BENNETT ENVIRONMENTAL INC
Form 6-K
November 16, 2006

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

under the

Securities Exchange Act of 1934

For the month of November, 2006

Bennett Environmental Inc.

(Translation of registrant s name into English)

000-30946

(Commission File Number)

Suite 208, 1540 Cornwall Road, Oakville ON L6J 7W5

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ¨ Form 40-F x

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ______

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ______

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ¨ No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- .

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Bennett Environmental Inc.
(Registrant)

Date: November 16, 2006

By: /s/ Michael B. McSweeney
Name: Michael B. McSweeney
Title: Vice President

EXHIBIT INDEX

Exhibit	**Description**
99.1	Management s Discussion and Analysis for the Three and Nine Months Ended September 30, 2006
99.2	Interim Consolidated Financial Statements of the Company (Unaudited) as at September 30, 2006 and for the Three and Nine Months Ended September 30, 2006 and 2005
99.3	Form 52-109F2 Certification of Interim Filings (Chief Executive Officer) (Co-Officer of the Office of the CEO)
99.4	Form 52-109F2 Certification of Interim Filings (Chief Executive Officer) (Co-Officer of the Office of the CEO)
99.5	Form 52-109F2 Certification of Interim Filings (Chief Financial Officer)

Exhibit 99.1

Management s Discussion and Analysis

November 14, 2006

The following is management s discussion in respect of the results of operations of Bennett Environmental Inc. (Bennett or the Company) for the three and nine months ended September 30, 2006 and should be read in conjunction with the Company s unaudited interim consolidated financial statements for the nine months ended September 30th, 2006, and the audited consolidated financial statements and management s discussion and analysis of financial condition and results of operations for the year ended December 31, 2005. The financial statements of the Company are presented in Canadian dollars and in accordance with generally accepted accounting principles in Canada. The following discussion of the financial condition is dated November 14, 2006. Additional Information related to the Company, including its Annual Information Form and Management Information Circular and Proxy form is available on SEDAR at www.sedar.com.

OVERVIEW

The Company generates its revenues through obtaining contracts with its customers for the remediation of contaminated materials. The Company s customer base is comprised mainly of government agencies or environmental services companies. The number and size of the contracts obtained each year from these customers will vary depending on the timing of the receipt of the materials from the environmental services companies or the funding allocated for the remediation of materials by government agencies. The Company s larger volume tonnage contracts are typically with the government agencies in North America and may last for several years. Over the past several years, the Company has noted that the demand for the remediation of contaminated materials by governmental agencies in North America has declined because government resources have been diverted to other initiatives other than the remediation of hazardous soil waste material. The Company s contracts with the environmental services companies are generally lower volume and are remediated over a period of several months. The Company has been able to secure these smaller contracts with the environmental services companies in the absence of the larger government contracts. As the Company competes in the marketplace, it is facing new competitors and pricing pressures as these new competitors fight to gain a toehold in the marketplace.

The Company s revenues have declined over the past several years and this pattern continued through to the third quarter of 2006, due to declines in tonnage being processed and price declines. These declines in revenues led to lower utilization rates which adversely impacted the operating margins.

Bennett s poor revenues in the third quarter, combined with the operating inefficiencies due to

OVERVIEW (CONTINUED)

low processing volumes and additional expenses incurred of approximately $600,000 associated with the resignation of the former President and CEO, all contributed to the net loss realized of $4.5 million in the third quarter of 2006.

During the quarter the Company began a search for a new President and CEO and has made progress on this search. The results of the search are expected to be announced during the fourth quarter of 2006.

As a result of low soil deliveries during the year, the Company did not have sufficient soil to operate its St. Ambroise facility during the third quarter in a cost effective manner. Accordingly, management decided to temporarily close the facility for approximately three and a half months, from July to mid-October 2006 in order to build up production volumes. The facility resumed operations at full capacity and is expected to continue to operate until mid-November 2006 based on production currently on hand. Management will continue to operate in this manner until the Company is able to engage sufficient volumes. There were no operations at the Belledune facility during the third quarter of 2006 as the Company is waiting for the final approval of the permit by the Minister of the Environment in New Brunswick. Final approval is expected shortly.

