

FORACO INTERNATIONAL

Unaudited Condensed Consolidated Interim Financial Statements

Three-month and six-month periods ended June 30, 2008



Table of content

Unaudited condensed consolidated interim balance sheet - Assets	3
Unaudited condensed consolidated interim balance sheet – Equity & Liabilities	4
Unaudited condensed consolidated interim income statement	5
Unaudited condensed consolidated interim statement of changes in equity	6
Unaudited condensed consolidated interim cash flow statement	7
Selected notes to the unaudited condensed consolidated interim financial statements	8
1. Basis of preparation	8
2. Selected notes on critical accounting policies and new accounting pronouncements	8
3. Financial risk management	9
4. Segment information	9
5. Property, plant and equipment	11
6. Goodwill	12
7. Inventories	12
8. Borrowings	13
9. Provisions	13
10. Share capital	14
11. Expenses by nature	14
12. Commitments and contingencies	14
13. Related-party transactions	15
14. Earnings per share calculation	15
15. Events after the balance sheet date	15

Foraco International S.A.
Unaudited condensed consolidated interim financial statements as of June 30, 2008

Unaudited condensed consolidated interim balance sheet - Assets

in thousands of €	Note	June 30, 2008	December 31, 2007
ASSETS			
Non-current assets			
Property, plant and equipment	(5)	19,171	16,323
Goodwill	(6)	4,160	4,260
Other intangible assets		44	153
Deferred income tax assets		733	513
Other non-current assets		311	340
		24,419	21,588
Current assets			
Inventories, net	(7)	14,708	13,389
Trade receivables, net		19,917	15,898
Other current assets		4,286	5,793
Cash and cash equivalents		18,612	23,264
		57,523	58,343
Total assets		81,942	79,931

The accompanying notes to the financial statements form an integral part
of these consolidated interim financial statements

Foraco International S.A.
Unaudited condensed consolidated interim financial statements as of June 30, 2008

Unaudited condensed consolidated interim balance sheet – Equity & Liabilities

in thousands of €	Note	June 30, 2008	December 31, 2007
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		911	911
Share premium and Retained earnings		46,607	44,785
Other reserves		(159)	700
		47,359	46,396
Minority interest in equity		159	171
Total equity		47,518	46,567
LIABILITIES			
Non-current liabilities			
Borrowings	(8)	2,129	2,566
Deferred income tax liabilities		846	864
Provisions for other liabilities and charges	(9)	354	345
Current liabilities			
Trade and other payables		19,946	21,971
Current income tax liabilities		3,037	2,398
Borrowings	(8)	8,087	5,175
Provisions for other liabilities and charges	(9)	25	45
Total liabilities		34,424	33,364
Total equity and liabilities		81,942	79,931

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Foraco International S.A.
Unaudited condensed consolidated interim financial statements as of June 30, 2008

Unaudited condensed consolidated interim income statement

in thousands of €	Note	Three-month period ended		Six-month period ended	
		June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Revenue	(4)	24,556	20,313	47,265	34,569
Cost of sales	(11)	(16,607)	(14,231)	(32,856)	(25,250)
Gross profit		7,949	6,082	14,409	9,319
Selling and marketing expenses	(11)	(740)	(678)	(1,444)	(1,151)
General and administrative expenses	(11)	(1,751)	(1,378)	(3,441)	(2,542)
Other operating income / (expense), net	(11)	(188)	-	(148)	-
Share of profit / (loss) from associates	(11)	-	44	-	94
Share-based compensation granted as part of the Initial Public Offering	(11)/(12)	-	(781)	-	(781)
Operating profit		5,270	3,289	9,376	4,939
Finance costs		(91)	(329)	40	(582)
Profit before income tax		5,180	2,960	9,416	4,357
Income tax expense		(1,848)	(1,037)	(3,387)	(1,422)
Profit for the period		3,332	1,922	6,028	2,934
Attributable to:					
Equity holders of the Company		3,317	1,908	5,998	2,908
Minority interest		15	14	30	26
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in euro per share)					
- basic	(14)	0.06	0.04	0.10	0.07
- diluted	(14)	0.06	0.04	0.10	0.07

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Foraco International S.A.
Unaudited condensed consolidated interim financial statements as of June 30, 2008

