inflation and easing interest rates supported robust retail sales, which grew by 6.4 percent in 2025. On the trade front, B.C.'s merchandise exports remained relatively flat as markets adjusted to shifting global trade conditions. Overall, the value of B.C.'s goods exports edged down 0.1 percent compared to 2024 as increased exports to non-U.S. destinations were offset by a continued decline in goods exports to the U.S.

Report on Performance: Goals, Objectives, and Results

The following goals, objectives and performance measures have been restated from the 2025/26 – 2027/28 service plan. For forward-looking planning information, including current and future performance targets, please see the latest service plan.

Goal 1: Forest products are viewed as environmentally friendly, and B.C. is viewed as a reliable global supplier of quality products from sustainably managed forests

Objective 1.1: Opportunities for B.C. forest products are expanded by positioning wood, and wood-based products from B.C., as the first choice for environmentally friendly materials

This objective focuses on two significant market trends, which are the increasing recognition of wood products as renewable and sustainable, and the growing consumer demand for forest products that are produced in an environmentally responsible manner. With these factors in mind, FII aims to articulate:

- The benefits of wood as a sustainable, renewable building material
- The advantages of wood in creating a significantly smaller environmental footprint than other building materials
- The fact that wood, pulp and paper, and pellet products from B.C. are sourced from sustainably managed forests backed by stringent regulations and public consultation

Key results

- FII released a Forest Practices and Industry Profile for B.C. to share how B.C. is managing its forests to meet and exceed international standards. In 2025/26, the B.C. forest sector pages of naturallywood.com generated nearly 65,000 page views.
- FII convened a panel at BUILDEX, Vancouver's largest design and construction conference, on sourcing sustainable B.C. wood products, which included a presentation by B.C.'s Chief Forester on B.C.'s sustainable forest practices. naturally:wood amplified this content by launching a Forest to form factsheet and recording a video of the Chief Forester's presentation, which will be further amplified in 2026/27.
- FII delivered a global marketing campaign leading up to Woodrise 2025 (detailed below) with influencer content and paid social advertising driving attendance by delegates from over 30 countries while raising awareness amongst target audiences of B.C.'s expertise around the world. LinkedIn and Meta campaigns achieved 3.5 million ad impressions and influencer videos achieved 400,000 video views.

Summary of progress made in 2025/26

FII's naturallywood.com website hosts information on B.C.'s forests, forest management, forest products and building expertise. Primary target audiences for naturally:wood content are those that influence material selection in a building project or other value-added wood applications: architects, engineers, general contractors, developers, manufacturers, and public/private sector building owners. This year, naturallywood.com had 349,000 pageviews and clicks to content—including research-based articles, case studies, project profiles, reports, podcasts, guides, tools and videos—enabling FII to reach B.C. and international audiences with factual information on B.C.'s forest products and practices.

In 2025/26, FII supported the organization and promotion of the 5th edition of Woodrise, an international conference dedicated to mid- and high-rise timber construction and sustainable building practices. The event attracted experts, professionals, and researchers from 33 countries and positioned B.C.'s leadership in mass timber and low-carbon wood building solutions. B.C.'s forests and forest products were highlighted on the tradeshow floor through the naturally:wood booth, connecting with industry stakeholders and international visitors, and showcasing the province's expertise in forest management and wood construction.

Throughout the year, FII continued its active participation in the Canadian Council of Forest Ministers' Forest in Mind program, collaborating with FOR, and other provincial and federal partners to support advocacy outreach regarding the EU Deforestation Regulation (EUDR), as well as promoting B.C. and Canada's sustainable forest management leadership to international audiences.

Objective 1.2: B.C. is recognized as a reliable global supplier of quality products from sustainably managed forests

The growing awareness of the benefits of wood products is increasing the demand from consumers for forest products that are produced in an environmentally responsible manner. To help position B.C. to meet this demand, FII delivers a suite of programming that showcases B.C. as a reliable supplier of quality forest products, and a global leader in sustaining forest resources and environmental values.

Key results

- A 'Buy B.C.' campaign across naturally:wood's digital channels featuring forestry and forestry products messaging produced nearly 3.7 million impressions, driving potential buyers to the B.C. Wood Supplier Directory, leading to over 41,000 engagements[1]with wood manufacturer profiles and referrals through the sourcing tool.
- FII led an influencer campaign with two award-winning architects that produced a series of educational videos on mass timber and wood buildings in B.C., and value-added manufacturing facility tours across B.C. The campaign resulted in over 4.1

[1] Includes clicks from ads to supplier profiles, use of filters on supplier profiles, and clicks to supplier contact information such as maps, websites, and email.

million video views across social channels—demonstrating to global audiences B.C.'s leadership in sustainable wood use and mass timber building systems.

- This year, naturally:wood updated and increased the product pages on the website to expand the breadth of B.C. wood products promoted, these received 62,000 pageviews. naturally:wood also added a number of wood building project profiles, with the Project Gallery now totalling 219 and achieving 65,000 pageviews.
- naturally:wood program activities overall generated 253,000 referrals to industry through direct clicks on supplier websites and contact information, ad clicks from campaigns profiling B.C. manufacturers and clicks to industry and association websites across naturallywood.com.

Summary of progress made in 2025/26

During 2025/26, FII shared content using owned and paid digital marketing channels to engage key audiences and foster awareness of, and demand for, B.C. wood products.

FII's B.C. Wood Supplier Directory, hosted on naturallywood.com, features nearly 400 BC wood manufacturers across the province. In 2025/26, there were 131,000 pageviews on the Supplier Directory and over 41,000 B.C. manufacturer engagements with manufacturer profiles and referrals took place through the sourcing tool—advancing connections with B.C. companies for potential commercial opportunities. Organic traffic (sessions) to the Supplier Directory was up 53 percent from last year, indicating increased interest in sourcing B.C. wood products.

To reach new, global audiences and raise awareness of B.C.'s position as a world-leader of innovation in timber design, construction and product solutions from sustainable forests, naturally:wood launched its first-ever influencer program inviting the globally-known architect team, Archimarathon, to learn about B.C.'s portfolio of mass timber and wood buildings. Toured sites across the southern province included multi-family residential, commercial, institutional and public gathering buildings including Mass Timber Demonstration Program projects—The Hive, Alliance Francaise and 837 Beatty Street. They also visited forestry operations in Squamish and Nelson, the PRT Harrop seedling nursery, the Tree Seed Centre in Surrey, and manufacturers, including Kalesnikoff, Spearhead, and StructureCraft. The campaign has reached global target audiences and is positioning B.C. as a leader in advanced wood building products and systems. The campaign profiling B.C.'s forest industry and wood construction leadership resulted in over 4.1 million video views across social channels.

Performance measures and related discussion

Performance Measure	2023/24 Baseline	2024/25 Actual	2025/26 Target	2025/26 Actual
1.a Percent of target customers who perceive that forest products from B.C. are a good choice for the environment[1,2]	90%	N/A	90%	94%

Data source: Leger - The Research Intelligence Group. Analysis of Market Acceptance Issues.

[1]PM 1.a targets for 2026/27 and 2027/28 were stated in the 2025/26 service plan as 'N/A' and 90%, respectively.

[2]Surveys are conducted biennially.

Performance Measure 1.a provides an indication over time of the effectiveness of FII's international advocacy and communications initiatives to influence customer perceptions of B.C. and its forest management practices. Performance data is gathered through a biennial survey of international customers (pulp and paper buyers, wood importers and distributors, and pellet purchasers). The survey is a cooperative undertaking between FII, its overseas offices and other partners such as the Canadian Council of Forest Ministers. The data is gathered by an independent market research firm via an online survey. The survey, which is focused on environmental perspectives, identifies the percentage of international customers who agree that B.C.'s reputation in sustainable forestry practices is as good as, or better than, competing forest product jurisdictions.

