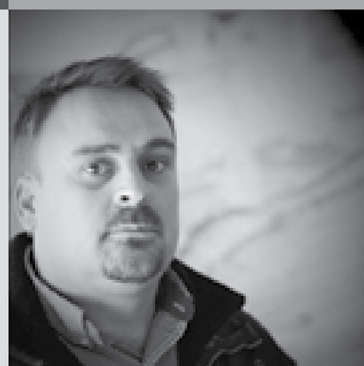
Foraco International SA

2010

Annual Report



FORACO

A Global Leader

Foraco International SA (TSX: FAR) is a global leading drilling services company that provides turnkey solutions for the mining and water segments. Supported by its founding values of integrity, innovation and involvement, Foraco has grown into a global enterprise that ranks third in terms of revenue in the global mining drilling space. Its operations span across 22 countries and five continents.

SPECIALISED SOLUTIONS

Offering a modern drilling fleet, Foraco offers best-in-class safety standards and a versatile, well-trained international work force that has been tested worldwide in geologically complex formations and extreme natural terrain, often located in some of the most inaccessible regions of the world. Through extensive international drilling experience, Foraco's expertise specializes in engineering custom drill rigs and specific techniques to meet their customer's exact drilling requirements.

Mining

Global demand for mineral resources can only be met through exploration, development and mining new deposits, all of which require drilling. While drilling is most prolific during the exploration and development stages, a variety of drilling methods are required throughout the various stages of mine life. Foraco offers a diverse range of services that cater to specific project parameters ranging from ground conditions, hole diameter and depth, sample requirements, accessibility, water supply, environment, community and customers technical specifications, all around the world.

- 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

Main Facts

180 Drill Rigs

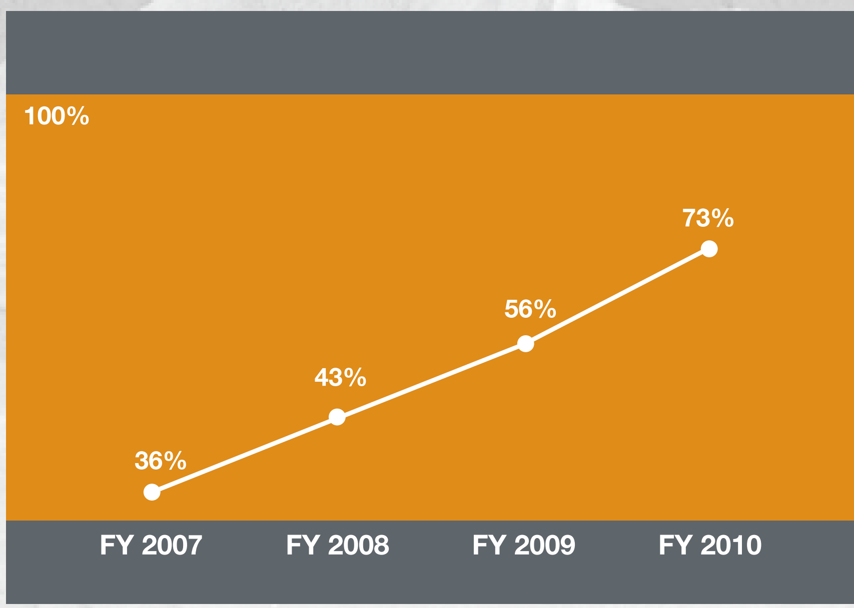
> **2,000** Employees

U$ **164** Million Revenue FY 2010

U$ **37.8** Million EBITDA FY 2010
23% of Revenue

Dividend declared (in € per share): 0.028 € in 2011* , (0.028 € in 2010 and 0.014 € in 2009)
* Subject to the approval of the General Meeting to be held on May 10, 2011

Access To Global Drilling Market



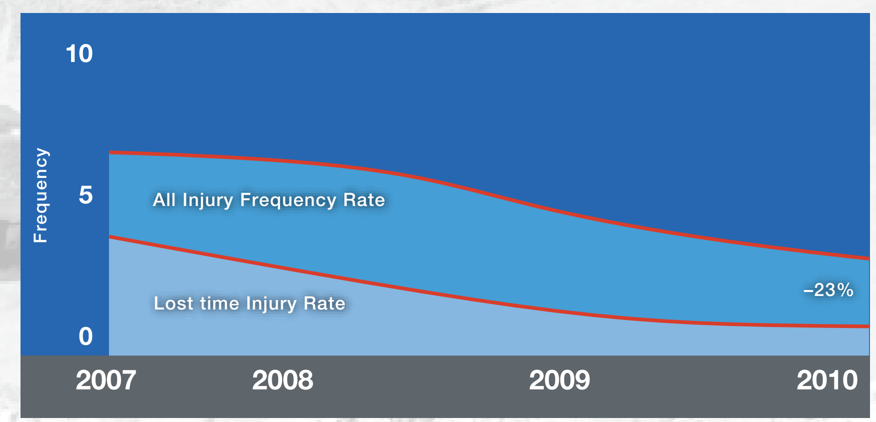
Source: MEG and management estimates

Global Outreach

Operations in 22 countries on 5 continents

- **NORTH AMERICA** — Canada, United States, Mexico
- **SOUTH AMERICA** — Argentina, Chile, Peru
- **EUROPE** — France, Germany, England
- **AFRICA** — Burkina Faso, Chad, Republic of Congo, Ivory Coast, Ghana, Guinea, Mali, Niger, Senegal
- **AUSTRALASIA** — Australia, New Caledonia
- Russia, Kazakhstan

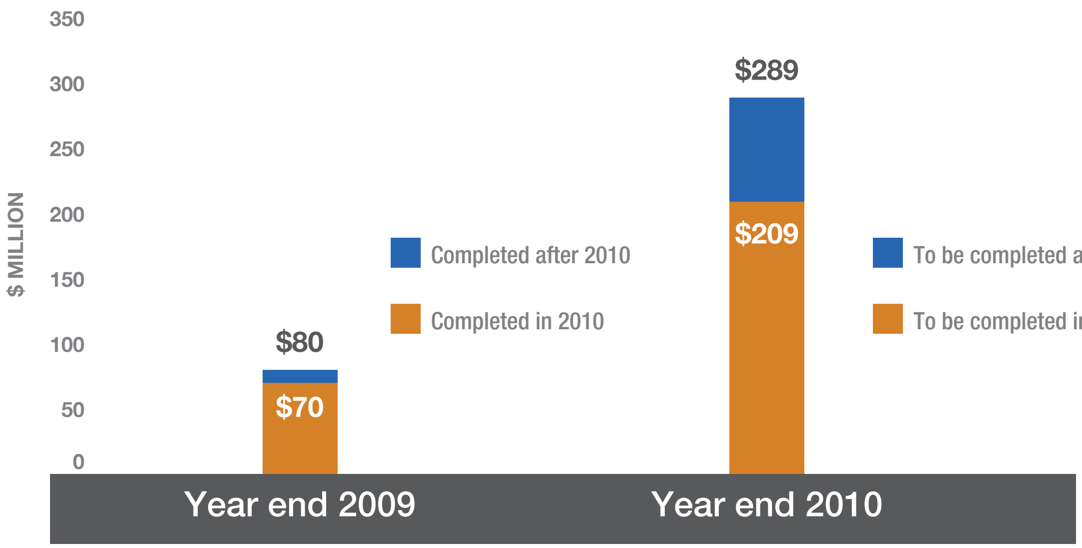
Safe Work Environment



1 The level of injury decreased 23% from 2009 to 2010

Financial Highlights

Remarkable Order Backlog

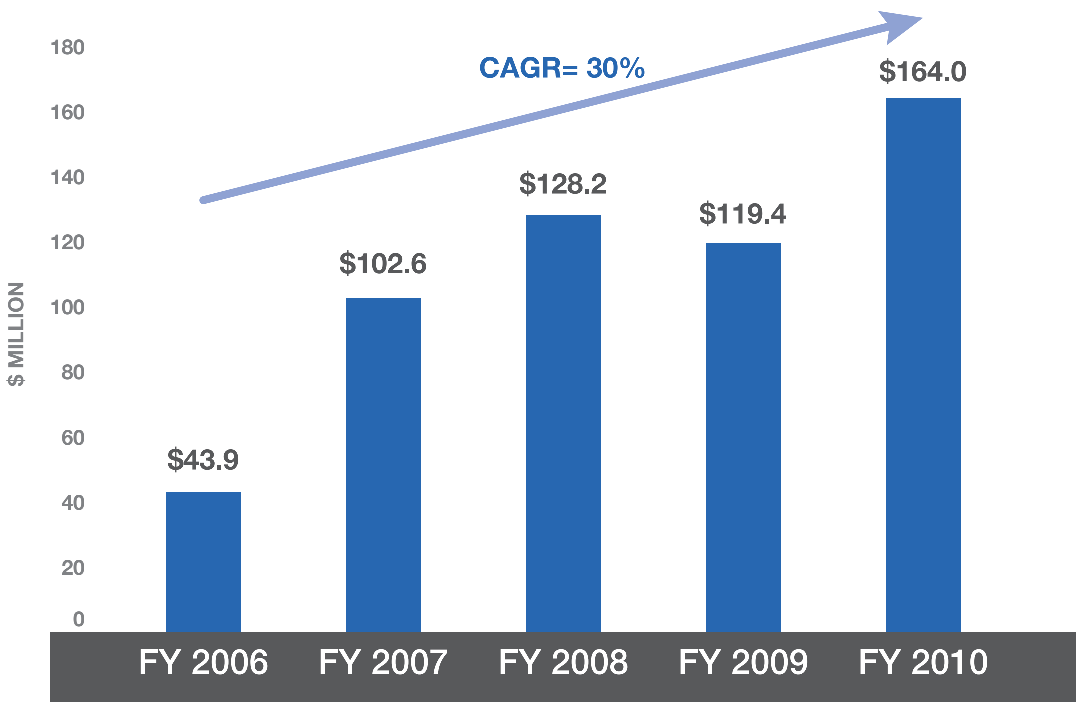


Profitable Operations

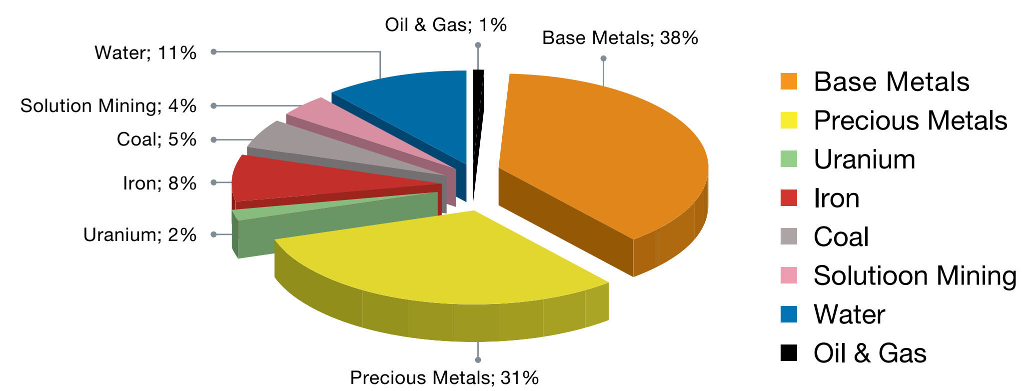
In US$ Million	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenue	43.9	102.6	128.2	119.4	164.0
EBITDA *	7.4	24.4	32.9	33.5	37.8
EBITDA %	16.9%	23.8%	25.7%	28.1%	23.0%
Net Profit	2.7	8.9	15.5	13.8	11.3
Number of Rigs	81	108	115	119	180

**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 ofother companies.*

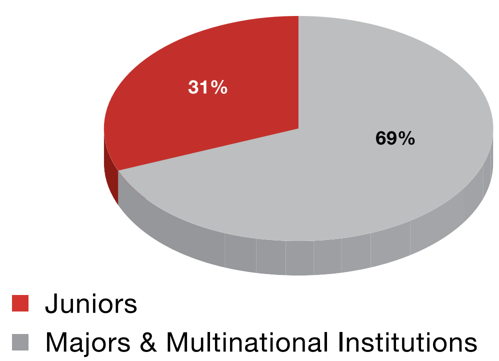
Annual Revenue Growth



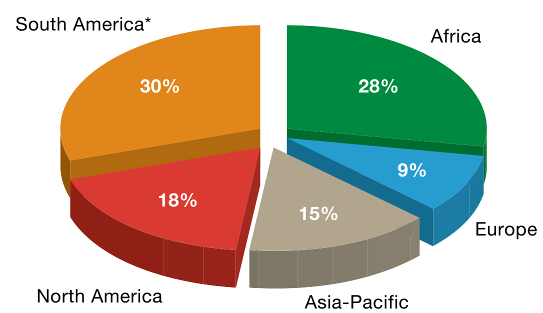
Balanced Commodity Mix (FY 2010)



Predominant Exposure to Majors (FY 2010)



Revenue by Region 2010



** Foraco includes Mexico in South America for accounting purposes*

Board of Directors

DANIEL SIMONCINI — CHAIRMAN

Mr. Simoncini has been a Director and Chief Executive Officer of Foraco since its acquisition. Prior to his involvement with the company, Mr. Simoncini held various senior management positions. From 1994 to 1997, Mr. Simoncini was Chief Executive Officer of Technoplus Industries SA, a subsidiary of the French Atomic Bureau (CEA), dealing with nuclear power systems components. From 1982 to 1994, Mr. Simoncini held various positions in Comex group of companies, predecessor to Acergy SA, listed on the NASDAQ. During his career, he managed several offshore construction projects, then led a deepwater R&D programme and became Vice President of Business Development; he ended up as VP of the EMEA Region. Mr. Simoncini is a Professional Engineer and holds a Mechanical Engineering degree from Ensam University in Paris, France.