Unaudited condensed consolidated interim statement of changes in equity

in thousands of €	Attributable to equity holders of the Company				Minority Interest	Total Equity
	Share Capital	Share Premium and Retained Earnings	Other Reserves	Total		
Balance at January 1, 2007	657	15,064	(1,210)	14,511	112	14,623
Currency translation differences	-	-	404	404	-	404
Change in fair value of financial assets available for sale, net of tax	-	-	86	86	-	86
Employee share-based compensation	-	-	809	809	-	809
Actuarial gains / (losses), net of tax	-	-	(36)	(36)	-	(36)
Net income / (loss) recognized directly in equity	657	15,064	53	15,774	112	15,886
Profit for the six-month period	-	2,908	-	2,908	12	2,920
Total recognized income and expense for the three-month period	657	17,972	53	18,682	124	18,806
Share capital increase	8	-	-	8	-	8
Dividend paid relating to 2006	-	(602)	-	(602)	-	(602)
Balance at June 30, 2007	665	17,370	53	18,088	124	18,212
Balance at January 1, 2008	911	44,785	700	46,396	171	46,567
Currency translation differences	-	-	(1,007)	(1,007)	-	(1,007)
Employee share-based compensation	-	-	148	148	-	148
Net income / (loss) recognized directly in equity	911	44,785	(159)	45,537	171	45,708
Profit for the six-month period	-	5,998	-	5,998	30	6,028
Total recognized income and expense for the six-month period	911	50,783	(159)	51,535	201	51,736
Treasury shares purchased (Note 2.2)	-	(3,361)	-	(3,361)	-	(3,361)
Dividend paid relating to 2007	-	(815)	-	(815)	(42)	(857)
Balance at June 30, 2008	911	46,607	(159)	47,359	159	47,518

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of these consolidated interim financial statements

Foraco International S.A.
Unaudited condensed consolidated interim financial statements as of June 30, 2008

Unaudited condensed consolidated interim cash flow statement

in thousands of €	Six-month period ended	
	June 30, 2008	June 30, 2007
Cash flows from operating activities		
Profit for the period	6,028	2,934
Adjustments for :		
- Depreciation, amortization and impairment	2,798	2,484
- Changes in non-current portion of provisions and other liabilities	(332)	(153)
- (Gain) / loss on sale and disposal of assets	17	-
- Share of (profit) / loss from associates	-	(94)
- Changes in items recognized directly in equity with an impact on (i) the profit for the period or (ii) cash and cash equivalents	-	86
- Share-based compensation expenses	148	809
- Income tax expenses	3,387	1,422
- Finance costs, net	(40)	582
Cash generated from operations before changes in operating assets and liabilities	12,006	8,070
Changes in operating assets and liabilities:		
- Inventories	(1,544)	1,048
- Trade accounts receivable and other receivables	(3,295)	(3,182)
- Trade accounts payable and other payables	(1,736)	(1,623)
Cash generated from operations	5,431	4,313
- Interest paid, net	155	(518)
- Income tax paid	(3,113)	(393)
Net cash flow from operating activities	2,473	3,402
Cash flows from investing activities		
Purchase of property, plant and equipment (PPE)	(6,011)	(2,319)
Acquisition of the net assets of Connors Drilling Ltd (note 6)	101	(6,566)
Release / (Deposit) on escrow account relating to Connors' acquisition	735	(735)
Purchase price adjustment related to the acquisition of Boniface	(374)	-
Proceeds from sale of PPE	30	-
Changes in other current and non-current assets (excluding operating assets)	-	(42)
Net cash used in investing activities	(5,519)	(9,662)
Cash flows from financing activities		
Proceeds from issuance of borrowings, net of issuance costs	133	8,731
Acquisition of treasury shares	(3,361)	-
Repayments of borrowings	(926)	(956)
Net increase / (decrease) in bank overdrafts and short-term loans	3,268	227
Dividends paid to Company's shareholders	(815)	-
Dividends paid to minority interests	-	(15)
Net cash used in financing activities	(1,701)	7,987
Exchange differences on cash and cash equivalents	95	(15)
Net increase/(decrease) in cash and cash equivalents	(4,652)	1,712
Cash and cash equivalents at beginning of the period	23,264	3,313
Cash and cash equivalents at end of the period	18,612	5,025

The accompanying notes to the financial statements form an integral part of these consolidated interim financial statements

Selected notes to the unaudited condensed consolidated interim financial statements

1. Basis of preparation

These unaudited condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. All material intercompany balances have been eliminated. Because all the disclosures required by IFRS are not included, these interim statements should be read in conjunction with the audited financial statements of Foraco International S.A. and its subsidiaries (the “Company”) for the year ended December 31, 2007. The statements of income for the periods presented are not necessarily indicative of results expected for any future period, nor for the entire year.

