



Financial Report

Q3
2007



leader mondial dans le traitement écologique des ordures ménagères_une approche socialement responsable_ **leader mondial** dans le traitement
ans le **traitement écologique des ordures ménagères**_une approche socialement responsable_ leader mondial dans le traitement écologique des
r mondial dans le traitement écologiquedes ordures ménagères_ **une approche socialement responsable**_ leader mondial dans le traitement des c

Period ending September 30, 2007

CONPOREC INC.
CONSOLIDATED BALANCE SHEETS
As at

	September 30, 2007 (unaudited) \$	December 31 2006 (audited) \$
ASSETS		
Currents assets		
Cash	960,667	306,101
Temporary investments	163,830	3,951,056
Accounts receivable (note 6)	2,756,482	3,497,583
Work in progress (note 7)	313,513	319,715
Prepaid expenses	408,902	377,456
Total currents assets	4,603,394	8,451,911
Property, plant and equipment	14,939,945	10,860,384
Intangible assets	705,658	776,943
	20,248,997	20,089,238
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	3,825,679	5,025,630
Future income tax liabilities	50,000	50,000
Current portion of long-term debt (note 3)	1,332,901	5,883,902
Current portion of debentures (note 3)	32,856	7,081,319
Total current liabilities	5,241,436	18,040,851
Long-term debt (note 3)	256,834	161,060
Long-term debentures (note 3)	131,423	131,423
Shareholder's equity		
Share capital (note 4)	24,130,837	17,985,929
Contributed surplus (note 4)	442,809	390,123
Warrants (note 4)	6,775,000	3,200,000
Deficit	(16,569,122)	(19,814,528)
Cumulative translation adjustment	(160,220)	(5,620)
	14,619,304	1,755,904
	20,248,997	20,089,238

See accompanying notes

The consolidated financial statements included in this report have not been reviewed by the Company's external auditors.

On behalf of the Board of Directors:

Signed _____
Laurier Pedneault

Signed _____
Jean Beaudoin

CONPOREC INC.
CONSOLIDATED STATEMENTS OF INCOME
For the periods ended September 30, 2007

	Three-month period		Nine-month period	
	2007 (unaudited)	2006 (unaudited)	2007 (unaudited)	2006 (unaudited)
	\$	\$	\$	\$
Revenues	1,541,541	1,367,273	5,185,478	5,280,632
Direct operating expenses	1,597,877	1,367,443	4,448,901	4,457,113
Income before sales and administrative expenses and other items	(56,336)	(170)	736,577	823,519
Sales and administration costs	847,490	1,210,741	3,120,076	3,205,598
Loss before the following items	(903,826)	(1,210,911)	(2,383,499)	(2,382,079)
Depreciation of property, plant and equipment	153,817	140,670	442,809	441,503
Amortization of intangible assets	23,762	22,522	71,285	67,566
Interest on long-term debt and debentures	6,338	215,291	189,823	629,474
Interest and bank charges	37,197	11,143	70,578	43,073
Profit from write-off of debts and debentures (note 3)	(0)	-	(6,924,155)	-
	221,114	389,626	(6,149,660)	1,181,616
Profit (loss) before income taxes	(1,124,940)	(1,600,537)	3,766,161	(3,563,695)
Current income taxes	-	23,155	-	162,680
Future income taxes	-	-	-	-
Net profit (loss)	(1,124,940)	(1,623,692)	3,766,161	(3,726,375)
Deficit at the beginning of the period	(15,444,182)	(16,970,005)	(19,814,528)	(14,867,322)
Share issue costs	-	-	(520,755)	-
Deficit at the end of the period	(16,569,122)	(18,593,697)	(16,569,122)	(18,593,697)
Net profit (loss) per share				
Basic	(0.01)	(0.03)	0.03	(0.07)
Diluted	(0.01)	(0.03)	0.03	(0.07)
Weighted average common shares outstanding				
Basic	126,924,131	60,177,760	117,347,820	56,397,334
Diluted	126,924,131	60,177,760	117,548,092	56,397,334

CONPOREC INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the periods ended September 30, 2007

	Three-month period		Nine-month period	
	2007 (unaudited)	2006 (unaudited)	2007 (unaudited)	2006 (unaudited)
Net profit (loss)	(1,124,940)	(1,623,692)	3,766,161	(3,726,375)
Other items of the comprehensive income, net of income taxes:				
Net change in non realized profits (losses) resulting from the translation of the financial statements of self-sustaining foreign operations.	(30,380)	82,746	(154,600)	116,675
Comprehensive income	(1,155,320)	(1,540,946)	3,611,561	(3,609,700)

See accompanying notes

The consolidated financial statements included in this report have not been reviewed by the Company's external auditors.

