Conporec

Management's discussion and analysis

2007

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Period ending December 31, 2007

1. MANAGEMENT DISCUSSION AND ANALYSIS REPORT (AS OF MARCH 26, 2008)

1.1 INTRODUCTION

The following management discussion and analysis report includes a review of the consolidated financial statements of Conporec inc. (the "Company"). It must be read together with the consolidated financial statements of the Company and the accompanying notes for the period ending December 31, 2007. The statements have been prepared according to the Generally Accepted Accounting Principles of Canada (Canadian GAAP), and are in Canadian dollars.

1.2 FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. All statements with the exception of those regarding historical facts, are forward-looking statements. Shareholders may retrieve many of these statements by using words such as "estimates", "plans", "could", "can", "may", "intends", "anticipates", "continues", other similar words or the negative of these words. There is nothing to guarantee that the plans, intentions or expectations on which the forward-looking statements are based will be realized. The forward-looking statements are subject to risks, uncertainties and hypotheses, including those dealt with elsewhere in the present financial analysis of the management. Although the Company believes that the predictions in these forward-looking statements are reasonable, there is no guarantee that they will be accurate. The section "Risks and Uncertainties" presents the risks that could have an effect on future income and that could cause the actual income to differ greatly from the one predicted in the forward-looking statements.

The information in the present report shows other factors that may have an effect on the operating income and performance of the Company. Please read these factors carefully.

The forward-looking statements presented are subject to the conditions of the present report. The forward-looking statements included are provided as of the date of the report and the Company will not update or publicly review these forward-looking statements to account for any new information, subsequent events, results, circumstances or other.

1.3 ADDITIONAL INFORMATION

All references to the "EBITDA" in this document are representative of the earnings before interest, income taxes and depreciation. The term "EBITDA" is not defined by the Canadian GAAP however the Company believes that the presentation of EBITDA makes it easier to understand the financial conditions, operating income and cash assets since EBITDA is used by the Company to meet its obligations regarding its bank debt, the purchase of capital assets and other operating needs as well as the financial needs for its development.

1.4 FINANCIAL INFORMATION

The following table presents the Company financial performance over the last two years. The annual data is extracted from the detailed financial information included in the Company's audited consolidated financial statements and the accompanying notes. The quarterly data was extracted from the non-audited Company's consolidated financial statements and the accompanying notes.

Comparative financial information
(in thousands of Canadian dollars, except for the amounts per share)

	Year 2007 (audited)	Year 2006 (audited)	Q4-2007	Q3-2007	Q2 - 2007	Q1 - 2007 (unaudited)	Q4 - 2006	Q3 - 2006	Q2 - 2006	Q1 - 2006
Income	7,554 $	8,004 $	2,369 $	1,542 $	1,841 $	1,803 $	2,724 $	1,367 $	1,832 $	2,081 $
Direct operating expenses	6,480 $	6,652 $	2,031 $	1,598 $	1,457 $	1,394 $	2,196 $	1,367 $	1,047 $	2,042 $
Gross profit	**1,074 $**	**1,352 $**	**338 $**	**(56) $**	**384 $**	**409 $**	**528 $**	- $	**785 $**	**39 $**
Sales and administration costs	4,415 $	4,322 $	1,295 $	847 $	1,209 $	1,063 $	1,116 $	1,211 $	1,067 $	928 $
Ebitda	**(3,341) $**	**(2,970) $**	**(958) $**	**(903) $**	**(825) $**	**(654) $**	**(588) $**	**(1,211) $**	**(282) $**	**(889) $**
Financial expenses	327 $	883 $	66 $	44 $	26 $	191 $	211 $	226 $	227 $	219 $
Depreciation and Amortization	686 $	692 $	172 $	178 $	171 $	165 $	183 $	163 $	174 $	172 $
Profit from write-off of debts and debentures	(6,924) $	- $	- $	- $	- $	(6,924) $	- $	- $	- $	- $
Others items	- $	(19) $	- $	- $	- $	- $	(182) $	23 $	140 $	- $
Net profit (loss)	**2,570 $**	**(4,526) $**	**(1,195) $**	**(1,125) $**	**(1,022) $**	**5,913 $**	**(800) $**	**(1,623) $**	**(823) $**	**(1,280) $**
Net profit (loss) per share	0.21 $	(0.77) $	(0.09) $	(0.09) $	(0.08) $	0.60 $	(0.12) $	(0.27) $	(0.14) $	(0.24) $
Weighted average number of shares outstanding (thousands)	11,976	5,862	12,692 $	12,692 $	12,651 $	9,829	6,523	6,018	5,734	5,288
Cash flows related to operating activities	(2,852) $	(3,064) $	223 $	(620) $	(849) $	(1,607) $	62 $	(1,318) $	110 $	(1,918) $
Total assets	20,150 $	20,089 $	20,150 $	20,249 $	21,352 $	21,758 $	20,089 $	17,264 $	16,199 $	19,234 $
Total debts and debentures	1,821 $	13,258 $	1,821 $	1,754 $	1,790 $	563 $	13,258 $	13,158 $	13,547 $	13,737 $
Shareholder's equity	13,399 $	1,756 $	13,399 $	14,619 $	15,757 $	16,715 $	1,756 $	(1,005) $	(1,004) $	(281) $

