FORACO INTERNATIONAL S.A.

Unaudited Condensed Consolidated Interim Financial Statements

Three-month period ended March 31, 2011

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Unaudited condensed consolidated interim balance sheet - Assets

in thousands of US$	Note	March 31, 2011	December 31, 2010
ASSETS			
Non-current assets			
Property, plant and equipment	(5)	84,050	78,289
Goodwill	(6)	51,173	50,667
Deferred income tax assets	(6)	8,641	10,805
Other non-current assets		1,659	1,699
		145,523	**141,460**
Current assets			
Inventories, net	(7)	37,374	32,384
Trade receivables, net		59,688	40,996
Other current assets		18,558	17,195
Cash and cash equivalents		13,273	14,920
		128,893	**105,495**
Total assets		**274,416**	**246,955**

Unaudited condensed consolidated interim balance sheet – Equity & Liabilities

in thousands of US$	Note	March 31, 2011	December 31, 2010
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		1,468	1,468
Share premium and retained earnings		142,947	137,342
Other reserves		7,290	4,131
		151,705	**142,941**
Non-controlling interests		3,909	3,811
Total equity		**155,614**	**146,751**
LIABILITIES			
Non-current liabilities			
Borrowings	(8)	10,858	11,359
Deferred income tax liabilities		6,516	7,213
Provisions for other liabilities and charges	(9)	1,622	1,597
Current liabilities			
Trade and other payables		52,674	39,024
Current income tax liabilities		1,931	2,374
Borrowings	(8)	40,673	30,332
Consideration payable related to acquisitions	(6)	4,141	7,941
Provisions for other liabilities and charges	(9)	388	364
Total liabilities		**118,803**	**100,204**
Total equity and liabilities		**274,416**	**246,955**

Unaudited condensed consolidated interim income statement

In thousands of US$	Note	Three-month period ended March 31, 2011	Three-month period ended March 31, 2010 (*)
Revenue	(4)	65,333	24,525
Cost of sales	(11)	(50,812)	(19,122)
Gross profit		**14,521**	**5,403**
Selling, general and administratives expenses	(11)	(5,916)	(3,841)
Other operating income / (expense), net	(11)	-	32
Operating profit		**8,605**	**1,594**
Finance costs		(644)	(128)
Profit before income tax		**7,961**	**1,466**
Income tax expense		(2,017)	(410)
Profit for the period		**5,944**	**1,056**
Attributable to:			
Equity holders of the Company		6,089	1,004
Non-controlling interests		(145)	52

Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in US cents per share):

	Note	March 31, 2011	March 31, 2010 (*)
- basic	(14)	7.75	1.79
- diluted	(14)	7.65	1.77

(*) In accordance with IAS 21.38, in Q2 2010, the Company elected to report its consolidated financial statements using the US Dollar as its presentation currency. Previously, the Company reported in Euros. This change in presentation currency does not affect the functional currencies of each of the entities of the Group. All figures previously reported in Euros have been converted at historical, average or closing currency exchange rate, as appropriate and in accordance with IAS 21.

Unaudited condensed consolidated interim statement of changes in equity

in thousands of US$	Attributable to equity holders of the Company				Non-controlling interests	Total Equity
	Share Capital	Share Premium and Retained Earnings	Other Reserves	Total		
Balance at January 1, 2010 (*)	**1,190**	**84,134**	**7,043**	**92,367**	**224**	**92,589**
Currency translation differences	-	-	(3,111)	(3,111)	-	(3,111)
Employee share-based compensation	-	-	206	206	-	206
Profit for the year	-	1,056	-	1,056	-	1,056
Effect of the adoption of IFRS 3(R) (see Note 2)		(416)		(416)	-	(416)
Treasury shares purchased (see Note 10)	-	(134)	-	(134)	-	(134)
Acquisition of non-controlling Interests (see Note 2)	-	47	-	47	(65)	(18)
Balance at March 31, 2010 (*)	**1,190**	**84,687**	**4,138**	**90,015**	**159**	**90,172**
Balance at January 1, 2011	**1,468**	**137,342**	**4,131**	**142,941**	**3,811**	**146,751**
Currency translation differences	-	-	2,915	2,915	243	3,158
Employee share-based compensation	-	-	245	245	-	245
Profit for the period	-	6,089	-	6,089	(145)	5,944
Treasury shares purchased (see Note 10)	-	(484)	-	(484)	-	(484)
Balance at March 31, 2011	**1,468**	**142,947**	**7,291**	**151,706**	**3,909**	**155,614**

