

Wetzin'kwa

COMMUNITY FOREST CORPORATION



ANNUAL REPORT

JULY 1, 2015 to
JUNE 30, 2016





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CHAIRMAN'S REPORT

Wetzin'kwa Community Forest Corporation (WCFC), as you may be aware, is the legal entity that operates a community forest tenure in close proximity to the communities of Telkwa, Smithers and Moricetown.

This community forest is an area-based forest tenure awarded by government that gives our communities a greater share of both the responsibility and the benefits of local forest management.

WCFC conducts its operations consistent with a set of 'Core Values' which include managing the lands, timber, and non-timber forest resources:

- to sustain a financially viable forest resources business for the long term benefit of residents in the Bulkley Valley;
- to maintain and sustain functional integrity of ecosystems;
- to protect water quality in watersheds;
- to maintain a healthy balance of all plants and animals;
- to recognize the Wet'suwet'en people and their culture;
- to establish long-lasting, respectful relationships between the partners;
- to expand local small business opportunities and employment where feasible;
- to provide a safe and environmentally friendly work environment;
- to enhance outdoor educational and recreational opportunities;

- to increase community involvement in resource management; and
- to reflect community values in decision making.

We would like to take this opportunity to recognize the efforts of some of those who contributed to the success of the community forest during the past fiscal year. The WCFC board is comprised of seven volunteer members who contribute to our communities by overseeing the management of WCFC. Our three Director at Large positions are filled by 3 year terms with one expiring every year. This results in great continuity for board members, but also means we are seeking at least one new board member every year. If interested in a board position we encourage you to apply when the time comes.

It is also important to acknowledge the many local contractors, suppliers, purchasing facilities, government agencies and their employees who have worked on the community forest tenure. It's a pleasure to work with individuals who value this community forest and contribute not only to direct jobs in the community but also to the corporation's success with their innovation.

On behalf of WCFC, we thank you for all of your hard work and look forward to a safe and productive 2016-2017.

Sincerely,
Colin MacLeod
Co-Chair
WCFC





GENERAL MANAGER'S REPORT



INTRODUCTION

It is with great pleasure that we present to you the 2015-2016 annual report. Our pleasure stems from the fact that Wetzin'kwa Community Forest Corporation (WCFC) continues to operate to the benefit of many residents of the Bulkley Valley. From the individuals who make a portion of their annual earnings working in the community forest, to the community groups who benefit from the contributions that come from WCFC's annual operations, and of course the extensive resource user group who actively utilizes the community forest tenure area for their recreation and enjoyment of all of the values a forest setting in close proximity to the communities of the valley provides.

As you will discover in the pages that follow, WCFC was able to remain a profitable forest operation during the past fiscal year while continuing to actively contribute to community development at a meaningful level. You will also notice that we have been able to fully utilize the available annual allowable cut through the course of the five year cut control period that comes to an end on December 31st, 2016. By doing so, we have been able to continue to focus on the salvage of damaged timber from the community forest tenure area with an eye to the long-term health and sustainability of the forest resource.

Silvicon Services Inc. remains very proud to be a part of the community forest tenure and enjoys the interactions and engagement with the community at large that this role has provided. Working for such great people in the communities we love makes our job as the woodlands management team very satisfying.



OPERATIONS UPDATE

HARVESTING

During the 2015-2016 fiscal year 68,115 m³ of timber was harvested and delivered. The majority of this volume was delivered to Pacific Inland Resources, however volume was also sold to a small sawmill operation, and Decker Lake Forest Products for the production of value added poles.

It is worth noting that our operations were affected by the early onset of spring break-up conditions, resulting in a late winter decking program leading up to deliveries of timber to purchasing facilities in the summer of 2016.

Furthermore, WCFC has also facilitated the delivery of several loads of firewood to the community of Moricetown, while also ensuring that additional firewood material was available roadside for collection by interested community members, when operationally feasible. These efforts are intended to reduce the amount of logging residue left after harvesting operations occur, with the goal of achieving maximum utilization of timber resources and an overall reduction to slash pile burning for wildfire management post-harvest.