1.5 2007 RESULTS ANALYSIS

The following table presents the results of the twelve-month period ending December 31, 2007 and a comparison with the corresponding period of 2006.

Summary of twelve-month results - Periods ending December 31, 2007 and 2006

	Twelve-month period 2,007	Twelve-month period 2,006	Increase (Decrease)	%	Note
Income	7,554,207	8,003,307	(449,100) $	-5.6%	1.5.1
Direct operating expenses	6,480,099	6,651,659	(171,560) $	-2.6%	1.5.2
Gross profit	1,074,108	1,351,648	(277,540) $	-20.5%	1.5,3
Sales and administration costs	4,415,363	4,321,491	93,872 $	2.2%	1.5.4
Ebitda	(3,341,255)	(2,969,843)	(371,412) $	-12.5%	1.5.5
Net profit (loss)	2,570,879	(4,526,398)	7,097,277 $	156.8%	1.5.6
Net profit (loss) per share	**0.21**	**(0.77)**	**0.99 $**		

1.5.1 INCOME

The Company ended its fiscal year with revenues of $7,6M compared with $8,0M in 2006, a decrease of 5,6%. This decrease was mainly due to the shutdown of the modernization work at the sorting-composting facility in Tournan-en-Brie, France which is still on hold as a result of our client not obtaining his construction permit. In 2006, the activities at Tournan-en-Brie generated revenues of $0,8M, while this year the revenues were at $0. For the moment, management has no information on when the work will resume but remains confident to see a short term work completion. When the work does resume, the Company will realize more than $5,7M in additional income, given that about 43% of the project has already been completed.

In summary, most of this year revenues come from the Sorel-Tracy operating unit secure from the MRC du Bas-Richelieu and the City of Toronto contracts while the new Bécancour operating unit had started generating revenues from the City of York contract.

1.5.2 DIRECTS OPERATING EXPENSES

The direct yearly operating costs were at $6,5M compared with $6,7M in 2006, a decrease of 2,6%. This decrease resulted from the shutdown of the work at the Tournan-en-Brie plant, thus no direct costs were engaged in 2007 for this project.

1.5.3 GROSS MARGIN

The 2007 gross margin stands at $1,1M or 14% of the revenues compared with $1,35M or 17% of the revenues in 2006. The major element of this decrease in 2007 was the absence of higher margin generated by the Tournan-en-Brie project.

1.5.4 SALES AND ADMINISTRATION COSTS

The sales and administration costs are about the same for both years at $4,4M. Specifically, in 2007, they are at $0,6M for the administration of the operating facilities, $0,6M for the Canadian (TSX-V) and European (Alternext) stock markets expenses and finally, $3,2M for all engineering development (revenues of $0,7M) and management team expenses. Throughout 2007, the Company was actively involve in six new tenders for new operating facilities at Haute-Yamaska, Ottawa and York in Canada, and also in France at St-Pierre-et-Miquelon, Cavaillon and Smitred.

