



Saint-Lambert, May 15 th 2007

South Lakes Dairy
Att: Mr. Fred Schakel
5595 Ave. 96,
Pixley, California
USA 93272

Subject: GHG Verification Report for South Lakes Dairy

Period: For the years 2005 and 2006

Mr. Schakel,

As requested, we have executed an independent review of specific Green House Gas Offsets projects (Target Projects) undertaken by South Lakes Dairy for the years 2005 and 2006.

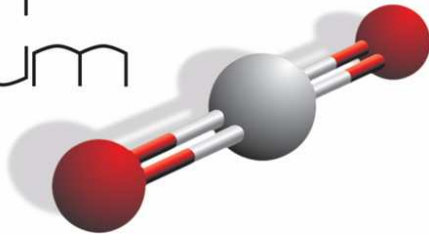
This review has been performed in partnership with the Bureau de Normalisation du Quebec (BNQ) and our verification has been done based on the International Standard Organisation (ISO) publication 14064-3. Please find enclosed the verification report from BNQ and the translated report which is true to the original.

We have verified in depth the GHG Emission Reduction Quantification Report annexed and have corroborated the information included by asking the necessary questions and we have obtained all the answers to our questions, and this, to our entire satisfaction. Also we visited the company premises.

This report indicates that a total of 7767 metric tons of CO₂eq has been generated through target projects for 2005, 11026 metric tons of CO₂eq for 2006.

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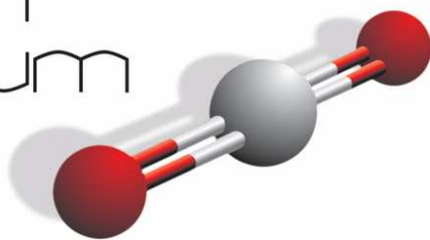


To our knowledge this report represents faithfully the current situation at South Lakes Farm and is accurate. For more information, please consult the attached GHG Emission Reduction Quantification Report.

Roger Fournier CA
President
Carbon Quantum Foundation

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TRANSLATION OF THE ORIGINAL REPORT ISSUED BY BNQ

**VERIFICATION REPORT ON THE REDUCTION OF
GREEN HOUSE GAS EMISSION**

SOUTH LAKES DAIRY

File BNQ No: 36596-9

Presented to:

M. Roger Fournier

CARBON QUANTUM

6, Desaulniers Blvd., suite 600

Saint- Lambert, Quebec, J4P 1L3

Prepared by:

Charles Landry

Isabelle Landry

Controller of GHG with BNQ

Fondation Carbon Quantum Foundation

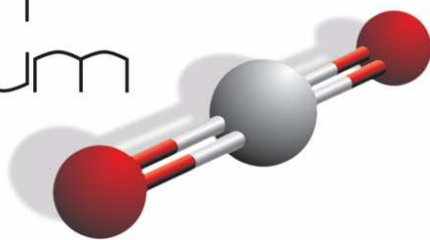
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VERIFICATION REPORT OF GREEN HOUSE GAS EMISSION

File no: 36596-9 – South Lakes Dairy

Company represented by:

Mr. Ryan Schakel
South Lake Dairy
5595 Ave. 96
Pixley, CA 93272

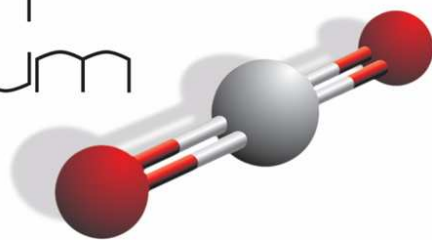
Report prepared by:

Isabelle Landry, responsible auditor

Date

Fondation Carbon Quantum Foundation

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VERIFICATION REPORT OF GREEN HOUSE GAS EMISSION

File no: 36596-9 – South Lakes Dairy

1. Verification criteria

The steps taken in the verification of credentials to support the declaration of green house gas emission (GHG) for South Lakes Dairy and the ones carried out on November 7th, 2006, had for objective to permit BNQ to issue a letter of opinion concerning the reduction of GHG presented in the Companies' report (May 4, 2007 version) and with a level of reasonable assurance.

