



McBride Community Forest Corporation

ANNUAL GENERAL MEETING



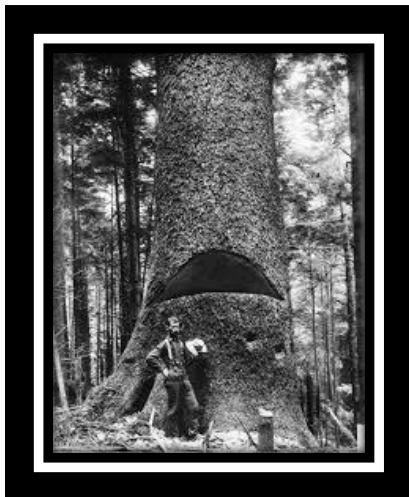
2019/2020 General Office Report & General Manager Report

October 8, 2020



Report 2019 – up to and including September 30, 2020

2019 was a year of transition in management for MCFC. The year began with Ray Thiessen as interim manager while MCFC dealt with the uncertainty of Gene Runtz as MCFC General Manager (GM), and Village Mayor. Gene returned as GM in January and remained until July when he withdrew from the role. Shaughnessy Clausen stepped in as Interim Manager, working closely with the Board of Directors, until November when Ray Thiessen came on as GM. These transitions were difficult for all involved, but the good work begun by Gene Runtz to change and improve the business model of MCFC was able to continue. Through 2020, MCFC has established good working relations with FLNRORD staff, improved policy structures, with regard to contracting and administration, and enhanced financials to reflect the total of MCFC Business. A focus has been on wood utilization which saw all grades of logs moved to a production facility, both local and distant.



The Board of Directors has continued to support the Management and Staff of MCFC. There has been consistent effort to see the MCFC become a sustainable business that supports the economy of the region. This report summarizes the key activities of the MCFC team in 2019 and into 2020.



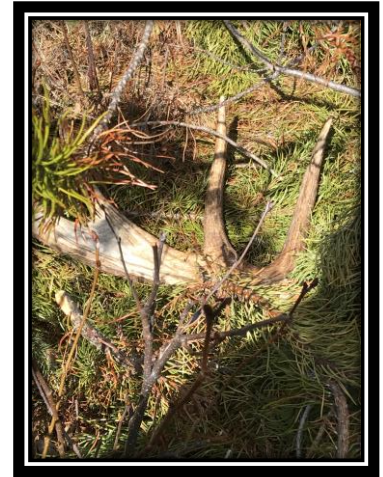
Harvesting, Roads and Log Sales



- To the end of 2019, MCFC harvested 33,386 cubic meters, in which 4,074 cubic meters of that was the Grade04 Cedar. MCFC has applied for an AAC exemption for this volume in 2020. Pacific BioEnergy began to work through debris piles and chipped over 110 piles in 2019 under a grant for the Forest Enhancement Society of B.C. (FESBC). These chips included Cedar, Hemlock, Balsam and Spruce. The chipping helped reduce a significant Fire Hazard issue.
- The harvesting in 2019 was completed under logging contracts with local contractors. In this year MCFC began to transition from Market Log Agreements to Logging Contracts where MCFC becomes the primary Marketing and Financial principal of fibre cut under the Community Forest Agreement. The last of the Market Log Agreements expired on April 30, 2020.
- Of the Whitewood saw logs produced, much of the volume went to Carrier Lumber. Cedar saw logs to Gilbert Smith Forest Products (GSFP) and local manufacturing facilities. All Grade 04 Cedar that was cut supplied local post and rail facilities. Small volumes of logs of different sorts also went to other local manufacturing facilities. The Hemlock, Balsam, Spruce, of non-sawlog grade (04, 06, and Z), went to Canfor for pulp. Some Fir was sent to Dunkley Lumber.
- Most of the volume was cut in the first quarter of 2019 and was from Mountain View, Little Falls Pit, Goat River and Crescent Spur areas. Road Construction and Maintenance was completed in the fall of 2019 for winter logging into 2020.
- In 2019 the focus on upgrading existing roads continued. The section from 2-4 km of Little Falls Pit Road was ditched and culverted. Culverts were added to the lower section of Wyatt Road and Killam creek FSR was brushed for future recce and development.