WCFC's current cut control position is depicted below. Please note that the table below is based on the calendar year and does not correspond directly to WCFC's fiscal year:

	2012	2013	2014	2015	2016	Total
Annual Allowable Cut (m ³)	95,000	95,000	95,000	30,000	30,000	345,000
Harvested Volume (m ³)	85,968	54,938	59,640	74,326	80,427	355,299

ROAD BUILDING AND MAINTENANCE

During the course of the year WCFC constructed 7.0 km of winter road and 10.0 km of all season roads. WCFC also conducted bridge and infrastructure maintenance as required throughout the year on all tenured roads within the operating area.

WCFC is working to establish longer term road networks during this current cut control period, which will assist in reducing the amount of capital outlay required in the future when annual harvest volumes are reduced. During this transition period we feel it is important to develop road networks that will facilitate longer term access to future harvest opportunities.



HARVESTING & CONSTRUCTION CONTRACT OPPORTUNITIES



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WCFC maintains a local contractor select bidders list to ensure that the contracting opportunities generated from the community forest's operations provide a direct benefit to local communities and its associated work force.

The harvesting and road building operations completed in the 2015-2016 fiscal year resulted in contracts with a combined value in excess of \$2.4 million dollars.

WCFC would like to thank the local contracting community for its efforts in providing the expertise needed to conduct our operations to a high standard. During the 2015-2016 fiscal year our primary harvesting and construction contractors were:

- Blastpro Construction
- Dykens Brothers Logging
- Rick Boonstra
- Rob Bredow Contracting
- Northern Industries Ltd.
- Schippers Creek Contracting



SAFETY

WCFC has a long standing commitment to provide a safe work environment during all phases of operations. The woodlands work is done by Safe Certified companies and prior to any work being completed by a contractor under contract with WCFC, a safety pre-work meeting is conducted to ensure all known safety hazards are identified and appropriate safety measures are in place. Routine inspections on safe work practices are incorporated into supervision inspections and all operators make available their safety management systems and documentation for review by WCFC.

The provision of a safe work environment and reinforcement of safe practices resonates through the daily operations on the community forest tenure. It is with great pleasure that we can report no incidents of serious injury or fatality associated with operations since the establishment of the community forest tenure.



TIMBER MANAGEMENT

WCFC continues to experience rising operating expenses and margins that are shrinking. This fact is not surprising to us, as the majority of the “low lying fruit” has been harvested during previous cut control periods. In times of a catastrophic event such as the one we have endured with mountain pine beetle in the recent past, every effort is made to capture as much of the mortality associated with the event as quickly as possible prior to the degradation of the timber resource. It is a natural reaction to attempt to salvage the easiest to access timber as early as possible to ensure the maximum utilization of the timber resource. However, we are now into the time of transition from mountain pine beetle salvage operations, to longer-term total chance planning initiatives. The terrain we are operating on, in conjunction with both the access considerations and degrading timber quality, are aligning to put increased pressure on the bottom line.

WCFC knew this time would come however, and we enter it with anticipation of the future. Timber development activities with longer, more difficult and expensive access are upon us; as a result during the 2015-2016 fiscal year, both harvesting and road building expense began to rise accordingly. This is a trend that is expected to continue for the next several years. It is important that WCFC recognized this trend early and has provisions in place to ensure many of the long term community support goals and objectives can still be met through the reserve funds set aside to date.

The details around the past years timber development activities can be summarized as follows; we continue to seek out all possible salvage opportunities relating to forest health damaging agents. The goal here is to ensure very few impacts are felt on the long term timber supply from non-recoverable losses associated with these damaging agents; as a result, permits developed are mostly comprised of pine leading stands. As previously mentioned, WCFC continues to incorporate total chance planning concepts into its annual development. That is to say if a portion of non-damaged mature timber was going to be isolated by the salvage of an adjacent damaged stand, considerations and analysis are made in regards to the timing of the harvest of that potentially isolated stand. In some circumstances, a decision is made to incorporate that harvest of the non-impacted stand into the current harvest plans if it makes operational and fiscal sense to do so.



