FORACO INTERNATIONAL
2011 Annual Report

CELEBRATING FIFTY YEARS

A Global Leader

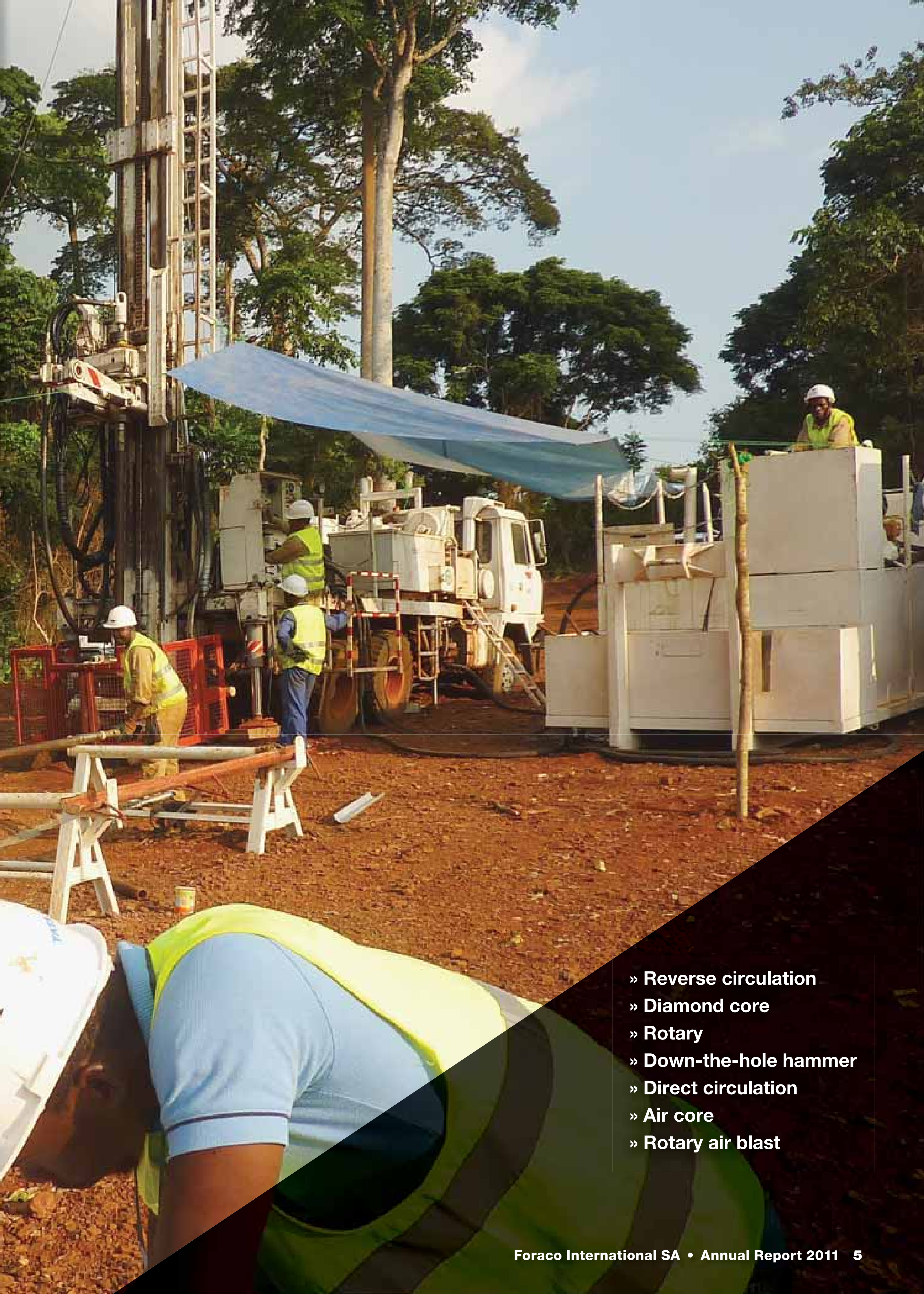
Foraco International SA (TSX:FAR) is a world-class mineral drilling services company with extensive global experience that provides turnkey solutions for the mining and water segments. Foraco has grown to become the third largest global drilling services company in the world with a presence on all 5 continents in 22 countries. Supported by its values of integrity, innovation and involvement, Foraco has achieved a milestone year by celebrating 50 years in business in the drilling industry.

INTEGRATED 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

The global demand for new mineral resources can only be met through the exploration, development and mining of new deposits, all of which require drilling. While drilling activity is most prolific during the exploration and feasibility stages of a mine project, 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

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 way to get access to water or to ensure the proper dewatering of a mine, especially when water is the most crucial commodity to get access to, or to manage.

Foraco is shifting its focus towards the large diameter dewatering wells that are more frequently needed in the mining industry to protect the production facilities from flooding, and in the meantime to ensure this precious commodity is properly extracted and stored in a safe place.

Maintaining clean worksites and using environmentally friendly techniques are standard practice at Foraco to recover, store and monitor groundwater down to one kilometer deep, making us one of the world's leaders in this field.

» Reverse circulation
» Rotary
» Down-the-hole hammer
» Direct circulation
» Casing while drilling

Main Facts

192 Drill Rigs

> **2,700** Employees

US$ **301.1** Million Revenue FY 2011

US$ **73.3** Million EBITDA FY 2011
24% of Revenue

Dividend declared (in € per share): 0.053 € in 2012*, (0.028 € in 2011, 0.028 € in 2010)
* subject to the approval of the General Meeting to be held on April 16, 2012.

Global Outreach

Presence 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

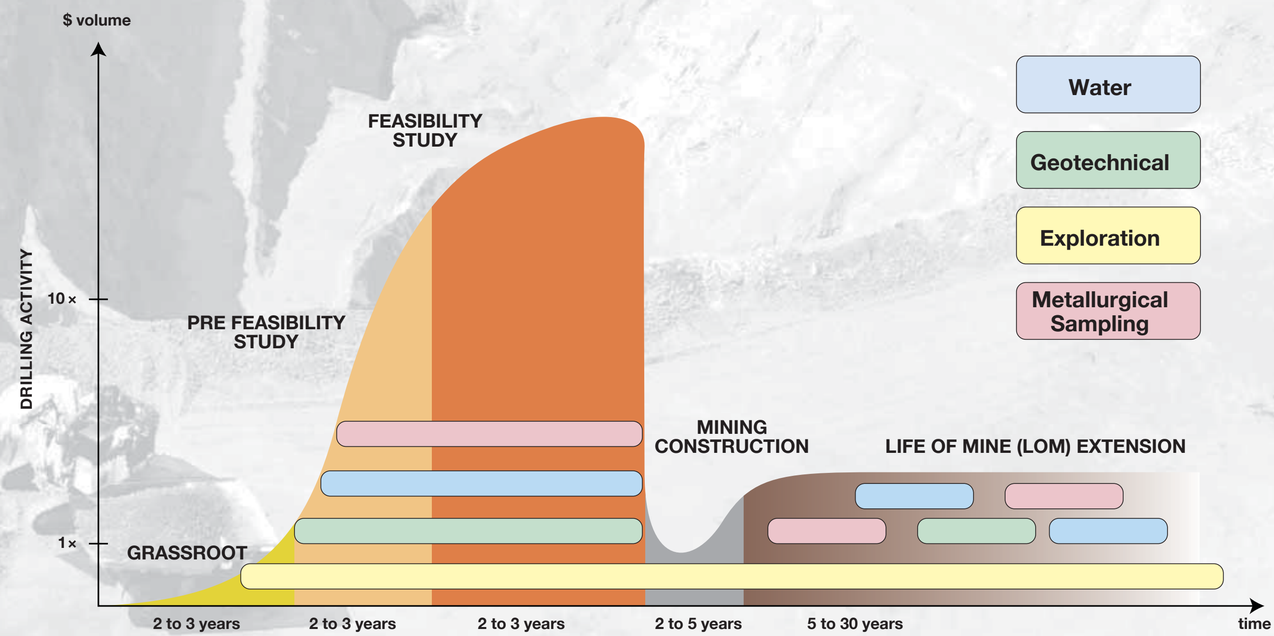
Russia, Kazakhstan

Partnering Services Company

We help our customers answer 4 fundamental questions:

Do we have a deposit?	Exploration & resources delineation
Can we mine it?	Geotechnical drilling
Can we process it?	Large diameter bulk sampling
What about water?	Water supply, monitoring, dewatering

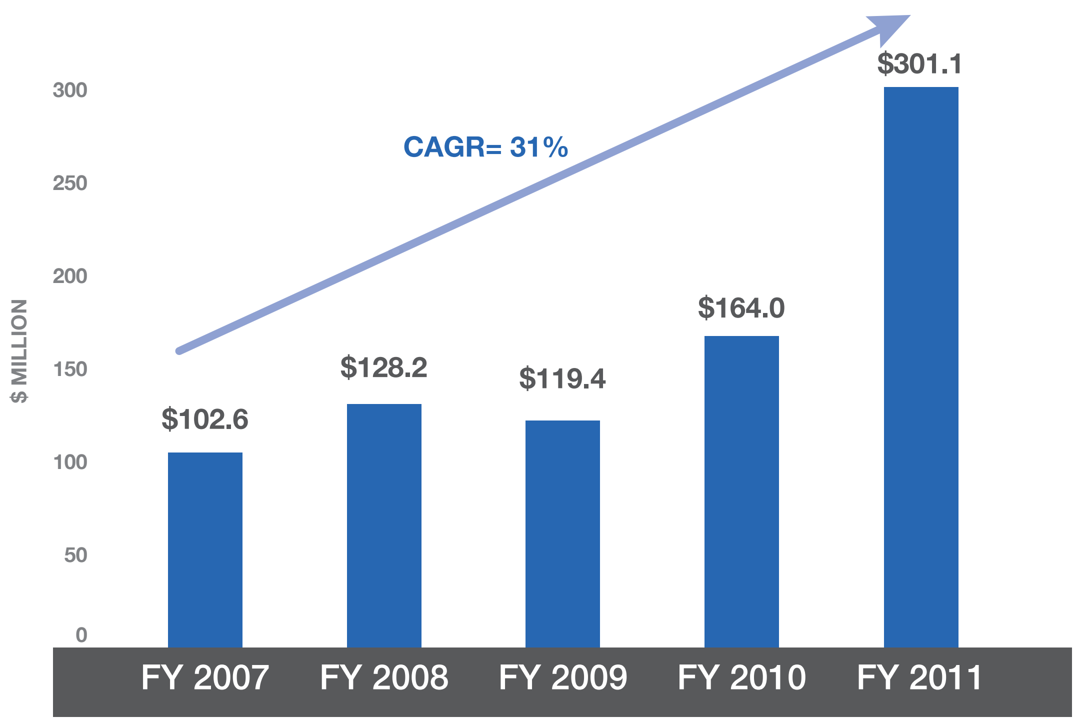
…from project assessment phase to life of mine extension.