The verification exercise was realized by demands inspired by the standard of ISO 14064-3:2006 entitled: Specifications and management lines for validation and verification declaration of green house gas emission. The verification report is presented formally in section 6.0.

Also it is important that the entirety of the document is taken into consideration for the decision related to the project.

2. Verification team

The members of the verification team are the followings:

- Isabelle Landry, auditor responsible for the verification
- Charles Landry, auditor

3. Information on the organization aimed at by the verification of the project.

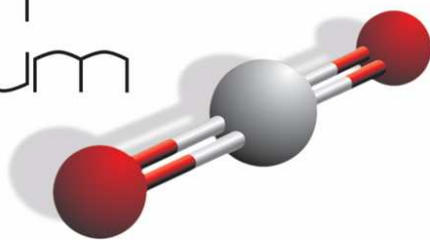
The description of the project and reference scenario, the types of CHG. involved, the sources of emission of the GHG and the period covered by the project are elements that have been clearly described in the project report. It was judged, not necessary the report all the information in the smallest detail. However, the summary listed below can help in the reading of the present report of verification.

Project

Using two mechanical separators and a processing pit (equipment supplied by US Farm) as a measure to better separate the solid part from the liquid part of the cleansing waters of the alleyways of the farm buildings, the liquid part semi purified is sent into lagoons (separation of gravity) and the solid part being reused in the fields and on the farm.

Reference scenario

Separation of gravity of the cleansing waters from the alleyways of the farm buildings through the lagoons only.



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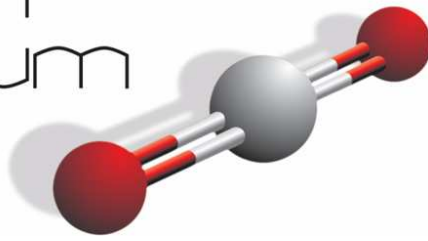
CHG. types and sources of emission (list taken directly from the project report:

Table 4: GHG Emission Sources

	GHG Emission Sources	Baseline Scenario Emissions (A Level)	Farm System Scenario Emissions (B Level)	GHG Quantification (A-B level)	GHG Type	Source Type
1	Enteric Emissions	Baseline level	No change	0	CH4, N2O	Controlled
2	Free Stalls	Baseline level	No change	0	CH4, N2O	Controlled
3	Underground collection system (processing pit)	N/A	Negligible	CH4, N2O negligible CO2 quantified	CH4, N2O CO2	Controlled
4	Separator Solid Waste Stack	N/A	Low level	Quantified	CH4, N2O	Controlled
5	Lagoon - Liquid Waste	Baseline level	Lower Level	Quantified	CH4, N2O	Controlled
6	Dredged Lagoon - Solid Waste	Negligible	Reduced	Reduction not quantified	CH4, N2O	Controlled
7	Construction emissions	Low level	Low level	Negligible*	CO2	Associated
8	Maintenance Emissions (US Farm)	Negligible	Negligible	Negligible*	CO2	Associated
9	Maintenance – Fertilizer/bedding	Baseline level	Less hauling	Negligible	CO2	Controlled

* Note: sources quantified and less than 1% of total or de minimis.

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Period covered by the project
Year 2005 and 2006

CHG. declaration of the organization (taken from the project report)

Allowance	OTC
Year	tCo2 equiv.
Goods	CER
2005	7 767
2006	11 026
Total	18 793

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Notion of relative importance

The relative importance has not been established as a fixed value for this project and the uncertainty related to the data of activities and the coefficient emission have been considered in their entirety.

4. Verification context and activities

The BNQ has been mandated by FondationCarbon Quantum to realize the verification. The project report of the company has been furnished by BNQ and is the final version of May 4, 2007 (following the integration of correctives issued from the review of the documents) and a visit on site was performed November 7th 2006.

