



Management's discussion and analysis



**Q3
2007**

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Period ending September 30, 2007

1. MESSAGE FROM THE PRESIDENT

The third quarter of 2007 has seen the continuing development and preparatory work of the SSO plant in Bécancour, as well as discussions on its financing and contracts.

LA PRADE INDUSTRIAL PARK

During the second quarter of 2007, Conporec has proceeded with the acquisition of the property and has initiated works for the SSO Management Center, which is the first phase of the major La Prade Environmental Park project. During the third quarter, Conporec has continued with preparatory work on the site and the buildings. The Company has also procured some processing equipment

Also during that third quarter, the Company has worked intensively to secure agreements for the supply of raw materials for the new plant. These negotiations should lead to the execution of SSO processing contracts for the Bécancour site, in addition to the existing agreements, namely with the City of Toronto.

MARKET DEVELOPMENT

During this quarter, the development team has concentrated its efforts which led to the submittal of five proposals or qualification documents, four in France and one in Canada. All these projects are based on Conporec's composting or sorting-composting technologies, and should bring positive results within the next months.

As well, active contract negotiations with the Mindarie Regional Council in Australia have continued and led on October 25, 2007 to the announcement by both MRC and Conporec of the upcoming construction of a 100,000 tonnes annual capacity sorting-composting plant.

RESEARCH & DEVELOPMENT

As mentioned in the previous quarterly report, R&D work and the latest improvements to the Sorel-Tracy plant have helped us obtain a certification for our compost from the Bureau de normalisation du Québec on July 4, 2007. This certification, a first in Quebec and in Canada, provides clients with the assurance that our compost achieves to the world's most stringent criteria and standards for agronomical and environmental quality. It also allows Conporec to confirm the value and quality of its sorting-composting technology.

The Conporec R&D team has also focused its efforts in the third quarter on improving production processes as well as to certify the sorting-composting technology in the carbon credit market. This will allow positioning Conporec to sell carbon credit in the carbon credit market currently being developed.

OPERATIONS

Conporec is currently finalizing discussions with Delaware County, where it delivered a fully operational plant, which is one of the best performing in the world. As for the Sorel-Tracy plant, Conporec continued its valorization activities for the City of Toronto and the MRC of Bas-Richelieu. Also, Conporec has conducted a review, of its Sorel-Tracy operations, as well as of its development activities. These efforts are giving already positive results, with a decrease of the development expenses.

FINANCIAL RESULTS

Quarterly financial results are consistent with the intense efforts and resources dedicated to the development of the Company. The quarter ends with a net loss of \$1,125,000 or (\$0.01) per basic and fully diluted share, compared to a net loss of \$1,623,000 or (\$0.03) per share for the same quarter in 2006, showing the impact of the Company's rationalization efforts. After three quarters, Conporec's net income is \$3,766,000 (or \$0.03 per basic and diluted share), including the exceptional income generated by the write-off of debts and debentures, compared to a loss of \$3,726,000 for the same period last year.

Conporec's management, with the full support of shareholders, will continue to use all the thoroughness and the ingenuity necessary to achieve its mission, in compliance with its strategic plan. Relying on the strategic successes achieved during the third quarter of 2007, Conporec will continue to develop its technologies, while closely monitoring the required efforts and resources. We are moreover convinced that the Company's operational results, especially with the beginning of the Australian contract and the operations in Bécancour and Sorel-Tracy, will bring a positive situation in the near future.

Jean Beaudoin
President and CEO

2. FINANCIAL ANALYSIS OF THE MANAGEMENT FOR THE QUARTER ENDING SEPTEMBER 30, 2007 (AS OF NOVEMBER 15, 2007)

2.1 INTRODUCTION

The following financial analysis of the management 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, 2006. The statements have been prepared according to the Generally Accepted Accounting Principles of Canada (Canadian GAAP), and are in Canadian dollars. The consolidated financial statements as at September 30, 2007 described in this report have not been audited by the Company's auditors.

2.2 FORWARD-LOOKING STATEMENTS

This financial analysis of the management contains forward-looking statements. All statements in the present financial analysis of the management, 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 represented in these forward-looking statements are reasonable, there is no guarantee that they will prove 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 that predicted in the forward-looking statements.

The information in the present financial analysis of the management reveals other factors that may have an effect on the operating income and performance of the Company. Please study these factors carefully.

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

2.3 ADDITIONAL INFORMATION

All references to the "EBITDA" in this document are representative of the earnings before taking into account 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.

2.4 FINANCIAL INFORMATION

The following table presents the financial information relating to the financial performance of the Company since it became a public company. The annual data is taken from the detailed financial information contained in the audited consolidated financial statements of the Company and the accompanying notes, while the quarterly data was taken from the non-audited consolidated financial statements of the Company and the accompanying notes.

