Marble MOUNTAIN

MARBLE MOUNTAIN DEVELOPMENT CORPORATION
2006-07 Annual Business Report

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BOARD CHAIRPERSON'S MESSAGE

Marble Mountain Development Corporation's mandate has been generally summarized to state that the Corporation is to develop the ski facility into a four-season anchor attraction to serve as a catalyst for tourism development both locally and in the province as a whole. The growth in skier visits, the development of resorts and accommodations and the interest of private investors in year-round activities in the area, all show that the Corporation is fulfilling its mandate and following the strategic direction from the Minister of Tourism, Culture and Recreation.

The Marketing Partnership with the Dept. of Tourism, Culture and Recreation and enhanced customer service contributed to the resort attracting 84,058 skier visits on 2006-07, a four per cent increase over the previous year.

The costs associated with snowmaking, maintenance of aging infrastructure and operating the ski facility, create challenges for the Board and Management of Marble Mountain Development. However, further revenue growth and responsible control of expenses, will allow Marble Mountain to continue to provide a valuable tourism attraction and asset for the people of Newfoundland and Labrador.

Marble Mountain Development Corporation is accountable for the actual results reported in this annual report.

Roger Jamieson
Chairperson
Marble Mountain Development Corporation

MARBLE MOUNTAIN DEVELOPMENT CORPORATION OVERVIEW

Marble Mountain Resort is located near Steady Brook, in the Humber Valley in Western Newfoundland. The Marble Mountain Development Corporation (MMDC) was established in 1988 to develop the Marble Mountain ski facility into a year-round, full-service resort. Its mandate was to develop the resort into a four-season attraction that would act as a catalyst for tourism development both locally and in the province as a whole. Government's role was to construct the initial critical mass infrastructure to attract private sector investment, and at some future point, a private operator.

In 1995 the base lodge was constructed and the detachable high-speed quad chair lift was installed. In 1999, just prior to the Canada Winter Games, Marble Villa was opened. There has been no further development of the base area.

MMDC's management team consists of four full-time managers overseeing the year-round operation. During the ski season, an Outside Operations Manager, Snow School Director and Ski Patrol Manager are hired *(appendix A)*. The management team is currently comprised of three females and one male with three additional males joining the team for the ski season. Approximately 100 employees are required to operate the ski resort during the busiest months of the season and the gender breakdown is 60 per cent male and 40 per cent female. The summer operation consists of weddings, meetings and conferences with Marble Mountain's Food and Beverage and Marble Villa staff hired for these events. A typical summer event requires between 10 and 15 employees with 90 per cent of summer event staff being female and 10 per cent being male.

The present Board of Directors consists of 10 directors representing the Marble Mountain Ski and Ride Club, the City of Corner Brook, the Town of Steady Brook and the Government of Newfoundland and Labrador. Other positions are filled by persons who are directly involved, where feasible, with tourism related businesses. The Board's structure has been established according to the MMDC by-laws and the Board reports to the Government through the Minister of Tourism. The Chair of the Board resigned May 23, 2007 and a new Chair will be appointed in the near future.

Skier visits to Marble Mountain have been steadily increasing, reaching 84,058 in 2007-08. Revenue was $2,363,160 before Government funding ($400,000) while expenses were $2,822,438.

Vision Statement

The vision of the Marble Mountain Development Corporation is to provide a high-quality, safe and memorable experience in a world class all-season resort area.

Mission Statement

The MMDC Board has the following as its mission statement:

By 2011, the Marble Mountain Development Corporation will have improved its financial performance.

Improved financial performance will result from increased visitation, increased yield per visitor, controlled expenses, maintained visitor satisfaction and increased revenues from sources other than alpine services.

The MMDC Board recognizes that most ski resorts do not survive on skiing alone. Other revenue streams from real estate development, for example, could enable Marble Mountain to become financially viable. The MMDC Board plans to review existing development documents.

Lines of Business

Alpine Activities and Services

Skiing and Snowboarding are still the primary activities at the resort. Snow Tubing was introduced in the 2005-06 season. As well, chair lift rides are offered in the winter season. Disabled skiing, through the Canadian Association of Disabled Skiing is offered weekly.

Marble Mountain offers equipment rentals and repairs, snow school instruction and child supervision, locker and storage rentals and ski patrol (safety and first aid) services.

MMDC sells advertising in the form of signage on chair backs and at the top and base of the mountain. As well, sponsorships for events are available, as are spaces in our resort brochure.

Retail space is leased to George's Mountain Village. Their business, which operates in the ski season only, sells ski accessories such as goggles, gloves, hats and sunglasses. It also carries souvenirs and some confectionery items.

Special Events

Marble Mountain Resort caters to weddings, meetings and conferences throughout the spring, summer and fall. During the ski season, concerts such as Marble Jam and Bacardi Gras are held to add to the total guest experience at the resort.

Accommodations

Marble Villa is a 31-room hotel with condominium-style suites, which range in size from studios to two-bedrooms. They are ski in/ski out which means that they are situated on the base of the mountain to allow easy access for guests.

Food and Beverage
The resort's food and beverage service operates a cafeteria and bar during the ski season. These services are available to skiers and snowboarders and to the general public.

SHARED COMMITMENTS

The Department of Tourism, Culture and Recreation's (DTCR) strategic direction regarding tourism is:

Newfoundland and Labrador becoming a multi-season tourism destination.

Marble Mountain is committed to becoming a major all-season tourism generator, with an emphasis on being a catalyst for further high-end destination oriented development in the area. Skiing will be a primary activity, however, summer and other off-season activities will also be given priority.

