

HENEY LAKE FOUNDATION
FINANCIAL STATEMENTS
MAY 31, 2005

SUMMARY

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AUDITORS' REPORT

To the members of
HENEY LAKE FOUNDATION

We have audited the balance sheet of HENEY LAKE FOUNDATION as at May 31, 2005 and the statements of operations, changes in net assets and cash flows for the initial eleven month period 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, 2005 and the results of its operations and its cash flows for the initial eleven month period then ended in accordance with Canadian generally accepted accounting principles.



Société en nom collectif
Chartered accountants

Maniwaki, Québec
September 20, 2005

HENEY LAKE FOUNDATION

OPERATIONS

FOR THE INITIAL ELEVEN MONTH PERIOD ENDED MAY 31, 2005

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Income

Agreement arising from a class action	
Quebec government	
Restoration measures according to article 1.1 of the agreement	\$ 1,740,000
Restoration measures according to article 1.2 of the agreement (note 5)	234,922
Gestion Serge Lafrenière Inc.	43,947
Interest on investments	96,459
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	2,115,328

Expenditures

Restoration measures according to article 1.2 of the agreement

Research contracts	184,023
Materials and professional fees	44,231
Inventory of septic tanks	2,124
Project management	2,327
Office, communications and travel	2,217
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	234,922

Operation

Professional fees	791,533
Insurance	5,738
Inventory of septic tanks	2,124
Office, communications and travel	196
Bank charges	422
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	800,013
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	1,034,935
Excess of income over expenditures	\$ 1,080,393

The accompanying notes are an integral part of these financial statements

HENEY LAKE FOUNDATION

CHANGES IN NET ASSETS

FOR THE INITIAL ELEVEN MONTH PERIOD ENDED MAY 31, 2005

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	Appropriated for future legal fees	Unappro- priated	Total
Balance, beginning of year	\$ -	\$ -	\$ -
Excess of income over expenditures	-	1,080,393	1,080,393
Appropriation from external sources	150,000	(150,000)	-
Balance, end of year	\$ 150,000	\$ 930,393	\$ 1,080,393

The accompanying notes are an integral part of these financial statements

HENEY LAKE FOUNDATION

BALANCE SHEET

MAY 31, 2005

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Assets

Current assets

Cash	\$	12,496
Guaranteed investment certificat		25,000
Accounts receivable (note 3)		69,789

107,285

Investments (note 4)

3,960,617

\$ 4,067,902

Liabilities

Current liabilities

Accounts payable and accrued liabilities	\$	22,431
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Deferred contributions

2,965,078

2,987,509

Net assets

Appropriated for future legal fees	150,000
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Unappropriated	930,393
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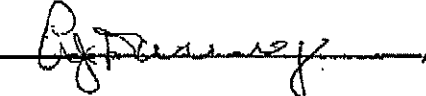
1,080,393

\$ 4,067,902

Commitments (note 6)

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 INITIAL ELEVEN MONTH PERIOD ENDED MAY 31, 2005

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Operating activities

Excess of income over expenditures	\$ 1,080,393
Adjustment for :	
Amortization of deferred contributions	(234,922)
	845,471
Net change in non-cash working capital items (note 7)	(72,358)
	773,113

Investing activities

Acquisition of investments	(3,960,617)
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Financing activities

Deferred contributions received	3,200,000
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Increase in cash and cash equivalents and cash and cash equivalents, end of year

\$ 12,496

Cash and cash equivalents consist of :

Cash	\$ 12,496
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The accompanying notes are an integral part of these financial statements

HENEY LAKE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2005

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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. The Foundation was created 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 the lake's 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. Accounts receivable

Amount receivable on class action agreement	\$	32,971
Accrued interest on investments		36,818
	\$	69,789

4. Investments

Bonds, rates varying between 2.05% and 4.5% (market value of \$ 3 850 911 as at May 31, 2005)	\$	3,785,354
Money market		132,147
Cash, 0,6 %		43,116
	\$	3,960,617



HENEY LAKE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2005

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5. Deferred contributions

Deferred contributions represent unexpended resources received during the period which, in accordance with allocation from external sources, 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 :

Amount received during the year	\$ 3,200,000
Less : amount recorded as income in year	(234,922)
Balance, end of year	\$ 2,965,078

6. Commitments

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

	Contract amount	Amount expended in period	Balance committed at end of year
Université du Québec à Montréal :			
2004 survey of Heney Lake	\$ 107,906	\$ 53,953	\$ 53,953
Hydrodynamic dispersal measures of Heney Lake by fluorescent tracers	15,484	7,742	7,742
Université de Montréal :			
Ecological and chemical impact on precipitation of phosphoreus by adding ion chloride in Heney Lake	117,264	58,632	58,632
Hydrodynamic of Heney Lake during fall swirling	23,325	11,663	11,662
Fondex			
Review of spreading techniques and summary of scientific research	11,087	5,533	5,554
Inventory of septic tanks and identification of hazardous sanitary systems	68,128	4,248	63,880
	\$ 343,194	\$ 141,771	\$ 201,423

HENEY LAKE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2005

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7. Net change in non-cash working capital items

Guaranteed investment certificate	\$	(25,000)
Accounts receivable		(69,789)
Accounts payable and accrued liabilities		22,431
		<hr/>
	\$	(72,358)

8. 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.

Credit risk

The Foundation has an authorized line of credit of \$ 25,000 which is secured by the guaranteed investment certificate. The line of credit carries interest at 19.5% and was unused as at May 31, 2005.

Interest rate risk

The short term financial instruments do not carry interest with the exception of a guaranteed investment certificate which bears interest at 2.45%.

Fair value

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