



Financial Report

Q1
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 March 31, 2007

CONPOREC INC.
CONSOLIDATED BALANCE SHEETS
As at

	March 31, 2007 (unaudited) \$	December 31 2006 (audited) \$
ASSETS		
Currents assets		
Cash	2,224,680	306,101
Temporary investments	2,786,310	3,951,056
Accounts receivable (note 6)	3,548,658	3,497,583
Work in progress (note 7)	288,961	319,715
Prepaid expenses	540,391	377,456
Total currents assets	9,389,000	8,451,911
Property, plant and equipment	11,615,528	10,860,384
Intangible assets	753,181	776,943
	21,757,709	20,089,238
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	4,429,816	5,025,630
Future income tax liabilities	50,000	50,000
Current portion of long-term debt (note 3)	126,224	5,883,902
Current portion of debentures (note 3)	32,856	7,081,319
Total current liabilities	4,638,896	18,040,851
Long-term debt (note 3)	272,193	161,060
Long-term debentures (note 3)	131,423	131,423
Shareholder's equity		
Share capital (note 4)	23,990,837	17,985,929
Contributed surplus (note 4)	407,685	390,123
Warrants (note 4)	6,775,000	3,200,000
Deficit	(14,421,964)	(19,814,528)
Cumulative translation adjustment	(36,361)	(5,620)
	16,715,197	1,755,904
	21,757,709	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 quarters ended March 31

	3-month period	
	2007 (unaudited) \$	2006 (unaudited) \$
Revenues	1,802,781	2,081,717
Direct operating expenses	1,393,821	2,042,280
Income before sales and administrative expenses and other items	408,960	39,437
Sales and administration costs	1,063,337	928,117
Loss before the following items	(654,377)	(888,680)
Depreciation of property, plant and equipment Amortissement des frais reportés	141,659	149,614
Amortization of intangible assets	23,762	22,522
Interest on long-term debt and debentures	176,404	200,044
Interest and bank charges	14,634	19,035
Profit from write-off of debts and debentures (note 3)	(6,924,155)	-
	(6,567,696)	391,215
Profit (loss) before income taxes	5,913,319	(1,279,895)
Current income taxes	-	-
Future income taxes	-	-
Net profit (loss)	5,913,319	(1,279,895)
Deficit at the beginning of the period	(19,814,528)	(14,867,322)
Share issue costs	(520,755)	-
Deficit at the end of the period	(14,421,964)	(16,147,217)
Net profit (loss) per share		
Basic	0.06	(0.02)
Diluted	0.05	(0.02)
Weighted average common shares outstanding		
Basic	98,292,653	52,883,906
Diluted	115,502,676	52,883,906

CONPOREC INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the quarters ended March 31

	3 month-period	
	2007 (unaudited)	2006 (unaudited)
Net profit (loss)	5,913,319	(1,279,895)
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.	(30,741)	(26,373)
Comprehensive income	5,882,578	(1,306,268)

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 quarters ended March 31

	3-month period	
	2007	2006
	(unaudited)	(unaudited)
	\$	\$
OPERATING ACTIVITIES		
Net loss for the quarter	5,913,319	(1,279,895)
Adjustments for		
Depreciation of property, plant and equipment	141,659	149,614
Amortization of intangible assets	23,762	22,522
Accrued interest on long-term debt	-	51,249
Compounded interest on debentures	-	10,561
Stock-based compensation	17,562	30,609
Profit from write-off of debts and debentures (note 3)	(6,924,155)	-
	(827,853)	(1,015,340)
Net change in non-cash working capital items	(779,071)	(902,396)
Cash flows related to operating activities	(1,606,924)	(1,917,736)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(896,803)	(16,549)
Cash flows related to investing activities	(896,803)	(16,549)
FINANCING ACTIVITIES		
Common shares and warrants issued	7,500,000	1,500,000
Decrease in bank loan	-	(38,400)
Common share and warrant issue costs	(520,755)	-
Increase in long-term debt	166,937	1,467,955
Repayment of long-term debt	(3,857,881)	(256,107)
Cash flows related to financing activities	3,288,301	2,673,448
Effect of exchange rates on cash and cash equivalents	(30,741)	(26,373)
Net increase on cash and cash equivalents	753,833	712,790
Cash and cash equivalents, beginning of the quarter	4,257,157	687,244
Cash and cash equivalents, end of the quarter	5,010,990	1,400,034
Supplementary information		
Interest paid	189,298	118,186
Income taxes paid	-	-