CONPOREC INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the periods ended September 30, 2007

	3-month period		Nine-month period	
	2007 (unaudited) \$	2006 (unaudited) \$	2007 (unaudited) \$	2006 (unaudited) \$
OPERATING ACTIVITIES				
Net loss for the quarter	(1,124,940)	(1,623,692)	3,766,161	(3,726,375)
Adjustments for				
Depreciation of property, plant and equipment	153,817	140,670	442,809	441,503
Amortization of intangible assets	23,762	22,522	71,285	67,566
Accrued interest on long-term debt	-	52,389	-	155,457
Compounded interest on debentures	-	4,298	-	12,902
Stock-based compensation	17,562	39,601	52,686	109,811
Profit from write-off of debts and debentures (note 3)	-	-	(6,924,155)	-
	(929,801)	(1,364,212)	(2,591,214)	(2,939,136)
Net change in non-cash working capital items	310,131	46,648	(484,093)	(186,408)
Cash flows related to operating activities	(619,670)	(1,317,564)	(3,075,307)	(3,125,544)
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(368,169)	(37,034)	(4,382,371)	(230,963)
Cash flows related to investing activities	(368,169)	(37,034)	(4,382,371)	(230,963)
FINANCING ACTIVITIES				
Common shares and warrants issued	0	1,500,000	7,500,000	3,000,000
Decrease in bank loan	-	-	-	(38,400)
Common share and warrant issue costs	(0)	-	(520,755)	-
Increase in long-term debt	0	294,800	1,429,617	1,762,755
Repayment of long-term debt	(36,356)	(740,270)	(3,929,244)	(1,236,653)
Cash flows related to financing activities	(36,356)	1,054,530	4,479,618	3,487,702
Effect of exchange rates on cash and cash equivalents	(30,380)	82,746	(154,600)	116,675
Net increase on cash and cash equivalents	(1,054,575)	(217,322)	(3,132,660)	247,870
Cash and cash equivalents, beginning of the quarter	2,179,072	1,152,436	4,257,157	687,244
Cash and cash equivalents, end of the quarter	1,124,497	935,114	1,124,497	935,114
Supplementary information				
Interest paid	43,536	133,380	260,402	461,115
Income taxes paid	-	23,155	-	162,680

See accompanying notes

The consolidated financial statements included in this report have not been reviewed by the Company's external auditors.

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF THE ACTIVITIES AND METHOD OF PRESENTATION

The Company is established under the Canada Business Corporations Act and is involved in integrated waste management and waste reclamation activities.

The Company's interim unaudited consolidated financial statements have been prepared according to the Generally Accepted Accounting Principles of Canada and conform to those in the 2006 annual report.

Certain corresponding figures have been reclassified in order to conform to the method of reporting adopted during the current period.

2. SUMMARY OF THE PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies of the Company are indicated in "note 2" of the 2006 audited consolidated financial statements. The Company adopted the following changes in 2007.

- a) Section 3855, *Financial instruments – recognition and measurement*, describes the standards for recognizing and measuring financial assets, financial liabilities and derivatives. All financial assets, with the exception of loans and investments that are classified as held-to-maturity, loans and receivables and all other derivative financial instruments must be measured at fair value. All financial liabilities classified as held for trading purposes must be measured at fair value. Otherwise, they are measured at cost. The adoption of this new standard did not have a significant effect on the Company's consolidated financial statements.
- b) Section 1530, *Comprehensive income*, and section 3251, *Equity*. Comprehensive income represents the change, during a given period, in a company's net assets resulting from transactions or events and circumstances from sources other than the company's shareholders. It includes items that would not normally be included in net earnings, such as changes in the currency translation adjustment relating to self-sustaining foreign operations or unrealized gains or losses on available-for-sale investments. This section describes how to report and disclose comprehensive income and its components. Section 3251, *Equity*, replaces section 3250, *Surplus*, and describes the standards regarding the reporting of equity and changes in equity as a result of the requirements of section 1530, *comprehensive income*. Upon the adoption of these standards, the consolidated financial statements now include the comprehensive income. The comparative statements are restated to reflect application of this section for changes in the balances of the foreign currency translation of self-sustaining foreign operations.
- c) Section 3865, *Hedges*, describes how and when hedge accounting can be used. Under hedge accounting, all gains, losses, revenues and expenses from the derivative and the item it hedges are recorded in the statement of operations in the same period. The adoption of this new standard did not have a significant effect on the Company's consolidated financial statements.

3. LONG TERM DEBT AND PROFIT ON WRITE-OFF OF DEBTS AND DEBENTURES

In March 2007, the Company proceeded with a major restructuring of its debts and debentures, which generated a profit of \$6,924,155 resulting from the write-off of debts and debentures.

