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Ms. Alena Charlston, RPF
Certification Coordinator
Carrier Lumber Ltd.
4722 Continental Way
Prince George, BC V2N 5S5

September 30, 2009

Dear Ms. Charlston:

Re: 2009 ISO 14001, CSA and PEFC Chain of Custody Audit Report for Carrier Lumber Ltd.

Our 2009 Audit Report for Carrier Lumber Ltd. is attached. The report documents the results of the audit that took place on September 28-30, 2009.

As communicated to you in the audit notification letter, you are required to submit corrective action plans to address all identified non-conformities within 30 days of the date of the closing meeting. Upon receipt by KPMG PRI, these will be reviewed to verify that they adequately address the root cause(s) of the non-conformities identified during the audit, and either approved or returned to you for revision.

We value the ongoing working relationship that we have with Carrier Lumber Ltd., and appreciate the assistance provided to the audit team by Company staff and contractors during the audit process.

If you have any questions regarding the results of the audit or what is required in the way of corrective actions, please call me at the phone number listed below.

Yours very truly,

Chris Ridley-Thomas, RP.Bio, CEA(SFM), EMS(LA)
President
KPMG Performance Registrar
(604) 691-3088

Enc: ISO 14001, CSA and PEFC Chain of Custody Audit Report for Carrier Lumber Ltd.



ISO 14001, CSA and PEFC Chain of Custody Audit Report for Carrier Lumber Ltd.

September 30, 2009

The information in this audit report is confidential and may be legally privileged. It is intended solely for the use of the intended recipient, Carrier Lumber Ltd. Access to this audit report by anyone else is unauthorized. If you are not the intended recipient, any disclosure, copying, distribution or any action taken or omitted to be taken in reliance on it, is prohibited and may be unlawful. Any opinions contained in this audit report are subject to the terms and conditions expressed in the governing KPMG PRI client engagement contract.



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A. Client Information

Client Name:	Carrier Lumber Ltd.
Audit Criteria:	ISO 14001:2004 CSA Z809 PEFC Annex 4
Scope of Registration:	#2523.00 – Forestry and logging operations of Carrier Lumber Ltd. and Valemount Forest Products Ltd. (a wholly owned subsidiary), including the management of Crown Forest Licences A15429, A15430, A18158 and A70174 in the Prince George and Kamloops Forest Regions. #2593.02 – Manufacture and sale of softwood lumber products and chips by Carrier Lumber Ltd. #2593.01 – Forestry operations on Crown forest land (Forest Licences A18158 and A70174 in the Prince George Forest District) including planning and performance within the Prince George Defined Forest Area. #2593.03 – Forestry operations on Crown forest land (Forest Licences A18158 and A70174 in the Fort St. James Forest District) including planning and performance within the Fort St. James Defined Forest Area.
Client Representative:	Alena Charlston
Assessment Number:	#2523.00 – ISO 14001 #2593.02 – PEFC Annex 4 #2593.01 – Prince George DFA CSA #2593.03 – Fort St. James DFA CSA

B. Document Review Findings

The document review did not identify any non-conformities with the requirements of PEFC Annex 4. A document review was not required for the ISO 14001 and CSA Z809 surveillance activities. As a result, no corrective actions were required.

C. Audit Details

Type of Audit:	Registration – PEFC Annex 4 Surveillance – ISO 14001, CSA Z809
Date(s) of Document Review:	August 21, 2009
Date of Next Assessment:	Early Summer, 2010
Audit team:	Lead auditor: Chris Ridley- Thomas Audit team members: Michael Alexander

Audit Report Distribution:	Carrier Lumber Ltd. KPMG PRI audit files
Audit objective(s):	The objective(s) of the audit was to evaluate the environmental and sustainable forest management systems at Carrier Lumber Ltd., its implementation, effectiveness and conformance with the requirements of ISO 14001 CSA and PEFC Chain of Custody Surveillance. These objective(s) were met.
Audit scope:	The scope of the audit included: The elements of ISO 14001 CSA and PEFC Chain of Custody Registration outlined in the audit plan. Activities conducted under the Company's management system during the period since early summer 2008. Visits to the following Company operations: Site 1. Prince George DFA Site 2. Fort St. James DFA Site 3. Robson Valley Site 4. Company Scale Site 4. Head Office
Audit sample size:	Number of field sites visited during the audit: Roads: 2(PG) 9(FSJ) 3(Va) Harvesting: 2(PG) 3(FSJ) 3(Va) Silviculture: 5(PG) 1(FSJ) 1(Va)

D. Audit Findings

Good Practices

The following good practices were noted during the audit:

1. Use of on-site monitor during road construction at Castle Creek.
2. Erosion control plan for CP461-001 to address potential for sedimentation into S4
3. Use of a seasonal final inspection at the completion of operations followed by a snow-free final inspection.
4. Overall quality of inspection process.

Follow-up on open non-conformities from previous audits

At the time of this assessment there were no open non-conformities from previous audits.