Silviculture (including waste disposal)

- 112,800 spruce, 69,200 cedar, and 35,595 pine seedlings were planted in the Spring and Summer of 2019, totalling 201,595 seedlings on about 120 hectares.
- The planting contractor, seedling hauling and storage even some of the seeds were utilized from local contractors. The planting contractor was Rock Reforestation.
- MCFC focused on Stand Management in 2019. These activities were primarily in the form of brushing and traversing openings to stratify treatment units to catch up on backlog silviculture. Regen and Free Growing surveys were conducted on 350 and 70 Ha respectively. These activities are the start to getting MCFC caught up on reporting.
- Due to the continued interest and growing need in the bioenergy fibre supply, MCFC maintained agreements for utilization of the waste piles, chipping occurred on Block 21, at Macintosh Creek, west of McBride in winter 2019. This volume was utilized by Pacific Bio energy out of Prince George B.C. The program was funded by FESBC. The funding for this work was provided by Forest Enhancement Society of BC (FESBC).



Safety



- No accidents, close-calls or safety incidents were reported in 2019.
- All logging contractors hired by MCFC are certified under the BC Forestry Safety Council, have current and good standing WorkSafe BC and provide the required Liability Insurance with the Forest Fire Fighting Expense Endorsement.
- Danger Trees assessments are conducted, and Danger Trees are cut down on all blocks prior to planting.
- During the Fire Season, contractors and MCFC monitored the Fire Hazard Rating to ensure early shift changes were implemented. As well, all contractors were required to have the equipment needed to address fire on their block.



Planning

- Planning in 2019 was focused on Recce and Layout for development and logging into 2020. These activities were hampered by the issues with Management and the lack of continuity slowed progress.
- Several new pieces were added to the Vegetation Resource Inventory (VRI) project. Road and Stream Classification, Waste Pile Assessment, Private Land Inventory, and VRI for PG East were added under a grant from NDIT. These products will add value to the VRI and provide information to open negotiations for access to more fibre.
- The progress of the VRI and related product delivery was slowed down by the changes in Management and a backlog of Silviculture reporting. There was a lot of data that needed to come from MCFC that was not compiled and is still being compiled.
- Good field work was completed in 2019. Developing new areas, as well as looking at existing blocks to meet the log market needs.



Compliance and Enforcement

- In 2019 the MCFC had no compliance and/or enforcement infractions.
- The C&E reports received, highlighted road building practices and refinement of logging practices in and adjacent to riparian features. These issues continue to be addressed through improvements in supervision, Standard Operating Procedures, and increased diligence on the part of MCFC and its contractors.

**Recreation and Community Support
2019**



- McBride Elks Lodge – Firewood and Loggers Sports – Garden Tea
- Robson Valley Museum and Archives – Operational Donation – Family BBQ
- McBride Secondary School – Parent Advisory (PAC), Yearbook, Mustang Basketball Teams, and a \$1,500.00 Scholarship

- Regional Fort George



District Fraser

- McBride Curling Club
- McBride Figure Skating Club
- Royal Canadian Legion
- Replacement of the MacIntosh Bridge
- Sports Insurance Policy for all local clubs
- Snow Plowing access for Ski and Sled clubs Provide the Community
- Robson Valley Mountain Bike Assc. – Teare Mountain for Trail Sites
- RV Chapter of the Back-Country Horsemen of BC – Belle Mountain Camp Project, Trail Management & Poker Run Donation
- LaSalle and Beaver Recreation Site Maintenance (Beaver Falls and the Teare Halfway). In 2019, the Recreation Site Maintenance services were awarded to a local contractor through the prequalified tendering process. This Contractor continued to provide an amazing standard. This contract was for the mowing, garbage collection and the cleaning of the outhouses and general site maintenance.





Ray Thiessen came on as General Manager on November 1, 2019

The remainder of this report will provide a 2020 update.



Introduction for 2020 Update

2020 is a year of moving forward. MCFC is progressing with Silviculture backlog, utilization of low-grade fibre, and planning over the entire tenure. The VRI is complete and the Timber Supply Analysis is scheduled to be delivered by the end of the year. A Management Plan will be produced and submitted in early 2021, with a new Annual Allowable Cut (AAC) expected by spring 2021. Covid-19 has added complexity to our operations, but we have mitigated most of the issues it created. MCFC staff are focused on finding solutions to move forward in collaboration with the community and to generate economic activity within the capacities we have available.