DESCRIPTION OF THE SETTLEMENT:

Debts and debentures included in the settlement	\$12,904,063
Value of shares issued (8,319,631 shares)	(\$2,079,908)
Cash payment	(\$3,750,000)
Costs related to the settlement	(\$150,000)
<hr/>	
Profit on write-off of debts and debentures	\$6,924,155

The following table summarizes the evolution of the long term debts and debentures since the end of the 2006 fiscal year:

	September 30, 2007	December 31, 2006
Loans from the Caisse Populaire Pierre-de-Saurel and Investissement Québec	\$ 0	\$ 5,785,705
Debentures Caisse Populaire Pierre-de-Saurel Investissement Québec, and accumulated interest on debentures	\$ 0	\$ 6,702,934
Debentures Centre local de développement du Bas-Richelieu	\$ 0	\$ 345,529
Obligations relating to rental-purchases contracts, repayable by monthly instalments until 2012	\$ 389,735	\$ 259,257
Debentures Canada Economic Development repayable by five (5) equal payments from 2007 to 2011	\$ 164,279	\$ 164,279
Debt on the acquisition of the La Prade Industrial Park	\$1,200,000	\$ 0
	<hr/>	<hr/>
	\$1,754,014	\$13,257,705
Short term portion of debts and debentures	(\$1,365,757)	(\$12,965,222)
	<hr/>	<hr/>
	\$ 388,257	\$292,583

4. SHARE CAPITAL

a) AUTHORIZED

An unlimited number of common shares without per value.

	Number	Amount
Balance as at December 31, 2006	82,390,214	\$17,985,929
Common shares issued as part of a private investment	35,714,286	\$3,925,000
Common shares issued as part of the settlement of debts and debentures	8,319,631	\$2,079,908
Shares issued as part of the transaction to buy the La Prade Industrial Park	500,000	\$140,000
Balance as at September 30, 2007	<hr/>	<hr/>
	126,924,131	\$24,130,837

On February 21, 2007, Conporec issued 35,714,286 units in exchange for \$7,500,000, or \$0.21 per unit. Each unit is comprised of one common share from Conporec and a warrant giving the holder the right to purchase one common share from Conporec at a cost of \$0.23 per share no later than February 21, 2009. The warrants are valued at \$3,575,000.

On March 21, 2007, Conporec received a discharge from its main creditors, Desjardins and Investissement Québec, which allowed the Company to eliminate \$12,558,534 in debts and debentures from its balance sheet. In exchange, Conporec made a cash payment of \$3,750,000 plus accumulated interest and issued 7,519,631 common shares of its capital valued at \$0.25 per share, with a total value of \$1,879,908.

On March 23, 2007, Conporec received a discharge for the non-secured debenture of the Centre local de Développement du Bas-Richelieu, which allowed the Company to eliminate a debenture valued at \$345,529 from its balance sheet, in exchange for the issuance of 800,000 common shares of its capital valued at \$0.25 per share, with a total value of \$200,000.

On June 14, 2007, Conporec issued 500 000 shares at \$0.28 each, as part of the transaction to buy the land and buildings of the La Prade Industrial Park in Becancour.

b) STOCK OPTIONS

Concurrent with the reverse takeover in 2005, the Company adopted a stock options plan to grant administrators, managers, employees and consultants of the Company options to purchase common shares. The maximum number of common shares that can be issued under the plan cannot exceed 4,882,498. No option may be granted for a period greater than five years. No option was granted, cancelled or exercised during the period of January 1, 2007 to September 30, 2007. The Company had 3,074,190 options in circulation as of September 30, 2007, of which 1,440,000 are included in the stock options plan.

The fair value of each option granted was determined using the Black-Scholes pricing model and accounted for using a graduated vesting schedule. As such, the Company had a compensation expense of \$17,562 in the third quarter of 2007, offset by the contributed surplus.

c) CURRENT WARRANTS

Date granted	Number	Price \$	Expiry date
May 27, 2005 ⁽¹⁾	8,395,177	\$0.57	June 23, 2008
March 24, 2006	6,000,000	\$0.25	March 24, 2008
August 18, 2006	6,000,000	\$0.25	August 18, 2008
December 22, 2006	19,047,619	\$0.23	December 22, 2008
February 21, 2007 ⁽²⁾	35,714,286	\$0.23	February 21, 2009
	<u>75,157,082</u>		

⁽¹⁾ On June 26, 2007, a press release has been published indicating that the expiry date of these warrants was extended to June 23, 2008.

⁽²⁾ As part of the private investment of \$7,500,000, the Company issued 35,714,286 warrants. A total amount of \$3,575,000 was allocated to the warrants using the Black-Scholes pricing model, according to the following weighted average hypotheses:

Risk-free interest rate	4.08%	Expected duration	2 years
Dividend rate expected	0 %	Volatility	75%

5. SEGMENTED INFORMATION

The Company's activities fall into two distinct categories, the operations of waste treatment plants and development projects including solicitation, the sale of processes and the construction of new plants on national and international markets. The classification of these sectors of activity is established according to the origin of the sales and the structure of the costs incurred for these two types of activities.