Financial Highlights

Remarkable Order Backlog

Annual Revenue Growth

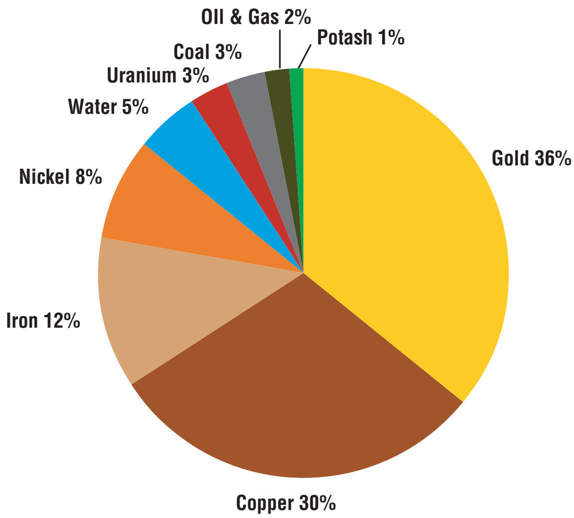


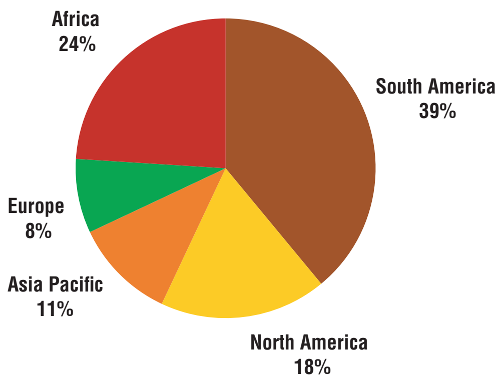
Profitable Operations

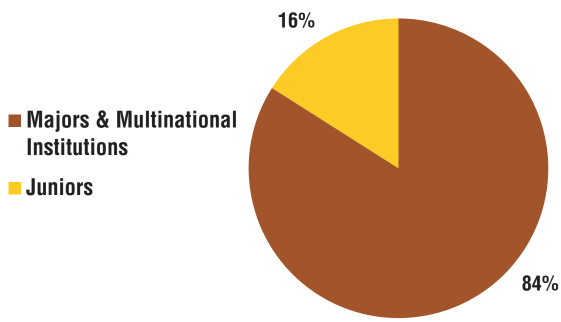
In US$ Million	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenue	102.6	128.2	119.4	164.0	301.1
EBITDA *	24.4	32.9	33.5	37.8	73.3
EBITDA %	23.8%	25.7%	28.1%	23.0%	24.3%
Net Profit	8.9	15.5	13.8	11.3	30.4
Number of Rigs	108	115	119	180	192

**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.*

Operations:
Region Commodity Mix Customer Base (2011)







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. Mr. Camus has been an Independent Director of Foraco International SA since 2007.

BRUNO CHABAS — DIRECTOR

Bruno Chabas joined SBM Offshore as Chief Operating Officer in May 2011 and became the Chief Executive Officer in January of 2012. SBM Offshore N.V. is a pioneer in the offshore oil and gas industry and is listed on NYSE Euronext in Amsterdam. Prior to joining SBM, Mr Chabas worked for 18 years with Acergy (now Subsea 7). From November 2002 until January 2011, he served as the Chief Operating Officer of Acergy, responsible for all the day-to-day commercial and operational activity worldwide. From June 1999 through October 2002, he served as Chief Financial Officer. Between 1992 and 2002, Bruno held various management positions within preceding companies in the United Kingdom, France and the United States. He has been an Independent Director of FORACO International S.A. since August 2007 and holds an MBA from Babson College, 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. Mr. Holmes has been an Independent Director of Foraco International SA since 2007.

JORGE HURTADO — DIRECTOR

Mr. Hurtado acted as 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. Mr. Hurtado has been an Independent Director of Foraco International SA since 2010.

GONZALO VAN WERSCH — DIRECTOR

Mr. van Wersch previously acted as 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. Mr. van Wersch has been an Independent Director of Foraco International SA since 2010.

Letter to Shareholders

Dear Fellow Shareholders,

We are pleased to share this annual report on our company's activities and results for the fiscal year 2011. The year proved excellent in terms of revenue and overall performance, including an all-time share high, record-breaking revenues, record-breaking profits, and finally, the year ended with the milestone 50th anniversary of our time in the drilling industry.

Per-share value rose to an all-time high of CA$4.10, posting an increase of 63% over the year. In comparison to the TSX Composite Index and TSX Global Mining Index, we outperformed both by nearly 60%. Our liquidity increased 25% over 2010, net of normal-course issuer bid and a 2010 significant hedge fund divesture. Post year-end, our per-share value hit an all time high of CA$5.28. We believe that these results indicate a positive trend in overall market appreciation for the long-term business model that Foraco offers.

2011 was a strong year in terms of organic growth for the company. We developed additional internal resources, enhanced collaboration between business units, and focused on leveraging our position in each of our four regions. This growth is evident in our financial results: we posted record high revenues of US$301 million, up 84% from 2010 and our operations profitability improved over the year. Our EBITDA reached US$73.3 million (US$37.8 million in 2010) and our net profit stood at US$30.4 million (US$11.3 million in 2010), resulting in earnings per share (fully diluted) of US$0.34 (US$0.13 in 2010).

In the global mining exploration market, 2011 was very strong in all segments: exploration, brownfield, and life of mine extension. The Metals Economics Group (MEG) annual study reports that the worldwide nonferrous exploration spending, of the 2,329 companies surveyed, reached an estimated US$16.31 billion in 2011, a 53% increase from 2010. The top three regions for worldwide exploration in 2011 were Latin America with 26%, Canada with 18%, and Australia with 12%. As a result, we enjoyed a continuously strong demand for drilling services from our clients.

The sovereign debt crisis in Europe and in the United States, as well as the general economic slowdown that occurred in the latter half of 2011 have not impacted our business to date. We feel confident that should any impact eventually occur, that the effects would be reasonably mitigated by our strong exposure to major companies and our diversified commodities portfolio.

In terms of our regional business units, all showed an overall strong trend of growth and development in terms of demand for services, increased recruitment and talent retention, and in many regions, notable, long-term contacts were signed. These outcomes resulted in an extremely productive year for our organisation.

Our business in Canada showed continued growth throughout 2011. As a result, Canada experienced its best year since we established operations there in 2006. This trend is expected to continue as we have successfully negotiated two new long-term contracts in Ontario, providing a solid foundation for additional growth. We also experienced a record year in Western Canada, with superb rig utilization across our four main markets: oil sands, coal exploration, large diameter bulk sampling and diamond drilling.

In South America, the demand for mineral drilling services has been soaring, pushing us to turn down more jobs than in previous years. In Chile, in addition to fulfilling requests from current customers who called for more rigs, we also signed an additional two large long-term contracts with major companies in the northern region. Overall, we have been busy injecting further resources into this buoyant market and recently passed the thousandth employee mark. This was quite an accomplishment for our local organisation, which faces a very tight labour market. We have recruited seasoned managers, and opened a third operational base in Copiapo to better serve this gold-rich region. In Argentina, the year was marked with increased exploration budgets towards year-end, and we sent five more rigs in-country; our very high current order book level has pushed us to reinforce the management team there as well.

Africa continued to be a very busy region, with significant increases in mining operations, while our traditional water well for people business continued its slow, downward relative trend. Security issues in Niger resulting from the Libyan civil war, and unrest in Ivory Coast drastically reduced our planned activity in those two countries; however, the political stability and strong demand for services in markets such as Guinea, Mali, Burkina Faso and the Republic of the Congo, combined with the addition of customized rigs optimized for specific drilling opportunities, all contributed to growth and activity in the region. We successfully launched contracts with new major customers, notably in iron ore markets, while keeping our focus on customers who have long-term partnership potential. We also deployed the first prototype of our new generation of in-house designed rigs, and invested heavily in training and safety, resulting in the best safety performance demonstrated of all the regions we work in.

Our Russian business unit also performed especially well. We grow more and more confident that we will be able to significantly develop our business in this vast and, for us, barely explored market. The plan here is to continue solidifying our current position, and look to introduce additional services in the near future, as we have done successfully in other regions in the past.

The Asia-Pacific region witnessed continued growth throughout 2011. In Australia, we successfully executed the strategic decision to place capacity into the robust iron ore sector. At year-end, 50% of the Foraco Australia fleet was dedicated to gold-related projects and the remaining 50% to iron ore majors. In August, a significant milestone was achieved when our first reverse circulation (RC) drill entered the market; this was soon followed by a second RC rig in October. These technologically sophisticated drills entered service with major iron ore producers and immediately delivered a solid performance. 2011 witnessed a significant improvement in safety performance in the region, and delivered an exceptional employee retention rate of 93% in one of the tightest global labour markets. Activity in New Caledonia returned to historical levels after some client-related disruptions and we finished the year at full utilization in the region.

Across the board we experienced increased worldwide recognition for the Foraco name in 2011, as noted by the added attention from investors, customers, workers, and suppliers. It is due to this rising profile and strong market demand, that we were able to post an all-time high order book, at year-end, for US$418 million, an increase of 44% from last year (out of which US$298 million is to be delivered in 2012). 2011 also saw a marked evolution toward signing longer contracts with our clients, which boosted efficiency through employee retention, increased health and safety, as well as the overall proficiency of our crews, allowing us to deliver more consistent results. At the end of the year, 85% of our clients were major mining companies.

Current headcount sits at over 2,700 employees, and we saw our workforce increase by approx. 770 people in 2011; this amounted to almost 65 new employees per month, net of departures. Our rising profile in the industry, together with our growing reputation for being an employer of choice has greatly helped us attract skilled talent as well as beginners. Each day we welcome four or five new staff that we have a responsibility to evaluate, train, dispatch, integrate and coach; and this is where the challenge lies – making sure all of these new employees work safely once in the field and in our offices. In fact, the only noticeable disappointment for 2011 came from our safety performance, which was lower than last year. Moving forward, we will give even more focused time, energy, and resources to this area of the business in hopes of resuming our five-year continuous safety performance improvement goal.

We added twenty rigs to our fleet in 2011, and retired six; this brought our end-of-year total to 192. Our focus, which will continue throughout 2012, was to increase research and development efforts via our engineering team, with a plan to design a new generation of Foraco proprietary rigs. These rigs will better suit the needs of our clients, as well as the safety and efficiency of our employees. As deposits continue to get deeper and more complex in remote areas, this competitive edge will assist us in delivering more sustainable and predictable results to our customers.

