



Project No. 1057161-01

January 18, 2007

Mr. Jeremy Smith
STUART LAKE LUMBER CO. LTD.
Box 5
Fort St. James, British Columbia
CAN, V0J 1P0

SUBJECT: REGISTRATION PROGRAM

Dear Mr. Smith,

Please find attached the Audit Report raised as a result of our Registration Audit of your management system to the CAN/CSA - Z809-2002 standard conducted on your Fort St. James forestland operations on January 16 -17, 2007.

We thank you and your organization for the support and co-operation given during the audit.

Best Regards,

A handwritten signature in black ink, appearing to read 'Nathan Ryant', is written over a light grey circular watermark.

Nathan Ryant
QMI Team Leader
Encls.

QMI Confidential



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CONFIDENTIAL

SUSTAINABLE FOREST MANAGEMENT SYSTEM

AUDIT REPORT CAN/CSA-Z809-2002

Auditee: STUART LAKE LUMBER CO. LTD.
Address: Box 5 Fort St. James British Columbia
CAN V0J 1P0

Contact: Mr. Jeremy Smith
Date(s) of Audit: January 16, 2007 to January 17, 2007
Audit Team Leader: Nathan Ryant
Type of Audit: Registration Audit
Audit Frequency: 12 Months
SIC / NACE Code: 0811 0851 2411/A02.0 A02.0 A02.0

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REPORT DISTRIBUTION

STUART LAKE LUMBER CO. LTD.
QMI File
Nathan Ryant

Statement of Confidentiality

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SECTION 1 - EXECUTIVE SUMMARY

Scope #	Scope Description
1	The sustainable forest management system as it applies to the forest management activities of Stuart Lake Lumber Co. Ltd. on the DFA (FL A18169) including the integration of forest planning, harvesting , loading, delivery of forest products to processing facilities, road construction and maintenance as well as silviculture activities.

Site:

STUART LAKE LUMBER CO. LTD.
 Box 5
 Fort St. James
 British Columbia
 CAN, V0J 1P0

Summary of Audit Findings: As noted under the recommendation section of this report.

Recommendations: The results of this Registration Audit indicate that the Management System of Stuart Lake Lumber Co. Ltd. is suitable and effective, and will be recommended for registration to the CAN/CSA-Z809-2002.

SECTION 2 - INTRODUCTION TO CAN/CSA Z809-2002

The Canadian Standards Association (CSA) developed Canada's National Standard on Sustainable Forest Management CAN/CSA Z809, in response to heightened awareness about forest management practices. The Standard was developed by a SFM Technical Committee in an open and inclusive process managed by CSA. The SFM Technical Committee is required to review the Standard periodically to ensure it incorporates knowledge gained through time and implementation. As the first edition of the Standard was published in 1996, the committee has published a revised version in 2002. The Standards Council of Canada (SCC) accredits CSA to write standards and approves them as National Standards.

Sustainable Forest Management (SFM) refers to the way a defined forest area is managed to maintain and enhance the long-term health of forest ecosystems for current and future generations. This Standard, which utilizes a continual improvement approach, requires public participation, practical demonstration of sustainable forest management practices, and a management commitment to a management system. SFM takes into account environmental, social and economic factors.

Public Participation - The CSA Standard requires organizations to seek comprehensive and continuing public participation, including a special effort for



Aboriginal Peoples, at the local community level for each defined forest areas. The public identifies forest values of specific importance to their environmental, social and economic concerns and needs. The public also takes part with the organization to identify and select SFM goals, indicators and objectives to ensure these values are addressed.

Performance - By following a SFM plan that incorporates the values, goals, indicators and objectives, identified by the public process, which can be traced back to the Canadian Council of Forest Ministers (CCFM) set of Sustainable Forest Management Criteria, together with other legal requirements, performance can be demonstrated on the ground.

Systems and Continual Improvement- The CSA Standard has system requirements, which are consistent with the internationally recognized ISO14001 Environmental Management System Standard. The system follows the concept of “plan – do – check – act”. The system framework helps an organization implement, track and monitor their progress towards meeting the economic, social and ecological performance objectives for the defined forest area. The Standard uses adaptive management procedures with recognize that SFM is a dynamic process that must incorporate new knowledge acquired through time, experience and research. The Standard requires there be an annual report on the indicator objectives with an annual review of the system and performance in the forest to identify areas for continual improvement.

Third Party Independent Audits - To become certified to the Standard is strictly voluntary but the organization must go through a third party independent audit of the SFM Requirements in the Standard. The audit is conducted by a Registrar accredited by the Standards Council of Canada. In addition the individual auditors employed or contracted by the Registrar have the requisite forestry expertise and are certified as environmental management systems auditors by the Canadian Environmental Auditing Association.