Moreover, management considers that these development efforts must be perceived as a long-term investment that should lead to several national and international contracts. Obtaining a contract such as the one in Australia is the result of more than four years of marketing efforts, providing the Company with international exposure and credibility.

1.5.5 EARNING BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)

Based on the preceding comments, the Company had a negative EBITDA of $3,3M, a decrease of $2,4M compared to 2006.

1.5.6 NET PROFIT

The Company reported a net profit of $2,6M (or $0.21 per share) for the full year of 2007, mainly due from a non-recurring debts and debentures redemption completed in the first quarter of 2007. Thus, Conporec redeemed $12,9M of debts and debentures in exchange of $3,9M in cash payment and a share capital issuance of $2,1M for a net profit impact of $6,9M including settlement expenses. This major financial restructuring eliminated most of the Company debts, as well as considerable recurrent financial charges. In fact, interest charges on debts were reduced from $0,8M in 2006 to $0,2M in 2007. The Company ended the full year 2006 with a net loss of $4,5M (or $0.77 per share).

1.5.7 CASH FLOW

Operating activities before non cash working capital items utilized $3,6M in 2007 comparatively to a $3,4M usage in 2006. The majority of this amount was used for the development activities since Conporec was very active with many bids or tenders (see 1.5.4), throughout the year.

Investing activities used $4,4M mainly for the acquisition of Parc industriel La Prade in Bécancour and the realization of some infrastructure works at that location. This project completion will need a total investment of $9M and will process more than 40 000 tons of organics waste annually.

The financing activities generated a net $7,0M through a private placement of shares and warrants completed in February 2007. Conporec used $4,0M of this amount to settle a debt redemption with its creditors (see 1.5.6). Also, $1,5M of new debts were added including a $1,2M purchase price balance for the Parc industriel La Prade acquisition in June 2007.

The Company ends 2007 with $1,3M in cash and cash equivalent.

1.5.8 FINANCIAL SITUATION

The Company working capital stands at a $2M negative at the end of 2007, comparing to a negative $9,6M in 2006, representing an improvement of $7,6M between the two periods. In March 2007, the Company has completed a debt redemption settlement with its lenders (see 1.5.6) which explains mainly the 2007 working capital improvement.

The fixed assets increased to $15,1M, following the acquisition and works done at Parc industriel La Prade. They are composed of the Sorel-Tracy facility which has a book value of $10,4M and a $4,7M for the La Prade facility.

The intangible assets are represented by the acquired technology of Biomax in July 2005 and stand at $0,7M at the end of 2007.

Following the redemption of most of its debts in March 2007, the Company balance sheet shows debts of only $1,82M, compared to $13,3M a year earlier. The debts are composed of a purchase price balance of $1,2M for the acquisition of Parc industriel La Prade, $0,46M for capital lease contracts and an "Economic Development of Canada" debenture of $0,16M.

Finally, the Company shows a shareholders' equity of $13,4M at the end of 2007, a major improvement of $11,6M when compared to 2006 at only $1,8M. This major improvement is related to the net private placement of $7,0M in February 2007 and the $6,9M debts and debentures redemption in March 2007.

1.6 ISSUED AND OUTSTANDING SHARES

An unlimited number of common shares with no face value are authorized. On November 29, 2007, the Company proceeded to a ten to one consolidation of its outstanding common shares. All references to number of shares and per-share data include the consolidation.

	Number	Value
Balance as of December 31, 2006	8,239,021	$ 17,985,929
Common shares issued as part of a private investment	3,571,429	$ 3,925,000
Common shares issued as part of the settlement of debts and debentures	831,963	$ 2,079,908
Shares issued as part of transaction to buy a land and buildings	50,000	$ 140,000
Balance as of December 31, 2007	12,692,413	$ 24,130,837

On February 21, 2007, the Company issued 3,571,429 units in connection with a private placement consisted of an amount of $7,500,000 at a price of $2.10 per unit. Each unit consisted of one common share and one warrant on which entitling it to purchase one common share of Conporec at a price of $2.30 until February 21, 2009. A value of $3,575,000 was allocated to warrants.

On March 22, 2007, the Company had concluded agreements with its main creditors, Desjardins and Investissement Québec, to redeem debts and debentures from its balance sheet of an amount totalling $12,558,534. The counterpart was cash of $3,750,000 plus the accrued interest and the issuance of 751,963 common shares for $1,879,908 value at a price of $2.50 per common share.