JEAN-PIERRE CHARMENSAT — DIRECTOR

Mr. Charmensat has been a Director and Executive Officer of Foraco since its acquisition. Prior to his involvement with the company, Mr. Charmensat held various senior management positions. From 1995 to 1997, Mr. Charmensat was Chief Financial Officer of the LOHR group in France, a worldwide specialist in the design and manufacture of transportation systems. From 1990 to 1995, Mr. Charmensat served as Chief Financial Officer of Stolt Comex Seaway SA, predecessor to Acergy SA, listed on the NASDAQ. From 1975 to 1990, Mr. Charmensat held various financial management positions in France and Chile with Spie-Batignolles, a group of international engineering and construction companies. Mr. Charmensat holds a Master of Business Administration from the University of Pantheon Sorbonne in France, and a Master of Economics from the University of Aix en Provence in France.

JEAN PAUL CAMUS — DIRECTOR

Mr. Camus is the Chief Executive Officer of Veolia Acqua a division of Veolia Water, a worldwide municipal, domestic and industrial water and wastewater service provider. From the period from 1982 through 2008 Camus has held various management positions with divisions of Veolia Water. From 1979 to 1982 Mr. Camus was an Engineer for Compagnie Electromecanique. From 1978 to 1979, Mr. Camus served in the French military. Mr. Camus holds a M.Sc. in Engineering from Ecole Centrale des Arts et Manufactures in Paris and a M.B.A. from the Institut d'Administration des Entreprises in Provence.

BRUNO CHABAS — DIRECTOR

Mr. Chabas was appointed Chief Operating Officer of Acergy SA in October 2002, with responsibility for all the day-to-day commercial and operational activity of Acergy SA worldwide. Acergy SA is listed on the Oslo Stock Exchange and the NASDAQ. From 1992 through 2002, Mr. Chabas held various management positions within preceding companies of Acergy SA including as the Chief Financial Officer of Stolt Offshore SA. From 1999 to 2002, these positions were held in the United Kingdom, France and the United States. Prior to 2002, Mr. Chabas was a loan officer and investment adviser for a French bank. Mr. Chabas holds an M.A. in Economics from the University of Science at Aix-en-Provence and an M.B.A. from Babson College in Massachusetts.

WARREN HOLMES — DIRECTOR

Mr. Holmes has more than 40 years of experience in the mining industry. He is currently Chairman of Nuinsco Resources Ltd. and Victory Nickel Inc. and is a Director of several other public and private mining companies. From 1986-2002 Mr. Holmes held successive senior management positions with Falconbridge Ltd., including Senior Vice-President, Canadian Mining Operations. From 1964-1986 he worked for Noranda Inc. in a series of supervisory, technical and management roles, becoming Vice President and General Manager of the Noranda-owned Pamour Porcupine Mines Ltd. in 1985. Mr. Holmes is Co-Chair of the Ontario Mining Cluster, an initiative sponsored by Ontario's Ministry of Northern Development and Mines and was President of the Canadian Institute of Mining, Metallurgy and Petroleum from 2004-2005. Mr. Holmes holds an M.B.A. from the University of Western Ontario and a Bachelor of Science, Mining Engineering, from Queen's University.

JORGE HURTADO — DIRECTOR

Mr. Hurtado has been Chairman of the board of Adviser Drilling SA since its incorporation in 2005. Previously he was involved with The Coca-Cola Company for 31 years where he held several positions in Chile, Spain, Venezuela and Norway. He retired as President of the Andean Division and Vice President of Coca-Cola Latinamerica in 2000. Since then he has been involved in several undertakings, including a concrete (ready mix cement) company, telecommunications and real estate. He also serves on the board of directors of a publicly held company (Embotelladora Andina S.A. one of the sixth largest Coca-Cola bottlers of the world), is Chairman of the Board of Stel S.A., a privately owned telecommunications company, is a member of the board of directors of CMPC Tissue S.A. a subsidiary of a large pulp and paper Chilean company and a member of the board of directors of Vendomática S.A. a privately owned vending company. He participates in the ownership and management of a private investment fund, Fondo de Inversión Privado Yerbas Buenas. Mr. Hurtado is a Chilean citizen and a holds a degree in Civil Industrial Engineering from the University of Chile.

GONZALO VAN WERSCH — DIRECTOR

Mr. van Wersch has been a board member of Adviser Drilling SA since its incorporation in 2005. He has been involved with the financial sector since 1980, and founded and participates in the ownership of IM Trust, a leading Chilean investment company. Today he serves on the board and in executive positions with IM Trust and several of its affiliate companies. He has also been a board member of several public companies in Chile, including Empresa Eléctrica Pilmaiquén S.A., Sonap S.A. and Plaza Vespucio S.A. He has been a Board Member of the Santiago Stock Exchange from 2003 to 2010. Mr. van Wersch is a German and Chilean citizen and a holds a degree in Civil Industrial Engineering from the University Católica of Chile.

Letter to Shareholders

Dear Shareholders,

It is our pleasure to report on our Company's activities and results for 2010, which has been, by all measures, a year of transition, both for the market and for our Company:

Last year, we made a major step in our endeavour to transform our Company into a truly global player. In South America on acquiring 100% of Adviser Drilling SA in May 2010, thereby making a break-through into a new highly prospective mining market. Additionally, we took in June 2010 a 50% controlling interest in a Russian company, Eastern Drilling Company which has widened our outreach in Eastern Russia. We further consolidated our position in Australia by acquiring the remaining 49% interest in Mosslake Drilling. Today we are proud to say that our Company has access to 73% of the world's drilling market.

While delivering on expansion, our existing operations have absorbed another challenging year which follows the free fall in 2009. The recovery has been progressive and the actual upturn in the demand for mining drilling services only came in the second half of the year. This enabled majors as well as juniors in the mining sector to review their exploration strategy. At the end of the third quarter, as juniors raised significant funds to finance their exploration programs, the entire industry gained confidence in the market's potential.

FORACO recorded US$ 164.0 million of revenues for the year, a 37% increase compared with the previous year (US$ 119.4 million in 2009). Our profitability has been impacted by the unfavourable market conditions that prevailed end of 2009, the lower profitability of Adviser operations and by political instability in Africa. Our EBITDA posted a modest growth and reached US$ 37.8 million (US$ 33.5 million in 2009) and our net profit after tax stood at US$ 11.3 million (US$ 13.8 million in 2009), which results in an earning per share (fully diluted) of US$ 0.13 (US$ 0.25 in 2009).

In Canada, the dismal business conditions through 2009 and the first part of 2010, were much improved by year end 2010. The first half of the year was marked by very low rig utilization rates resulting in tough price competition. We have maintained a good level of activity thanks to our long term relationships with our customers, leading to strong performances in the West. Central Canada picked up nicely when we secured and started a long term contract for coal exploration. Meanwhile, our operations in Eastern Canada have been challenging due to the low price environment prevailing at the time of renewal of the contracts in late 2009, and profitability lagged behind. Since then, we renegotiated most of these terms and we expect much better margins on these contracts in the coming year. The last quarter was especially encouraging with a real surge in demand across all our diversified markets, including gold, base metals, diamonds and oil sands.

Africa remained our busiest region, bolstered by mining operations and partially offsetting the weakness in our traditional water well business. In the mining sector we successfully acquired new customers with long term vision, and managed to retain most of them for the coming quarters. Unfortunately, our operations were impacted by political trouble in Niger, Ivory Coast and Guinea, which have been, until then, our strongest markets. These countries saw little activity during the political transition period but now the situation has improved significantly. In Guinea and Niger, thanks to the restoration of democracy, stabilizing law and order, we are confident that these countries will soon revert to being amongst the most active mining jurisdictions in Africa.

There has been a continual rise in activity in the Asia Pacific region, both in Australia and New Caledonia. Given the strategic importance of this region as well as its high growth rate and profitability levels, we decided to strengthen our organization in Australia with a view to consolidating our presence in this market. We hired a Senior VP who will manage and develop this market by leveraging partnerships with major Australian mining companies. We have also allocated a significant capital expenditure budget there to support the expected growth of our operations.

The results from Russia have been very strong. We believe that, in gaining exposure to this emerging market, we are poised for robust growth in this vast region. In contrast, the rest of Europe has seen declining activity levels as public deficits ballooned resulting in severe cuts in drilling budgets. We have therefore redeployed the rigs previously placed in Europe to other more profitable mining markets.

It is our first year of reporting activity in South America and, yet again, we are pleased to have set foot into a new vibrant mining market, where we will soon be recognized as a leader. The acquisition of Adviser Drilling's operations in May has been transformational to our Company both in terms of widened outreach and of corporate culture. Our challenge is now to nurture Adviser's dynamic growth-oriented culture while sharing some of FORACO's best practices to deliver profitable growth. Adviser Drilling runs 52 rigs with 900 employees. Though its profitability level has been lower than FORACO, we have identified several areas where there is room for improvement. Very soon after the acquisition, we took strong actions aimed to improve profitability, redeploying rigs and teams from Mexico to Chile and Argentina where the market conditions are more favourable, and we renegotiated some weakly-priced contracts and secured new large and profitable ones with industry majors.

In 2010, the global exploration market (excluding iron ore and coal) posted a 44% increase compared to 2009, reaching US$ 12.1 billion and is expected to hit a record-high US$ 14 billion in 2011, as projected by the analysts from the Metal Economics Group. As expected, this turn-around in the market has been beneficial to us. Our order book is packed with US$ 289 million in contracts, out of which US$ 209 million is to be delivered in 2011. In some areas, it created an under-supply of rigs, giving enhanced negotiating power to contractors to secure better priced contracts.

The other side of the coin is an under-supply of skilled people throughout the industry. The higher unemployment levels resulting from the 2009 recession has discouraged a large number of skilled workers, who have left the industry. As drillers now launch massive calls to crew idle rigs, the limiting factor for growth has become scarcity of skilled workforce.

The cyclicality of the drilling industry, and its boom and bust cycles, is frequently perceived as being inevitable. We believe it is the short-term approach adopted by many that creates these conditions and holds the industry back. Sadly, the early anticipation of a sudden drop in activities prevents the industry from sourcing, training, developing and retaining skilled people who could work safely and efficiently. On our part, we believe that drilling services is a people and knowledge centred business, critical to the achievement of our clients' long term goals.

Our approach to business reflects this fundamental belief. When negotiating with our major customers, we insist on sharing, whenever possible, their own vision and time frame on a project by project basis. This is conducive to building trust in the relationship with our customers while providing predictability and sustainability to our operations. We sincerely believe that the industry leaders will embrace this long term and mature approach, thus reinforcing the standards of practice in our industry, as many other major sectors do.

The challenge ahead is to consistently support our customers' projects by providing a more global and sophisticated service. The scarcity of minerals to support global growth has led to more ambitious exploration programs to develop mineral deposits at greater depths and increasingly challenging geological structures. In addition, our clients are under pressure to shorten the lead time for new discoveries as global mineral resources are known to be insufficient in the face of soaring world demand for metals. Our role in this process is to provide our clients with the technology required to reach these deposits by delivering reliable and timely results.

In 2010, we achieved, as planned, the strategic objectives set out in 2007 when the company was listed on the Toronto Stock Exchange. We are proud to report that FORACO now ranks 3rd in the global mineral exploration drilling industry. During this period, our margins and profit level have been consistently better than those of our peers.

Exceptional standards for safety must, by definition, be found in any outstanding top tier drilling company. FORACO makes sustained investments in safety programs for our employees which, over and over again, can be seen in the safety statistics. We improved our safety performance by 23% compared to 2009.

The structure of FORACO's shareholding changed significantly in 2010 when a private equity fund holding 24% of the Company's shares exited giving way to a more diversified shareholder base. With this new diversified shareholding, the majority of our shares are now public thereby restoring a healthier float and we will pursue efforts towards bringing global visibility to our stock by building on market awareness programs. We believe that the conditions are now conducive to achieving higher valuation multiples that better reflect the true worth of our company.

Barring any unforeseen events, the combination of favourable market conditions, a strong order book, price increases and a better float, supports FORACO's endeavour to deliver profitable growth, better returns and increased value to its shareholders.

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

Daniel Simoncini
Chairman & CEO

Jean-Pierre Charmensat
Vice-CEO & CFO

Management's Discussion and Analysis

Fiscal year ended December 31, 2010

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, 2010, 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"). Following the decision taken by the Accounting Standard Board, IFRS will become the accounting standards for all issuers in Canada on January 1, 2011.

Except when otherwise stated, all amounts presented in this MD&A as "$" are denominated in US Dollars ("US$"). The discussion and analysis within this MD&A are as of March 30, 2011.