FOREST MANAGEMENT & COMMUNITY ENGAGEMENT

WCFC has invested in Lidar (delivery date September 2015) for its operating area. At its core, Lidar provides a comprehensive picture of terrain conditions by generating a detailed contour map for the entire working forest. This feature alone greatly assists in the total chance planning concepts that we are transiting our operations to. Other powerful benefits of Lidar relate to the vegetation resource itself: it can depict each tree in the forest, and provide its height. This information will save a tremendous amount of time on the ground in conducting timber recces as a close approximation of stand volumes can be ascertained from this information. Additional benefits of this tool can relate to non-timber resources. With some work it may be possible to link vegetation heights to important forage species with regards to certain habitat considerations. We are very much looking forward to putting this powerful inventory to additional uses in the future.



As we transition out of mountain pine beetle impact harvesting, we were required by the Crown to produce a new Management Plan for the tenure. The Management Plan's primary purpose is to set a new long term sustainable Annual Allowable Cut (AAC) post-beetle salvage. WCFC's new Management Plan was submitted to the crown and a new AAC determination is expected prior to the end of 2016.

WCFC received an extension to its Forest Stewardship Plan (FSP) in November of 2014 and as such that plan will now expire in November of 2019. The FSP for the tenure is a critical document that links higher level planning objectives to on the ground operations.

Wetzin'kwa continued its participation in the implementation and updating of the Ministry of Environment Bulkley TSA Smoke Management Plan – Pilot. The plan attempts to deliver excellence in waste management through open burning and promotes best management practices by its signatories with a goal to



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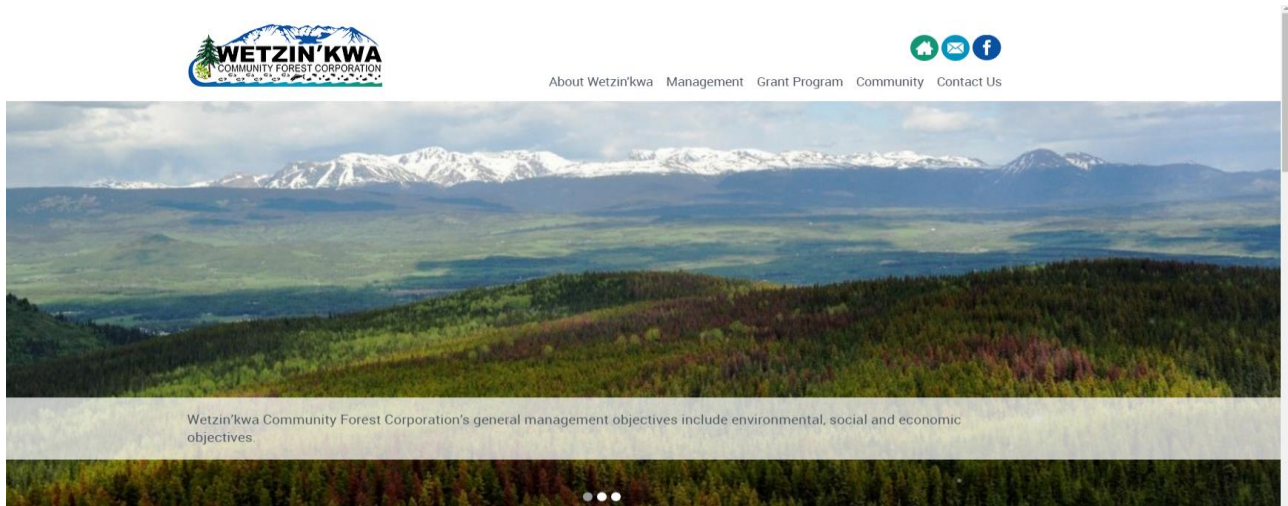
reduce harmful air quality impacts.