On March 23, 2007, the Company had concluded an agreement with Centre local de développement du Bas-Richelieu to redeem a debenture worth $345,529 from its balance sheet in consideration of the issuance of 80,000 common shares worth $200,000 at a price of $2.50 per common share.

On June 14, 2007, the Company issued 50,000 common shares at a price of $2.80 per common share in connection with the acquisition of land and building located at Parc industriel La Prade in Bécancour.

1.7 STOCK OPTIONS AND WARRANTS

The note 7 of the consolidated financial statements shows the detail of the stock options and warrants as per December 31, 2007.

1.8 DEBTS AND DEBENTURES

The note 6 of the consolidated financial statements shows the detail of the debts and debentures as per December 31, 2007.

1.9 DERIVATIVE FINANCIAL INSTRUMENTS

The Company has no access to hedging instruments for foreign exchange risks of other nature.

1.10 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no significant off-balance sheet arrangement other than lease for its business place and rent of office equipments which will require disbursements of $79,449 in 2008 and $3,400 each year for 2009, 2010 and 2011.

1.11 RELATED PARTY TRANSACTIONS

The following table presents the transaction between related parties.

	2007	2006
Transactions with companies controlled by directors	**$**	$
Directs operating costs	**21,510**	52,213
Additions to property, plant and equipment *	**445,000**	-

* This amount was paid to Congebec Capital in connection with the acquisition of Parc Laprade located in Bécancour. This amount includes $270,000 related to the purchase of Parc Laprade and reimbursments of $175,000 of various expenses paid by Congebec Capital related to this project.

These transactions are in the normal course of business and mesured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

At year-end, accounts payable and accrued liabilities included the following amounts due to related parties:

	2007	2006
	$	$
Shareholders	-	-
Companies controlled by directors	-	22,678
	-	22,678

1.12 ACCOUNTING POLICIES

The significant accounting policies adopted by the Company are indicated in notes "2" and "3" of the audited consolidated financial statements of December 31, 2007.

1.13 USE OF ESTIMATE

The consolidated financial statements of the Company were prepared by management in accordance with the Canadian GAAP. During the preparation of these financial statements, management must make estimates and formulate hypotheses in regards to the amounts in the consolidated financial statements and accompanying notes. The actual results may differ from these estimates. According to management, the consolidated financial statements were adequately prepared and with good judgment within their relative importance and according to the accounting principles summarized hereunder.

1.13.1 FIXED ASSETS AND INTANGIBLE ASSETS WITH LIMITED-LIFE

The fixed assets and intangible assets with a limited useful life from Biomax in 2005 were accounted at cost and amortized according to their estimated life, the period during which we believe the assets will contribute to the future cash flow of the Company. The use of different assumption based on the useful life could result in different book values.

1.13.2 IMPAIRMENT OF LONG LIVED ASSETS

The long term assets were reviewed to determine whether they were subject to depreciation when events or changes in situation indicate that the book value of an asset may not be recoverable. The depreciation is evaluated by comparing the book value of an asset with the undiscounted future net cash flows anticipated with use in addition to its residual value. If we consider that the value of an asset was subject to depreciation, the amount of depreciation to be recorded would correspond to the surplus of the book value of the asset over its fair value.

1.13.3 STOCK-BASED COMPENSATION AND OTHER PAYMENTS

Compensation related to the granting of stock options is calculated according to the Black-Scholes pricing model. The Company considers estimates and assumptions concerning the risk-free interest rate, expected duration and expected volatility in order to establish the fair value of the stock options. The use of different hypotheses could result in different book values for compensation.

The Company's management must provide several assumptions that could affect the results of the stock options evaluation, considering that the Company has little historical data. Consequently, the Company used assumptions according to its best judgment based on comparisons on the market and other available sources of information.

1.14 SUBSEQUENT EVENTS

On February 27, 2008, the Company announced that the Board of Directors authorized a private placement of CAD$5,000,000 to CAD$6,000,000 or €3,333,000 to €4,000,000 (the «private placement»). Amsterdams Effectenkantoor B.V., a broker and asset manager based in Amsterdam, NE, already partner of Conporec, will assist the Company for the closing process of this private placement.