For the year ended December 31, 2010, and in accordance with IAS 21.38, the Company has elected to report its consolidated financial statements using the US Dollar as its presentation currency. Previously, the Company reported in Euros. The Company has recently expanded internationally and now has significant operations in North America, Australia, South America and Russia, those areas being generally more linked to the US economy than to the Euro zone. The revenue generated by the mining industry now represents approximately 89% of total revenue. The mining industry is mainly US Dollar driven. Management considers that the US Dollar more fairly represents the economic environment in which Foraco operates. This change in presentation currency does not affect the functional currencies of each of the entities of the Group. All figures previously reported in Euros have been converted at historical, average or closing currency exchange rate, as appropriate and in accordance with generally accepted accounting principles.

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, 2011, 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
- Recent Business Combinations
- Consolidated Financial Highlights
- Results of Operations
- Seasonality
- 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 22 countries and five continents. As at December 31, 2010, the Company operates 180 drill rigs 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. These capabilities allow 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. Through its global operations, 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.

2010 Business Combinations

Adviser Drilling SA

On May 26, 2010, the Company acquired a 100% shareholding in Adviser Drilling SA ("Adviser"), a company based in Chile. Adviser has been providing diamond and reverse circulation drilling services since 2005 for major and junior mining companies in Chile, Argentina and Mexico. Adviser's fleet consists of 52 modern diamond and reverse circulation drill rigs.

This transaction was financed by a combination of a cash consideration (US$ 5.35 million), the issuance of 14,935,750 new shares of the Company and of 4,756,539 warrants exercisable after two years at no additional consideration. Together, the above resulted in a purchase price equivalent to US$ 52.4 million.

In addition to this purchase price there was an earn-out clause based on the 2010 performance, which will not apply. The 2010 annual financial performance of Adviser was affected by various non recurring adverse conditions in Chile during the first half of the year. During the second half of 2010, Adviser benefited from a more favorable market environment and was able to gain contracts at better financial conditions and to renegotiate certain long-term contracts. Adviser also implemented several measures to improve the profitability of its operations, the full benefit of which is expected in 2011.

LLC Eastern Drilling Company

On May 27, 2010, the Company completed the acquisition of a 50% controlling interest in LLC Eastern Drilling Company ("EDC"), a company based in Russia. EDC has been operating diamond drilling services for major and junior foreign and Russian companies in the mining industry since 2007. EDC's operational facilities are positioned in Far East Russia and Eastern Siberia where many mining developments are located and managed from.

The purchase price for the acquisition was US$ 9.6 million which included the result of an earn-out clause based on EDC's full year 2010 financial performance. US$ 2 million was paid at the closing of the transaction. US$ 3.8 million was paid during the first quarter of 2011 and the remaining US$ 3.8 million will be paid in the second quarter of 2011 once all closing conditions have been finalized. Management's expectations of the profitability of the company for 2010 were fully met, and furthermore the fleet is completely booked for 2011.

Mosslake Drilling Services PTY Ltd.

On April 14, 2009, the Company acquired a 51% majority shareholding in Mosslake Drilling Services PTY Ltd ("Mosslake"), a company based in Australia. On August 16, 2010, the Company acquired the remaining 49% minority interest for a cash consideration of AUD 3.5 million. 2010 was marked by the recovery of the mining activity in Australia.

Consolidated Financial Highlights

Order backlog

As a result of the combination of internal growth and the above external acquisitions, the Company's order backlog as at December 31, 2010 amounted to US$ 289 million, of which US$ 209 million is expected to be executed during the 2011 fiscal year.

Financial highlights

(In thousands of US$)	Year ended December 31, 2010	2009
Revenue	**164,040**	**119,402**
Gross profit	**36,108**	**35,559**
As a percentage of sales	22.0%	29.8%
Operating profit	**16,901**	**20,260**
As a percentage of sales	10.3%	17.0%
Profit for the period	**11,331**	**13,810**

- FY 2010 revenue amounted to US$ 164.0 million, an increase of US$ 44.6 million or 37% compared to FY 2009.

- FY 2010 gross profit (including depreciation within cost of sales) amounted to US$ 36.1 million, an increase of US$ 0.5 million or 1% compared to FY 2009.
- FY 2010 net income amounted to US$ 11.3 million compared to US$ 13.8 million for FY 2009, an 18% decrease.
- FY 2010 EBITDA amounted to US$ 37.8 million, an increase of US$ 4.4 million or 13% compared to FY 2009. EBITDA per share represented US$ 0.53 in FY 2010 compared to US$ 0.57 in FY 2009.
- FY 2010 cash generated from operations before changes in operating assets and liabilities amounted to US$ 37.5 million compared to US$ 33.3 million for FY 2009.
- The net debt to equity ratio at the end of the period remains low at 0.24.
- On March 7, 2011, the Board of Directors proposed a dividend payment of € 0.028 to be approved by shareholders at the Company General Meeting on May 10th, 2011.

Results of Operations

Comparison of the Year ended December 31, 2010, and December 31, 2009

REVENUE

The following table provides the breakdown of the Company's revenue in FY 2010 and FY 2009, by reporting segment and geographic region:

(In thousands of US$)	FY 2010	% change	FY 2009
Revenues			
Reporting segment			
Mining	146,114	69%	86,669
Water	17, 925	-45%	32,734
Total revenue	**164,040**	**37%**	**119,402**
Geographic region			
Africa	46,655	-20%	58,384
Europe	14,084	-11%	15,771
Asia Pacific	24,379	60%	15,259
North America	29,598	-1%	29,988
South America	49,325	-	
Total revenue	**164,040**	**37%**	**119,402**

FY 2010 revenue amounted to US$ 164.0 million, an increase of US$ 44.6 million or 37% compared to FY 2009.

In 2010, revenue in the Mining segment increased by US$ 59.4 million or 69%, a significant portion of which was due to the acquisition of Adviser which accounted for US$ 49.3 million. In the Water segment, revenue decreased by US$ 14.8 million or 45%, from US$ 32.7 million during 2009 to US$ 17.9 million in 2010.

In Africa, the FY 2010 revenue decreased by US$ 11.7 million compared to FY 2009. Adverse political events, in Niger and Guinea in 2010, and in the Ivory Coast at the end of the year, affected the Company's operations in these countries. In spite of the above, in the Mining segment the activity remained satisfactory with a 5% increase.

In Europe, revenue decreased by US$ 1.6 million. In France, certain public contracts were not renewed as a result of government budget cuts. The strong performance in Russia in the second half of the year only partially compensated these losses.

In Asia-Pacific, revenue amounted to US$ 24.4 million, an increase of US$ 9.1 million or 61% compared to last year. This increase was mainly attributable to the recovery of mining activity in Australia and the full integration of Mosslake in 2010.

In North America, revenue amounted to US$ 29.6 million, almost stable compared to 2009. Operations in Canada were affected by the general weak market conditions for mining during the first half of the year which improved notably in the second half.

The integration of Adviser generated US$ 49.3 million revenue in South America in 2010 (nil in 2009), dominated by long-term contracts with major companies in Chile, as well as strong activity in Argentina. The Company relocated some rigs from Mexico, where the competitive market has led to a consistent downward pressure on prices, to Chile in order to benefit from better market conditions.

GROSS PROFIT

The following table provides the breakdown of the Company's gross profit by reporting segment in FY 2010 and FY 2009:

(In thousands of US$)	FY 2010	% change	FY 2009
Gross profit			
Reporting segment			
Mining	31,735	21%	26,162
Water	4,373	-53%	9,397
Total gross profit	**36,108**	**2%**	**35,559**

FY 2010 gross profit amounted to US$ 36.1 million, an increase of US$ 0.5 million or 2% compared to FY 2009. As a percentage of revenue, gross profit decreased to 22% in 2010 from 30% in 2009.

Gross profit includes the impact of depreciation expense within cost of sales. Depreciation expense was US$ 20.0 million in 2010 compared to US$ 12.1 million in 2009, an increase of US$ 7.9 million. This is mainly due to the integration of Adviser's recently acquired fleet of modern drilling rigs. EBITDA amounted to US$ 37.8 million compared to US$ 33.4 million in 2009, a 13% increase.

In the mining segment, gross profit increased to US$ 31.7 million from US$ 26.2 million. As a percentage of revenue, gross profit decreased to 22% from 30%. This decrease in percentage is attributable to higher depreciation expenses, but also to overall lower gross margins in South America and continuing pressure on prices in Canada and Australia where contract margins have yet to benefit from the recovery of activity.

In the Water segment, gross profit margins are lower due to under-absorption of fixed costs compared to FY 2009.

OPERATING EXPENSES (EXCLUDING COST OF SALES)

The following table provides a breakdown of the Company's operating expenses (excluding cost of sales), in FY 2010 and FY 2009:

(In thousands of US$)	FY 2010	% change	FY 2009
Operating Expenses			
Selling, general and administrative (SG&A) expenses	19,508	25%	15,609
Other (income) and expense, net	(301)	-3%	(310)
Total operating expenses	**19,207**	**26%**	**15,299**

FY 2010 operating expenses amounted to US$ 19.2 million, an increase of US$ 3.9 million or 26% compared to FY 2009. As a percentage of revenue, operating expenses are now 12% of revenue in 2010 as compared to 13% of revenue in 2009. Within operating expenses are recorded US$ 0.9 million of transaction costs related to the acquisitions of Adviser and EDC, which were accounted for within general and administrative expenses as required by IFRS 3(R), effective as at January 1, 2010. Excluding this impact, operating expenses as a percentage of revenue is lower, a direct result of the better absorption of fixed costs.

OPERATING PROFIT

The following table provides the breakdown of the Company's operating profit in FY 2010 and FY 2009, by reporting segment:

(In thousands of US$)	FY 2010	% change	FY 2009
Operating profit			
Reporting segment			
Mining	14,891	-1%	15,015
Water	2,010	-62%	5,245
Total operating profit	**16,901**	**-17%**	**20,260**

In spite of the improvement seen in the second half of the year, operating profit decreased to US$ 16.9 million in 2010 compared to US$ 20.3 million in 2009.

FINANCE COSTS

Net financial expenses totaled US$ 1.4 million in FY 2010, compared to US$ 0.7 million for FY 2009. This increase is mainly due to the integration of Adviser and EDC financial debts since their acquisitions during the year and related financial expenses.

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 27% compared to 30% in 2009. 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, in particular in Chile and Russia which benefit from comparatively low income tax rates.

Seasonality

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

Effect of Exchange Rate

Foraco reports its consolidated financial statements in US dollars. With the full integration of Adviser and EDC the Euro now represents only 33% of revenue, the remainder being spread between Canadian Dollars, US Dollars, Australian Dollars and Chilean Pesos.

The Company mitigates its exposure to foreign currency fluctuations by balancing its costs, revenues and financing in local currencies, resulting in a natural hedge. In 2010, no hedging transactions have been entered into.

The exchange rates for the periods under review are as follows against the US$:

	Closing 2010	Closing 2009	Average FY 2010	Average FY 2009
€	0.76	0.70	0.75	0.71
CAD	1.01	1.05	1.03	1.13
AUD	1.01	1.11	1.09	1.21
CLP	461	N/A	516	N/A

Liquidity and Capital Resources

The following table provides a summary of the Company's cash flows for FY 2010 and FY 2009:

(In thousands of US$)	FY 2010	FY 2009
Cash generated from operations before working capital requirements	37,466	33,329
Working capital requirements, interest and tax	(20,103)	(8,259)
Net cash flow from operating activities	**17,363**	**25,070**
Purchase of equipment in cash	(13,735)	(9,459)
Acquisition of subsidiaries, net of cash acquired	(7,019)	(2,509)
Net cash used in investing activities	**(20,754)**	**(11,968)**
Repayment of financial debts, net of proceeds	(2,154)	(5,049)
Dividends paid	(2,039)	(1,221)
Exchange differences and other items	(3,401)	(487)
Net cash used in financing activities	**(7,594)**	**(6,757)**
Variation in cash and cash equivalents	**(10,985)**	**6,345**

FY 2010 cash generated from operations before changes in operating assets and liabilities increased to US$ 37.5 million in 2010 from US$ 33.3 million in 2009.

The additional working capital requirement is mainly due to the increase in accounts receivable linked to (i) the activity increase between the end of 2009 and the end of 2010, (ii) the integration of the acquisitions made during the period and (iii) the effect of the corporate administrative reorganization in South America which resulted in delays to the billing of customers at the end of 2010. The latter, which impacted working capital by approximately US$ 6 million in Q4 2010, has since been resolved.

In 2010, the Company acquired operating equipment through US$ 13.7 million in cash purchases and US$ 2.6 million in finance leases not shown in the table above as they were non cash transactions, compared to a total of US$ 9.5 million in 2009.

As at December 31, 2010, cash and cash equivalents totaled US$ 14.9 million compared to US$ 25.9 million as at December 31, 2009. Cash and cash equivalents include US$ 5.2 million in short-term deposits. A significant portion of the cash and cash equivalents is held in Euros by the parent Company, which explains the exchange rate difference in FY 2010. Cash and cash equivalents are invested within top tier European financial institutions.

As at December 31, 2010, financial debts and equivalents amounted to US$ 49.6 million (US$ 12.4 million at December 31, 2009) including US$ 22.7 million of borrowings assumed as a result of the consolidation of Adviser and EDC and US$ 7.6 million related to the outstanding considerations payable for the contingent payments related to the acquisition of EDC. The Company is reviewing the structure of its long and short-term financing to align its financing strategy to its recently enlarged operations.