Comparative financial information

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

	Year 2006 (audited)	Year 2005	Q3-2007	Q2 - 2007	Q1 - 2007	Q4 - 2006 (unaudited)	Q3 - 2006	Q2 - 2006	Q1 - 2006
Income	8,004 \$	10,264 \$	1,542 \$	1,841 \$	1,803 \$	2,724 \$	1,367 \$	1,832 \$	2,081 \$
Direct operating expenses	6,652 \$	8,166 \$	1,598 \$	1,457 \$	1,394 \$	2,196 \$	1,367 \$	1,047 \$	2,042 \$
Gross profit	1,352 \$	2,097 \$	(56) \$	384 \$	409 \$	528 \$	- \$	785 \$	39 \$
Sales and administration costs	4,322 \$	3,401 \$	847 \$	1,209 \$	1,063 \$	1,116 \$	1,211 \$	1,067 \$	928 \$
Ebitda	(2,970) \$	(1,304) \$	(903) \$	(825) \$	(654) \$	(588) \$	(1,211) \$	(282) \$	(889) \$
Financial expenses	883 \$	665 \$	44 \$	26 \$	191 \$	211 \$	226 \$	227 \$	219 \$
Depreciation and Amortization	692 \$	544 \$	178 \$	171 \$	165 \$	183 \$	163 \$	174 \$	172 \$
Profit from write-off of debts and debentures	- \$	- \$	- \$	- \$	(6,924) \$	- \$	- \$	- \$	- \$
Others items	(19) \$	354 \$	- \$	- \$	- \$	(182) \$	23 \$	140 \$	- \$
Net profit (loss)	(4,526) \$	(2,867) \$	(1,125) \$	(1,022) \$	5,913 \$	(800) \$	(1,623) \$	(823) \$	(1,280) \$
Net profit (loss) per share	(0.08) \$	(0.06) \$	(0.01) \$	(0.01) \$	0.06 \$	(0.01) \$	(0.03) \$	(0.01) \$	(0.02) \$
Weighted average number of shares outstanding (thousands)	58,618	44,625	126,924	126,512	98,293	66,226	60,178	57,343	52,884
Cash flows related to operating activities	(3,064) \$	(1,094) \$	(620) \$	(849) \$	(1,607) \$	62 \$	(1,318) \$	110 \$	(1,918) \$
Total assets	20,089 \$	17,608 \$	20,249 \$	21,352 \$	21,758 \$	20,089 \$	17,264 \$	16,199 \$	19,234 \$
Total debts and debentures	13,258 \$	12,672 \$	1,754 \$	1,790 \$	563 \$	13,258 \$	13,158 \$	13,547 \$	13,737 \$
Shareholder's equity	1,756 \$	(714) \$	14,619 \$	15,757 \$	16,715 \$	1,756 \$	(1,005) \$	(1,004) \$	(281) \$

2.5 ANALYSIS OF THE RESULTS OF THE 3RD QUARTER OF 2007

The following table presents the results of the 3rd quarter of 2007 ending September 30, 2007 and a comparison with the results of the corresponding quarter in 2006.

Summary of quarterly results - Periods ending September 30, 2007 and 2006

	Third quarter 2,007	2,006	Increase (Decrease)	%	Note
Income	1,541,541	1,367,273	174,268 \$	12.7%	2.5.1
Direct operating expenses	1,597,877	1,367,443	230,434 \$	16.9%	2.5.2
Gross profit	(56,336)	(170)	(56,166) \$	0.0%	2.5.3
Sales and administration costs	847,490	1,210,741	(363,251) \$	-30.0%	2.5.4
Ebitda	(903,826)	(1,210,911)	307,085 \$	25.4%	2.5.5
Net profit (loss)	(1,124,940)	(1,623,692)	498,752 \$	30.7%	2.5.6
Net profit (loss) per share	(0.01)	(0.03)	0.02 \$		

This table presents the results of the nine month period of 2007 ending September 30, 2007 and a comparison with the results of the corresponding period of 2006.

Summary of nine-month results - Periods ending September 30, 2007 and 2006

	Nine-month period 2,007	2,006	Increase (Decrease)	%	Note
Income	5,185,478	5,280,632	(95,154) \$	-1.8%	2.5.1
Direct operating expenses	4,448,901	4,457,113	(8,212) \$	-0.2%	2.5.2
Gross profit	736,577	823,519	(86,942) \$	-10.6%	2.5.3
Sales and administration costs	3,120,076	3,205,598	(85,522) \$	-2.7%	2.5.4
Ebitda	(2,383,499)	(2,382,079)	(1,420)	-0.1%	2.5.5
Net profit (loss)	3,766,161	(3,726,375)	7,492,536 \$	201.1%	2.5.6
Net profit (loss) per share	0.03	(0.07)	0.10 \$		

2.5.1 REVENUES

For the same period, third-quarter revenues for the fiscal year 2007 were 12.7% higher than those in 2006. They originated mostly from the contracts with the City of Toronto and the MRC of

Bas-Richelieu, both carried out at the Sorel-Tracy plant. During the third quarter of 2006, certain credits were awarded as part of the Tournan-en-Brie project; this mostly explains the revenues increase in the third quarter of 2007.