The 2025/26 results indicated that 94 percent of customers feel that choosing products from B.C. is a good choice for the environment. For future targets, FII and its partners agree that maintaining a minimum 90 percent rating represents optimal performance levels.

Performance Measure	2024/25 Actual	2025/26 Target	2025/26 Actual
1.b Number of prospects connecting with B.C. manufacturers from the naturallywood.com Supplier Directory, an online platform developed by FII[1,2]	40,352	40,000	41,480

Data source: Forestry Innovation Investment /Google Analytics.
[1]PM 1.b targets for 2026/27 and 2027/28 were stated in the 2025/26 service plan as 42,000 and 45,000, respectively.
[2]Targets for performance measure 1.b were revised in the latest service plan.

naturallywood.com provides information on B.C.'s forests, forest management, forest products and building expertise. The website, which hosts the B.C. Wood Supplier Directory, is FII's key information portal for the B.C. design and construction community, and it serves as the foundation of a digitally centred communications strategy that is strategically extended to global markets.

Performance measure 1.b tracks visitors to the Supplier Directory where they can search for B.C. wood products and engage directly with suppliers through the search functions and profiles (phone, map, email and website). Collecting this type of visitor data and increasing the target year-over-year shows growing awareness and commercial interest in B.C. forestry products domestically and abroad.

The 2025/26 target for prospects connecting with B.C. manufacturers through the Directory was set at 40,000; FII exceeded this target with 41,480 supplier interactions made.

Goal 2: Enhance the value of B.C.'s forest products in traditional and emerging markets

Objective 2.1: Expand opportunities for B.C. wood products in emerging markets

FII's market development programs in India and Vietnam are focused on expanding the use of Canadian softwoods. The program targets applications for B.C. wood species in the manufacturing of doors, windows, architectural millwork, furniture for domestic and export markets, and interior finishing product applications.

Key results

- An ecotourism facility at the Rhododendron Sanctuary in northeastern India is using Douglas-fir glue-laminated timber (glulam) beams, columns and arches. The 16,000 square-foot facility built by Jackhammer—the first large-scale commercial manufacturer of glulam in India —is a result of initial glulam testing using Douglas-fir completed with the support of FII India.
- Juju, a fine-dining restaurant in South Goa, showcases B.C. spruce-pine-fir (S-P-F) for its ceiling rafters and interior fit outs. FII India's long-standing relationship with Wheaton Design and technical support resulted in the use of B.C. species in this beautiful high-end commercial project.
- With FII Vietnam support, seven manufacturers developed new furniture collections using B.C. wood species for use at major trade events, including the Handicraft and Wood Industry Association (HAWA) Expo and the Vietnam International Furniture and Home Accessories Fair (VIFA). By linking product trials with high-credibility exhibition exposure, the FII Vietnam team was able to demonstrate to key audiences the potential of B.C. wood use in furniture manufacturing, creating demand for B.C. species.
- Hemlock furniture made in Vietnam were sold in Australia by three major Australian furniture retailers for the first time in 2026. These launches were driven by FII Vietnam's work with one of the designers.

Summary of progress made in 2025/26

During 2025/26, FII India and Vietnam teams continued to use product trials to demonstrate how B.C. species perform under local conditions and meet customer requirements by pairing hands-on testing with technical guidance. In India, 30 product trials were completed to introduce B.C. wood species. In Vietnam, 34 product trials were undertaken with Vietnamese manufacturers.

FII teams in both markets worked to raise awareness of certified Canadian wood and its performance attributes through coordinated promotion and outreach—using tradeshows, seminars and digital engagement to reach decision makers in design and manufacturing sectors. Partnering with local manufacturers and coating/finishing companies to showcase

B.C. wood use in various applications has proved a useful strategy to expand reach and impact in the promotion of B.C. wood products.

Stockist networks in both India and Vietnam are important to ensure timely supply of B.C. wood products to respond to customer inquiries. In addition to Vietnamese stockists, FII Vietnam confirmed the first Mandarin speaking stockist in Vietnam to serve Chinese and Taiwanese factories, who account for a major share of Vietnam furniture exports. In India, 28 stockists are now carrying B.C. wood products for sale in the market.

A key highlight in India was the visit by Premier David Eby and Ravi Kahlon, Minister of Jobs and Economic Growth. FII India organized a forestry roundtable during a trade mission, which attracted Indian leaders from furniture manufacturing, wood importing, and the architecture and design community, and highlighted the strong potential for B.C. wood in India's growing manufacturing and construction sectors.

Performance measure and related discussion

Performance Measure	2024/25 Actual	2025/26 Target	2025/26 Actual
2.a Total number of product trials of B.C. species undertaken in emerging markets[1,2]	69	40	64

Data source: Forestry Innovation Investment
[1]PM 2.a targets for 2026/27 and 2027/28 were stated in the 2025/26 service plan as 42 and 44, respectively.
[2] Product trials are currently being undertaken in India and Vietnam through FII's subsidiary operations in both markets.

Market development in India and Vietnam is led by FII through subsidiary operations. In India, the program is now in Phase 2 (Expanding Engagement) of a multi-year strategy to achieve commercial acceptance and growth in the wood manufacturing sector. The approach will be to build on gains made to date, leverage existing demonstration projects, and support the existing stockist network. Vietnam operations are in Phase 1 (Entry and Demonstration) with a formal subsidiary office established in spring 2022. Initial efforts are focused on building awareness of the Canadian Wood brand and establishing relationships with local manufacturers to introduce B.C. wood species. Progress in both markets is monitored through established annual performance metrics with interim reporting requirements.

FII was able to exceed its target for 2025/26 as a result of growing interest in B.C. wood species in both markets. FII anticipates forward-looking outcomes will be closer to target.

Objective 2.2: Wood products secure greater market penetration in U.S. non-residential and multi-family construction

Objective 2.2 was not actioned in 2025/26 as a result of ongoing trade tensions with the U.S. related to softwood lumber duties, section 232 tariffs as well as the continued threat of further trade barriers. While the U.S. market remains a valuable customer for B.C. wood products, FII's primary focus is market diversification to reduce reliance on any one market and to develop opportunities for future growth.

Key results

- N/A

Summary of progress made in 2025/26

No progress was made on this objective in 2025/26.

Performance measure and related discussion

Performance Measure	2024/25 Actual	2025/26 Target	2025/26 Actual
2.b Total sales (USD, millions) of wood attributable to directly influenced and converted projects—U.S. non-residential and multi-storey/multi-family residential construction[1,2]	\$348	\$243	N/A

Data source: U.S. WoodWorks program
[1]PM 2.b targets for 2026/27 and 2027/28 were stated in the 2025/26 service plan as \$260 and \$278, respectively.
[2] This performance measure was replaced or revised in the latest service plan.

FII did not undertake market development activities in the U.S. market in 2025/26 and therefore does not have performance measure outcomes to report on for this Service Plan period.

Goal 3: B.C. is a leader in using innovative forest products and building systems

Objective 3.1: Wood is a preferred building material in B.C.

FII is advancing the adoption of value-added and innovative wood building systems in B.C. by reducing regulatory and financial barriers, strengthening industry capability, and enabling informed decision-making and optimization opportunities along the value chain.

