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FORACO

ANNUAL REPORT 2009

Profile

Foraco International SA is a global drilling contractor providing turnkey solutions for mining, energy, water and infrastructure projects across 19 countries and five continents.

The Company offers a modern drilling fleet, best-in-class safety standards and a versatile, well-trained international workforce. Foraco has drilled in every conceivable geological formation worldwide, often located in some of the most inaccessible regions of the world. With extensive international drilling experience, Foraco has the expertise to efficiently and safely meet customer requirements, whether it requires custom engineering of drill rigs or specialized drilling techniques. Headquartered in Marseilles, France, Foraco is publicly traded on the Toronto Stock Exchange under the symbol “FAR”.

Mission

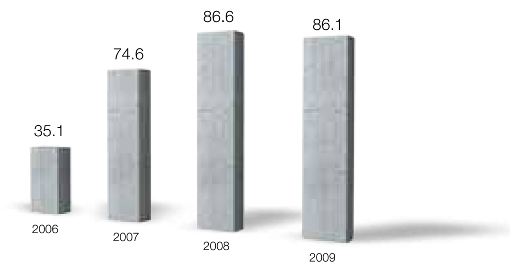
We are focused on creating a world leading drilling services company by offering a unique combination of global experience, local expertise, and constant customer focus.

Values

We strive to run our business with the highest level of integrity, so that it is reflected in everything we do, all of the time – be it in the field or in the office. We have set up a fluid, pro-active, close-to-field organization that generates close involvement of our teams in every customer project. We use innovation in each and every aspect of our business, from our contractual approach and the way we set up project operations, to the design and manufacture of specialized equipment for our customers.

Financial Highlights

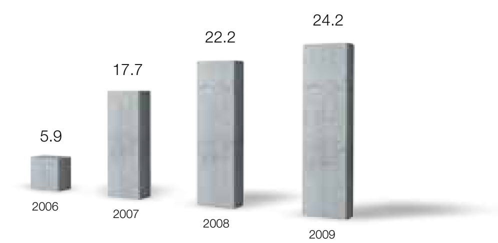
Revenue (€ millions)



STABLE

Stable revenue in 2009 compared to 2008 (a record year for the Company) was the effect of the Company market position in the mining segment which limited to 6% the impact of the downturn, compensated by a 17% increase in revenue in the water segment.

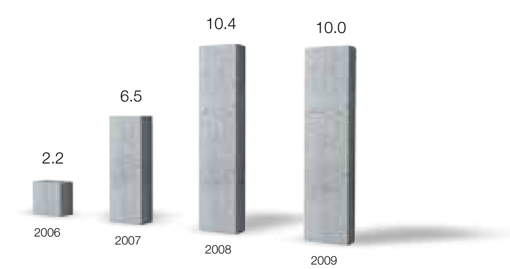
EBITDA *(€ millions)



+9%

Increased EBITDA resulted from the better than expected operational performance both in the Mining and the Water segments. As a percentage of revenue, EBITDA increased from 26.1% in 2008 to 28.1% in 2009.

Net Earnings (€ millions)



STABLE

In 2009, the Company managed to maintain a high level of net earnings despite of a significant increase in depreciation expenses linked to a capital expenditure program in 2008.

**Foraco defines EBITDA as operating profit, plus depreciation, amortization and non-cash share base compensation. EBITDA is a non-IFRS measure and is not a substitute for operating profit, profit for the period of net cash generated from operating activities as determined in accordance with IFRS. As EBITDA is not calculated identically by all companies, Foraco’s presentation of EBITDA may not be comparable to other similarly titled measures of other companies.*

DIVIDEND DECLARED (in € per share)
From 0.014 (in 2009) € to 0.028 € (in 2010)* x2

**Subject to the approval of the shareholders general meeting to be held on May 11, 2010.*

At a Glance

Global Presence

NORTH AMERICA
Canada, United States

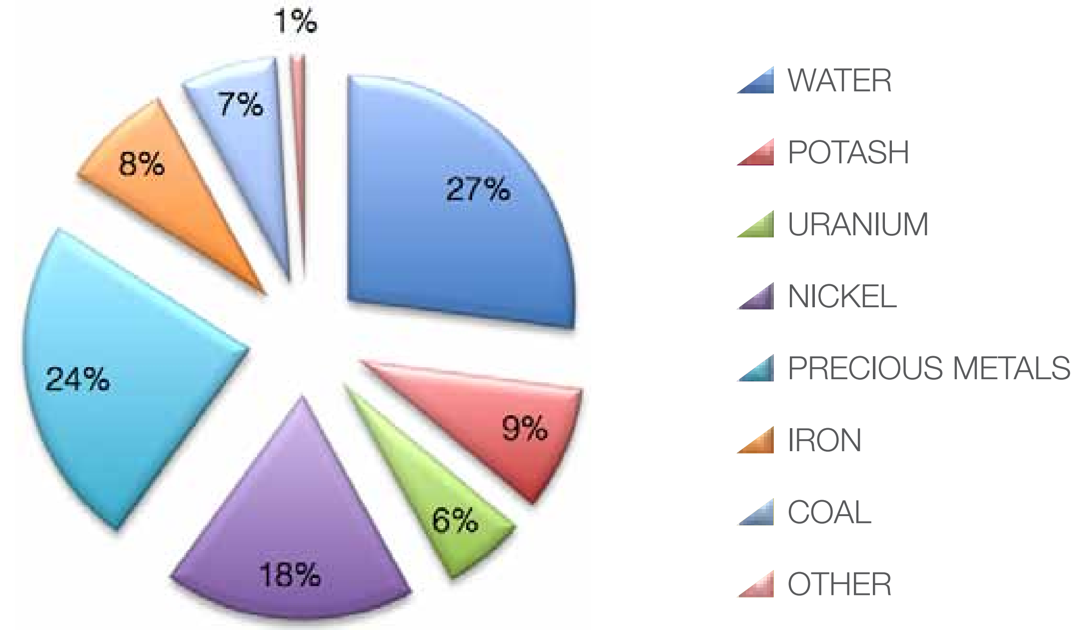
EUROPE
France, Germany, England Russia

SOUTH AMERICA
Peru, Chile

ASIA - PACIFIC
Australia, New Caledonia, Kazakhstan

AFRICA
Burkina Faso, Chad, Congo, Ivory Coast, Ghana, Guinea, Mali, Niger

Balanced Commodity Mix



Top –Tier Customer Base

MINING

» AGD (Lukoil)
» Areva
» BHP Billiton
» Cameco
» De Beers
» Eramet
» Newmont
» Rio Tinto
» Teck
» Vale Inco
» Wallbridge Mining
» Xstrata

WATER

» The World Bank
» European Development Fund
» French, Danish and German Development Agencies
» UNICEF

Modern drill fleet

119 drill rigs

50 rotary

44 diamond

25 combination

Mining

Drilling is an essential service required by every mining company. Be it for exploration, development, production, rehabilitation or even closure, drilling is required at all stages in the life of a mine. There are multiple parameters that drive a drilling contract, ranging from the size and scope of the project, ground conditions, sample requirements, hole depths, accessibility, water supply, and the customer's technical requirements. Foraco has a diverse service offering that addresses all of these needs and can provide a customized drilling solution for every project.

- » Reverse circulation
- » Diamond core
- » Rotary
- » Down-the-hole hammer
- » Direct circulation
- » Air core
- » Rotary air blast

Water

Increasing access to clean water for millions of people is a global challenge, especially in regions where Foraco works. Additionally, environmental and social pressures require that new and innovative solutions be found for the supply of water throughout the world. This places an increased dependence of groundwater as an alternative source which can only be developed by drilling.

While Foraco has been drilling water wells for almost 50 years, the technical drilling requirements continue to evolve. Larger, deeper wells are often the only alternative for supplying water, especially in the developing world where water is the most sought after commodity of all.

Foraco has developed its capabilities significantly over the years becoming a specialist in drilling for drinking water.

» Reverse circulation

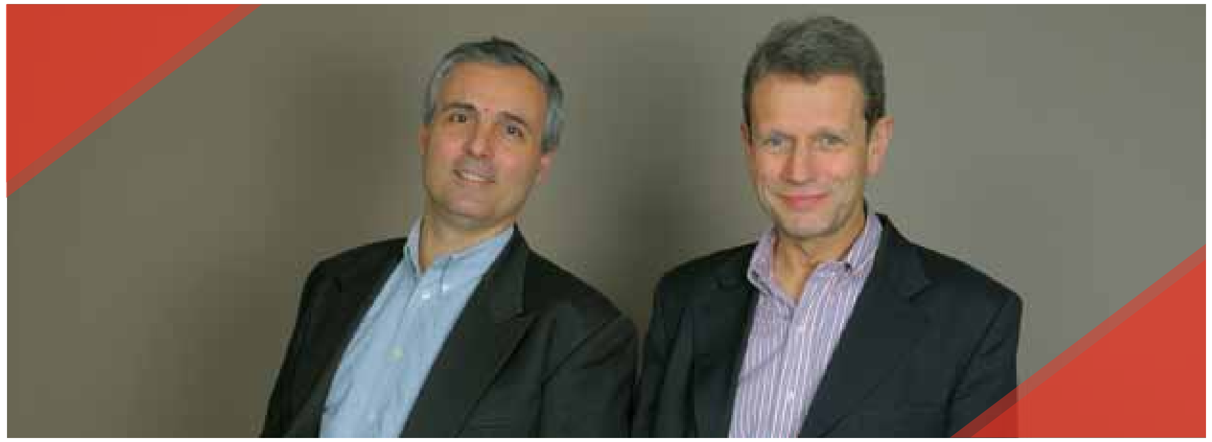
» Rotary

» Down-the-hole hammer

» Direct circulation

» Casing while drilling

Letter to Shareholders



While 2009 will be known as a year of unprecedented global economic turmoil, FORACO performed well, both in relative and absolute terms. We delivered a solid financial performance, consistent with our record results from 2008.

Despite the very challenging and volatile market conditions, FORACO booked revenues for the year of € 86.1 million, virtually unchanged from 2008 (€86.6 million) and gross profit of €25.6 million (€26.0 million). EBITDA increased to €24.2 million (€22.2 million) with net profit after tax of €10 million (€10.4 million), which translated to € 0.17 per share (€0.18).

These strong results validate the relevance of our long term strategy, highlighting the resilience of our Company to adverse market conditions. Our water drilling business segment was busy throughout the year and we were able to mitigate the downturn in our North American market by securing a highly specialized drilling contract in Northwestern Russia to bulk sample a diamond ore body. This complex project was a joint effort by our Canadian and European teams, and was completed without incident, ahead of schedule and below budget.

Africa continued to be our busiest region where FORACO is well-established to service both the water and mining markets. The region was able to deliver another solid performance in 2009 despite the political turmoil in some West African countries. We were able to add seven new drill rigs to the African fleet including two all hydraulic track drills designed and fabricated in-house in Canada, plus another five modern drill rigs acquired through a liquidation sale in Sub-Saharan Africa. Today, six of the seven newly acquired drills are operational.

North America was impacted more than any other region in the FORACO group. Our traditional core drilling business was adversely affected on two fronts; the collapse of the junior market, and the systematic reduction in exploration spending by most major mining companies, which averaged more than a 50 per cent decrease in that market. This, combined with an oversupply of drills, has created a market that is extremely price competitive. Fortunately, most of our customers recognize the value of FORACO's services, and are willing to continue working with us. The acquisition in late 2008 of Northwest Sequoia Drilling (a rotary drilling company based in Calgary), helped us to offset the decline in the core drilling business by successfully completing several large diameter bulk sampling contracts for coal and diamonds. This acquisition also helped with other specialty projects such as freeze hole drilling and industrial water wells.

The health, safety and well being of our employees are critically important to our business. In 2009, we increased our efforts on this front by reducing the total number of incidents by 31 per cent, and the severity rate by 62 per cent. We also conducted our first independent Employee Satisfaction Survey. Over 56 per cent of all employees responded to this voluntary survey, designed to measure the satisfaction of our employees. The results showed an overwhelming 90 per cent approval rating, which we are extremely proud of. Follow-up surveys will be conducted every two years to ensure we maintain and improve this rating as FORACO's performance is the direct result of our employee's dedication, expertise and involvement.

Consistent with our commitment to grow through profitable strategic acquisitions and a strong balance sheet, we acquired 50.84 per cent interest in Mosslake Drilling Services Pty Ltd. in the second quarter. Mosslake is primarily a core drilling services company located in Perth, Australia and a strategic component of our growth in the Asia Pacific mining market. Mosslake added eight modern combination drill rigs to our fleet, bringing the total to 119. We are now well-positioned in a large market to offer the full spectrum of our drilling services. This strategic acquisition also provides access to the highly specialized technology and skills of the Australian drilling services industry, which we intend to leverage throughout FORACO's global operations .

After year-end, we took two large steps towards completing our global footprint:

- Following our successful diamond contract in Northwest Russia in 2009, we entered into a binding agreement on January 15, 2010 to acquire (in cash), a 50 per cent interest in Eastern Drilling Company LLC ("EDC"). Headquartered in Moscow, EDC has provided diamond drilling services to the Russian market since 2007. EDC's operational facilities are located in Far East Russia and Eastern Siberia, running a fleet of five modern diamond drills. EDC's present management team will continue to manage the business, and develop EDC's position in this large and important territory.
- On March 8, 2010 we entered into a binding agreement with the shareholders of Adviser Drilling SA ("Adviser") from Chile to acquire 100 per cent of the outstanding shares of the company using a combination of shares and cash. Adviser has provided diamond and reverse circulation drilling services to major and junior mining companies in Latin America since 2005. Headquartered in Santiago Chile, Adviser has operations in Chile, Argentina, Mexico. Their fleet consists of 50 modern drill rigs which generated approximately USD $59 million revenue in 2009. The transaction is scheduled to close in May 2010 with the present managers continuing to run and develop the business. After closing, FORACO will have a major presence in Latin America, which is the world's largest market for exploration spending.

Once complete, these strategic acquisitions will allow us to improve the global range of services offered to our customers, and develop significant business synergies in the near future, accelerating the profitable growth of FORACO.

Towards the end of 2009, the global economy showed some signs of recovery. Metal prices, which remain the key driver of our business, improved throughout the year. This translated into increased exploration budgets by the majors, and renewed life for the junior mining sector.

With 175 rigs (including EDC and Adviser), more than 1500 employees, and a presence in 21 countries on five continents, FORACO is a truly global company with a footprint that complements its customers. We can add value to their operations, provide them with consistent quality service and fulfil their drilling needs on a global scale.

We remain convinced that FORACO is in an excellent position to deliver rising returns and growing value to our shareholders in 2010 and beyond, by adhering to our values of Integrity, Innovation and Involvement.

On behalf of our dedicated employees, senior management and the FORACO Board of Directors, we thank you for your continued support.

Daniel Simoncini
Chairman & CEO

Jean-Pierre Charmensat
Vice-CEO & CFO

Table of Contents

Foraco International S.A.

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") relates to the results of operations, liquidity and capital resources of Foraco International S.A. ("Foraco" or the "Company"). This report has been prepared by management and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2009, including the notes thereto. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") rather than Canadian Generally Accepted Accounting Principles (Canadian "GAAP"), on the basis that the Company is a "foreign issuer" as defined under National Instrument 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency ("NI 52-107"). This exemption will apply until 2011 as from this date, Canadian GAAP for publicly accountable enterprises will be IFRS incorporated into the CICA Hand book. Except when otherwise stated, all amounts presented in this MD&A are denominated in Euros (€). The discussion and analysis within this MD&A are as of March 31, 2010.

Caution Concerning Forward-Looking Statements

This document may contain "forward-looking statements" and "forward-looking information" within the meaning of applicable securities laws. These statements and information include estimates, forecasts, information and statements as to management's expectations with respect to, among other things, the future financial or operating performance of the Company and capital and operating expenditures. Often, but not always, forward-looking statements and information can be identified by the use of words such as "may", "will", "should", "plans", "expects", "intends", "anticipates", "believes", "budget", and "scheduled" or the negative thereof or variations thereon or similar terminology. Forward-looking statements and information are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Readers are cautioned that any such forward-looking statements and information are not guarantees and there can be no assurance that such statements and information will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed under the heading "Risk Factors" in the Company's Annual Information Form dated March 31, 2010, which is filed with Canadian regulators on SEDAR (www.sedar.com). The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements and information whether as a result of new information, future events or otherwise. All written and oral forward-looking statements and information attributable to Foraco or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements.