For the nine-month period of 2007, revenues have decreased by \$95k, or 1.8%.

2.5.2 DIRECT OPERATING COSTS

For the third quarter of 2007, direct operating costs have increased compared to the same quarter in the previous year. Credits from the Tournan-en-Brie project in the third quarter of 2006 and mechanical failures at the Sorel-Tracy plant, which have led to some production shutdowns, mainly explain this increase in costs during the third quarter of 2007, in comparison with 2006.

However, the total operating costs over the first nine months of 2007 are lower by \$8k, at \$4,449k.

2.5.3 GROSS MARGIN

During the third quarter of 2007, the gross margin was negative by \$56k, due to higher operating costs, which also impacted in the cumulative gross margin since the beginning of 2007. The gross margin is now 14.2%, compared to 15.6% for the first nine months of 2006.

2.5.4 SALES AND ADMINISTRATION COSTS

Compared to the previous year's corresponding quarter, sales and administration costs have decreased by 30% or \$363k. A decrease in professional fees and in expenses related to the engineering and development team and general administration, explains most of this significant decrease.

For the first nine months of 2007, the decrease was 2.7%. Despite a decrease in these costs, the Company continues to be extremely active in the preparation of various proposals for potential projects in Canada and abroad while keeping a tight control over its costs. Management maintains its development efforts to increase the Company's revenues in the short term, and achieve profitability.

2.5.5 EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION, AND AMORTIZATION (EBITDA)

EBITDA for the third quarter of 2007 was negative by \$904k, an improvement of \$307k compared to the negative result of \$1,211k for the corresponding quarter in 2006. The decrease in sales and administration costs explains this improvement.

For the first nine months of 2007, EBITDA was practically at the same level as in the corresponding period of 2006, with a negative value of \$2,383k.

2.5.6 NET (LOSS) INCOME

The Company ends its third quarter with a loss of \$1,125k or \$0.01 per share, an improvement of \$499k over the same quarter in 2006.

For the first nine months of 2007, the loss is \$3,158k or \$0.03 per share before the gain resulting from the write-off of \$6,924k in debts and debentures carried out in the first quarter of 2007. The loss after nine months is lower than in 2006, which was \$3,726k or \$0.07 per share, as a result of the lower interest expenses in 2007 following the settlement with bank creditors.

2.5.7 CASH FLOWS

2.5.7.1 OPERATING ACTIVITIES

During the third quarter of 2007, the Company had negative operating activities of \$930k before variation of non-cash items, compared to a negative amount of \$1,364k in 2006. This improvement is largely explained by a reduction of \$499k of the net loss in the third quarter.

During the first nine months of 2007, the Company has spent \$2,591k in its operations before the net variation of non-cash items, compared to \$2,939k for the corresponding period in 2006.

2.5.7.2 INVESTMENT ACTIVITIES

The Company acquired the La Prade Park in Bécancour during the second quarter of 2007 for the construction of a new SSO Waste Management Facility. The acquisition together with some infrastructure work involved total expenditures of \$3,1M in that quarter. During the third quarter of 2007, the Company carried out additional infrastructure work for \$250k. The project plans for the installation of \$6M worth of equipment, for a total project cost of \$9M. The Company is continuing with its effort to secure the financing required to complete the project. Also, during the quarter, the Company had to replace some equipment at its Sorel-Tracy plant.

For the nine-months period, investments totalled almost \$4,4M, most of which has been used for the acquisition of La Prade Park and to complete some work, compared to only \$231k for the first nine months of 2006.

2.5.7.3 FINANCING ACTIVITIES

During the quarter, the Company proceeded with the planned refund of \$36k on various loans pertaining to capital lease contracts on its equipment.

For the first nine months of 2007, financing activities involved changes in the net cash flow of almost \$4,5M, of which \$7,5M come from a subscription by Amsterdams Effectenkantoor B.V. (AEK) in February 2007, in the Company capital stock. This subscription was mainly used to refund the Company's long-term debt with the Mouvement Desjardins and Investissement Québec for a total of \$3,9M and for the acquisition of La Prade Park in Bécancour.