The Company processed approximately 631,000 kilograms of debris material in the third quarter at the Cornwall and Kirkland Lake facilities. Both of these facilities were operational during the third quarter of 2006. This compares to 442,000 kilograms of debris processed in the same quarter of 2005; the increase being a direct result of the acquisition of the Kirkland Lake facility on June 29, 2006 as part of the acquisition of Trans-Cycle Industries, Inc. (TCI).

In response to these operating results, the Company has initiated plans to significantly reduce operating and administrative costs, conserve cash and increase sales performance. The Company also accepted the resignation of its Vice President of Sales and has initiated a search for a new Vice President of Sales with broader experience in sales and marketing. The Company plans to increase market share by expanding its product offering, improving relationships with third party intermediary environmental firms and leveraging its permit capabilities.

The acquisition of TCI will enable the Company to diversify its product mix and will allow for synergies in transportation, labour, and disposal costs between TCI and the Company s facility in Cornwall, Ontario.

In addition, in the third quarter the Company began the installation of a bag house at its Cornwall facility at an estimated cost of $0.35 million. The bag house project will be complete in the fourth quarter of 2006 and will allow the Company to participate in new markets related to the destruction of expired pharmaceuticals. These new markets are recurring in nature and will add a degree of stability to the Company s revenue stream. In addition, the new bag house will improve the throughput of the Cornwall facility.

The Company has been developing a more cost conscious corporate culture and has been reducing costs where possible. In July 2006, the Company commenced a review of its cost structure and aggressively cut costs in all facets of the business to reduce the quarterly cash outflow. The results of these efforts should be apparent in the fourth quarter of 2006 and into 2007. The primary focus has been the reduction of wage costs, professional fees and other direct overhead costs.

The Company believes that all of the strategies initiated will have a positive impact on the Company and significantly reduce its break-even point and cash burn.

All amounts described as tonnes throughout are metric tonnes (tonnes).

RESULTS OF OPERATIONS

Consolidated Financial Results

The consolidated loss for the three-month period ended September 30, 2006 was approximately $4.5 million or a basic and diluted loss per share of $0.21 compared to a net income of $0.2 million or basic and diluted earnings per share of $0.01 for the three months ended September 30, 2005.

Operating Results for the Quarter ended September 30, 2006

Sales

Sales for the third quarter of 2006 were $1.3 million compared to $10.4 million in the same period a year earlier. The decrease from the prior year is largely a result of low soil receipts which led to the closure of the RSI plant during the third quarter of 2006. As a result, the Company did not generate any revenues from the processing of soil during the third quarter of 2006. The Company processed approximately 631,000 kilograms of debris material in the third quarter of 2006 at its MRR facility and its newly-acquired TCI facility compared to 442,000 kilograms of debris material processed in the third quarter of 2005. The increase in debris materials processed in the current quarter is due to the acquisition of TCI on June 29, 2006.

The Company did not generate any sales from non-hazardous soil disposed directly to landfills in the third quarter of 2006 compared to $0.5 million in the same period a year earlier. Revenue from this source related to one project and the Company chose not to re-bid on this project in December 2005 because of negative operating margins generated on this revenue source.

The following table summarizes sales by revenue stream for the third quarter 2006 compared to the same period in the prior year (expressed in Cdn $ million)

	Three months ended September 30	
	2006	**2005**
Soil	$ NIL	$ 8.7
Debris	$ 1.3	$ 1.2
Land filling	$ NIL	$ 0.5
Total Sales	$ 1.3	$ 10.4

The following table summarizes tonnes processed by revenue stream for third quarter 2006 compared to the same period in the prior year (expressed in tonnes)

	Three months ended September 30	
	2006	2005
Soil	NIL	15,144
Debris	631	442
Land filling	NIL	3,154
Total tonnes processed	631	18,740

Operating Costs

Operating costs consist mainly of transportation costs, fuel, processing supplies, maintenance costs, and labour. Some of these costs fluctuate directly with the number of tonnes processed; however, there are some indirect factory overhead costs which are fixed in nature.