Marble Mountain Resort the Province's primary winter attraction. MMDC partners with the DTRC in a winter marketing campaign that has Atlantic Canada and St. John's as its primary markets. Marble Mountain and its travel packagers attend the Toronto Ski and Snowboard Show. All these markets experienced growth in the 2006-07 season.

Marble Mountain has been a catalyst for private sector investment in the area surrounding the resort. Millions of dollars have been injected into the area to upgrade or establish new operations. Humber Valley Resort uses Marble Mountain as a primary component of its marketing and investment attraction program. Marble Inn and Cabins, a locally owned business has recently expanded to include a restaurant, indoor pool and fitness centre to take advantage of the heightened interest in Marble Mountain and the Humber Valley region. FK Development of Ireland is planning a hotel/condominium project for a parcel of land just across the highway from Marble Mountain Resort. KSAB Construction has two condominium buildings completed and another under construction.

HIGHLIGHTS AND ACCOMPLISHMENTS

In the ski industry it is always an accomplishment to open on or before you scheduled opening date. Each season, Marble Mountain aims to be open by December 26 and in 2006 was able to open on December 22. Our upgraded snowmaking system performed very well and we made more snow than ever before. Our aim is to be open for Christmas and the great conditions last season should result in greater confidence in our destination skiers. As well, we were open until our scheduled closing date, April 15, with great ski conditions up until the last run.

Our 2006-07 skier visits increased by four percent over the previous season. Skier visits are calculated by adding the total number of day-passes to the total number of season passes which are multiplied by 23 (the average number of visits per season pass). Our biggest growth in 2006-07 was in day-passes – an increase of 28 per cent.

The 2006-07 Canadian Ski Council National Demographic Study Final Results indicate that 29 percent of Marble Mountain visitors originate from a country other the the United States or Canada and of that 29 percent, 80 percent were from the UK. The increased interest of UK and Irish skiers, in Marble Mountain, was a definite highlight of the past season.

Marble Mountain is developing the reputation for being a unique resort destination partly because of the hospitality that Newfoundland & Labrador is famous for. The resort's staff has, as its primary goal, superior customer service. Marble Mountain participates in the Canadian Ski Council's demographic survey, in part, to acquire information to help improve the complete customer experience at the mountain. Recently we were awarded the CSC Industry Recognition Award for Atlantic Canada. This award was presented to Marble Mountain for its outstanding record of customer loyalty, excellence in customer satisfaction and strong commitment to increasing growth in skiing and snowboarding .

With the addition of high-speed internet to the Steady Brook area, Marble Mountain Resort was able to install a webcam. This device allows guests to see what the slopes look like by simply visiting our website, www.skimarble.com. We have received much positive feedback about the webcam.

The area directly in front of the lodge, which had been made into a freestyle aerial site, was turned back into a run called the Old Sam. This run had been a favorite and was inaccessible for a number of years. Making the Old Sam new again was very popular with our clients.

Our more adventurous skiers and snowboarders were delighted with the additions we made to the Terrain Park. Features were added and more time was spent grooming this area for the mostly young guests who like jumps and rails.

Snow School had a banner year with all the season-long children's programs fully subscribed. Our guests, particularly those from the UK, were impressed with the skill level of our instructors. Many commented on the progress they were able to make under the tutelage of Marble Mountain's instructors.

Snowboard Canada Magazine visited Marble Mountain and enjoyed the great conditions on the mountain. A lengthy article on Marble Mountain will be published in a fall 2007 issue.

Molson Sport and Entertainment slashed their budget last season so Molson Snow Jam was canceled without much notice. A group of young entrepreneurs from the Steady Brook area met with us to discuss the possibility of a replacement event. The first annual Marble Jam event was planned and it was a great success. The concert sold out.

2006-07 summer events revenue increased by 54% over the previous season. Marble Mountain's Food and Beverage department, under the direction of chef Derrick Dean has earned a reputation for exceptional service and great food. It should be noted that Derrick and his staff planned and executed a large wedding reception in twenty-four hours! Due to unforeseen circumstances, the venue that had been booked by the bride and groom was deemed unsuitable the day before the wedding. We received a phone call on the Friday before the only Saturday that we were not already booked for a wedding, our staff was called in and the event was a resounding success. The news of Marble Mountain Resort's ability to plan and execute the wedding reception with such short notice traveled fast and has resulted in more bookings at the lodge.

Just prior to the start of the 2006-07 season, the third three-year contract was negotiated with NAPE local 1001. The relationship between Management and Staff continues to be amicable. It should be noted that the members of the union are now being paid on par with other large resorts. Before the first contract which was signed in 1999, they were being paid below industry standards.

OUTPUTS

To meet the long term goal of becoming financially self-sustaining, MMDC has to continue to increase skier visits, increase revenue and control expenses.

To increase skier visits, MMDC and the Department of Tourism, Culture and Recreation have partnered in a Winter Marketing Strategy for the past six years. Television and print advertisements were created and media buys were negotiated. Each year, the goal is to create a marketing plan that will increase skier visits. The primary target markets have been St. John's and Halifax. Each day-pass that is purchased at Marble Mountain has the area code of the purchaser recorded. The statistics that were compiled from the data that was collected over the past two seasons showed a 28 per cent increase in day-pass sales from Newfoundland and Labrador (for areas outside a two hour drive from the mountain) and a 21 per cent increase in day-pass sales from Atlantic Canada.