As far as the structure of our organisation is concerned, we put Foraco in the best position to sustain increased activity in the future by bringing Claude Durocher on board as our Chief Operating Officer in February 2012, post year-end. Claude will first concentrate on the operational duties of increasing profitability, structuring the daily business and managing our organic growth, while working with our VPs to build strategic client relationships and expand upon our existing corporate culture. This will enable the co-CEOs to remain focused on expanding and marketing the company to our shareholders and clients, as well as developing external growth opportunities.

In addition, we further expanded our global reach and on March 2nd 2012, entered into a binding agreement to buy a 51% controlling interest in WFS Sondagem LTDA, or "Servitec". Servitec is the second largest Brazilian mineral drilling company, providing diamond and reverse circulation drilling services for major and junior mining companies in Brazil, since 2000. Servitec's fleet consists of 86 rigs: 72 diamond and 14 reverse circulation drill rigs. Servitec generated approximately US$69 million in revenue for 2011 with a 23% EBITDA margin and 10% net profit margin, on a pro-forma basis. Servitec's founders and current managers will continue managing and developing the company, and the transaction is scheduled to close in April 2011, once approved by the Foraco Shareholders.

This move is another major step forward in implementing our strategy to build Foraco into a world-leading drilling services company. Brazil is the fifth largest country by landmass, the sixth in mining production, and its economy represents more value, in dollar terms, than all other Latin American economies combined. Three out of the five largest mining companies in the world have operations in Brazil and, over the last decade, the mining industry there has enjoyed a tremendous 500% growth. This acquisition will allow us to enter a very active market together with excellent partners.

Including Servitec, Foraco now has a fleet of 278 rigs, 3,600 employees and we are present in 23 countries. We trust that our track record of results-based growth along with the above noted developments and the continued maturation of the organization should bring our customers the added comfort that is so vital to deepening business relationships into fruitful partnerships. This will, in turn, fortify our company in several aspects, including talent retention and safety, enhanced financial performance, long-term growth, and added opportunities for innovation.

At Foraco, we believe success comes through consistency and sustained effort. We established an ambitious strategy in 2006, and since then have not spared any effort to implement it in the most continuous and profitable manner. While 2010 was a transformational year, 2011 was the first year where we could start to harvest the first fruit of this long-term strategy implementation, which is and remains, to create a world-leading drilling services company, offering our customers a comprehensive and predictable service throughout all critical phases of the life of the mine project: exploration, development, and life of mine extension.

After 50 years in business we are excited to embark on this new chapter in Foraco's history, and on behalf of our dedicated employees, senior management, and 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

The following Management's Discussion and Analysis ("MD&A") relates 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 consolidated financial statements for the year ended December 31, 2011, including the notes thereto. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") Following the decision taken by the Accounting Standards Board, IFRS became the accounting standards for all issuers in Canada on January 1, 2011. The Company adopted IFRS and made an explicit and unreserved statement that its consolidated financial statements comply with IFRS in 2004. Therefore, the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements as required by IFRS 1 do not apply to Foraco International.

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 9, 2012, 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
- Consolidated Financial Highlights
- Results of Operations
- Seasonality
- Effect of Exchange Rates
- Liquidity and Capital Resources
- Related Party Transactions
- Capital Stock
- Critical Accounting Estimates
- Non-IFRS Measure
- Litigation
- Subsequent Events
- Condensed pro forma information
- Outlook
- Disclosure Controls and Procedures and Internal Control over Financial Reporting
- Risk Factors

Business Overview

Headquartered in Marseille, France, Foraco is a worldwide drilling service provider with a presence in 22 countries and five continents. On December 31, 2011, the Company had 2,759 employees and operated 192 drill rigs worldwide, 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 focusing on mining and water.

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 the 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.

Consolidated Financial Highlights

Financial highlights

(In thousands of US$)	Year ended December 31, 2011	2010
Revenue	**301,139**	**164,040**
Gross profit (1)	**69,425**	**36,108**
As a percentage of sales	23.1%	22.0%
EBITDA	**73,306**	**37,757**
As a percentage of sales	24.3%	23.0%
Operating profit	**43,419**	**16,901**
As a percentage of sales	**14.4%**	**10.3%**
Profit for the year	**30,414**	**11,331**
EPS (in US$ cents)		
Basic	**34.51**	**12.85**
Diluted	**34.25**	**12.69**

(1) includes amortization and depreciation expenses related to operations

ACQUISITIONS OF BUSINESSES OCCURRING IN 2010

On May 26, 2010, the Company acquired a 100% shareholding in Adviser Drilling SA ("Adviser"), a company based in Chile providing services to major and junior mining companies in South America, mainly in Chile and Argentina.

On May 27, 2010, the Company completed the acquisition of a 50% controlling interest in LLC Eastern Drilling Company ("EDC"). EDC's operational facilities are positioned in far east Russia and Eastern Siberia.

The comparibility of the years ended December 31, 2011 and December 31, 2010 is affected by these acquisitions, which took place in May 2010.

ACQUISITION OF BUSINESS POST YEAR-END

On March 2, 2012, the Company entered into a binding agreement to acquire WFS Sondagem S.A. ("Servitec") through a two-step acquisition. Servitec is the second largest mineral drilling company in Brazil and has provided diamond and reverse circulation drilling services for major and junior mining companies in Brazil since 2000. Servitec's fleet consists of 86 rigs: 72 diamond rigs and 14 reverse circulation drill rigs, as well as ancillary equipment, supported by skilled managers and workers. In 2011 over 65% of Servitec's business was derived from gold exploration, with 75% of its total revenue being sourced from majors. Servitec generated approximately US$ 70 million revenue in 2011 with an EBITDA margin of approximately 23.3%.

The first step of the proposed transaction will be the acquisition of a 51% controlling interest in Servitec, in consideration for:

- Cash consideration of R$ 35.65 million or approximately US$ 20.6 million upon closing,
- 4,816,509 shares of Foraco, out of which 1,300,000 shares are currently held by Foraco

This step is scheduled to be completed in April 2012 and is subject to the completion of certain conditions precedent, including approval of the Toronto Stock Exchange and shareholder approval of Foraco at a meeting of its shareholders scheduled to be held on April, 16 2012.

The parties have a call and a put option to transfer the remaining 49% of Servitec's share capital. This second step of the transaction is due to take place in 2015.

ORDER BACKLOG

As at December 31, 2011, the order backlog amounts to US$ 418 million, a 45% increase compared to 2010 (US$ 289 million). This includes US$ 294 million expected to be executed in the coming year, a 41% increase compared to 2010 (US$ 209 million). The order backlog as at December 31, 2011 does not include the impact of the acquisition of Servitec.

INCREASED REVENUE

- 2011 revenue amounted to US$ 301.1 million compared to US$ 164.0 million in 2010, an increase of 84% or US$ 137.1 million.
- The US$ 137.1 million increase is primarily the result of:
  - US$ 91.4 million in organic growth,
  - US$ 45.7 million in revenue from South America for the five-month period ended May 31, 2011. Adviser generated US$ 16.3 million more during the five month period ended May 31, 2011 than during the corresponding period in 2010 when it operated on a standalone basis.

INCREASED PROFITABILITY

- 2011 gross profit including depreciation within cost of sales amounted to US$ 69.4 million, an increase of 92% or US$ 33.3 million compared to 2010.
- 2011 EBITDA amounted to US$ 73.3 million, 24.3% of revenue, compared to US$ 37.8 million in 2010, 23.0% of revenue.
- 2011 net profit after tax amounted to US$ 30.4 million, an increase of 168% or US$ 19.1 million compared to 2010.
- 2011 earnings per share amounted to 34.51 US$ cents (basic) and 34.25 US$ cents (diluted), compared to 12.85 US$ cents (basic) and 12.69 US$ cents (diluted) as reported in 2010.

Results of Operations

Revenue

The following table provides a breakdown of the Company's revenue for 2011 and 2010 by reporting segment and geographic region:

(In thousands of US$)	FY 2011	% change	FY 2010
Revenues			
Reporting segment			
Mining	286,444	96%	146,114
Water	14,695	-18%	17,925
Total revenue	**301,139**	**84%**	**164,040**
Geographic region			
South America	117,779	139%	49,325
Africa	72,039	54%	46,655
North America	55,754	88%	29,598
Asia Pacific	32,472	33%	24,379
Europe	23,096	64%	14,084
Total revenue	**301,139**	**84%**	**164,040**

2011 revenue amounted to US$ 301.1 million, an increase of 84% compared to US$ 164.0 million in 2010.

The Mining segment increased by 96% or US$ 140.0 million, driven by the contribution of operations in South America (US$ 117.8 million in 2011 compared to US$ 49.3 million in 2010) and a generally strong demand from which all operations benefited worldwide (US$ 71.5 million increase in revenue).

Water segment revenue decreased by 18% from US$ 17.9 million to US$ 14.7 million in 2011. New developments in the water segment are expected in relation to the needs of mining clients.

Revenue in South America amounted to US$ 117.8 million in 2011 compared to US$ 49.3 million in 2010 which corresponded to a seven-month period of activity as Adviser was acquired in May 2010. The US$ 78.7 million increase in revenue on an equivalent pro forma twelve-month basis for 2010 is mainly generated by long-term contracts with major companies in Chile.

In Africa, the 2011 revenue increased by 54% or US$ 25.4 million compared to 2010 as a result of the Company's continued strategy to develop its mining operations in West Africa. The Water segment, decreased by 18% or US$ 3.2 million during the year partly due to the political turmoil in Ivory Coast in the first part of the year and the ending of some contracts in 2011.

As a result of the continuing improvements in market conditions in Canada during the year, revenue in North America increased by 88% to US$ 55.8 million in 2011 from US$ 29.6 million in 2010. Greater demand from the oil sands activity and the development of long-term contracts with major companies in Western Canada and Ontario contributed to this increase.

In Asia-Pacific, 2011 revenue amounted to US$ 32.5 million, an increase of 33% or US$ 8.1 million compared to 2010. Both Australia and New Caledonia contributed to this increase.

Revenue in Europe amounted to US$ 23.1 million in 2011, an increase of US$ 9.0 million or 64% compared to 2010. This increase is due to stronger activity in Russia during the second and third quarters, when all rigs were in operation.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for 2011 and 2010:

(In thousands of US$)	2011	% change	2010
Gross profit			
Reporting segment			
Mining	66,165	108%	31,735
Water	3,260	-25%	4,373
Total gross profit	**69,425**	**92%**	**36,108**

For the year ended December 31, 2011, gross profit amounted to US$ 69.4 million or 23.1% of revenue, an increase of US$ 33.3 million or 92% compared to 2010 when gross profit was US$ 36.1 million or 22.0% of revenue.