Operating costs in the third quarter of 2006 were $1.6 million compared to $5.3 million for the same period a year ago. The decrease in operating costs compared to the prior year is due to the decrease in tonnes processed compared to the prior year. The table below summarizes operating costs for each operating activity in millions of dollars:

	Three months ended September 30	
	2006	2005
Soil	$ 0.5	$ 4.0
Debris material	$ 1.1	$ 0.8
Land filling	NIL	$ 0.5
Total Operating Costs	$ 1.6	$ 5.3

OTHER INCOME STATEMENT ITEMS

Administration and Business Development Costs

Administration and business development costs were $3.1 million in the third quarter of 2006, compared with $3.8 million in the same period a year earlier.

Wages and salaries accounted for approximately 29% of the administration and business development costs and were $0.5 million in the third quarter of 2006 compared to $0.6 million in the same period a year earlier. Included in termination and severance payments is an amount of $0.4 million related to the resignation of the Company s former President who resigned on July 5, 2006. In addition, Administration and Business Development costs include amounts expensed for stock based compensation of $0.6 million ($0.1 million in the third quarter of 2005). Of the $0.6 million expensed, $0.2 million relates to the accelerated vesting of stock options held by the former President and CEO who resigned on July 5, 2006.

The Company recorded insurance recoveries of $0.5 million from insurance expense claims on the Company s directors and officers insurance policy to offset professional fee expenses incurred on litigation against the Company of $0.9 million for the third quarter of 2006 compared to recoveries of $10.5 million and expenses of $12 million in the same period of 2005. In third quarter 2005, the class action lawsuit was settled for an aggregate cash payment to class members of $11.3 million (US $9.7 million), which was paid primarily by the Company s insurance carriers with a contribution of $0.9 million (US $0.75 million) from the Company.

The table below summarizes administration and business development costs by caption for third quarter 2006 compared to the same period in the prior year (expressed in Cdn $ million)

	Three months ended September 30	
	2006	2005
Insurance	$ 0.3	$ 0.6
Marketing and public relations	0.3	0.2
Office supplies and miscellaneous	0.5	0.7
Wages, salaries and management fees	0.5	0.6
Termination and severance payments	0.4	
Class action lawsuit	0.0	11.4
Auto and travel	0.1	0.1
Professional fees	0.9	0.6
Recovery of insurance defense costs	(0.5)	(10.5)
Stock-based compensation	0.6	0.1
	$ 3.1	**$ 3.8**

Amortization

Amortization for the third quarter of 2006 was $0.9 million compared to $1.1 million for the same period a year ago. During the quarter, management determined that commencement of the amortization of the assets at the Belledune facility was appropriate, resulting in an additional amortization charge of approximately $0.2 million in the quarter which represents one month of amortization. Although the Company has not received the final operating permit to commence commercial operations at the Belledune facility, the Company has completed its test burns at the facility (which the results have been submitted to the Minister of the Environment in New Brunswick) and thus the facility is available for use.

Income taxes

For the third quarter of 2006, income taxes expense were $0.37 million on a pre-tax loss of $4.1 million. This expense does not approximate the statutory tax rate of approximately 36.1% as certain permanent differences, including stock-based compensation, have reduced the effective tax recovery rate from the statutory rate. These permanent differences are not deductible for tax purposes. During the third quarter of 2006 a full valuation allowance of $1.0 million was recorded against the future tax assets related to the Cornwall operations as it was determined that it was not more likely than not that the future tax assets would be recovered. Management has provided a full valuation allowance against any future tax assets relating to the operating losses generated at the Kirkland Lake facility as it was determined that it was not more likely than not that the future tax assets would be recovered at this time. This compares to the third quarter of 2005 where taxes recoverable were $0.2 million on pre-tax income of $30,000. In 2005, certain permanent differences, including stock-based compensation and the settlement of the class action lawsuit, affected the effective tax recovery rate from the statutory rate of approximately 35.6%.