It should be noted that such significant growth in the target markets in 2006-07 cannot be solely attributed to the marketing campaign. Lack of snow in Atlantic Canada and Quebec this year, made Marble Mountain an even more attractive destination for ski and snowboard enthusiasts in the east.

Season pass sales are very important to Marble Mountain. Most of these passes are sold to local skiers and snowboarders (within a two hour drive). However, in the 2006-07 season, approximately 11 per cent were purchased by people from the rest of Newfoundland and Labrador. Approximately two per cent were purchased by skiers and snowboarders outside Canada. Most of our international season pass holders were from the UK and Ireland.

Season passes are sold at early-bird rates prior to the ski season. Their sale provides start-up money for the resort. They are also an incredible deal for alpine sports enthusiasts. Each season pass holder uses his or her pass an average of 23 times. The pass costs the equivalent of approximately seven full day-passes. The cost of skiing at Marble Mountain is very reasonable to allow citizens of Newfoundland and Labrador to take advantage of this incredible ski facility. Season pass sales decreased by eight per cent in 2006-07 as compared to 2005-06. This decrease can be attributed to the lack of natural snow in 2005-06. While the snowmaking system provided a fine ski product in 2005-06, the perception was that the season pass was not as good a deal in that season;people were then reluctant to purchase season passes in the following season. If that argument works conversely, season pass sales should increase in 2007-08 as natural snow was abundant in 2006-07.

For the 2007-08 season the goal is to increase overall skier visits (day-passes and season passes) by nine per cent bringing the total skier visits to 91,672. When skier visits increase at Marble Mountain, local businesses benefit. Skiers sleep in hotels, eat in restaurants, shop and explore other opportunities for fun such as snowmobiling, ice-climbing, dog-sledding and snow-kiting.

In 2006-07, revenue exceeded budget by 1.6 per cent and and was 21 per cent higher than the previous season. The overall four per cent increase in skier visits resulted in increased revenue in all departments. Events, Food and Beverage, Snow School, Marble Villa (accommodations) all experienced significant growth in revenue, ranging from 20 to 54 per cent over the previous season. Obviously, the more visitors to the mountain, the more money each department will make.

The MMDC Board has decided that Marble Mountain cannot afford to operate its tubing park. The equipment was being leased for three years with an opt out clause that allows the resort to terminate the agreement if the provision of tubing is not profitable, commercially viable or otherwise financially beneficial to Marble Mountain, after two seasons. The tubing operation has not met expectations and has been a drain on the resort financially. While the operational loss was $16,000, the loss was actually far greater. Additional grooming and snowmaking expenses were not allocated to tubing. The actual loss was approximately $50,000. The amount of snow and the level of grooming required for the operation far exceeded expectations and interest from the general public was far below expectations. As well as a financial strain, the tubing operation was very difficult to manage. It was difficult to find employees for the hours that the tube park was open. The tubing sessions were not well attended yet our Food and Beverage department had to provide services for the extended hours. That increased expenses without revenue to offset the cost. As well, it was difficult to find staff because of the hard physical work and limited hours.

Marble Mountain Resort's expenses exceeded budget by 3.5 per cent and were 18 per cent over the previous season. The net, before Government funding ($400,000 annually) was a loss of $459,279 compared to a budgeted loss of $401,200. Last year's bottom line was a loss of $435,959. So, while revenues increased, expenses also increased resulting in an increased loss over last season which was considered a difficult one, due to lack of natural snow. To put this simply, a winter (2005-06) with little snow that is perceived as a terrible one for ski resorts, was financially more successful than the 2006-07 season which was considered perfect, with comfortable temperatures and abundant natural snow. Why would this be the case? Snowmaking prior to the start of the season is essential, so those start up costs were incurred for both seasons. Season pass sales were lower than budgeted for 2006-07 because of the lack of snow the year before. The tube park was a financial drain. As well, unexpected maintenance (the replacement of a bearing) on one of the chair lifts cost $30,000. All the equipment at Marble Mountain Ski Resort is aging and is costing more to maintain. Regular maintenance is being carried out on all equipment and is very expensive. In the 2006-07 season, the regular maintenance costs (excluding wages) for the lifts alone were $140,000. A five-year maintenance plan is being developed.

OPPORTUNITIES AND CHALLENGES

MMDC was established in 1988 to create sufficient resort infrastructure to make the facility attractive to private investors. While the first master plan indicated the necessary improvements required to create a destination resort, the 1994 master plan took development activity to a much higher level. Along with further recommendations to improve the ski facilities, the plan addressed the need for further developments to make the resort a full-service, all-season complex. This master plan document suggested that most of these facilities should be established by the private sector. While the original vision of golf courses and four-season activity on the Marble Mountain site has not been realized, complementary businesses, such as Humber Valley Resort and Marble Inn and Cabins, are being developed in the area.

In 2006, MMDC was approached by private investors with a proprietary idea, that of establishing a zip-line tour company on Marble Mountain property. The Board has entered into an agreement with MarbleZip and construction is scheduled to begin in late summer or early fall 2007. This will be a year-round operation.

The ski industry is known for its difficulties in finding adequate staff to operate its seasonal business. While Marble Mountain has a very stable workforce, staffing could become a challenge in the future. Already, acquiring qualified chefs, ski and snowboard instructors and ski patrol has become more difficult.

Our infrastructure is costing more to maintain as it ages. The incredible base lodge will need to be stained in the near future. The lift system is aging and is expensive to repair and replace. The revenue from operations is insufficient to cover these costs.