Except when otherwise stated, all amounts are presented in thousands of €, which is the functional currency of the Company.

2. Selected notes on critical accounting policies and new accounting pronouncements

The accounting policies have been consistently applied with those of the annual financial statements for the year ended December 31, 2007, as described in the annual financial statements for the year ended December 31, 2007.

Certain new standards and interpretations to existing standards have been published that are mandatory for the Company’s accounting periods beginning after January 1, 2008.

New standard which the Company did not early adopt in 2008:

- IFRS 8, Operating segments (effective for annual periods beginning on or after January 1, 2009): IFRS 8 replaces IAS 14, Segment Reporting and requires an entity to report financial and descriptive information about its reportable segments. IFRS 8 differs in certain areas from IAS 14 such as in the identification of operating segments based on internal reports that are regularly reviewed by the management in order to allocate resources to the segment and assess its performance. The adoption of IFRS 8 would require that the Company amends the way it presents reporting segment to conform with internal reports used by management.

2.1. Income tax

The income tax expense is recognized based on the management’s best estimate of the average annual income tax rate expected for the full financial year on a tax jurisdiction by tax jurisdiction basis.

2.2. Treasury shares

Where any Company subsidiary purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares will be subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, will be included in equity attributable to the company's equity holders.

2.3. Seasonal fluctuations

The Company experiences seasonality in the activity depending upon the drilling conditions of each project and the country where the Company operates, with peak activity in the second and third quarters of the year. As a result of these seasonal fluctuations, the Company's cash flows from operations and revenue are not evenly distributed between quarters throughout the year.

3. Financial risk management

The Company is exposed to a variety of financial risks through its activity: currency risk, cash transfer restriction, interest rate / re-investment risk, financial counter-party risk and credit risk.

A significant portion of the cash flows of the Group is denominated in Canadian dollars. Canadian operations are not exposed to currency fluctuations as all revenues and costs are generated in Canadian dollars. The Group also owns certain short-term deposits with guaranteed capital that mainly provide fixed yield indexed on the € currency market.

4. Segment information

The business segment information for the three-month period ended June 30, 2008 and 2007 is as follows:

Three-month period ended	Water, environmental & infrastructure		Mining & energy		Group	
	June 30,		June 30,		June 30,	
	2008	2007	2008	2007	2008	2007
Net Sales	6,664	6,301	17,893	14,012	24,556	20,313
Operating profit	1,243	980	4,026	2,309	5,270	3,289
Finance costs	n/a	n/a	n/a	n/a	(91)	(329)
Profit before income tax	n/a	n/a	n/a	n/a	5,180	2,960
Income tax expense	n/a	n/a	n/a	n/a	(1,848)	(1,037)
Profit for the period	n/a	n/a	n/a	n/a	3,332	1,922

The business segment information for the six-month periods ended June 30, 2008 and 2007 is as follows:

Six-month period ended	Water, environmental & infrastructure		Mining & energy		Group	
	June 30,		June 30,		June 30,	
	2008	2007	2008	2007	2008	2007
Net Sales	12,957	11,985	34,308	22,584	47,265	34,569
Operating profit	2,521	2,013	6,854	2,926	9,376	4,939
Finance costs	n/a	n/a	n/a	n/a	40	(582)
Profit before income tax	n/a	n/a	n/a	n/a	9,416	4,357
Income tax expense	n/a	n/a	n/a	n/a	(3,387)	(1,422)
Profit for the period	n/a	n/a	n/a	n/a	6,028	2,934

Corporate costs and overheads are allocated to each business segment based on their revenue. This approach is considered by management to be a reasonable basis for determining the attributable costs of the respective segment.

The following is a summary of sales to external customers by geographic area for the three-month periods ended June 30, 2008 and 2007:

Three-month period ended	June 30, 2008	June 30, 2007
Africa	13,875	10,925
Europe	2,106	1,381
Asia Pacific	1,925	1,939
America	6,650	6,068
Net sales	24,556	20,313

The following is a summary of sales to external customers by geographic area for the six-month period ended June 30, 2008 and 2007:

Three-month period ended	June 30, 2008	June 30, 2007
Africa	24,508	18,820
Europe	4,501	2,371
Asia Pacific	3,137	3,432
America	15,119	9,946
Net sales	47,265	34,569

5. Property, plant and equipment

Property, plant and equipment (PPE) consists of the following:

	Land & Buildings	Drilling equipment & tools	Automotive equipment	Office furniture & other equipment	Total
As of December 31, 2007					
Opening net book amount	1,373	8,459	1,434	144	11,411
Additions	123	5,766	1,062	147	7,098
Exchange differences	60	118	-	4	182
Disposals or retirements	(581)	-	-	-	(581)
Acquisition of subsidiary	913	1,577	74	12	2,576
Depreciation expense	(135)	(3,459)	(688)	(81)	(4,363)
Closing net book value	1,753	12,461	1,882	226	16,323
<i>Including:</i>					
<i>PPE under finance lease contracts, gross</i>	-	3,657	1,133	-	4,790
<i>PPE under finance lease contracts, accumulated depreciation</i>	-	(1,551)	(752)	-	(2,303)
Net book value of PPE under finance lease as of December 31, 2007	-	2,106	381	-	2,487
As of June 30, 2008					
Opening net book amount	1,753	12,461	1,882	226	16,323
Additions	183	4,074	1,666	88	6,011
Exchange differences	(92)	(413)	(9)	(2)	(516)
Disposals or retirements	-	(17)	(2)	-	(19)
Depreciation expense	(61)	(2,080)	(431)	(56)	(2,628)
Closing net book value	1,783	14,025	3,106	256	19,171
<i>Including:</i>					
<i>PPE under finance lease contracts, gross</i>	-	3,657	1,133	-	4,790
<i>PPE under finance lease contracts, accumulated depreciation</i>	-	(1,816)	(806)	-	(2,622)
Net book value of PPE under finance lease as of June 30, 2008	-	1,841	327	-	2,168

The depreciation expense of PPE and the amortization expense of intangible assets have been charged to the income statement as follows:

Three-month period ended	June 30, 2008	June 30, 2007
Cost of sales	1,391	1,341
General & administrative expenses	31	16
Total depreciation and amortization	1,422	1,357
Six-month period ended	June 30, 2008	June 30, 2007
Cost of sales	2,753	2,452
General & administrative expenses	45	32
Total depreciation and amortization	2,798	2,484

6. Goodwill

Goodwill can be analyzed as follows:

Period ended	June 30, 2008	December 31, 2007
Goodwill at period beginning	4,260	1,914
Acquisition of Connors Drilling Ltd	-	2,206
Purchase price adjustments on prior business combinations, net	131	-
Impairment loss	-	-
Exchange differences	(231)	140
Goodwill at period ending	4,160	4,260

In early 2007, the Company acquired a substantial amount of the Canadian assets of Connors Drilling Ltd., a surface and underground diamond drilling company, through an asset deal. The net purchase consideration paid in relation to this acquisition and the related goodwill amounted to € 6,566 thousand and €2,206 thousand, respectively. The Company claimed a purchase price adjustment related to the value of certain inventories acquired. This claim was settled on the first quarter of 2008 and the Company obtained a purchase price reduction amounting to € 78 thousand net of tax, reflected as a reduction of the goodwill.

In the context of the acquisition of the company Boniface which took place in 2000, the Company was granted with a guarantee on assets acquired and liabilities assumed. The acquisition agreement also allows for adjustments to the cost of the combination that were contingent to future events. These adjustments were not reflected at the time of the initial recognition of the business combination as there was no reliable measure of their impact. On the first quarter of 2008, a reliable estimate was obtained and the Company definitively settled its obligations towards the vendors. The related additional consideration was recognized as an adjustment to the cost of the combination which resulted in an increase of the goodwill for an amount of € 209 thousand, net of tax.

7. Inventories

Inventories consist of the following:

Period ended	June 30, 2008	December 31, 2007
Spare parts and consumables, gross	14,772	13,453
Less inventory allowance	(64)	(64)
Inventories, net	14,708	13,389

8. Borrowings

As of June 30, 2008, maturity of financial debt can be analyzed as follows:

Maturity	Less than one year	One to five years	Over five years	Total
Bank overdraft	410		-	410
Assignment of trade receivables with recourse	6 456		-	6 456
Bank financing	645	1 228	-	1 873
Capital lease obligations	576	901	-	1 477
Total financial debt	8 087	2 129	-	10 216

Unused credit facilities amount to € 11,737 thousand as of June 30, 2008.