Key results

- With funding support by FII, FPInnovations advanced prefabrication through the development of the Offsite Wood Construction Handbook, providing end-to-end technical guidance on prefabricated wood construction. The handbook was promoted by FII nationally and, by the end of 2025/26, achieved 15,328 pageviews and 669 downloads— supporting informed decision making and aiming to accelerated industry uptake of off-site wood systems.
- Led by FII-supported industry partners, 49 projects helped build the manufacturing capacity of B.C. value-added companies by providing individualized guidance and technical support to strengthen their manufacturing capacity, improve market responsiveness, develop new wood products, and facilitate growth. Delivered by UBC's Centre for Advanced Wood Processing (CAWP) and BC Wood Specialties Group, these

programs reinforce the long-term competitiveness and resilience of B.C.'s wood supply chain.

- Through FII-supported industry partner activities, 159 technical resources, toolkits and case studies were developed or shared, and 400 events engaged 1,644 participants. These activities improved decision-making and market readiness by equipping practitioners with technical guidance, practical examples and hands-on learning that strengthened design, construction and investment confidence in wood-based building solutions.
- FII helped create regulatory and financial conditions that reduced risk and encouraged greater investment in wood construction by using real-world evidence to inform codes and financing tools. This included applied research under the Mass Timber Demonstration Program (MTDP) which supported updates to building codes and standards and work with Affine Climate solutions to develop tools for developers and lenders to help streamline approvals and accelerate wood construction.

Summary of progress made in 2025/26

In 2025/26, FII delivered Objective 3.1 through the Wood First program by working with a broad network of delivery partners, including Affine Climate Solutions, FPInnovations, WoodWorks BC, the University of British Columbia's CAWP, BC Wood Specialties Group, British Columbia Institute of Technology (BCIT) and the Construction Foundation of BC, to address key technical, regulatory and market barriers affecting wood use across the construction sector.

To strengthen industry capability and support informed adoption of advanced wood systems, FII invested in practical technical guidance and sector-wide education. This included technical advisory services delivered through WoodWorks BC and the development of the Offsite Wood Construction Handbook by FPInnovations to support prefabricated construction. The handbook was further amplified through paid social media, sponsored articles in major trade magazines and a webinar produced with the Royal Architecture Institute of Canada.

At the company level, FII focused on improving competitiveness and supply-chain readiness by supporting individualized technical and business assistance delivered by CAWP and BC Wood Specialties Group. These activities helped B.C. value-added wood manufacturers strengthen internal capacity, improve market responsiveness and pursue growth opportunities in emerging wood-based construction markets.

FII also supported broader market adoption by improving the conditions for delivering wood-based buildings. Through the Mass Timber Demonstration Program, applied research informing BC Building Code and CSA O86 updates, and the Unlocking Mass Timber Financing Opportunities project led by Affine Climate Solutions and its Banking on Buildings program, FII helped clarify regulatory pathways and financing considerations, supporting more efficient project approval and delivery.

Complementing these efforts, FII further advanced sector development by supporting Indigenous-led initiatives, including the Construction Foundation of BC's Local Materials Inclusion Guide. This work addressed regulatory, material and scale-related challenges and supported informed decision-making on the use of local wood resources in Indigenous housing and community development projects. FII also supported the First Nations Forestry Council on phase 1 of a multi-year effort to catalogue Indigenous forest product manufacturers in B.C., the products they produce, and better understand and respond to the business and marketing challenges that they face in approaching domestic and international markets.

Objective 3.2: Next-generation B.C. wood technologies and building solutions showcase wood innovation

FII is advancing next-generation wood technologies and building solutions by supporting demonstration projects, applied research and knowledge mobilization that showcase how innovative wood systems can be designed, delivered and replicated across a range of building applications.

Key results

- Through the Mass Timber demonstration Program (MTDP), FII showcased advanced structural, hybrid and prefabricated wood systems across multiple building types, generating evidence on constructability and performance and supporting replication of innovative wood solutions in future projects. Recently completed projects profiled on naturallywood.com this fiscal year, including Vienna House, The Hive, the Kelowna International Airport Expansion and Beatty Street. MTDP website content received close to 35,000 pageviews this fiscal (up 45 percent from last fiscal).
- FII commissioned A Guide to Mass Timber in Industrial Architecture to demonstrate where mass timber can deliver performance, carbon and cost advantages in industrial applications, supporting informed material selection beyond traditional residential and institutional markets.
- Through its support of WoodWorks BC, FII strengthened sector-wide design and construction expertise by enabling the development and dissemination of technical guides on mass timber and light-frame wood construction, reaching 870 downloads.
- FII-supported applied research by FPInnovations and university partners, including UBC, the University of Alberta and BCIT, advanced next-generation wood products and building systems by translating fire, seismic and structural research into technical evidence—supporting standards development, design guidance and future code pathways.

Summary of progress made in 2025/26

In 2025/26, FII advanced next-generation wood technologies and building solutions by working with government, research and industry partners to support applied research, demonstration projects and knowledge mobilisation activities that showcase how innovative wood systems can be designed, delivered and replicated across a range of building applications. These efforts focused on translating innovation into practical, scalable solutions for the construction sector.

Through the MTDP, FII worked with project teams across British Columbia to generate and document evidence on the constructability, performance and scalability of advanced structural, hybrid and prefabricated wood systems. FII and WoodWorks BC collaborated to capture lessons learned from completed MTDP projects, supporting broader industry understanding of taller wood construction, rental housing delivery, energy efficiency, and emerging design and construction practices.

Complementing demonstration activity, FII supported applied research delivered by FPInnovations and university partners to advance next-generation wood products and building systems and to inform standards development, design guidance and future code pathways. To support ongoing knowledge transfer, FII continued to host the Wood Research Library, which now houses 3,459 research reports on wood and mass-timber construction, providing designers, engineers and builders in B.C., Canada and international markets with accessible technical evidence to support the adoption of innovative wood technologies.

Performance measure(s) and related discussion

Performance Measure	2024/25 Actual	2025/26 Target	2025/26 Actual
3.a Total sales ($CAD, millions) of wood attributable to directly influenced and converted projects—B.C.'s non-residential and multi-storey/multi-family residential construction markets[1,2]	$185	$180	$195

Data source: WoodWorks BC

[1]PM 3.a targets for 2026/27 and 2027/28 were stated in the 2025/26 service plan as $185 and $191, respectively.

[2] The target is based on the incremental increase in the value of wood sales that are generated in the year through projects converted and/or influenced by WoodWorks BC program activities, funded by FII and its funding partners.

This measure tracks success in increasing wood usage in B.C. in the commercial, institutional, and multi-family residential/mid-rise segments. To this end, FII cost-shares the WoodWorks BC program to deliver education and technical advisory activities that assist architects, builders and developers to incorporate more wood into projects, as well as convert their projects from other materials to wood. Efforts focus on a range of building types (multi-storey/multi-family, non-residential and taller buildings). This diversification strategy will help expand the influence of the program across the construction sector while protecting suppliers against market fluctuations in any one particular segment of the building sector.

The ability to achieve Performance Measure 3.a is contingent upon the performance of FII's funding recipients in their delivery of Wood First programming and on other external factors impacting construction activity in B.C., such as the level of real estate investment and the process for approving and implementing building code changes. WoodWorks BC tracks its engagement with projects as the project moves from identification to design and construction. As soon as the project goes into construction, the value of that project is captured in the performance measure.

For 2025/26, WoodWorks BC tracked 1,158 projects and reported $195 million of wood product sales attributable to directly influenced and converted projects.

Financial Report

For the auditor's report and audited financial statements, see Appendix C. These documents can also be found on the Forestry Innovation Investment website.