Competition from other activities such as snowmobiling and cross country skiing impacts on local participation in alpine sports. Resorts that are more easily accessible provide competition on the national scene.

Marble Mountain Development Corporation has successfully developed the resort into an attraction that is a cornerstone for the West Coast winter tourism product and a catalyst for tourism development in the region. The Humber Valley is experiencing economic growth that can be attributed, in large part, to Marble Mountain Ski Resort. MMDC recognizes that the ski resort has to continue to grow to meet the demands of discerning guests who insist on high quality service, good snow conditions and new developments. Unfortunately, the current revenue stream makes it impossible to finance these essential projects through operations. In the coming months, the MMDC Board of Directors will be reviewing existing development plans to enable it to propose future expansion of the ski resort and its services.

In 2006-07 the Marble Mountain Board, Management and Staff successfully provided a superior ski product that was enjoyed by people from Newfoundland and Labrador and beyond.

APPENDICES

APPENDIX A - MMDC MANAGEMENT STRUCTURE

BOARD CHAIR

MMDC BOARD OF DIRECTORS

GENERAL MANAGER

- Guest Services
- Rental & Repair
- Front Counter
- Office Clerk

Manager of Administration

- Bookkeeper Clerk
- Administration/Villa Assistant

Outside Operations Manager (Seasonal)

- Groomer Operator
- Lift Attendants
- Risk Managemen
- Snowmaking
- Equipment Maintenance

Villa, Marketing & Sales Manager

- Villa Housekeepe
- Villa Live-in Secu
- Administration/Vil Assistant

Food & Beverage Manager

- Bar Staff
- Cafeteria Staff
- Maintenance

Snow School Director (Seasonal)

- Snow School Instructors

Pro Patrol Manager (Seasonal)

- Pro

APPENDIX B - SKIER VISITATION STATISTICS

Season Passes

2005-06	2006-07	Change	% Change
2310	2119	-191	-8%
2310 X 23=53130*	2119 X 23=48737*	-4393	-8%

* The number of skier visits per season pass is estimated to be 23. This figure was derived from a season pass holder survey.

Daily Lift Ticket

2005-06	2006-07	Change	% Change
27,604	35,321	+7,717	+28%

Daily Lift Ticket Sales by Region

Region	2005-06	2006-07	Change	% Change
Local	11,918	16,798	+4880	+41 %
NL	7,426	8,871	+1445	+19%
Atlantic Can.	2,570	3,108	+538	+21%
Canada	541	521	-20	-4%
USA	39	37	-2	- 5%
International	5,103	5,975	+872	+17%
Unknown/Comp	7	11	+4	+57%

Total Skier Visits

2005-06	2005-06	Change	% Change
80,734	84,058	+3,324	+4%

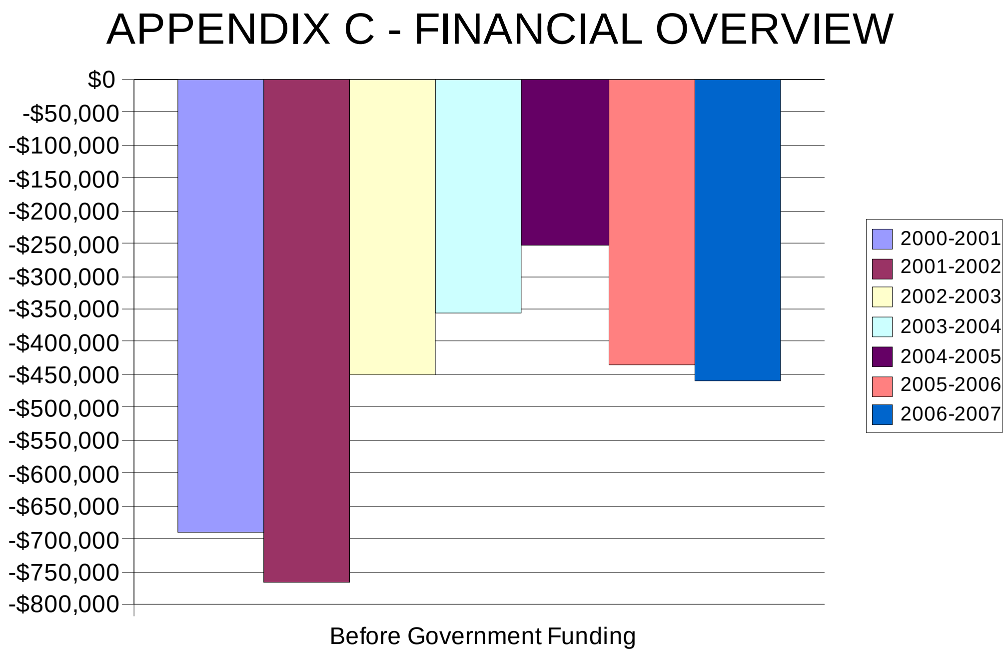
Marble Mountain Resort participated in the Canadian Ski Council Demographic Survey. The results of the survey show the gender breakdown of visitors to Marble Mountain Resort as follows:

Female 52 per cent
Male 48 per cent

Marble Mountain Resort
Summary of Skier Visits
1995 - 2007

Season	Local	Within the Province	Out of Province	Total Visits
1995/96				44,000
1996/97	46,881	10,404	2,447	59,732
1997/98	39,015	11,041	4,478	54,534
1998/99	36,507	7,211	6,031	49,749
1999/00	43,815	6,296	2,489	52,600
2000/01	48,891	9,200	4,483	62,574
2001/02	48,845	7,962	5,701	62,508
2002/03	54,596	9,039	6,532	70,167
2003/04	60,251	8,932	6,066	75,249
2004/05	62,306	10,500	8,518	81,324
2005/06	65,048	7,426	8,260	80,734
2006/07	63,219	11,187	9,652	84,058

