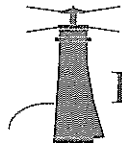


HENEY LAKE FOUNDATION
FINANCIAL STATEMENTS
MAY 31, 2006

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, 2006 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, 2006 and the results of its operations and its cash flows for the initial year then ended in accordance with Canadian generally accepted accounting principles.

Société en nom collectif
Chartered accountants

Maniwaki, Québec
July 27, 2006

HENEY LAKE FOUNDATION

OPERATIONS

FOR THE PERIOD ENDED MAY 31, 2006

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	2006 (12 months)	2005 (11 months)
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)	162,110	234,922
Gestion Serge Lafrenière Inc.	-	43,947
Interest on investments	145,962	96,459
	<hr/> 308,072	<hr/> 2,115,328
Expenditures		
Restoration measures according to article 1.2 of the agreement		
Research contracts	116,339	184,023
Materials and professional fees	2,556	44,231
Inventory of septic tanks	23,137	2,124
Project management	13,530	2,327
Office, communications and travel	6,548	2,217
	<hr/> 162,110	<hr/> 234,922
Operation		
Professional fees	7,193	791,533
Insurances	3,829	5,738
Inventory of septic tanks	23,137	2,124
Office, communications and travel	677	196
Bank charges	259	422
	<hr/> 35,095	<hr/> 800,013
	<hr/> 197,205	<hr/> 1,034,935
Excess of income over expenditures	<hr/> \$ 110,867	<hr/> \$ 1,080,393

The accompanying notes are an integral part of these financial statements

HENEY LAKE FOUNDATION

CHANGES IN NET ASSETS

FOR THE PERIOD ENDED MAY 31, 2006

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	2006 (12 month)			2005 (11 month)
	Appropriated for future legal fees	Unappro- priated	Total	2005 Total
Balance, beginning of year	\$ 150,000	\$ 930,393	\$ 1,080,393	\$ -
Excess of income over expenditures	-	110,867	110,867	1,080,393
Balance, end of year	\$ 150,000	\$ 1,041,260	\$ 1,191,260	\$ 1,080,393

The accompanying notes are an integral part of these financial statements

HENEY LAKE FOUNDATION

BALANCE SHEET

MAY 31, 2006

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	2006	2005
Assets		
Current assets		
Cash	\$ 1,568	\$ 12,496
Guaranteed investment certificate	25,000	25,000
Accounts receivable (note 3)	40,902	69,789
	67,470	107,285
Investments, at cost (note 4)	3,935,832	3,960,617
	\$ 4,003,302	\$ 4,067,902
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 9,074	\$ 22,431
Deferred contributions (note 5)	2,802,968	2,965,078
	2,812,042	2,987,509
Net assets		
Appropriated for future legal fees	150,000	150,000
Unappropriated	1,041,260	930,393
	1,191,260	1,080,393
	\$ 4,003,302	\$ 4,067,902

Commitments (note 6)

On behalf of the board

Christal Roux, director

By [Signature], director

The accompanying notes are an integral part of these financial statements

HENEY LAKE FOUNDATION

CASH FLOWS

FOR THE PERIOD ENDED MAY 31, 2006

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	2006 (12 months)	2005 (11 months)
Operating activities		
Excess of revenues over expenses	\$ 110,867	\$ 1,080,393
Adjustment for :		
Amortization of deferred contributions	(162,110)	(234,922)
	(51,243)	845,471
Net change in non-cash working capital items (note 7)	15,530	(72,358)
	(35,713)	773,113
Investing activities		
Acquisition of investments	(1,035,349)	(3,960,617)
Investment proceeds	1,060,134	-
	24,785	(3,960,617)
Financing activities		
Deferred contributions received	-	3,200,000
Increase (decrease) in cash and cash equivalents and cash and cash equivalents, end of year	(10,928)	12,496
Cash and cash equivalents, beginning of year	12,496	-
Cash and cash equivalents, end of year	\$ 1,568	\$ 12,496
Cash and cash equivalents consist of :		
Cash	\$ 1,568	\$ 12,496

The accompanying notes are an integral part of these financial statements

HENEY LAKE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2006

Page 7

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 it's 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

	2006	2005
Amount receivable on class action agreement	\$ -	\$ 32,971
Accrued interest on investments	40,902	36,818
	<u>\$ 40,902</u>	<u>\$ 69,789</u>



HENEY LAKE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2006

4. Investments, at cost

	2006	2005
Bonds, rates varying between 3.25% and 5.125%.	\$ 3,887,883	\$ 3,785,354
Money market	-	132,147
Cash, 1.15 %	47,949	43,116
	<u>\$ 3,935,832</u>	<u>\$ 3,960,617</u>

5. 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 :

	2006	2005
Balance, beginning of year	\$ 2,965,078	\$ -
Amount received during the year	-	\$ 3,200,000
Less : amount recorded as income in year	(162,110)	(234,922)
Balance, end of year	<u>\$ 2,802,968</u>	<u>\$ 2,965,078</u>

HENEY LAKE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2006

6. 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
National Institute of Scientific Research :			
"Expertise en limnologie et en g�ochimie aquatique"	9,116	-	9,116
Fondex :			
Inventory of septic tanks and identification of hazardous sanitary systems	36,131	-	36,131
C�gep de l'Outaouais :			
Web Site	5,000	3,500	1,500
	\$ 50,247	\$ 3,500	\$ 46,747

7. Net change in non-cash working capital items

	2006 (12 months)	2005 (11 months)
Guaranteed investment certificate	\$ -	\$ (25,000)
Accounts receivable	28,887	(69,789)
Accounts payable and accrued liabilities	(13,357)	22,431
	\$ 15,530	\$ (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.

8. Financial instruments (continued)

Interest rate risk

The short term financial instruments do not carry interest with the exception of a guaranteed investment certificate which bears interest at 2.15%.

Fair value

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