MCFC has not gone to a bid system on the logging, development, and silviculture work. Instead we have gone to a work share system that distributes work to qualified contractors on a list that is always being updated. The value of contracts is based on industry standard and negotiated from there. All revenue derived from the Community Forest flows through the Comfor books to track sales and costs. MCFC markets all the wood with helpful input from contractors to gain as good a price as possible.

MCFC has engaged Optimal Resource Management (ORM) to assist with planning. They are also taking over mapping, Visual Impact Assessments, and are helping to train MCFC staff in GIS. Their participation is a great asset as we move toward a Strategic Plan for MCFC.

Harvesting 2020

Currently in 2020, MCFC has moved 35,500m³. Approximately 16,000m³ was grade 1 and 2 sawlog, while the rest is off-grade and exempt from cut control. Of the off-grade 1,800m³ was Grade 04 Cedar, 10,200 m³ was chipped for Pacific Bioenergy, 3,500m³ went as pulpwood to Canfor, and 3,600 m³ of mixed grade 04 and Z grade went into the former MFI yard which MCFC is leasing. The rest of the volume was birch firewood. The numbers show that 37% of fibre harvested in 2020 was non-sawlog. The volume in the yard has since been moved to C3Products to utilize. MCFC is getting great utilization of all fibre apart from limbs and trim to meet bucking specs.



Planning

The MCFC’s new Timber Supply Analysis is expected by the end of 2020. The delays are due to the contractor (Ecora) losing staff and getting the backlog silviculture current. The project is now back on course.

The Inventory is showing that MCFC needs to reach out into all areas of the Community Forest Agreement (CFA) area. Lidar is being used by MCFC, with ORM, to project infrastructure over the CFA. This information will enable us to efficiently layout and establish core road infrastructure into the remote portions of the CFA, as well as project future harvesting patterns. It is our goal to have a Strategic Plan in place for MCFC by the end of 2021.



Silviculture (including waste disposal)

In 2020, 151,200 Spruce, 14,112 Cedar, and 32,400 Pine and 35,640 Fir were planted across 9 blocks within the MCFC tenure in the late spring and summer of 2020. These trees reforested approximately 135 hectares. There were 4 logged blocks and 6 fill-plants.

In 2020 approximately 230 ha were brushed by local contractors, while local crews from the valley. MCFC has continued to adapt our Stand Management strategy to add diversity to upcoming forests. The Spruce Leader Weevil is an endemic problem here, so it is imperative that we retain some deciduous and non-competing brush to mitigate the intrusion of this pest.

By the end of 2020 MCFC will be current with silviculture reporting. This is an effort that include Gene Runtz, Shaughnessy Clausen, and Ray Thiessen. There will still be problematic blocks to address through silviculture practice, but we will be compliant with our reporting obligations.

Pacific Bioenergy returned in 2020 to chip blocks 32, 33, 34, and 35 on Bell Mountain. These were the blocks that posed the highest Fire Hazard. Pac Bio has used up the funding from FESBC now, so they will not likely return. As we move forward, we will continue to seek solutions to waste. The waste from blocks logged in 2020 has been minimized to limbs and incidental trim.

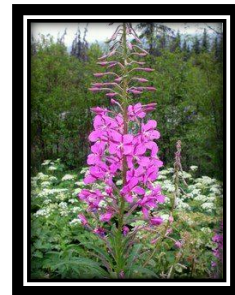


Silviculture Plan 2021

MCFC will be planting approx. 90 Ha of new logged blocks in 2021. This will require about 180,000 seedlings. There will be some fill planting in blocks that need it as well. We will continue with Stand Management to assure that we will be able to meet Free growing (FG) milestones.

MCFC is also seeing challenges to seedling success with intrusion of herb layers of fireweed, thimbleberry, etc. We are working on a plan to use sheep to graze some of the problem blocks in 2021. Past use of sheep grazing has shown that it is a cost-effective strategy.

Grazing and brushing together will assure that MCFC can supply good regen for future crops. The number of Ha to treat in 2021 are yet to be determined once the 2020 reporting is complete.



Safety Update 2020

MCFC and all their contractors had another year free of accidents or safety incidents. Logging contractors are all certified under the BC Forestry Safety Council, are in good standing with WorkSafe BC and provide the required liability insurance with the Forest Fire Fighting Expense Endorsement.



Compliance and Enforcement



There were no compliance and enforcement violations in 2019, and in 2020 to date.