APPENDIX C - FINANCIAL OVERVIEW



MARBLE MOUNTAIN DEVELOPMENT CORPORATION

AUDITED FINANCIAL STATEMENTS

April 30, 2007

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

AUDITED FINANCIAL STATEMENTS

April 30, 2007

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SQUIRE & HYNES
Chartered Accountants

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AUDITORS' REPORT

To the Directors of
Marble Mountain Development Corporation

We have audited the balance sheet of Marble Mountain Development Corporation as at April 30, 2007 and the statements of revenue, expenditures and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 the overall financial statement presentation.

The Corporation's policy is not to amortize its property, plant and equipment. Canadian generally accepted accounting principles require that property, plant and equipment with a limited life held by not-for-profit organizations be amortized over their useful lives. The Corporation's policy is not to amortize its government assistance relating to the purchase of property, plant and equipment. Canadian generally accepted accounting principles require that government assistance be amortized on the same basis as the amortization expense of the related property, plant and equipment to which it relates.

In our opinion, except for the effects of the above as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

July 05, 2007

Squire & Hynes

Richard C. Squire, C.A., C.B.V.
Kenneth J. Hynes, C.A

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

BALANCE SHEET
As at April 30, 2007

	2007	2006
ASSETS	$	$
CURRENT ASSETS		
Cash	8,599	4,488
Accounts receivable	101,911	83,727
Inventory	36,360	41,293
Prepaid expenses	79,160	92,146
	226,030	221,654
PROPERTY, PLANT AND EQUIPMENT (note 1)	34,614,081	34,600,028
DEFERRED CHARGE	-	6,776
	34,840,111	34,828,458
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (note 2)	1,887,423	1,661,594
Accounts payable and accrued liabilities (note 3)	309,730	309,785
Deferred revenue	16,168	6,800
Current portion - obligations under capital leases (note 4)	111,759	103,484
	2,325,080	2,081,663
OBLIGATIONS UNDER CAPITAL LEASES (note 4)	236,980	348,756
LONG-TERM DEBT (note 5)	300,000	300,000
GOVERNMENT ASSISTANCE AND OTHER CONTRIBUTIONS (note 6)	32,884,719	32,884,719
	35,746,779	35,615,138
SHAREHOLDER'S DEFICIENCY		
SHARE CAPITAL (note 7)	-	-
DEFICIT (note 15)	(906,668)	(786,680)
	(906,668)	(786,680)
	34,840,111	34,828,458

Lease commitments (note 10)
Contingent liability (note 11)

On behalf of the Board:

_______________ Director

_______________ Director

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

STATEMENT OF REVENUE, EXPENDITURES AND DEFICIT
For the year ended April 30, 2007

	2007	2006
	$	$
REVENUE		
Income (loss) from operations		
Lift operations – Schedule I	(509,841)	(456,330)
Rental and repair shop – Schedule II	189,108	163,441
Cafeteria – Schedule III	51,307	36,162
Bar – Schedule IV	42,087	31,046
Ski school – Schedule V	57,726	45,175
Events – Schedule VI	30,061	2,455
Marketing – Schedule VII	(101,445)	(42,552)
Marble Villa – Schedule VIII	135,701	104,183
Tube park – Schedule IX	(14,152)	(13,768)
Interest income	1,499	1,521
Operating grant (note 8)	400,000	820,000
	282,051	691,333
EXPENDITURES		
Directors' fees (note 12)	9,421	4,326
Advertising	577	422
Labour services	172,195	165,332
Management fees (note 12)	6,000	6,030
Administration	12,611	10,058
Communications	7,331	6,014
Travel and conference	1,914	2,994
Interest on capital leases	30,594	20,631
Maintenance – sewer lagoon	-	1,368
Interest and bank charges	89,093	71,936
Professional fees	7,078	9,118
Board and committee meetings	9,870	8,041
Miscellaneous	647	1,020
	347,331	307,290
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) BEFORE THE UNDERNOTED	(65,280)	384,043
Write off of property, plant and equipment retired from service during the year (note 13)	(54,708)	(388,140)
EXCESS OF EXPENDITURES OVER REVENUE	(119,988)	(4,097)
Deficit at beginning of year (note 15)	(786,680)	(782,583)
DEFICIT AT END OF YEAR	(906,668)	(786,680)

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS
For the year ended April 30, 2007

	2007	2006
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	2,357,701	1,980,782
Cash paid to suppliers and employees	(2,660,854)	(2,257,870)
Interest received	1,499	1,521
Interest paid	(147,802)	(122,670)
	(449,456)	(398,237)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(70,803)	(1,355,342)
Proceeds on disposal of property, plant and equipment	2,042	71,729
	(68,761)	(1,283,613)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in capital lease obligations	-	529,625
Repayment of capital lease obligations	(103,501)	(123,933)
Decrease in due from Marble Mountain Management Corporation	-	1,616
Operating grant	400,000	420,000
Department of Tourism, Culture & Recreation capital grant	-	688,000
	296,499	1,515,308
CASH FLOWS FROM OTHER ACTIVITIES		
Amalgamation (note 15)	-	2,508
DECREASE IN CASH AND CASH EQUIVALENTS	(221,718)	(164,034)
Cash and cash equivalents at beginning of year (note)	(1,657,106)	(1,493,072)
CASH AND CASH EQUIVALENTS AT END OF YEAR (note)	(1,878,824)	(1,657,106)

Note to the statement of cash flows

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, balances with banks and investments in money market instruments. Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	2007	2006
	$	$
Cash	8,599	4,488
Bank indebtedness	(1,887,423)	(1,661,594)
	(1,878,824)	(1,657,106)

GENERAL

The Corporation is a "Non-Profit Development Corporation" incorporated under the *Corporations Act* of Newfoundland and Labrador. Its affairs are managed by a Board of Directors appointed by the Lieutenant Governor in Council. The Province of Newfoundland and Labrador holds 100% of the issued common shares.