In general, the Mining segment gross profit benefited from improvements in utilization, contract terms, pricing and operational performance.

In the Water segment, gross profit margins decreased slightly from 24.4% in 2010 to 22.2% in 2011 mainly due to the reduced level of activity which resulted in a lower utilization of equipment.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses (SG&A) represent the vast majority of operating expenses other than cost of sales:

(In thousands of US$)	2011	% change	2010
Selling, general and administrative expenses	25,983	35%	19,508
As a percentage of revenue	9%		12%

As anticipated SG&A decreased to 9% of revenue in 2011 as compared to 12% in 2010, as a result of the growth strategy implemented by the Company.

OPERATING PROFIT

The following table provides a breakdown of the Company's operating profit for 2011 and 2010 by reporting segment:

(In thousands of US$)	2011	% change	2010
operating profit			
Reporting segment			
Mining	41,441	178%	14,891
Water	1,978	-2%-	2,010
Total gross profit	**43,419**	**157%**	**16,901**

Operating profit increased to US$ 43.4 million or 14.4% of revenue in 2011 compared to US$ 16.9 million or 10.3% of revenue in 2010. This improvement is primarily due to the increased level of gross margin, together with the reduction of SG&A as a percentage of revenue.

FINANCE COSTS

Net financial expenses totaled US$ 3.4 million in 2011, compared to US$ 1.4 million for the corresponding 2010 period. The increase is mainly explained by the consolidation of the debts assumed as part of the acquisitions realized in May 2010 and the new financial debts to finance the significant capital expenditure and working capital required by the Company's growth. It is partially offset by the impact of currency exchange gains.

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 24% compared to 27% in 2010. 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 its overall exposure to seasonality and its influence on business activity. 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 when the winter season peaks.

Effect of Exchange Rates

The Company mitigates its exposure to foreign currency fluctuations by balancing its costs, revenues and financing in local currencies, resulting in a natural hedge. No hedging transactions have been entered into in 2011. The exchange rates for the periods under review are as follows against the US$:

	Closing FY 2011	Average 2011	Closing 2010	Average 2010
€	0.77	0.72	0.76	0.75
CAD	1.02	0.99	1.01	1.03
AUD	0.98	0.97	1.01	1.09
CLP	519	485	461	516

Liquidity and Capital Resources

The following table provides a summary of the Company's cash flows for 2011 and 2010:

(In thousands of US$)	FY 2011	FY 2010
Cash generated from operations before working capital requirements	74,088	37,466
Working capital requirements, interest and tax	(6,320)	(20,103)
Net cash flow from operating activities	**67,768**	**17,363**
Purchase of equipment in cash	(35,702)	(13,735)
Consideration payable related to acquisitions	(7,600)	(7,019)
Net cash used in investing activities	**(43,302)**	**(20,754)**
Repayment of financial debts, net of proceeds	(7,981)	(2,154)
Acquisition of treasury shares	(3,272)	(373)
Dividends paid	(2,957)	(2,039)
Net cash used in financing activities	**(14,210)**	**(4,566)**
Exchange differences	(863)	(3,028)
Variation in cash and cash equivalents	**9,393**	**(10,985)**

For the year ended December 31, 2011, cash generated from operations before changes in operating assets and liabilities increased to US$ 74.1 million in 2011 compared to US$ 37.5 million in previous year.

In 2011, the working capital requirements amounted to US$ 6.3 million compared to US$ 20.1 million for the same period last year.

After interest and income tax paid, the cash flow from operations amounted to US$ 67.8 million, a year-on-year increase of US$ 50.4 million.

During the year, the Company acquired operating equipment through US$ 35.7 million in cash purchases and US$ 15.6 million in finance leases not shown in the table above as they were non-cash transactions. This compares to a total of US$ 13.8 million in cash purchases and US$ 4.4 million in finance leases in 2010.

In 2011, 21 new rigs and ancillary equipment were acquired and 9 rigs were retired from service.

During the year, the Company paid the final payment due to EDC's former shareholders for an amount of US$ 7.6 million.

During the same period, the Company paid dividends to its common shareholders amounting to US$ 3.0 million.

As of December 31, 2011, cash and cash equivalents totaled US$ 24.3 million compared to US$ 14.9 million as at December 31, 2010. Cash and cash equivalents are held at or invested within top tier financial institutions.

On December 31, 2011, financial debts and equivalents amounted to US$ 49.2 million (US$ 49.6 million as at December 31, 2010). In 2011, the Company finalized US$ 8.6 million in additional long-term financing agreements with French banks and continued to increase its short-term credit lines in order to align them with its enlarged operations.

As at December 31, 2011, 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	7,640	—	—	7,640
Assignment of trade receivables with recourse	10,886	—	—	10,886
Bank financing	4,574	6,205	—	10,779
Capital lease obligations	8,812	11,087	__	19,899
Total financial debt	31,912	17,292		49,204

Assignment of trade receivables with recourse, which is presented in the table above as "less than one year", is backed by trade receivables and can be renewed as necessary. The Company has used and unused short-term credit facilities of US$ 82.6 million available as at December 31, 2011, corresponding to bank overdrafts and assignment of trade receivables. US$ 18.5 million has been drawn down as at December 31, 2011.

As at December 31, 2011, the net debt (debt net of cash) amounted to US$ 24.9 million. The ratio of net debt to shareholders' equity decreased to 0.15 from 0.24 as at December 31, 2010.

Bank guarantees as at December 31, 2011, totaled US$ 19.1 million compared to US$ 27.6 million as at December 31, 2010.

The Company is not subject to any financial covenants as at December 31, 2011.

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. For details on off-balance sheet items, please refer to Note 26 of the consolidated financial statements.

Related-Party Transactions

For details on related-party transactions, please refer to Note 27 of the consolidated financial statements.

Capital Stock

As at December 31, 2011, 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	37,596,497	-	37,596,497	47.33%
Common shares held directly or indirectly by individuals in their capacity as members of the Board of Directors*	1,754,249	500,071	2,254,320	2.84%
Common shares held by the Company**	1,271,700	-	1,271,700	1.60%
Common shares held by the public	34,056,304	4,256,468	38,312,772	48.23%
Total common shares and warrants issued and outstanding	**74,678,750**	**4,756,539**	**79,435,289**	
Common shares held by the Company	(1,271,700)	-	(1,271,700)	
Total common shares and warrants issued and outstanding excluding shares held by the Company	**73,407,050**	**4,756,539**	**78,163,589**	

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

**1,271,700 common shares are held by the Company to meet the Company's obligations under the employee free share plan and for the purposes of potential acquisitions.

Number of shares outstanding

As at December 31, 2010 and 2011, the number of shares issued and outstanding was 74,678,750 along with 4,756,539 warrants.

As at December 31, 2011, the number of shares issued and outstanding, including warrants and net of shares held by the Company is 78,163,589. 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 1,601,000.

For the purpose of the earnings per share calculation under IFRS, the 2011 basic weighted average number of shares used was 78,323,743, and 78,901,466 on a fully diluted basis.

Critical Accounting Estimates

The consolidated financial statements have been prepared in accordance with IFRS. The Company's significant accounting policies are described in Note 2 to the annual consolidated financial statements. As required by IAS 1, the depreciation of property, plant and equipment related to operations is included within cost of sales.

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.

The reconciliation of the EBITDA with the operating profit is as follows:

(In thousands of US$) (unaudited)	2011	2010
Operating profit	43,419	16,901
Depreciation expense	28,804	20,018
Non-cash employee share-based compensation	1,083	838
EBITDA	**73,306**	**37,757**

Litigation

There is no significant pending litigation.

Subsequent Events

On March 2, 2012, the Company entered into a binding agreement to acquire 51% of the shares of Servitec. As part of this agreement, the Company has an option to acquire and the current shareholders of Servitec have an option to sell the remaining 49% in 2015 at a price based on a formula principally taking into account EBITDA and net debt.

On March 5, 2012, the Board of Directors proposed a dividend payment of €0.053 per common share to be approved by shareholders at the Company's Annual General Meeting on April 16, 2012.

Condensed pro forma financial information

The following condensed pro forma financial information presents the financial position of Foraco International as of December 31, 2011, assuming the acquisition of Servitec had been completed as of January 1, 2011. These condensed pro forma statements have been prepared for illustrative purposes only within this MD&A and will need to be updated to take into account the latest information regarding share prices and exchange rates at the date the transaction is concluded as well as further refinements related to the purchase price consideration and the allocation of the purchase price. Therefore, these condensed pro forma statements are not necessarily representative of the unaudited pro forma financial information which will be included in the Business Acquisition Report.

CONDENSED PRO FORMA BALANCE SHEET

	December 31, 2011			
(In thousands of US$)	**Foraco International**	**Servitec**	**Pro forma adjustments**	**Combined Pro forma**
Property, plant and equipment	92,500	14,659	-	107,159
Goodwill	50,629	-	54,512	105,141
Deferred income tax assets	7,984	-	28,082	36,066
Other assets	13,470	1,462	-	14,932
Inventories, net	40,754	2,757	-	43,511
Trade receivables, net	45,490	5,601	-	51,091
Cash and cash equivalents	24,313	7,644	(21,381)	10,576
Total assets	**275,140**	**32,123**	**61,213**	**368,476**
Equity	162,542	17,266	4,634	184,443
Borrowings	49,202	7,291	748	57,241
Consideration payable related to acquisitions	470	211	55,838	56,519
Other liabilities	62,924	7,355	(7)	70,272
Total equity and liabilities	**275,140**	**32,123**	**61,213**	**368,476**

The condensed pro forma balance sheet includes goodwill resulting from the acquisition amounting to US$ 54.5 million, net of the tax benefit of US$ 28.1 million resulting from the amortization of goodwill under Brazilian tax law.

The consideration payable related to the acquisition amounting to US$ 55.8 million corresponds to the best estimate of the discounted consideration payable for the second step of the transaction.

PRO FORMA CONDENSED INCOME STATEMENT

	December 31, 2011			
(In thousands of US$)	**Foraco International (12 months)**	**Servitec (12 months)**	**Pro forma adjustments**	**Combined Pro forma**
Revenue	**301,139**	**69,731**	**-**	**370,870**
Gross profit	**69,425**	**15,514**	**-**	**84,939**
As a percentage of sales	23.1%	22.2%		22.9%
EBITDA	**73,306**	**16,222**	**(400)**	**89,128**
As a percentage of sales	24.3%	23.3%		24.0%
Operating profit	**43,419**	**11,258**	**(400)**	**54,277**
Profit for the year	**30,414**	**6,715**	**(14)**	**37,115**
EPS (in US$ Cents)				
Basic	34.51			36.62
Diluted	34.25			36.37

Servitec's gross profit as a percentage of sales represents 22.2% compared to 23.1% for Foraco International.