Unaudited statement of comprehensive income

in thousands of US$	Three month period ended	
	March 31, 2011	March 31, 2010 (*)
Net profit for the period	5,944	1,056
Currency translation differences	3,158	(3,111)
Total comprehensive income for the period	**9,102**	**(2,055)**
Attributable to:		
Equity holders of the Company	*9,004*	*(2,055)*
Non-controlling interests	*98*	*-*

(*) In accordance with IAS 21.38, in Q2 2010 the Company elected to report its consolidated financial statements using the US Dollar as its presentation currency. Previously, the Company reported in Euros. This change in presentation currency does not affect the functional currencies of each of the entities of the Group. All figures previously reported in Euros have been converted at historical, average or closing currency exchange rate, as appropriate and in accordance with IAS 21.

Unaudited condensed consolidated interim cash flow statement

in thousands of US$	Three-month period ended March 31, 2011	Three-month period ended March 31, 2010 (*)
Profit for the period	**5,944**	**1,056**
Adjustments for:		
- Depreciation, amortization and impairment	6,606	3,005
- Non-cash changes in provisions and consideration payables	7	(11)
- (Gain) / loss on sale and disposal of assets	188	-
- Share-based compensation expenses	245	206
- Income tax expenses	2,017	289
- Finance costs, net	644	128
Cash generated from operations before changes in operating assets and liabilities	**15,651**	**4,673**
Changes in operating assets and liabilities:		
- Inventories	(4,989)	(931)
- Trade accounts receivable and other receivables	(16,087)	(5,391)
- Trade accounts payable and other payables	10,027	2,854
Cash generated from operations	**4,602**	**1,205**
- Interest paid, net	(644)	(128)
- Income tax paid	(485)	(3,897)
Net cash flow from operating activities	**3,473**	**(2,820)**
Purchase of property, plant and equipment (PPE) (*)	(6,411)	(1,668)
Earn out payable related to the acquisition of EDC (Note 6)	(3,800)	-
Acquisition of non-controlling interests	-	(18)
Net cash used in investing activities	**(10,211)**	**(1,686)**
Proceeds from issuance of borrowings, net of issuance costs	-	-
Repayments of borrowings	(4,990)	(743)
Net increase / (decrease) in bank overdrafts and short-term loans	10,169	880
Acquisition of treasury shares (see Note 10)	(484)	(134)
Net cash used in financing activities	**4,695**	**3**
Exchange differences on cash and cash equivalents	396	(1,349)
Net increase/(decrease) in cash and cash equivalents	**(1,647)**	**(5,852)**
Cash and cash equivalents at beginning of the period	14,920	25,905
Cash and cash equivalents at end of the period	**13,273**	**20,053**
(*) Excluding PPE purchased through a leasing agreement	*4,785*	-

(*) In accordance with IAS 21.38, in Q2 2010 the Company elected to report its consolidated financial statements using the US Dollar as its presentation currency. Previously, the Company reported in Euros. This change in presentation currency does not affect the functional currencies of each of the entities of the Group. All figures previously reported in Euros have been converted at historical, average or closing currency exchange rate, as appropriate and in accordance with IAS 21.

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 ("Foraco" or the "Company") for the year ended December 31, 2010. The statements of income for the periods presented are not necessarily indicative of results expected for any future period, nor for the entire year.