The principal business activity of the Corporation is managing and controlling the operations of the area known as the Marble Mountain Development area.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventory

Inventory is valued at the lower of cost and net realizable value.

Property, plant and equipment

Property, plant and equipment purchased by the Corporation are accounted for at cost. Donated assets are recorded at their estimated fair market value. No provision for amortization of property, plant and equipment is recorded in the financial statements of the Corporation.

Deferred charge

Deferred charge represents the unamortized cost of purchasing uniforms for snow school instructors. Amortization of the deferred charge is provided on the straight-line basis over three years and is recorded as ski patrol expense in lift operations.

Government assistance and other contributions

Government grants and other contributions related to the acquisition of property, plant and equipment are accounted for as deferred credits. The deferred credits related to the acquisition of property, plant and equipment have not been amortized. Government assistance and other contributions related to property, plant and equipment retired from service are credited against the related property, plant and equipment in the year of retirement.

Government grants related to operations are accounted for as revenue or as a reduction of the expense to which the grant relates.

Accounting estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimated.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is accounted for when there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed or determinable and collection is reasonably assured.

1. PROPERTY, PLANT AND EQUIPMENT

	2007	2006
	$	$
Snowmaking – water intake system	1,624,229	1,624,229
Buildings		
Maintenance building	415,161	413,919
Day Lodge	6,909,191	6,909,191
Buildings – other	122,309	120,309
Condominium	3,157,617	3,157,617
	10,604,278	10,601,036
Equipment		
Snowmaking	5,114,488	5,103,704
Chairlifts	2,318,412	2,318,412
IT equipment	5,624	-
Snowgroomers	548,739	548,739
T-bars/platter lift	120,824	120,824
Ski rental	148,638	169,481
Detachable quad lift	2,302,738	2,302,738
Tube park lift	9,582	9,582
	10,569,045	10,573,480
Other		
Heritage tree	120,856	120,856
Motor vehicles	45,529	45,529
Slopes, roads and parking lots	8,352,366	8,345,166
Furniture and equipment	745,484	741,538
Land assembly	1,870,356	1,870,356
Equipment under capital lease	529,625	529,625
Snowboard park	38,922	34,822
Playground equipment	23,965	23,965
Walking trails	89,426	89,426
	11,816,529	11,801,283
	34,614,081	34,600,028

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)
For the year ended April 30, 2007

2. BANK INDEBTEDNESS

	2007	2006
	$	$
Outstanding cheques in excess of funds on deposit	80,568	24,735
Line of credit	1,806,855	1,636,859
	1,887,423	1,661,594

The line of credit is authorized in the amount of $2,100,000 and bears interest at the rate of bank prime less .5%. It is secured by a Provincial Government guarantee and letter of indemnity and overdraft agreement signed by the Board of Directors.

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2007	2006
	$	$
Trade	279,765	271,379
Harmonized Sales Tax payable	9,980	528
Payroll deductions payable	17,005	33,970
Wages payable	2,980	3,908
	309,730	309,785

4. OBLIGATIONS UNDER CAPITAL LEASES

	2007	2006
	$	$

Obligations under capital leases represents the future minimum lease payments discounted at the interest rate implicit in the leases. Interest rates implicit in the capital leases outstanding at April 30, 2007 were 8.6% and 6.77%.

The future minimum lease payments required under the lease agreements are as follows:

		$	2007 $	2006 $
	2008	134,100		
	2009	134,100		
	2010	88,732		
	2011	33,024		
		389,956		
Less:	Amount representing interest	(41,217)	348,739	452,240
	Principal included in current liabilities		(111,759)	(103,484)
			236,980	348,756

Principal due within each of the next four years on capital lease obligations is approximately as follows:

	$
2008	111,759
2009	120,705
2010	83,873
2011	32,402
	348,739

5. LONG-TERM DEBT

	2007	2006
	$	$
Department of Innovation, Trade and Rural Development loan, non-interest bearing and repayable in annual installments based on 20% of available cash flow. Due 2015.	300,000	300,000

The above long-term debt is secured by a chattel mortgage on specific equipment. Long-term debt repayments required to meet retirement provisions are based on available cash flow which is defined as net profit plus amortization less principal payments on long-term debt and capital leases. In the current year, there is no available cash flow, therefore no repayment is due. The Corporation has until 2015 to repay the loan in full.

6. GOVERNMENT ASSISTANCE AND OTHER CONTRIBUTIONS - CAPITAL

The Corporation has recorded government grants and other contributions related to the acquisition of property, plant and equipment as deferred credits.