Net Loss

The slightly higher net loss for the third quarter of 2006 compared to the third quarter of 2005 was a result of decreased volumes of soil being processed quarter over quarter (2006-NIL tonnes; 2005-15,144 tonnes), increased termination and severance payments and stock-based compensation expense resulting from the departure of the Company s former Chairman and CEO and the change to the board of directors.

Cash from operations

For the quarter ended September 30, 2006, cash used for operating activities before changes in operating working capital amounted to $2.4 million. Cash provided by operating working capital was approximately $0.3 million for net cash used in operations of approximately $2.1 million for the quarter. The principal generation of cash from operating working capital was from the collection of accounts receivable of $1.4 million. Cash generated from the collection of accounts receivable held at September 30, 2006 will be used in the day-to-day operations. Accounts receivables of $0.9 million have been collected subsequent to September 30, 2006. The main use of cash in the third quarter of 2006 was the payment of outstanding trade payables of approximately $1.2 million.

For the quarter ended September 30, 2005, cash generated from operating activities before changes in operating working capital amounted to $1.5 million. Cash generated from operating working capital was approximately $0.9 million for a net generation of cash from operations of approximately $2.4 million for the quarter. The principal generation of cash from operating working capital in the quarter was the collection of accounts receivable of $1.2 million.

Operating Results for the Nine Months ended September 30, 2006

The consolidated net loss for the nine months ended September 30, 2006 was $8.4 million compared to $4.8 million for the same period in 2005. In the first nine months of 2006, the Company processed approximately 14,206 tonnes of soil and debris compared to approximately 28,994 tonnes in the same period a year earlier. The primary reasons for the increase in the consolidated net loss for the first nine months of 2006 year over year are low volumes of processed soil; increased salaries and stock-based compensation expense as a direct result of the resignation of the former President and CEO and change in the Board of directors; and professional fees associated with the securities regulatory investigations and filing of the restated consolidated financial statements for the year ended December 2004 and 2003.

Sales

Sales for the first nine months of 2006 were $8.5 million compared to $20.5 million in the same period a year earlier. In the first nine months of 2006, approximately 12,900 tonnes of soil was processed and approximately 1,306,000 kilograms of debris was processed compared to 28,144 tonnes of soil, 850,000 kilograms of debris and 9,454 tonnes of land filling processed in the prior year. The Company had no sales from non-hazardous soil disposed directly to landfills in the first nine months of 2006 compared to $1.5 million for the first three quarters of 2005 as that project was completed by the end of 2005 and the Company determined that it would not seek to continue with this revenue stream. The decline in the tonnes processed of soil year over year is a direct result of the closure of the St. Ambroise facility in the third quarter of 2006.

In the nine months ended September 30, 2006, average revenue per tonne for soil processing was lower compared to the same period in 2005. Revenue per tonne was lower because fewer contracts included a freight component resulting in lower average revenue per tonne. In addition, approximately 700 tonnes of soil processed at the Belledune facility was for the test burn, generating under $100 per tonne. This reduction was partially offset by decreased transportation costs.

The following table summarizes sales by revenue stream for the first nine months of 2006 compared to the same period in the prior year (expressed in Cdn $ million).

	Nine months ended September 30	
	2006	**2005**
Soil	$ 5.7	$ 15.4
Debris	$ 2.8	$ 3.0
Land filling	$ NIL	$ 2.1
Total Sales	$ 8.5	$ 20.5

The following table summarizes tonnes processed by revenue stream for the first nine months of 2006 compared to the same period in the prior year (expressed in tonnes)

	Nine months ended September 30	
	2006	**2005**
Soil	12,900	28,144
Debris	1,306	850
Land filling	NIL	9,454
Total tonnes processed	14,206	38,448

Operating Costs

Operating costs in the first nine months of 2006 were $7.0 million compared to $14.1 million for the same period a year ago.