Review of data and resolution of the correctives measures.

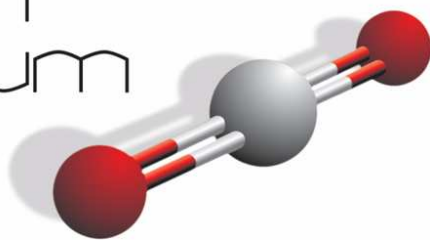
The review of the credentials was realized on April 25th 2007. A demand for corrective action has been delivered, the same as the demands for clarification. The corrective measures proposed to make up for the difference between the answers to our demands for clarification have been supplied totally to BNQ by the quantifier on May 4, 2007 and they were evaluated and judged satisfactory.

Preparations for the on site visit

In view of the realization steps were taken for the verification at South Lakes Dairy, Mr Rejean Houle of US Farm has been met in order to provide appropriate information on the equipment utilized for the mechanical separation of manure and their functioning. Also, the maintenance of the farm equipment has been approached. This interview was followed by a first visit at Bos Farm (another farm used as an example) and this, with an employee from US Farm, in order for him to demonstrate the maintenance process, verification and cleaning of the equipment.

Certain documents were supplied before the visit and examined in order to prepare our visit. These documents included:

- Purchase invoices for equipment from US Farm;
- Farm data (number of cows, numbers of acres, types of culture);
- Data of milk production;
- Receipts for sales of livestock (indicating the weight of cows sold);
- Partial data compiled by the agronomist bound with certain characteristics of performance for the equipment;
- Operation permit (special use permit PSP 98-061)



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Verification approach at the aimed premises

By following the planning for the visit and the verification list prepared before hand, the on sight verifications will consist of the following:

- complete visit of the premises and the installations;
- interview with Ryan Schakel, exploitation- owner.
- consultation of several documents such as the plans to the premises, permits from governmental authorities, invoices for energy consumption ;
- technical report bearing on the lagoons.

Preparation of the verification report

The preparation of the verification report was done following the steps taken to revise the documentation and visit the premise, taken into consideration 1) the correctives measures proposed to correct the gap and 2) the project report modified consequently (version dated May 4, 2007).

5. Evaluation of the quantification method of the GHG bound by the project

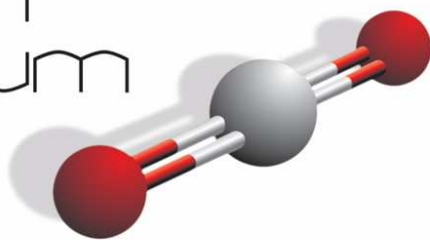
Reference utilize

As per the information supplied by the quantifier, the project report has been prepared in part inspired by the ISO 14064-2. However, the verification objectives where not consisting in providing an opinion in accordance with this standard.

Quantifying method, choices of sources and types of GHG pertinent

The approach that was chosen for the quantification of the CHG. project is connected with use of emission factors, which are combined with certain activity data to quantify the GHG through formulas issued from inventory documents of GHG from the Environmental Protection Agency (EPA) and from the Intergovernmental Panel on Climate Change (IPCC). In the absence of emission data directly under surveillance and measured, this method is recognize as being suitable. The same, the choice of emission factors are based primarily on these references.

When all is said and done, the GHG quantities issued from the project and the ones from the reference scenario have been compared and this, for each year (2005 and 2006), in order to establish the reduction of CHG. These reductions where presented as t CO₂e, by using the potential global warming prescribed as the standard of ISO 14064-2 and issued by the IPCC. The calculations have been supplied to BNQ for verification.



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As a result of the implementation of correctives measures corresponding to the gap identified in the review of all documents the necessary justifications in the choice of sources considered to quantify the project emission and those from the reference scenario it seems to us practically completed. Also, the visit of the premises has helped to confirm the information.