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 during the first quarter of 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:

	March 31 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	\$398,417	\$259,257
Debentures Canada Economic Development repayable by five (5) equal payments from 2007 to 2011	\$164,279	\$164,279
	<hr/>	<hr/>
	\$562,696	\$13,257,705
Short term portion of debts and debentures	(\$159,080)	(\$12,965,222)
	<hr/>	<hr/>
	\$403,616	\$292,583

4. SHARE CAPITAL

a) AUTHORIZED

An unlimited number of common shares without par 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
	<hr/>	<hr/>
Balance as at March 31, 2007	126,424,131	\$23,990,837

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.

b) STOCK OPTIONS

Concurrent with the reverse takeover in 2005, the Company adopted a stock option 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 March 31, 2007. The Company had 3,074,190 options in circulation as of March 31, 2007, of which 1,440,000 are included in the stock option 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 first quarter of 2007, offset by the contributed surplus.

c) CURRENT WARRANTS

Date granted	Number	Price \$	Expiry date
June 23, 2005	14,597,300	\$0.57	June 23, 2007
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 ⁽¹⁾	35,714,286	\$0.23	February 21, 2009
	<u>81,359,205</u>		

⁽¹⁾ 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) INFORMATION BY SECTOR OF ACTIVITY	March 31, 2007 \$	March 31, 2006 \$
Waste treatment plant		
Sales	1,708,226	1,576,100
EBITDA	193,055	179,831
Depreciation of fixed assets	141,659	149,614
Development and elimination projects		
Sales	94,555	506,617
EBITDA	(847,432)	(1,068,511)
Depreciation of intangible assets	23,762	22,522
Total		
Sales	1,802,781	2,081,717
EBITDA	(654,377)	(888,680)
Depreciation of assets	165,421	172,136
Assets	21,757,709	19,223,866

b) INFORMATION BY GEOGRAPHIC SECTOR	March 31, 2007 \$	March 31, 2006 \$
Sales		
Canada	1,769,729	1,584,259
United States	30,803	51,782
France	2,249	445,676

6. RECEIVABLE

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

	March 31, 2007 \$	December, 31 2006 \$
Accounts receivable ⁽¹⁾	2,976,489	2,902,572
Joint ventures ⁽²⁾	355,579	353,105
Tax credit ⁽³⁾	190,604	215,928
Other	25,986	25,978
	3,548,658	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.

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, which would have had the following effect on income.

CONPOREC INC.
CONSOLIDATED STATEMENTS OF INCOME (WITHOUT PROFIT FROM WRITE-OFF)
For the quarters ended March 31

	3-month period	
	2007	2006
	(unaudited)	(unaudited)
	\$	\$
Revenues	1,802,781	2,081,717
Direct operating expenses	1,393,821	2,042,280
Income before sales and administrative expenses and other items	408,960	39,437
Sales and administration costs	1,063,337	928,117
Loss before the following items	(654,377)	(888,680)
Depreciation of property, plant and equipment	141,659	149,614
Amortization of intangible assets	23,762	22,522
Interest on long-term debt and debentures	176,404	200,044
Interest and bank charges	14,634	19,035
	356,459	391,215
Profit (loss) before income taxes	(1,010,836)	(1,279,895)
Current income taxes	-	-
Future income taxes	-	-
Net profit (loss)	(1,010,836)	(1,279,895)
Deficit at the beginning of the period	(19,814,528)	(14,867,322)
Share issue costs	(520,755)	-
Deficit at the end of the period	(21,346,119)	(16,147,217)
Net profit (loss) per share		
Basic	(0.01)	(0.02)
Diluted	(0.01)	(0.02)
Weighted average common shares outstanding		
Basic	98,292,653	52,883,906
Diluted	115,502,676	52,883,906

9. SUBSEQUENT EVENTS

The Company will soon be finalizing the acquisition of the land and buildings located in the Parc industriel La Prade in Bécancour with the goal of transforming the buildings into an organic waste reclamation plant. It has obtained all regulatory authorizations to do so. The total cost to purchase the land and buildings is \$2,670,000.