This MD&A is presented in the following sections:

» Business Overview

» Annual Consolidated Financial Highlights

» Results of Operations for the year ended December 31, 2009

» Exposure to the Recent Global Economic Slowdown

» Effect of Exchange Rate

» Liquidity and Capital Resources

» Related Party Transactions

» Capital Stock

» Critical Accounting Estimates

» Litigations

» Subsequent Events

» Outlook

» Disclosure Controls and Procedures and Internal Control other Financial Reporting

» Risk Factors

Business Overview

Headquartered in Marseille, France, Foraco is a worldwide drilling service provider with operations in 19 countries. The Company operates 119 drill rigs (as of December 31, 2009) throughout the world, providing a diverse range of drilling services to its customer base. The Company has developed and acquired significant expertise in destructive and non-destructive drilling, as well as proprietary drill rig design capabilities, which allows Foraco to tailor solutions to meet the specific conditions and drilling requirements of certain customers, such as mining companies, governmental organizations, and international development funds. From its operations on five continents, the Company services a range of industries including mining, energy, water, environmental and infrastructure.

Foraco specializes in drilling in harsh environments and isolated locations, including, arctic, desert and mountainous regions, generally under conditions where operations are challenged by logistical matters and geographic barriers. The Company's engineers and technicians have developed special drilling methods which respond to the requirements of certain areas, in which geology prevents use of standard techniques and equipment. The Company has specialized equipment for, among other uses, helicopter based drilling campaigns, combination rigs able to perform multi drilling technique contracts, desert suited rigs and large diameter core sampling systems.

Annual Consolidated Financial Highlights

(In thousands of €) (audited)	Year Ended December 31 2009	2008
Revenue	**86,052**	**86,554**
Gross Profit	25,645	25,977
As a Percentage of Sales	29.8%	30.0%
Operating Profit	14,656	15,899
As a Percentage of Sales	17.0%	18.4%
Profit for the Period	**9,975**	**10,415**

» Revenue for the year ended December 31, 2009, totaled €86.1 million, and also almost equaled that of the year ended December 31, 2008 (€ 86.6 million), a record year for the Company.

» Gross profit (including depreciation as a cost of sales) for the year ended December 31, 2009, remained stable at €25.6 million (29.8% of revenue) compared to €26.0 million (30.0% of revenue) in last year's corresponding period.

» For the year ended December 31, 2009, net profit totaled €10.0 million (or €0.18 per share) compared to €10.4 million (or €0.18 per share) in last year's corresponding period.

» Cash flow from operations before changes in working capital rose to €24.1 million in 2009 from €21.8 million in 2008.

» Cash and cash equivalents net of borrowings remained almost constant at €9.4 million at year end 2009 and €9.3 million at year end 2008. During the period the Company completed the acquisition and fully consolidated the Australian company Mosslake.

» On April 14, 2009, Foraco entered into a definitive agreement to acquire 50.84% of the share capital of Mosslake Drilling Services Pty Ltd ("Mosslake"), a Australian company specializing in diamond core, directional, geotechnical and large diameter drilling services for top tier companies in the mining and mineral exploration industry.

» On January 20, 2010, the Company announced it has entered into a binding agreement to acquire a 50% controlling interest in LLC Eastern Drilling Company ("EDC"), a Russian company. The Company expects EDC to generate approximately 10 million USD revenue in 2010 through EDC's existing customer contracts.

» On March 8, 2010, the Board of Directors proposed a dividend payment of € 0,028 to be approved by shareholders at the Company General Meeting on May 11, 2010.

» On March 9, 2010, the Company announced it has entered into a binding agreement to acquire 100% of the outstanding shares of Adviser Drilling SA of Chile, a leading drilling contractor in Latin America.

» As at December 31, 2009, the Company's order backlog was €55.7 million, of which €48.8 million is expected to be executed during the 2010 fiscal year. In addition, with the finalization of the EDC and Adviser acquisitions, approximately €6.9 million (or US$10.0 million) and €52.1 million (or US$75 million) respectively will be added to the Company's backlog as at December 31, 2009.

Results of Operations

Comparison of the year ended December 31, 2009, and December 31, 2008

REVENUE

The following table provides the breakdown of the Company's revenue for the year ended December 31, 2009, and December 31, 2008, by reporting segment and geographic region:

(In thousands of €) (audited)	Year ended Dec 31, 2009	% change	Year ended Dec 31, 2008
REPORTING SEGMENT			
Mining & Energy	62,393	-6%	66,298
Water, Environmental & Infrastructure	23,659	17%	20,256
Total Revenue	**86,052**	**-1%**	**86,554**
GEOGRAPHICAL REGION			
Africa	42,217	-6%	44,757
Europe	11,290	75%	6,453
Asia Pacific	10,913	42%	7,662
Americas	21,632	-22%	27,683
Total Revenue	**86,052**	**-1%**	**86,554**

In spite of the difficult economic environment which fully impacted most of the year 2009, revenue was stable at €86.1 million in 2009 compared to €86.6 million for year ended December 31, 2008.

The Company's 6% revenue decrease in the Mining segment is a result of the weak activity in the industry. In the Water segment, revenue increased by 17% to €23.7 million as a result of new water projects in Africa. The Company also benefited from its ability to relocate certain drilling equipment between the mining and the water segments as it adapted to the changing market demand.

Revenue in the Americas decreased by 22% due to reduced activity in the mining industry. Increased revenue in Europe was driven primarily by the Company's activity in northwestern Russia.

Revenue in Africa decreased by 6% during the period mainly due to certain phasing of projects in the mining segment in some West African countries during the last quarter.

Revenue in Asia Pacific increased by 42% during the period following the integration of Mosslake's activity.

GROSS PROFIT

The following table provides the breakdown of the Company's gross profit for the year ended December 31, 2009, and December 31, 2008 by reporting segment:

(In thousands of €) (audited)	Year ended Dec 31, 2009	% change	Year ended Dec 31, 2008
REPORTING SEGMENT			
Mining & Energy	18,820	-7%	20,179
Water, Environmental & Infrastructure	6,825	18%	5,797
Total Gross Profit	**25,645**	**-1%**	**25,977**

For the year ended December 31, 2009, gross profit was stable at €25.6 million (or 29.8% of revenue) compared to €26.0 million (or 30.0% of revenue) in the corresponding period in 2008, a record year for the Company, reflecting the overall good performances on Mining and Water contracts. Moreover this stability in gross profit was reached despite of the higher depreciation expense linked to the 2008 significant capital expenditure program. Depreciation expenses represented €8.8 million (or 10.2% of revenue) for the year ended December 31, 2009 compared to €5.9 million (or 6.8% of revenue) for the year ended December 31, 2008.

OPERATING EXPENSES (EXCLUDING COST OF SALES)

The following table provides a breakdown of the Company's operating expenses (excluding cost of sales), for the year ended December 31, 2009, and December 31, 2008:

(In thousands of €) (audited)	Year ended Dec 31, 2009	% change	Year ended Dec 31, 2008
Selling, general and administrative expenses	11,213	13%	9,898
Other (income) and expense, net	(224)	N/S	180
Total	**10,989**	**9%**	**10,078**

For the year ended December 31, 2009, operating expenses (excluding cost of sales) increased to €11.0 million from €10.1 million in the corresponding period of 2008. The increase in selling, general and administrative expenses in 2009 is mainly due to the expansion of the geographical coverage in Canada in September 2008 and in Australia in April 2009. The €0.2 million in other income during year ended December 31, 2009, corresponded to grants received by the Company to finance certain of its research and development activities. The Company aims to continue these research and development activities in an attempt to further improve its operating efficiency and safety.

Note: The Company revised its financial reporting format during the year to better align it with its current organization by function. From now on, it will report "Selling, general and administrative expenses" in a single line item whereas prior to the year these expenses were reported in two separate line items "Selling and marketing expenses" and "General and administrative expenses".

OPERATING PROFIT

The following table provides the breakdown of the Company's operating profit for the year ended December 31, 2009, and December 31, 2008 by reporting segment:

(In thousands of €) (audited)	Year ended Dec 31, 2009	% change	Year ended Dec 31, 2008
REPORTING SEGMENT			
Mining & Energy	10,859	-13%	12,494
Water, Environmental & Infrastructure	3,796	12%	3,404
Total Operating Profit	**14,656**	**-8%**	**15,899**

For the year ended December 31, 2009 operating profit decreased by 8% to €14.7 million compared to €15.9 million in last year's corresponding period, reflecting higher selling, general and administrative expenses following the integration of the Company's acquisitions in Canada in September 2008 and in Australia in April 2009, while the Company managed to maintain its Gross margin at a level comparable to 2008, a record year for the Company.

FINANCE COSTS

For the year ended December 31, 2009, net financial expenses totaled €0.5 million compared to €0.1 million in last year's corresponding period.

INCOME TAX

The effective corporate income tax rate is affected by the relative weight of income tax payable in the various tax jurisdictions where the Company operates. The cumulative effective income tax rate for the year is 29.6% compared to 34.8% in 2008. The Company could benefit in 2009 from a favorable mix of its activities in countries with lower income tax rates.

Exposure to the Recent Global Economic Slowdown

Although Foraco has experienced a slowdown in its business activity within its Mining segment in certain regions since the second half of 2008, the Company has maintained a steady level of revenue and even improved its operating performance. The Company believes that its strategy of focusing on the development of long-term relationships with top-tier mining companies, maintaining a diversified revenue split between various geographical areas and different commodities, has helped to mitigate the impact of the current economic conditions in its Mining segment. Foraco believes its Water segment is less cyclical in nature as the majority of its revenue is generated by international institutions, such as the European Development Fund and the World Bank. The Company considers that it has a strong financial structure and believes that it will be able to generate sufficient cash flow to meet its current and future working capital, capital expenditure, and debt obligations.

Effect of Exchange Rate

Foraco reports its audited consolidated financial statements in Euros ("€").For the year ended December 31, 2009, the Company earned 70% of its revenue in € compared to 64% during the year ended December 31, 2008. The majority of the Company's remaining revenue was generated in Canadian dollars ("C$") and Australian dollars ("A$") to a lesser extent.

The Company seeks to mitigate its exposure to foreign currency fluctuations. In Canada and in Australia, costs and revenues are denominated in the local currencies resulting in a natural hedge. To date, in 2009 no hedging transactions have been entered into.

The average exchange rate between € and C$ for the year ended December 31, 2009, was C$1.59 to €1.00. The closing rate at the end of December 31, 2009, was C$1.51 to €1.00.

Liquidity and Capital Resources

For the year ended December 31, 2009, cash generated from operations before changes in working capital reached €24.1 million compared to €21.8 million for the year ended December 31, 2008.

After changes in operating assets and liabilities, and interest and income tax paid, net cash flow from operating activities amounted to €18.1 million for 2009 compared to €14.2 million in the same period a year ago. Trade accounts receivables decreased by €1.6 million for the year ended December 31, 2009, compared to a decrease of €2.7 million for the corresponding period in 2008. The working capital requirements was nil during the year ended December 31, 2009 compared to an increase of €4.0 million for last year's corresponding period.

For the year ended December 31, 2009, purchases of operating equipment totaled €6.8 million, compared to €12.2 million for the period ended December 31, 2008, when the Company invested significantly in the equipment required to operate new contracts. In addition, €8.1 million of equipment was indirectly acquired through Mosslake's acquisition.

During the year ended December 31, 2009, Foraco finalized the first tranche of the acquisition of Mosslake corresponding to 50.84% of the shares. The net cash used to finance this acquisition amounted to €1.8 million, including the repayment of a former shareholder's loan amounting to €1.0 million.

Net cash used in financing activities in 2009 amounted to €5.4 million, compared to a net use of €7.4 million for the corresponding period in 2008. During the period, €0.6 million was used to purchase 894,756 shares to finalize the purchase of 1,000,000 of Foraco's common shares via the TSX through the Company's Normal Course Issuer Bid ("NCIB 1") filed on October 1, 2008. During the period, €0.3 million was used to purchase 251,200 shares of the 1,000,000 of Foraco's common shares via the TSX through the new Company's Normal Course Issuer Bid ("NCIB 2") filed on September 24, 2009. The purchase of Foraco's shares was made in order to meet the Company's obligations under its free share plan for certain executive employees and for the purpose of acquisitions. In 2009, 500,000 treasure shares were transferred as partial consideration for the acquisition of Mosslake. In addition, 156,000 shares were transferred to Foraco's employees under the first tranche of the Free Share Plan.

During the period, the Company finalized the set up of an interest free loan granted by the Northern Ontario Heritage Fund Corporation for an amount of €0.6 million. Principal repayments on capital leases and borrowings amounted to €2.3 million during the period. The Company decreased short-term financings dedicated to the funding of its working capital requirement by €2.0 million for the year ended December 31, 2009.

As at December 31, 2009, cash and cash equivalents totaled €18.0 million compared to €14.1 million as at December 31, 2008. The Company's cash investment strategy aims to avoid capital risks and to reach a global performance level equivalent to the reference free risk interest rate on the € currency market. Cash and cash equivalents are mainly comprised of €10.1 million of short-term deposits almost entirely denominated in €. Cash and cash equivalents are invested within top tier European financial institutions.

As at December 31, 2009, total borrowing amounted to €8.6 million (€4.7 million at December 31, 2008) including €4.3 million related to Mosslake's financial debts assumed as part of the acquisition, and the consideration payable for the acquisition of the remaining 49.16% of the shares to be settled in 2013 estimated to €2.2 million.

The Company finalized negotiations with its French banks to increase its short-term credit facilities. The Company now has available (used and unused) short-term credit facilities of €22.6 million as at December 31, 2009 (€14.9 million as at December 31, 2008). €0.5 million was drawn down as at December 31, 2009.

As at December 31, 2009, the maturity of the financial debt (borrowing and other financial debts) can be analyzed as follows (€000s):

Maturity	Less than one year	Between one and five years	More than five years	Total
Bank Overdraft	—	—	—	—
Assignment of trade receivables with recourse	470	—	—	470
Bank financing	1,137	339	—	1,476
Consideration payable related to the second tranche of the acquisition of Mosslake	—	2,195	—	2,195
Capital lease obligations	2,367	2,120	—	4,487
Total financial debt	**3,974**	**4,654**	**—**	**8,628**

As at December 31, 2009, the ratio of cash (net of debt) to shareholders' equity is 0.14.

Bank guarantees, as at December 31, 2009 totaled €17.4 million, compared to €18.7 million as at December 31, 2008. The Company finalized negotiations with its French banks to increase its available bank guarantees. Authorized bank guarantee lines (used and unused) amount to €38.9 million as at December 31, 2009, compared to €33.2 million as at December 31, 2008.

The Company is not subject to any financial covenants.

CASH TRANSFER RESTRICTIONS

Foraco operates in a number of different countries where cash transfer restrictions may exist. The Company organizes its business so as to ensure that the majority of the payments are collected in countries where there are no such restrictions. No excess cash is held in countries where cash transfer restrictions exist.

OFF-BALANCE SHEET ITEMS

In addition to bank guarantees provided, Foraco pledged some of its Canadian assets. For further details, please refer to Note 29 of the annual consolidated financial statements.

Related Party Transactions

For details on related party transactions, please refer to Note 30 of the annual consolidated interim financial statements.