According to the term sheet, this private placement will be carried out at a price of CAD$1.00 per share, or €0.67 per share, which corresponds to February 26, 2008 closing of the Conporec listed share price on TSX Venture Stock Exchange. A total amount between 5 000 000 and 6 000 000 of new shares will be issued to complete the private placement with an expected closing date of March 31st, 2008. The ordinary shares issued for this private placement will be subject to a detention period of four months, all in accordance with Canadian regulatory Authorities.

The proceeds from this private placement will be used to finance the current activities of the company, and to complete the construction of its source separated organics processing facility as well as to initiate the development of its environmental technologies demonstration site at Parc La Prade, Bécancour (Ca). It should be reminded that this waste recovery site has all the necessary environmental approvals as well as two signed contracts which will provide annual recurring incomes of CAD$6.5 million.

1.15 CONTROLS AND PROCEDURES

1.15.1 DISCLOSURE CONTROLS AND PROCEDURES

The Company's information controls and procedures are designed to reasonably ensure that all relevant information is collected and reported to upper management, including the president and chief executive officer and the chief financial officer, on a regular basis so that the appropriate decisions can be made regarding public disclosure. Effectiveness of the design and operation of the Company's information controls and procedures was assessed on December 31, 2007 by and under the supervision of the Company's management, including the president and chief executive officer and the vice-president of finance. Based on this assessment, the president and chief executive officer and the vice-president of finance concluded that our information controls and procedures, as defined in Regulation 52-109, effectively ensure that the required information is disclosed in the reports the Company files or submits under the Canadian Securities Regulators, and that it is registered, processed, synthesized and presented during precise periods under these regulations and in these forms.

1.15.2 INTERNAL CONTROL OVER FINANCIAL REPORTING

In the framework of Regulation 52-109 (certification of disclosure in issuers' annual and interim filings), the president and chief executive officer and the chief financial officer, along with the other members of management, have developed internal financial information controls in order to reasonably ensure the reliability of the financial information and prepare financial statements for external purposes in accordance with widely recognized accounting principles.

One must consider that a control system, regardless of how well it is designed and operated, can only provide reasonable (not absolute) assurance that its objectives will be reached. Due to the limits inherent to all control systems, it is impossible to assure in absolute terms that all cases subject to control, including eventual fraud cases, will be detected. These inherent limits include, among others, (i) hypotheses and judgments made by management that could later be deemed erroneous under different conditions and circumstances or (ii) the impact of isolated errors.

Moreover, the controls can be bypassed by individual, unauthorized acts, collusion involving two or more people or by a decision reached by management. Furthermore, all control systems are designed based in part on the occurrence of hypothetical events. It is therefore impossible to ensure that it will be able to take all future parameters and conditions into account.

In light of the work it has carried out, the Company has identified certain weaknesses in its internal controls. It concerns:

- The Company has identified a weakness concerning a lack in segregation of duties. The limited amount of in-house resources makes it impossible to completely separate incompatible tasks. The Company believes that this weakness has not impacted its results since the involvement of senior management in current operations compensates for the lack in segregation of duties.

1.16 RISK FACTORS

The following section describes certain factors relative to the Company's activities. Current or future shareholders should read this section carefully. These risks and uncertainties are not the only ones the Company is facing or will face. Additional risks and uncertainties that the Company is unaware of or deems to be negligible at this time could also adversely affect its operations. If any of these risks became reality, the Company's activities, financial situation, liquid assets and operating results could be significantly affected.

1.16.1 Exclusive Intellectual property rights

The Company uses technologies for which it holds certain Intellectual Properties. It is very possible that other commercial corporations will independently produce similar products, rendering the Company's products superfluous.

The Company's commercial success depends generally on its ability to protect its Works and Trademarks and carry out its activities without infringing on the Intellectual Property rights of third parties and without having its own rights infringed upon.

It is not certain that ownership and the exclusive use of its Works and Trademarks can be proven. There is no assurance that the Company's intellectual property is adequately protected from the products of its competition. In business practice, it is sometimes necessary to disclose certain trade secrets, as well as knowledge that makes up part of the Intellectual Property.

