



Chain of Custody Certificate

This is to confirm that KPMG Performance Registrar Inc. has examined the procedures of

MacKenzie Sawmill Ltd. **11732 – 130th Street, Surrey, British Columbia V3R 2Y3**

and determined that the Company maintains chain of custody and sales tracking systems which form a reasonable basis for: (1) tracking the source of wood fibre processed by these facilities, and (2) ensuring that the output from these facilities, which is claimed to be “PEFC-certified”, will not exceed the amount of wood fibre coming into these facilities from PEFC certified woodlands operations*. The Company’s Chain of Custody system conforms in all material respects to the requirements of PEFC Annex 4: Chain of Custody of Forest Based Products – Requirements.

This Chain of Custody System certification applies to the following operations:

Manufacture and sale of lumber at the MacKenzie Sawmill Ltd. lumber mill and related custom cut and re-manufacturing facilities.

This chain of custody certification is given subject to the terms and conditions governing the use of this certificate as described in the agreement between KPMG Performance Registrar Inc. and the holder thereof. Chain of custody certification does not assure the regulatory compliance or continued conformance with the applicable standards by the certified woodlands operations from which wood fibre is obtained. *PEFC certified woodlands operations are those which are certified under one or more of the following standards: the CSA Z809 Sustainable Forest Management standard or the Sustainable Forestry Initiative (SFI®) standard.

Certificate No. 2561
Issue Date: June 9, 2008
Expiry Date: June 8, 2011



Michael L. Alexander, RPF, CEA(SFM)
President
KPMG Performance Registrar Inc.
Vancouver, B.C., Canada V7Y 1K3



KPMG Performance Registrar Inc.

Box 10426, 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
(604) 691-3401
Telefax (604) 691-3031
www.kpmg.ca

Mr. John Parker
Mackenzie Sawmill Ltd.
11732 – 130th Street
Surrey, B.C.
V3R 2Y3

May 28, 2008

Dear John:

Re: 2008 PEFC Chain of Custody (CoC) Registration Audit Report for Mackenzie Sawmill Ltd.

Our 2008 PEFC CoC Registration Audit Report for Mackenzie Sawmill Ltd. is attached. The report documents the results of the audit that took place May 28, 2008.

As communicated to you previously, 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 Mackenzie Sawmill 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,

Dave Bebb, RPF, CEA(SFM), EMS(LA)
Vice President, Registration Operations
KPMG Performance Registrar
(604) 691-3451

Enc: 2008 PEFC CoC Registration Audit Report for Mackenzie Sawmill Ltd.



PEFC Chain of Custody Registration Audit Report for Mackenzie Sawmill Ltd.

May 28, 2008

The information in this audit report is confidential and may be legally privileged. It is intended solely for the use of the intended recipient, Mackenzie Sawmill 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:	Mackenzie Sawmill Ltd.
Audit Criteria:	PEFC Chain of Custody Standard (Annex 4)
Scope of Registration:	Manufacture and sale of lumber at the Mackenzie Sawmill lumber mill and related custom cut and re-manufacturing facilities
Client Representative:	John Parker, Production Coordinator/PEFC Administrator
Assessment Number:	2561

B. Document Review Findings

The document review identified a total of 2 non-conformities with the requirements of PEFC Annex 4. Corrective action plans were developed by Mackenzie Sawmill Ltd. to address these issues, which were reviewed and approved by KPMG PRI. Implementation of these corrective action plans was confirmed by KPMG PRI at the commencement of the on-site registration audit.