Capital Stock

As at December 31, 2009, the capital of the Company consisted of €910,781, divided into 59,743,000 common shares. The share capital of the Company was distributed as follows:

	Number of Shares	%
Common shares held directly or indirectly by principal shareholders	37,597,497	62.93%
Common shares held by individuals in their capacity as members of the Board of Directors	85,003	0.14%
Common shares held by the Company*	945,200	1.59%
Common shares held by the public	21,115,300	35.34%
Total common shares issued and outstanding	**59,743,000**	

**945,200 common shares are held by the Company to meet the Company's obligation under the employee free share plan and for the purpose of potential acquisitions.*

Critical Accounting Estimates

The annual consolidated financial statements have been prepared in accordance with IFRS rather than Canadian GAAP and may not be comparable to the financial statements of other Canadian issuers. The Company's significant accounting policies are described in Note 2 to the annual consolidated financial statements. The Company has obtained a waiver from the requirements under the Canadian prospectus rules to reconcile its financial statements in accordance with Canadian GAAP on the basis that it is a "foreign issuer" as defined under NI 52 107. This waiver was obtained from the relevant regulatory authorities related to securities.

Critical accounting estimates and judgments made by the Company in the preparation of its consolidated financial statements are summarized in Note 4 of the annual consolidated financial statements.

Litigations

There have been no new material litigations nor any significant changes to the Company's exposure to contingencies since December 31, 2008. Please refer to the Note 19 of the consolidated financial statements.

Subsequent Events

For details on subsequent events, please refer to Note 32 of the consolidated financial statements.

On January 20, 2010, the Company announced it has entered into a binding agreement to acquire a 50% controlling interest in LLC Eastern Drilling Company, a Russian company. Foraco will have the controlling interest in EDC through a shareholders' agreement to be entered into with the other party. EDC has operated diamond drilling services for major and junior foreign and Russian companies in the mining industry in the Russian territory since 2007. EDC's fleet consists of five modern diamond drill rigs and ancillary equipment, supported by skilled managers and workers. The Company expects EDC to generate approximately 10 million USD revenue in 2010 through EDC's existing customer contracts.

On March 9, 2010, the Company announced it has entered into a binding agreement to acquire 100% of the outstanding shares of Adviser Drilling SA, a leading drilling contractor in Latin America. Adviser provides diamond and reverse circulation drilling services for major and junior mining companies in Chile, Argentina and Mexico since 2005. Headquartered in Santiago Chile, Adviser has subsidiaries in Argentina, Mexico and Peru. Adviser's fleet consists of 50 modern diamond and reverse circulation drill rigs as well as ancillary equipment, supported by skilled managers and workers. Adviser generated approximately 59 million USD revenue in 2009. Closing of the transaction is scheduled to occur in May 2010 and is subject to completion of certain conditions precedent, including approval of the TSX and the approval of the shareholders of the Company at a meeting of its shareholders scheduled to be held in May 2010.

Outlook

The Company's business strategy is to continue to grow through the development and optimization of its service offering across geographical regions and industry segments, as well through the expansion of its customer base. Foraco expects it will continue to execute its strategy through a combination of organic growth and development, and acquisitions of complementary businesses in the drilling services industry.

As at December 31, 2009, the Company's order backlog for continuing operations was €55.7 million, of which €48.8 million is expected to be executed during the 2010 fiscal year. This compared to an order backlog as at December 31, 2008 of €56.8 million of which €48.0 million was expected to be executed during the 2009 fiscal year.

With the finalization of the EDC acquisition, approximately €6.9 million (or US$10.0 million) will be added to the Company's backlog as at December 31, 2009.

With the finalization of the Adviser acquisition, approximately €52.1 million (or US$75 million) will be added to the Company's backlog as at December 31, 2009.

The Company's order backlog consists of sales orders. Sales orders are subject to modification by mutual consent and in certain instances orders may be revised by the customers. As a result, order backlog as of any particular date may not be indicative of actual operating results for any succeeding period.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Pursuant to NI 52-109, the directors of the Company are required to certify annually as to the design and operations of their (i) disclosure controls and (ii) internal controls over financial reporting.

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis so that appropriate decisions can be made regarding public disclosure. It covers the preparation of Management's Discussion and Analysis and the Annual Consolidated Financial Statements. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards (IFRS).

The section below is the result of an analysis carried out in conjunction with the management, the Audit Committee and the various employees involved in the control activity within the Company.

INTERNAL CONTROL FRAMEWORK

Internal control is a process implemented by management with the objective to ensure (i) the effectiveness and efficiency of the Company's operations, (ii) the reliability of financial reporting and disclosures, and (iii) compliance with applicable laws and regulations, including those promoted by the Toronto Stock Exchange (TSX).

The organization of the internal control environment of the Company is based upon the Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The inherent limitation in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

RESPONSIBILITIES OVER INTERNAL CONTROL

The Company's Board of Directors is the primary sponsor of the internal control environment. The Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee are the specific bodies acting in the field of internal control and reporting to the Board of Directors. These committees comprise a majority of independent members.

AUDIT COMMITTEE

The Audit Committee meets at least every quarter before the Board of Directors meeting authorizing for issuance the quarterly and annual consolidated financial statements. The main missions of the Audit Committee are the examination of the quarterly and annual financial statements including related disclosures, the internal control environment and the oversight of the work performed by the external auditors. The question of internal control over financial reporting is a core subject discussed by the Audit Committee. In the course of the 2009 financial year, the Audit Committee met 5 times.

COMPENSATION COMMITTEE

The principal missions of the Compensation Committee are the examination of the Company's remuneration policy, in particular changes in the global payroll, and the review of the collective and individual objectives. The Compensation Committee meets at least once a year. In the course of the 2009 financial year, the Compensation Committee met one time.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee meets at least every quarter before the Board of Directors. It reports to the Board of Directors and is in charge of the supervision of the governance of the Company and its relationship with senior management. Since its creation in November 2008, the Corporate Governance and Nominating Committee has met four times during the 2009 financial year.

INTERNAL CONTROL ORGANIZATION WITHIN THE COMPANY

The Company operates in various different countries worldwide and has organized its internal reporting process into a monthly centralized system which allows the flows of relevant operating and financial data upstream to management. The subsidiaries report under standardized forms which are prepared in accordance with IFRS. These forms include financial information such as detailed income statement data, cash flow and working capital data, capital expenditures and other relevant operational data. This reporting, combined with a comprehensive budgeting process and systematic reforecasting, reflects the latest operating conditions and market trends and allows management to perform thorough variance analysis. Management considers that this monthly reporting process provides a reasonable assurance over the monitoring of its operating and financial activities and an effective tool for the operating decision makers.

The financial controlling function is organized by region, internal control being a significant part of the regional controllers' duties. Timely on site reviews are performed by operating and financial representatives from corporate. Considering this organization, there is no dedicated internal control department.

APPROACH IMPLEMENTED BY THE COMPANY

The Company implements an approach consisting in (i) evaluating the design of its control environment over financial reporting and (ii) documenting the related control activities and key controls. This approach is implemented on every significant location of the Company. Management also focuses to the integration of newly acquired businesses over which Company's two step approach on internal control is implemented within a reasonable delay.

The Company views its internal control procedure as a process of continuous improvement and will make changes aimed at enhancing the effectiveness of its internal control and to ensure that processes evolve with the business.

There were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company has evaluated the effectiveness of the internal control procedures over financial reporting as of December 31, 2009 and has concluded that, subject to its inherent limitations, these were effective at a reasonable assurance level. The Company has evaluated the effectiveness of the Company's disclosure controls and concluded that, subject to its inherent limitations, the disclosure controls were effective for the year ended December 31, 2009.

Risk Factors

For a comprehensive discussion of the important factors that could impact the Company's operating results, please refer to the Company's Annual Information Form dated March 31, 2010, under the heading "Risk Factors", which has been filed with Canadian regulators on SEDAR (www.sedar.com).

Independent Auditor's Report

To the Shareholders and Board of Directors of Foraco International SA

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

We have audited the accompanying consolidated financial statements of Foraco International SA and its subsidiaries (the Group) which comprise the consolidated balance sheet as of December 31, 2009 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

CONSOLIDATED BALANCE SHEET — ASSETS

In thousand of €	Note	As at December 31, 2009	2008	2007
Assets				
NON-CURRENT ASSETS				
Property and Equipment	(6)	30,290	23,094	16,323
Goodwill	(7)	10,328	8,594	4,260
Other intangible assets	(7)	—	—	153
Deferred income tax assets	(18)	419	93	513
Other non-current assets	(9)	237	207	340
		41,274	**31,986**	**21,588**
CURRENT ASSETS				
Inventories, net	(10)	15,467	14,829	13,389
Trade receivables, net	(11)	11,332	12,521	15,898
Other current receivables	(12)	5,962	6,519	5,793
Cash and cash equivalents	(13)	17,982	14,055	23,264
		50,743	**47,924**	**58,343**
Total assets		**92,017**	**79,910**	**79,931**

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

FORACO INTERNATIONAL - Consolidated Financial Statements
Audited consolidated financial statements as of December 31, 2009

CONSOLIDATED BALANCE SHEET — EQUITY & LIABILITIES

In thousand of €	Note	As at December 31, 2009	2008	2007
Equity				
CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS				
Share capital	(14)	911	911	911
Share premium and retained earnings	(14)	62,174	52,756	44,785
Other reserves	(14)	1,019	(1,299)	700
		64,104	**52,368**	**46,396**
Other reserves	(15)	167	189	171
Total equity		**64,271**	**52,557**	**46,567**
Liabilities				
NON-CURRENT LIABILITIES				
Borrowings	(16)	2,459	1,482	2,566
Consideration payable related to acquisitions	(17)	2,195	—	—
Deferred income tax liabilities	(18)	1,625	1,036	864
Provisions for other liabilities and charges	(19)/(20)	278	313	345
		6,557	**2,831**	**3,775**
CURRENT LIABILITIES				
Trade and other payables	(21)	15,934	19,852	21,971
Current income tax liabilities		981	1,381	2,398
Borrowings	(16)	3,974	3,264	5,175
Provisions for other liabilities and charges	(19)	300	25	45
Total liabilities		**27,746**	**27,353**	**33,364**
Total equity and liabilities		**92,017**	**79,910**	**79,931**

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

CONSOLIDATED INCOME STATEMENT – BY FUNCTION OF EXPENSE

In thousand of €	Note	As at December 31, 2009	2008	2007
Revenue	(5)	86,052	86,554	74,578
Cost of sales	(22)	(60,407)	(60,577)	(53,918)
Gross profit		**25,645**	**25,977**	**20,660**
Selling, general and administrative expenses	(22)	(11,213)	(9,898)	(7,955)
Other operating income/(expense), net	(22)	224	(180)	(291)
Share-based compensation granted as part of the IPO	(22)/(24)	—	—	(983)
Share of profit/(loss) from associates	(22)/(8)	—	—	69
Operating profit		**14,656**	**15,899**	**11,500**
Finance income	(25)	269	786	403
Finance expense	(25)	(747)	(714)	(1,174)
Profit before income tax		**14,178**	**15,971**	**10,729**
Income tax expense	(26)	(4,203)	(5,556)	(4,231)
Profit for the year		**9,975**	**10,415**	**6,498**
Attributable to:				
Equity holders of the Company	(27)	10,628	10,355	6,439
Minority interest		(653)	60	59
		9,975	**10,415**	**6,498**
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in € per share)				
— basic	(27)	0.18	0.18	0.13
— diluted	(27)	0.18	0.18	0.13

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

FORACO INTERNATIONAL - Consolidated Financial Statements
Audited consolidated financial statements as of December 31, 2009

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousand of €	Note	As at December 31, 2009	2008	2007
Profit for the year		**9,975**	**10,415**	**6,498**
Actuarial loss on post employment benefit obligations, net of tax	(20)	—	—	(108)
Pension plan settlement, net of tax	(23)	—	—	793
Net investment hedge, net of tax		466	(730)	(562)
Currency translation differences, net of tax		1,393	(1,625)	705
Other comprehensive income for the year		**1,859**	**(2,355)**	**828**
Total comprehensive income for the year		**11,834**	**8,060**	**7,326**
Attributable to:				
Equity holders of the Company		12,358	8,060	7,267
Minority interest		(524)	60	59

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousand of €	Attributable to Equity Holders of the Company					
	Share Capital	**Share Premium and Retained Earnings**	**Other Reserves (see Note 14)**	**Total**	**Minority Interest**	**Total Equity**
Balance at January 1, 2007	**657**	**15,064**	**(1,210)**	**14,511**	**112**	**14,623**
Currency translation differences and net investment hedge	—	—	143	143	—	143
Pension plan settlement – Reversal of actuarial gains and losses (Note 23)	—	(793)	793	—	—	—
Actuarial gains/(losses), net of tax	—	—	(108)	(108)	—	(108)
Other comprehensive income	**657**	**14,271**	**(382)**	**14,546**	**112**	**14,658**
Profit for the year	—	6,439	—	6,439	59	6,498
Total comprehensive income for 2007	**657**	**20,710**	**(382)**	**20,985**	**171**	**21,156**
Employee share-based compensation (Note 24)	—	—	1,082	1,082	—	1,082
Share Capital increase (Note 14)	254	24,677	—	24,931	—	24,931
Dividend declared relating to 2006	—	(602)	—	(602)	—	(602)
Balance at December 31, 2007	**911**	**44,785**	**700**	**46,396**	**171**	**46,567**
Balance at January 1, 2008	**911**	**44,785**	**700**	**46,396**	**171**	**46,567**
Currency translation differences and net investment hedge	—	—	(2,355)	(2,355)	—	(2,355)
Other comprehensive income	**911**	**44,785**	**(1,655)**	**44,041**	**171**	**44,212**
Profit for the year	—	10,355	—	10,355	60	10,415
Total comprehensive income for 2008	**911**	**55,140**	**(1,655)**	**54,396**	**231**	**54,667**
Employee share-based compensation (Note 24)	—	—	356	356	—	356
Treasury shares purchased (Note 14)	—	(3,416)	—	(3,416)	—	(3,416)
Transfer of shares in connection with acquisition of subsidiaries, net of tax (Note 7)	—	1,849	—	1,849	—	1,849
Dividend declared relating to 2007	—	(815)	—	(815)	(42)	(857)
Balance at December 31, 2008	**911**	**52,756**	**(1,299)**	**52,368**	**189**	**52,557**
Balance at January 1, 2009	**911**	**52,756**	**(1,299)**	**52,368**	**189**	**52,557**
Currency translation differences and net investment hedge	—	—	1,859	1,859	—	1,859
Other comprehensive income	**911**	**53,046**	**560**	**54,227**	**189**	**54,416**
Profit for the year	—	10,628	—	10,628	45	10,673
Total comprehensive income for 2009	**911**	**63,674**	**560**	**64,855**	**234**	**65,089**
Employee share-based compensation (Note 24)	—	—	749	749	—	749
Vesting of share-based compensation (Note 14)	—	290	(290)	—	—	—
Treasury shares purchased (Note 14)	—	(886)	—	(886)	—	(886)
Transfer of shares in connection with acquisition of subsidiaries, net of tax (Note 7)	—	212	—	212	—	212
Dividend declared relating to 2008	—	(826)	—	(826)	(67)	(893)
Balance at December 31, 2009	**911**	**62,174**	**1,019**	**64,104**	**167**	**64,271**

