

EnGlobe Corp.

Interim Consolidated Financial Statements
(Unaudited)
For the three-month periods ended
March 31, 2008 and 2007

EnGlobe Corp.
Interim Consolidated Balance Sheets
(Unaudited)

	As at March 31, 2008 \$	As at December 31, 2007 \$
Assets		
Current assets		
Cash	4,234,487	902,239
Accounts receivable	28,609,018	36,583,137
Inventory	7,969,856	7,628,289
Work in progress	8,431,230	7,781,766
Prepaid expenses and advances	1,596,957	1,421,372
Other assets	326,204	386,160
Future income taxes	1,283,909	1,180,566
Current assets held for sale	36,406	36,593
	<hr/>	<hr/>
	52,488,067	55,920,122
Property, plant and equipment	32,767,122	32,318,592
Intangible assets (note 4)	32,686,477	25,982,081
Goodwill (note 4)	20,066,390	14,547,323
Future income tax asset	8,481,955	6,676,000
	<hr/>	<hr/>
	146,490,011	135,444,118
Liabilities		
Current liabilities		
Bank indebtedness (note 5)	-	15,774,863
Accounts payable and accrued liabilities	22,909,779	22,420,383
Income taxes payable	2,111,749	1,625,728
Deferred revenue	7,709,048	9,042,558
Current portion of capital lease obligations	601,980	310,341
Current portion of long-term debt (note 5)	5,321,335	4,450,000
Current portion of other long-term obligation	540,091	531,955
Other current liabilities	432,145	-
Future income taxes	143,261	143,000
	<hr/>	<hr/>
	39,769,388	54,298,828
Capital lease obligations	567,319	244,593
Long-term debt (note 5)	66,961,196	46,275,739
Future income taxes (note 4)	7,493,993	5,502,785
Preferred shares	1,028,440	997,147
	<hr/>	<hr/>
	115,820,336	107,319,092
Shareholders' Equity		
Common shares (note 6)	65,318,209	61,772,815
Preferred shares (note 6)	2,859,447	-
Contributed surplus	13,288,858	13,213,162
Deficit	(50,796,839)	(46,860,951)
	<hr/>	<hr/>
	30,669,675	28,125,026
	<hr/>	<hr/>
	146,490,011	135,444,118
Commitments and contingencies (note 9)		

The accompanying notes are an integral part of these interim unaudited consolidated financial statements

EnGlobe Corp.

Interim Consolidated Statements of Operations, Comprehensive Loss and Deficit (Unaudited)

For the three-month periods ended March 31

	2008 \$	2007 \$
Revenue	24,281,327	26,794,261
Direct costs	<u>18,843,609</u>	<u>18,848,370</u>
Gross profit	5,437,718	7,945,891
Expenses		
Selling, general and administrative	6,629,282	6,722,495
Amortization of property, plant and equipment	1,384,871	1,462,803
Loss (gain) on disposal of property, plant and equipment	<u>(7,856)</u>	<u>48,482</u>
Loss before the undernoted items	(2,568,579)	(287,889)
Amortization of intangible assets	640,120	628,403
Stock-based compensation	87,165	137,699
Restructuring and other costs (note 8)	911,678	500,435
Foreign exchange gain	(335,359)	(29,386)
Interest on long-term debt	932,977	961,721
Other interest and bank charges	521,530	259,163
Unrealized loss on interest rate swap	<u>432,145</u>	<u>32,551</u>
	(5,758,835)	(2,778,475)
Income tax recovery	<u>(1,822,947)</u>	<u>(879,150)</u>
Net and comprehensive loss for the period	(3,935,888)	(1,899,325)
Deficit – Beginning of period	<u>(46,860,951)</u>	<u>(43,883,286)</u>
Deficit – End of period	<u>(50,796,839)</u>	<u>(45,782,611)</u>
Basic and diluted loss per share (note 7)	<u>(0.05)</u>	<u>(0.02)</u>

The accompanying notes are an integral part of these interim unaudited consolidated financial statements

EnGlobe Corp.