During the second quarter 2010, in accordance with IAS 21.38, the Company elected to report its consolidated financial statements using the US Dollar (US$) as its presentation currency. Previously, the Company reported in Euros. This change in presentation currency does not affect the functional currencies of each of the entities of the Group. All figures previously reported in Euros have been converted at historical, average or closing currency exchange rate, as appropriate and in accordance with IAS 21.

Except when otherwise stated, all amounts are presented in thousands of US$, which is the presentation 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, 2010 except for the following policies that were modified.

2.1 Use of the US$ as the presentation currency

As stated above, during the second quarter of 2010, the Company has adopted a US$ presentation currency. As prescribed by IAS 21, the Company has translated results and financial position into US$ as follows:

- Assets and liabilities for each balance sheet presented (including comparatives) were translated at the closing rate at the date of that balance sheet.
- Income and expenses for each income statement (including comparatives) were translated at exchange rates approximating the exchange dates of the transactions.
- All resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity.

2.2. Income tax

During the year, the income tax expense is recognized based on 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. In the last quarter of each fiscal year, Management determines the effective income tax rate for the full year based on the anticipated actual tax returns to be filed and the effective contribution of each tax jurisdiction to the consolidated financial statements.

2.3. Seasonal fluctuations

The geographical expansion of the Company progressively reduces the overall exposure to seasonality. In West Africa, most of the Company's operations are suspended between July and October, due to the rainy season. In Canada, seasonal slow periods occur during the winter freeze and spring thaw or break-up periods. Depending on the latitude, this can occur anytime from October until late December (freezing) and from mid-April through to mid-June (break-up). Operations at mine sites continue throughout the year. In Asia Pacific, Russia and in South America, where the Company operates exclusively in the Mining segment, a seasonal slowdown in activity occurs around year-end and in August where the winter season peaks.

3. Financial risk management

The Company is exposed to a variety of financial risks through its activity, including: 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 Company are denominated in Chilean Pesos, Canadian Dollars, Euros, US Dollars and Australian Dollars.

4. Segment information

The business segment information for the three-month periods ended March 31, 2011, and March 31, 2010, is as follows:

	Mining		Water		Group	
Three-month period ended	**March 31,**		**March 31,**		**March 31,**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Revenue	59,745	18,811	5,588	5,714	65,333	24,525
Gross profit	13,035	3,862	1,486	1,541	14,521	5,403
Operating profit	7,625	941	980	653	8,605	1,594
Finance costs	n/a	n/a	n/a	n/a	(644)	(128)
Profit before income tax	n/a	n/a	n/a	n/a	**7,961**	**1,466**
Income tax expense	n/a	n/a	n/a	n/a	(2,017)	(410)
Profit for the period	n/a	n/a	n/a	n/a	**5,944**	**1,056**

Corporate costs and overheads are allocated to each business segment based on their revenue.

The following is a summary of sales to external customers by geographic area for the three-month periods ended March 31, 2011 and March 31, 2010:

Three-month period ended	March 31, 2011	March 31, 2010
South America	25,715	-
Africa	16,935	11,338
North America	14,623	6,988
Asia Pacific	6,111	5,602
Europe	1,950	597
Net sales	**65,333**	**24,525**

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
Year ended December 31, 2010					
Opening net book amount	3,674	32,961	6,477	522	43,636
Additions	154	12,119	3,212	223	15,708
Exchange differences	(133)	3,339	954	(78)	4,082
Disposals or retirements	(1)	(69)	(59)	(5)	(134)
Acquisition of Adviser (Note 6)	228	26,143	3,792	150	30,313
Acquisition of EDC (Note 6)	-	4,453	220	6	4,679
Depreciation expense	(324)	(15,481)	(3,958)	(232)	(19,995)
Closing net book value	**3,598**	**63,465**	**10,638**	**586**	**78,289**
Period ended March 31, 2011					
Opening net book amount	3,598	63,465	10,638	586	78,289
Additions	56	8,330	2,720	91	11,197
Exchange differences	136	991	128	15	1,270
Disposals or retirements	-	-	(193)	(9)	(202)
Depreciation expense	(88)	(5,160)	(1,186)	(70)	(6,504)
Closing net book value	**3,702**	**67,626**	**12,107**	**613**	**84,050**