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

CONSOLIDATED STATEMENT OF CASH FLOW

In thousand of €		As at December 31,		
	Note	**2009**	**2008**	**2007**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the year		**9,975**	**10,415**	**6,498**
Attributable to:				
Depreciation, amortization and impairment	(22)	8,754	5,917	5,147
Changes in non-current portion of provisions and other liabilities	(22)	(86)	(348)	91
(Gain)/loss on sale and disposal of assets	(8)	—	17	(61)
Share of (profit)/loss from associates	(13)	—	—	(69)
Changes in items recognized directly in equity with an impact on (i) the profit for the year or (ii) cash and cash equivalent	(14)	—	—	322
Non-cash share-based compensation expenses	(24)	749	356	1,082
Non-cash reorganization program impact	(23)	—	—	312
Income taxes expense	(26)	4,203	5,556	4,231
Finance income and expenses, net	(25)	478	(72)	771
Cash generated from operations before changes in operating assets and liabilities		**24,073**	**21,841**	**18,324**
Changes in operating assets and liabilities:				
Inventories		128	(1,719)	(942)
Trade accounts receivable and other receivable		1,582	2,669	(2,957)
Trade accounts payable and other payable		(1,901)	(4,964)	4,149
Cash generated from operations		**23,887**	**17,827**	**18,574**
Interest received/(paid)		(367)	192	(934)
Income tax paid		(5,408)	(3,774)	(1,215)
Net cash flow from operating activities		**18,107**	**14,245**	**16,425**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property and equipment and intangible assets (*)	(6)	(6,832)	(12,197)	(7,098)
Acquisition of the net assets of Connors Drilling Ltd	(7)	—	101	(6,566)
Deposit on escrow account relating to Connors acquisition	(7)	—	735	(735)
Acquisition of Northwest Sequoia Drilling Ltd, net of cash acquired (**)	(7)	—	(4,322)	—
Acquisition of Mosslake Drilling Services Pty Ltd, net of cash acquired (**) / (***)	(7)	(2,854)	—	—
Repayment of Mosslake Drilling Services Pty Ltd former shareholder's loan		1,042	—	—
Purchase price adjustment related to the acquisition of Boniface	(7)	—	(374)	—
Proceeds from sale of Property and equipment		—	30	90
Dividends received	(8)	—	—	144
Changes in other non-current assets		—	—	(16)
Net cash used in financing activities		**(8,644)**	**(16,027)**	**(14,181)**
CASH FLOWS FROM FINANCING ACTIVITIES	(14)	—	—	23,910
Proceeds from the IPO, net of issuance expenses	(14)	(885)	(3,416)	—
Acquisition of treasury shares	(14)	(2,250)	(1,857)	(10,873)
Repayments of borrowings	(7)	601	133	8,731
Proceeds from issuance of borrowings, net of issuance costs				
Net increase/(decrease) in bank overdrafts and short-term loans		(1,998)	(1,393)	(2,974)
Dividends paid to Company's shareholders	(28)	(815)	(815)	(1,127)
Dividends paid to minority interests	(15)	(67)	(42)	—
Net cash used in financing activities		**(5,414)**	**(7,390)**	**17,667**
Exchange differences in cash and cash equivalents		(122)	(37)	40
Net cash used in financing activities		**3,927**	**(9,209)**	**19,951**
Cash and cash equivalents at beginning of the year	(13)	14,055	23,264	3,313
Cash and cash equivalents at the end of the year	**(13)**	**17,982**	**14,055**	**23,264**
(*) Excluding acquisition financed through finance leases		—	—	—
(**) Excluding portion of purchased price financed through treasury shares		212	1,460	—
(***) Excluding portion of purchased price to be paid for minority interests		2,195	—	—

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

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

Foraco International SA (the Company) and its subsidiaries (together, the Group or Foraco Group) trade mainly in the mining, geological and hydraulic drilling sectors.

The principle sources of revenue consist of drilling contracts for companies primarily involved in mining, water and mineral exploration. The Company has operations in Africa, Europe, the Americas and Asia Pacific.

The Company is a “société anonyme” incorporated in France. The address of its registered office is 26, plage de l’Estaque, 13016 Marseille, France.

These consolidated financial statements were authorized for issue by the Board of Directors on March 31, 2010.

The Company is listed on the Toronto Stock Exchange (TSX) under the symbol “FAR”.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of Preparation

The consolidated financial statements of Foraco Group have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Except otherwise stated, all amounts are presented in thousands of €.

The Company is a drilling service provider and as such IFRS 6, ‘Exploration for and evaluation of mineral resources’ is not applicable to its operations.

New and amended standards adopted by the Group that resulted in a change in accounting policies

» IAS 1 (revised). ‘Presentation of financial statements’ – effective as of January 1, 2009. The revised standard prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity in a statement of comprehensive income. The Group changed the presentation of its financial statement to disclose all non-owner changes in equity in a separate statement, the consolidated statement of comprehensive income. Comparative information has been represented so that it also is in conformity with the revised standard. This change in accounting policy only impacted the presentation of the financial statements.

» IFRS 7 ‘Financial instruments – Disclosures’ (amendment) – effective as of January 1, 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. This change in accounting policy only results in additional disclosures.

» 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. Under the requirements of IFRS 8, the Company changed the financial measures reported and provided its gross profit by operating segment for all periods (see Note 5). The nature and the scope of segments reported were not modified upon the adoption of IFRS 8.

Standards, amendments and interpretations adopted in 2009 that did not result in a change in accounting policies as they are not applicable to the Group activities

» Annual improvements to IFRS dated May 2008

» IAS 23 (revised), ‘Borrowing Costs’.

» IAS 32 (amendment), ‘Puttable financial instruments and obligation arising on liquidation’.

» IAS 38 (amendment), ‘Intangible Assets’.

» IFRS 2 (amendment), ‘Share-based payment’, IFRIC 8, ‘Scope of IFRS 2’, and IFRIC 11, ‘IFRS 2 – Group and treasury share transactions’.

» IFRIC 9, ‘Re-assessment of embedded derivatives’.

» IFRIC 13, ‘Customer loyalty programmes’.

» IFRIC 14, ‘Interpretation to IAS19, Employer benefits’.

» IFRIC 17, ‘Distribution of non-cash assets to owners’.

» IFRIC 18, ‘Transfers of assets from customers’.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards and amendments to existing standards have been published and are mandatory for the Group’s accounting periods beginning on or after January 1, 2010 or later periods, but the Group has not early adopted them:

» IAS 27 (revised), ‘Consolidated and separate financial statements’, (effective as of July 1, 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from January 1, 2010 onwards.

» IFRS 3 (revised), ‘Business combinations’ (effective as of July 1, 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from January 1, 2010 onwards, the accounting treatment applied to costs related to the business combination in progress as at December 31, 2009 is disclosed in Note 7 (see Note 31).

Other standards, amendments or interpretations not yet effective are not applicable to the Company’s current operations.

2.2 Consolidation

a. Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company’s share of the identifiable net assets acquired is recorded as goodwill (see Note 7).

Inter company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

b. Transactions with minority interests

The Company applies a policy of treating transactions with minority interests as transactions with parties external to the Company ("parent company model"). Disposals to minority interests result in gains and losses for the Company and are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

The accounting treatment for put and call options on minority interests is presented in further detail in Note 7.

c. Associates

Associates are all entities over which the Company has significant influence but not control, generally with a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost.

The Company's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Company's share of its associates post-acquisition profits or losses is recognized in the statement of income, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

Dilution gains and losses arising in investments in associates are recognized in the income statement.

2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management (Chief Executive Officer and vice- Chief Executive Officer).

The Group reports its financial performance based on its business and geographical segments. Segment reporting disclosures are provided in Note 5.

2.4 Foreign Currency

a. Functional and Presentation Currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The consolidated financial statements are presented in €, which is Foraco International's functional and presentation currency.

b. Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions' valuation where items are re-measured. The exchange rates prevailing at the dates of the transactions are approximated by a single rate per currency for each month (unless these rates are not reasonable approximations of the cumulative effect of the rates prevailing on the transaction dates). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income except when deferred in equity as qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within finance income or expense. All other foreign exchange gains and losses are presented in the income statement within 'other operating income / (expense), net'.

c. Group Companies

None of the Company's entities has the functional currency of a hyperinflation economy.

The results and financial position of all the Group entities that have a different functional currency from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

ii) income and expenses for each statement of income are translated at a monthly average exchange rate (unless this rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

iii) all resulting exchange differences are recognized as a separate component of equity within "Other reserves".

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

2.5 Property and Equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Major refurbishment work and improvements are capitalized with the carrying amount of the replaced part derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Borrowing costs are capitalized as part of the cost of property and equipment. There was no borrowing cost capitalized over the periods presented.

Depreciation of property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful life (Note 6).

The useful lives are as follows:

Buildings	10 years
Drills	5 to 10 years
Compressors	5 years
Other drilling equipment	1 to 3 years
Automotive equipment	3 to 4 years
Office equipment and furniture	2 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

When the Company leases assets under the terms of a long-term contract or other agreements that substantially transfer all of the risks and rewards of ownership to the Company, the value of the leased property is capitalized and depreciated (as described above) and the corresponding obligation is recorded as a liability within borrowings.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating income / (expense), net' in the income statement.

2.6 Intangible Assets

a. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented on the consolidated balance sheet under the line item "Goodwill". Goodwill on acquisitions of associates is included in investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment (see Note 4).

b. Development Costs

Costs incurred on development projects (relating to the design and the testing of a new drilling process) are recognized as intangible assets when they meet IAS 38 recognition criteria. They are amortized from the moment when the asset is ready for use on a straight-line basis over 5 years. There are no remaining unamortized development costs as at December 31, 2009.

c. Trademarks

Acquired trademarks are shown at acquisition cost. Trademarks have a finite useful life and are carried at cost less accumulated amortization. In the context of the acquisition of the Canadian operations of Connors Drilling Ltd, the right to use the trademark "Connors" has been granted to the Company for a 20-month period. Amortization of the Connors trademark is calculated using the straight-line method over its estimated useful life of 20 months. Trademarks are presented within "Other intangible assets". No other trademark was recognized as part of other business combinations.

d. Customer Relationships

Customer relationships correspond to order backlog and customer contracts recognized in the context of business combination at the date of acquisition. For each component of customer contractual relationships, (i) a signed drilling contract, (ii) an expected revenue and (iii) an expected margin, are identified. Following the date of acquisition when the corresponding drilling contract starts, the customer contractual relationship identified at the date of acquisition and recognized as an intangible asset is credited to cost of sales so as to amortize the intangible asset based on the revenue earned. When applicable, an impairment test is performed if the drilling contract is no longer likely to occur, or if the expected profitability of a given future transaction is lower than anticipated. The fair value of customer relationships recognized as part of purchase price allocation is as follows:

	Amount in thousand of €	**Business combination date**
Connors Drilling Ltd	448	2007
Northwest Sequoia Drilling Ltd	nil	2008
Mosslake Drilling Services	167	2009

2.7 Impairment of Non-financial Assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial Assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables originated by the Company are included in trade and other current receivables in the consolidated balance sheet.

The Group holds certain financial assets presented within cash and cash equivalents that are treated as financial assets at fair value with changes recognized through net income.

2.9 Derivative Financial Instruments and Hedging Activities

The Group does not hold any derivative financial instruments over the period presented.

2.10 Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

Where the Group has substantially all the risks and rewards of ownership, the lease is classified as finance lease. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.11 Inventories

The Company maintains an inventory of operating supplies and drill consumables such as bits additives and chunks.

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the average weighted unit cost method. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Company.

Drilling work is periodically approved by customers. Accordingly, revenues and receivables are accounted for when services have been approved. The amount of revenue is not considered to be reliably measurable until all contingencies relating to services rendered have been resolved. Contracts in progress at the closing date are accounted for using the percentage of completion method whereby revenues and directly attributable costs are recognized in each period based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs including the cost for mobilizing and demobilizing drilling equipment.

When the global income from a contract cannot be reliably estimated, no gross profit is recognized during the period.

Under either of the policies mentioned above, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. This loss is equal to the total estimated loss on the project minus the loss already accounted for and is first applied against the project's receivables. Any excess is then credited to provisions.

2.13 Trade Receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established on a case by case basis when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

The Company transfers certain receivables to banks as a collateral under an assignment of receivables program. As risks and rewards related to the trade receivables have been retained by the Group, accounts receivable are not derecognized and a financial liability is accounted for against the consideration received from the lenders.

2.14 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities up to six months or less provided that these investments are held to meet short term cash needs and there is no significant risks of change in value as a result of an early withdraw. Bank overdrafts are shown within current liabilities on the consolidated balance sheet.

The Company owns certain highly liquid securities based on the € currency market. These investments are classified as financial assets at fair value through profit or loss.

2.15 Share Capital

Ordinary shares are classified as equity. The Group did not issue any preference shares.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company 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 re-issued. When such shares are subsequently re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity attributable to the Company's equity holders.

Dividend distribution to the company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.16 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.17 Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets are recorded for unused tax losses when the realization of a future taxable income is probable, taking into account the planning of the reversal of temporary differences.

The deferred tax liabilities were determined for the withholding tax due on the reserves of the subsidiaries, when distributions are probable.

2.18 Provisions

Provisions for restructuring costs and litigations and legal claims are recognized when:

- the Company has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

The Group did not experience restructuring over the periods presented.

The Group evaluates outflows of resources expected to be required to settle the obligation based on facts and events known at the closing date, from its past experience and to the best of its knowledge. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passing of time is recognized as interest expense.

The Company does not provide for future operating losses, except when such losses result from loss making contracts in accordance with policy described in note 2.12. The Company has no loss making contract as at December 31, 2009, 2008 and 2007.

2.19 Employee Benefits

a. Pension Obligations

The Group mainly provides to its employees defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan, such as the mandatory retirement plan in France, is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets (if any). The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise. Changes in amounts recognized in other comprehensive income are detailed in Note 14.

Changes in laws and regulations that affect the amount Company's obligations are accounted for as change in actuarial assumptions. There was no such change that materially affected amounts reported over the periods presented.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Company does not provide other post-employment benefits.

b. Bonuses

The Company recognizes a liability and an expense for bonuses based on a formula that takes into consideration the Group financial performance. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

c. Share-based compensation

The Group operates a limited number of equity-settled share-based compensation plans under which the Group receives services from its employees as consideration for equity instruments (free shares see note 24). The fair value of the employee services received in exchange for the grant of the free shares is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted determined at grant date.

Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the Group issues equity instruments such as warrants as a consideration for services to be received from third parties other than employees, these transactions are accounted for as share-based compensation. Warrants issued as part of the Company's Initial Public Offering in 2007 fall into this category (see Note 24).

When a portion of the purchase consideration to be paid in a business combination is analyzed as being part of a compensation for services to be received from employees, such portion is deducted from the cost of the business combination and accounted for as a cash-settled compensation (see Note 7).

2.20 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

The trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.21 Earnings Per Share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share are computed by dividing net income attributable to equity holders of the Company by the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

As part of its Initial Public Offering, the Company has issued certain dilutive equity instruments during the year 2007 (see Note 14 and 24).

A reconciliation of the weighted average number of ordinary shares outstanding during the period and the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, is presented in Note 26.

2.22 Presentation of the income statement

The Company revised its financial reporting format during the year to better align it with its current organization by function. From now on, it will report "Selling, general and administrative expenses" in a single line item whereas prior to the year these expenses were reported in two separate line items "Selling and marketing expenses" and "General and administrative expenses". Figures presented for comparative purposes were adjusted to conform to the income statement presentation adopted for the current year.

3. FINANCIAL RISK MANAGEMENT

The Group's activity expose it to a variety of financial risks through its activity: currency risk , interest rate risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company did not enter into derivate instruments to cover its exposure over the periods presented.

The Company's cash investment strategy aims to avoid capital risks and reach a global performance level equivalent to the reference free risk interest rate on the € currency market. In order to achieve this objective, the Company contracts certain short term deposits offering guaranteed capital with or without guaranteed interest rate yields.

3.1 Company's Risk Exposure

a. Currency risks

The Group operates internationally and is therefore exposed to foreign exchange risk on its commercial transactions. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. Financial assets and liabilities are mainly denominated in € currency.

For operations located in Africa, main operating costs are denominated in € or CFA francs, for which the exchange rate with the € is fixed.

Since 2007, a significant portion of the Company's cash flow is now denominated in Canadian $. Revenue denominated in Canadian dollars represented 25% 32% and 34% of Company's revenue in the years ended December 31, 2009, 2008 and 2007, respectively. This exposure is mitigated as all related costs are also generated in Canadian $. To a lesser extend, revenue denominated in Australian dollars represented 5% of Company's revenue in the year ended December 31, 2009 (nil in 2008 and 2007).