SECTION 3 - DESCRIPTION OF THE DEFINED FOREST AREA (DFA):

Biophysical Description: The Fort St. James AOTP is comprised of a relatively isolated and sparsely populated land area of approximately 3.174 million hectares (LRMP 1999). This land base contains a diversity of landscapes from the rolling northern interior plateau in the southern portion of the AOTP to the extremely mountainous and largely un-roaded landscapes in the north. The Fort St. James AOTP contains many rivers and lakes, several which are highly valued for tourism and recreational purposes. The AOTP also covers portions of three major river systems: the Skeena to the northwest, the Fraser in the south and the Peace in the eastern portion of the AOTP (LRMP 1999).

Forest Types: Forests within the AOTP consist of primarily Lodgepole pine and spruce, with sub-alpine fir at higher elevations and scattered patches of aspen. There are some areas of Douglas fir, primarily along the southern portion of the AOTP as this comprises the northernmost range for the species.



Area of DFA: 72,652 Hectares

Legal Tenure: Forest License A18169

SECTION 4 - ORGANIZATION:

Description of the DFA Workforce: Approximately 40 workers

Management Objectives and Responsibilities on the DFA: Harvest sawlogs on a sustainable basis including the successful regeneration and free growing of new forests on crown land.

Volume and Species Harvested 2006: 210,364m³

AAC Determination Process:

Annual Allowable Cut = 201,978 m³/yr +/- 10%, balanced every 5 years

Products Produced and Mill Associated with the DFA Timber: Random length conifer lumber

First Nations Consultation Process : The Fort St. James LRMP area encompasses parts of the traditional territories of four Aboriginal peoples, and is the subject of four land claims. The following are First Nation's communities that have interests in the DFA: McLeod Lake, Nak'azdli, Takla, Tsay Keh Dene band, Tl'azt'en, Yekooche, Gitxsan, Nat'oot'en and Lheidli T'enneh.

As First Nations have historic, cultural, and economic ties to the AOTP, it is important they have an opportunity to provide input into management decisions developed for the AOTP. In appreciation of their association with the AOTP, the participating Licensees and BCTS prepared this SFMP by providing First Nations with the opportunity to participate in its development. This SFMP and the associated processes will not compromise aboriginal and treaty rights.

Annually, Licensees will provide to First Nations information relating to the SFMP. Coinciding with the completion of the annual report for the SFMP, Licensees will provide the relevant First Nations a copy of the annual report along with the current version of the SFMP. Also at this time, Licensees will make formal invitations to the First Nations to participate in the PAG process. Stuart Lake's commitment for ensuring this commitment to First Nations is fulfilled in regards to information sharing is listed below.

Stuart Lake Lumber: Yekooche First Nation



SECTION 5 - AUDIT FINDINGS:

Scope #	Scope Description
1	The sustainable forest management system as it applies to the forest management activities of Stuart Lake Lumber Co. Ltd. on the DFA (FL A18169) including the integration of forest planning, harvesting , loading, delivery of forest products to processing facilities, road construction and maintenance as well as silviculture activities.

Audit Criteria: CSA Z809:2002

Description of QMI and the QMI Audit Team:

Quality Management Institute (QMI) is a third party management system certification Registrar. QMI is a Division of the CSA Group. Established in 1984, QMI has worked with thousands of organizations in North America and around the world, issuing registration certificates to those that meet international and national management system standards.

The QMI Sustainable Forest Management audit team members bring with them considerable experience in the area of sustainable forest management and environmental management systems auditing. Audit teams are comprised of certified auditors and registered professional foresters. All audit team members are subject to strict confidentiality and conflict of interest agreements.

The following personnel conducted this audit:

Audit Team

<u>Position</u>	<u>Name</u>
Team Leader	Nathan Ryant

Audit Coverage:

Operations / Cut-Blocks Visited during the field audit include:

Full Phase Harvesting/Loading/Hauling

Contractor interviewed in the field: Ubleis Logging

Field Indicators Reviewed: 13, 14, 23, 24, 32



Members of the public participation process interviewed: Barb Rooke, Joanne Vinnedge

Summary:

- Good efforts made by licensees to SFM in general.
- Good efforts to bring in new members and First Nations into PAG process.
- Licensees bringing good info to meetings to satisfy PAG questions.
- Efforts to improve wildlife management good.
- New facilitator is very good.
- Field trip was very informative.
- Evening meetings are preferred to weekend meetings.
- Some frustration with PAG process in terms of the way some info is presented, eg. use of jargon, confusing presentations.
- Local experts could be better utilized when presenting issues, eg. PG Naturalist Club.
- Meeting minutes need to be more detailed to accurately represent the discussion item.
- Indicators go beyond the legal requirements for forest management.