C. Audit Details

Type of Audit:	Registration audit
Date(s) of Document Review:	May 22, 2008
Date(s) of Audit:	May 28, 2008
Date of Next Assessment:	May 2009
Audit team:	Lead auditor: Dave Bebb
Audit Report Distribution:	Mackenzie Sawmill Ltd. KPMG PRI audit files
Audit objective(s):	The objective of the audit was to evaluate the chain of custody system at Mackenzie Sawmill Ltd., its implementation, effectiveness and conformance with the requirements of PEFC Annex 4.
Audit scope:	The scope of the audit included: The elements of PEFC Annex 4 outlined in the audit plan. Activities conducted under the Company's chain of custody system since April 1, 2008. Visits to the following Company operations: Site 1. Mackenzie Sawmill office and mill site Site 2. Pacific Lumber Remanufacturing (PLR)

D. Audit Findings

Good Practices

The following good practices were noted during the audit:

1. The Mackenzie Sawmill PEFC CoC Manual (last updated May 28, 2008) provides a thorough description of the Company's PEFC CoC system and how it is intended to function.
2. The Mackenzie Sawmill staff interviewed during the audit displayed a good level of awareness of their roles and responsibilities under the Company's PEFC CoC system.
3. The May 26, 2008 internal audit was thorough and well documented. In addition, detailed corrective action plans (including required actions, responsibilities and due dates) have been developed to address all identified non-conformities.

Follow-up on open non-conformities from previous audits

There were no open non-conformities from previous audits at the time of the 2008 registration audit. As a result, no audit procedures were required to follow-up on previous findings.

Major non-conformities

No major non-conformities were identified during the audit.

Minor non-conformities

No minor non-conformities were identified during the audit.

Opportunities for improvement

The following opportunities for improvement were identified during the audit:

1. **Opportunity for improvement: 2561-OFI-IA-01**

Standard/Element(s): 4.2.1.3

Client Procedure: Management Review

The PEFC CoC standard requires the organization's top management to carry out a regular periodic review of the organization's CoC and its compliance with the requirements of the PEFC CoC standard. The first management review of Mackenzie Sawmill's PEFC CoC system was conducted on May 28, 2008, and included a detailed review of the results of the May 26, 2008 internal audit. The fact that the management review was completed is documented at the end of the internal audit report (which includes the date that the management review was completed and the signature of the management representative who conducted the review). However, the record of the management review does not include any: (1) comments regarding the results of the internal audit and the extent to which the CoC system meets the requirements of the PEFC CoC standard, or (2) recommendations for

improvements to the CoC system (i.e., beyond those already included as internal audit action plan items).

Audit conclusions

The audit found that Mackenzie Sawmill Ltd.'s chain of custody system:

- Was in full conformance with the requirements of the PEFC Annex 4 requirements included within the scope of the audit, except where noted otherwise in this report;
- Has been effectively implemented, and;
- Is sufficient to systematically meet the commitments included within the Company's chain of custody policy, provided that the system continues to be implemented and maintained as required.

As a result, a decision has been reached by the lead auditor to recommend that Mackenzie Sawmill Ltd. be registered to the PEFC Annex 4 standard.

Once we have received and approved any required corrective action plans, 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, Mackenzie Sawmill Ltd. will receive a registration certificate in approximately 4 weeks from the date of corrective action plan approval.

NB: Our assessment by its nature is a sample and is not intended to be as comprehensive as your internal audit. It is possible for nonconforming issues to remain undetected. Our next assessment will verify that your internal audits 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 Mackenzie Sawmill 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 issues/potential concerns have been identified as focus areas for the next audit visit:

1. Completion and effectiveness of the action plans developed by Mackenzie Sawmill Ltd. to address the findings of this audit.

2. A visit to one of the custom-cut operations that Mackenzie Sawmill Ltd. contracts with to evaluate the effectiveness of the Company's chain of custody procedures in ensuring that an unbroken chain of custody can be demonstrated for temporary sites of this nature.
3. The accuracy of the data included in the Company's certified lumber volume production and sales ledgers (as no sales of certified volume had taken place at the time of the registration audit, it was not possible to confirm the accuracy of all of the data included in these ledgers).
4. Implementation and effectiveness of Mackenzie Sawmill's procedures to ensure that invoices for certified products include: (1) a statement to the effect that the material is 100% PEFC certified, and (2) the Mackenzie Sawmill Ltd. PEFC CoC certificate number.