The table below summarizes operating costs for each revenue stream (expressed in Cdn $ million):

	Nine months ended September 30	
	2006	**2005**
Soil	$ 4.7	$ 10.0
Debris	$ 2.3	$ 2.3
Land filling	NIL	$ 1.8
Total Operating Costs	$ 7.0	$ 14.1

Cost per tonne in the first nine months of the year for soil decreased from the same period a year earlier. The decrease in the cost per tonne was related to lower freight costs. On average, freight costs to ship material were lower per tonne compared to the same period a year earlier. The lower freight costs were the result of moving soil in shorter distances in the nine-month period and the Company quoted on fewer jobs with a transportation component thus not incurring any freight costs on these jobs.

Operating Costs (continued)

Operating costs for debris remained unchanged at $2.3 million in the first nine months of 2006 compared to the same period a year earlier. However, on a per tonne basis, the operating costs for debris have declined as a result of synergies obtained through the Kirkland Lake facility acquisition.

Previously, Kirkland Lake disposed of certain waste streams in a commercial landfill which now is remediated at less cost at the Company s Cornwall facility.

OTHER INCOME STATEMENT ITEMS

Administration and Business Development Costs

Administration and business development costs were $8.2 million in the first nine months of 2006, compared to $10.4 million for the same period a year earlier. Professional fees account for a large percentage of the administration. Business development costs in the first nine months of 2006 were $1.9 million compared to $2.3 million in the same period of 2005. The Company recorded insurance recoveries of $0.8 million in the first nine months of 2006 compared to $1.5 million in the same period of 2005 from insurance claims on the Company s directors and officers insurance policy relating to legal and other related costs on litigation against the Company. The increase in termination and severance payments was a direct result of the recognition and transition entitlement for the former President and CEO who resigned on July 5, 2006. $400,000 was expensed during the quarter as a result of his entitlement. The Company recorded a stock-based compensation for the nine months of 2006 of $1.1 million as a result of the accelerated vesting of the outstanding options as part of the entitlement package for the former President and CEO and the retired board members, compared to $0.4 million in the same period in the prior year.

The Company settled the class action lawsuit during the third quarter of 2005 for $11.3 million (US $9.7 million), which was paid primarily by the Company s insurance carriers with a contribution of $9.0 million (US $0.75 million) from the Company. The court entered its order and final judgment to this effect on February 21, 2006 and the final notice to appeal expired on March 23, 2006 without any further action.

The table below summarizes administration and business development costs by caption for first nine months of 2006 compared to the same period in the prior year (expressed in Cdn $ million).

	Nine months ended September 30th 2006	2005
Insurance	$ 1.0	$ 1.6
Marketing and public relations	0.7	0.8
Office supplies and miscellaneous	1.3	2.0
Wages, salaries and management fees	1.5	2.0
Termination and severance payments	0.4	0
Class action lawsuit	0.0	11.5
Auto and travel	0.3	0.4
Professional fees	2.7	3.8
Recovery of insurance defense costs	(0.8)	(12.1)
Stock-based compensation	1.1	0.4
	$ 8.2	**$ 10.4**

Amortization

Amortization for the nine months ended September 30, 2006 was $2.1 million compared to $3.5 million for the same period a year ago. Amortization was down from a year earlier because the 2005 expense included the amortization of certain assets amortized over two years. During the third quarter of 2006, management determined that commencement of amortization of the assets at the Belledune facility was appropriate, resulting in an additional amortization charge of approximately $0.2 million in the quarter and which represented one month of amortization. Although the Company has not received the final operating permit to commence commercial operations at the Belledune facility, the Company has completed its compliance test for the facility the results of which have been submitted and accepted by the Minister of the Environment in New Brunswick and the facility is available for use.