The sensitivity to Canadian $ against € fluctuations of the consolidated revenue and the consolidated profit for the year presented in € is summarized as follows (in thousand of €):

	As of December 31, 2009	
Fluctuation in Canadian $ / € exchange rate	**+5%**	**-5%**
Revenue (1)	1,073	(1,073)
Profit for the year (1)	62	(62)

	As of December 31, 2008	
Fluctuation in Canadian $ / € exchange rate	**+5%**	**-5%**
Revenue (1)	1,293	(1,293)
Profit for the year (1)	151	(151)

	As of December 31, 2007	
Fluctuation in Canadian $ / € exchange rate	**+5%**	**-5%**
Revenue (1)	1,114	(1,114)
Profit for the year (1)	109	(109)

(1) Estimated effect on the translation into € for consolidation purposes of foreign operations having the Canadian dollar as functional currency based on the weighted average rate of the period.

b. Interest rate risk

The Company owns certain interest-bearing assets (short term deposit) classified as cash and cash equivalents. However, the Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has invested in highly liquid deposits with guaranteed nominal value.

The sensitivity to variable interest rate of short term deposits held by the Group is presented below (in thousands of €):

	As of December 31,		
	2009	**2008**	**2007**
Average amount of cash and cash equivalent over the period	**14,914**	**18,758**	**9,198**
Increase in financial income following a 50 b.p. increase	75	94	46
Decrease in financial income following a 50 b.p. decrease	(75)	(94)	(46)

For the purpose of this analysis, the average cash equivalent has been defined as the arithmetical average between the opening and the closing position at each reporting date.

On the financial liabilities, the Company is not significantly exposed to risks relating to the fluctuations of interest rates as main financing sources bear interest at a fixed rate.

c. Credit risk

All significant cash and cash equivalents and deposits with banks and financial institutions are spreaded over major financial institutions having an investment grade rating. These Top tier financial institutions are:

» BNP Paribas;

» Société Générale;

» Crédit Agricole group;

» Crédit Mutuel group; and

» Banques Populaires.

The Company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set for each subsidiary. The utilization of credit limits is regularly monitored.

The Company's broad geographical and customer distribution limits the concentration of credit risk. One customer accounted for approximately 10% of the Company's sales during the year ended December 31, 2009 (two customers accounted for 20% in 2008 and one customer accounted for 14% in 2007). No other single customer accounted for more than 10% of the Company's sales during the years ended December 31, 2009, 2008 and 2007.

d. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and short term deposits, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management maintains flexibility in funding by maintaining availability under committed credit lines.

The maturity analysis for financial liabilities is presented in Note 16.

3.2 Country risk

The expansion into new geographic areas via acquisitions brings geographic and currency risks. Some of the Company's locations in Africa are undergoing industrialization and urbanization and as such do not have the economic, political or social stability that many developed nations now possess. There is a risk that the operations, assets, employees or repatriation of revenues could be impaired by factors specific to the regions in which the Company operates. The Company benefits from certain insurance coverage to mitigate these inherent risks.

The Company manages its country risk through a number of risk measures and limits, the most important being the regular review of geopolitical conditions and an effective monitoring of liquidity, inventories and equipment potential exposure.

3.3 Capital risk management

The primary objective of the Company's capital management is to ensure that it maintains a prudent liquidity ratio in order to support its growth strategy and maximize shareholders value. The Company monitors financial measures presented in Note 5 on an ongoing basis as well as its net cash level (cash and cash equivalent less borrowings) presented in Note 13 and 16.

3.4 Estimation of fair value of financial assets and liabilities

As of January 1, 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

» Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

» -Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

» Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group did not hold financial assets or liabilities at fair value through profit or loss, derivatives or available-for-sale financial assets over the period presented.

The carrying amount of trade receivables less impairment provision and trade payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments (see Note 16).

3.5 Financial instruments by category

	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available-for-sale	Total
December 31, 2009					
ASSETS AS PER BALANCE SHEET					
Trade and other receivables	17,504	–	–	–	**17,504**
Cash and cash equivalents	7,835	10,147	–	–	**17,982**
Total	**25,339**	**10,147**	**–**	**–**	**35,486**

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
LIABILITIES AS PER BALANCE SHEET				
Borrowings	–	–	8,628	**8,628**
Trade and other payables	–	–	16,915	**16,915**
Total	**–**	**–**	**25,543**	**25,543**

	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available-for-sale	Total
December 31, 2008					
ASSETS AS PER BALANCE SHEET					
Trade and other receivables	19,219	–	–	–	19,219
Cash and cash equivalents	3,450	10,605	–	–	14,055
Total	**22,669**	**10,605**	**–**	**–**	**33,274**

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
LIABILITIES AS PER BALANCE SHEET				
Borrowings	–	–	4,746	**4,746**
Trade and other payables	–	–	21,233	**21,233**
Total	**–**	**–**	**25,979**	**25,979**

	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available-for-sale	Total
December 31, 2007					
ASSETS AS PER BALANCE SHEET					
Trade and other receivables	22,001	–	–	–	**22,001**
Cash and cash equivalents	5,450	17,814	–	–	**23,264**
Total	**27,451**	**17,814**	**–**	**–**	**45,265**

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
LIABILITIES AS PER BALANCE SHEET				
Borrowings	–	–	7,741	**7,741**
Trade and other payables	–	–	24,369	**24,369**
Total	**–**	**–**	**32,110**	**32,110**

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Estimated Impairment of Goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see Note 7). No impairment charge has been recognized over periods presented.

As at December 31, 2009 the goodwill is allocated to the business segment as follows:

Mining activity- Other areas	7,966
Mining activity- Australia	846
Water activity	1,516
Total goodwill as at December 31, 2009	**10,328**

The Group tests goodwill based on the discounted cash flows related to each business segment based on assumptions disclosed in Note 7. Value in use determination is sensitive to charges in operating profit assumption and discount rate applied. The Group would have recognized an impairment of goodwill if in the following case:

	Mining activity Other areas	Mining activity Australia	Water activity
Budgeted operating profit for 2010, 2011 and 2012 had been lower than management's estimates by	14 pt	8 pt	15 pt
Pre-tax discount rate applied to the discounted cash flows	3.9x	1.9x	3.2x

4.2 Depreciation of property and equipment

Equipment is often used in a hostile environment and may be subject to accelerated depreciation. Management considers the reasonableness of useful lives and whether known factors reduce or extend the lives of certain assets. This is accomplished by assessing the changing business conditions, examining the level of expenditures required for additional improvements, observing the pattern of gains or losses on disposition, and considering the various components of the assets.

4.3 Spare parts and slow moving

Spare parts relate to equipment which may be used in a hostile environment. Management assesses the level of provision for spare parts together with its review of the equipment as described above.

4.4 Contracts in progress

The Company records its profit and its revenue based on the percentage-of-completion method. Key aspects of the method are the determination of the appropriate extent of progress towards completion and the assessment of the margin to be generated. Management follows the contracts in progress and their related margins on a monthly basis. On occasions the finance and control department performs on site controls.

4.5 Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax assets and liabilities in the period in which such determination is made.

4.6 Share-based payment transactions

The fair value of share-based payment transactions is based on certain assumptions from management. The main area of estimates relates to the determination of the fair value of equity instruments granted:

» for warrants, it concerns the estimated volatility and expected maturity of the instrument;

» for free shares, the main assumption used in the determination of the share-based payment expense is the turnover assumption retained to assess the number of equity instruments that are expected to vest. From 2009 onward, the Company retains a zero turnover assumption which is consistent with the group's experience of employees departures. The effect of this change in estimate was recognized over the period through the income statement.

Details of share-based compensations are disclosed in Note 24.

4.7 Determination of the fair value of assets acquired and liabilities assumed in business combinations

The assessment of the fair value of assets acquired and liabilities assumed in business combinations is based on different valuation techniques and management's best estimates. Main areas of judgment relate to the valuation of equity instruments included in the purchase consideration paid, the identification and the valuation of intangible assets acquired and the determination of the market value of equipment acquired.

5. SEGMENT INFORMATION

The chief operating decision makers (Chief Executive Officer and vice-Chief Executive Officer) make decisions about resources to be allocated to the segments and assesses their performance using an analysis from revenues to operating profit for business segments and sales for geographical segments. The Company does not identify or allocate assets, liabilities or cash flows to group's segments nor does management evaluate the segments on this criteria on a regular basis.

5.1 Business Segments

As at December 31, 2009, the Group is organized on a worldwide basis in two main business segments.

» The "Mining & Energy" segment (referred to hereafter as "Mining" segment) covers drilling services offered to the mining and energy industry during the exploration, development and production phases of mining projects.

» The "Water, Environment & Infrastructure" segment (referred to hereafter as "Water" segment) covers all activities linked to the construction of water wells leading to the supply of drinking water, the collection of mineral water, as well as the control, maintenance and renovation of the existing installations. This segment also includes drilling services offered to the environmental and construction industry such as geological exploration and geotechnical drilling.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies as discussed in Note 2.

The business segment information for the years ended December 31, 2009, 2008 and 2007 was as follows:

	Mining	Water	Company
Year ended December 31, 2009			
Revenue	62,393	23,659	86,052
Gross profit	18,820	6,825	25,645
Operating profit	10,859	3,796	14,656
Finance (costs) / profits	—	—	(478)
Profit before income tax	**—**	**—**	**14,178**
Income tax expense	—	—	(4,203)
Profit for the year	**—**	**—**	**9,975**
Year ended December 31, 2008			
Revenue	66,298	20,256	86,554
Gross profit	20,179	5,797	25,977
Operating profit	12,494	3,404	15,899
Finance (costs) / profits	—	—	72
Profit before income tax	**—**	**—**	**15,971**
Income tax expense	—	—	(5,556)
Profit for the year	**—**	**—**	**10,415**
Year ended December 31, 2007			
Revenue	53,946	20,631	74,578
Gross profit	15,558	5,102	20,660
Operating profit	8,932	2,568	11,500
Finance (costs) / profits	—	—	(771)
Profit before income tax	**—**	**—**	**10,729**
Income tax expense	—	—	(4,231)
Profit for the year	**—**	**—**	**6,498**

There is no inter-segment revenue. Corporate costs and overheads are allocated to each business segment based on their revenue.

5.2 Geographical Segments

The Company operates in four main geographical areas, even though the business is managed on a worldwide basis.

The following is a summary of sales to external customers by geographic area for the years ended December 31, 2009, 2008 and 2007:

	As of December 31,		
	2009	2008	2007
Africa	42,217	44,757	35,254
Americas	21,632	27,683	25,023
Europe	11,290	6,453	7,550
Asia Pacific	10,913	7,662	6,751
Revenue	**86,052**	**86,554**	**74,578**

Revenues from external customers are based on the customers' billing location. Accordingly, there are no sales transactions between operating segments. The Company does not allocate non-current assets by location for each geographical area.

The Company only bears revenue from its drilling activity and did not account for sales of goods or royalty income over the period presented.

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Land & Buildings	Drilling Equipment & Tools	Automative Equipment	Office Furniture & Other Equipment	Total
Year ended 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 (Note 7)	913	1,577	74	12	2,576
Depreciation charge	(135)	(3,459)	(688)	(81)	(4,363)
Closing net book amount at December 31, 2007	**1,753**	**12,461**	**1,882**	**226**	**16,323**
Cost	2,404	26,333	5,131	1,087	34,955
Accumulated depreciation	(651)	(13,872)	(3,249)	(860)	(18,632)
Net book amount	**1,753**	**12,461**	**1,882**	**227**	**16,323**
Year ended December 31, 2008					
Opening net book amount	1,753	12,461	1,882	227	16,323
Additions	487	7,938	3,098	149	11,673
Exchange differences	(147)	(646)	(23)	(1)	(817)
Disposals or retirements	—	—	(48)	—	(48)
Acquisition of subsidiary (Note 7)	—	1,706	—	—	1,706
Depreciation charge	(116)	(4,509)	(1,011)	(107)	(5,743)
Closing net book amount at December 31, 2008	**1,977**	**16,950**	**3,898**	**267**	**23,094**
Cost	2,744	35,331	8,158	1,234	47,467
Accumulated depreciation	(767)	(18,381)	(4,260)	(967)	(24,373)
Net book amount	**1,977**	**16,950**	**3,898**	**267**	**23,094**
Year ended December 31, 2009					
Opening net book amount	1,977	16,950	3,898	267	23,094
Additions	643	5,496	569	162	6,870
Exchange differences	91	579	95	1	766
Disposals or retirements	(23)	(172)	(60)	(8)	(263)
Acquisition of subsidiary (Note 7)	60	6,580	1,789	47	8,476
Depreciation charge	(198)	(6,553)	(1,795)	(107)	(8,653)
Closing net book amount at December 31, 2009	**2,550**	**22,880**	**4,496**	**362**	**30,290**
Cost	3,515	47,814	10,551	1,436	63,318
Accumulated depreciation	(965)	(24,934)	(6,055)	(1,074)	(33,028)
Net book amount	**2,550**	**22,880**	**4,496**	**362**	**30,290**
Including PPE under finance lease:					
Cost	—	9,142	4,522	—	13,664
Accumulated depreciation	—	(5,642)	(2,911)	—	(8,553)
Net book value of PPE under finance lease	**—**	**3,500**	**1,611**	**—**	**5,111**

Depreciation expense has been charged to statement of income as follows:

	As of December 31, 2009	2008	2007
Cost of sale	8,591	5,834	5,102
General & administrative expenses	163	83	45
Total depreciation and amortization	**8,754**	**5,917**	**5,147**
of which for property and equipment	8,476	5,743	4,363
of which for intangible assets	278	174	784

Lease rentals amounting to €2,403 thousand (€794 thousand in 2008 and €962 thousand in 2007) relating to the usual rental of equipment and building are included in the statement of income.

Assets under construction amounted to €759 thousand as of December 31, 2009, €2,263 thousand as of December 31, 2008, and €1,675 thousand as of December 31, 2007.

The net book value as of December 31, 2009 of property and equipment pledged as a security of borrowing amounted to €5,111 thousand.

7. GOODWILL

Goodwill can be analyzed as follows:

	As of December 31, 2009	2008	2007
COST			
As of January 1	**8,594**	**4,260**	**1,914**
Additions	846	5,185	2,206
Purchase price adjustments on prior business combinations, net	—	131	—
Disposals and transfers	—	—	—
Exchange differences	888	(982)	140
As of December 31	**10,328**	**8,594**	**4,260**

Business Combination occurred in 2009

Acquisition of Mosslake Drilling Services Pty Ltd

On April 14, 2009, Foraco entered into an agreement to acquire 50.84% of the share capital of Mosslake Drilling Services Pty Ltd ("Mosslake"), an Australian company, directly and indirectly owned by Mosslake's executive management.

Under the provisions of the Share Purchase Agreement, the parties have cross put and call options to sell or acquire under similar conditions the remaining minority interests of 49.16% of the share capital in 2013, provided that the exercise of the put and call options occur on or before December 31, 2012. The cash consideration to be paid for the second tranche under the cross put and call options will vary over time based on a formula taking into account Mosslake's operating performance from 2009 to 2012 (EBITDA which is a non-IFRS measure) and the financial position (Net Debt which is a non-IFRS measure) at purchase option exercise date. The purchase price is also dependent upon Mosslake's executive management remaining within the company for a certain period of time.

The majority stake obtained through the acquisition of the first tranche and the shareholders' agreement signed with Mosslake's vendors provides the Company with the control over the operating and financial policies of Mosslake.

Accounting treatment for the acquisition of the first tranche

The acquisition through two tranches is accounted for as a step by step acquisition under IFRS, each step of the acquisition being treated separately. The goodwill for the first tranche was determined as follows:

The Company transferred 500,000 of its treasury shares as a purchase consideration for the acquisition of the shares. For the purpose of determining the purchase price consideration, these treasury shares were measured at their fair value at transfer date based on quoted price at the closing and announcement of the transaction.

The assets acquired and liabilities assumed at acquisition date are as follows:

Purchase consideration	in thousand of AUD	in thousand of €
COST		
Cash consideration paid	5,000	2,863
500,000 treasury shares transferred by the Company as a consideration	562	322
Direct costs relating to the acquisition	354	203
Net purchase consideration for 50.84% of Mosslake's shares	**5,916**	**3,388**
Share of the fair value of net assets acquired (AUD8,887 thousand for a 100% stake)	(4,518)	(2,587)
Goodwill for the first tranche acquired	**1,398**	**801**

The Company transferred 500,000 of its treasury shares as a purchase consideration for the acquisition of the shares. For the purpose of determining the purchase price consideration, these treasury shares were measured at their fair value at transfer date based on quoted price at the closing and announcement of the transaction.