1.16.2 Needs for funds

Although the Company, following the financial restructuring of the first quarter of 2007, has the funds needed for short-term growth, it must acquire the funds needed to carry out its development and business plans in their entirety, namely for equity participation in its projects. There is no guarantee that additional funds will be available under acceptable conditions and according to terms that will favour the Company's growth.

1.16.3 Competition and technical Obsolescence

Besides the fact that the Company must compete with existing technology, its competition and new companies are continually launching new products on the market. In order to remain at the leading edge of technology, the Company must constantly update its integrated solid waste management technologies, as well as develop related products and services. Should it be coming from new integrated solid waste management solution development or the merging or acquisition of existing companies or subsidiaries, competition within the solid waste management industry offering solutions similar to the Company's own is fierce and is expected to grow even more so. Most of the company's competitors have significantly better financial, technical, distribution and marketing resources to deploy their offering. Technological advances and product development could reduce the value of the Company's technologies or even render them obsolete.

1.16.4 Growth management and market development

There is no guarantee that the Company will be able to significantly develop its market, which will affect its profitability. The rapid growth of the Company's field of activity could put considerable pressure on management, production and technical resources. The Company also foresees future increases in operating and personnel costs. In order to manage its growth, it may need to hire more technical and operational personnel and manage these personnel while effectively maintaining business relations with third parties. There is no guarantee that the Company will be able to manage its business growth. Its inability to implement coherent management systems, add economic resources or adequately manage its expansion would have a significant and unforeseeable effect on its activities and operating results.

1.16.5 Conflicts of interest

Some of the Company's administrators, directors, promoters and other members of management may one day be the administrator, director, promoter or member of another company's management. Consequently, a conflict of interest may arise between their duties as an administrator, director, promoter or member of the Company's management and their duties as administrator, director, promoter or member of the other company or companies' management.

There is no guarantee that in carrying out their duties for the Company, they will not find themselves in situations that could lead to a conflict of interest. Furthermore, there is no guarantee that these conflicts will be settled on the Company's interest.

The Company's administrators and directors are aware of existing laws that govern administrator's responsibility concerning business opportunities to the company interest and require that directors disclose their conflicts of interest. They are also aware that the Company will invoke these laws in the event of conflicts of interest involving administrators and directors or in the event of any breach of duty by its administrators and directors. All conflicts of interest must be disclosed by the administrators and directors according to the governance of the applicable legislation concerning commercial corporations and must act to the best of their skill and ability according to their legal obligation.

1.16.6 DEPENDENCE TO MARKET DEMAND

The vast majority of the Company's income is generated by sales of its integrated solid and organic waste management solutions, related products and services. It estimates that these products and services will continue to make up an important contribution to its income in the foreseeable future. Future sales of integrated solid waste management solutions will be largely dependent on new client base. As a result, the Company is especially vulnerable to demand fluctuation for integrated solid waste management solutions. If demand for the Company's solutions, related products and services drops considerably, the Company and its operating results could be negatively impacted.

1.16.7 PRICING

The highly competitive market, in which the Company does business, could put pressure to lower its pricing policies. If its competitors are offering large discounts on products and services in order to regain market share, obtain new shares or sell other integrated solid waste management solutions, the Company may have to lower its prices and offer discount terms in order to compete successfully. These actions could reduce the profit margins and have a negative impact on the Company's operating results. Company's competitors could consolidate integrated solid waste management solutions for promotional purposes of a long-term pricing retention strategy, to offer price guarantees or to market new products. Over time, these practices could limit the price the Company can fix for its products. If the Company cannot offset the drop in pricing by increasing sales or lowering expenses, the loss income generated for its integrated solutions could affect his operating profit.

1.16.8 DEPENDENCE ON KEY PERSONNEL

The Company relies on the services of its technical employees and key management personnel. The loss of any of these individuals could have a significant impact on the Company, its operating results and financial situation. The Company's success is largely dependent on its continued ability to identify, hire, train, motivate and retain highly competent management, technical, sales and marketing personnel. Competition for its employees may become fierce and the Company cannot ensure that it will be able to attract or retain highly competent technical and management personnel in the future. Inability to attract and retain the necessary technical, management, sales and marketing employees could have a negative impact on its future growth and profitability. The Company may be forced to increase salary to current employees or to new employees in such a way that it's operating expenses could be impacted substantially.