As at December 31, 2010, the maturity of the financial debt (borrowing and other financial debts) can be analyzed as follows (in thousands of US$):

Maturity	Less than one year	Between one and five years	More than five years	Total
Bank overdraft	1,832	—	—	1,832
Assignment of trade receivables with recourse	12,784	—	—	12,784
Bank financing	5,643	1,528	—	7,171
Consideration payable related to acquisitions of Adviser and EDC	7,941	—	—	7,941
Capital lease obligations	10,073	9,781	50	19,904
Total financial debt	**38,273**	**11,309**	**50**	**49,632**

Assignment of trade receivables with recourse, which is presented in the table above as "less than one year", is backed by trade receivables and therefore can be renewed and increased if necessary according to the level of activity. The Company has (used and unused) short-term credit facilities available of US$ 61.3 million as at December 31, 2010, corresponding to bank overdrafts and assignment of trade receivables; US$ 14.6 million was drawn down as at December 31, 2010.

The Company intends to fund the US$ 7.6 million amount due as part of the acquisition of EDC in Q1 and Q2 2011, and the capital lease obligations mainly relating to the Adviser and EDC acquisitions through available cash and cash generated by operations.

As at December 31, 2010, the net debt amounted to US$ 34.7 million. The ratio of debt (net of cash) to shareholders' equity remains low at US $0.24. The current cash situation and the cash flows generated by operations will provide the financial flexibility required to finance future capital expenditure programs and working capital.

Bank guarantees as at December 31, 2010, totaled US$ 27.6 million, compared to US$ 25.0 million as at December 31, 2009.

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 the bank guarantees provided, the Company pledged a non significant portion of its assets to finance its occasional working capital requirements in Canada.

Related-Party Transactions

For details on related party transactions, please refer to Note 28 of the consolidated financial statements.

Capital Stock

As at December 31, 2010, the capital stock of the Company amounted to US$ 1,468 thousand, divided into 74,678,750 common shares. Warrants issued as part the acquisition of Adviser are expected to be converted for no consideration into 4,756,539 common shares in May 2012. The total common shares and warrants of the Company are distributed as follows:

	Number of shares	Warrants	Total	%
Common shares held directly or indirectly by principal shareholders	37,594,498	-	37,594,498	47.33%
Common shares held directly or indirectly by individuals in their capacity as members of the Board of Directors*	1,570,245	500,071	2,070,316	2.61%
Common shares held by the Company**	845,500	-	845,500	1.06%
Common shares held by the public	34,668,507	4,256,468	38,924,975	49.00%
Total common shares and warrants issued and outstanding	**74,678,750**	**4,756,539**	**79,435,289**	

**In the table above, the shares owned indirectly are presented for an amount corresponding to the prorata of the ownership interest*

***845,500 common shares are held by the Company to meet the Company's obligations under the employee free share plan and for the purpose of potential acquisitions.*

Number Of Shares Outstanding

As at January 1, 2010, 59,743,000 shares were issued. 1,049,700 common shares were held by the Company. On May 26, 2010, as a result of the acquisition of Adviser, 14,935,750 new shares were issued along with 4,756,539 warrants at no issuance price. As at December 31, 2010, the number of shares was 74,678,750 along with 4,756,539 warrants.

As at December 31, 2010, the number of shares issued, including warrants and net of shares held by the Company, is 78,589,789. The Company intends to buy back in the market the shares to be issued to serve the free share plan. The number of free shares granted and not yet issued amounts to 1,541,000.

For the purpose of the earnings per share calculation under IFRS, the 2010 basic weighted average number of shares used was 70,634,453, and 71,491,989 on a fully diluted basis.

Critical Accounting Estimates

The 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.

Non IFRS Measures

EBITDA represents Net income before interest expense, income taxes, depreciation, amortization and non-cash share based compensation expenses. EBITDA is a non-IFRS quantitative measure used to assist in the assessment of the Company's ability to generate cash from its operations. The Company believes that the presentation of EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the drilling industry. EBITDA is not defined in IFRS and should not be considered to be an alternate to Net income or Operating profit or any other financial metric required by such accounting principles.

Litigations

In Q3, 2010, the Australian subsidiary of the Company was notified of an upcoming investigation into an environmental issue surrounding their local facilities. This issue concerns Mosslake and is related to a period prior to its acquisition by the Company. Any resulting potential cash outflow is covered by the liability clause which the Company holds with regards to former shareholders of Mosslake.

Subsequent Events

On March 7, 2011, 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 10, 2011.

On March 10, 2011, the Company launched a normal course issuer bid (the "NCIB 3") to be transacted through the TSX. Pursuant to the NCIB 3, the Company may purchase up to 1,000,000 of its common shares. Purchases will be made at prevailing market prices, commencing March 14, 2011 and ending March 13, 2012. Pursuant to TSX policies, daily purchases made by the Company will not exceed 16,700 common shares, other than block purchase exceptions.

Outlook

The Company's business strategy is to continue to grow through the development and optimization of the services it offers across geographical regions and industry segments, as well as through the expansion of its customer base. Foraco expects to 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, 2010, the Company's order backlog for continuing operations was US$ 289 million, of which US$ 209 million is expected to be executed during the 2011 fiscal year. This compares to an order backlog as at December 31, 2009 of US$ 80 million of which US$ 70 million was expected to be executed during the 2010 fiscal year.

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 customers. As a result, the order backlog as of any particular date might 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 responsibilities 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 2010 financial year, the Audit Committee met five times.

COMPENSATION COMMITTEE

The principal responibilities 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 2010 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. The Corporate Governance and Nominating Committee has met four times during the 2010 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.

During the course of 2010, the Company saw a significant expansion through their acquisitions in South America and Russia. As part of the integration process, the Company began to implement Group procedures in these new locations.

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 time. The Company expects to finalize during 2011 the process initiated in 2010 with the documentation of the internal control activities in each newly acquired entity.

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, 2010 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, 2010.

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, 2011, under the heading "Risk Factors", which has been filed with Canadian regulators on SEDAR (www.sedar.com).

INDEPENDENT AUDITORS REPORT

To the 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 which comprise the consolidated balance sheet as of December 31, 2010 and the consolidated income statement, consolidated statement of comprehensive income, 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors Responsibility

Our responsibility is to express an opinion on these 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 about 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 auditor's 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Foraco International SA and its subsidiaries as of December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw your attention to the note 2.4 to the consolidated financial statements that discloses that the Company has elected in 2010 to report its consolidated financial statements using the US Dollar as presentation currency.

PricewaterhouseCoopers

Marseille, France
March 31, 2011

PricewaterhouseCoopers is represented by PricewaterhouseCoopers Audit, 63 rue de Villiers —92200 Neuilly-sur-Seine, France.

Table Of Content

CONSOLIDATED BALANCE SHEET - ASSETS

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

In thousands of US$		As at December 31,		
	Note	**2010**	**2009**	**2008**
ASSETS				
Non-current assets				
Property and equipment	(6)	78,289	43,636	32,139
Goodwill	(7)	50,667	14,879	11,960
Deferred income tax assets	(17)	10,805	604	129
Other non-current assets	(8)	1,699	341	288
		141,460	**59,469**	**44,515**
Current assets				
Inventories, net	(9)	32,384	22,282	20,638
Trade receivables, net	(10)	40,996	16,325	17,425
Other current receivables	(11)	17,195	8,589	9,072
Cash and cash equivalents	(12)	14,920	25,905	19,560
		105,495	**73,101**	**66,696**
Total assets		**246,955**	**132,561**	**111,211**

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

CONSOLIDATED BALANCE SHEET - EQUITY & LIABILITIES

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

In thousands of US$		As at December 31,		
	Note	**2010**	**2009**	**2008**
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	(13)	1,468	1,190	1,190
Share premium and retained earnings	(13)	137,342	84,134	71,064
Other reserves	(13)	4,131	7,043	635
		142,941	**92,367**	**72,890**
Non-controlling interests	(14)	3,811	224	254
Total equity		**146,751**	**92,590**	**73,144**
LIABILITIES				
Non-current liabilities				
Borrowings	(15)	11,359	3,542	2,062
Consideration payable related to acquisitions	(16)	-	3,162	-
Deferred income tax liabilities	(17)	7,213	2,341	1,442
Provisions for other liabilities and charges	(18)/(19)	1,597	400	436
		20,169	**9,445**	**3,940**
Current liabilities				
Trade and other payables	(20)	39,024	22,955	27,628
Current income tax liabilities		2,374	1,413	1,922
Borrowings	(15)	30,332	5,725	4,543
Consideration payable related to acquisitions	(16)	7,941	-	-
Provisions for other liabilities and charges	(18)	364	432	35
Total liabilities		**80,035**	**30,525**	**34,127**
Total equity and liabilities		**246,955**	**132,561**	**111,211**

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

CONSOLIDATED INCOME STATEMENT – BY FUNCTION OF EXPENSE

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

In thousands of US$		**Year Ended December 31,**		
	Note	**2010**	**2009**	**2008**
Revenue	(5)	164,040	119,402	128,162
Cost of sales	(21)	(127,932)	(83,843)	(89,627)
Gross profit		**36,108**	**35,559**	**38,535**
Selling, general and administrative expenses	(21)	(19,508)	(15,609)	(14,545)
Other operating income/(expense), net	(21)	301	310	(268)
Operating profit		**16,901**	**20,260**	**23,722**
Finance income	(23)	212	366	1,017
Finance expense	(23)	(1,637)	(1,044)	(942)
Profit before income tax		**15,475**	**19,583**	**23,798**
Income tax expense	(24)	(4,144)	(5,773)	(8,301)
Profit for the year		**11,331**	**13,810**	**15,497**
Attributable to:				
Equity holders of the Company	(25)	9,073	14,743	15,406
Non-controlling interest	(14)	2,258	(934)	90
		11,331	**13,810**	**15,497**
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US cents per share)				
- basic	(25)	12.85	25.05	26.26
- diluted	(25)	12.69	24.88	26.05

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

In thousands of US$	**Year Ended December 31,**		
	2010	**2009**	**2008**
Profit for the year	**11,331**	**13,810**	**15,497**
Investment hedge, net of tax	1,175	(648)	(1,075)
Currency translation differences, net of tax	(4,454)	6,419	(6,751)
Other comprehensive income for the year	**(3,279)**	**5,771**	**(7,826)**
Total comprehensive income for the year	**8,052**	**19,581**	**7,671**
Attributable to:			
Equity holders of the Company	5,789	20,310	7,581
Non-controlling interest	2,263	(729)	90

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

In thousands of US$	Attributable to Equity Holders of the Company					
	Share Capital	Share Premium and Retained Earnings	Other Reserves (see Note 13)	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2008	**1,190**	**59,203**	**7,931**	**68,324**	**226**	**68,550**
Currency translation differences	-	-	(7,826)	(7,826)	-	(7,826)
Employee share-based compensation (Note 22)	-	-	530	530	-	530
Treasury shares purchased (Note 13)	-	(5,083)	-	(5,083)	-	(5,083)
Transfer of shares in connection with acquisition of subsidiaries, net of tax (Note 7)	-	2,751	-	2,751	-	2,751
Dividend declared relating to 2007	-	(1,213)	-	(1,213)	(62)	(1,275)
Profit for the year	-	15,406	-	15,406	90	15,497
Balance at December 31, 2008	**1,190**	**71,064**	**635**	**72,890**	**254**	**73,144**
Balance at January 1, 2009	**1,190**	**71,064**	**635**	**72,890**	**254**	**73,144**
Currency translation differences	-	-	5,771	5,771	-	5,771
Employee share-based compensation (Note 22)	-	-	1,039	1,039	-	1,039
Treasury shares purchased (Note 13)	-	(1,228)	-	(1,228)	-	(1,228)
Transfer of shares in connection with acquisition of subsidiaries, net of tax (Note 7)	-	294	-	294	-	294
Vesting of share-based compensation (Note 13)		402	(402)	-	-	-
Dividend declared relating to 2008	-	(1,146)	-	(1,146)	(93)	(1,239)
Profit for the year (*)	-	14,747	-	14,747	62	14,810
Balance at December 31, 2009	**1,190**	**84,134**	**7,043**	**92,367**	**224**	**92,590**
Balance at January 1, 2010	**1,190**	**84,134**	**7,043**	**92,367**	**224**	**92,590**
Effect of the adoption of IFRS 3(R)	-	(416)	-	(416)	-	(416)
Currency translation differences	-	-	(3,284)	(3,284)	5	(3,279)
Employee share-based compensation (Note 22)	-	-	838	838	-	838
Treasury shares purchased (Note 13)	-	(373)	-	(373)	-	(373)
Vesting of share-based compensation (Note 13)		466	(466)	-	-	-
Acquisition of Adviser Drilling SA (Note 7)	278	46,418	-	46,696	-	46,696
Acquisition of Eastern Drilling Company LLC (Note 7)	-	-	-	-	1,419	1,419
Acquisition of non-controlling Interests (See Note 14)	-	47	-	47	(65)	(18)
Dividend declared relating to 2009	-	(2,007)	-	(2,007)	(29)	(2,036)
Profit for the year (*)	-	9,073	-	9,073	2,258	11,331
Balance at December 31, 2010	**1,468**	**137,142**	**4,131**	**142,941**	**3,811**	**146,751**