The assets acquired and liabilities assumed at acquisition date are as follows:

	In thousand of AUD		In thousand of €
	Estimated fair value	Value as per Company's books before purchase price allocation	Estimated fair value
Cash and cash equivalents	285	285	163
Shareholder loan to be repaid upon closing	1,860	1,860	1,065
Customers' backlog	292	—	167
Equipment	14,165	7,372	8,112
Inventories	1,685	3,756	965
Trade and other receivables	1,288	1,288	738
Trade and other payables	(2,387)	(1,432)	(1,367)
Borrowings	(8,490)	(8,490)	(4,862)
Deferred tax, net	189	—	108
Net assets acquired	**8,887**	**4,639**	**5,089**

The above goodwill is attributable to the specialization of the acquired company in diamond core, directional, geotechnical and large diameter drilling services for top tier companies in the mining and mineral exploration industry. This goodwill is allocated to the Mining segment.

The acquired company contributed revenues of € 4,557 thousand and an operating loss of €1,297 thousand (including depreciation and amortization of the fair value step up recognized as part of the purchase price allocation) for the period from April 14, 2009 (acquisition date) to December 31, 2009.

Accounting treatment for the cross put and call options related to the minority interests in Mosslake

The risks and rewards related to the minority interests to be transferred through the cross put and call options have not yet been transferred to the Company as the purchase price is variable. As such, the proportion allocated to the group is based solely on present ownership interests of the Company (50.84%).

As the put was written as part of Mosslake's acquisition it is considered as a contingent consideration. Therefore an additional amount of goodwill was recognized, based on the difference between (i) the estimated put liability based Management's assessment of the most likely forecast performance and (ii) the carrying amount of the minority interests at the determination date.

The accretion of the discount on the estimated put liability was recognized as a finance charge in the income statement in 2009 for €103 thousand and was fully allocated to the minority interests. The adjustments until final settlement to the estimated put liability and carrying amount of the minority interests will be recognized against goodwill.

As of December 31, 2009, the goodwill amounted to €45 thousand and the estimated put liability amounted to €2,195 thousand which is presented as "Consideration payable related to acquisition" within non current liability.

	in thousand of AUD	in thousand of €
SECOND TRANCHE OF SHARES TO BE ACQUIRED IN 2013		
Estimated purchase price	3,513	2,195
Minority interests as at December 31, 2009	(3,441)	(2,150)
Goodwill in progress for the second tranche	**72**	**45**

Considering the terms and conditions of the call option, it was assessed that the call had a nil value over the period.

Other consideration

As the purchase price for the second tranche is variable depending upon the presence of Mosslake executive management in the Company, Foraco will expense over the service period the portion of the purchase price considered as representing a compensation for the services received from Mosslake executive management.

For the year ended December 31, 2009 €114 thousand was recognized as a compensation expense under "Selling, General and Administrative expenses'.

Purchase price adjustments occurred in 2008

The Company claimed in 2007 a purchase price adjustment related to the value of certain inventories acquired as part of the Connors Drilling asset acquisition. This claim was settled during 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 table below.

In the context of the acquisition of a French company which took place in 2000, the Company was granted 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 as there was no reliable estimate of their impact and they were contingent to future events. On the first quarter of 2008, 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.

Business Combination occurred in 2008

The Company acquired 100% of the shares of Northwest Sequoia Drilling Ltd. specialized in rotary drilling services for exploration, bulk sampling, and coring services to the mining and energy industry, on September 24, 2008.

Purchase consideration in thousand of €:	
SECOND TRANCHE OF SHARES TO BE ACQUIRED IN 2013	
Cash consideration paid	6,350
1,150,000 treasury shares transferred	1,460
Direct cost relating to the acquisition	63
Net purchase consideration	**7,873**
Fair value of net assets acquired (see below)	(2,688)
Goodwill	**5,185**

The above goodwill is attributable to the Northwest Sequoia Drilling Ltd position in the energy related market and to its expertise in the large diameter and rotary drilling services. This goodwill is allocated to the mining and energy segment of the Company.

The Company transferred 1,150,000 of its treasury shares as a purchase consideration for the acquisition of the shares. These treasury shares were measured at their fair value at transfer date based on quoted price at the closing and announcement of the transaction.

The assets and liabilities arising from the acquisition are as follows:

	Estimated Fair Value	Value as per Company's books before purchase price allocation
Cash and cash equivalents	1,898	1,898
Equipment	1,704	960
Inventories	73	73
Trade and other receivables	884	884
Trade and other payables	(745)	(745)
Borrowings	(121)	(121)
Contingent liabilities	—	—
Retirement benefit obligations	—	—
Current income tax payable	(760)	(760)
Deferred tax, net	(245)	—
Net assets acquired	**2,688**	**2,189**

Business Combination occurred in 2007

The Company acquired through an asset deal nearly all the Canadian assets of Connors Drilling Ltd., a surface and underground diamond drilling company, on February 1, 2007.

Purchase consideration in thousand of €:	
Cash for the transfer of assets acquired	7,128
Escrow account to be repaid to Foraco International upon final closing date	(735)
Direct cost relating to the acquisition	173
Net purchase consideration	**6,566**
Fair value of net assets acquired (see below)	(4,360)
Goodwill	**2,206**

The above goodwill is attributable to Connors Drilling's position and profitability in the Canadian market which serves the mining industry and the synergies expected to arise after the Group's expansion in Canada Eastern territories. This goodwill is allocated to the mining segment of the Company.

The assets and liabilities arising from the acquisition are as follows:

	Estimated Fair Value	Value as per Asset Purchase Agreement
Cash and cash equivalents	—	—
Trademarks	324	324
Customer relationships	448	—
Land and buildings	546	546
Equipment	2,026	2,088
Inventories	1,369	1,416
Trade and other receivables	876	876
Trade and other payables	(1,113)	(1,113)
Contingent liabilities	—	—
Retirement benefit obligations	—	—
Deferred tax, net	(118)	—
Net assets acquired	**4,360**	**4,138**

Allocation of Goodwill to Cash Generating Units

Goodwill is allocated to the Company's business segments as follows:

	As of December 31		
	2009	**2008**	**2007**
Mining – Other areas	7,966	7,078	2,744
Mining - Australia	846	—	—
Water	1,516	1,516	1,516
Total	**10,328**	**8,594**	**4,260**

Impairment Tests for Goodwill

The recoverable amount of cash generating units is determined based on value-in-use calculations. The Group used cash flow projections before tax based on financial budgets prepared by management and approved by the Board of Directors. Cash flows beyond the budgeted period are extrapolated using the estimated growth rate of activities.

The key assumptions which are approved by the Board of Directors and used for value-in-use calculations as of December 31, 2009 are as follows:

	Mining – Other area	Mining- Australia	Water
Long-term growth rate used to determined the terminal value	-1%	-1%	-1%
Discount rate	13%	13%	13%

In 2009, 2008 and 2007 the Company did not record any goodwill impairment charge.

8. INVESTMENTS IN ASSOCIATES

Investments in associates can be analyzed as follows:

	2009	2008	2007
Investments in associates as of January 1	—	—	75
Share payment/dividends	—	—	(144)
Share of (loss)/profit, after tax	—	—	69
Investments in associates as of December 31	**—**	**—**	**—**

Until December 31, 2007, the Company operated three contracts in Ghana under a joint venture agreement with a Ghanaian company. The percentage of Group interest in this joint venture was 50%. The Group did not have control of this entity, which is therefore consolidated under the equity method.

The Group's share of total assets, total liabilities, revenue and results with regards to the joint venture was as follows:

	As of December 31		
	2009	**2008**	**2007**
Total Assets	—	—	—
Total Liabilities	—	—	—
Total Revenues	—	—	767
Profit/(Loss) group's share	—	—	69

Investments in associates did not include goodwill.

9. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

	As of December 31		
	2009	**2008**	**2007**
Loans	79	65	186
Software	6	7	8
Investment in unconsolidated affiliates	21	21	21
Deposits and guarantees	96	92	114
Other non current receivables	35	22	11
Other non-current assets from related parties	—	—	—
Other non-current assets	**237**	**207**	**340**

The investment in unconsolidated affiliates corresponds to the company "Minera Chimù" (Peru), in which the Company holds 16.9%.

10. INVENTORIES

Inventories consist of the following:

	As of December 31		
	2009	2008	2007
Spare parts, gross	7,434	8,381	7,399
Consumables, gross	8,033	6,509	6,054
Less inventory allowance	—	(61)	(64)
Inventories, net	**15,467**	**14,829**	**13,389**

Spare parts mainly include motors, wire lines and heads. Spare parts are charged to the statement of income when used on equipment. Consumables mainly include destructive tools, hammers, muds and casing. Consumables are charged to the statement of income when delivered to the field. The Company reviews impairment loss on inventories on a regular and item by item basis.

Inventories write-down expense/(reversal) recognized in 2009 in the statement of income under the line item "Cost of sales" amounts to nil (in 2008 €3 thousand and in 2007 €24 thousand).

11. TRADE RECEIVABLES

Trade receivables, net, consist of the following:

	As of December 31		
	2009	2008	2007
Trade receivable, gross	12,080	13,317	16,451
Less provision for impairment	(813)	(796)	(553)
Receivables from related parties	65	—	—
Trade receivables, net	**11,332**	**12,521**	**15,898**

Impairment expense/(reversal) recognized in 2009 in the statement of income amounted to €17 thousand (in 2008 €243 thousand and in 2007 €389 thousand) under the line item "Cost of sales".

Movements on the provision for impairment of trade receivables are as follows:

	As of December 31		
	2009	2008	2007
Provision for impairment at January 1	(796)	(553)	(348)
Provision for receivables impairment	(103)	(306)	(205)
Receivables written off during the year as uncollectible	—	—	—
Unused amounts reversed during the year following collection of the receivable	86	63	—
Provision for impairment at December 31	**(813)**	**(796)**	**(553)**

Trade receivables, net, are broken down per location as follows:

	As of December 31		
	2009	2008	2007
Europe	1,285	341	4,095
New Caledonia	764	1,323	585
Africa	5,998	9,084	9,479
South America	—	620	—
Australia	700	—	—
Canada	2,585	1,153	1,739
Trade receivables, net	**11,332**	**12,521**	**15,898**

The geographical allocation of a receivable is based on the location of the project to which the receivable relates and not to the country where the client is incorporated.

Fair value of trade accounts receivable based on discounted cash flows does not differ from the net book value as the Company does not have trade accounts receivable with payment terms exceeding one year.

Receivables impairment are related to a wide range of customers in both of the Company's operations segments on which a collectability risk was identified.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of trade receivable mentioned above. Certain receivables are pledged as securities of borrowings (see Note 30).

As of December 31, 2009, trade receivables of € 1,190 thousand (€1,839 thousand in 2008 and €1,916 thousand in 2007) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default or having established practices of long payment terms such as States bodies in the Water segments.

The carrying amounts of the Company's trade receivables are denominated in the following currencies:

	As of December 31		
	2009	2008	2007
€, CFA Francs or CFP Francs (1)	8,047	10,748	14,159
Canadian dollars	2,585	1,153	1,547
Australian dollars	700	—	—
Other currencies	—	620	192
Trade receivables, gross	**11,332**	**12,521**	**15,898**

(1) CFA Francs and CFP Francs have a fixed exchange rate with €

Certain receivables are provided as collateral under financing agreement (see Note 16).

12. OTHER CURRENT RECEIVABLES

Other current receivables consist of the following:

	As of December 31		
	2009	2008	2007
VAT / GST and other recoverable taxes	3,811	4,420	3,417
Prepaid expenses	1,239	1,195	655
Down payments / credit notes receivable	604	586	769
Accrued income	—	50	—
Other receivables	307	268	951
Other receivables from related parties	—	—	—
Other current receivables	**5,962**	**6,519**	**5,793**

Provisions for impairment of other current receivables is nil as of December 2009 (nil in 2008 and €77 thousand in 2007).

VAT / GST and other recoverable taxes mainly comprise tax receivables from African States.

In accordance with IFRS 3, the Company capitalized as prepaid expenses €450 thousand of acquisition costs related to the acquisition of EDC that is in progress as at December 31, 2009 and was completed in 2010 (see Note 31) . In 2010, the adoption date of IFRS 3(R), the Company will elect to reclassify these prepaid expenses directly against "Retained Earnings".

In accordance with the Asset Purchase Agreement in connection with Connors' net assets acquisition, the Company made in 2007 a deposit amounting to €735 thousand on an escrow account maintained in Canada (presented as "Other receivables"). This escrow account was repaid to the Company in March 2008 as part of the final settlement of the payable purchase consideration (see Note 7).

Fair value of other current receivables based on discounted cash flows does not differ from the net book value as the Company does not have other current receivables with payment terms exceeding one year.

The carrying amounts of the Company's other receivables are denominated in the following currencies:

	As of December 31		
	2009	2008	2007
€, CFA Francs or CFP Francs (1)	4,524	6,138	4,541
Canadian dollars	840	281	1,048
Australian dollars	302		
Other currencies	296	99	204
Other current receivables, gross	**5,962**	**6,519**	**5,793**

(1) CFA Francs and CFP Francs have a fixed exchange rate with €

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	As of December 31		
	2009	2008	2007
Cash at bank and in hand	7,835	3,450	5,450
Short-term bank deposits	10,147	10,605	17,814
Cash and cash equivalents	**17,982**	**14,055**	**23,264**

Short term bank deposits are analyzed as follows at the end of each period presented:

Financial institution	Type	Index	Fair value as of December 31, 2009
BNP Paribas	€ 6 months fixed term deposit	Fixed	1,500
BNP Paribas	€ monetary marketable security	Euribor	1,104
Crédit Agricole group	€ monetary marketable security	Eonia	3,708
Crédit Mutuel group	€ 3 months fixed term deposit	Fixed	949
Crédit Mutuel group	€ 6 months fixed term deposit	Fixed	600
Banques Populaires	€ monetary marketable security	Euribor	411
Société Générale	€ 6 months fixed term deposit	Fixed	1,875
Total			**10,147**

Financial institution	Type	Index	Fair value as of December 31, 2008
BNP Paribas	€ 3 months fixed term deposit	Fixed	2,880
BNP Paribas	€ monetary marketable security	Eonia	620
Crédit Agricole group	€ 3 months fixed term deposit	Fixed	2,151
Crédit Agricole group	€ monetary marketable security	Eonia	211
Banques Populaires	€ 3 months fixed term deposit	Fixed	2,150
Banques Populaires	€ monetary marketable security	Eonia	219
Crédit Mutuel group	€ 6 months fixed term deposit	Fixed	1,306
Crédit Mutuel group	€ monetary marketable security	Eonia	213
Société Générale	€ 3 months fixed term deposit	Fixed	855
Total			**10,605**

Financial institution	Type	Index	Fair value as of December 31, 2008
Credit Lyonnais	€ monetary maketable security	Eonia	185
Credit Lyonnais	€ monetary maketable security	Eonia	16
Natexis	€ monetary maketable security	Eonia	191
Natexis	€ monetary maketable security	Eonia	19
CIC	€ monetary maketable security	Eonia	204
BNP Paribas	€ monetary maketable security	Euribor	201
BNP Paribas	€ monetary maketable security	Euribor	14,258
BNP Paribas	1 month Fixed term deposit	Fixed	2,740
Total			**17,814**

14. EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS

Consolidated reserves, including net income for the period and other reserves, can be analyzed as follows:

	As of December 31		
	2009	2008	2007
Foraco International share premium and retained earnings	38,275	34,373	35,170
Reserves of consolidated subsidiaries	24,810	18,383	9,615
Others reserves	1,019	(1,299)	700
Total consolidated reserves	**64,104**	**51,457**	**45,485**

Under French law, dividends can be paid only from the reserves of the parent company (Foraco International). As at December 31, 2009, the value of distributable reserves amounted to €46,245 thousand (€38,937 thousand as of December 31, 2008 and €35,028 thousand as of December 31, 2007.