Business Practices

In 2020 MCFC continued to maintain the website, it is used to regularly communicate with the public. The website provides advertising, updates and pictures of current projects, minutes and upcoming events.

MCFC has adopted an Environmental Management System (EMS) with Standard Operating Procedures (SOP) that relate to our core business. The S.O.P.s are for logging, road building, silviculture, layout etc. These standards will help to assure best practices in operations. The EMS is a living document, and as such is subject to review and amendment on a yearly basis.

Monthly Board Meetings are held to review progress and collaborate on ideas and direction.

Recreation and Community Support

During the summer of 2020 MCFC reached out to local recreation groups to see how we could contribute. To date we have assisted McBride Big Country Snowmobile Association, Robson Valley Chapter of the Backcountry Horseman of BC, and Robson Valley Mountain Bike Association with trail clearing, planning, and technical input. Additionally, we have continued to make our annual contributions in support of our community.



This concludes the 2019 Annual Report and 2020 Manager’s Update Report.

Respectfully Submitted,

Ray Thiessen
General Manager





McBride Community Forest Corporation

ANNUAL GENERAL MEETING



2019 Chair Report

October 8, 2020



**Chair's Report for the Annual General Meeting of the Shareholders
October 8, 2020**

Introduction

2019 was the 18th year of operations for the McBride Community Forest Corporation (MCFC). This year the corporation were able to deal with many challenges, including interruptions of its regular meeting schedule due to Covid 19 constraints and protocols. This document is intended as an overview of the activities and focus of the Board of Directors of the MCFC for the fiscal year 2019 with an update on key accomplishments so far in 2020.

Changes to the Board of Directors

2019 saw a consistent MCFC Board due to less changes in membership. Harold Edwards returned as a director only, and the departure of long-time member Kevin Taphorn being the only changes.

Current Status: In 2020, the board did not remain full due to a board member resignation. As a result of a mutual agreement with the shareholder, MCFC increased the board to 7, opening 5 seats to be filled for 2020/21. Three renewals and two new seats. The requirements of the board were greatly reduced after the hiring of a full time General Manger. Consequently, the board was able to concentrate its' efforts more on Governance and Policy rather than operations.

Staff and Interim Management Team

Our Administrative and Scaling personnel remained consistent. Tovi continued to fill some of the Operations and Scaling duties during Bob's absence. Sadly, on March 15th of this year, Bob passed away with his family by his side. Mr. Runtz was re-instated as our General Manager, on an interim basis, in anuary of 2019, and separated from MCFC by mutual agreement in July. In April of 2019 Shaughnessy Clausen was hired for the updating the Silviculture Program, further taking the role as Interim General Manager in late August, 2019. Ray Thiessen resumed this role in November of 2019, committing thru to November 2021.



Financial and Legal

In 2019 MCFC reported a marginal profit as compared to the previous year. This is a result of significant backlog silviculture expenditure, layout costs, severance, logging of lesser grade wood and lesser volume as we continue to address past overcut.

Current Status: Based on current projections MCFC will show a loss in 2020 due to the continued resources spent on backlog silviculture, planning/inventory and layout.

Significant Events

In 2019, a silviculture contractor was hired to catch up the backlog Silviculture and Reporting, which included stand management prescription, treatment, regen and free growing surveys, brushing and planting.

Governance and Community Engagement

The quarterly public meeting profile was changed to adopt a semi-annual open house and an AGM. IN 2019 The Governance profile remains the same with one (1) Shareholder seat and four (4) directors from the community at large. In 2020 it has since been changed to include two more directors from the community per a total 7.

The governance review is also addressing existing policy and shareholder/corporation relationships to ensure the MCFC is operating under best practices. A compendium of Board Policy has been adopted which includes a clear description of roles and responsibility and Directors Accountability Agreements. All the current directors have signed the Agreement.

Current Status: Currently, a 7-member board is being sought, allowing for variances and absences.

MCFC continues to post regular meeting dates and approved minutes on the website.