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

Year ended	March 31, 2011	March 31, 2010
Cost of sales	6,416	2,969
Selling, general & administrative expenses	88	36
Total depreciation and amortization	**6,504**	**3,005**

6. Goodwill

Goodwill can be analyzed as follows:

Period ended	March 31, 2011	December 31, 2010
Goodwill at period beginning	**50,667**	**14,879**
Acquisition of Adviser Drilling SA	-	27,130
Acquisition of Eastern Drilling Company LLC	-	8,181
Impairment loss	-	-
Exchange differences	506	477
Goodwill at period ended	**51,173**	**50,667**

Acquisition of Adviser Drilling SA

In March 2010, the Company acquired 100% of the shares of Adviser Drilling SA ("Adviser") in Chile. The Company completed the acquisition on May 26, 2010, from which date the Group's interest in Adviser is consolidated.

The final purchase price amounting to US$ 52.4 million included (i) a cash consideration of US$ 5.35 million upon the closing of the transaction, (ii) the issuance of 14,935,750 new shares of the Company and (iii) the issuance of 4,756,539 warrants to acquire shares of the Company, exercisable after two years following closing at no additional consideration, warrant holders being indemnified for dividends paid until the exercise date.

The fair value of the net assets acquired is US$ 25.3 million and the goodwill resulting from the acquisition is US$ 27.1 million.

LLC Eastern Drilling Company Acquisition

On May 27, 2010, the Company completed the acquisition of a 50% controlling interest in LLC Eastern Drilling Company ("EDC"), a Russian company.

The final purchase price amounting to US$9.6 million included (i) a cash consideration of US$ 2 million paid in May 2010 and (ii) an earn-out payable based on EDC's 2010 financial performance amounting to US$ 7.6 million, of which US$ 3.8 million were paid in March 2011 and the remainder of US$ 3.8 million will be paid in the second quarter of 2011.

The fair value of the net assets acquired is US$ 1.4 million and the goodwill resulting from the acquisition is US$8.2 million.

Consideration payable related to acquisition

The consideration payable related to acquisitions includes the earn-out payable to EDC and the estimated dividend indemnification payable to warrant holders in connection to the Adviser acquisition totaling US$ 4,141 thousand as at March 31, 2011.

7. Inventories

Inventories consist of the following:

Period ended	March 31, 2011	December 31, 2010
Spare parts and consumables, gross	37,374	32,384
Less inventory allowance	-	-
Inventories, net	**37,374**	**32,384**

8. Borrowings

As of March 31, 2011, the maturity of financial debt can be analyzed as follows:

Maturity	Less than one year	One to five years	Over five years	Total
Bank overdraft	7,693	-	-	7,693
Assignment of trade receivables with recourse	17,092	-	-	17,092
Bank financing	6,236	480	-	6,716
Capital lease obligations	9,652	10,378	-	20,030
Total	**40,673**	**10,858**	**-**	**51,531**

Used and unused short-term credit facilities amounted to US$ 66,768 thousand as of March 31, 2011. This facility is granted on a yearly basis and is subject to review at various dates.

Total financial debts as of March 31, 2011, include collateralized borrowings of US$ 37,122 thousand:

- Assignment of trade receivables with recourse against the Company for an amount of US$ 17,092 thousand is secured by receivables that have been transferred; and
- Capital lease obligations amounting to US$ 20,030 thousand are secured by related leased assets.

