As a component of Canfor’s ongoing commitment to sustainable forest management and forest certification, an audit team from PricewaterhouseCoopers LLP conducted a CAN/CSA Z809-02 registration audit and an ISO 14001 Environmental Management System (EMS) surveillance audit on the Radium Defined Forest Area (“DFA”) in April, 2006.

The audits determined that Canfor’s Radium Division had successfully implemented a Sustainable Forest Management System, developed an SFM Plan that met the requirements of the CAN/CSA Z809-02 Standard for Sustainable Forest Management and also had successfully continued to implement and maintain an EMS that met the requirements of the ISO 14001:2004 Standard for Environmental Management Systems (EMS). The audit results demonstrate Canfor’s strong commitment to Sustainable Forest Management on the lands that it manages. Copies of the Registrar’s Reports, certificates and assertion letters associated with the CAN/CSA Z809-02 and ISO 14001 registrations and surveillance audits can be found at www.canfor.com/sustainability/certification/CSA.

Background Information

The Radium Defined Forest Area (DFA) includes Canfor’s Forest License A18979 (FL A18979) and the BCTS Chart area within the Invermere Timber Supply Area (TSA) as described in the Timber Supply Review (TSR3). The DFA is situated in the southeastern corner of the Province of British Columbia, near the community of Radium Hot Springs, between the Purcell and Rocky Mountain Ranges which border the DFA to the east and the west. Activities on the DFA include forest management planning, public reporting, public involvement, harvesting, road construction and silviculture.

The time period covered by the audit sample was January 1, 2005 to April 27, 2006.

Maintaining certification to the ISO 14001:2004 Standard and achieving registration to the CAN/CSA Z809-02 Standard (the “Standards”) requires independent third-party audits.

A four person team of auditors from PricewaterhouseCoopers and independent specialists conducted the audits in April, 2006:

- Lead Auditor – Graham Wilson, RPF, CEA(SFM), EMS (LA)
- Auditor – Bruce Eaket, CEA (SFM), EMS (LA)
- Contract Auditor – Dave Barker, RPF, EMS (A), CEA (SFM)
- Contract Technical expert – Philip Lee, PhD

The team met with and interviewed staff and contractors and examined the SFM Plan, records, Standard Operating Procedures, monitoring information and the minutes and operating procedures of the Public Advisory Group.

Field assessments were conducted on several sites during the audit to assess the company’s planning, harvesting, silviculture, road construction, road maintenance, road deactivation, fuel management and facilities management.
Good Management Practices
The audit team identified Sustainable Forest Management practices that exceeded expectations. These good management practices are summarized below:

- The harvesting within an Archeological Overview Assessment (AOA) area protected the soils through the diligent use of puncheon.
- The Sustainable Forest Management Plan (SFMP) contained an excellent list of higher level plans and other related documents that are applicable to the DFA.

Nonconformities
The audit team identified several nonconformities against the Standards and/or Canfor policies. Canfor has subsequently provided PricewaterhouseCoopers with action plans, including timelines, for addressing these issues:

- The training records matrix for Radium Division does not have a SFM training category. Additionally, the “Training” section refers to “EMS” records rather than “FMS” records.
- The Sustainable Forest Management Plan dated April 5, 2006 is a joint plan with British Columbia Timber Sales (BC Timber Sales). The plan does not contain a summary of the most recent forest management plan and the management outcomes for BC Timber Sales tenures.
- For a number of the indicators, the current status has not yet been determined or appropriate targets have not been set. The SFM Plan states that they will be reported in the SFM Annual Report at the end of the first year, but the current status should be determined and reported in the plan.
- A culvert size on one S6 stream was changed in the field to a size smaller than that required by the geotech report, and appended as part of the Road Permit.
- Several log truck drivers interviewed did not have the appropriate Environmental Instructions and several had incorrect or out-dated Emergency Response Manuals.