(*) Including the effect of the reclassification of non controlling interests to consideration payable (Note 7)

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

CONSOLIDATED STATEMENT OF CASH FLOW

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

In thousands of US$		Year Ended December 31,		
	Note	2010	2009	2008
Cash flows from operating activities				
Profit for the year		**11,331**	**13,810**	**15,497**
Adjustments for:				
Depreciation, amortization and impairment		20,018	12,120	8,803
Changes in non-current portion of provisions and other liabilities		55	(119)	(518)
Loss on sale and disposal of assets		-	-	25
Non-cash share-based compensation expenses	(22)	838	1,037	530
Income taxes expense	(24)	3,798	5,819	8,266
Finance income and expenses, net	(23)	1,426	662	(107)
Cash generated from operations before changes in operating assets and liabilities		**37,466**	**33,329**	**32,497**
Changes in operating assets and liabilities:				
Inventories		(2,450)	177	(2,558)
Trade accounts receivable and other receivables		(10,106)	2,190	3,971
Trade accounts payable and other payables		2,767	(2,632)	(7,385)
Cash generated from operations		**27,677**	**33,065**	**26,525**
Interest received/(paid)		(1,386)	(507)	286
Income tax paid		(8,928)	(7,488)	(5,615)
Net cash flow from operating activities		**17,363**	**25,070**	**21,196**
Cash flows from investing activities				
Purchase of Property and equipment and intangible assets (*)	(6)	(13,735)	(9,459)	(18,147)
Acquisition of Adviser Drilling SA, net of Cash acquired (**)	(7)	(2,700)	-	-
Repayment of Adviser Drilling former shareholder's loan	(7)	467	-	-
Acquisition of Eastern Drilling Company, net of Cash acquired (***)	(7)	(1,588)	-	-
Acquisition of the net assets of Connors Drilling Ltd	(7)	-	-	150
Deposit on escrow account relating to Connors acquisition	(7)	-	-	1,094
Acquisition of Northwest Sequoia Drilling Ltd, net of cash acquired (**)	(7)	-	-	6,430
Acquisition of Mosslake Drilling Services Pty Ltd, net of cash acquired (**) / (***)	(7)	(3,180)	(3,952)	-
Repayment of Mosslake Drilling Services Pty Ltd former shareholder's loan		-	1,443	-
Purchase price adjustment related to the acquisition of Boniface	(7)	-	-	(556)
Proceeds from sale of Property and equipment		-	-	45
Acquisition of non-controlling interests		(18)	-	-
Net cash used in investing activities		**(20,754)**	**(11,968)**	**(23,845)**
Cash flows from financing activities				
Acquisition of treasury shares	(13)	(373)	(1,225)	(5,082)
Repayments of borrowings	(13)	(14,520)	(3,115)	(2,763)
Proceeds from issuance of borrowings, net of issuance costs		7,039	832	198
Net increase/(decrease) in bank overdrafts and short-term loans		5,327	(2,766)	(2,073)
Dividends paid to Company's shareholders	(26)	(2,007)	(1,128)	(1,213)
Dividends paid to non-controlling interests	(13)	(32)	(93)	(62)
Net cash used in financing activities		**(4,566)**	**(7,496)**	**(10,995)**
Exchange differences in cash and cash equivalents		(3,028)	739	(1,040)
Net increase/(decrease) in cash and cash equivalents		**(10,985)**	**6,345**	**(14,685)**
Cash and cash equivalents at beginning of the year	(12)	25,905	19,560	34,247
Cash and cash equivalents at the end of the year	**(12)**	**14,920**	**25,905**	**19,560**
(*) Excluding acquisition financed through finance leases		*2,573*	-	-
(**) Excluding portion purchased through shares, warrants and treasury shares		*46,697*	*294*	*2,032*
(***) Excluding deferred cash consideration to be paid in future periods		*7,941*	*3,162*	-

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 principal sources of revenue consist of drilling contracts for companies primarily involved in mining, water and mineral exploration. The Company has operations in Africa, Europe, North America, South America and Asia Pacific.

The Company is a "société anonyme" (limited company) 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, 2011.

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 US$.

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 27 (revised), 'Consolidated and separate financial statements'. 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 applied IAS 27 (revised) prospectively to transactions with non-controlling interests from January 1, 2010 onwards.

  During the first quarter, the Company acquired certain non-controlling interests from its subsidiary located in Ivory Coast. The amounts of (i) non-controlling interests related to this subsidiary (US$ 47 thousand) net of (ii) the purchase consideration paid (US$ 18 thousand) were recognized directly within equity against Retained earnings.

- IFRS 3 (revised), 'Business combinations'. 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 value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group applied IFRS 3 (revised) prospectively to all business combinations from January 1, 2010 onwards.

  As at December 31, 2009, in accordance with IFRS 3, the Company capitalized as prepaid expenses US$ 612 thousand of acquisition costs related to the acquisition of controlling interests in LLC Eastern Drilling Company (Russia), which was in progress at year-end and was completed in May 2010.

  During 2010, the Company adopted IFRS 3(R) that requires, among other things, acquisition costs to be expensed as incurred and precludes the inclusion of such expenses in the costs of business combinations. The Company elected to adjust the balance of opening retained earnings by the after tax effect of such costs amounting to US$ 416 thousand without restating comparative periods.

  Any other costs incurred from January 1, 2010 regarding business combinations completed or to be completed were expensed as incurred.

Standards, amendments and interpretations adopted in 2010 that did not result in a change in accounting policies as they are not applicable to the Group activities:

- Improvements to IFRS 2009
- Amendment to IFRS 2 – Group Cash-settled Share-Based Payment Transactions
- Amendment to IAS 39 – Eligible Hedged Items
- Amendment to IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations
- IFRIC 12 – Service Concession Arrangements
- IFRIC 15 – Agreements for the Construction of Real Estate
- IFRIC 16 – Hedges of a net investment in a Foreign Operation
- 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, 2011 or later periods, but the Group has not early adopted them:

- IAS 24 revised – Related party disclosures
- IFRS 9 – Financial Instruments: Classification and Measurement
- IFRS 7 – Enhancing Disclosures about Transfers of Financial Assets
- Amendment to IAS 32 – Classification of Rights Issues
- Amendment to IFRIC 14 – Prepaid Voluntary Contributions
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

The impact of the application of these standards, amendments and interpretations is currently being assessed.

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 non-controlling 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 NON-CONTROLLING INTERESTS

For the years 2008 and 2009, the Company applied a policy of treating transactions with non controlling interests as transactions with parties external to the Company ("parent company model"). Disposals to non-controlling interests resulted in gains and losses for the Company and were recorded in the income statement. Purchases from non controlling interests resulted in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Starting January 1, 2010, the Company adopted IAS 27 (revised), 'Consolidated and separate financial statements'. 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 accounting treatment for put and call options on non controlling interests is presented in further detail in Note 7.

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").

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

(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 income statement 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 hyperinflationary 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 recorded inshareholders' 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 4 years
Automotive equipment	3 to 5 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 agreement that substantially transfers 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 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 5).

(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, 2010.

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 when they have maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables issued 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 did not hold any derivative financial instruments over the periods 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 overall 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 on 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 withdrawal. 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 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 the 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 realized or the deferred income tax liability is settled.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, 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 tax 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 as 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 the policy described in note 2.12. The Company has no loss making contracts as at December 31, 2010, 2009 and 2008.

2.19 Employee Benefits

(A) PENSION OBLIGATIONS

The Group mainly provides its employees with 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 obligation 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 13.

Changes in laws and regulations that affect the amount of the Company's obligations are accounted for as a 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 an 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 on 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.

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, this portion is deducted from the cost of the business combination and accounted for as a cash-settled compensation (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.

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 25.

3. FINANCIAL RISK MANAGEMENT

The Group's activity exposes 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 derivative 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.

Foraco reports its consolidated financial statements in US dollars. With the full integration of Adviser and EDC the Euro now represents only 33% of revenue, the remainder being spread between Canadian Dollars, US Dollars, Australian Dollars and Chilean Pesos.

The Company mitigates its exposure to foreign currency fluctuations by balancing its costs, revenues and financing in local currencies, resulting in a natural hedge. In 2010, no hedging transactions were entered into.

The exchange rates for the periods under review are as follows against the US$:

	Closing 2010	Closing 2009	Closing 2008	Average 2010	Average 2009	Average 2008
€	0.76	0.70	0.72	0.75	0.71	0.69
CAD	1.01	1.05	0.82	1.03	1.13	0.89
AUD	1.01	1.11	N/A	1.09	1.21	N/A
CLP	461	N/A	N/A	516	N/A	N/A

The sensitivity to foreign currencies fluctuations against the US$ of the consolidated revenue for the year presented in US$ is summarized as follows (in thousands of US$):

	As of December 31, 2010	
Effect on revenue of a change	**+5%**	**-5%**
Canadian $ / US$	1,480	(1,480)
€ / US$	2,703	(2,703)
AUD / US$	901	(901)
CLP / US$	1,962	(1,962)

A 5% change of Canadian $, €, AUD and CLP against US$ would have an impact of US$ 377 thousand on the 2010 consolidated profit.

(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 rates of the short-term deposits held by the Group is presented below (in thousands of US$):

	As of December 31,		
	2010	**2009**	**2008**
Average amount of cash and cash equivalents over the period	**15,352**	**21,134**	**25,536**
Increase in financial income following a 50 b.p. increase	77	106	128
Decrease in financial income following a 50 b.p. decrease	(77)	(106)	(128)

For the purpose of this analysis, the average cash equivalents has been defined as the arithmetical average of closing positions at each quarter end.

Regarding financial liabilities, the Company is not significantly exposed to risks relating to the fluctuations of interest rates as the 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 spread 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 14% of the Company's sales during the year ended December 31, 2010 (one customer accounted for 10% in 2009 and two customers accounted for 20% in 2008). No other single customer accounted for more than 10% of the Company's sales during the years ended December 31, 2010, 2009 and 2008.

(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 15.

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.

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 Notes 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, requiring 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).

As of December 31, 2010, the Group holds US$ 5,121 thousand of assets at fair value (2009 – US$ 14,678 thousand and 2008 – US$ 14,759 thousand). These assets were valued using quoted prices in active markets (level 1). The Group did not hold any other financial assets or liabilities at fair value through profit or loss, derivatives or available-for-sale financial assets over the years 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 15).

3.5 Financial instruments by category

December 31, 2010	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available-for-sale	Total
Assets as per balance sheet					
Trade and other receivables	58,191	-	-	-	58,191
Cash and cash equivalents	9,799	5,121	-	-	14,920
Total	**67,990**	**5,121**	**-**	**-**	**73,111**

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per balance sheet				
Borrowings	-	-	49,632	49,632
Trade and other payables	-	-	41,398	41,398
Total	**-**	**-**	**91,030**	**91,030**

December 31, 2009	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available-for-sale	Total
Assets as per balance sheet					
Trade and other receivables	24,914	-	-	-	24,914
Cash and cash equivalents	11,287	14,618	-	-	25,905
Total	**36,201**	**14,618**	**-**	**-**	**50,819**

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per balance sheet				
Borrowings	-	-	12,429	12,429
Trade and other payables	-	-	24,368	24,368
Total	**-**	**-**	**36,797**	**36,797**

December 31, 2008	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available-for-sale	Total
Assets as per balance sheet					
Trade and other receivables	26,497	-	-	-	26,497
Cash and cash equivalents	4,801	14,759	-	-	19,560
Total	**31,298**	**14,759**	**-**	**-**	**46,057**

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per balance sheet				
Borrowings	-	-	6,605	6,605
Trade and other payables	-	-	29,550	29,550
Total .	**-**	**-**	**36,105**	**36,105**

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, 2010 the goodwill is allocated to cash generating units corresponding to the following operating / geographical segments:

Mining activity- Africa	786
Water activity - Africa	2,009
Mining activity- North America	11,068
Mining activity- Asia-Pacific	1,494
Mining activity- South America	27,130
Mining activity – Europe	8,181
Total goodwill as at December 31, 2010	50,667

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

	Discount rate applied to the discounted cash flows
Mining activity- Africa	× 3.5
Water activity- Africa	× 4.3
Mining activity- North America	× 4.0
Mining activity- Asia-Pacific	× 1.6
Mining activity- South America	× 2.6
Mining activity – Europe	× 2.5

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. The finance and control department occasionally 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.

Details of share-based compensations are disclosed in Note 22.

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 assess 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 segments nor does management evaluate the segments on this criteria on a regular basis.

5.1 Business Segments

As at December 31, 2010, the Group is organized on a worldwide basis in two main business segments.