Discussion of Results

Contributions from the Province were reduced by $0.630 million in 2025/26 as part of FII's share of the province's plan to reduce the deficit. The remaining variance was attributed to adjustments in deferred revenue concerning the depreciation of capital assets. Other Revenue was primarily interest income earned on bank account balances held in India and Canada from accumulated retained earnings.

During the year, FII managed the risks associated with funding and monitoring activities developed and delivered by third parties, and with initiatives delivered by FII in foreign and domestic markets. FII ended the year with a surplus of $0.238 million, resulting mainly from recipients returning funds in the last quarter that were not able to be reallocated to other projects. That equates to about 1 percent of the total revenue received of $21.198 million.

Financial Summary

($000s)	2024/25 Actual	2025/26 Budget	2025/26 Actual	2025/26 Variance
Revenues				
Contributions from Province [2]	20,404	20,366	19,737	(629)
Contributions from the Federal Government [3]	182	85	1,046	961
Other Revenue	561	429	415	(14)
Total Revenue	**21,147**	**20,880**	**21,198**	**318**
Expenses				
Funding Recipient Initiatives[4]	7,991	7,880	6,702	(1,178)
Market Outreach and Initiatives				
Government Initiatives and Outreach	5,082	5,694	5,528	(166)
China Market Development	1,920	1,900	2,002	102
India Market Development[5]	1,800	1,600	2,312	712
Vietnam Market Development[6]	2,015	1,900	2,426	526
Corporate Services	2,088	1,906	1,990	84
Total Expenses	**20,896**	**20,880**	**20,960**	80
Annual Surplus	**251**	**0**	**238**	**238**
Total Liabilities	**2,041**	**2,050**	**2,929**	**879**
Capital Expenditures	**148**	**150**	**139**	**(11)**
Accumulated Surplus	**6,755**	**6,755**	**6,993**	**238**

[1] The above financial information was prepared based on current Generally Accepted Accounting Principles.
[2] Funding from the Province of BC was reduced by $0.630 million in 2025/26. The $1k difference is due to rounding.
[3] Additional funding was offered during 2025/26 from Natural Resources Canada (NRCan) for exploring diversification opportunities in emerging markets.
[4] Reflects the reduced ask from recipients in 2025/26 that also received funding from NRCan.
[5] Reflects foreign exchange adjustments and the additional tax on the declared dividend at year end.
[6] Reflects additional Vietnam program spending because of the reduction in requested funding to the recipients.

Variance and Trend Analysis

In June 2025, FII was advised that the funding from the Province of B.C. for discretionary spending was reduced by $0.630 million for 2025/26 and for the years going forward.

During the year FII was offered additional funding from Natural Resources Canada (NRCan) to explore diversification opportunities in new emerging markets. The spend on recipient program initiatives was reduced for recipients that also received funding from NRCan.

The India subsidiary was required to pay tax on the dividend declared at year end.

With savings in the recipient funding program, additional projects were undertaken in Vietnam.

Risks and Uncertainties

FII funds extensive market development programming in offshore markets, particularly in Asia. As a result, FII is subject to foreign exchange risk through its program payables and advances, and a portion of FII's program costs, which are denominated in Chinese Renminbi, Indian Rupee, Vietnamese Dong, U.S. dollars and other foreign currencies. While FII manages exposure to currency risk by monitoring assets and liabilities denominated in foreign currencies and by purchasing foreign denominated currency when market conditions are favourable, volatility in the value of the Canadian dollar against foreign currencies has increased exchange rate risk.

FII and its programs are continuously monitoring impacts of trade dynamics with the U.S., including exchange rate risk as the Canadian dollar is affected by economic uncertainty and potential trade tariffs. The delivery of co-funded market development programming led by FII's funding recipients may also be impacted as industry adjusts to new trade conditions.

Appendix A: Progress on Mandate Letter Priorities

The following is a summary of progress made on priorities as stated in the November 2025 Mandate Letter from the Minister Responsible.

2025 Mandate Letter Priority	Status as of March 31, 2026
Conduct a comprehensive review of all programs provided by, and complementary to, Forestry Innovation Investment (FII), focusing on ensuring that funds are directed toward expanding emerging markets, attracting new entrants and innovative businesses to set up in BC, and opening new markets for B.C. wood products.	• This mandate letter item was added in November 2025. • Scoping of a comprehensive review is underway with the full review to be completed in 2026/27.
Diversify international markets for B.C. forest products.	• In 2025/26, FII invested $3.01 million through its annual call for proposals to co-fund market diversification programs in priority markets. Led by industry trade associations, these cost-shared initiatives reflect the priorities outlined in FII's Market Initiatives Investment Strategy. • In addition, FII directly delivers programming through its subsidiary offices in India, Vietnam and China. • FII established a presence in the U.K. to strengthen awareness of and grow opportunities for B.C. wood products across the U.K. and Central Europe, and eventually, select markets in the Middle East and North Africa. • In fall 2025, FII and Canada Wood supported the largest B.C. forest sector trade mission to Japan and South Korea representing industry, government and First Nations interests. During the mission three major Memorandum of Understandings (MoUs) were signed and over 300 partners and B.C. wood customers were engaged. • FII China supported a visit by Jiangsu Province officials during Woodrise 2025 in

2025 Mandate Letter Priority	Status as of March 31, 2026
	Vancouver, an international conference dedicated to mid- and high-rise timber construction and building practices. During the visit, FII hosted roundtable discussions on future co-operation, including urban renewal, rural revitalization and pilot mass timber projects using cross-laminated timber (CLT) and glue-laminated timber (glulam). • Key results for 2025/26 for India and Vietnam can be found under Goal 2, Objective 2.1.
Promote wood's environmental merits, and B.C. as a preferred supplier of forest products from sustainably managed forests, and support communications on B.C.'s forest sector.	• FII updated naturallywood.com with the latest information on B.C.'s sustainable forest management practices. This included content on how the province's forestry practices align with the United Nations' Sustainable Development Goals, the cultural and technical role fire plays in forest management, old growth, and silviculture practices used by the province. • To maximize impact, FII integrated this information into a forestry practices primer for international wood buyers. • FII delivered a 'Buy B.C.' campaign across naturally:wood's digital channels to drive potential buyers to the B.C. Wood Supplier Directory. See results under Objective 1.2.
Collaborate with B.C. Provincial government ministries and partners to support mass timber and value-added manufacturing with a focus on strengthening the Wood First Act and positioning BC as an economic hub for modular and prefabricated housing.	• In 2025/26, FII invested $2.47 million through its annual call for proposals to co-fund wood innovation and capacity building programs in B.C. Led by industry trade associations, post secondary institutions and training programs, these cost-shared initiatives reflect the priorities outlined in FII's Wood First Investment Plan. • FII is consulting with the B.C. Office of Construction Innovation to deliver the Mass Timber Demonstration Program (MTDP). FII is working with 22 demonstration project teams to capture

2025 Mandate Letter Priority	Status as of March 31, 2026

	lessons learned and advance a communications effort through FII's naturally:wood communications platform and FII funding recipients.
	• Examples include:
	  ○ Published gallery of MTDP building projects including visual and technical information providing insights into mass timber design and construction for reference by building developers, architects, engineers and municipal and provincial officials.
	  ○ a post-occupancy evaluation (POE) on the Exchange Buildings in Kelowna—a Mass Timber Demonstration Program project. Titled Biophilic Design in Mass Timber Buildings, the study explores how mass timber and biophilic design affect workplace wellbeing.
	• FII collaborated with the Ministry of Infrastructure, Ministry of Housing and Municipal Affairs, FOR, JEG, and other partners to advance modular and prefabricated solutions, supporting greater wood use in B.C.
	• A profile on wood use in student housing and procurement insights– Building Better Student Housing - was published.