Opportunities for Improvement
The audit team also identified opportunities for improvement for Canfor’s consideration, as summarized below:

- Canfor Radium may wish to consider revising the discussion on SFM Plan implementation and maintenance to indicate that updates to the SFM Plan could also include inputs from the annual management review and/or internal and external audit results.
- Canfor Radium may wish to consider revising the Terms of Reference for their Public Advisory Group to include discussion on the minimum number of PAG members that must be present to reach consensus and whether consensus on a specific topic can be achieved without the presence of the PAG member(s) that represent the specific issue.
- Canfor Radium may wish to consider revising the Public Advisory Group’s Terms of Reference to address how issues that are put into the “Parking Lot” as the result of a dispute are to be resolved.
- Canfor Radium may wish to consider posting the SFM Plan on the Canfor web site to increase the general public’s access to the plan.
- Canfor Radium may wish to consider documenting within the Public Advisory Group (PAG) Terms of Reference a process to remove individuals from the PAG, if necessary. A mechanism to remove members from the PAG currently does not exist.
- Indicator 1-5.2 (Natural Regeneration) is generally a good measure, however, an opportunity exists to provide a scientific basis for the target of 8% or greater for the level of natural regeneration. Currently, this target is based on past levels of natural regeneration and forecasts of probable levels of natural regeneration rather than a level that maintains genetic diversity.
- Due to its importance in the CSA standard, it would be worthwhile to continue educating the PAG and perhaps CANFOR employees on the importance of the forest sector in relation to carbon cycling.

All of the Nonconformities and Opportunities for Improvement will be followed up by the audit team at the next surveillance audit.
Registrar’s Report

To the Board of Directors and Management of Canadian Forest Products Ltd.

We have audited management’s assertion, set out in the attached letter, that Canadian Forest Products Ltd. has met the requirements of the International Organization for Standardization’s ISO 14001:2004 Standard (the “Standard”) for the Fort Nelson, Plateau, Vavenby, Quesnel, Radium and Mackenzie Woodlands Divisions (the “Divisions”) as of May 13, 2005.

Management is responsible for the Divisions meeting these requirements. Our responsibility is to express an opinion on management’s assertion that the Divisions met these requirements, based on our audit. The ISO 14001:2004 requirements can be found at www.scc.ca.

Our audit was conducted in accordance with the ISO 19011:2002 management system auditing standard and, accordingly, included examining, on a sample basis, evidence supporting management’s assertion that the Divisions met the requirements of the Standard, evaluating on an overall basis whether the requirements were met, and performing such other procedures as we considered necessary in the circumstances. We planned and performed our work to obtain reasonable, rather than absolute, assurance with respect to the information examined. We believe our work provides a reasonable basis for our opinion.

In our opinion, the Divisions met, in all material respects, the requirements of the ISO 14001:2004 Standard as of May 13, 2005.

PricewaterhouseCoopers LLP
Vancouver, British Columbia, Canada
February 22, 2006
Registration #: E2004-215
Registrar’s Report

To the Board of Directors and Management of Canadian Forest Products Ltd.

We have audited management’s assertion, set out in the attached letter, that Canadian Forest Products Ltd.’s, Radium Division has met the requirements of the CAN/CSA Z809-02 Standard (the “Standard”) as of April 24, 2006. Management is responsible for the Radium Division meeting these requirements. Our responsibility is to express an opinion on management’s assertion that the Radium Division met these requirements, based on our audit. The CAN/CSA Z809-02 requirements can be found at www.csa-intl.org.

Our audit was conducted in accordance with the ISO 19011:2002 management system auditing standard and, accordingly, included examining, on a sample basis, evidence supporting management’s assertion that the Radium Division met the requirements of the Standard, evaluating on an overall basis whether the requirements were met, and performing such other procedures as we considered necessary in the circumstances. We planned and performed our work to obtain reasonable, rather than absolute, assurance with respect to the information examined. We believe our work provides a reasonable basis for our opinion.

In our opinion, the Radium Division met, in all material respects, the requirements of the CAN/CSA Z809-02 Standard as of April 24, 2006.

PricewaterhouseCoopers LLP
Vancouver, British Columbia, Canada
July 5, 2006

Registration #: S2006-234

PricewaterhouseCoopers refers to PricewaterhouseCoopers LLP (an Ontario limited liability partnership) or, as the context requires, the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

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