Choice of the reference scenario (Gravity separation for the water used in cleansing)

Initially, the references in support of certain elements from the reference scenario were not sufficient to ensure the representation at best the conditions most likely to prevail currently for the management of the manure generated from the dairy farms from the Central Valley of California. However certain elements of additional information have been brought to this scenario, the study from the EPA that has conferred a better picture of the actual situation for the management of the manure from these farms.

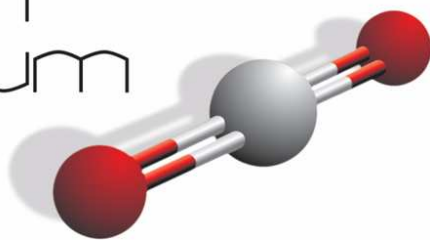
It is clear that the reference scenario for the management of the manure represents a good portion of the farms in Central Valley California (about 60%), the other methods of management uses less frequently or, in certain cases less performant.

We are comfortable with this scenario as a base of comparison for the project, especially since it is issued from local data, it is sufficiently conservative and, as information supplied, respects the legal applicable in the matter of the environment.

Activity data of the Company

The activity data of the Company and the other data used in the formulas (other than the emission factor) have been collected by the quantifier from different information sources, particularly Ryan Schakel (historical data and others), the documents from the EPA and those of IPCC. This data has been verified by the auditors.

As to the percentage retention from the organic material on the separators, the data has been retrieved from a study by Chastain, J.P. and al (2001) and supported par other university studies or hypothesis outcome relatively conservative (trying not to over-evaluate the retention). This data seems suitable in the context where the equipment has been sufficiently maintained during the years by South Lakes Dairy. The information and proof concerning the maintenance of the separators of South Lakes Dairy and supplied by US Farm (demonstration of maintenance and invoices to support the different interventions on the farm) reassures us on this matter.



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Evaluation and consideration of the uncertainty

This report offer's a section on uncertainty and the limits related to the quantification of CHG. for this s project. We stipulate particularly that a big part of the uncertainty comes from the use of emission factors such as the potential global warming that are uses to convert the CHG into t CO₂ (without as much being able to quantify it separately in connection to the uncertainty bound by global approach) and that the markets of OTC (where the credits are negotiated) seems to recognize and accept this uncertainty, and on top of the sources of uncertainty (for a value of 10%).

It remains no less that the report is not very precise as to establishing the value of uncertainty related to the declaration of GHG starting from +/-20% for the approach to global warming concerning the CH₄, which composes almost all of the reductions, which represents a value of +/- 3759 t CO₂e in connection with the reduction of a value of 18 793 t CO₂e.

However, the approach to the quantification of the reductions is more conservative on several levels. Also, in the light of this information supplied in the report, it seems that the uncertainty finds itself in the limits accepted by the market of OTC.

Quality Project management and conservation of documents

This section of the report stay's brief. However the on site verifications and the informal interviews realized during the audit confirms to us that a lot of care has been given to these elements. We are reassured on these questions.

6. Verification notice on the declaration of CHG.

Concerning the declaration of CHG. for South Lakes Dairy and all that follows, we conclude that:

- the information provide is true, fair and supported, as known that the total emissions for 2005 and 2006 rise about 18 793 t CO₂e, concerning the uncertainty tide (refer to the text above on the uncertainty);
- the principle of pertinence, completion, consistency, and transparence have been respected;
- the notion of uncertainty is not exhausted in this report.

IMPORTANT NOTICE

The present is the English version of the report (36596-9 of May 9th 2007) constitutes the official version of the verification report.

Confidentiality

BNQ assure the confidentiality of all information provided to them during the course of verification as well as documents provided by the company will be preserved in there files afterwards. No relative information to the present audit will be communicated to a third party, other than the organization that accredit BNQ (in that case) without obtaining the written authorization from the client. Besides, the content of this verification report cannot be used in it's entirely or in part without obtaining the authorization from the BNQ.

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