Develop a business case for FII to assume a function in lumber marketing, aimed at supporting small and medium-sized forestry and value-added companies in BC to access the inputs required to create more jobs and innovative products.	• This mandate letter item was added in November 2025. • Research and analysis are underway regarding how best to support B.C. exports into new markets.
Develop a strong brand for B.C. wood products that highlights Indigenous products and partnerships.	• FII funded the First Nations Forestry Council to inventory the current landscape of First Nations' forestry priorities and active forest sector businesses across all 204 First Nations in B.C.—creating a verified, searchable database to more

2025 Mandate Letter Priority	Status as of March 31, 2026
	effectively engage and strategically support First Nations' business interests. • FII continued to engage with First Nations to profile First Nation leadership and cultural values in wood construction through its naturally:wood website and its project gallery, which features 34 First Nations projects. • The 2025 B.C. forest sector mission to Asia (organized by FII and led by the B.C. Minister of Forests) featured significant First Nations participation, including 6 representatives from First Nations communities and organizations. First Nations delegates were able to explore and advance their trade and investment interests in Japan and participate in group strategy sessions to help drive a path forward for B.C.'s forest sector in these markets. • During the mission's Canada-Japan Wood Forum, a presentation by the First Nations Forestry Council CEO, Lennard Joe, helped inform Japanese stakeholders on the shared stewardship model in B.C. and the traditional knowledge and leadership that First Nations bring to the forest sector.

Appendix B: Subsidiaries and Operating Segments

Active Subsidiaries

FII Consulting (Shanghai) Co. Ltd.

(Wholly owned by Forestry Innovation Investment.)

Primary business: Supporting the B.C. forest industry by directing market research and leading government relations and business development, particularly with state-owned enterprises.

Objective: To grow the market for B.C. wood products in China, primarily by creating new demand for structural lumber and related building products.

Strategic Direction and Operating Environment: The business activities and priorities of FII Consulting (Shanghai) Co. Ltd. are fully consistent with the mandate, strategic priorities and fiscal plan of FII.

Financial Summary

($000)	2024/25 Actual	2025/26 Budget	2025/26 Actual
Revenues	1,947	1,900	1,924
Expenses	1,920	1,900	2,002
Net Income	**27**	**0**	**(78)**

Discussion of Variance

Reflects spending at budget levels for the China Program including the effects of foreign exchange.

FII Consulting India Private Limited

(Jointly owned by Forestry Innovation Investment and 0939031 B.C. Ltd.)

Primary business: Supporting the development of the Indian market for B.C. forest products through market research, promoting B.C. wood products and related technologies, undertaking product trials and demonstration work, and leading communication and education outreach efforts to enhance awareness of B.C. and Canadian softwood species in India.

Objective: To establish a new market for B.C. wood products in India by creating demand for lumber suitable for the manufacturing of furniture, doors and windows, interior millwork and other products.

Strategic Direction and Operating Environment: The business activities and priorities of FII Consulting India Private Limited are fully consistent with the mandate, strategic priorities, and fiscal plan of FII.

Financial Summary

($000)	2024/25 Actual	2025/26 Budget	2025/26 Actual
Revenues	1,780	1600	1,784
Expenses[1]	1,800	1,600	2,312
Net Income	**(20)**	**0**	**(528)**

[1] Actual 2025/26 expenses reflect the tax on the dividend (repatriation) of approx. CAD $2.0 million back to FII Vancouver (the parent company).

Discussion of Variance

Reflects spending at budget levels for the India Program including the tax on a year-end declared dividend to the shareholders.

Forestry Innovation Consulting (Vietnam) Ltd.

(Wholly owned by Forestry Innovation Investment)

Primary business: Supporting the development of the Vietnam market for B.C. forest products through market research, promoting B.C. wood products, undertaking product trials, and leading communication and education outreach efforts to enhance awareness of B.C. and Canadian softwood species in Vietnam.

Objective: To establish a new market for B.C. wood products in Vietnam by creating demand for lumber suitable for the manufacturing of furniture, doors and windows, interior millwork, and other non-structural products.

Strategic Direction and Operating Environment: The business activities and priorities of Forestry Innovation Consulting (Vietnam) Ltd. are fully consistent with the mandate, strategic priorities, and fiscal plan of FII.

Financial Summary

($000)	2024/25 Actual	2025/26 Budget	2025/26 Actual
Revenues	1,947	1,900	2,332
Expenses	2,015	1,900	2,426
Net Income	**(68)**	**0**	**(94)**

Discussion of Variance

Reflects spending at budget levels for the Vietnam Program including the effects of foreign exchange.

Inactive Subsidiaries

- FII maintains a non-operating subsidiary company, 0939031 B.C. Ltd. (wholly owned by Forestry Innovation Investment) whose sole purpose is to function as the second shareholder of FII Consulting India Private Limited (complying with India legislation that requires foreign-owned companies to have at least two shareholders).

Appendix C: Auditor's Report and Audited Financial Statements

Consolidated Financial Statements

Forestry Innovation Investment Ltd.

March 31, 2026

Contents

Statement of Management Responsibility

Scope of Responsibility
Management has supervised preparation of the accompanying consolidated financial statements and related note disclosures and is responsible for their integrity and objectivity. The consolidated financial statements of Forestry Innovation Investment Ltd. (FII) have been prepared by management in accordance with the financial reporting provisions prescribed by the Province of British Columbia pursuant to Section 23.1 of the Budget Transparency and Accountability Act (see Note 2(a)).
We believe that these consolidated financial statements present fairly FII's financial position as at March 31, 2026 and the consolidated statement of operations, change in net assets, and cash flow for the year ending March 31, 2026 and that the other information contained in the Company's annual report is consistent with the consolidated financial statements as presented.

Internal Controls
Management is responsible for the integrity of the financial statements and has established systems of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded, and financial records are properly maintained to facilitate the preparation of the financial statements in a timely manner. We continually monitor these internal accounting controls, modifying and improving them as business conditions and operations change. We believe our system of internal accounting controls provide reasonable assurance that errors or irregularities that would be material to the consolidated financial statements are prevented or detected in the normal course of business.

Board of Directors and Audit Committee
The Board of Directors is responsible for reviewing and approving the consolidated financial statements and overseeing management's discharge of its financial reporting responsibilities. An Audit Committee is appointed by the Board. The Audit Committee reviews the consolidated financial statements, adequacy of internal controls, audit process and financial reporting with management and with the external auditors. The Audit Committee has reviewed these consolidated statements prior to recommending approval by the Board of Directors. The Board of Directors has reviewed and approved the financial statements.

Independent Auditors
Grant Thornton has performed an independent audit of the consolidated financial statements of Forestry Innovation Investment Ltd. The Auditor's Report, as attached, outlines the scope of this independent audit and expresses an opinion on the financial statements of Forestry Innovation Investment Ltd.

Michael Loseth
Chief Executive Officer

Douglas Greig
Vice President & CFO

Vancouver, British Columbia
June 03, 2026

Doane Grant Thornton

Independent Auditor's Report

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To the Board of Directors of Forestry Innovation Investment Ltd.

To the Minister of Forests

Opinion

We have audited the consolidated financial statements of Forestry Innovation Investment Ltd. (the "Company"), which comprise the consolidated statement of financial position as at March 31, 2026, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

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 consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Emphasis of matter – basis of accounting

We draw attention to Note 2 to the consolidated financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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.

