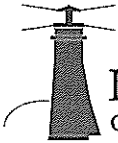


HENEY LAKE FOUNDATION
FINANCIAL STATEMENTS
MAY 31, 2007

SUMMARY

	Page
Auditors' report	2
Operations	3
Changes in net assets	4
Balance sheet	5
Cash flows	6
Notes to the financial statements	7 - 9



AUDITORS' REPORT

To the members of
HENEY LAKE FOUNDATION

We have audited the balance sheet of HENEY LAKE FOUNDATION as at May 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at May 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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Dumoulin Ethier Lacroix CA Inc.
Chartered accountants

Maniwaki, Québec
August 10, 2007

HENEY LAKE FOUNDATION**OPERATIONS****FOR THE PERIOD ENDED MAY 31, 2007**

Page 3

	2007	2006
Income		
Amortization of deferred contribution arising from a class action	\$ 74,628	\$ 162,110
Interest on investments	145,486	145,962
	220,114	308,072
Expenditures		
Restoration measures according to article 1.2 of the agreement		
Research contracts	68,169	116,339
Materials and professional fees	1,638	2,556
Inventory of septic tanks	487	23,137
Project management	2,119	13,530
Office, communications and travel	2,215	6,548
	74,628	162,110
Operation		
Professional fees	5,138	7,193
Insurances	3,794	3,829
Inventory of septic tanks	487	23,137
Office, communications and travel	322	677
Bank charges	115	259
	9,856	35,095
	84,484	197,205
Excess of income over expenditures	\$ 135,630	\$ 110,867

The accompanying notes are an integral part of these financial statements



HENEY LAKE FOUNDATION
CHANGES IN NET ASSETS
FOR THE PERIOD ENDED MAY 31, 2007

	2007			2006
	Appropriated for future legal fees	Unappro- priated	Total	Total
Balance, beginning of year	\$ 150,000	\$ 1,041,260	\$ 1,191,260	\$ 1,080,393
Excess of income over expenditures	-	135,630	135,630	110,867
Balance, end of year	\$ 150,000	\$ 1,176,890	\$ 1,326,890	\$ 1,191,260

The accompanying notes are an integral part of these financial statements

HENEY LAKE FOUNDATION

BALANCE SHEET

MAY 31, 2007

Page 5

	2007	2006
Assets		
Current assets		
Cash	\$ 40,453	\$ 1,568
Guaranteed investment certificate	-	25,000
Accrued interest on investments	29,117	40,902
	69,570	67,470
Investments, at cost (note 3)	4,033,095	3,935,832
	\$ 4,102,665	\$ 4,003,302
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 47,435	\$ 9,074
Deferred contributions (note 4)	2,728,340	2,802,968
	2,775,775	2,812,042
Net assets		
Appropriated for future legal fees	150,000	150,000
Unappropriated	1,176,890	1,041,260
	1,326,890	1,191,260
	\$ 4,102,665	\$ 4,003,302

Commitments (note 5)

On behalf of the board

_____, director

_____, director

The accompanying notes are an integral part of these financial statements



HENEY LAKE FOUNDATION

CASH FLOWS

FOR THE PERIOD ENDED MAY 31, 2007

Page 6

	2007	2006
Operating activities		
Excess of income over expenditures	\$ 135,630	\$ 110,867
Adjustment for :		
Amortization of deferred contributions	(74,628)	(162,110)
	61,002	(51,243)
Net change in non-cash working capital items (note 6)	75,146	15,530
	136,148	(35,713)
Investing activities		
Acquisition of investment	(2,124,499)	(1,035,349)
Proceeds of investment	2,027,236	1,060,134
	(97,263)	24,785
Increase (decrease) in cash and cash equivalents	38,885	(10,928)
Cash and cash equivalents, beginning of year	1,568	12,496
Cash and cash equivalents, end of year	\$ 40,453	\$ 1,568
Cash and cash equivalents consist of :		
Cash	\$ 40,453	\$ 1,568

The accompanying notes are an integral part of these financial statements



1. Statutes of incorporation and nature of activities

The Foundation is a legal entity incorporated under Part III of the Quebec Companies Act on July 19, 2004 in accordance with the terms of an agreement following a class action and its purpose is to manage the funds received set out in the said agreement.

The main activities of the Foundation consist of the rehabilitation of the Heney Lake and the conservation of its ecosystem and its watershed.

2. Significant accounting policy

Revenue

The Foundation uses the deferred method of reporting contributions. Contributions received from external sources in advance of making the related expenditures are deferred. Unappropriated contributions are recorded as revenue when they have been received or receivable, if the amount receivable can be estimated and can reasonably be determined.

3. Investments, at cost

	2007	2006
Bonds, rates varying between 3.550 % and 5.125 %, fair value of \$ 3,881,795 (\$ 3,870,766 in 2006)	\$ 3,909,513	\$ 3,887,883
Mutual Funds, fair value of \$ 100,454	100,454	-
Cash, rates varying between 1.50 % and 1.75 %	23,128	47,949
	\$ 4,033,095	\$ 3,935,832

HENEY LAKE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

Page 8

4. Deferred contributions

Deferred contributions represent unexpended resources received which are reserved to restorative measures for the rehabilitation of Heney Lake in accordance with paragraph 1.2 of the agreement. Variations in the deferred contributions account during the period are made up of the following :

	2007	2006
Initial amount received	\$ 3,200,000	\$ 3,200,000
Less: amount recorded as income in previous years	(397,032)	(234,922)
Less : amount recorded as income in year	(74,628)	(162,110)
Balance, end of year	\$ 2,728,340	\$ 2,802,968

5. Commitments

At the end of the year, the Foundation was committed to the following research contracts:

	Contract amount	Amount expended	Balance committed at end of year
Envir-eau :			
Rehabilitation of Heney Lake	\$ 212,500	\$ 38,651	\$ 173,849
Fondex :			
Inventory of septic tanks and identification of hazardous sanitary systems	36,131	-	36,131
	\$ 248,631	\$ 38,651	\$ 209,980



6. Net change in non-cash working capital items

	2007	2006
Guaranteed investment certificate	\$ 25,000	\$ -
Accrued interest on investments	11,785	28,887
Accounts payable and accrued liabilities	38,361	(13,357)
	<u>\$ 75,146</u>	<u>\$ 15,530</u>

7. Financial instruments

The financial instruments include all the monetary elements of the assets and liabilities which in due time will be settled by means of a cash payment or other form of payment.

Interest rate risk

The short term financial instruments do not carry interest.

Fair value

The fair value of the financial instruments is approximately equal to their carrying value given their maturity date.