Major non-conformities

No major non-conformities were identified during the audit.

Minor non-conformities

The following minor non-conformities were identified during the audit:

1. **Minor non-conformity: 2009-NC-01**

Standard/Element(s): PEFC Annex 4, S.3.4.2.1 and Annex 5 (informative)

Client Procedure: Calculation of Batch Output

PEFC Annex 4 describes requirements for calculating the certified content of the production batch.

Currently, the total batch output is derived from the sum of outputs for chips, hog, sawdust, shavings and lumber (all in tonnes). However, it was noted that for lumber the production figure is derived from planer production and therefore excludes rough lumber. As not all lumber goes through the planer the totals for batch output and volume of certified products are currently understated.

2. **Minor non-conformity: 2009-NC-02**

Standard/Element(s): 4.4.2 Training, Awareness and Competence

Client Procedure: 4.4.2 Competence, Training and Awareness

The Company's EMS Manual at 4.4.2 requires that contractors maintain training records. While our assessment determined that all contract logging personnel interviewed were aware of EMS and SFM requirements relevant to their positions, Gulbranson Logging could not provide the required training records for their staff.

Opportunities for improvement

The following opportunities for improvement were identified during the audit:

1. **Opportunity for improvement: 2009-OFI-01**

Standard/Element(s): PEFC Annex 4, S.4.6.1

Client Procedure: Internal Audit

PEFC Annex 4 requires that internal audits cover all requirements of the standard.

The 2009 Internal audit report indicates that the CSA Z809:2002, ISO 14001:2004 standards and the PEFC C of C Annex 4 were audited against. Some description is provided with respect to sample and indicators examined for the CSA Z809 and ISO 14001 standards but not for the PEFC C of C. standard. As a result, it is not clear from the report that all elements of the PEFC C of C. standard were examined.

2. **Opportunity for improvement: 2009-OFI-02**

Standard/Element(s): PEFC Annex 4, S.3.2.2

Client Procedure: Purchase Contracts

PEFC Annex 4 requires documentation from all suppliers of certified material which proves that the criteria set for the supplier have been met.

Individual contracts with suppliers have an “SFM Certified Y/N” question which clarifies certification status and can be cross-checked against timbermarks. However, in an isolated case (BCTS 84799) the contract was not completed correctly as there are marks against yes and no for the “SFM Certified Y/N” question.

Comments

The following comments are provided based on field observations.

- CP983 Block 001:
 - windthrow noted around Station 94 (area addressed by terrain stability assessment).
 - Spur 3 wider than required.
- PG DFA
 - A number of piles were noted with residuals in close proximity.

Audit conclusions

The audit found that Carrier Lumber Ltd.’s environmental and sustainable forest management system:

- was in full conformance with the requirements of the ISO 14001 and CSA Z809 requirements included within the scope of the audit, except where noted otherwise in this report;
- Continues to be effectively implemented, and;
- Is sufficient to systematically meet the commitments included within the Company’s quality policy, provided that the system continues to be implemented and maintained as required.

As a result, a decision has been reached by the audit team to recommend that Carrier Lumber Ltd. continue to be registered to the ISO 14001 and CSA Z809 standard subject to the completion and approval of the required corrective action plan for NC #2.

The audit also found that Carrier Lumber Ltd.’s chain of custody system:

- was in full conformance with the requirements of PEFC Annex 4 except where noted otherwise in this report;
- Continues to be effectively implemented, and;
- Is sufficient to systematically meet the Company’s chain of custody commitments, provided that the system continues to be implemented and maintained as required.

As a result, a decision has been reached by the audit team to recommend that Carrier Lumber Ltd. be re-registered to the PEFC Annex 4 standard.

Once we have received and approved the required corrective action plan for NC#1, the registration file will be subject to a KPMG Independent Technical Review as required by our accreditation. Provided the Independent Technical Reviewer approves the recommendation, Carrier Lumber Ltd. will receive a new PEFC Annex 4 registration certificate approximately 4 weeks from the date of corrective action plan approval.

Our assessment by its nature is a sample. It is possible for nonconforming issues to remain undetected. Our next assessment will verify that your own monitoring programs have continued to operate as the primary mechanism to ensure that your management system remains effectively implemented and continues to improve.

E. Corrective Action Plans

Written corrective action plans that are designed to address the root causes of all identified non-conformities are required within 30 days of the closing meeting. These will be reviewed by KPMG PRI for adequacy, and either approved or returned for revision.

A template for Carrier Lumber Ltd. to develop the required corrective action plans will be provided to you for this purpose. Please complete the appropriate section of this template and e-mail your proposed corrective actions to the KPMG PRI lead auditor for review.

F. Focus Areas for Next Audit Visit

The following items have been identified as focus areas for the next audit visit:

1. Integration of audit processes with other DFA operators
2. Re-registration of the Prince George and Fort St. James DFAs under CSA Z809.