	2007	2006
	$	$
Balance at beginning of year	32,884,719	32,363,529
Assistance received during the year from the Province of Newfoundland and Labrador Department of Tourism, Culture and Recreation	-	688,000
	32,884,719	33,051,529
Less amount related to property, plant and equipment retired from service or sold during the year	-	(166,810)
Balance at end of year	32,884,719	32,884,719

7. SHARE CAPITAL

The Province of Newfoundland and Labrador holds 100% of the issued common shares of the Corporation.

8. GOVERNMENT ASSISTANCE AND OTHER CONTRIBUTIONS – OPERATIONS

Province of Newfoundland and Labrador – Operating grant

For the year ended April 30, 2007, an administrative operating grant in the amount of $400,000 (2006 - $820,000) was approved and received.

The above contribution is subject to the terms and conditions as outlined in the contribution agreement.

9. INCOME TAXES

The Corporation is a not-for-profit corporation wholly owned by the Province of Newfoundland and Labrador and as such is not subject to Federal or Provincial income taxes under the Canadian Income Tax Act.

10. LEASE COMMITMENTS

The corporation leases equipment under long-term operating leases which expire at various times between 2007 and 2010. The future minimum lease payments required under these long-term leases is approximately as follows:

	$
2008	17,260
2009	14,210
2010	7,866

11. CONTINGENT LIABILITY

As at April 30, 2007, a supplier had claimed that the Corporation owed it approximately $70,005 for services rendered. The Corporation's management feels that the claim is unfounded and the likelihood of any loss resulting therefrom is undeterminable. Therefore, the Corporation has not recorded in its accounts any provision for losses that may result from the claim.

12. RELATED PARTY TRANSACTIONS

During the year ended April 30, 2007, a management fee was paid to the Chairperson of the Board of Directors in the amount of $6,000 (2006 - $6,030). In addition, directors' fees of $9,421 (2006 - $4,326) were paid in aggregate to the Board of Directors of the Corporation.

13. PROPERTY, PLANT AND EQUIPMENT RETIRED FROM SERVICE

During the year the Corporation retired property, plant and equipment which were no longer required in the operation. Property, plant and equipment retired from service has been charged to operations.

14. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, deferred revenue, obligations under capital leases, and long-term debt. Unless otherwise noted, it is management's opinion that the entity is not exposed to significant currency or credit risks from these financial instruments. However, the entity is exposed to interest rate risk on its operating line of credit. The interest rate is variable and is subject to interest rate volatility. The fair values of these financial instruments approximates their carrying values unless otherwise noted.

15. AMALGAMATION

On April 30, 2007 Marble Mountain Development Corporation and Marble Mountain Management Corporation were amalgamated under Section 293 of the Corporations Act of Newfoundland and Labrador. The amalgamation was accounted for under the continuity of interest method. Under this method, the various assets and liabilities were accounted for at the carrying value of the amalgamated corporations. The 2006 comparative figures have been presented on an amalgamated basis. The amalgamated corporation will continue as Marble Mountain Development Corporation.

The details of the amalgamation are as follows on a condensed basis:

	April 30, 2007		
	Marble Mountain Development Corporation	Marble Mountain Management Corporation	Amalgamated
Assets	$	$	$
Cash	2,200	6,399	8,599
Due from Marble Mountain Management Corporation	197,178	-	-
Other assets	34,831,512	-	34,831,512
	35,030,890	6,399	34,840,111
Liabilities and Deficit			
Payable to Marble Mountain Development Corporation	-	197,178	-
Other liabilities and deferred credits	35,746,779	-	35,746,779
Deficit	(715,889)	(190,779)	(906,668)
	35,030,890	6,399	34,840,111

15. AMALGAMATION (Continued)

	April 30, 2006		
Assets	Marble Mountain Development Corporation	Marble Mountain Management Corporation	Amalgamated
	$	$	$
Cash	1,980	2,508	4,488
Due from Marble Mountain Management Corporation	193,287	-	-
Other assets	34,823,970	-	34,823,970
	35,019,237	2,508	34,828,458
Liabilities and Deficit			
Payable to Marble Mountain Development Corporation	-	193,287	-
Other liabilities and deferred credits	35,615,138	-	35,615,138
Deficit	(595,901)	(190,779)	(786,680)
	35,019,237	2,508	34,828,458

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

SCHEDULE I
STATEMENT OF REVENUE AND EXPENDITURES - LIFT OPERATIONS
For the year ended April 30, 2007

	2007	2006
	$	$
REVENUE		
Lift tickets	599,244	452,364
Season passes	377,089	388,428
Tenant - revenue	14,630	12,639
Children's centre	15,158	13,129
Facilities rental	1,210	5,882
Other	2,850	3,031
	1,010,181	875,473
EXPENDITURES		
Management contract	100,803	99,700
Snowmaking		
Electricity	120,450	107,436
Labour services	38,835	29,266
Equipment maintenance	37,859	53,539
Snowgun rental	10,936	10,936
Vehicle operating		
Repairs	28,173	43,505
Fuel	63,247	48,793
Lift repairs	141,092	115,500
Lift rental	10,000	10,000
Maintenance		
Equipment	479	200
Building	48,971	49,193
Slopes	65,535	13,345
Labour services	369,789	301,920
Heating and electricity	108,818	103,896
Insurance	123,455	129,153
Ski patrol	77,586	65,890
Supplies	29,723	28,539
Municipal fees	18,758	17,500
Interest and bank charges	25,850	23,461
Security	2,573	1,514
Children's centre	20,120	17,065
Miscellaneous	20,914	14,293
Snowclearing	16,032	12,740
Communications	17,155	18,451
Equipment rental	17,371	11,979
Uniforms	1,989	2,886
Special Events	3,509	1,103
	1,520,022	1,331,803
EXCESS OF EXPENDITURES OVER REVENUE	(509,841)	(456,330)