Community engagement is always ongoing with WCFC and has greatly contributed to the success of the venture this far. Several informal meetings were held with representatives of the BV Cross Country Ski Club regarding harvest plans for area north of the club's trails. Meetings were held with landowners whose property bordered the community forest to discuss Wetzin'kwa's harvest plans and incorporate landowner input into harvest prescriptions.

In addition to these efforts WCFC continued to solicit the public's input into operations at the annual Smithers Trade Show and has worked with local First Nations to replace signage at the gathering shelter located near the Silvern Lakes trail head.

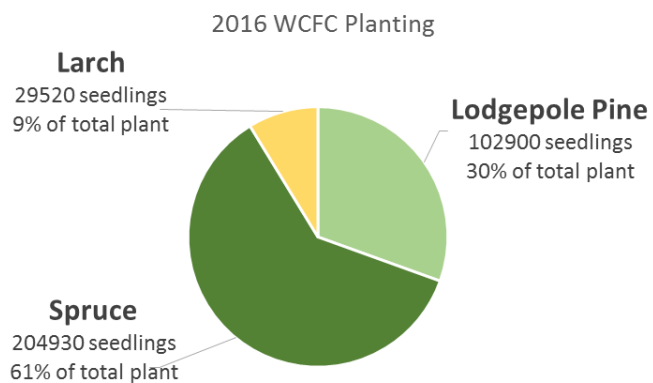
NEW WEBSITE

The WCFC website has received a fresh new look thanks to a modern layout and design by Spark Design in Smithers. The website is also now mobile-ready with thoughtful design features for easy viewing on tablets and smart phones.



SILVICULTURE

In 2016 WCFC contracted the planting of 208 hectares with 337,350 seedlings to Windfirm Resources Inc. Of these planted seedlings 102,900 were Lodgepole Pine, 204,930 were Spruce and 29,520 were Larch. Larch is being introduced in the community forest area as a hedge against predicted climate change, while increasing the overall diversity of species across the landscape.



SURVEYS

Approximately 616 hectares of silviculture surveys were completed in the past fiscal year: 208 hectares were surveyed immediately after planting, and 408 ha were stocking surveys two to three years after planting. Survey results show that the majority of surveyed area meets the criteria for declaration of "satisfactorily stocked" (SR), however we did discover 5 hectares that are not satisfactorily stocked (NSR). This NSR area will be fill planted and receive additional stand entries as required to ensure free growing status is achieved within the legislated time frame.

SILVICULTURE ACCRUAL/LIABILITY

Silviculture accrual calculations have been based on conservative estimates of phase costs grounded in the appraisal manual, and also reflects a small scale additive to consider the overall size of the program. The current accrual is set at \$4.50 per m³ of harvest.

To date, Wetzin'kwa has accrued significant revenue to address projected and or potential silviculture treatments that may be required on existing plantations. A recent reconciliation of accrual against actual costs shows that for all phases, expenditures are under budget. However, it was stated by a board member recently that if we think of our plantations as children, they are in relatively early stages of development. "We still have to pay to get them through University." WCFC has committed to reviewing the accrual provisions in the future as some of the initial stands start to achieve free growing status.



Sincerely,

Jay Baker, RFT

WCFC General Manager

Silvicon Services Inc.





CORPORATE DATA

BOARD OF DIRECTORS



DAVID de WIT
Director, Office of the
Wet'suwet'en



MARC STEYNEN
Director, Representing the
community at large



COLIN MacLEOD
Director, Village of Telkwa



LORELEI SMAHA
Director, Representing the
community at large



GARY HANSON
Director, Town of Smithers



ALLAN CORMIER
Director, Representing the
community at large



DAVE JACOBS
Director, NewPro

FOREST MANAGEMENT



JAY BAKER, RFT
General Manager
Silvicon Services Inc.