Income taxes

For the nine months ended September 30, 2006, income taxes recovery was $0.5 million on a pre-tax loss of $8.9 million. This expense does not approximate the statutory tax rate of approximately 36.10%. Certain permanent differences, including stock-based compensation, have reduced the effective tax recovery rate from the statutory rate. These permanent differences are not deductible for tax purposes. In the first nine months of 2006, the valuation allowance was increased by $2.0 million to $10.8 million as a result of a full valuation allowance recorded against the future tax assets relating to the tax losses generated at its Kirkland Lake and Cornwall facilities as it was determined that it was not more likely than not that the future tax assets would be recovered at this time. This compares to the first nine months of 2005 where taxes recoverable were $2.8 million on pre-tax loss of $8.9 million. In the first nine months of 2005, certain permanent differences, including stock-based compensation and the settlement of the class action lawsuit, affected the effective tax rate from the statutory rate of approximately 35.6%.

Cash from operations

For the nine months ended September 30, 2006, cash used for operating activities before changes in operating working capital amounted to $4.7 million. Cash provided by operating working capital was approximately $4.4 million for net cash used in operations of approximately $0.3 million for the nine month period. The principal use of cash from operating working capital in the nine month period was cash used to fund prepaid expenses and accounts payable. The main use of cash other than losses in the first nine months of 2006 was the asset purchase of Trans-Cycle for $2.3 million and cash provided for financial assurance to the Ontario Ministry of Environment for operating permits of $1.7 million.

In the first nine months of 2005, cash of $3.3 million was used by operating activities before changes in operating working capital. Cash used by operating working capital was approximately $4.1 million for the nine months ended September 30, 2005. The principal use of cash from operating working capital in the period was cash used to fund accounts receivable, accounts payable and deferred costs offset by income tax recoveries.

SUMMARY OF QUARTERLY RESULTS

The following table discloses certain unaudited financial data for the eight most recently completed quarters, expressed in Canadian dollars (millions) (except per share data basic and diluted):

	2006			2005				2004*(1)(2)*
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Net Sales	1.3	2.7	4.5	8.8	10.4	6.2	3.9	4.9
Net (Loss) Earnings	(4.5)	(1.80)	(2.10)	(20.20)	0.2	(1.40)	(3.60)	(5.60)
(Loss) Earnings per share - basic	(0.21)	(0.08)	(0.10)	(0.94)	0.01	(0.07)	(0.17)	(0.32)
(Loss) Earnings per share - diluted	(0.21)	(0.08)	(0.10)	(0.94)	0.01	(0.07)	(0.17)	(0.32)

* *1. The Company restated its consolidated financial statements for the years ended December 31, 2004 and 2003. Please refer to note 3 to the restated consolidated financial statements as at and for the years ended December 31, 2004 and 2003 for further explanation.*

* *2. The Company adopted the fair value based method of accounting for stock-based compensation effective January 1, 2004 retroactive with restatement of prior years to January 1, 2002. Refer to note 2(a)(i) of the restated consolidated financial statements for the years ended December 31, 2004 and 2003 for further explanation.*

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

At the end of the third quarter of 2006, the Company had cash and equivalents of $3.2 million and working capital (including cash) of $5.8 million compared to September 30, 2005 of $5.9 million and $21.5 million respectively. The cash and cash equivalents and working capital decreased from the prior year as the cash was used for operations and to fund the acquisition of TCI and payments for financial assurance to the Ontario Ministry of Environment and the temporary closure of the St. Ambroise operations. In the third quarter of 2006, the Company monetized the value of certain of its other assets of $0.8 million. In addition, the Company has reclassified certain accounts receivable to long term assets because the matter is before the courts and the Company does not expect to resolve this issue in the near term as a result.

Liquidity (continued)

Based on the last several quarterly results, the Company s operations have not generated sufficient cash flow to fund operations because volumes of material have significantly declined in 2006. The Company s financial success is dependent on management s ability to secure sufficient contracts to generate revenue and to continue with its cost reduction strategy. The Company is looking at new sales initiatives to improve its sales performance which includes expanding products offering and developing new/stronger strategic alliances with environmental agencies. Management believes that the Company has sufficient cash and working capital currently to fund operations beyond the next year.

