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Mr. Gary Samek
Process Specialist
Daishowa-Marubeni International Ltd.
Peace River Pulp Division
Postal Bag 6500, Pulp Mill Site
Peace River, Alberta T8S 1V5

August 15, 2008

Dear Gary:

Re: 2008 PEFC Chain of Custody Surveillance Audit Report for Daishowa-Marubeni International Ltd. – Peace River Pulp Division

Our PEFC chain of custody (CoC) surveillance audit report for Daishowa-Marubeni International Ltd. – Peace River Pulp Division (DMI-PRPD) is attached. The report documents the results of the audit that took place during the period August 11 – 15, 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 DMI-PRPD, 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, EMS(LA), CEA(SFM)
Vice President, Registration Operations
KPMG Performance Registrar Inc.
604-691-3451

Enc: 2008 PEFC Chain of Custody Surveillance Audit Report for Daishowa-Marubeni International Ltd. – Peace River Pulp Division



**2008 PEFC Chain of Custody Surveillance Audit Report
for
Daishowa-Marubeni International Ltd.
Peace River Pulp Division**

August 15, 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, Daishowa-Marubeni International 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:	Daishowa-Marubeni International Ltd. – Peace River Pulp Division (DMI-PRPD)
Audit Criteria:	PEFC Annex 4 – Chain of Custody of Forest Based Products – Requirements
Scope of Registration:	The PEFC chain of custody system developed and maintained by DMI-PRPD to track and report on the certified content of the softwood chips procured from third parties and the associated softwood pulp products produced from those softwood chips.
Client Representative:	Gary Samek, Process Specialist
Assessment Number:	PEFC COC: #2438.01

B. Document Review Findings

This was a limited scope surveillance audit against selected elements of the PEFC Chain of Custody (CoC) standard. As such, no formal document review was required in advance of the audit.

C. Audit Details

Type of Audit:	Surveillance audit (A3)
Date(s) of Surveillance Audit:	August 11 – 15, 2008
Date of Next Assessment:	Summer 2009
Audit team:	Lead auditor: Dave Bebb Audit team member(s): Byron Grundberg
Audit Report Distribution:	Daishowa-Marubeni International Ltd. KPMG PRI audit files
Audit objective(s):	The objective(s) of the audit was to evaluate the chain of custody system at Daishowa-Marubeni International, its implementation, effectiveness and conformance with the requirements of PEFC Annex 4. These objective(s) were met.
Audit scope:	The scope of the audit included: <ul style="list-style-type: none"> • The elements of PEFC Annex 4 outlined in the audit plan. • Activities conducted under the Company’s chain of custody management system during the period August 31, 2007 – August 15, 2008. • A site visit to the DMI-PRPD corporate/woodlands office.

D. Audit Findings

Good Practices

The following good practices were noted during the audit:

1. The staff responsible for implementing the CoC system displayed a good understanding of the requirements of the PEFC standard and what is required to address them.
2. The context, scope and procedural requirements of the Company's CoC system are well documented in the DMI-PRPD PEFC CoC Document.
3. The Operation has implemented an effective procedure for verifying the percentage of certified chips obtained from suppliers of certified fibre.

Follow-up on open findings from previous audits

At the time of this assessment there was 1 open non-conformity from previous audits. The lead auditor reviewed the implementation of the action plans developed by DMI-PRPD to address this finding, and found that they had been effectively implemented. As a result, all of the non-conformities identified during previous audits have now been closed.

The 2007 surveillance audit also identified 3 opportunities for improvement. The 2008 surveillance audit confirmed that the Company has adequately addressed the issues that gave rise to these findings. As a result, all of the opportunities for improvement identified during previous audits have now been closed.

Major non-conformities

No new major non-conformities were identified during the audit.

Minor non-conformities

No new minor non-conformities were identified during the audit.

Opportunities for improvement

No new opportunities for improvement were identified during the audit.

Audit conclusions

The audit found that DMI-PRPD's CoC system:

- Was in full conformance with the requirements of PEFC Annex 4 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 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 Daishowa-Marubeni International continue to be registered to the PEFC Annex 4 standard.

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

No new non-conformities were identified during the 2008 surveillance audit. As a result, there is no requirement for DMI-PRPD to develop and implement corrective action plans to address the results of this audit.

F. Focus Areas for Next Audit Visit

The following issues/potential concerns have been identified as focus areas for the next audit visit:

1. DMI-PRPD's PEFC CoC certificate expires on November 14, 2009. As a result, the summer 2009 audit will include a full scope re-certification audit against the requirements of the PEFC CoC standard.
2. DMI-PRPD is in the process of obtaining CSA Z809 for its FMA. Once this certification is in place, DMI-PRPD will be able to include the volume of hardwood and softwood fibre that is logged on the FMA under the Company's EMS in its volume credit account. The next audit will include an assessment of the procedures that the Company intends to put in place to track the volume of certified fibre harvested from the FMA.