- The "Mining" segment covers drilling services offered to the mining and energy industry during the exploration, development and production phases of mining projects.
- The "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, 2010, 2009 and 2008 was as follows:

Year ended December 31, 2010	**Mining**	**Water**	**Company**
Revenue	146,114	17,925	164,040
Gross profit	31,735	4,373	36,108
Operating profit	14,891	2,010	16,901
Finance (costs) / profits	-	-	(1,426)
Profit before income tax	**-**	**-**	**15,475**
Income tax expense	-	-	(4,144)
Profit for the year	**-**	**-**	**11,331**

Year ended December 31, 2009	**Mining**	**Water**	**Company**
Revenue	86,669	32,734	119,402
Gross profit	26,162	9,397	35,559
Operating profit	15,015	5,245	20,260
Finance (costs) / profits	-	-	(678)
Profit before income tax	**-**	**-**	**19,583**
Income tax expense	-	-	(5,773)
Profit for the year	**-**	**-**	**13,810**

Year ended December 31, 2008	Mining	Water	Company
Revenue	98,287	29,875	128,162
Gross profit	29,991	8,544	38,535
Operating profit	18,631	5,091	23,722
Finance (costs) / profits	-	-	75
Profit before income tax	**-**	**-**	**23,798**
Income tax expense	-	-	(8,301)
Profit for the year	**-**	**-**	**15,497**

There is no inter-segment revenue.

Corporate costs and overheads are allocated to each business segment based on their revenue. Acquisition costs amounting to US$ 850 thousand which are expensed as incurred since the application of IFRS 3 (R) have been allocated to Mining as they relate to acquisitions in this segment. Management considers this approach to be a reasonable basis for determining the costs attributable to the respective segments.

5.2 Geographical Segments

The Company operates in five 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, 2010, 2009 and 2008:

	December 31,		
	2010	2009	2008
South America	49,325	-	700
Africa	46,655	58,384	65,958
North America	29,598	29,988	40,608
Asia Pacific	24,379	15,259	11,198
Europe	14,084	15,771	9,698
Revenue	**164,040**	**119,402**	**128,162**

As a result of the acquisition of Adviser, the Company now benefits from a significant presence in South America and Mexico. In previous periods, the Company had only one geographic region for America which is now split between North and South America for internal reporting purposes. For the purpose of the segment reporting, South America includes Mexico.

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	Automotive Equipment	Office Furniture & Other Equipment	Total
Year ended December 31, 2008					
Opening net book amount	2,440	17,342	2,619	315	22,716
Additions	678	11,047	4,311	207	16,245
Exchange differences	(205)	(899)	(32)	(1)	(1,137)
Disposals or retirements	-	-	(67)	-	(67)
Acquisition of subsidiary (Note 7)	-	2,374	-	-	2,374
Depreciation charge	(161)	(6,275)	(1,407)	(149)	(7,993)
Closing net book amount at December 31, 2008	**2,752**	**23,589**	**5,425**	**372**	**32,139**
Cost	3,819	49,170	11,353	1,717	66,060
Accumulated depreciation	(1067)	(25,581)	(5,929)	(1,346)	(33,921)
Net book amount	**2,752**	**25,589**	**5,425**	**372**	**32,139**
Year ended December 31, 2009					
Opening net book amount	2,752	23,589	5,425	372	32,139
Additions	926	7,918	820	233	9,898
Exchange differences	225	1,573	303	13	2,114
Disposals or retirements	(33)	(248)	(86)	(12)	(379)
Acquisition of Mosslake (Note 7)	86	9,479	2,577	68	12,211
Depreciation charge	(283)	(9,350)	(2,561)	(153)	(12,347)
Closing net book amount at December 31, 2009	**3,674**	**32,961**	**6,477**	**522**	**43,636**
Cost	5,064	68,881	15,200	2,069	91,216
Accumulated depreciation	(1,390)	(35,920)	(8,723)	(1,547)	(47,580)
Net book amount	**3,674**	**32,961**	**6,477**	**522**	**43,636**
Year ended December 31, 2010					
Opening net book amount	3,674	32,961	6,477	522	43,636
Additions	154	12,119	3,212	223	15,708
Exchange differences	(133)	3,339	954	(78)	4,082
Disposals or retirements	(1)	(69)	(59)	(5)	(134)
Acquisition of Adviser (Note 7)	228	26,143	3,792	150	30,313
Acquisition of EDC (Note 7)	(1)	4,453	220	6	4,679
Depreciation charge	(324)	(15,481)	(3,958)	(232)	(19,995)
Closing net book amount at December 31, 2010	**3,598**	**63,465**	**10,638**	**586**	**78,289**
Cost	5,238	119,070	28,162	1,870	154,340
Accumulated depreciation	(1,640)	(55,602)	(17,523)	(1,285)	(76,051)
Net book amount	**3,598**	**63,467**	**10,638**	**586**	**78,289**
Including PPE under finance lease:					
Cost	*-*	*39,161*	*14,623*	*-*	*53,784*
Accumulated depreciation	*-*	*(18,084)*	*(8,629)*	*-*	*(26,713)*
Net book value of PPE under finance lease	***-***	***21,077***	***5,994***	***-***	***27,071***

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

	December 31,		
	2010	2009	2008
Cost of sale	19,638	11,969	8,556
General and administrative expenses	380	227	122
Total depreciation and amortization	**20,018**	**12,196**	**8,678**

7. GOODWILL

Goodwill can be analyzed as follows:

	December 31,		
	2010	2009	2008
Cost			
As of January 1,	**14,879**	**11,960**	**6,271**
Acquisition of Northwest Sequoia Drilling Ltd	-	-	7, 490
Acquisition of Mosslake Drilling Services Pty Ltd	-	1,119	-
Acquisition of Eastern Drilling Company LLC	8,181	-	-
Acquisition of Adviser Drilling SA	27,130	-	-
Purchase price adjustments on prior business combinations, net	-	-	195
Disposals and transfers	-	-	-
Exchange differences	477	1,800	(1,996)
As of December 31,	**50,667**	**14,879**	**11,960**

Business combinations which occurred in 2010

ACQUISITION OF MOSSLAKE DRILLING SERVICES PTY LTD

In August 2010, the Company chose to exercise its option to acquire the remaining 49% non-controlling interest in Mosslake for a cash consideration of AUD 3.5 million. This transaction did not result in any additional goodwill.

ACQUISITION OF ADVISER DRILLING SA

In March 2010, the Company entered into a binding agreement with all the shareholders of Adviser Drilling SA ("Adviser") in Chile to acquire 100% of the outstanding shares of Adviser. The Company completed the acquisition on May 26, 2010, from which date the Group's interest in Adviser is consolidated.

The purchase price included (i) a cash consideration of US$ 5.35 million upon the closing of the transaction, (ii) the issuance of 14,935,750 new shares of the Company, (iii) the issuance of 4,756,539 warrants to acquire shares of the Company, exercisable after two years following closing at no additional consideration, warrant holders being indemnified for dividends paid until the exercise date, and (iv) a price adjustment of up to US$ 5.35 million depending on Adviser's 2010 financial performance, to be paid in 2011. The 2010 annual financial performance of Adviser having been affected by various adverse conditions in Chile during the first half of the year, this purchase price adjustment was not applied.

The final purchase price, the fair value of the net assets acquired and the goodwill resulting from the acquisition are presented as follows:

			In thousands of US$
Fair value of cash consideration			
- Cash paid			5, 350
- Cash paid			-
Foraco International common shares issued			
- Number of common shares issued	14,935,750		
- Stock price on May 26, 2010	2.55	CAN	
- Estimated fair value of shares issued			35,657
Foraco International warrants issued			
- Number of warrants issued	4,756,539		
- Adjusted stock price on May 26, 2010	2.48	CAN	
- Estimated fair value of warrants issued			11,040
Dividend compensation payable			
- Number of warrants benefiting from the dividend compensation	4,756,539		
- Estimated dividend to be paid	0.0708	CAN	315
Total fair value of the consideration payable			**52,362**

	Fair value in thousands of US$
Cash and cash equivalents	2,650
Shareholder loan to be repaid upon closing	497
Customers relationship	1,261
Equipment	30,314
Others Non Current Receivable	2
Inventories	6,559
Trade and other receivables	19,643
Trade and other payables	(15,212)
Provision	(129)
Borrowings	(26,836)
Deferred tax, net	6,484
Net assets acquired	**25,233**
Goodwill	**27,130**

In Chile, companies can allocate the goodwill recognized under IFRS to the tax basis of certain assets, generating temporary differences between tax books and IFRS accounts. Accordingly, the Company recognized a deferred tax asset amounting to US$ 7.6 million.

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

LLC EASTERN DRILLING COMPANY ACQUISITION

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

The purchase price includes a cash consideration of US$ 2 million paid in May 2010 and an adjustment based on EDC's 2010 financial performance to be paid in the first half of 2011.

On February 6, 2011, the Company entered into an agreement settling the final amount payable under the purchase price adjustment provision at US$ 7.6 million, of which US$ 3.8 million will be payable in the first quarter of 2011 and the remainder in the second quarter of 2011 once all closing conditions have been finalized.

The final purchase price, the fair value of the net assets acquired and the goodwill resulting from the acquisition are presented as follows:

	Fair value in thousands of US$
Purchase price including 2011 purchase price adjustment	**9,600**
Cash and cash equivalents	412
Customers relationship	187
Equipment	4,679
Inventories	3,319
Trade and other receivables	2,500
Trade and other payables	(5,136)
Borrowings	(2,817)
Deferred tax, net	(307)
Net assets before minority interests	**2,838**
50% shareholding	1,419
Net assets acquired	**1,419**
Goodwill	**8,181**

The above goodwill is attributable to the specialization of the acquired company in diamond drilling services for major and junior foreign companies in the mining and mineral exploration industry. This goodwill is allocated to the Mining segment.

Business combinations which 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 had cross put and call options to sell or acquire under similar conditions the remaining non controlling 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 purchase price was 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 provided 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:

Purchase consideration	in thousands of AUD	in thousands of USD
First tranche of shares acquired on April 14, 2009		
Cash consideration paid	5,000	3,787
500,000 treasury shares transferred by the Company as a consideration	562	426
Direct costs relating to the acquisition	354	269
Net purchase consideration for 50.84% of Mosslake's shares	**5,916**	**4,482**
Share of the fair value of net assets acquired (AUD 8,887 thousand for a 100% stake)	(4,518)	(3,422)
Goodwill for the first tranche acquired	**1,398**	**1,060**

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 thousands of AUD		In thousands of US$
	Estimated fair value	Value as per Company's books before purchase price allocation	Estimated fair value
Cash and cash equivalents	285	285	216
Shareholder loan to be repaid upon closing	1,860	1,860	1,409
Customers' backlog	292	-	221
Equipment	14,165	7,372	10,731
Inventories	1 685	3,756	1,277
Trade and other receivables	1 288	1,288	976
Trade and other payables	(2,387)	(1,432)	(1,808)
Borrowings	(8,490)	(8,490)	(6,432)
Deferred tax, net	189	-	143
Net assets acquired	**8,887**	**4,639**	**6,732**

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 revenue of US$ 6,309 thousand and an operating loss of US$ 1,796 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 non controlling interests in Mosslake

The risks and rewards related to the non-controlling interests to be transferred through the cross put and call options had initially not been transferred to the Company as the purchase price was variable. As such, the proportion allocated to the non controlling interests was based solely on initial ownership interests of the Company (50.84%).

As the put was included as part of Mosslake's acquisition, an additional amount of "goodwill in progress" 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 non controlling interests at the determination date.

As of December 31, 2009, the "goodwill in progress" amounted to US$ 60 thousand and the estimated put liability amounted to US$ 3,162 thousand which was presented as "Consideration payable related to acquisition" within non-current liability.

	in thousands of AUD	in thousands of USD
Second tranche of shares		
Estimated purchase price	3,513	3,162
Non controlling interests as at December 31, 2009	(3,441)	(3,102)
Goodwill in progress for the second tranche	**72**	**60**

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 was variable depending upon the presence of Mosslake executive management in the Company, Foraco expensed 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 US$ 158 thousand was recognized as a compensation expense under "Selling, General and Administrative expenses".

Purchase price adjustments which occurred in 2008

In 2007, the Company claimed 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 US$ 116 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 on 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 on future events. During 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 US$ 311 thousand, net of tax.

Business combinations which 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 thousands of US$:	
Cash consideration paid	9,173
1,150,000 treasury shares transferred	2,109
Direct cost relating to the acquisition	91
Net purchase consideration	**11,373**
Fair value of net assets acquired (see below)	(3,883)
Goodwill	**7,490**

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	2,742	2,742
Equipment	2,462	1,387
Inventories	105	105
Trade and other receivables	1,277	1,277
Trade and other payables	(1,076)	(1,076)
Borrowings	(175)	(175)
Contingent liabilities	-	-
Retirement benefit obligations	-	-
Current income tax payable	(1,098)	(1,098)
Deferred tax, net	(354)	-
Net assets acquired	**3,883**	**3,162**

Allocation of Goodwill to Cash Generating Units

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

	December 31,		
	2010	2009	2008
Mining	48,658	12,695	9,850
Water	2,009	2,184	2,110
Total	**50,667**	**14,879**	**11,960**

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, 2010 are as follows:

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

In 2010, 2009 and 2008 the Company did not record any goodwill impairment charge.

8. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

	December 31,		
	2010	2009	2008
Loans	846	114	91
Software	1	8	10
Investment in unconsolidated affiliates	37	31	29
Deposits and guarantees	157	138	128
Other non-current receivables	659	49	30
Other non-current assets	**1,699**	**341**	**288**

The investment in unconsolidated affiliates corresponds to the company “Minera Chimù” (Peru), in which the Company holds 18.74%.