1.16.9 EMPLOYEE RELATIONS

The Company received on July 16, 2007, a request to unionize its production facility at Sorel-Tracy. A deterioration of its relations with the employees of this facility may be possible and could have a negative impact on the Company results.

1.16.10 ACQUISITIONS

In the future, the Company may selectively acquire products or businesses that could complete its offer. It is possible that the Company may not yet be able to identify appropriate acquisition opportunities at a reasonable cost, be able to make an acquisition or successfully integrate an acquired product or business into its activities. The Company may face competition for companies interested in, including other parties that may have greater resources.

1.16.11 Product error and omission

Products manufactured and distributed by the Company are complex and may, as a result, contain errors and omission that may be detected at any time during the product's life cycle. Such errors and omission could have a significant impact on the Company's reputation, incur considerable costs, delay the launch of new products and affect the Company’s ability to sell its products in the future. The cost of correcting an error and omission could be significant and negatively affect its operating margins. Although the Company intends to continue testing its products and work with its clients thru its support and maintenance services in an effort to detect and correct errors, it is possible that errors and omission may occur in the future.

1.16.12 Environment

The Company's activities may be significantly affected by the constant evolution of environmental laws and regulations, which required conformity to environmental standards and the obligation to make correction when these standards are not respected. The Company could also be exposed to inherent risks tied to the environmental conditions of its facilities. The Company must respect the environmental laws through companies it may acquire. Although the Company endeavours to respect the environmental laws and regulations in each of its facilities, there is no guarantee that its activities or the activities carried out previously on the premises occupied by the Company will not entail conformity obligations imposed through civil or criminal enforcement procedures or by private lawsuits that could have a significant negative impact on the Company’s profit.

1.16.13 Uncertainty in the solid waste management market

The market on which the Company produces and distributes its products is dependent on economic conditions that affect the broader solid waste management market. Market downturns may cause companies to delay or cancel integrated solid waste management solution purchases, reduce their overall solid waste management budgets or cancel product orders. In this context, clients could experience financial difficulties, and differed their order of the Company's products or stop doing business with the Company. This situation could lead to longer sales cycles, late payment, non-payment or non-collection as well as downward pressure on prices, which could generate less income and smaller margins for the Company.

1.16.14 Exchange rate

Portion of the Company's income is generated in American dollars and Euros, but a large portion of its operating expenses are in Canadian dollars. Fluctuations in the exchange rate between foreign currencies could have a considerable negative effect on the Company, its financial situation and operating results.

1.16.15 Technical obsolescence of the main fixed assets

The Company’s Sorel-Tracy facility has been in intensive operation for over 15 years. Although a preventive maintenance program is strictly followed, significant, unplanned breakage could occur, which could lead to more or less significant production breakdown. In that event, the Company may not be able to maintain its income at the expected level, nor ensure the expected profitability levels.

1.16.16 Insurance

The Company has contingent liability insurance, which covers theft, fire and fire damage, accidental loss of asset value and bodily injury in the amounts, provided by the insurance companies and according to the terms it deems appropriate, while taking all relevant factors into account. However, there are certain types of disasters (generally catastrophic) such as earthquakes and floods that cannot be insured or are not economically insurable. The Company will rely on its judgment to determine the appropriate amounts, limits of liability and deductible provisions so that the insurance coverage is purchased at a reasonable cost and under suitable terms. As such, in the event of a disaster, the insurance may not be sufficient to cover the fair market value or replacement value of the assets the Company has lost. Moreover, certain factors could lessen interest in using the insurance proceeds to replace assets that have been damaged or destroyed. In that event, the insurance proceeds receives may not be appropriate to regain the economic position of these assets. There is no guarantee that the Company's insurance coverage will continue to be offered under reasonable terms and that the insurance company will not decline coverage regarding all future insurance claims. The Company's activities, financial situation, working capital and operating results could be negatively affected if any of the above-mentioned events should occur.