Servitec's EBITDA as a percentage of sales represents 23.3% compared to 24.3% for Foraco International.

The pro forma adjustments mainly include estimated transaction costs, various adjustments on financial income and expense resulting from the payment of the cash consideration for the first step, and the related income tax effects.

This pro forma information does not take into account synergies, cost savings, or additional general, administrative and integration costs on a full year basis which could result from this acquisition. Excluding this, the acquisition of Servitec has an accretive effect on EPS with an additional US$ 2.12 cents or 6% on a proforma 2011 basis

The combined pro forma EBITDA reconciles with operating profit as follows:

	Year ended December 31, 2011			
(In thousands of US$)	**Foraco International (12 months)**	**Servitec (12 months)**	**Pro forma adjustments**	**Combined Pro forma**
Operating profit	**43,419**	**11,258**	**(400)**	**54,277**
Depreciation expense	**28,804**	**4,964**	**-**	**33,768**
Non-cash employee share-based compensation	1,083	-	-	1,083
EBITDA	**73,306**	**16,222**	**(400)**	**89,128**

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, 2011, the Company's order backlog for continuing operations was US$ 418 million, of which US$ 294 million is expected to be executed during the 2012 fiscal year. This compares to an order backlog as at December 31, 2010 of US$ 289 million of which US$ 209 million was expected to be executed during the 2011 fiscal year.

The Company's order backlog consists in 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 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 2011 financial year, the Audit Committee met five times.

COMPENSATION COMMITTEE

The principal responsibilities 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 2011 financial year, the Compensation Committee met twice.

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 2011 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 and throughout 2011, the Company strengthened the internal control processes in these locations and enforced the implementation of Group procedures. Specific attention was paid to processes such as the follow-up of contract margins at completion, inventory and treasury.

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 in a risk control matrix. 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 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.

In 2011, the Company performed a risk assessment which consisted of evaluating the likelihood and the magnitude of the risks to which it is exposed. The conclusions were used to reassess the adequacy of the Company's risk control matrix. The assessment did not reveal any significant deficiencies in the design of the Company's controls.

The Company has evaluated the effectiveness of the internal control procedures over financial reporting as of December 31, 2011 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, 2011.

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 9, 2012, 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, 2011 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes.

Managements Responsibility for the Consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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, 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers Audit
[Signed]

Marseille, France
March 8, 2012

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

Table Of Content

CONSOLIDATED BALANCE SHEET — ASSETS

In thousands of US$		As at December 31,		
	Note	**2011**	**2010**	**2009**
ASSETS				
Non-current assets				
Property and equipment	(6)	92,500	78,289	43,636
Goodwill	(7)	50,629	50,667	14,879
Deferred income tax assets	(16)	7,984	10,805	604
Other non-current assets	(8)	1,006	1,699	341
		152,119	**141,460**	**59,469**
Current assets				
Inventories, net	(9)	40,754	32,384	22,282
Trade receivables, net	(10)	45,490	40,996	16,325
Other current receivables	(11)	12,464	17,195	8,589
Cash and cash equivalents	(12)	24,313	14,920	25,905
		123,021	**105,495**	**73,101**
Total assets		**275,140**	**246,955**	**132,561**

CONSOLIDATED BALANCE SHEET — EQUITY & LIABILITIES

In thousands of US$		As at December 31,		
	Note	**2011**	**2010**	**2009**
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	(13)	1,468	1,468	1,190
Share premium and retained earnings	(13)	159,434	137,342	84,134
Other reserves	(13)	(3,393)	4,131	7,043
		157,509	**142,941**	**92,367**
Non-controlling interests		5,033	3,811	224
Total equity		**162,542**	**146,751**	**92,590**
LIABILITIES				
Non-current liabilities				
Borrowings	(14)	17,292	11,359	3,542
Consideration payable related to acquisitions	(15)	-	-	3,162
Deferred income tax liabilities	(16)	3,976	7,213	2,341
Provisions for other liabilities and charges	(17)/(18)	677	1,597	400
		21,945	**20,169**	**9,445**
Current liabilities				
Trade and other payables	(19)	51,535	39,024	22,955
Current income tax liabilities		5,841	2,374	1,413
Borrowings	(14)	31,912	30,332	5,725
Consideration payable related to acquisitions	(15)	470	7,941	-
Provisions for other liabilities and charges	(17)	896	364	432
Total liabilities		**90,655**	**80,035**	**30,525**
Total equity and liabilities		**275,140**	**246,955**	**132,561**

CONSOLIDATED INCOME STATEMENT – BY FUNCTION OF EXPENSE

In thousands of US$		Year Ended December 31,		
	Note	**2011**	**2010**	**2009**
Revenue	(5)	301,139	164,040	119,402
Cost of sales	(20)	(231,714)	(127,932)	(83,843)
Gross profit		**69,425**	**36,108**	**35,559**
Selling, general and administrative expenses	(20)	(25,983)	(19,508)	(15,609)
Other operating income/(expense), net	(20)	(23)	301	310
Operating profit		**43,419**	**16,901**	**20,260**
Finance income	(22)	417	212	366
Finance expense	(22)	(3,806)	(1,637)	(1,044)
Profit before income tax		**40,030**	**15,475**	**19,583**
Income tax expense	(23)	(9,616)	(4,144)	(5,773)
Profit for the year		**30,414**	**11,331**	**13,810**
Attributable to:				
Equity holders of the Company	(24)	27,027	9,073	14,743
Non-controlling interest		3,387	2,258	(934)
		30,414	**11,331**	**13,810**
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US cents per share)				
- basic	(24)	34.51	12.85	25.05
- diluted	(24)	34.25	12.69	24.88

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of US$	Year Ended December 31,		
	2011	**2010**	**2009**
Profit for the year	**30,414**	**11,331**	**13,810**
Investment hedge, net of tax	(2,348)	1,175	(648)
Currency translation differences	(5,047)	(4,454)	6,419
Other comprehensive income for the year	**(7,395)**	**(3,279)**	**5,771**
Total comprehensive income for the year	**23,019**	**8,052**	**19,581**
Attributable to:			
Equity holders of the Company	19,720	5,789	20,310
Non-controlling interest	3,299	2,263	(729)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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, 2009	**1,190**	**71,064**	**635**	**72,890**	**254**	**73,144**
Profit for the year	—	14,747	—	14,747	62	14,810
Other comprehensive income for the year	—	—	5,771	5,771	—	5,771
Employee share-based compensation (Note 23)		—	1,039	1,039	—	1,039
Treasury shares purchased (Note 13)	—	(1,228)	—	(1,228)	—	(1,228)
Dividends declared relating to 2008	—	(1,146)	—	(1,146)	(93)	(1,239)
Vesting of share-based compensation (Note 13)		402	(402)	—	—	—
Transfer of shares in connection with acquisition of subsidiaries, net of tax (Note 7)	—	294	—	294	—	294
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**
Profit for the year	—	9,073	—	9,073	2,258	11,331
Other comprehensive income for the year	—	—	(3,284)	(3,284)	5	(3,279)
Effect of the adoption of IFRS 3(R)	—	(416)	—	(416)	—	(416)
Employee share-based compensation (Note 23)		—	838	838	—	838
Acquisition of Adviser Drilling SA (Note 7)	278	46,418	—	46,696	—	46,696
Purchase of treasury shares (Note 13)	—	(373)	—	(373)	—	(373)
Dividends declared relating to 2009	—	(2,007)	—	(2,007)	(29)	(2,036)
Vesting of share-based compensation (Note 13)		466	(466)	—	—	—
Acquisition of non-controlling Interests	—	47	—	47	(65)	(18)
Acquisition of Eastern Drilling Company LLC (See Note 7)	—	—	—	—	1,419	1,419
Balance at December 31, 2010	**1,468**	**137,342**	**4,131**	**142,941**	**3,811**	**146,751**
Balance at January 1, 2011	**1,468**	**137,342**	**4,131**	**142,941**	**3,811**	**146,751**
Profit for the year	—	20,027	—	20,027	3,387	30,414
Other comprehensive income for the year	—	—	(7,307)	(7,307)	(88)	(7,395)
Employee share-based compensation (Note 23)		—	1,083	1,083	—	1,083
Purchase of treasury shares (Note 13)	—	(3,272)	—	(3,272)	—	(3,272)
Dividends declared relating to 2010	—	(2,962)	—	(2,962)	(2,077)	(5,039)
Vesting of share-based compensation (Note 13)		1,300	(1,300)	—	—	—
Balance at December 31, 2011	**1,468**	**159,434**	**(3,393)**	**157,510**	**5,033**	**162,542**

CONSOLIDATED STATEMENT OF CASH FLOW

In thousands of US$	Note	2011	2010	2009
		Year Ended December 31,		
Cash flows from operating activities				
Profit for the year		**30,414**	**11,331**	**13,810**
Adjustments for:				
Depreciation, amortization and impairment	(20)	28,804	20,018	12,120
Changes in non-current portion of provisions and other liabilities		374	55	(119)
Loss on sale and disposal of assets		409	—	—
Non-cash share-based compensation expenses	(21)	1,083	838	1,037
Income taxes expense	(23)	9,615	3,798	5,819
Finance income and expenses, net	(22)	3,389	1,426	662
Cash generated from operations before changes in operating assets and liabilities		**74,088**	**37,466**	**33,329**
Changes in operating assets and liabilities:				
Inventories		(9,168)	(2,450)	177
Trade accounts receivable and other receivable		(1,649)	(10,106)	2,190
Trade accounts payable and other payable		7,717	2,767	(2,632)
Cash generated from operations		**70,988**	**27,677**	**33,065**
Interest received/(paid)		(2,989)	(1,386)	(507)
Income tax paid		(231)	(8,928)	(7,488)
Net cash flow from operating activities		**67,768**	**17,363**	**25,070**
Cash flows from investing activities				
Purchase of Property and equipment and intangible assets (*)	(6)	(35,702)	(13,735)	(9,459)
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)	(7,600)	(1,588)	—
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
Acquisition of non-controlling interests		—	(18)	—
Net cash used in investing activities		**(43,302)**	**(20,754)**	**(11,968)**
Cash flows from financing activities				
Acquisition of treasury shares	(13)	(3,272)	(373)	(1,225)
Repayments of borrowings	(14)	(20,525)	(14,520)	(3,115)
Proceeds from issuance of borrowings, net of issuance costs		8,634	7,039	832
Net increase/(decrease) in bank overdrafts and short-term loans		3,910	5,327	(2,766)
Dividends paid to Company's shareholders	(25)	(2,957)	(2,007)	(1,128)
Dividends paid to non-controlling interests		—	(32)	(93)
Net cash used in financing activities		**(14,210)**	**(4,566)**	**(7,496)**
Exchange differences in cash and cash equivalents		(863)	(3,028)	739
Net increase/(decrease) in cash and cash equivalents		**9,393**	**(10,985)**	**6,345**
Cash and cash equivalents at beginning of the year	(12)	14,920	25,905	19,560
Cash and cash equivalents at the end of the year	**(12)**	**24,313**	**14,920**	**25,905**
(*) Excluding acquisition financed through finance leases		15,608	4,402	—
(**) Excluding portion of purchased through shares, warrants and treasury shares		—	46,697	294
(***) Excluding deferred cash consideration to be paid in future periods		470	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 principle sources of revenue consist of drilling contracts for companies primarily involved in mining and water exploration. The Company has operations in Africa, Europe, North America, South America and Asia Pacific.