9. INVENTORIES

Inventories consist of the following:

	December 31,		
	2010	2009	2008
Spare parts, gross	12,562	10,709	11,664
Consumables, gross	19,822	11,572	9,059
Less inventory allowance	-	-	(85)
Inventories, net	**32,384**	**22,282**	**20,638**

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 2010 in the statement of income under the line item “Cost of sales” amounts to nil (nil in 2009 and US$ 3 thousand in 2008).

10. TRADE RECEIVABLES

Trade receivables, net, consist of the following:

	December 31,		
	2010	2009	2008
Trade receivable, gross	42,080	17,402	18,533
Less provision for impairment	(1,084)	(1,171)	(1,108)
Receivables from related parties	-	94	-
Trade receivables, net	**40,996**	**16,325**	**17,425**

Impairment expense/(reversal) recognized in 2010 in the statement of income amounted to US$(68) thousand (in 2009 US$19 thousand and in 2008 US$368 thousand) under the line item “Cost of sales”.

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

	December 31,		
	2010	2009	2008
Provision for impairment at January 1,	(1,171)	(1,108)	(814)
Provision for receivables impairment	(106)	(143)	(455)
Receivables written off during the year as uncollectible	-	-	-
Unused amounts reversed during the year following collection of the receivable	174	124	88
Exchange differences	20	(45)	74
Provision for impairment at December 31,	**(1,083)**	**(1,171)**	**(1,108)**

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

	December 31,		
	2010	2009	2008
Europe	894	1,851	475
New Caledonia	1,037	1,101	1,841
Africa	8,322	8,641	12,642
South America	24,351	-	863
Australia	2,754	1,008	-
Canada	3,639	3,724	1,605
Trade receivables, net	**40,996**	**16,325**	**17,425**

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 15).

As of December 31, 2010, trade receivables of US$ 2,109 thousand (US$ 1,714 thousand in 2009 and US$ 2,559 thousand in 2008) 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 State bodies in the Water segments.

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

	December 31,		
	2010	**2009**	**2008**
€, CFA Francs or CFP Francs (1)	9,973	11,593	14,958
Canadian dollars	3,639	3,724	1,605
Australian dollars	2,754	1,008	-
US dollars	3,507	-	893
Chilean Pesos	21,124	-	-
Other currencies	-	-	-
Trade receivables, gross	**40,996**	**16,325**	**17,425**

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

Certain receivables are provided as collateral under financing agreement (see Note 15).

11. OTHER CURRENT RECEIVABLES

Other current receivables consist of the following:

	December 31,		
	2010	**2009**	**2008**
VAT / GST and other recoverable taxes	11,411	5,491	6,151
Prepaid expenses	3,484	1,785	1,663
Down payments / credit notes receivable	1,516	871	816
Accrued income	-	-	70
Other receivables	784	442	373
Other current receivables	**17,195**	**8,589**	**9,072**

Provisions for impairment of other current receivables is nil as of December 2010 (nil in 2009 and nil in 2008).

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

In accordance with IFRS 3, the Company capitalized as prepaid expenses US$612 thousand of acquisition costs related to the acquisition of EDC that was in progress as at December 31, 2009 and was completed in 2010 . In 2010, upon adoption of IFRS 3(R), the Company reclassified these prepaid expenses directly against "Retained Earnings".

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:

	December 31,		
	2010	**2009**	**2008**
€, CFA Francs or CFP Francs (1)	7,406	6,517	8,542
Canadian dollars	1,967	1,210	391
Australian dollars	1,746	435	-
Chilean Pesos	2,478	-	-
Russian Rubles	2,349	-	-
Other currencies	1,249	427	138
Other current receivables, gross	**17,195**	**8,589**	**9,071**

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

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	December 31,		
	2010	**2009**	**2008**
Cash at bank and in hand	9,798	11,287	4,801
Short-term bank deposits	5,121	14,618	14,759
Cash and cash equivalents	**14,920**	**25,905**	**19,560**

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, 2010 in thousands US$**
Crédit Mutuel group	€ monetary marketable security	Eonia	1,267
Banques Populaires	€ monetary marketable security	Euribor	540
Crédit Mutuel group	€ 6 months fixed term deposit	Fixed	795
Crédit Agricole group	€ 1 month fixed term deposit	Fixed	796
Banques Populaires	€ 6 months fixed term deposit	Fixed	1,723
Total			**5,121**

Financial institution	Type	Index	Fair value as of December 31, 2009 in thousands US$
BNP Paribas	€ 6 months fixed term deposit	Fixed	2,161
BNP Paribas	€ monetary marketable security	Euribor	1,590
Crédit Agricole group	€ monetary marketable security	Eonia	5,342
Crédit Mutuel group	€ 3 months fixed term deposit	Fixed	1,367
Crédit Mutuel group	€ 6 months fixed term deposit	Fixed	864
Banques Populaires	€ monetary marketable security	Euribor	592
Société Générale	€ 6 months fixed term deposit	Fixed	2,701
Total			**14,618**

Financial institution	Type	Index	Fair value as of December 31, 2008 in thousands US$
BNP Paribas	€ 3 months fixed term deposit	Fixed	4,008
BNP Paribas	€ monetary marketable security	Eonia	863
Crédit Agricole group	€ 3 months fixed term deposit	Fixed	2,994
Crédit Agricole group	€ monetary marketable security	Eonia	294
Banques Populaires	€ 3 months fixed term deposit	Fixed	2,992
Banques Populaires	€ monetary marketable security	Eonia	305
Crédit Mutuel group	€ 6 months fixed term deposit	Fixed	1,818
Crédit Mutuel group	€ monetary marketable security	Eonia	296
Société Générale	€ 3 months fixed term deposit	Fixed	1,190
Total			**14,759**

13. EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS

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

	December 31,		
	2010	**2009**	**2008**
Foraco International share premium and retained earnings	109,533	53,968	47,924
Reserves of consolidated subsidiaries	27,769	30,166	23,141
Other reserves	4,131	7,043	635
Total consolidated reserves	**141,473**	**91,177**	**71,700**

Under French law, dividends can be paid only from the reserves of the parent company (Foraco International). As at December 31, 2010, the value of distributable reserves amounted to € 81,706 thousand (€ 38,088 thousand as of December 31, 2009 and €38,937 thousand as of December 31, 2008).

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:

	December 31,		
	2010	**2009**	**2008**
Employee share-based compensation, net of tax	3,352	2,733	2,001
Actuarial gains / (losses), net of tax	-	-	50
Currency translation differences and net investment hedge, net of tax	779	4,310	(1,416)
Other reserves	**4,131**	**7,043**	**635**

Acquisition funded through issuance of shares

The Company funded the acquisition of Adviser mainly through the issuance of 14,935,750 new shares of the Company and the issuance of 4,756,539 warrants to acquire shares of the Company, exercisable after two years following closing at no additional consideration, warrant holders being indemnified for dividends paid until the exercise date (see Note 16 on the related payables as at December 31, 2010). The corresponding increase in share capital amounted to US$ 278 thousand with a share premium amounting to US$ 46,418 thousand.

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, 251,200 shares were acquired under this additional NCIB at an average purchase price of Can$1.93 (or €1.37). In 2010, 149,300 shares were acquired under this additional NCIB at an average price of Can$2.55.

In July 2010, the vesting period of the second tranche for the French plan n°1 expired. 253,000 treasury shares were attributed to the beneficiaries that have been continuously employed by the Company throughout the vesting period.

As of December 31, 2010, the Company owns 845,500 of its own shares (treasury shares) recognized as a reduction of Equity for an amount of US$ 797 thousand, net of tax.

Equity incentive plan ("Free share plan")

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

The total number of shares to be transferred under the free share plan is limited to 3% of those 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 22).

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 25).

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.

On May 18, 2010, the shareholders general meeting approved the implementation of a new free share plan covering the periods 2010-2012 (2nd free share plan). In October 2010, the Company granted to employees 500,000 additional common shares corresponding to the first tranche of the second 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	Ordinary shares in thousands US$	Share Premium in thousands US$
As at January 1, 2008	**59,743,000**	**1,190**	**36,701**
Acquisition of treasury shares	(1,605,244)	-	(5,083)
Treasury shares transferred in connection with acquisition	1,150,000	-	2,751
As at December 31, 2008	**59,287,756**	**1,190**	**34,369**
As at January 1, 2009	**59,287,756**	**1,190**	**34,369**
Acquisition of treasury shares	(1,145,956)	-	(1,228)
Treasury shares transferred in connection with acquisition	500,000	-	294
Treasury shares transferred in connection with equity incentive plan (vested shares)	156,000	-	402
As at December 31, 2009	**58,797,800**	**1,190**	**33,837**
As at January 1, 2010	**58,797,800**	**1,190**	**33,937**
Acquisition of treasury shares	(153,300)	-	(373)
Issuance of share capital and warrants on May 26, 2010	19,692,289	278	46,418
Treasury shares transferred in connection with equity incentive plan (vested shares)	253,000	-	466
As at December 31, 2010	**78,589,789**	**1,468**	**80,348**

As at December 31, 2010, the capital stock of the Company amounted to US$ 1,468 thousand, divided into 74,678,750 common shares excluding warrants and including treasury shares. Warrants issued as part the acquisition of Adviser are expected to be converted for no consideration into 4,756,539 common shares in May 2012. The total common shares and warrants of the Company are distributed as follows:

	Number of shares	Warrants	Total
Common shares held directly or indirectly by principal shareholders	37,594,498	-	37,594,498
Common shares held directly or indirectly by individuals in their capacity as members of the Board of Directors *	1,570,245	500,071	2,070,316
Common shares held by the Company	845,500	-	845,500
Common shares held by the public	34,668,507	4,256,468	38,924,975
Total common shares and warrants issued and outstanding	**74,678,750**	**4,756,539**	**79,435,289**
Common shares held by the Company	(845,500)	-	(845,500)
Total common shares and warrants issued and outstanding net of treasury shares	**73,833,250**	**4,756,539**	**78,589,789**

In the table above, the shares owned indirectly are presented for an amount corresponding to the prorata of the ownership interest

Number of shares outstanding

As at January 1, 2010, 59,743,000 shares were issued. 1,049,700 common shares were held by the Company. On May 26, 2010, as a result of the acquisition of Adviser, 14,935,750 new shares were issued along with 4,756,539 warrants at no issuance price. As at December 31, 2010, the number of shares was 74,678,750 along with 4,756,539 warrants.

14. NON-CONTROLLING INTERESTS

Changes in non-controlling interest break down as follows:

	2010	2009	2008
Non-controlling interest at the beginning of the year	224	255	226
Acquisition of Non-controlling interests	1,354	-	-
Non-controlling interest in net income for the year	2,258	62	90
Dividends paid to non-controlling shareholders	(29)	(93)	(62)
Currency translation differences	5	-	-
Non-controlling interest at the closing of the year	**3,811**	**224**	**254**

15. BORROWINGS

Financial debt consists of the following:

	December 31,		
	2010	2009	2008
Other bank financings	1,528	488	1,027
Finance lease obligations	9,831	3,054	1,035
Non-current	**11,359**	**3,542**	**2,062**
Bank overdrafts	1,832	-	-
Obligation under assignment of trade receivables	12,784	677	3,069
Other bank financings	5,643	1,638	842
Finance lease obligations	10,073	3,410	632
Current	**30,332**	**5,725**	**4,543**

Certain European subsidiaries of the Company transferred receivable balances amounting to US$ 12,784 thousand to banks in exchange for cash during the year ended December 31, 2010 (US$ 677 thousand in 2009 and 3,069 thousand in 2008). 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, 2010, maturity of financial debt can be analyzed as follows:

Maturity	Less than One Year	Between One and Five Years	More than Five Years	Total
Bank overdrafts	1,832	-	-	1,832
Obligation under assignment of trade receivables	12,784	-	-	12,784
Other bank financing	5,643	1,528	-	7,171
Finance lease obligations	10,073	9,781	50	19,904
Total financial debt	**30,332**	**11,309**	**50**	**41,691**

As of December 31, 2010, 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 US$ 43,379 thousand compared to a carrying amount of US$ 41,691 thousand (US$ 9,109 thousand compared to a carrying amount of US$ 9,267 thousand as of December 31, 2009 and US$ 6,572 thousand compared to a carrying amount of US$ 6,605 thousand as of December 31, 2008).

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

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

	December 31,		
	2010	2009	2008
€	3,626	1,848	5,912
Canadian dollars	3,007	1,511	693
Australian dollars	4,604	5,908	-
US dollars	2,204	-	-
Chilean Pesos	27,769	-	-
Russian Rubles	481	-	-
Total financial debt	**41,691**	**9,267**	**6,605**

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

Used and unused short term credit facilities amount to US$ 61,924 thousand as of December 31, 2010. This facility is granted on a yearly basis and subject to review at various dates.

Total financial debts include collateralized borrowings of US$ 32,688 thousand:

- Obligations under assignment of receivables for US$ 12,784 thousand are secured for an equivalent amount by receivables that have been transferred; and
- Finance lease obligations amounting to US$ 19,904 thousand are secured by related leased assets.

16. CONSIDERATION PAYABLE RELATED TO ACQUISITION

In connection with the acquisition of EDC (see note 7), the Company entered into an agreement settling the final amount payable at US$ 7.6 million, of which US$ 3.8 million will be payable in the first quarter of 2011 and the remainder in the second quarter of 2011 once all closing conditions have been finalized. This amount has been classified within current liabilities.