All shares issued by the Company have a par value of €0.015 and were fully paid.

Items included in other reserves can be analyzed as follows:

	As of December 31		
	2009	2008	2007
Employee share-based compensation, net of tax	459	1,438	1,082
Actuarial gains / (losses), net of tax	—	36	36
Currency translation differences and net investment hedge, net of tax	1,859	(2,773)	(418)
Other reserves	**1,019**	**(1,299)**	**700**

Description of the Initial Public Offering

Prior to the Initial Public Offering in 2007, the Company completed certain reorganization measures of its share capital:

» On June 7, 2007, the shareholders approved an increase in capital by an amount of €9 thousand divided into 596 common shares each with a par value of €15.25, so that the capital be increased to €665 thousand, divided into 43,596 common shares. These new shares were reserved for issuance at par value to existing shareholders on a pro-rata basis. Certain of these shares were granted to Directors of the Company and are considered as share-based compensation (see Note 23).

» On June 29, 2007, the Shareholders of the Company approved an increase in the number of shares (referred to as share split), so that the capital of €665 thousand be divided into 43,596,000 common shares so that each shareholder received 999 common shares for each one common share held in the capital of the Company.

On August 2, 2007 the Company completed its Initial Public Offering of 14,040,870 common shares at a price of Can$2.40 per share. In conjunction with the completion of the Initial Public Offering, certain selling shareholders of the Company have sold an aggregate of 520,000 common shares of the Company at a price of Can$2.40 per share for gross proceeds to the selling shareholders of Can$1,248 thousand.

On August 20, 2007 the underwriter exercised its right over allotment options at Can$ 2.40 for 2,106,130 common shares. As part of this offering the Company also granted for no consideration 833,350 warrants to the underwriter with an 18 months exercise period. These warrants are considered as share-based compensation (see Note 23) and are taken into account as appropriate in the determination of the Diluted Earnings per share (see Note 27). As of December 31, 2008 these warrants have not been exercised and expired in the subsequent period (see Note 31).

After these transactions, the share capital amounted to €911 thousand and the outstanding and issued common shares became 59,743,000.

The reconciliation of the gross proceeds to the net proceeds to the Company is summarized as follows:

	in thousand of AUD	in thousand of €
Gross proceeds from the treasury offering, 16,147,000 at Can$2.40	38,753	26,958
Underwriter's fees corresponding to 7% of the gross proceeds of the offering	(2,713)	(1,887)
Expenses of the offering	(1,668)	(1,160)
Net proceeds to the Company as per consolidated statement of cash flows	**34,372**	**23,910**
Tax effect	1,468	1,021
Net proceeds to the Company, net of tax as per consolidated statement of equity	**35,840**	**24,931**

The net proceeds arising from the Initial Public Offering thousand were used by the Company to retire existing debt of the Company. The remaining balance has and will be used to expand the business by way of strategic acquisitions or through organic growth and for general corporate purposes.

Incremental costs that are directly attributable to the issuance of shares and that would not have been incurred if the Company had not issued such shares, were reported as a reduction of the amounts paid-in. Incremental costs generally include underwriter fees and other external costs directly attributable, but exclude internal costs and marketing costs, including those related to the road show, which were recorded within net profit. As of December 31, 2007 costs relating to the offering amounting to €2,026 thousand were accounted against the paid in capital, net of tax.

Treasury shares transactions

On May 28, 2008, the Company acquired 1,500,000 of its own shares through purchases from Banque de Vizille a former shareholder. 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 transfer or resell these shares at a later date.

On September 24, 2008, in connection with the acquisition of Northwest Sequoia Drilling Ltd (see Note 7), the Company used 1,150,000 of these treasury shares to form part of the consideration paid for the acquisition. This transfer of shares was assessed at the published price of the Company's shares at acquisition date (i.e. Can$ 1.90).

On October 1, 2008, the Company filed a notice in respect of a Normal Course Issuer Bid ("NCIB") with the TSX. Pursuant to this NCIB, the Company may purchase up to 1,000,000 of its common shares on the public market. The Company purchased 105,244 and 894,756 of its own shares in 2008 and 2009, respectively. These 1,000,000 shares had an average purchase price of Can$0.99 (or € 0.63).

The Company filed a notice on September 24, 2009 in respect of an additional NCIB with the TSX. The Company may purchase additional common shares up to 1,000,000. In 2009, In 2009 251,200shares were acquired under this additional NCIB at an average purchase price of Can$1.93 (or €1.37).

As of December 31, 2009, the Company owns 945,200 of its own shares (treasury shares) recognized as a reduction of Equity for an amount of €1,388 thousand, net of tax.

Equity incentive plan ("Free share plan")

The Company implemented in 2007 a free share plan whereby it awarded ordinary Company's shares to certain executive employees for no cash consideration subject to certain service period. This plan was authorized by the ordinary and extraordinary general meeting of shareholders held in June 2007.

The total number of shares to be transferred under the free share plan is limited to 3% of the issued and outstanding share capital of the Company on the date grants are made. Such awards are considered as share based payment transactions (see Note 23).

A first tranche and second tranche under the free share plan were for 512,000 and 424,000 shares in 2007 and 2008, respectively. Shares to be transferred under the plan upon completion of vesting conditions will be purchased by the Company and there will be no increase in share capital. These awards are taken into account as appropriate in the determination of the Diluted Earnings per share (see Note 27).

The Company currently does not plan to adopt any other form of share plans, including any stock option plans.

On July 18, 2009, 165,000 common shares awarded to employees were vested. The corresponding accumulated amount recognized with in Other Reserves was transferred to Share Premium for €290 thousand.

On September 25, 2009, the Company granted to employees 531,000 additional common shares corresponding to the third tranche of its Equity Incentive Plan. Those stock awards are subject to certain vesting conditions.

Reconciliation of the share capital and premium

The reconciliation of the share capital and share premium at the beginning and end of the year presented is summarized as follows:

	Number of shares (1)	Ordinary shares in thousand €	Share Premium (2) in thousand €
As at January 1, 2007	**43,000,000**	**656**	**—**
Issue of share capital on June 7, 2007	596,000	9	—
Issue of share capital on August 2, 2007	14,040,870	214	21,679
Issue of share capital on August 20, 2007	2,106,130	32	3,252
As at December 31, 2007	**59,743,000**	**911**	**24,931**
As at January 1, 2008	**59,743,000**	**911**	**24,931**
Acquisition of treasury shares	(1,605,244)	—	(3,416)
Treasury shares transferred in connection with acquisition	1,150,000	—	1,849
As at December 31, 2008	**59,287,756**	**911**	**23,364**
As at January 1, 2009	**59,287,756**	**911**	**23,364**
Acquisition of treasury shares	(1,145,956)	—	(886)
Treasury shares transferred in connection with acquisition	500,000	—	212
Treasury shares transferred in connection with equity incentive plan (vested shares)	156,000	—	290
As at December 31, 2009	**58,797,800**	**911**	**22,980**

(1) After giving effect to the share split that occurred on June 29, 2007
(2) Net of issuance costs and income tax

15. MINORITY INTEREST

Changes in minority interest are detailed as follows:

	As of December 31		
	2009	**2008**	**2007**
Minority interest at the beginning of the year	189	171	112
Minority interest in net income for the year	45	60	59
Dividends paid to minority shareholders	(67)	(42)	—
Minority interest at the closing of the year	**167**	**189**	**171**

16. BORROWINGS

Financial debt consists of the following:

	As of December 31		
	2009	2008	2007
NON-CURRENT			
Other bank financings	339	738	1,431
Finance lease obligations	2,120	744	1,135
	2,459	**1,482**	**2,566**
CURRENT			
Bank overdrafts	—	—	638
Obligation under assignment of trade receivables	470	2,205	2,960
Other bank financings	1,137	605	737
Finance lease obligations	2,367	454	744
Bank loan financing the acquisition of Boniface	—	—	16
Other debt linked to the acquisition of Boniface	—	—	80
	3,974	**3,264**	**5,175**

Certain European subsidiaries of the Company transferred receivable balances amounting to €470 thousand to banks in exchange for cash during the year ended December 31, 2009 (€ 2,205 thousand in 2008 and 2,960 thousand in 2007). These transactions were accounted for as an assignment of trade receivables with recourse (or collateralized borrowing). In case the entities default under the assignment agreement, banks have the right to receive the cash flows from the receivables transferred. Without default, the entities will collect the receivables and allocate new receivables as collateral.

As of December 31, 2009, maturity of financial debt can be analyzed as follows:

Maturity	Less than One Year	Between One and Five Years	More than Five Years	Total
Obligation under assignment of trade receivables	470	—	—	470
Other bank financing	1,137	339	—	1,476
Finance lease obligations	2,367	2,120	—	4,487
Total financial debt	**3,974**	**2,459**	**—**	**6,433**

As of December 31, 2009 the estimated fair value of financial debt, determined based on the discounted value of future cash flows (principal and interest) at Euribor 3m, plus a spread amounting to 100 b.p., amounted to €6,323 thousand compared to a carrying amount of €6,433 thousand (€4,728 thousand compared to a carrying amount of €4,746 thousand as of December 31, 2008).

The average effective interest rates of financial debt at the balance sheet date were as follows:

	As of December 31		
	2009	2008	2007
Bank overdraft and obligation under assignment of trade receivables	Euribor 3m plus 100 up to 200 b.p, , C$ prime rate, plus 0 up to 75 b.p. or AUD prime rate		
Other bank financing	1.7%	4.0%	4.0%
Finance lease obligations	5.0%	3.5%	3.5%
Bank loans and debts relating to acquisitions	n.a.	n.a.	Euribor 3m, plus 160 up to 180 b.p.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	As of December 31		
	2009	2008	2007
Gross finance lease liabilities – minimum lease payments	5,205	1,282	2,011
Future finance charges on finance leases	(718)	(84)	(132)
Present value of finance lease liabilities	**4,487**	**1,198**	**1,879**

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	As of December 31		
	2009	2008	2007
€	1,283	4,247	6,966
Canadian dollars	1,049	498	775
Australian dollars	4,101	—	—
Total financial debt	**6,433**	**4,746**	**7,741**

Company's borrowings are not subject to any financial covenant.

Unused short term credit facilities amount to €22,152 thousand as of December 31, 2009. This facility is granted on a yearly basis and subject to review at various dates.

Total financial debts include collateralized borrowings of €5,963 thousand:

» Obligations under assignment of receivables for €470 thousand are secured for an equivalent amount by receivables that have been transferred; and

» Finance lease obligations amounting to €4,487 thousand are secured by related leased assets.

17. CONSIDERATION PAYABLE RELATED TO ACQUISITION

In connection with the future acquisition of the minority interests in Mosslake, the Company recognized as a liability the purchase consideration payable related to the 2nd tranche of Mosslake's shares (see Note 7). This remaining purchase consideration amounting to €2,195 thousand as of December 31, 2009 was estimated based the expected amount to be paid in 2013 discounted at a 5% discount rate. This consideration will be adjusted until the final settlement occurs. The effect of the undiscounting is recognized as interest expenses amounted to €103 thousand for the year ended December 31, 2009.

18. DEFERRED INCOME TAX

This applies in France under the consolidation tax regime, for which all domestic entities of the Group have opted for from January 1, 2001.

The components of the net deferred tax liabilities recorded as at December 31, 2009, 2008 and 2007 are as follows:

	December 31		
	2009	2008	2007
ASSETS			
Pension obligations	90	93	74
Property and equipment depreciation differences	—	—	2
Losses carried forward	329	—	—
Tax provisions	—	—	39
Allowance for doubtful receivable	—	—	231
Other tax temporary differences	—	—	167
Total	**419**	**93**	**513**
To be recovered after 12 months	90	93	434
To be recovered within 12 months	329	—	79
LIABILITIES			
Finance leases	(466)	(330)	(259)
Reversal of intercompany balances depreciation	(204)	(204)	(204)
Costs capitalization and property and equipment depreciation differences	(521)	(242)	(221)
Revenue recognition	(174)	(244)	(180)
Other tax temporary differences	(260)	(16)	—
Total	**(1,625)**	**(1,036)**	**(864)**
To be recovered after 12 months	(854)	(682)	(684)
To be recovered within 12 months	(771)	(354)	(180)

The gross movement on the deferred income tax net position is as follows:

	As of December 31		
	2009	2008	2007
Beginning of the year	(943)	(352)	(248)
Charged/(Credited) to the statement of income	(263)	(591)	(111)
Charged/(Credited) directly to equity	—	—	7
End of the year	**(1,206)**	**(943)**	**(352)**

Deferred income tax assets are recognized for tax loss carry forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. As of December 31, 2009 the Company has unrecognized carry forward tax loss amounting to €2,549 thousand related to its Chilean subsidiary (or a corresponding deferred tax asset amounting to €433 thousand)

No deferred income tax liabilities have been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries as such amounts are permanently reinvested.

19. PROVISIONS

Provisions comprise of the following elements:

	Pension & Retirement Indemnities Provision	Other Provisions	Total
As at January 1, 2007	**2,995**	**–**	**2,995**
Charged to statement of income:			
— Additional provisions	107	45	152
— Unused amounts reversed	—	–	—
Used during year	(225)	–	(225)
Actuarial gains and losses recognized directly in Other comprehensive income	105		105
Impact of the settlement of Germany plans – reorganization program (Note 22)	(2,637)	—	(2,637)
As at December 31, 2007	**345**	**45**	**390**
As at January 1, 2008	**345**	**45**	**390**
Charged to statement of income:			
— Additional provisions	45	—	45
— Unused amounts reversed	—	—	—
Used during year	(77)	(20)	(97)
As at December 31, 2008	**313**	**25**	**338**
As at January 1, 2009	**313**	**25**	**338**
Charged to statement of income:			
— Additional provisions	21	275	296
— Unused amounts reversed	—	—	—
Used during year	(56)	—	(56)
As at December 31, 2009	**278**	**300**	**578**

The obligation related to former German employees was transferred to outside the Group in 2007. In accordance within IAS 19, the provision, amounting to €2,637 thousand, was reversed on the settlement date and related actuarial losses, amounting to €793 thousand, were directly transferred from “Other reserves” to “Share premium and retained Earnings” in 2007.

The analysis of total provisions is as follows:

	As of December 31		
	2009	2008	2007
Current	300	25	45
Non-current (retirement and litigation)	278	313	345
Provisions	**578**	**338**	**390**

The Company faces various forms of litigation and legal proceedings throughout the normal course of business. The Company records a provision for these risks based on its past experience and on facts and circumstances known on the balance sheet date. The Company’s Management is of the opinion that the expenses to be incurred in resolving such affairs will not have a significant additional impact on its consolidated financial situation, income or cash flows.

The Company operates in various tax jurisdictions and is subject on a regular basis to tax audits. A provision amounting to €275 thousand was recognized as of December 31, 2009 to reflect the Company’s best estimate of its exposure.

20. RETIREMENT BENEFIT OBLIGATIONS

Substantially all of the Company’s employees, with the exception of those in France, are covered under Governmentsponsored health and life insurance benefit plans. Accordingly, the Company has no significant liability to its employees in terms of post-retirement benefits other than pensions and therefore no provision is made.

In France, the Company contributes to the national pension system whereby its obligations to employees in terms of pensions are restricted to a lump-sum length of service award payable at the date the employee reaches retirement age, such an award being determined for each individual based upon years of service provided and projected final salary.

The pension obligation has been estimated on the basis of actuarial assumptions and retirement ages conforming with the law applicable in France, including:

	As of December 31		
	2009	**2008**	**2007**
Discount rate	5.1%	5.5%	4.5%
Inflation rate	1.85%	2.25%	3.0%
Provision for retirement benefits			

These retirement indemnities are not funded nor covered by pension plan assets. Except in France, the Group does not maintain defined benefit obligations in other country where it operates.