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

These consolidated financial statements were authorized for issue by the Board of Directors on March 5, 2012.

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 except for certain financial assets recognized at fair value through profit and loss.

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.

Standards, amendments and interpretations to existing standards that have been adopted by the Company on January 1, 2011 with no material impact on the consolidated financial statements

- Revised IAS 24 - “Related party disclosures
- IFRIC 19, “Extinguishing financial liabilities with equity instruments
- Amendments to IFRIC 14 - “Prepayments of a minimum funding requirement”
- Amendments to IAS 32, “classification of rights issues
- Improvements to IFRS 2010

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, 2012 or later periods, but the Group has not early adopted them:

- IFRS 7 – Financial instruments - disclosures
- IFRS 9 –Financial instruments
- IFRS 10 - Consolidated Financial Statements
- IFRS 11 - Joint arrangements
- IFRS 12 – Disclosure of interests in other entities
- IFRS 13 – Fair value measurement
- Amendment to IAS 1 – Presentation of financial statements
- Amendment to IAS 12 – Income taxes
- Amendment to IAS 19 – Employee benefits
- Amendment to IAS 27 - Separate financial statements
- Amendment to IAS 28 – Associates and joint ventures

The impact resulting from 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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies. 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 Company applies the acquisition method to account for business acquisitions. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets and acquired liabilities assumed (Note 7).

Inter company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. 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 year 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 segments. Segment reporting disclosures are provided in Note 5.

2.4 Foreign Currency translation

(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 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.

(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 other comprehensive income as qualifying net investment hedges.

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

(C) GROUP COMPANIES

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

The results and financial position of all the Group entities that have a functional currency different 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 in other comprehensive income and as a separate component of equity within "Other reserves".

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income 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 significant 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	3 to 10 years
Other drilling equipment	1 to 5 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 reporting period.

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

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

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

2.6 Intangible Assets

GOODWILL

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired, is recorded as goodwill. Goodwill on acquisitions of subsidiaries is presented on the consolidated balance sheet under the line item "Goodwill".

Goodwill is tested annually for impairment (or when events or changes in circumstances indicate a potential 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).

2.7 Impairment of Non-financial Assets

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

2.8 Financial Assets

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

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

2.9 Derivative Financial Instruments and Hedging Activities

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

2.10 Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income within operating expenses 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 date at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.11 Inventories

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

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

2.12 Revenue Recognition

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

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

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

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

2.13 Trade Receivables

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

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

2.14 Cash and Cash Equivalents

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

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

2.15 Share Capital

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

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

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

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

2.16 Borrowings

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

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

2.17 Income Tax

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or 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 taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax assets are recognized only to the extent that is is probable that future taxable profit will be available against which the temporary differences can be utilized.

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 legal claims are recognized when:

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

The Group did not experience restructuring over the periods presented.

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

The Company does not provide for future operating losses, except when such losses result from loss making contracts in accordance with policy described in note 2.12. The Company had no loss making contract over the periods presented.

2.19 Employee Benefits

(A) PENSION OBLIGATIONS

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise. Changes in amounts recognized in other comprehensive income are detailed in Note 13.

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

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

The Company does not provide other post-employment benefits.

(B) BONUSES

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

(C) SHARE-BASED COMPENSATION

The Group operates a limited number of equity-settled, share-based compensation plans under which the Group receives services from its employees as consideration for equity instruments (free shares see note 22). 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, including service conditions are included in assumptions about the number of shares that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the Group issues equity instruments such as warrants as a consideration for services to be received from third parties other than employees, these transactions are accounted for as share-based compensation.

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

2.20 Trade Payables

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

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

2.21 Earnings Per Share

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

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 24.

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 financial 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 integration of Adviser and EDC which took place in May 2010, the Euro represents 20% 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 2011, no hedging transactions have been entered into.

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

	Closing 2011	Closing 2010	Closing 2009	Average 2011	Average 2010	Average 2009
€	0.77	0.76	0.70	0.72	0.75	0.71
CAD	1.02	1.01	1.05	0.99	1.03	1.13
AUD	0.98	1.01	1.11	0.97	1.09	1.21
CLP	519	461	N/A	485	516	N/A

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

	As of December 31, 2011	
Effect on revenue of a change	**+5%**	**-5%**
Canadian $ / US$	2,788	(2,788)
€ / US$	3,602	(3,602)
AUD / US$	1,213	(1,213)
CLP / US$	4,834	(4,834)

A 5% change of the US$ against all the other currencies used by the Group would have a positive or negative impact of US$ 1,221 thousand on the 2011 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 rate of short term deposits held by the Group is presented below (in thousands of US$):

	As of December 31,		
	2011	**2010**	**2009**
Average amount of cash and cash equivalents over the period	**18,748**	**15,352**	**21,134**
Increase in financial income following a 50 b.p. increase	94	77	106
Decrease in financial income following a 50 b.p. decrease	(94)	(77)	(106)

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

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

(C) CREDIT RISK

All significant cash and cash equivalents and deposits with banks and financial institutions are spread over major financial institutions having an investment grade rating.

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. Three customers accounted for approximately 34% of the Company's sales during the year ended December 31, 2011 (one customer accounted for 14% in 2010 and on customer accounted for 10% in 2009). No other single customer accounted for more than 10% of the Company's sales during the years ended December 31, 2011, 2010 and 2009.

(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 14.

3.2 Country risk

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

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

3.3 Capital risk management

The primary objective of the Company's capital management is to ensure that it maintains a prudent liquidity ratio in order to support its growth strategy and maximize shareholders value. The Company monitors financial measures presented in Note 5 on an ongoing basis as well as its net cash level (cash and cash equivalent less borrowings) presented in Notes 12 and 14.

3.4 Estimation of fair value of financial assets and liabilities

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As of December 31, 2011, the Group holds US$ 3,253 thousand of assets at fair value (2010 – US$ 5,121 thousand and 2009 – US$ 14,618 thousand). These assets were valued using quoted prices in active markets (level 1). The Group does 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 14).

3.5 Financial instruments by category

December 31, 2011	**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	57,954	—	—	—	57,954
Cash and cash equivalents	21,059	3,253	—	—	24,313
Total	**79,013**	**3,253**	**—**	**—**	**82,266**

	Liabilities at fair value through the profit and loss	**Derivatives used for hedging**	**Other financial liabilities**	**Total**
Liabilities as per balance sheet				
Borrowings	-	-	49,204	49,204
Trade and other payables	-	-	57,375	57,375
Total	**-**	**-**	**106,579**	**106,579**

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**

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, 2011 the goodwill is allocated to cash generating units corresponding to the following operating / geographical segments:

Mining activity – Africa. 767
Water activity – Africa 1,963
Mining activity – North America. 11,149
Mining activity – Asia-Pacific. 1,440
Mining activity – South America.. 27,130
Mining activity – Europe 8,181
Total goodwill as at December 31, 2011 50,629

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 operating profit assumption and discount rate applied.

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 Inventory allowance on spare parts and slow moving

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

4.4 Contracts in progress

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

4.5 Income taxes

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

4.6 Share-based payment transactions

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

- for 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 21.

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

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

5. SEGMENT INFORMATION

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

5.1 Business Segments

As at December 31, 2011, 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, 2011, 2010 and 2009 was as follows:

Year ended December 31, 2011	**Mining**	**Water**	**Company**
Revenue	286,444	14,695	301,139
Gross profit	66,165	3,260	69,425
Operating profit	41,441	1,978	43,419
Finance (costs) / profits	—	—	(3,389)
Profit before income tax	**—**	**—**	**40,030**
Income tax expense	—	—	(9,616)
Profit for the year	**—**	**—**	**30,414**

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**

There is no inter-segment revenue.

Corporate costs and overheads are allocated to each business segment based on their revenue. 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, 2011, 2010 and 2009:

	December 31,		
	2011	2010	2009
South America	117,779	49,325	—
Africa	72,039	46,655	58,384
North America	55,754	29,598	29,988
Asia Pacific	32,472	24,379	15,259
Europe	23,096	14,084	15,771
Revenue	**301,139**	**164,040**	**119,402**

As a result of the acquisition of Adviser, the Company now benefits from a significant presence in South America. 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, 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 subsidiary (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**
Year ended December 31, 2011					
Opening net book amount	3,598	63,467	10,638	586	78,289
Additions	2,452	30,656	12,754	743	46,605
Exchange differences	(505)	(2,537)	(101)	(131)	(3,274)
Disposals or retirements	—	(247)	(431)	(32)	(710)
Depreciation charge	(496)	(21,000)	(6,523)	(391)	(28,410)
Closing net book amount at December 31, 2011	**5,049**	**70,337**	**16,337**	**775**	**92,500**
Cost	7,057	157,635	37,898	2,287	204,877
Accumulated depreciation	(2,008)	(87,297)	(21,559)	(1,513)	(112,377)
Net book amount	**5,049**	**70,337**	**16,337**	**775**	**92,500**

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

	December 31,		
	2011	**2010**	**2009**
Cost of sale	28,324	19,638	11,969
General and administrative expenses	480	380	227
Total depreciation and amortization	**28,804**	**20,018**	**12,196**

7. GOODWILL

Goodwill can be analyzed as follows:

	December 31,		
	2011	**2010**	**2009**
Cost			
As of January 1,	**50,667**	**14,879**	**11,960**
Earn-out of Northwest Sequoia Drilling Ltd	300	—	—
Acquisition of Mosslake Drilling Services Pty Ltd	—	—	1,119
Acquisition of Eastern Drilling Company LLC	—	8,181	—
Acquisition of Adviser Drilling SA	—	27,130	—
Exchange differences	(338)	477	1,800
As of December 31,	**50,629**	**50,667**	**14,879**

Period ended December 31, 2011

NORTHWEST SEQUOIA DRILLING LTD

Northwest Sequoia was acquired in September 2008. An earn-out clause stipulated that above a certain ratio of EBITDA to sales, the former shareholders would be entitled to an additional payment. Following the better than expected performance of the company in 2011, the ratio of EBITDA to sales exceeded the threshold. The additional payment amounting to US$0.3 million has been provided for and recorded against goodwill on the basis that the acquisition took place before the entity first applied IFRS 3 (R).