Doane Grant Thornton LLP

Vancouver, Canada
June 3, 2026

Chartered Professional Accountants

Forestry Innovation Investment Ltd.
Consolidated Statement of Financial Position

(in thousands of dollars)

March 31	Note		2026		2025
Financial assets					
Cash and cash equivalents		**$**	**7,950**	$	6,974
Accounts receivable			**192**		117
Recipient advances	4		**33**		17
Due from other governments			**1,076**		956
Total financial assets			**9,251**		8,064
Liabilities					
Accounts payable and accrued liabilities	3		**1,253**		1,023
Recipient payables	4		**235**		190
Due to Province of British Columbia			**25**		8
Due to other governments	5		**890**		366
Deferred contributions	7		**453**		454
Deferred lease inducements			**73**		-
Total liabilities			**2,929**		2,041
Net financial assets			**6,322**		6,023
Non-financial assets					
Tangible capital assets	8		**238**		250
Prepaid expenses			**433**		482
Total non-financial assets			**671**		732
Accumulated surplus		**$**	**6,993**	$	6,755

Commitments (Note 9)
Contingency (Note 12)

Approved by the Board

________________ Director ________________ Director

See accompanying notes to the consolidated financial statements.

Forestry Innovation Investment Ltd.
Consolidated Statement of Operations and Accumulated Surplus

(in thousands of dollars)

Year ended March 31	Note	Budget	**2026**	2025
Revenue	11			
Government contributions				
Provincial		$ 19,736	**$ 19,737**	$ 20,404
Federal		85	**1,046**	182
Other revenue		429	**91**	109
Investment income		-	**324**	452
		20,250	**21,198**	21,147
Expenses	11			
Funding recipient initiatives		7,880	**6,702**	7,991
Market initiatives and outreach				
FII Vancouver		5,064	**5,528**	5,082
FII China		1,900	**2,002**	1,920
FII India		1,600	**2,312**	1,800
FII Vietnam		1,900	**2,426**	2,015
Corporate services		1,906	**1,990**	2,088
		20,250	**20,960**	20,896
Annual surplus		-	**238**	251
Accumulated surplus, beginning of year		6,755	**6,755**	6,504
Accumulated surplus, end of year		$ 6,755	**$ 6,993**	$ 6,755

Forestry Innovation Investment Ltd.
Consolidated Statement of Changes in Net Financial Assets

(in thousands of dollars)

Year ended March 31	Budget	**2026**	2025
Annual surplus	$ -	**$ 238**	$ 251
Acquisition of tangible capital assets	(150)	**(139)**	(148)
Amortization of tangible capital assets	140	**129**	169
Disposal of tangible capital assets	-	**22**	7
Acquisition of prepaid expenses	60	**49**	(24)
Increase in net financial assets	50	**299**	255
Net financial assets, beginning of year	6,023	**6,023**	5,768
Net financial assets, end of year	$ 6,073	**$ 6,322**	$ 6,023

See accompanying notes to the consolidated financial statements.

Forestry Innovation Investment Ltd.
Consolidated Statement of Cash Flows

(in thousands of dollars)

Year ended March 31		2026		2025
Cash provided by (used in):				
Operating				
Annual surplus	**$**	**238**	$	251
Items not involving cash				
Amortization of tangible capital assets		**129**		169
Amortization of deferred contributions		**(151)**		(233)
Change in deferred lease inducements		**73**		-
Loss on disposal of assets		**22**		7
Change in accounts receivable		**(75)**		72
Change in recipient advances		**(16)**		62
Change in due from other governments		**(120)**		(39)
Change in accounts payable and accrued liabilities		**230**		(243)
Change in recipient payables		**45**		39
Change in due to Province of British Columbia		**17**		(10)
Change in due to other governments		**524**		90
Change in prepaid expenses		**49**		(24)
		965		141
Investing				
Acquisition of tangible capital assets		**(139)**		(148)
Financing				
Receipt of deferred contributions		**150**		150
Increase in cash		**976**		143
Cash and cash equivalents, beginning of year		**6,974**		6,831
Cash and cash equivalents, end of year	**$**	**7,950**	$	6,974

1. General

Forestry Innovation Investment Ltd. (the “Company” or “FII Vancouver”) was incorporated on March 31, 2003 under the laws of the Province of British Columbia (the “Province”). The Company has authorized capital of 100 common shares without par value of which 10 shares are issued and outstanding. Her Majesty the Queen in Right of the Province of British Columbia, as represented by the Ministry of Jobs, Economic Development and Innovation, holds the shares issued. A board of directors governs the Company, and all directors are appointed by the Province. The Company’s principal activities are to fund forest industry associations and research institutions and to deliver market development and market initiatives and outreach programs.

2. Summary of significant accounting policies

(a) Basis of presentation

These consolidated financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia which requires accounting policies which are consistent with Canadian public sector accounting standards except in regard to the accounting for restricted capital contributions.

Under Section 23.1 of the Budget Transparency and Accountability Act and its related regulations, the Company is required to recognize restricted capital contributions as a liability and recognize them into revenue on the same basis as the related amortization expense.

Under Canadian public sector accounting standards, those transfers with stipulations that have been met or that do not contain stipulations that create a liability, are fully recognized into revenue.

The impact of this difference on the consolidated financial statements of the Company would be a decrease in deferred capital contributions as at March 31, 2026, and increases in revenues and annual surplus for the year then ended.

(b) Reporting Company and basis of consolidation

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting Company. The reporting Company is comprised of the Company consolidated with FII Consulting (Shanghai) Co., Ltd. (“FII China”), a wholly-owned subsidiary registered under the laws of the People’s Republic of China; 0939031 B.C. Ltd., a wholly-owned subsidiary registered under the laws of British Columbia; Forestry Innovation Consulting India Pvt. Ltd. (“FII India”), a wholly-owned subsidiary of the Company and 0939031 B.C. Ltd., registered under the laws of the Republic of India; and Forestry Innovation Consulting (Vietnam) Ltd., a wholly-owned subsidiary registered under the laws of Vietnam.

FII China is based in Shanghai, China, FII India is based in Mumbai, India, and FII Vietnam is based in Thu Dau Mot City, Vietnam with all subsidiaries delivering market development programs on behalf of the Company. The subsidiaries are consolidated on a line-by-line basis after inter-organizational transactions and balances between these entities have been eliminated.

2. Summary of significant accounting policies (continued)

(c) Revenue recognition

Unrestricted contributions, donations and grants are recorded as revenue when receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Restricted contributions include amounts received from the Province and the Canadian Federal Government for specific purposes. Restricted contributions are recorded as deferred contributions when received or receivable. The deferred contribution and associated revenue are recognized based upon the nature of the restriction, as follows:

(i) Restricted capital contributions

Capital contributions for the purpose of acquiring or developing a depreciable tangible capital asset are recorded and referred to as deferred capital contributions. Deferred capital contributions are reduced and the associated revenue recognized at the same rate and in the same fiscal period that amortization is recognized in respect of acquired depreciable tangible capital asset used to provide services.

(ii) Other restricted contributions

Deferred contributions are reduced and the associated revenue recognized in the period during which the stipulation or restriction on the contribution have been met.

Investment income includes interest recorded on an accrual basis.

(d) Program expenses

Program expenses include amounts transferred to recipient organizations based on recipient funding contracts to carry out specific program activities. Amounts transferred are recognized as expenses in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met by the recipient, and reasonable estimates of the amounts can be made.

(e) Pension plans

The Company and its employees contribute to the Public Service Pension Plan, which is a multi-employer jointly trusteed plan. The plan is a defined benefit plan, providing pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. As the assets and liabilities of the plan are not segregated by employer, the plan is accounted for as a defined contribution plan and any Company contributions to the plan are expensed as incurred.

