



Stuart Lake Lumber Co. Ltd.

SFM Internal Audit
CSA CAN/Z809:02

CONFIDENTIAL

December 20, 2007



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Stuart Lake Lumber Co. Ltd.**Sustainable Forest Management System Internal Surveillance Audit****Introduction**

Stuart Lake Lumber's SFMS was audited December 4, 2007. This is the second internal SFM surveillance audit of the developed system at this operation. This report contains the audit findings and the audit conclusion as well as opportunities for improvement and positives. Also included in the hard copy version are the audit notes. A digital version of this report was sent via e-mail.

Note that due to severely curtailed operations, no field operations, contractors or indicators were audited. This was strictly an office based audit.

The audit evidence collected during an SFM audit is inevitably only a small sample of the information available, partly due to the fact that the audit is conducted during a limited period of time with limited resources. There is, therefore, an element of uncertainty inherent in all SFM audits, and all users of the results of SFM audits should be aware of this uncertainty.

Audit Process

The audit was conducted using documents and record review. It followed the audit plan presented to SLL on November 20, 2007.

The table shows the criteria from the audit plan, what element/activity was audited and any relevant comments. NC and OFI details follow.

CSA CAN/ Z809:02 Criteria	Element/Activity	Audited	Comments
4.0	Sustainable Forest Management System Requirements	✓	No issues identified
4.1	General Requirements	✓	No issues identified
4.2	Required Activities	✓	No issues identified
5.1	Basic Requirements	✓	No issues identified
5.2	Interested parties	✓	No issues identified
5.3	Process	✓	No issues identified
5.3.1	Basic Operating Rules	✓	No issues identified

CSA CAN/ Z809:02 Criteria	Element/Activity	Audited	Comments
5.4	Content	✓	No issues identified
5.5	Communication	✓	No issues identified
6.0	SFM Performance Requirements: CCFM Criteria and CSA SFM Elements	✓	No issues identified
6.1	CCFM Criterion 1 – Conservation of Biological Diversity	✓	No issues identified
6.2	CCFM Criterion 2 – Maintenance and Enhancement of Forest Ecosystem Condition and Productivity	✓	No issues identified
6.3	CCFM Criterion 3 – Conservation of Soil and Water Resources	✓	No issues identified
6.4	CCFM Criterion 4 – Forest Ecosystem Contributions to Global Ecological Cycles	✓	No issues identified
6.5	CCFM Criterion 5 – Multiple benefits to Society	✓	No issues identified
6.6	CCFM Criterion 6 – Accepting Society's Responsibility for Sustainable Development	✓	No issues identified
7.0	SFM System Requirements	✓	No issues identified
7.1	General	✓	No issues identified
7.2	SFM Policy	✓	No issues identified
7.3	Planning	✓	No issues identified
7.3.1	Defined Forest Areas (DFA)	✓	No issues identified
7.3.2	Ownership Rights and Responsibilities	✓	No issues identified
7.3.3	Shared Responsibilities	✓	No issues identified
7.3.4	Rights and Regulations	✓	No issues identified
7.3.5	Incorporation of Public Participation	✓	See Clause 5 comments
7.3.6	Setting DFA-Specific Performance Requirements	✓	No issues identified
7.3.7	SFM Plan	✓	No issues identified
7.4	Implementation	✓	No issues identified
7.4.1	Structure and Responsibility	✓	No issues identified

CSA CAN/ Z809:02 Criteria	Element/Activity	Audited	Comments
7.4.2	Training Awareness, Qualification and Knowledge	✓	No issues identified
7.4.2.1	General	✓	No issues identified
7.4.3	Communication	✓	No issues identified
7.4.3.1	General	✓	No issues identified
7.4.4	SFM Documentation	✓	No issues identified
7.4.4.1	General	✓	No issues identified
7.4.5	Document Control	✓	No issues identified
7.4.6	Operational Procedures and Control	✓	No issues identified
7.4.7	Emergency Preparedness and Response	✓	No issues identified
7.5.1	Monitoring and Measurement	✓	No issues identified
7.5.2	Corrective and Preventive Action	✓	Non conformance
7.5.3	Records	✓	No issues identified
7.5.4	Internal Audits to the SFM Requirements	✓	No issues identified
7.6	Management Review	✓	No issues identified

Audit Team

- William Sloan, RFT, EMS (A) – Lead Auditor

Personnel Interviewed

- Christie Hoy, RPF, SFM Coordinator by phone and e-mail.

Documents Reviewed

- Fort St. James Sustainable Forest Management Plan Version 3.5
- Fort St. James Sustainable Forest Management Plan Annual Report 2006/07 dated May 15, 2007, including back-up data
- Stuart Lake Lumber Co. Ltd. 2006 Environmental Management System Master Document dated February 15, 2007

Audit Findings of Nonconformance

REFERENCE	NONCONFORMANCE
<p>7.5.2 Corrective and Preventative Action requires that the organization shall establish and maintain procedures for</p> <p>a) defining responsibility and authority for identifying and investigating nonconformance</p>	<p>Finding:</p> <p>The EMS Master Document and the Non-Conformance/Non-Compliance Report Form requires the Woods Manager to review and sign off on any Non-Conformance/Non-Compliance. Not all the Non-Conformance/Non-Compliance reports reviewed had been signed off as required.</p>

Opportunities for Improvement

- Consider revising the internal audit procedure to allow for all the elements of the SFMS to be audited over a three year period rather than having all elements audited every year.
- Consider revising corrective action plan completion due dates when the original dates can not be met. Ensure that the reasons for any changes are documented.
- Consider having separate completion dates for each action item in a corrective action.

Positives

- Well laid out SFMP and Annual Report
- Good public participation
- Well facilitated PAG process
- Good record of attempts to contact various groups such as First Nations
- Good record keeping by SLL on their respective reporting for the indicators

Next Audit

Stuart Lake Lumber should plan on a two day (one office, one field) internal audit for a time when there are operations occurring and there is no hindrance to field reviewing indicators (ie access issues due to snow). As the SFMS has yet to be field audited, this is a critical component of ensuring that the SFMS is working as required and must be included in the next audit. The next audit must occur before mid-December 2008 to meet the Standard requirement of annual audits.

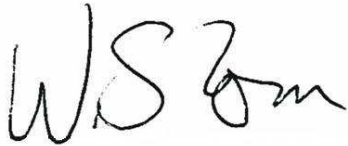
Audit Conclusion

The results of this second internal surveillance audit of Stuart Lake Lumber Co. Ltd.'s Sustainable Forest Management System finds the SFM to be effectively implemented and maintained.

Respectfully submitted,

Lead Auditor:

Approved by:



William S. Sloan, RFT, EMS (A)

Christie Hoy

Forest Valley Consulting

Stuart Lake Lumber Co. Ltd.