DAVE LOUWERSE, RPF
Operations Manager
Silvicon Services Inc.

ADMINISTRATION



CRYSTAL TREMBELAS
Administrative Assistant
Silvicon Services Inc.

CONTACT

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V0J 2 N0





WCFC GRANT PROGRAM

ABOUT

The Community Grant Program was established to distribute profits from the operation of the Wetzin'kwa Community Forest tenure back into the community. The program's objective is to provide support for a broad range of projects and initiatives that will return the greatest long-term benefit to Bulkley Valley residents.

ELIGIBILITY

In order to qualify, proposals must be for activities carried out in the Moricetown, Smithers and Telkwa area by secular, not-for-profit organizations or registered charities. Grant funding may be applied to capital expenditures, staffing costs and/or program planning.

Wetzin'kwa's board of directors has established the following categories:

1. Arts and Culture
2. Recreation
3. Environment, Conservation, and Natural Resource Management
4. Social Services
5. Community Economic Development



2015 GRANT PROGRAM RECIPIENTS

The WCFC would like to congratulate the following successful applicants in the 2015 Grant Program:

ORGANIZATION NAME	PROJECT TITLE
BV Hospice Society	Corporate Sponsorship for BV Hospice Society
BV Exhibition (Agricultural and Industrial Association)	Wheelchair Accessible/Family Portable Washroom
Moricetown Mud Boggers	Moricetown Mud Bogs
Critical Response Team	Group Crisis Intervention combined with Individual Crisis Intervention, Peer Support & Post Trauma Impacts Workshop
Smithers Diabetes Support Group	Type 1's of the North Unite: A Symposium for Insulin Dependent Diabetics
Witsuwit'en Language and Culture Association	Witsuwit'en Dictionary Project
St. Joseph's School	Field Restoration & Equipment Replacement Project: Phase III
Friends of the Smithers Library	Summer Reading Club (SRC)
Seymour Lake Conservation Society	Control of Invasive Yellow Floating Heart (<i>Nymphaoides peltata</i>) at Seymour Lake
Smithers Community Services Association	Ground 2 Griddle
Smithers Senior Citizens Association	Washroom Renovation
BV Museum	Collections Accessibility Project: Stage 2
Pacific Northwest Regional Science Fair Committee	Pacific Northwest Regional Science Fair
Telkwa Museum Society	Telkwa Museum Digital Archives Project
Smithers Art Gallery	Art Workshop Equipment