CAPITAL EXPENDITURES

For the quarter ended September 30, 2006, the Company invested approximately $0.2 million in capital assets, permits and other assets, consistent with the same period a year earlier. For the nine months ended September 30, 2006, the Company invested approximately $3.2 million in capital assets, permits and other assets. The primary investments in the quarter were related to minor process improvements at the Company s St. Ambroise, Quebec and Cornwall, Ontario facilities. During the first nine months of 2006, the Company acquired certain net assets and operations at Trans-Cycle Industries for cash consideration of $2.3 million.

Long-term Debt And Other Long-term Commitments

The Company has approximately $1.3 million in long-term obligations at September 30, 2006. Most of these amounts relate to long-term termination and severance payments to former executives of the Company and will be paid out over the next 18 months in the case of the termination payments and the next 12 years in the case of pension payments. In addition to this amount, the Company has certain operating lease obligations that go beyond 2006.

The table below summarizes these commitments.

Year ending December 31:	Commitment Amount
2007	$ 182,022
2008	168,016
2009	162,076
2010	161,536
2011	59,134
Total:	$ 732,784

OFF-BALANCE SHEET ARRANGEMENTS

Under its operating permits the Company is required to provide the Ontario Ministry of Environment financial assurance deposit in the form of a letter of credit, cash or equivalent bonding. The amount of financial assurance is based on the storage capacity at the Company s Cornwall and Kirkland Lake facilities. The Company has provided cash deposits in the amount of $2.9 million to the Ontario Ministry of the Environment.

When the Company obtains its final operating permit for Belledune, it will be required to provide financial assurance to the government of New Brunswick. Financial assurance is based on the amount of storage capacity being held at the facility and can vary and could be as high as $3.0 million. Based on the level of storage currently at the Belledune facility, the financial assurance is expected to be not more than $0.75 million.

FINANCIAL AND OTHER INSTRUMENTS

The Company has on occasion used short-term foreign exchange futures contracts to help reduce foreign exchange risk. Management assesses the future foreign exchange risk and if appropriate enters into a hedge arrangement. As of September 30, 2006 the Company had no foreign exchange contracts in place.

PROPOSED TRANSACTIONS

The Company currently does not have any proposed transactions.

TRANSACTIONS WITH RELATED PARTIES

In the nine months ended September 30, 2006 and 2005, the Company expensed legal fees of $127,364 and $1,174,411, respectively (three months ended September 30, 2006 and 2005 $71,902 and $23,760, respectively), to two legal firms with which two former directors are associated.

In the nine months ended September 30, 2006 and 2005, the Company paid consulting fees of $166,667 and $127,554, respectively (three months ended September 30, 2006 and 2005 - $62,500 and nil, respectively), to a company owned by a former director and officer of the Company.

In the nine months ended September 30, 2006 and 2005, the Company paid pension payments of $52,125 and nil, respectively (three months ended September 30, 2006 and 2005 - $17,375 and nil, respectively), to a former director and officer of the Company.

The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

During the nine months ended September 30, 2005, the Company sold its 50% investment in Eco-Bois to a related party for $250,000 comprising of cash of $175,000 and land of $75,000. The land portion has not yet been recorded as title has not yet been legally transferred. The gain on sale was $175,000.

CONTINGENCIES

No additional significant developments have occurred relating to the contingencies described in note 16 to the 2005 annual audited financial statements, except as noted below.

(a) Regulatory investigations:

In June 2006, the Company settled with the Ontario Securities Commission (OSC) regarding the Company s failure to disclose material changes on a timely basis and allegations of illegal insider trading regarding certain of its former officers. The Company has agreed to engage an independent third party appointed by the OSC to review the Company s disclosure and reporting practices and procedures.

As part of the OSC s continuous disclosure review process, the Company received a letter in October 2006 seeking additional clarification and documentation regarding the Saglek contract revenue recognition and Belledune asset impairment. The Company is in the process of preparing its response.

In September 2006, the Company received a Grand Jury subpoena from the United States Department of Justice (DOJ) to preserve all documents dated on or after January 1, 2001 pertaining to the Federal Creosote Superfund contract. Back ground information related to this contract has been disclosed in note 16(b) to the 2005 audited financial statements. This investigation is in its preliminary stages and the Company believes that this inquiry is industry related and is co-operating with the DOJ on this inquiry.