Interim Consolidated Statements of Cash Flows (Unaudited)

For the three-month periods ended March 31

	2008 \$	2007 \$
Cash provided by (used in)		
Operating activities		
Net loss for the period	(3,935,888)	(1,899,325)
Items not affecting cash		
Depreciation and amortization	2,024,991	2,091,206
Non cash interest accretion on debentures, preferred shares and other long-term obligation	262,232	267,323
Unrealized loss on interest rate swap	432,145	234,772
Stock-based compensation	87,165	32,551
Unrealized foreign exchange loss (gain)	58,848	(28,737)
Loss (gain) on disposal of property, plant and equipment	(7,856)	48,482
Provision for future income tax	(1,931,680)	(1,740,428)
	<u>(3,010,043)</u>	<u>(1,123,780)</u>
Change in non-cash working capital (note 13)	<u>7,733,897</u>	<u>(1,219,976)</u>
Cash provided by (used) in operating activities of continuing operations	4,723,854	(2,343,756)
Cash provided by operating activities of discontinued operations	187	206,412
	<u>4,724,041</u>	<u>(2,137,344)</u>
Investing activities		
Purchase of property, plant and equipment	(660,564)	(1,822,073)
Proceeds on disposal of property, plant, equipment	13,000	139,689
Deferred consideration on acquisition of company	-	(5,106,273)
Acquisition of company, net of cash acquired (note 4)	(8,918,030)	-
Other investing activities	(603,606)	-
	<u>(10,169,200)</u>	<u>(6,788,657)</u>
Cash used in investing activities		
Financing activities		
Decrease in bank indebtedness	(15,774,863)	-
Increase in deferred financing charges	-	(10,262)
Change in other long-term assets	-	5,875
Repayment of capital lease obligations	(104,113)	(35,075)
Proceeds from long-term debt	21,975,500	-
Repayment of long-term debt	(250,000)	(1,050,000)
Proceeds from issuance of preferred shares	2,950,000	-
Proceeds from issuance of common shares	18,000	-
	<u>8,814,524</u>	<u>(1,089,462)</u>
Cash provided by (used in) financing activities		
Change in cash for the period	3,369,365	(10,015,463)
Foreign exchange loss on cash held in foreign currency	(37,117)	10,859
Cash – Beginning of period	902,239	5,603,877
Cash – (Bank indebtedness) End of period	4,234,487	(4,400,727)
Supplemental disclosure of cash flow information		
Interest paid	1,143,096	1,018,597
Income taxes paid	201,339	250,000

The accompanying notes are an integral part of these interim unaudited consolidated financial statements

EnGlobe Corp.

Notes to Interim Consolidated Financial Statements (Unaudited)

1 Nature of operations

EnGlobe Corp. (“EG” or the “Company”) was incorporated on August 31, 2000 under the Business Corporations Act (Alberta) and registered under the Canada Business Corporations Act on September 27, 2004. Prior to June 13, 2002, EG was a Capital Pool Company on the TSX Venture Exchange.

On April 20, 2007, the shareholders approved a resolution to change the name of the Company from Environmental Management Solutions Inc. to EnGlobe Corp.

EG is an environmental services company specializing in the management of organic-based waste streams and contaminated soils, with an emphasis on beneficial re-use. EG provides solutions to municipal, commercial and industrial clients in Canada, the northern United States, England and France through its subsidiaries, Biogénie S.R.D.C. Inc. (“Biogénie”), Celtic Technologies Limited (“Celtic”), GSI Environment Inc. (“GSI”) and Tanknology Canada Inc. (“Tanknology”). The Company operates in three principal business segments: Site Assessment and Remediation (“SAR”), Organic Waste Management (“OWM”) and Tank Testing and Calibration. SAR, provided by Biogénie, encompasses environmental contracting, off-site treatment and recycling of contaminated soil and remediation of contaminated or degraded sites in North America, the United Kingdom and France. OWM, provided by GSI, encompasses environmental services including the land application, composting or disposal of organic wastes and eco-product sales in Quebec and Ontario. Tank Testing and Calibration, provided by Tanknology, encompasses storage tank precision leak testing and statistical inventory reconciliation, compliance testing, and facility compliance and tank system audits across Canada.