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

SCHEDULE II

STATEMENT OF REVENUE AND EXPENDITURES - RENTAL AND REPAIR SHOP

For the year ended April 30, 2007

	2007	2006
	$	$
REVENUE	255,003	211,227
EXPENDITURES		
Labour services	59,524	45,106
Supplies	3,994	2,269
Miscellaneous	540	40
Communications	283	371
Equipment rental	1,554	-
	65,895	47,786
EXCESS OF REVENUE OVER EXPENDITURES	189,108	163,441

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

SCHEDULE III
STATEMENT OF REVENUE AND EXPENDITURES - CAFETERIA
For the year ended April 30, 2007

	2007	2006
	$	$
REVENUE	299,472	222,962
COST OF SALES	132,506	102,344
GROSS PROFIT	166,966	120,618
EXPENDITURES		
Repairs and maintenance	8,928	1,036
Miscellaneous	495	867
Supplies	15,719	10,967
Communications	347	583
Labour services	90,170	71,003
	115,659	84,456
EXCESS OF REVENUE OVER EXPENDITURES	51,307	36,162

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

SCHEDULE IV
STATEMENT OF REVENUE AND EXPENDITURES - BAR
For the year ended April 30, 2007

	2007	2006
	$	$
REVENUE	146,612	113,530
COST OF SALES	51,655	39,889
GROSS PROFIT	94,957	73,641
EXPENDITURES		
Entertainment	11,775	4,750
Repairs and maintenance	1,503	111
Labour services	30,323	26,319
Communications	475	385
Security	1,838	-
Special events	4,918	5,723
Supplies	1,557	788
Licenses and fees	481	806
Sno Jam accommodations	-	3,713
	52,870	42,595
EXCESS OF REVENUE OVER EXPENDITURES	42,087	31,046

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

SCHEDULE V
STATEMENT OF REVENUE AND EXPENDITURES - SKI SCHOOL
For the year ended April 30, 2007

	2007	2006
	$	$
REVENUE	165,016	135,560
EXPENDITURES		
Labour services	90,461	74,026
Uniforms	6,776	7,631
Training	3,857	4,440
Advertising	443	-
Supplies	487	551
Computer lease	183	-
Miscellaneous	846	500
Krunchers Club	3,817	2,891
Communications	420	346
	107,290	90,385
EXCESS OF REVENUE OVER EXPENDITURES	57,726	45,175

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

SCHEDULE VI
STATEMENT OF REVENUE AND EXPENDITURES - EVENTS
For the year ended April 30, 2007

	2007	2006
	$	$
REVENUE	134,345	87,019
COST OF SALES	31,155	23,804
GROSS PROFIT	103,190	63,215
EXPENDITURES		
Labour services	59,594	50,727
Maintenance	850	810
Supplies	6,658	5,395
Miscellaneous	1,810	643
Complimentary rooms	1,142	150
Interest and bank charges	2,215	1,733
Communications	860	1,302
	73,129	60,760
EXCESS OF REVENUE OVER EXPENDITURES	30,061	2,455

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

SCHEDULE VII
STATEMENT OF REVENUE AND EXPENDITURES - MARKETING
For the year ended April 30, 2007

	2007	2006
	$	$
REVENUE		
Sponsorship	29,900	29,200
Advertising	31,002	30,312
	60,902	59,512
EXPENDITURES		
Advertising		
Television	2,384	1,837
Print	7,841	10,138
Radio	35,403	27,584
Internet	2,999	3,219
Marketing campaign	50,337	-
Atlantic Marketing Initiatives	-	435
UK/International marketing	6,901	5,000
Labour services	39,844	38,181
Communications	4,172	4,048
Complementary Marble Villa rooms	1,428	762
Membership fees	1,625	670
Travel and meetings	563	78
Ski shows and familiarization tours	4,430	4,420
Sign maintenance	343	-
Office and postage	123	489
Supplies	3,954	5,203
	162,347	102,064
EXCESS OF EXPENDITURES OVER REVENUE	(101,445)	(42,552)

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

SCHEDULE VIII
STATEMENT OF REVENUE AND EXPENDITURES – MARBLE VILLA
For the year ended April 30, 2007

	2007	2006
	$	$
REVENUE		
Rental revenue	259,713	216,461
EXPENDITURES		
Housekeeping	19,735	16,475
Heat and light	27,858	30,653
Repairs and maintenance	12,717	11,419
Labour services	18,453	16,165
Security wages	3,878	5,458
Common area expense	7,100	7,100
Insurance	7,504	8,000
Communications	5,288	5,517
Cable television	4,244	4,705
Supplies	4,044	5,608
Miscellaneous	50	-
Marketing	5,706	731
Laundry	7,435	447
	124,012	112,278
EXCESS OF REVENUE OVER EXPENDITURES	135,701	104,183

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

SCHEDULE IX
STATEMENT OF REVENUE AND EXPENDITURES – TUBE PARK
For the year ended April 30, 2007

	2007	2006
	$	$
REVENUE	35,273	26,059
EXPENDITURES		
Lift rental	20,000	20,000
Labour services	20,132	15,817
Insurance	6,561	2,915
Supplies	555	545
Miscellaneous	-	50
Inspection	2,177	500
	49,425	39,827
EXCESS OF EXPENDITURES OVER REVENUE	(14,152)	(13,768)