In connection with the acquisition of Adviser (see note 7), the Company issued 4,756,539 warrants. Under the terms of the share purchase agreement, warrant holders are entitled to receive a sum equivalent to dividends paid to common shareholders until the conversion of their warrants. The estimated compensation to be paid to warrant holders amounts to US$ 391 thousand and has been recognized as a current liabilities.

At the end of December 2009, in connection with the future acquisition of the non-controlling 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 US$ 3,162 thousand as of December 31, 2009 was estimated based the expected amount to be paid in 2013 discounted at a 5% discount rate. This amount was classified as at December 31, 2009 as non-current liabilities as it was expected to be settled after 2010.

17. DEFERRED INCOME TAX

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

The components of the net deferred tax liabilities recorded as at December 31, 2010, 2009 and 2008 are as follows:

	December 31,		
	2010	2009	2008
Assets			
Pension obligations	121	130	129
Property and equipment depreciation differences	1,328	-	-
Losses carried forward	774	474	-
Losses carried forward / South America Goodwill	7,586	-	-
Other tax temporary differences	996	-	-
Total	**10,805**	**604**	**129**
To be recovered after 12 months	*7,905*	*130*	*129*
To be recovered within 12 months	*2,899*	*474*	*-*
Liabilities			
Finance leases	(1,717)	(671)	(459)
Reversal of intercompany balances depreciation	(1,228)	(294)	(284)
Costs capitalization and property and equipment depreciation differences	(2,180)	(751)	(337)
Revenue recognition	(469)	(251)	(340)
Other tax temporary differences	(1,618)	(375)	(22)
Total	**(7,213)**	**(2,341)**	**(1,442)**
To be recovered after 12 months	*(5,769)*	*(1,230)*	*(949)*
To be recovered within 12 months	*(1,443)*	*(1,111)*	*(493)*

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

	December 31,		
	2010	2009	2008
Beginning of the year	(1,737)	(1,312)	(433)
Acquisition of Subsidiary	6,177		
Charged/(Credited) to the statement of income	(1,048)	(364)	(879)
Charged/(Credited) directly to equity	-	-	-
Exchange differences	200	61	-
End of the year	**3,592**	**(1,737)**	**(1,312)**

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.

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.

18. PROVISIONS

Provisions comprise the following elements:

	Pension and Retirement Indemnities Provision	Provision for tax uncertainty	Other Provisions	Total
At January 1, 2008	**508**	**-**	**66**	**574**
Charged to income statement:				
- Additional provisions	67	-	-	67
- Unused amounts reversed	-	-	-	-
Used during year	(115)	-	(30)	(145)
Exchange differences	(24)	-	(1)	(25)
At December 31, 2008	**436**	**-**	**35**	**471**
At January 1, 2009	**436**	**-**	**35**	**471**
Charged to income statement:				
- Additional provisions	29	381	-	410
- Unused amounts reversed	-	-	-	-
Used during year	(78)	-	-	(78)
Exchange differences	13	16	-	29
At December 31, 2009	**400**	**397**	**35**	**832**
At January 1, 2010	**400**	**397**	**35**	**832**
Acquisition of Adviser Drilling SA	-	-	129	129
Charged to income statement:				
- Additional provisions	48	886	203	1,137
- Unused amounts reversed	-	-	(34)	(34)
Used during year	-	-	-	-
Exchange differences	(28)	(31)	(44)	(103)
At December 31, 2010	**420**	**1,252**	**289**	**1,961**

The analysis of total provisions is as follows:

	December 31,		
	2010	2009	2008
Current	364	432	35
Non-current (retirement and litigation)	1,597	400	436
Provisions	**1,961**	**832**	**471**

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 US$ 1,252 thousand was recognized as of December 31, 2010 to reflect the Company's best estimate of its exposure.

19. RETIREMENT BENEFIT OBLIGATIONS

Substantially all of the Company's employees, with the exception of those in France, are covered under Government-sponsored 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:

	December 31,		
	2010	2009	2008
Discount rate	4.6%	5.1%	5.5%
Inflation rate	2.25%	1.85%	2.25%
Provision for retirement benefits			

These retirement indemnities are not funded or covered by pension plan assets. Except in France, the Group does not maintain defined benefit obligations in other countries 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.

20. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	December 31,		
	2010	2009	2008
Trade payables	21,773	9,070	11,637
Social security and other taxes	9,744	6,565	5,856
VAT / GST and other tax payable	4,026	5,398	4,867
Down payments from customers	3,191	1,609	3,270
Deferred income	197	-	-
Related party payable (see Notes 22 and 30)	-	-	1,485
Other miscellaneous payables	93	313	512
Trade and other payables	**39,024**	**22,955**	**27,628**

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

Trade and other payables are denominated in the following currencies:

	December 31,		
	2010	2009	2008
€, CFA Francs or CFP Francs (1)	10,905	15,177	24,171
Canadian dollars	5,976	4,787	3,204
Australian dollars	2,494	2,331	-
US dollars	1,359	-	-
Chilean Pesos & UF	13,749	-	-
Russian Rubles	2,368	-	-
Other currencies	2,173	660	253
Trade and other payables	**39,024**	**22,955**	**21,971**

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

21. EXPENSES BY NATURE

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

	December 31,		
	2010	2009	2008
Depreciation, amortization and impairment charges	20,018	12,196	8,678
Provision increase/(reversal)	(55)	35	349
Raw materials, consumables used, and other external costs	71,088	55,683	59,820
Employee benefit expense	54,651	29,665	33,765
Other tax expense	1,476	1,873	1,596
Other operating expense/(income), net	(40)	(310)	234
Total of operating expenses	**147,139**	**99,142**	**104,442**
Number of employees (unaudited)	*1,988*	*793*	*931*

22. 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:

	December 31,		
	2010	2009	2008
512,000 free common shares in 2007	220	526	441
424,000 free common shares in 2008	244	440	89
531,000 free common shares in 2009	274	71	-
500,000 free common shares in 2010	100	-	-
Total of non-cash share-based compensation expenses	**838**	**1,037**	**530**

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

	Free shares	Warrants
Granted in	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)
Granted in 2010	500,000	-
Vested in 2010	(253,000)	-
Forfeited in 2010	(10,000)	-
Outstanding as of December 31, 2010	**1,541,000**	**-**

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

	December 31,		
	2010	2009	2008
2009	-	-	163,000
2010	-	276,000	276,000
2011	687,000	687,000	349,000
2012	374,000	148,000	148,000
2013	193,000	193,000	-
2014	287,000	-	-
Free shares outstanding	**1,541,000**	**1,304,000**	**936,000**

Other share-based payment transaction with employees (see Note 13)

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 the 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	Can$1,382 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	Can$827 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	Can$802 thousand

Second Free Share plan

First tranche awarded in 2010

• Grant date	October 2010
• Number of free shares issued	500,000
• 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$ 2.39
• Anticipated turnover	Nil
• Total fair value of the plan	Can$1,195 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 25).

23. FINANCE INCOME AND FINANCIAL EXPENSE

Financial income and expense consists of the following:

	December 31,		
	2010	2009	2008
Interest expense	(1,637)	(887)	(1,073)
Gains on short term deposits	212	366	1,017
Other	-	(157)	131
Finance costs	**(1,425)**	**(678)**	**75**

24. INCOME TAX EXPENSE

The tax rate payable by Foraco International is the French tax rate set at 33.33% for the fiscal year 2010. The Group also operates in certain countries in which effective rates of tax may be different.

Income tax expense is presented as follows:

	December 31,		
	2010	2009	2008
Current tax	(3,096)	(5,409)	(7,422)
Deferred tax	(1,048)	(364)	(879)
Total	**(4,144)**	**(5,773)**	**(8,301)**

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

	December 31,		
	2010	2009	2008
Income (loss) before taxes and share of profit from associates	**15,375**	**19,583**	**23,798**
Tax calculated at French tax rate (33.33% for 2010)	5,125	6,497	7,955
Effect of different tax rates	(2,785)	(1,513)	114
Tax provision (see Note 18)	886	381	-
Share-based payment expense	279	346	178
Change in tax rate at French level	-	28	45
Expenses not deductible for tax purposes	128	35	10
Unrecognized tax assets	510	-	-
Total	**4,144**	**5,773**	**8,301**

25. 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 13 and 22).

	December 31,		
	2010	2009	2008
Profit attributable to equity holders of the Company in thousands of US$	**9,073**	**14,743**	**15,406**
Weighted average number of ordinary shares in issue before dilution	70,634,453	58,849,518	58,662,460
Basic earnings per share (US cents per share)	**12.85**	**25.05**	**26.26**
Weighted average number of ordinary shares in issue after dilution (1)	71,491,989	59,251,850	59,130,302
Diluted earnings per share (US cents per share)	**12.69**	**24.88**	**26.05**

(1) Reflect the effect of free shares and warrants issued and outstanding at each reporting period end (see Note 22). 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.

26. DIVIDENDS PER SHARE

On March 7, 2011, the Board of Directors proposed a dividend payment of €0.028 per common share (€0.028 in 2009 and €0.014 in 2008) to be approved by shareholders at the Company's Annual General Meeting on May 10, 2011.

27. COMMITMENTS AND CONTINGENCIES

The guarantees given are the following:

	December 31,		
	2010	2009	2008
Bid bonds	482	1,249	1,634
Advance payment guarantees and performance guarantees	18,351	16,228	16,032
Retention guarantees	4,545	6,473	5,635
Financial guarantees	4,243	1,053	2,771
Total	**27,622**	**25,003**	**26,072**

The Company entered into an operating lease with a related party 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 €905 thousand.

Other operating lease commitments for future periods are not material as of December 31, 2010, 2009 and 2008.

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.

28. RELATED-PARTY TRANSACTIONS

As of December 31, 2010, the shareholders of the Company are composed of a holding company which is under the control of management. This holding company holds 50.3% of the shares before dilutive instruments. 48.5% is available on the Toronto Stock Exchange (excluding treasury shares owned by the Company).

The key management compensation is as follows:

In thousands of €	Wages, attendance fees and bonuses	Share-based payment expense	Other benefits	Total
Key management	1,163	-	-	1,163
Board of Directors members other than key management	62	-	-	62
Year ended December 31, 2010	**1,225**	**-**	**-**	**1,225**
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**

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

During the period, the Company paid during to a related party certain lease rentals amounting to €196 thousand (€185 thousand in 2009 and € 180 thousand in 2008). 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 US$ 1,602 thousand revenue for the period ended December 31, 2010.

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

29. EVENTS AFTER THE BALANCE SHEET DATE

On March 7, 2011, 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 10, 2011.

On March 10, 2011, the Company launched a normal course issuer bid (the "NCIB 3") to be transacted through the TSX. Pursuant to the NCIB 3, the Company may purchase up to 1,000,000 of its common shares. Purchases will be made at prevailing market prices, commencing March 14, 2011 and ending March 13, 2012.

30. CONSOLIDATED SUBSIDIARIES

Subsidiaries	Country of incorporation	Direct and indirect percentage of shareholdings
Foraco International S.A.	France	n.a.
Foraco SAS	France	100%
Géode International SASU	France	100%
Foraco Management SASU	France	100%
Foraco Resources SASU	France	100%
Forafrique International SASU	France	100%
Foraco Canada Ltd.	Canada	100%
Foraco Drilling Ltd.	British Columbia, Canada	100%
Northwest Sequoia Drilling Ltd	Alberta, Canada	100%
Foraco Pacifique SASU	New Caledonia	100%
Mosslake Pty Ltd	Australia	100%
Mosslake Drilling Pty Ltd	Australia	100%
Foraco CI S.A	Ivory Coast	100%
Foremi S.A.	Ivory Coast	51%
Foraco Subsahara	Chad	100%
Foraco Senegal	Senegal	100%
Foraco Niger S.A.	Niger	100%
Foraco Sahel Sarl	Mali	100%
Foraco Guinée Sarl	Guinea	100%
Géo Ghana Ltd	Ghana	100%
Foraco Peru SAC	Peru	100%
Foraco Chile SA	Chile	100%
Adviser Argentina SA	Argentina	100%
Adviser Mexico SA	Mexico	100%
Eastern Drilling Company Llc	Russia	50%

Shareholder Information

Corporate Head Office
26 Plage de L'Estaque
13016 Marseille, France
T: +33.(0)4.96.15.13.60 F: +33.(0)4.96.15.13.61
www.foraco.com

Board of Directors
Daniel Simoncini (Chairman)
Jean-Pierre Charmensat
Jean Paul Camus
Bruno Chabas
Warren Holmes
Jorge Hurtado
Gonzalo Van Wersch

Transfer Agent
Computershare Trust Company of Canada
510 Burrard Street
Vancouver, BC
V6C 3B9

Auditors
PricewaterhouseCoopers

Legal Counsel
Fasken Martineau DuMoulin LLP

Market Data
Shares of Foraco International S.A.
are listed on the Toronto Stock Exchange under the symbol FAR

Investor Contact
Jeanny So
CHF Investor Relations
T: +1.416.868.1079 E: jeanny@chfir.com

Annual General Meeting
May 10, 2011, at 10:00 am
26, Plage de L'Estaque
13016 Marseille, France

integrity • innovation • involvement

Foraco International SA

26 Plage de l'Estaque
13016 Marseille
France

info@foraco.com
www.foraco.com