The Company used \$1,05M of its liquidity during the last quarter to cover its operating loss and perform infrastructure work. As of September 30, 2007, the Company had \$1,1M in liquidity.

2.5.8 FINANCIAL POSITION

As of September 30, 2007, the Company had \$1,1M in cash and fixed-term deposits, and \$2,8M in accounts receivable. This constitutes the main part of its current assets. Current liabilities are primarily composed of \$3,8M in accounts payable and expenses incurred, and a portion of the \$1,4M in long-term debt and short-term debentures due within a year, which itself is mainly composed of the balance of the \$1,2M sale price for the La Prade Park in Bécancour. Consequently, the Company's working capital as of September 30, 2007, was negative at \$638k. Fixed assets increased from \$10,9M (December 31, 2006), to \$14,9M (September 30, 2007), a result of the acquisition of La Prade Park in Bécancour and related work carried out.

Long-term liabilities of \$257k come from capital lease contracts on equipment. The long-term debenture of \$131k is owed to Canada Economic Development.

Shareholders equity as of September 30, 2007, totals \$14,6M compared to only \$1,8M on December 31, 2006. This improvement is the result of a \$7,5M subscription in the capital stock of the Company by "AEK" in February 2007 in the form of shares and stock purchase warrants, and to the financial reorganization of the Company's debts, which generated a gain of \$6,9M in debt and debenture write-off in March 2007.

As of September 30, 2007, the capital stock of the Company totalled 126,924,131 shares and 751,527,082 stock purchase warrants.

2.6 CAPITAL STOCK AUTHORIZED

An unlimited number of common shares with no face value are authorized.

	Number	Value
Balance as of 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 transaction to buy a land and buildings	500,000	\$ 140,000
Balance as of September 30, 2007	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 stock purchase 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 purchase 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 Bécancour.

2.7 DERIVATIVE FINANCIAL INSTRUMENTS

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

2.8 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no significant off-balance sheet arrangement other than leases which will require disbursements up to the end of 2007: \$19,839 and in 2008: \$79,356.

2.9 TRANSACTIONS BETWEEN RELATED PARTIES

The following table presents the transactions between related parties.

	Nine-month period	
	September 30, 2007	September 30, 2006
Transactions with shareholders		
Direct operating costs	16 011	66 178
Interest on long term debt	-	322 549
Fixed assets	-	101 862
Transactions with companies controlled by administrators		
Operating costs	-	36 667
Fixed assets **	445 000	-

** This amount was paid to Congebec Capital in relation to the Parc La Prade acquisition at Bécancour. It represents a compensation of \$270,000 paid for the acquisition of the Parc La Prade and a reimbursement of \$175,000 of amounts paid in advance by Congebec Capital for Conporec

These transactions took place during the normal course of business and are measured at the exchange rate, which is the amount of the exchange established and accepted by the related parties.

At the end of the period, the creditors and the costs incurred included amounts owed to related parties detailed as follows:

	September 30, 2007	December 31, 2006
Shareholders	-	-
Companies controlled by administrators	-	22 678
	-	22 678

2.10 ACCOUNTING POLICIES

The principal policies adopted by the Company are indicated in "note 2" of the audited consolidated financial statements of December 31, 2006. 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.

2.11 USE OF ESTIMATES

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.

2.11.1 LIMITED-LIFE FIXED ASSETS AND INTANGIBLE ASSETS

The fixed assets and intangible assets with a limited useful life from Biomax in 2005 were accounted for 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 hypotheses based on the useful life could result in different book values.

2.11.2 DEPRECIATION OF LONG TERM 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.

2.11.3 EQUITY-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 hypotheses 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 hypotheses that could affect the results of the evaluation of the stock options, considering that the Company has little historical data. Consequently, the Company used hypotheses according to its best judgment based on comparisons on the market and other available sources of information.

2.12 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.

2.13 CONTROLS AND PROCEDURES

No changes were made to the Company's internal controls and procedures during the quarter ending on September 30, 2007. Mr. Yvon Lévesque, which acted as Vice President Finance and Administration since April 2006, left the Company in August to pursue personal projects. The Company expresses its gratitude to Mr. Lévesque for his contribution. In the interim, Mr. Michel Désaulniers, Conporec's corporate controller since the very beginning, has been appointed as acting Vice President Finance and Corporate Secretary.

2.14 RISKS AND UNCERTAINTIES

The risk factors that the Company is facing are described in section 2.17 of the 2006 annual report.

2.15 CONTINGENCIES

From time to time, the Company may be party to a lawsuit during the normal course of its activities. As of September 30, 2007, the Company had no reason to expect that the current legal proceedings would result in significant unfavourable repercussions on its financial situation, the results of its operation or its ability to pursue one or another of its commercial activities.