Seasonality

The Company experiences significant quarterly fluctuations in quarterly operating results. Typically, it has experienced its lowest revenue during the first quarter where low temperatures are not favorable for site assessment and remediation activities and eco-product sales.

2 Basis of presentation

The interim unaudited consolidated financial statements include the accounts of EG and its subsidiaries, including companies controlled by EG. All material inter-company transactions and balances have been eliminated.

The interim unaudited consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. These financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the Company’s audited consolidated financial statements, and notes thereto, for the year ended December 31, 2007. In the opinion of management, all adjustments considered necessary for fair presentation have been included, and all such adjustments are of a normal, recurring nature. Operating results for the three-month period ended March 31, 2008 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2008.

3 Summary of significant accounting policies

Except as follows, the accounting policies followed by the Company are the same as those followed in the Company's consolidated financial statements and notes thereto, for the year ended December 31, 2007.

Recently adopted accounting pronouncements

On January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 1535 "Capital Disclosures", 3862 "Financial Instruments – Disclosures", 3863 "Financial Instruments – Presentation", and 3031 "Inventories".

CICA Handbook Section 1535 "Capital Disclosures" establishes standards for disclosing information about a Company's capital and how it is managed to enable users of the financial statements to evaluate the Company's objectives, policies and procedures for managing capital.

CICA Handbook Section 3862 "Financial Instruments – Disclosures" requires disclosures in the financial statements that will enable users to evaluate: the significance of financial instruments for the company's financial position and performance; and the nature and extent of risks arising from financial instruments to which the company is exposed during the period and at the balance sheet date, and how the company manages those risks.

CICA Handbook Section 3863 "Financial Instruments – Presentation" establishes standards for presentation of financial instruments and non-financial derivatives. This section compliments the existing CICA Handbook Section 3861 – Financial Instruments – Disclosure and Presentation.

CICA Handbook Section 3031 "Inventories" provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. There was no material impact as a result of the adoption of this new policy.

Recently issued accounting pronouncements

Goodwill and Intangible assets

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets," which replaces Section 3062, "Goodwill and Other Intangible Assets." This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This accounting standard is effective for annual and interim periods beginning on or after October 1, 2008. The Company is currently evaluating the impact of adopting this standard.

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4 Acquisitions

(a) Acquisition of Celtic

On March 25, 2008, the Company purchased all of the issued and outstanding shares of Celtic. Celtic was founded in 1992 and is a ground remediation contractor with operating locations in Wales, Northern England and the Midlands in the United Kingdom. The purchase price paid for Celtic was \$14,696,290 and is comprised of the following:

	\$
Base consideration	
Cash	10,607,633
Common shares (note 6)	3,515,925
Accrued acquisition costs	<u>572,732</u>
	<u>\$14,696,290</u>

Contingent consideration, in a ratio of 75% cash and 25% common shares of the Company, may be paid up to a maximum of £2,000,000 if Celtic achieves certain profitability levels for the period ending November 30, 2008.

The purchase price was allocated on a preliminary basis and is subject to certain subsequent adjustments once all the expenses related to the transactions are known and a final valuation of intangible assets and property, plant and equipment, including their remaining useful lives, has been completed. This transaction is summarized as follows:

	\$
Cash	1,689,603
Current assets	5,261,503
Property, plant and equipment	1,229,222
Intangible assets	
Back-log	606,150
Non-compete agreements	2,222,550
Customer relationships	3,030,750
Technology and others	<u>1,485,068</u>
	7,344,518
Goodwill	5,519,067
Current liabilities	(3,572,680)
Capital lease obligations	(718,478)
Future income taxes liability	<u>(2,056,465)</u>
Total consideration	<u>\$14,696,290</u>

The goodwill was assigned to the Company's Site Assessment and Remediation operating segment and is not deductible for tax purposes.