Business Combination occurred in 2010

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 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.

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
- Contingent consideration			-
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**

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.

Other variations of interests occurring in 2010

In August 2010, the Company chose to exercise its option to acquire the remaining 49% non-controlling interest in Mosslake Drilling Services Pty Ltd (majority stake acquired in 2009, see below) for a cash consideration of AUD 3.5 million. This transaction did not result in any additional goodwill.

Business Combination occurring 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 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 revenues 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 not yet 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 present ownership interests of the Company (50.84%).

As the put was written 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 on 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**

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'.

Allocation of Goodwill to Cash Generating Units

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

	December 31,		
	2011	2010	2009
Mining	48,666	48,658	12,695
Water	1,963	2,009	2,184
Total	**50,629**	**50,667**	**14,879**

Impairment Tests for Goodwill

For the purpose of impairment testing, goodwill is allocated by business segments and geographical areas, which are the following: Mining activity Africa, North America, Asia-Pacific, South America and Europe and Water activity Africa. 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 three year 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, 2011 are as follows:

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

In 2011, 2010 and 2009 the Company did not record any goodwill impairment charge.

8. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

	December 31,		
	2011	2010	2009
Loans	525	846	114
Software	2	1	8
Investment in unconsolidated affiliates	38	37	31
Deposits and guarantees	138	157	138
Other non-current receivables	302	659	49
Other non-current assets	**1,006**	**1,699**	**341**

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,		
	2011	2010	2009
Spare parts, gross	16,624	12,562	10,709
Consumables, gross	24,130	19,822	11,572
Less inventory allowance	—	—	—
Inventories, net	**40,754**	**32,384**	**22,282**

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 2011 in the statement of income under the line item “Cost of sales” amounts to 516 (134 in 2010 and nil in 2009).

10. TRADE RECEIVABLES

Trade receivables, net, consist of the following:

	December 31,		
	2011	2010	2009
Trade receivable, gross	46,979	42,080	17,402
Less provision for impairment	(1,489)	(1,084)	(1,171)
Receivables from related parties	—	—	94
Trade receivables, net	**45,490**	**40,996**	**16,325**

Impairment expense/(reversal) recognized in 2011 in the statement of income amounted to US$405 thousand (in 2010 US$(68) and 2009 US$19 thousand) under the line item "Cost of sales".

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

	December 31,		
	2011	2010	2009
Provision for impairment at January 1,	(1,084)	(1,171)	(1,108)
Provision for receivables impairment	(404)	(106)	(143)
Receivables written off during the year as uncollectible	—	—	—
Unused amounts reversed during the year following collection of the receivable	25	174	124
Exchange differences	(25)	20	(45)
Provision for impairment at December 31,	**(1,489)**	**(1,084)**	**(1,171)**

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

	December 31,		
	2011	2010	2009
Europe	222	894	1,851
New Caledonia	742	1,037	1,101
Africa	9,764	8,322	8,641
South America	27,330	24,351	—
Australia	2,796	2,754	1,008
Canada	4,601	3,639	3,724
Trade receivables, net	**45,490**	**40,996**	**16,325**

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 14).

As of December 31, 2011, trade receivables of US$ 1,846 thousand (US$ 2,109 thousand in 2010 and US$ 1,714 thousand in 2009) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default or having established practices of long payment terms such as States bodies in the Water segments.

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

	December 31,		
	2011	2010	2009
€, CFA Francs or CFP Francs (1)	7,808	9,973	11,593
Canadian dollars	5,717	3,639	3,724
Australian dollars	2,752	2,754	1,008
US dollars	6,427	3,507	—
Chilean Pesos	22,750	21,124	—
Other currencies	—	—	—
Trade receivables, gross	**45,490**	**40,996**	**16,325**

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

Certain receivables are provided as collateral under financing agreement (see Note 14).

11. OTHER CURRENT RECEIVABLES

Other current receivables consist of the following:

	December 31,		
	2011	2010	2009
VAT / GST and other recoverable taxes	7,280	11,411	5,491
Prepaid expenses	2,973	3,484	1,785
Down payments / credit notes receivable	1,854	1,516	871
Other receivables	357	784	442
Other current receivables	**12,464**	**17,195**	**8,589**

Provisions for impairment of other current receivables is nil as of December 2011 (nil in 2010 and nil in 2009).

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

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,		
	2011	2010	2009
€, CFA Francs or CFP Francs (1)	5,315	7,406	6,517
Canadian dollars	604	1,967	1,210
Australian dollars	744	1,746	435
Chilean Pesos	1,779	2,478	—
Russian Rubles	2,224	2,349	—
Other currencies	1,798	1,249	427
Other current receivables, gross	**12,464**	**17,195**	**8,589**

(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,		
	2011	2010	2009
Cash at bank and in hand	21,059	9,798	11,287
Short-term bank deposits	3,253	5,121	14,618
Cash and cash equivalents	**24,313**	**14,920**	**25,905**

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, 2011 in thousands US$
Crédit Agricole group	€ 1 month fixed term deposit	Fixed	2,476
BNP Paribas	€ 6 months fixed term deposit	Fixed	777
Total			**3,253**

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**

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,		
	2011	2010	2009
Foraco International share premium and retained earnings	119,633	109,533	53,968
Reserves of consolidated subsidiaries	39,801	27,769	30,166
Other reserves	(3,393)	4,131	7,043
Total consolidated reserves	**156,041**	**141,473**	**91,177**

Under French law, dividends can be paid only from the reserves of the parent company (Foraco International). As at December 31, 2011, the value of distributable reserves amounted to €82,595 thousand (€81,706 thousand as of December 31, 2010 and € 38,088 thousand as of December 31, 2009).

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,		
	2011	2010	2009
Employee share-based compensation, net of tax	3,135	3,352	2,733
Currency translation differences and net investment hedge, net of tax	(6,528)	779	4,310
Other reserves	**(3,393)**	**4,131**	**7,043**

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. The corresponding increase in share capital amounted to US$ 278 thousand with a share premium amounting to US$ 46,418 thousand.

Treasury shares transactions over the periods presented

The Company filed a notice on September 24, 2009 in respect of an additional Normal Course Issuer-Bid (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.

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 delivered to the beneficiaries that have been continuously employed by the Company throughout the vesting period.

The Company filed a notice on March 11, 2011, in respect of an additional NCIB with the TSX. The Company may purchase additional common shares up to 1,000,000. On December 23, 2011, the Company filed a notice to increase the NCIB from 1,000,000 to 1,500,000 shares. For the year ended December 31, 2011, the Company purchased 1,052,200 of its own shares at an average purchase price of Can$ 3.11 per share.

As at December 31, 2011, the Company owns 1,271,700 of its own shares (845,500 as at December 31, 2010).

Equity incentive plan ("Free share plan")

The Company implemented in 2007 a free share plan authorized by the ordinary and extraordinary general meeting of shareholders held in June 2007.

The total number of shares to be transferred under the free share plan is limited to 3% of the issued and outstanding share capital of the Company on the date grants are made. Such awards are considered as share based payment transactions (see Note 20).

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 when appropriate in the determination of the Diluted Earnings per share (see Note 24).

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.

On July 18, 2011, 626,000 common shares awarded to employees were vested. The corresponding accumulated amount recognized with in Other Reserves was transferred to Share Premium for US$ 1,300 thousand.

On September 23, 2011, the Company granted to employees 809,000 additional common shares corresponding to the second tranche of its 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, 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)
Treasury shares transferred in connection with acquisition	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 January 1, 2011			
Acquisition of treasury shares	(1,052,200)	—	(3,272)
Treasury shares transferred in connection with equity incentive plan (vested shares)	626,000	—	1,300
As at December 31, 2011	**78,163,589**	**1,468**	**78,376**

As at December 31, 2011, 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	37,596,497	-	37,596,497
Common shares held directly or indirectly by individuals in their capacity as members of the Board of Directors *	1,754,249	500,071	2,254,320
Common shares held by the Company	1,271,700	-	1,271,700
Common shares held by the public	34,056,304	4,256,468	38,312,772
Total common shares and warrants issued and outstanding	**74,678,750**	**4,756,539**	**79,435,289**
Common shares held by the Company	(1,271,700)	-	(1,271,700)
Total common shares and warrants issued and outstanding net of treasury shares	**73,407,050**	**4,756,539**	**78,163,589**

* 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, among which 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 and 2011, the number of shares was 74,678,750 along with 4,756,539 warrants.

14. BORROWINGS

Financial debt consists of the following:

	December 31,		
	2011	**2010**	**2009**
Non-current			
Other bank financings	6,205	1,528	488
Finance lease obligations	11,087	9,831	3,054
	17,292	**11,359**	**3,542**
Current			
Bank overdrafts	7,640	1,832	—
Obligation under assignment of trade receivables	10,886	12,784	677
Other bank financings	4,574	5,643	1,638
Finance lease obligations	8,812	10,073	3,410
	31,912	**30,332**	**5,725**

Certain European subsidiaries of the Company transferred receivable balances amounting to US$ 11,087 thousand to banks in exchange for cash during the year ended December 31, 2010 (US$ 12,784 thousand in 2010 and 677 thousand in 2009). 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, 2011, 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	7,640	—	—	7,640
Obligation under assignment of trade receivables	10,886	—	—	10,886
Other bank financing	4,574	6,205	—	10,779
Finance lease obligations	8,812	11,087	—	19,899
Total financial debt	**31,912**	**17,292**	**—**	**49,204**

As of December 31, 2011, 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$ 50,558 thousand compared to a carrying amount of US$ 49,204 thousand.

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,		
	2011	2010	2009
€	17,292	3,626	1,848
Canadian dollars	787	3,007	1,511
Australian dollars	744	4,604	5,908
US dollars	2,409	2,204	—
Chilean Pesos	26,945	27,769	—
Russian Rubles	1,027	481	—
Total financial debt	**49,204**	**41,691**	**9,267**

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

Used and unused short term credit facilities amount to US$82,593 thousand as of December 31, 2011. This facility is granted on a yearly basis and subject to review at various dates.

Total financial debts include collateralized borrowings of US$30,785 thousand:

- Obligations under assignment of receivables for US$10,886 thousand are secured for an equivalent amount by receivables that have been transferred; and
- Finance lease obligations amounting to US$19,899 thousand are secured by related leased assets.

15. CONSIDERATION PAYABLE RELATED TO ACQUISITION

In 2010, 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$3,8million was 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, warrants 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 beyond 2010.