9. Provisions

Provisions comprise of the following elements:

	Pension & retirement indemnities	Provision for tax uncertainty	Other provisions	Total
At January 1, 2011	**420**	**1,252**	**289**	**1,961**
Charged to consolidated income statement				
- Addition to provisions	9	-	-	9
- Used amounts reversed	(2)	-	-	(2)
- Unused amounts reversed	-	-	-	-
- Exchange differences	10	27	5	42
At March 31, 2011	**437**	**1,279**	**294**	**2,010**

The Company operates in various tax jurisdictions and may be subject to tax audits. The Company accounts for provisions for tax uncertainties to reflect management's best estimate of its potential exposure.

10. Share capital

Number of shares outstanding

As at March 31, 2011, the number of shares issued, including warrants and net of treasury shares, is 78,412,489.

The total common shares and warrants of the Company are distributed as follows:

	Number of shares	Warrants	Total
Common shares held directly or indirectly by principal shareholders	37,594,498	-	37,594,498
Common shares held directly or indirectly by individuals in their capacity as members of the Board of Directors	1,720,245	500,071	2,220,316
Common shares held by the Company	1,022,800	-	1,022,800
Common shares held by the public	34,341,207	4,256,468	38,597,675
Total common shares and warrants issued and outstanding	**74,678,750**	**4,756,539**	**79,435,289**
Common shares held by the Company	(1,022,800)	-	(1,022,800)
Total common shares and warrants issued and outstanding	**73,655,950**	**4,756,539**	**78,412,489**

Dividends

On March 7, 2011, the Board of Directors proposed a dividend payment of € 0.028 to be approved by Shareholders at the Company General Meeting on May 10, 2011.

Treasury shares

The Company filed a notice on March 11, 2011, in respect of an additional NCIB with the TSX. The Company may purchase additional common shares up to 1,000,000. As of March 31, 2011, the Company had purchased 177,300 of its own shares at an average purchase price of Can$ 2.71 per share.

As at March 31, 2011, the Company owns 1,022,800 of its own shares (845,500 as at December 31, 2010).

11. Expenses by nature

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

	Three-month period ended	
	March 31, 2011	**March 31, 2010**
Depreciation and amortization	(6,606)	(3,005)
Accruals increases / (reversals)	(7)	(11)
Raw materials, consumables used and external charges	(28,239)	(12,110)
Employee benefit expense	(21,680)	(7,483)
Taxes other than on income	(384)	(354)
Other operating expenses (profit), net	188	32
Total operating expenses	**(56,728)**	**(22,931)**

Share-based compensation expenses recognized within Employee benefit expense for the three month period ended March 31, 2011 amounts to US$ 245 thousand (US$ 206 thousand in 2010).

12. Commitments and contingencies

The guarantees given are as follows:

Period ended	March 31, 2011	December 31, 2010
Bid bonds	508	482
Advance payment guarantees and performance guarantees	13,682	18,351
Retention guarantees	4,283	4,545
Financial guarantees	3,302	4,243
Total	**21,775**	**27,622**

During the third quarter 2010, the Australian subsidiary of the Company was notified of an upcoming investigation into an environmental issue surrounding their local facilities. This matter resulted in a non significant fine which will be assumed by the former shareholders of Mosslake as part of the liability clause in the shares purchase agreement.

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

During the period, the Company entered into a new drilling contract with a company of which one of Foraco's Board members is a Director. This transaction was negotiated independently from the related party and represented US$ 529 thousand revenue for the period ended March 31, 2011 (nil for the three-month period ended March 31, 2010).

The Company accounted for certain related party transactions including lease rentals amounting to US$ 83 thousand for the three-month period ended March 31, 2011 (US$ 81 thousand for the three-month period ended March 31, 2010).

Key Management compensations for the three-month period ended March 31, 2011 amounted to US$ 244 thousand (US$ 177 thousand for the three-month period ended March 31, 2010).

14. Earnings per share calculation

For the three month period ended March 31, 2011, the weighted basic average number of shares was 78,576,753 (58,776,994 in 2010) and the weighted diluted average number of shares was 79,559,488 (59,634,932 in 2010).

15. Post balance sheet events

Nothing to report.