(f) Financial instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, recipient advances, amounts due from other governments, accounts payable and accrued liabilities, amounts due to the Province, amounts due to other governments, and recipient payables.

The Company measures its financial instruments at cost or amortized cost.

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

For financial instruments measured at cost or amortized cost, transaction costs are added to the cost of the financial instruments.

Interest and dividends attributable to financial instruments are reported in the consolidated statement of operations.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations.

There are no financial instruments measured at fair value; therefore, the consolidated financial statements do not include a consolidated statement of remeasurement gains and losses.

(g) Non-financial assets

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful life
Computer equipment	3 years
Furniture and equipment	5 years
Leasehold improvements	lesser of the lease term and its useful life
Tradeshow booths	3 years

Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt.

(iii) Interest capitalization

The Company does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

(iv) Intangible assets

Intangible assets are not recognized in these consolidated financial statements.

2. Summary of significant accounting policies (continued)

(h) Foreign currency translation

These consolidated financial statements are stated in Canadian dollars. The Company's foreign operations, conducted through FII China, FII India, and FII Vietnam are considered financially interdependent with the Company, and are translated from Chinese renminbi ("RMB"), Indian rupee ("INR"), and Vietnamese dong ("VND") using the temporal method of translation. Accordingly, monetary assets and liabilities are translated at the spot exchange rates in effect at the date of the statement of financial position; non-monetary items are translated at historical exchange rates in effect on the dates of the transactions. Revenue and expense items are translated at monthly average exchange rates in effect during the month in which the transaction occurred, except for amortization which is translated at the historical exchange rate of the corresponding non-monetary item. Realized exchange gains and losses are included in the consolidated statement of operations.

(i) Budget

Budget data presented in these consolidated financial statements are based on the Company's Service Plans. The budget was approved by the Board of Directors on January 15, 2025.

(j) Use of estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the useful lives of tangible capital assets. Actual results could differ from those estimates.

(k) Segment disclosures

A segment is defined as a distinguishable activity or group of activities of a Company for which it is appropriate to separately report financial information. The Company has provided definitions of segments used by the Company as well as presented financial information of the segments in Note 10.

(l) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and deposits with financial institutions.

(in thousands of dollars)

3. Accounts payable and accrued liabilities

	2026	2025
Trade payables	$ 554	$ 431
Accrued liabilities	699	592
	$ 1,253	$ 1,023

4. Recipient advances and payables

The Company's policy on recipient funding contracts stipulates that unspent advances are repaid to the Company. Historically, unspent advances have been repaid to the Company prior to the end of the first quarter of the new fiscal year after final reconciliation reports have been submitted.

In addition, the Company withholds a percentage of earnable administration costs from their interim advances. Recipients would qualify for this final funding amount withheld based on meeting eligible reporting criteria in the recipient reporting process.

As at March 31, 2026, the Company has identified $235 (2025 - $190) as payable to the recipient organizations and $33 (2025 - $17) as receivable from the recipient organizations.

5. Due to other governments

Included in the due to other governments balance is a withholding tax liability of $476 (2025 – $nil) arising from a dividend declared by FII India to FII Vancouver during the fiscal year. Dividends paid by FII India to FII Vancouver are subject to a withholding tax in India at the applicable statutory rate. The liability was measured based on the expected tax rate in effect at the date of the dividend declaration. The withholding tax was remitted on April 9, 2026

6. Pension plans

The Company and its employees contribute to the Public Service Pension Plan, which is a multi-employer jointly trusteed plan. The plan is a defined benefit plan, providing pension on retirement based on the member's age of retirement, length of service and highest earnings averaged over five years. The board of trustees of the plan represents plan members and employers and is responsible for the management of the plan including investment of the assets and administration of the plan.

The most recent actuarial valuation for the Public Service Pension Plan as at March 31, 2023 indicated a $4,491 funding surplus for basic pension benefits on a going concern basis. The next valuation will be at March 31, 2026 for which the results will be available in late 2026.

As described in Note 2(e), the plan is accounted for as a defined contribution plan. During the year ended March 31, 2026, the Company paid $296 (2025 - $282) for employer contributions to the plan.

(in thousands of dollars)

7. Deferred contributions

Deferred contributions consist of contributions received from the Province for tangible capital assets and other capital and operating contributions for which goods and services remain outstanding. Deferred contributions are comprised of the following:

	Provincial	Other	**2026**	2025
Balance, beginning of year	$ 454	$ -	**$ 454**	$ 537
Contributions received during the year	150	-	**150**	150
Amounts recognized as revenue	(151)	-	**(151)**	(233)
Balance, end of year	$ 453	$ -	**$ 453**	$ 454

Included in Provincial deferred contributions is $110 (2025 - $98) that is unspent.

(in thousands of dollars)

8. Tangible capital assets

(a) Assets in use

Cost

	2025	Additions	Disposals	**2026**
Computer equipment	$ 550	$ 26	(50)	**$ 526**
Furniture and equipment	424	2	(39)	**387**
Leasehold improvements	537	89	(96)	**530**
Tradeshow booths	341	22	(177)	**186**
	$ 1,852	$ 139	$ (362)	**$ 1,629**

Accumulated amortization

	2025	Amortization	Disposals	**2026**
Computer equipment	$ 525	$ 32	(50)	**$ 507**
Furniture and equipment	348	25	(21)	**352**
Leasehold improvements	435	29	(92)	**372**
Tradeshow booths	294	43	(177)	**160**
	$ 1,602	$ 129	$ (340)	**$ 1,391**

Net book value

	2025	**2026**
Computer equipment	$ 25	**$ 19**
Furniture and equipment	76	**35**
Leasehold improvements	102	**158**
Tradeshow booths	47	**26**
	$ 250	**$ 238**

(b) Assets disclosed at nominal values

The cost of tangible capital assets includes the fair market value of certain assets transferred to the Company from the Province effective April 1, 2003 for one dollar. These assets are now fully amortized.

(in thousands of dollars)

9. Commitments

(a) The Company has lease commitments for its premises it occupies.

2027	$	891
2028		712
2029		492
2030		369
	$	2,464

(b) The Company also has an obligation to pay $421 (2025 - $562) for contracts entered into and not yet completed at March 31, 2026.

10. Financial instruments risk management

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

Credit risk

Credit risk is the risk that the Company's counterparties default or become insolvent.

The Company is potentially exposed to credit risk through cash and cash equivalents, accounts receivable, recipient advances, and amounts due from other governments. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand. Accounts receivable consist mainly of cost share agreements which are monitored on a regular basis. Amounts due from other governments consist of reimbursement claims. It is the Company's opinion that its exposure to credit risk is subject to normal industry risks and is considered minimal.

As at March 31, 2026, accounts receivable, recipient advances, and amounts due from other governments are comprised of:

	Under 90 days	Over 90 days	Total
Accounts receivable	$ 192	$ -	$ 192
Recipient advances	33	-	33
Due from other governments	1,045	31	1,076
	$ 1,270	$ 31	$ 1,301

(in thousands of dollars)

10. Financial instruments risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company manages its exposure to liquidity risk by maintaining sufficient cash balances throughout the year to meet its short-term obligations. It is the Company's opinion that its exposure to liquidity risk is subject to normal industry risks and is considered minimal.

Market risk

Market risk is the risk that fluctuations in market prices will affect the Company's net financial assets. Market risk comprises two types of risk:

Currency risk and foreign denominated cash
Currency risk is the risk that fluctuations in foreign currencies will affect the Company's net financial assets denominated in foreign currencies.