Total financial debts as of June 30, 2008 include collateralized borrowings of €8,343 thousand:

- Assignment of trade receivables with recourse against the Company for an amount of €6,456 thousand is secured by receivables that have been transferred; and
- Capital lease obligations amounting to €1,477 thousand are secured by related leased assets.
- Bank overdrafts amounting to €410 thousand are secured by a general pledge on assets of the related subsidiaries (i.e. Foraco Canada Ltd. and Foraco Drilling Ltd).

9. Provisions

Provisions comprise of the following elements:

	Pension & retirement indemnities provision	Other provisions	Total
At January 1, 2008	345	45	390
Charged to consolidated income statement		-	
- Addition to provisions	9	-	9
- Unused amounts reversed	-	(20)	(20)
At June 30, 2008	354	25	379
<i>of which non-current portion</i>	<i>354</i>	<i>-</i>	<i>354</i>
<i>of which current portion</i>	<i>-</i>	<i>25</i>	<i>25</i>

The provision relating to French retirement indemnities amounts to € 354 thousand as of June 30, 2008.

10. Share capital

The Company acquired 1,500,000 of its own shares through purchases from Banque de Vizille on May 28, 2008. The total amount paid to acquire the common shares, net of income tax, was € 3,361 thousand (or Can\$ 5,250 thousand). The shares are held as “treasury shares” and are deducted from retained earnings within shareholders’ equity. The Company has the right to reissue or resell these shares at a later date. All shares issued by the Company were fully paid.

11. Expenses by nature

Operating expenses / (income), net by nature are as follows:

	Three-month period ended		Six-month period ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Depreciation, amortization and impairment charges	(1,422)	(1,357)	(2,798)	(2,484)
Accruals increases / (reversals)	(244)	23	(242)	50
Raw materials, consumables used and external charges	(11,532)	(9,702)	(22,512)	(17,141)
Employee benefit expense	(5,619)	(4,950)	(11,737)	(8,852)
Other tax expense	(280)	(301)	(453)	(503)
Share of profit / (loss) from associates	-	44	-	94
Other operating expenses (profit), net	(188)	-	(148)	(13)
Share based compensations granted as part of the initial public offering	-	(781)	-	(781)
Total operating expenses	(19,285)	(17,024)	(37,890)	(29,630)

Share-based compensation expenses recognized within Employee benefit expense as of June 30, 2008 amounts to €148 thousand (nil in 2007).

12. Commitments and contingencies

The guarantees given are as follows:

Period ended	June 30, 2008	December 31, 2007
Bid bonds	1 022	1 277
Advance payment guarantees and performance guarantees	10 763	11 154
Retention guarantees	3 881	3 113
Financial guarantees	1 878	1 407
Total	17 544	16 951

The Company entered into an operating lease in respect to its premises in Lunel (France) and Woringen (Germany).

Unaudited condensed consolidated interim financial statements

Since 2004, the Company launched an arbitration process against a former customer Codelco, a Chilean state owned company. This dispute arose following the breach of the provisions of a drilling contract in relation to the period 2002 and 2003. In late 2006, the arbitrator issued a first conciliation proposal whereby Codelco is required to indemnify the Company for an amount approximating U.S. \$2.5 million. This proposal was declined accepted by the parties and the arbitration process is still ongoing. At this stage, the management of the Company can not make any reliable estimate on the future outcome of this arbitration.

Generally, the Company is subject to legal proceedings, claims and legal actions arising in the ordinary course of business. The Company's management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

13. Related-party transactions

The Company accounted for certain related party transactions including lease rentals amounting to €62 thousand for the three-month period ended June 30, 2008 (€124 thousand for the six-month period ended June 30, 2008) and financial interests amounting to €68 thousand for the three-month period ended June 30, 2008 (€104 thousand for the six-month period ended June 30, 2008). The related-party loan payable outstanding balance as at June 30, 2008 amounts to €2,430 thousand.

Key Management compensations for the three-month period ended June 30, 2008 amount to €203 thousand (€406 thousand for the six-month period ended June 30, 2008).

14. Earnings per share calculation

For the six-month period ended June 30, 2008, the weighted basic average number of shares was 59,477,807. For the three-month period ended June 30, 2008, the weighted basic average number of shares was 59,209,667.

For the six-month period ended June 30, 2008, the weighted average diluted number of shares was 60,428,454. For the three-month period ended June 30, 2008, the weighted diluted average number of shares was 60,171,886.

For the three-month and six-month periods ended June 30, 2007 the weighted basic and diluted average number of common shares was 46,570,582 (after giving effect to the share split occurred during 2007).

15. Events after the balance sheet date

There are no significant events to be reported.