(b) Saglek receivable:

The Company has filed a formal claim in Ontario Superior Court of Justice against DCC of $9.0 million plus punitive damages to receive the amounts incurred related to the Saglek contract (Note 5(a)). The Company has an amount receivable of approximately $5.0 million related to revenue recognized in 2003 and 2004 and accordingly has not provided for the amount receivable.

CONTINGENCIES (CONTINUED)

(c) Other:
During the three months ended September 30, 2006, the Company was served with a claim by a former CEO claiming breach of contract and alleging that the Company was required to establish a secure pension. The Company acknowledges that it has a pension obligation due to the former CEO pursuant to a contract and currently has approximately $0.6 million recorded in long-term liabilities (note 7). Management believes that the claim is without merit and will defend this claim vigorously.

During the three months ended September 30, 2006, the Company was served with a claim by a former officer claiming breach of contract and unjust enrichment. Management believes that the claim is without merit and will defend this claim vigorously.

CRITICAL ACCOUNTING ESTIMATES

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in Canada and makes estimates and assumptions that affect the reporting amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent liabilities. On an on-going basis the Company evaluates its estimates and judgements, including those related to revenue recognition, adequacy of allowance for doubtful accounts, deferred permitting costs, impairment of long-lived assets and goodwill and future income taxes. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ from the Company s estimates. Senior management has discussed, with the Company s audit committee, the development, selection, and disclosure of accounting estimates used in preparation of our consolidated financial statements.

The following critical accounting policies affect our more significant estimates and assumptions used in preparing our consolidated financial statements:

The Company maintains an allowance for doubtful accounts for estimated losses that may arise if any of its customers are unable to make required payments. The Company considers factors such as a customer s credit-worthiness, past transaction history, current economic industry trends and changes in customer payment terms when determining if collection is reasonably assured. If these factors indicate collection is not reasonably assured, revenue is deferred until collection is reasonably assured or the Company may increase its allowance for doubtful accounts. A change in these factors could impact the estimated allowance and the provision for bad debts recorded in administration and business development expenses.

CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

The Company defers permitting costs during the application process and amortizes these costs over the expected life of the permit. The Company evaluates the carrying costs of these permits on a regular basis to determine whether a change in the carrying value of the deferred permitting costs has occurred. The Company considers factors such as the likelihood of obtaining a final operating permit, market conditions and changes in environmental legislation to determine if the carrying costs can reasonably be recovered. If these factors indicate that impairment in the carrying costs of the permitting costs has occurred, the Company may increase the amortization of the deferred permitting costs.

The Company performs its annual goodwill impairment test in the fourth quarter of each year and more frequently if events or changes in circumstances indicate that an impairment loss may have been incurred. Impairment is tested at the reporting unit level by comparing the reporting unit s carrying amount to its fair value. The fair value of the reporting unit is estimated using a combination of a market approach and discounted cash flow. The process of determining fair values is subjective and requires management to exercise judgement in making assumptions about future results, including revenue and cash flow projections at the reporting unit level and discount rates.

The Company has performed an impairment test at the end of the third quarter as the Company s current operating results and decline in share prices indicate that there may be a potential impairment of goodwill. The carrying value of the net equity of the Company at September 30, 2006 is in excess of the enterprise value of the Company based on its market value of the Company s share price at that date. The Company considered the fair value of the reporting units based on the present value of future expected cash flows from the operations and residual value of its reporting units. The Company s estimates of future expected cash flows are based on the existing service potential of the operating facilities and the expected improvement of market conditions. Management s estimates have been reviewed and approved by its Board of Directors. The Company concluded that the fair value of the reporting units exceeded the carrying amount and thus goodwill is not impaired at September 30, 2006. Future goodwill impairment tests may result in impairment charges at that time if future expected cash flows do not materialize.

CRITICAL ACCOUNTING ESTIMATES (CONTINUED)