Community Support – Paying it Forward - 2019

Over \$30,000 was shared with the following groups in 2019:

McBride Elks Lodge – Firewood and Loggers Sports – Garden tea

Robson Valley Museum and Archives – Operational Donation – Family BBQ

McBride Secondary School – Parent Advisory (PAC), Yearbook, Mustang Basketball Teams, and a \$1,500.00 Scholarship

McBride Figure Skating Club – Carnival

Regional District Fraser Fort George – McBride Curling Club – McBride Figure Skating Club

Royal Canadian Legion – Remembrance Day Wreath

McBride Visitor Service Centre – Area Guide Brochures

Community Sports Insurance Policy for all local clubs

Including Family Fun Day and the Senior’s Fair

RV Chapter of the Back Country Horsemen of BC – Belle Mountain Camp Project, Trail Management & Poker Run Donation

Robson Valley Mountain Bike Assc. – Teare Mountain for Trail Sites

Snow Plowing access for Ski and Sled clubs - LaSalle and Beaver Recreation Site Maintenance

Current Situation:

MCFC will continue to look for opportunities to leverage the community forest for greater opportunities and employment locally and in its commitment to create processes that are fair, inclusive, open and transparent. In 2020 MCFC once again provided an opportunity for students planning to attend post secondary education for a minimum of one \$1,000.00 scholarship.

Respectfully Submitted,

Joseph Rich, Chairperson, McBride Community Forest Corporation





McBride Community Forest Corporation

ANNUAL GENERAL MEETING



2019 Financial Statements

October 8, 2020

MCFC STATEMENT OF OPERATIONS AND RETAINED EARNINGS DECEMBER 31, 2019¹



	2019	2018	2017
Revenue:			
Sales	2,311,831.00	2,992,662.00	2,345,458.00
Interest Income	11,973.00	7,772.00	2,329.00
Other Income	16,980.00	3,960.00	5,873.00
Subtotal	2,340,784.00	3,004,394.00	2,353,660.00
Cost of Sales:			
Sub-contracts	1,451,511.00	1,779,795.00	1,434,891.00
Silviculture Expense	351,770.00	465,886.00	243,473.00
Stumpage	68,290.00	85,135.00	98,206.00
Other	56,993.00	60,065.00	137,192.00
Subtotal	1,928,564.00	2,390,881.00	1,913,762.00
Gross Profit	412,220.00	613,513.00	439,898.00
General and administrative expenses:			
Advertising and donations	5,223.00	5,223.00	4,840.00
Amortization of capital assets	15,196.00	14,497.00	13,246.00
Office and General	30,139.00	15,977.00	17,957.00
Professional Fees	153,531.00	135,028.00	299,437.00
Salaries and benefits	116,923.00	89,146.00	133,930.00
Other	89,746.00	89,254.00	64,502.00
Subtotal	410,758.00	349,125.00	533,912.00
Loss before the undernoted item	1,462.00	264,388.00	- 94,014.00
Gain on disposal of property and equipment	-	-	5,561.00
Net (loss) earning	1,462.00	264,388.00	- 88,453.00
Retained earnings beginning of year	657,255.00	392,867.00	-
Dividends on commons shares	-	-	-
Retained earnings end of year	658,717.00	657,255.00	392,867.00

1. Reproduced from KPMG Audited Financial Statements

MCFC BALANCE SHEET DECEMBER 31, 2019¹



	2019	2018	2017
Assets:			
cash	1,432,755.00	1,577,633.00	1,297,168.00
investments			
Accounts Receivable	101,033.00	63,878.00	103,878.00
Deposit			
Inventory	31,645.00	25,208.00	11,433.00
Current:			
Advances Receivable			
Prepaid Expenses	69,241.00	142,373.00	160,647.00
Subtotal:	1,634,674.00	1,809,092.00	1,573,126.00
Deferred charges			
Property and equipment	80,623.00	79,717.00	83,713.00
	1,715,297.00	1,888,809.00	1,656,839.00
Liabilities and Shareholder's Equity:			
Accounts Payable and accrued liabilities	57,160.00	59,748.00	29,932.00
Silviculture Obligation	912,937.00	1,085,323.00	1,147,557.00
Agricultural Obligation	36,390.00	36,390.00	36,390.00
Subtotal:	1,006,487.00	1,181,461.00	1,213,879.00
Share Capital	20	20	20
Shareholder's Contributed surplus	50,073.00	50,073.00	50,073.00
Retained Earnings	658,717.00	657,255.00	392,867.00
Subtotal:	708,810.00	707,348.00	442,960.00
	1,715,297.00	1,888,809.00	1,656,839.00

1. Reproduced from KPMG Audited Financial Statements