The Company is subject to foreign exchange risk through its program payables and program advances and a portion of the Company's program and tradeshow costs, which are denominated in Chinese renminbi, Indian rupee, Vietnamese dong and United States dollars. The Company manages its exposure to currency risk by monitoring its assets and liabilities denominated in foreign currencies and purchasing foreign denominated currency to pay upcoming commitments when the market conditions are favourable. The Company does not use derivatives instruments to reduce its exposure to foreign currency risk. Included in office costs is $428 foreign exchange loss (2025 - $43 gain).

The amounts shown are translated to Canadian dollars at the closing rate:

	2026				
	USD denominated amounts in CAD	**RMB denominated amounts in CAD**	**INR denominated amounts in CAD**	**VND denominated amounts in CAD**	**CAD Total**
Cash and cash equivalents	**$ 451**	**$ 379**	**$ 2,499**	**$ 42**	**$ 3,371**
Accounts receivable and due from other governments	**-**	**-**	**792**	**33**	**825**
Accounts payable and accrued liabilities	**-**	**121**	**724**	**157**	**1,002**

	2025				
	USD denominated amounts in CAD	RMB denominated amounts in CAD	INR denominated amounts in CAD	VND denominated amounts in CAD	CAD Total
Cash and cash equivalents	$ 213	$ 491	$ 2,632	$ 119	$ 3,455
Accounts receivable and due from other governments	-	-	793	-	793
Accounts payable and accrued liabilities	-	92	277	134	503

10. Financial instruments risk management (continued)

Market risk (continued)

Interest rate risk
Interest rate risk is the risk that fluctuations in interest rates will affect the Company's net financial assets that bear interest at variable rates. The Company manages its exposure to interest rate risk by investing in interest bearing cash accounts.

11. Segmented information

Segmented information has been identified based upon programs provided by the Company. Company programs and their activities are reported by functional area in the body of the consolidated financial statements. Programs that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) Funding Recipient Initiatives

Uses project funding delivered through an annual "Call for Proposals" in partnership with the Government of Canada to fund non-profit organizations, universities, forest industry associations and research institutions to:

- Maintain and create opportunities for B.C. wood products in existing and emerging markets;
- Ensure that customers, consumers, designers, builders, developers and architects know about BC wood products and the many positive features they bring to wood construction and interior finishing;
- Support the development of innovative new forest products and building systems; and
- Provide interested parties around the world with information on the properties and qualities of BC's forest products and the BC companies that supply them.

(b) Market Initiatives and Outreach Program

(i) FII Vancouver Initiatives

Internally directs delivered programs that:

- Promote the benefits of wood as a green building material;
- Position B.C. as a global supplier of world-class environmentally friendly forest products;
- Research opportunities in new and emerging markets, and initiate early market exploration activities;
- Support industry efforts to mitigate non-tariff trade and market barriers for B.C. forest products;
- Champion the Province's wood innovation priorities and advance the use of wood building systems and technologies in public and private construction;
- Raise awareness of the Province as a world leader in innovative, next generation wood construction and design; and
- Encourage a robust value-added sector in BC through enhanced capacity and competitiveness.

11. Segmented information (continued)

(b) Market Initiatives and Outreach Program (continued)

(ii) FII China Initiatives

FII China has a mandate to optimize the value of B.C. lumber exports to China by expanding the share of wood construction in China's building sector. FII China focuses on the following activities:

- Expand and strengthen relationships with Chinese national, regional and local government entities (including state-owned developers) to position the environmental benefits of wood construction in response to new policies of the Chinese government to encourage low-carbon, energy-efficient and prefabricated construction in China;
- Promote wood construction in high priority segments such as cultural buildings, tourism, wellness and elderly care facilities, hybrid construction (wood mixed with concrete/steel) and mid-rise and taller wood construction; and
- Work closely with Canadian forest industry trade association staff to expand China's technical capacity to deploy wood construction.

(iii) FII India Initiatives

FII India has a mandate to establish a local presence in India for B.C. and Canadian forest products; develop working relationships with manufacturers, importers, architects, developers and the wood-user community; and grow demand for B.C. lumber in the wood manufacturing sector. The operation focuses on early market development activities including:

- Positioning B.C.'s sustainable softwoods to take advantage of India's growing fibre needs;
- Undertaking promotional and educational activities targeting potential end users;
- Conducting product trials and providing technical support to allow local manufacturers to gain experience working with B.C. species in specific applications; and
- Building a stockist (importer/distributor) network in India to carry and supply B.C. wood species in the market.

(iv) FII Vietnam Initiatives

FII Vietnam has a mandate to identify opportunities for B.C. species in Vietnam's wood manufacturing sector; identify key players in the supply chain to introduce them to B.C. species; and build the demand for, and awareness of, Canadian wood products in the market. The operation focuses on early (pre-commercial) market development activities, including:

- Positioning B.C.'s sustainable softwoods as an alternative to hardwood for furniture manufacturing;
- Introducing B.C. species and suppliers to Vietnamese importers, traders and furniture manufacturers;
- Conducting product trials and providing technical support to allow local manufacturers to gain experience working with B.C. species in specific applications; and
- Identifying opportunities in the marketplace and any barriers to entry.

11. Segmented information (continued)

(c) Corporate services

Corporate services performs the following activities:

- Ensures financial reporting to government standards;
- Provides Human Resource, IT and office services to meet organizational needs;
- Oversees budget and planning, internal controls and cash management;
- Support government and industry trade missions and related initiatives;
- Provide corporate secretary services; and
- Provides corporate communication, market data and analytical services to meet internal and external needs.

(in thousands of dollars)

11. Segmented information (continued)

	Funding Recipient Initiatives	Market Initiatives and Outreach: FII Vancouver	FII China	FII India	FII Vietnam	Corporate services	**2026 Total**	2025 Total
Revenues								
Government contributions								
Provincial	$ 7,642	$ 5,437	$ 1,850	$ 1,565	$ 1,783	$ 1,460	**$ 19,737**	$ 20,404
Federal	-	410	74	101	461	-	**1,046**	182
Other revenue	-	-	-	-	88	3	**91**	109
Investment income	1	-	-	118	-	205	**324**	452
Total revenues	7,643	5,847	1,924	1,784	2,332	1,668	**21,198**	21,147
Expenses								
Amortization	-	-	7	14	48	60	**129**	169
Auditing	133	-	42	23	18	95	**311**	348
Grants	318	-	-	-	-	-	**318**	1,058
Office costs	81	341	344	1,300	472	149	**2,687**	1,682
Professional services	208	2,031	256	188	859	115	**3,657**	3,502
Program costs	5,537	504	-	-	-	23	**6,064**	6,536
Salaries, wages and benefits	425	2,460	1,202	662	940	1,280	**6,969**	6,616
Trade missions	-	27	9	-	20	-	**56**	47
Travel and business costs	-	165	142	125	69	268	**769**	938
Total expenses	6,702	5,528	2,002	2,312	2,426	1,990	**20,960**	20,896
Annual surplus (deficit)	$ 941	$ 319	$ (78)	$ (528)	$ (94)	$ (322)	**$ 238**	$ 251

12. Contingency

Since the 2021/22 fiscal year, GST rebate applications in the amount of INR 31,748,160 (CAD $472,095) made by FII India were denied by the India GST authority. FII India is appealing the decision and its business operations have remained unchanged since previously accepted filings. The GST rebates receivable are included in Receivable from Other Governments at March 31, 2026. The GST authority has rejected the refund and the matter is now pending before the First level Appellate Authority, Commissioner (Appeals), for the final hearing. The Company believes the claim of the GST authority is without merit; however, as the outcome is not determinable at this time, no consequent provisions or accruals have been recorded in these financial statements.