The results of Celtic were consolidated with those of the Company effective March 25, 2008.

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Notes to Interim Consolidated Financial Statements (Unaudited)

(b) Acquisition of a 49% equity interest in Sila Remediation Inc.

As of November 22, 2007, the Company has a 49% interest in Sila Remediation Inc. ("Sila"), a company providing remediation services in Nunavut, for a nominal value. Sila began its operations at the beginning of 2008. The results of Sila are consolidated with those of the Company using the proportionate method and presented as part of the SAR segment.

5 Long-term debt

	March 31 2008 \$	December 31 2007 \$
Term loan (a)	53,212,595	38,050,000
Class A Convertible Debentures	15,777,297	15,690,525
Class B Debentures (b)	7,046,000	-
	<hr/> 76,035,892	<hr/> 53,740,525
Less: Current portion of long-term debt	5,321,335	4,450,000
	<hr/> 70,714,557	<hr/> 49,290,525
Less: Deferred financing charges	3,753,361	3,014,786
	<hr/> <u>66,961,196</u>	<hr/> <u>46,275,739</u>

(a) Term loan

On March 25, 2008, the Company amended its credit agreement to arrange a 5 year term loan of \$15.2 million, denominated in pounds sterling (£7.6M), used in part for the acquisition of Celtic (note 4) with the remainder used for transaction expenses and the reduction of its revolver facility. This loan bears interest at the LIBOR rate plus 2.5% and is collateralized by all assets of the operating companies. The interest rate is adjustable based on achieving certain financial measures. Repayment of the principal is due quarterly, with interest payable monthly and excess cash flow, as defined in the agreement, is to be used to repay the term loan. In addition, the maturity of the original term loan has been extended to 5 years.

(b) Class B Debentures

On March 25, 2008, the Company issued an amount of \$7,046,000 in Class B debentures, for net proceeds of \$6,469,167 after deducting financing fees of \$576,833, including \$271,000 in financing fees paid to the holders. The Class B debentures have a term of 6 years. They are secured, non convertible and, subject to certain exceptions, bear interest on the principal amount at 15% per annum, compounded and payable quarterly with 3% per annum payable in cash on each applicable interest payment date and 12% per annum capitalized on each applicable interest payment date and added to the principal amount, all in accordance with the terms of such debentures. The Company may repay all or a portion of the principal amount of the Class B debentures at any time without penalty after March 25, 2009. These debentures were issued to certain shareholders of the Company.

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6 Share capital

Authorized

Unlimited number of common shares with no par value

Unlimited number of preferred shares issuable in series

	Number of shares	Amount \$
Common shares		
Balance as at December 31, 2007	78,705,160	61,772,815
Acquisition of Celtic	7,960,645	3,515,925
Shares issued on exercise of stock options	45,000	29,469
Balance as at March 31, 2008	<u>86,710,805</u>	<u>65,318,209</u>

Share issuances and cancellations

On March 25, 2008, the Company completed a private placement of 7,845,745 Series 2 preferred shares at \$0.40 per share, including 470,745 preferred shares issued in consideration for financing fees. Consideration received for the preferred shares was \$2,859,447 after deducting \$90,553 in issuance costs and \$188,298 in financing fees paid to the holders of the preferred shares. The Series 2 preferred shares are voting and convertible at any time by the holders on the basis of one preferred share for each common share. Holders are entitled to receive, subject to certain exceptions, a fixed, cumulative dividend per preferred share equal to 3% of the issue price per annum and are redeemable by the Company, at its option, on or after March 31, 2014 at the issue price plus all accrued and unpaid dividends.

On March 25, 2008, the Company issued 7,960,645 common shares with a fair value of \$3,515,925 (\$0.44 per share) as consideration for the acquisition of Celtic (see note 4, Acquisitions).