16. DEFERRED INCOME TAX

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

The components of the net deferred tax liabilities recorded as at December 31, 2011, 2010 and 2009 are as follows:

	December 31,		
	2011	**2010**	**2009**
Assets			
Pension obligations	167	121	130
Property and equipment depreciation differences	869	1,328	—
Losses carried forward	1,258	774	474
Losses carried forward / South America Goodwill	4,966	7,586	—
Other tax temporary differences	725	996	—
Total	**7,984**	**10,805**	**604**
To be recovered after 12 months	*3,023*	*7,905*	*130*
To be recovered within 12 months	*4,961*	*2,899*	*474*
Liabilities			
Finance leases	(2,054)	(1,717)	(671)
Reversal of intercompany balances depreciation	(1,199)	(1,228)	(294)
Costs capitalization and property and equipment depreciation differences	(106)	(2,180)	(751)
Revenue recognition	(449)	(469)	(251)
Other tax temporary differences	(168)	(1,618)	(375)
Total	**(3,976)**	**(7,213)**	**(2,341)**
To be recovered after 12 months	*(2,773)*	*(5,769)*	*(1,230)*
To be recovered within 12 months	*(1,203)*	*(1,443)*	*(1,111)*

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

	December 31,		
	2011	**2010**	**2009**
Beginning of the year	3,592	(1,737)	(1,312)
Acquisition of Subsidiary	—	6,177	—
Charged/(Credited) to the statement of income	(498)	(1,048)	(364)
Charged/(Credited) directly to equity	—	—	—
Exchange differences	(82)	200	61
End of the year	**4,008**	**3,592**	**(1,737)**

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through the future taxable profits is probable. As at December 31, 2011, US$1,844 thousand in tax losses carried forward are not recognized.

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.

17. PROVISIONS

Provisions comprise of the following elements:

	Pension and Retirement Indemnities Provision	Provision for tax uncertainty	Other Provisions	Total
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**
At January 1, 2011	**420**	**1,252**	**289**	**1,961**
Charged to income statement:				
- Additional provisions	7	—	—	7
- Unused amounts reversed	—	—	—	—
Used during year	(22)	(328)	—	(350)
Exchange differences	(10)	(28)	(7)	(45)
At December 31, 2011	**395**	**896**	**282**	**1,573**

The analysis of total provisions is as follows:

	December 31,		
	2011	**2010**	**2009**
Current	896	364	432
Non-current (retirement and litigation)	677	1,597	400
Provisions	**1,573**	**1,961**	**832**

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$896 thousand was recognized as of December 31, 2011 (US$ 1,252 thousand as of December 31, 2010) to reflect the Company's best estimate of its exposure.

18. 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,		
	2011	**2010**	**2009**
Discount rate	4.6%	4.6%	5.1%
Inflation rate	2.25%	2.25%	1.85%
Provision for retirement benefits			

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

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

19. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	December 31,		
	2011	**2010**	**2009**
Trade payables	28,061	21,773	9,070
Social security and other taxes	12,304	9,744	6,565
VAT / GST and other tax payable	5,382	4,026	5,398
Down payments from customers	3,756	3,191	1,609
Deferred income	15	197	—
Non-controlling interest dividends payable	2,077	—	—
Other miscellaneous payables	48	93	313
Trade and other payables	**51,535**	**39,024**	**22,955**

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,		
	2011	2010	2009
€, CFA Francs or CFP Francs (1)	15,043	10,905	15,177
Canadian dollars	6,130	5,976	4,787
Australian dollars	3,868	2,494	2,331
US dollars	2,686	1,359	—
Chilean Pesos & UF	16,761	13,749	—
Russian Rubles	2,984	2,368	—
Other currencies	4,063	2,173	660
Trade and other payables	**51,535**	**39,024**	**22,955**

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

20. EXPENSES BY NATURE

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

	December 31,		
	2011	2010	2009
Depreciation, amortization and impairment charges	28,804	20,018	12,196
Provision increase/(reversal)	373	(55)	35
Raw materials, consumables used, and other external costs	125,414	71,088	55,683
Employee benefit expense	101,307	54,651	29,665
Other tax expense	2,149	1,476	1,873
Other operating expense/(income), net	(328)	(40)	(310)
Total of operating expenses	**257,719**	**147,139**	**99,142**
Number of employees (unaudited)	*2,759*	*1,988*	*793*

21. 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,		
	2011	2010	2009
512,000 free common shares in 2007	115	220	526
424,000 free common shares in 2008	66	244	440
531,000 free common shares in 2009	230	274	71
500,000 free common shares in 2010	417	100	—
809,000 free common shares in 2011	255	—	—
Total of non-cash share-based compensation expenses	**1,083**	**838**	**1,037**

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

	Free shares	Warrants
Granted in 2007	512,000	833,350
Granted in 2008	424,000	—
Granted in 2009	531,000	—
Vested in 2009	(156,000)	—
Forfeited in 2009	(7,000)	(833,350)
Granted in 2010	500,000	—
Vested in 2010	(253,000)	—
Forfeited in 2010	(10,000)	—
Granted in 2011	809,000	—
Vested in 2011	(626,000)	—
Forfeited in 2011	(123,000)	—
Outstanding as of December 31, 2011	**1,601,000**	—

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

	December 31,		
	2011	**2010**	**2009**
2009	—	—	—
2010	—	—	276,000
2011	—	687,000	687,000
2012	329,000	374,000	148,000
2013	529,000	193,000	193,000
2014	268,000	287,000	—
2015	475,000	—	—
Free shares outstanding	**1,601,000**	**1,541,000**	**1,304,000**

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 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

Second tranche awarded in 2011

• Grant date	September 2011
• Number of free shares issued	809,000
• 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$ 3.59
• Anticipated turnover	Nil
Total fair value of the plan	Can$1,705 thousand

(1) Plus an additional 2-year 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 24).

22. FINANCE INCOME AND FINANCIAL EXPENSE

Financial income and expense consists of the following:

	December 31,		
	2011	**2010**	**2009**
Interest expense	(3,806)	(1,637)	(887)
Gains on short term deposits	66	212	366
Other	351	—	(157)
Finance costs	**(3,389)**	**(1,425)**	**(678)**

23. INCOME TAX EXPENSE

The tax rate payable by Foraco International is the French tax rate set at 34.43% for fiscal year 2011. 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,		
	2011	**2010**	**2009**
Current tax	(9,117)	(3,096)	(5,409)
Deferred tax	(498)	(1,048)	(364)
Total	**(9,616)**	**(4,144)**	**(5,773)**

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,		
	2011	**2010**	**2009**
Income (loss) before taxes and share of profit from associates	**40,030**	**15,475**	**19,583**
Tax calculated at French tax rate (34.43% for 2011)	13,782	5,125	6,497
Effect of different tax rates	(5,190)	(2,785)	(1,513)
Tax provision (see Note 19)	—	886	381
Share-based payment expense	361	279	346
Change in tax rate at French level	25	—	28
Expenses not deductible for tax purposes	198	128	35
Unrecognized tax assets	439	510	—
Total	**9,616**	**4,144**	**5,773**

24. 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 excluding shares purchased by the company and held as treasury shares.

The Company has issued certain dilutive equity instruments under its free share plans (see Note 13 and 21).

	December 31,		
	2011	**2010**	**2009**
Profit attributable to equity holders of the Company in thousands of US$	**27,027**	**9,073**	**14,743**
Weighted average number of ordinary shares in issue before dilution	78,323,743	70,634,453	58,849,518
Basic earnings per share (US cents per share)	**34.51**	**12.85**	**25.05**
Weighted average number of ordinary shares in issue after dilution (1)	78,901,466	71,491,989	59,251,850
Diluted earnings per share (US cents per share)	**34.25**	**12.69**	**24.88**

(1) Reflect the effect of free shares issued and outstanding at each reporting period end (see Note 21). 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.

25. DIVIDENDS PER SHARE

On March 5, 2012, the Board of Directors proposed a dividend payment of €0.053 per common share (€0.028 in 2010 and €0.028 in 2009) to be approved by shareholders at the Company's Annual General Meeting on April 16, 2012.

26. COMMITMENTS AND CONTINGENCIES

The guarantees given are the following:

	December 31,		
	2011	**2010**	**2009**
Bid bonds	197	482	1,249
Advance payment guarantees and performance guarantees	13,364	18,351	16,228
Retention guarantees	2,805	4,545	6,473
Financial guarantees	2,785	4,243	1,053
Total	**19,151**	**27,622**	**25,003**

The Company entered into an operating lease with a related in respect of its premises in Lunel (see Note 27) for a term of nine years with an annual rent of €200 thousand. This lease will end in 2015 representing a total remaining commitment amounting to €800 thousand.

Other operating lease commitments for future periods are not material as of December 31, 2011, 2010 and 2009.

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.

27. RELATED PARTY TRANSACTIONS

As of December 31, 2011, 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	1,321	—	—	1,321
Board of Directors members other than key management	70	—	—	70
Year ended December 31, 2011	**1,391**	**—**	**—**	**1,391**
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**

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

The Company paid during the period to a related party certain lease rentals amounting to € 200 thousand (€ 196 thousand in 2010 and € 185 thousand 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$2,129 thousand revenue for the period ended December 31, 2011.

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

28. EVENTS AFTER THE BALANCE SHEET DATE

On March 2, 2012, the Company entered into a binding agreement to acquire a 51% shareholding in WFS Sondagem S.A. ("Servitec"), a Brazilian drilling service provider, for a predetermined price to be paid in cash and Company shares. As part of this agreement, the Company has an option to acquire and the current shareholders of Servitec have an option to sell the remaining 49% after three years at a price based on a formula principally taking into account EBITDA and net debt.

On March 5, 2012, the Board of Directors proposed a dividend payment of €0.053 per common share to be approved by shareholders at the Company's Annual General Meeting on April 16, 2012.

29. CONSOLIDATED SUBSIDIARIES

Subsidiaries	Country of incorporation	Direct and indirect percentage of shareholdings
Foraco International S.A.	France	n.a.
Foraco SASU	France	100%
Géode International SASU	France	100%
Foraco Management SASU	France	100%
Foraco Resources SASU	France	100%
Forafrique International SASU	France	100%
Foraco Germany	Germany	100%
Foraco Canada Ltd.	Canada	100%
Foraco Pacifique SASU	New Caledonia	100%
Foraco Australia Pty Ltd	Australia	100%
Foraco CI S.A	Ivory Coast	100%
Foremi S.A.	Ivory Coast	51%
Foraco Subsahara SA	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 Congo Sarl	Congo	100%
Foraco Burkina Faso SA	Burkina Faso	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%

NOTES:

Shareholder Information

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Jean-Pierre Charmensat
Jean Paul Camus
Bruno Chabas
Warren Holmes
Jorge Hurtado
Gonzalo Van Wersch

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Market Data

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

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Annual General Meeting

April 16, 2012, at 10:00am
26, Plage de L'Estaque
13016 Marseille, France

CELEBRATING FIFTY YEARS

FORACO INTERNATIONAL

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