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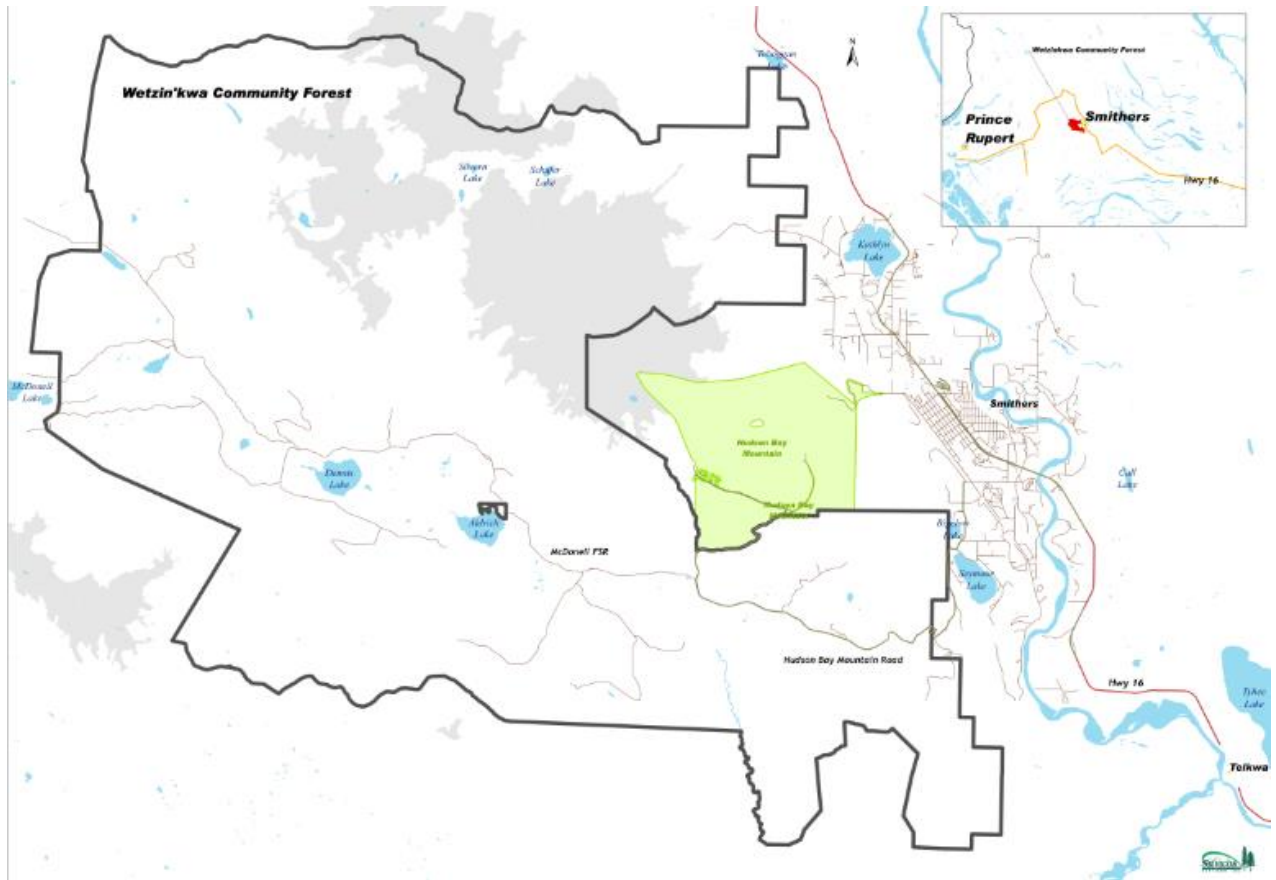
ORGANIZATION NAME	PROJECT TITLE
Smithers Chamber of Commerce	Lawnchair Lounge - Music on Main
Friends of the Smithers Library	Program & Event Coordinator
BV Brain Injury Association	Put A Lid On It
BV Naturalists	Bulkley Valley Perpetual Nature Diary
Positive Living North	Reflections of Hope: Images from our Community Book Project
BV Cross Country Ski Club	Buchfink Family Memorial Ski Lodge roof replacement
Moricetown Elementary School	M.E.S. 5/6/7 Healthy Eating, Active Living
Treehouse Housing Association	Youth in Action Program
Smithers Community Radio	CICK Lounge Car Sessions studio
Smithers Mountain Bike Assoc.	Hudson Bay Mountain -- High Alpine Trail
BV Child Development Centre	"Project Pinwheel - Give Today to Build Tomorrow" - Upgrades to Children's Washroom and Kitchen
Valley Youth Fiddlers	Fiddle Fest 2016
Royal Canadian Legion	Legion Kitchen/Fall Fair Booth Improvement Project
Rural Writers	2017 Rural Writers in Residence
Central park Building Society	Insulated Window Roller Blinds

The WCFC distributed **\$159,764** in the 2015 Grant Program to successful community applicants. This was awarded at an event hosted by WCFC in June 2015.

The WCFC annually accepts applications for the Grant Program and is looking forward to providing financial support to more community initiatives over the long term.



LOCATION MAP



APPENDIX A:



FINANCIAL STATEMENTS



MISSION STATEMENT

Wetzin'kwa Community Forest Corporation will manage a profitable community forest tenure while providing good forest management stewardship that will sustain forest resource values for future generations.