Payments made by the Company for defined contribution plans are accounted for as expenses in the income statement during the period in which they were incurred.

21. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	As of December 31		
	2009	**2008**	**2007**
Trade payables	6,296	8,362	10,207
Social security and other taxes	4,557	4,208	2,747
VAT / GST and other tax payable	3,747	3,497	2,758
Down payments from customers	1,117	2,350	3,377
Deferred income	—	—	285
Related party payable (see Notes 22 and 30)	—	1,067	2,218
Other miscellaneous payable	217	368	379
Trade and other payables	**15,934**	**19,852**	**21,971**

VAT / GST and other tax payable mainly comprise tax payables to African States.

Trade and other payables are denominated in the following currencies:

	As of December 31		
	2009	**2008**	**2007**
€, CFA Francs or CFP Francs (1)	10,535	17,368	19,260
Canadian dollars	3,323	2,302	2,548
Australian dollars	1,618	—	—
Other currencies	458	182	163
Trade and other payables	**15,934**	**19,852**	**21,971**

(1) CFA Francs and CFP Francs have a fixed exchange rate with €

22. EXPENSES BY NATURE

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

	As of December 31		
	2009	**2008**	**2007**
Depreciation, amortization and impairment charges	8,754	5,917	5,147
Provision increase/(reversal)	28	221	317
Raw materials, consumables used, and other external costs	40,124	40,485	35,222
Employee benefit expense	21,369	22,885	20,106
Other tax expense	1,347	1,107	1,130
Other operating expense/(income), net	224	40	(70)
Share-based compensations granted as part of the IPO	—	—	983
Loss following the reorganization program (see Note 22)	—	—	312
Total of operating expenses	**71,398**	**70,655**	**63,147**
Number of employees (unaudited)	793	931	754

Other operating expense/(income), net are as follows:

	As of December 31		
	2009	**2008**	**2007**
Profit / (loss) on property and equipment sales	6	17	(61)
Other	218	23	(9)
Total other operating expense/(income)	**224**	**40**	**(70)**

23. REORGANIZATION PROGRAM

In October 2007, the Company completed a reorganization program whereby its property and premises located in Lunel (France) and Woringen (Germany), and certain obligations under a defined benefit pension plan relating to its German subsidiary Geomechanik (see Note 19) were transferred to a non-consolidated entity owned and co-managed by two of the Directors and current shareholders of Foraco (related party). This reorganization program was initiated in early 2007.

Following the completion of these transactions the premises in Woringen and Lunel have been leased back to the Company at market rate. The lease in respect to the premises in Woringen, Germany is for a term of two years, with an annual rent of €20 thousand. The lease in respect to the premises in Lunel is for a term of nine years, with an annual rent of €181 thousand. The Company benefits from an option to terminate the lease for the premises in Lunel at the end of the sixth and ninth year of the tenancy. These leases are renewable.

These transactions resulted in a loss that can be analyzed as follows:

Profit on real estate properties disposal	1,549
Loss on settlement of pension obligation (1)	(1,863)
Other items	2
Reorganization program impact	**(312)**

(1) The €1,863 loss on the settlement of the pension obligation is the consequence of the premium required for a full transfer of pension obligations without recourse against the Company leading to an estimated fair value of the plan for the transfer of €4,500.

The net amount payable by the Company following the reorganization can be broken down as follows:

Consideration attributable to the logistic premises in Lunel (France) and Woringen (Germany)	2,332
Fair value of the pension obligation transferred retained as a basis for the transfer	(4,500)
Other items	(50)
Net amount payable by the Company to the related party	**(2,218)**

The net amount payable by the Company is payable within six months of the delivery of the notice demanding payment to the Company. Until paid, this payable born interest at Euribor 3m plus 150 b.p. payable on a quarterly basis. This obligation was settled by the Company in 2009.

24. SHARE-BASED COMPENSATION

The effect on the income statement of equity instruments awarded as part of the IPO and the Company's Equity Incentive Plan are as follows:

	As of December 31		
	2009	2008	2007
520,000 free common shares to the benefit of certain directors	—	—	781
833,350 warrants issued for the benefit of IPO underwriter	—	—	202
512,000 free common shares in 2007	380	296	99
424,000 free common shares in 2008	318	60	—
531,000 free common shares in 2009	51	—	—
Total of non-cash share-based compensation expenses	**749**	**356**	**1,082**

Movements in the number of free shares and warrants outstanding date are as follows:

	Free shares	Warrants
Granted in 2007	512,000	833,350
Granted in 2008	424,000	—
Granted in 2009	531,000	—
Vested in 2009	(156,000)	—
Forfeited in 2009	(7,000)	(833,350)
Outstanding as of December 31, 2009	**1,304,000**	**—**

Considering the vesting conditions described below, free shares outstanding at year end have the following expiry date:

	As of December 31		
	2009	2008	2007
2009	—	163,000	163,000
2010	276,000	276,000	—
2011	687,000	349,000	349,000
2012	148,000	148,000	—
2013	193,000	—	—
Free shares outstanding	**1,304,000**	**936,000**	**512,000**

Share-based compensation directly related to the Initial Public Offering

In June 2007, 520 common shares - before the effect of share split - have been issued to the benefit of certain directors for nominal consideration. This issuance is treated as share-based compensations as these shares have been issued at a price amounting to less than the fair value. The Company recognized an expense amounting to €781 thousand corresponding to the difference between the issue price of these shares and their fair value (deemed to be the share price at Initial Public Offering date i.e. Can$ 2.40).

In August 2007, in accordance with the provision of the underwriting agreement, 833,350 warrants to be converted into common shares of the Company were issued for no compensation to the benefit of Research Capital Corporation. This issuance is treated as share-based compensations as these shares have been issued at a price amounting to less than the fair value. These warrants vest immediately. As no reliable estimate of the fair value of services received was available, those services were measured based on the fair value of warrants issued. The fair value of warrants has been determined using a Black and Scholes option pricing model with the following assumptions determined at grant date:

- » Conversion rate — one common share for one warrant
- » Strike price — Can$ 2.40
- » Fair value at grant date — Can$ 2.40 (share price at IPO date)
- » Expected volatility based on comparables — 37.0%
- » Risk free interest rate — 4.7%

- » Expected exercise period — 9 months
- » Final maturity — 18 months
- » Expected dividend — none

The Company recognized an expense amounting to €202 thousand in 2007, corresponding to the fair value of these warrants. These warrants expired in February 2009.

These non cash, non recurring share-based compensations have been disclosed in a separate line item of the statement of income "Share-based compensation granted as part of the IPO" for a total amount of €983 thousand.

Other share-based payment transaction with employees (see Note 14)

Awards under the Company's free share plan are within the scope of IFRS 2, Share-based payment as they are issued at a price that is less than the fair value of those equity instruments. From grant date, the Company will amortize over the corresponding vesting period the fair value of the free common shares granted to employees. There is no performance condition under Company's equity incentive plan.

The main provisions of this share plan are as follows:

First tranche awarded in 2007

- » Grant date — September 2007
- » Number of free shares issued — 512,000
- » Vesting period for the French plan — 2 years (1)
- » Vesting period for the International plan — 4 years
- » Fair value of common shares at grant date — Can$ 2.70
- » Anticipated turnover — Nil
- » Total fair value of the plan — €925 thousand

Second tranche awarded in 2008

- » Grant date — October 2008
- » Number of free shares issued — 424,000
- » Vesting period for the French plan — 2 years (1)
- » Vesting period for the International plan — 4 years
- » Fair value of common shares at grant date — Can$ 1.95
- » Anticipated turnover — Nil
- » Total fair value of the plan — €555 thousand

Third tranche awarded in 2009

- » Grant date — September 2009
- » Number of free shares issued — 531,000
- » Vesting period for the French plan — 2 years (1)
- » Vesting period for the International plan — 4 years
- » Fair value of common shares at grant date — Can$ 1.51
- » Anticipated turnover — Nil
- » Total fair value of the plan — €505 thousand

(1) Plus an additional 2-years lock up period following vesting date.

The impact of these non cash share-based compensations is presented within "Cost of sale" or "General and administrative expenses" depending on the employee benefiting from the award.

The dilutive effect of these awards, if any, is taken into account in the calculation of the diluted earnings per share (see Note 27).

25. FINANCE INCOME AND FINANCIAL EXPENSE

Financial income and expense consists of the following:

	As of December 31		
	2009	2008	2007
Interest expense	(635)	(714)	(1,174)
Gains on short term deposits	269	699	403
Other	(112)	87	—
Finance costs	**(478)**	**72**	**(771)**

26. INCOME TAX EXPENSE

The tax rate payable by Foraco International is the French tax rate set at 33.33% for fiscal year 2009. The Group also operates in certain countries in which effective rates of tax may be different.

Income tax expense is presented as follows:

	As of December 31		
	2009	2008	2007
Current tax	(3,940)	(4,965)	(4,120)
Deferred tax	(263)	(591)	(111)
Total	(4,203)	(5,556)	(4,231)

The reconciliation between the income tax expense using the French statutory rate and the Company's effective tax rate can be analyzed as follows:

	As of December 31		
	2009	2008	2007
Income (loss) before taxes and share of profit from associates	**14,178**	**15,971**	**10,660**
Tax calculated at French tax rate (33.33% for 2009)	4,726	5,324	3,553
Effect of different tax rates	(1,093)	76	113
Tax provision (see Note 19)	275	—	—
Share-based payment expense	250	119	360
Change in tax rate at French level	20	30	15
Expenses not deductible for tax purposes	25	7	190
Unrecognized tax assets	—	—	—
Total	**4,203**	**5,556**	**4,231**

27. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

The Company has issued certain dilutive equity instruments as part of its Initial Public Offering and under its free share plan (see Note 14 and 24).

	As of December 31		
	2009	2008	2007
Profit attributable to equity holders of the Company in thousand of €	**10,628**	**10,355**	**6,439**
Weighted average number of ordinary shares in issue before dilution	58,849,518	58,662,460	49,902,761
Basic earnings per share (€ per share)	**0.18**	**0.18**	**0.13**
Weighted average number of ordinary shares in issue after dilution (1)	59,251,850	59,130,302	50,396,327
Diluted earnings per share (€ per share)	**0.18**	**0.18**	**0.13**

(1) Reflect the effect of free shares and warrants issued and outstanding at each reporting period end (see Note 24). A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value attached to outstanding free shares and warrants. The number of shares calculated as above is compared with the number of shares that would have been issued. Only free shares have a dilutive effect over the period presented.

28. DIVIDENDS PER SHARE

The Board of Directors held on March 8, 2010 proposed to the shareholders' annual general meeting to be held on May 11, 2010 a dividend distribution for year ended December 31, 2009 amounting to €1,673 thousand or €0.028 per share (€836 thousand or €0.014 per share in 2008 and 2007).

29. COMMITMENTS AND CONTINGENCIES

The guarantees given are the following:

	As of December 31		
	2009	2008	2007
Bid bonds	867	1,174	1,277
Advance payment guarantees and performance guarantees	11,265	11,520	11,154
Retention guarantees	4,493	4,049	3,113
Financial guarantees	731	1,991	1,407
Total	**17,356**	**18,734**	**16,951**

The Company entered into an operating lease with a related in respect of its premises in Lunel (see Note 23) for a term of nine years with an annual rent of €181 thousand. This lease will end in 2015 representing a total remaining commitment amounting to €1,086 thousand.

Other operating lease commitments for future periods are not material as of December 31, 2009, 2008 and 2007.

Other commitments received and given are disclosed in Note 7 (put and call option on Mosslake's minority interests) and Note 16 (unused credit facilities).

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.

30. RELATED PARTY TRANSACTIONS

As of December 31, 2009, the shareholders of the Company are composed of a holding company which is under the control of management. This holding company holds 62.9% of the shares before dilutive instruments. 36.2% is available on the Toronto Stock Exchange (excluding treasury shares owned by the Company).

The key management compensation is as follows:

	Wages, attendance fees and bonuses	Share-based payment expense	Other benefits	Total
Key management	1,040	—	—	1,040
Board of Directors members other than key management	48	—	—	48
Year ended December 31, 2009	**1,088**	**—**	**—**	**1,088**
Key management	1,065	—	—	1,065
Board of Directors members other than key management	54	—	—	54
Year ended December 31, 2008	**1,119**	**—**	**—**	**1,119**
Key management	804	781	60	1,645
Board of Directors members other than key management	14	—	—	14
Year ended December 31, 2007	**818**	**781**	**60**	**1,659**

The Company did not contribute to any special pension scheme for management.

The Company paid during the period to a related party certain lease rentals amounting to €220 thousand and financial interest with respect to its loan payable of €12 thousand (€217 thousand and €150 thousand in 2008, respectively). The outstanding balance of the related loan payable as at December 31, 2008 was repaid in 2009.

During the period, the Company entered into a 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 €450 thousand revenue for the period ended December 31, 2009.

The Company has not carried out any other transactions with related parties.

31. EVENTS AFTER THE BALANCE SHEET DATE

On March 8, 2010, the Board of Directors proposed a dividend payment of €0.028 per common share to be approved by shareholders at the Company's Annual General Meeting on May 11, 2010.

On January 20, 2010, the Company entered into a binding agreement to acquire a 50% controlling interest in LLC Eastern Drilling Company ("EDC"), a Russian company. The Company will have the control over EDC through a shareholders' agreement to be entered into with the other party. EDC has operated diamond drilling services for major and junior foreign and Russian companies in the mining industry in the Russian territory since 2007. The terms of the proposed transaction include a cash consideration of 2 million USD upon closing of the transaction, an adjustment based on EDC's 2010 financial performance to be paid in 2011, and the completion of certain conditions precedent.

In March 2010, the Company entered into a binding agreement with all the shareholders of Adviser Drilling SA ("Adviser") from Chile, to acquire 100% of the outstanding shares of Adviser. Closing of the transaction is schedule to occur in May 2010, and is subject to completion of certain conditions precedent, including approval of the TSX and the approval of the shareholders of the Company at a general extraordinary meeting of the shareholders scheduled to be held in May 2010. The terms of the proposed transaction include (i) a cash consideration of 5.35 million USD upon closing, (ii) the issuance of 14,935,750 new shares of the Company (representing 20% of the post closing share capital), (iii) the issuance of up to 4,756,539 warrants to acquire shares of the Company, exercisable after two years following closing at no additional consideration, or, at the option of the vendors, a cash consideration of 1.97 USD per warrant, and (iv) a price adjustment of 5.35 million USD depending on Adviser's 2010 financial performance, to be paid in 2011.

32. CONSOLIDATED SUBSIDIARIES

Subsidiaires	Country of incorporation	Direct and indirect percentage of shareholdings
Foraco International S.A.	France	Parent company
Foraco SAS	France	100%
Géode International SASU	France	100%
Foraco Canada Ltd.	Canada	100%
Foraco Drilling Ltd.	British Columbia, Canada	100%
Northwest Sequoia Drilling Ltd	Alberta, Canada	100%
Foraco Corp	Delaware, USA	100%
Foraco Management SASU	France	100%
Foraco Resources SASU	France	100%
Forafrique International SASU	France	100%
Foraco Pacifique SASU	New Caledonia	100%
Foraco Australia Pty Ltd	Australia	50,84%
Mosslake Pty Ltd	Australia	50,84%
Mosslake Drilling Pty Ltd	Australia	50,84%
Foraco CI S.A	Ivory Coast	90%
Foremi S.A.	Ivory Coast	51%
Foraco Niger S.A.	Niger	100%
Foraco Sahel Sarl	Mali	100%
Foraco Division Géoméchanik Guinée Sarl	Guinea	100%
Géo Ghana Ltd	Ghana	100%
Foraco Peru SAC	Peru	100%
Foraco Perfoandes SA	Chile	100%
Géoméchanik International Gmbh	Germany	100%

Shareholder Information

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Jean-Pierre Charmensat

Jean Paul Camus

Bruno Chabas

Warren Holmes

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Market Data

Shares of Foraco International S.A.

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Annual General Meeting

May 11, 2010, at 10:00 am

26, Plage de L'Estaque

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