The EBITDA corresponds to the line entitled "Earnings before the following items" on the consolidated income statement.

a) INFORMATIONS BY SECTOR OF ACTIVITY

	Nine-month period	
	September 30 2007 \$	September 30 2006 \$
Waste treatment plan		
Sales	4,724,662	4,922,786
EBITDA	(52,413)	(474,585)
Depreciation of fixed assets	442,809	441,503
Development projects and elimination		
Sales	460,816	357,846
EBITDA	(2,331,086)	(1,907,494)
Depreciation of intangible assets	71,285	67,566
Total		
Sales	5,185,478	5,280,632
EBITDA	(2,383,499)	(2,382,079)
Depreciation of assets	514,094	509,069
Assets	20,248,997	17,263,900

b) INFORMATIONS BY GEOGRAPHIC SECTOR

	Nine-month period	
	September 30 2007 \$	September 30 2006 \$
Sales		
Canada	4,977,343	5,051,749
United States	90,165	140,601
France	117,970	88,282

6. RECEIVABLE

The following table details accounts receivable for September 30, 2007 and December 31, 2006 respectively.

	September 30, 2007 \$	December 31, 2006 \$
Accounts receivable ⁽¹⁾	2,073,202	2,902,572
Joint ventures ⁽²⁾	357,476	353,105
Tax credit ⁽³⁾	218,859	215,928
Other ⁽⁴⁾	106,945	25,978
	2,756,482	3,497,583

⁽¹⁾ Accounts receivable include the consolidation of receivables resulting from the normal course of operations of the Sorel-Tracy plant, Conporec SAS (Tournan-en-Brie), the consortium held by equal parts with Stearns & Wheeler Services (New York) and the internal development team of Conporec.

⁽²⁾ Following the consolidation of the joint venture activities, this amount represents the portion of intercompany accounts receivable owed by the project partner.

⁽³⁾ This amount represents the different tax credits for research and development and other grants for which the Company expects to be reimbursed.

⁽⁴⁾ This amount represents mainly the warranty deposits done for development contracts.

7. WORK IN PROGRESS

This amount includes work performed by Conporec inc. for Conporec SAS as part of the Tournan-en-Brie project. These amounts are accounted for at cost and the client will be invoiced once work has resumed.

8. EFFECT OF THE PROFIT ON WRITE-OFF ON THE INCOME STATEMENT

Without the effect of the profit on write-off of debts and debentures, the Company would have presented a net loss for the six-month period, which would have had the following effect on income.

CONPOREC INC.
CONSOLIDATED STATEMENTS OF INCOME (WITHOUT PROFIT FROM WRITE-OFF)
For the periods ended September 30, 2007

	Three-month period		Nine-month period	
	2007 (unaudited)	2006 (unaudited)	2007 (unaudited)	2006 (unaudited)
	\$	\$	\$	\$
Revenues	1,541,541	1,367,273	5,185,478	5,280,632
Direct operating expenses	1,597,877	1,367,443	4,448,901	4,457,113
Income before sales and administrative expenses and other items	(56,336)	(170)	736,577	823,519
Sales and administration costs	847,490	1,210,741	3,120,076	3,205,598
Loss before the following items	(903,826)	(1,210,911)	(2,383,499)	(2,382,079)
Depreciation of property, plant and equipment	153,817	140,670	442,809	441,503
Amortization of intangible assets	23,762	22,522	71,285	67,566
Interest on long-term debt and debentures	6,338	215,291	189,823	629,474
Interest and bank charges	37,197	11,143	70,578	43,073
	221,114	389,626	774,495	1,181,616
Profit (loss) before income taxes	(1,124,940)	(1,600,537)	(3,157,994)	(3,563,695)
Current income taxes	-	23,155	-	162,680
Future income taxes	-	-	-	-
Net profit (loss)	(1,124,940)	(1,623,692)	(3,157,994)	(3,726,375)
Net profit (loss) per share	-	-	-	-
Basic	(0.01)	(0.03)	(0.03)	(0.07)
Diluted	(0.01)	(0.03)	(0.03)	(0.07)
Weighted average common shares outstanding	-	-	-	-
Basic	126,924,131	60,177,760	117,347,820	56,397,334
Diluted	126,924,131	60,177,760	117,347,820	56,397,334

9. SUBSEQUENT EVENTS

The Company has announced on October 25, 2007, the finalization of a contractual agreement for the construction of a sorting-composting plant in the Mindarie region (Australia). Conporec will receive \$4.5M in total compensation for income and royalties.