Provincial Government personnel interviewed: Mike Boyde – Ministry of Forests, Compliance Specialist

Summary:

- No non-compliance issues for the 2006 reported by MOF or licensee.
- Good relationship with Stuart Lake Lumber exists.
- Start up notices of active operations have been submitted to MOF.

Documentation Review:

The audit team reviewed the SFM documentation (2005/2006 SFM monitoring report, March 2006 SFM plan) and supporting documentation (EMS manual).

Office Indicators Reviewed: 10, 14,18, 19, 20, 21, 23, 24, 30, 34, 38, 41, 55, 56, 63, 64

Positive Aspects of the Management System:

1. Good staff and management commitment to SFM.
2. Good knowledge by field personnel of SFM/EMS requirements.
3. Good EMS/SFM documentation with the required linkages.
4. Good implementation of the new Communication Tracker.
5. Good compliance record with the Ministry of Forests
6. Contractor made drip containment for fuel nozzles.



Effectiveness of the Internal Quality Audit System:

The Internal SFM Audit and system is deemed to be suitable and effective.

Opportunities for Improvement:

Recommendations:

- Consider explicitly stating in SFM Open House advertisement that new PAG members are welcome.
- Consider developing a list showing when Chief and Council election dates are due to ensure the contact lists are current.
- Consider including an invitation to the public to join the PAG on the SFM website.
- Consider actively pursuing new PAG members for areas not represented, eg. town council.
- Consider inviting the MOF to join the PAG process due to the volume harvested through their programs on the DFA, eg. Small Scale Salvage.
- Consider describing whether not meeting an SFM target is a non-conformance/non-compliance and requires an incident investigation.
- Consider including an agenda and who attended the management review meeting in the minutes.
- Consider listing other operational controls being utilized in the EMS manual, eg. maps etc.
- Consider including a continual improvement summary in the management review.
- Consider including action plans for items that need attention arising from the management review.
- Consider requesting more info from MOF when their compliance reports state follow-up is required.
- Indicator 21 – Consider rewording the indicator target to read “re-forestation” instead of “a-forestation”.
- Indicator 24 – Consider implementing a soil disturbance procedure to measure soil disturbance on higher risk sites.



- Indicator 34 – Consider tracking logging start date not end date for regen delay measurements.
- Indicator 38 – Consider providing some rationale why the annual cuts are not achieved.
- Indicator 41 – Consider including private landowners and resort owners on the DFA to stakeholders who require communication.
- Indicator 56 – Consider offering First Nations communities affected by archaeology interests the opportunity to attend the field assessments with the archaeologists.
- Indicator 64 – Consider placing an ad in the local paper notifying the community of the new SFM website.

System Weakness:

- Ensure the Terms of Reference accurately reflect the PAG membership in terms of alternates for members attending meetings if members can't make it.
- Ensure the DFA is updated to reflect NRFL holders and the volume of timber removed from the DFA.
- Ensure the SFMP describes the NRFL holders responsibilities for indicator reporting on the DFA.
- Ensure it is clearly documented that the PAG had an opportunity to assess alternate strategies for the indicator targets and choose the preferred one.
- Ensure WHIMIS training records are available for contractors on field operations as per WCB requirements.
- Ensure MSDS is available at the field operations as per WCB requirements.

Please note that these Opportunities for Improvement will be reviewed as part of the preparation for the next audit.

The findings were discussed with Stuart Lake Lumber forestry staff. The Audit Team Leader commenced the closing meeting by thanking the STUART LAKE LUMBER CO. LTD. staff for the cooperation and courtesy extended to the audit team during the audit.



In addition, the Audit Team Leader detailed the registration process, the requirements for future surveillance audits, and the re-assessment process.

The official closing meeting was attended by the personnel listed in Attachment #2.

SECTION 6 - GENERAL ASSESSMENT AND RECOMMENDATION:

Based on the review of the company's SFM program, and the audit results, the following recommendation is made:

Registration:

The results of this Registration Audit indicate that the Management System of STUART LAKE LUMBER CO. LTD. is suitable and effective, and will be recommended for registration to the CAN/CSA Z809-2002.

Next Scheduled Audit:

Date(s): Jan. 16 -17, 2008

Type of Audit: 12 Month Surveillance Audit

No. of Persons: 1

No. of Audit Days Required: 2

A handwritten signature in black ink, appearing to read "Nathan Ryant". The signature is written in a cursive, flowing style.

Nathan Ryant
QMI Team Leader

Date: 01/18/2007