On January 9, 2008, 45,000 options were exercised for proceeds of \$18,000.

Stock options

During the three-month period ended March 31, 2008, 83,333 options were granted under the Employee Stock Option Plan (2007 - 83,333) and 143,353 were forfeited (2007 - 193,202).

Tandem option and stock appreciation rights

On January 18, 2008, 8,400,000 Option and Stock Appreciation Rights ("OSARs") were forfeited and an additional 2,100,000 OSARs expired unexercised on April 17, 2008. On March 21, 2008 an

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Notes to Interim Consolidated Financial Statements (Unaudited)

additional 1,600,000 OSARs were forfeited and 400,000 will also expire 90 days following March 21, 2008, if not exercised.

7 Loss per share

The weighted average number of common shares for the purpose of the loss per share calculations was as follows:

	Three-month period ended March 31, 2008	Three-month period ended March 31, 2007
Weighted average number of shares outstanding		
Basic and diluted	79,270,587	78,570,160

8 Restructuring and other costs

During the three-month period ended March 31, 2008, the Company incurred \$911,678 (2007- \$500,435), including \$430,440 in severance and recruiting costs, (2007 - \$339,146), \$190,502 in legal costs, (2007- \$50,624) and \$290,736 in other costs (2007 - \$110,665).

9 Commitments and Contingencies

(a) Letter of credit

The Company has renewable letters of credit outstanding in the aggregate of \$2,696,389 (2007 - \$2,636,389) which are used, in part, as security for bonding, in place of bonding or in place of cash security.

(b) Litigation

- i) A statement of claim has been filed against Wasteco Environmental Services Ltd, ("WasteCo") a subsidiary of EnGlobe, currently discontinued, and other parties alleging damages of \$23.8 million. WasteCo and the other co-defendants deny any liability. Other defendants' insurance proceeds have paid for a significant amount of the damages claimed, however, there continues to be ongoing investigation into this matter. WasteCo is named as an additional insured under a co-defendant's policy. The amount of any settlement in excess of insurance coverage cannot be determined at this time and no amount has been recorded. Management believes that any potential loss not covered in the co-defendants policy will be adequately covered by the Company's insurance.
- ii) During the quarter ended June 30, 2006, a former shareholder of GSI Environmental Inc., a wholly owned subsidiary of the Company, commenced an action against the Company, its

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former President and CEO and the Company's current and former directors. The Plaintiff claims \$5 million from the Company for alleged breach of contract and misrepresentation, \$5 million from the former President and CEO for alleged misrepresentation and declaratory and compensatory relief for alleged oppressive conduct, together with special damages in the amount of \$250,000, from all of the defendants.

The Company has notified its Director and Officer Insurance underwriter and has been advised that this is an insurable claim. The action will not proceed to trial, if at all, for many months. Accordingly, at this point in time, the amount of losses, if any, resulting from the claims made in the action is undeterminable.

- iii) A statement of claim has been filed against the Company by a former President and CEO, a company and a trust controlled by a former President and CEO, alleging a conspiracy by the Company with a third party to the suit with the intention of fraudulently obtaining ownership of the shares owned or controlled by the plaintiff. The amount of the claim is for \$17 million. Management believes this claim is without merit and the final determination will not materially affect the financial position or results of the Company.
- iv) In the normal course of business, the Company is threatened from time to time with, or named as a defendant in, legal proceedings, including those relating to wrongful dismissal. Many claims are covered by the Company's insurance policies and none of the current claims are expected to have a material adverse effect on the Company.

10 Segment information

The Company's operations consist of three operating segments: Site Assessment and Remediation, Organic Waste Management and Tank Testing & Calibration services. Services are provided to customers in Canada, the United States, the United Kingdom and France. Segmented results for the three-month periods ended March 31, 2008 and 2007 are as follows:

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Notes to Interim Consolidated Financial Statements (Unaudited)

	Three-month period ended March 31, 2008			
	Site Assessment and Remediation \$	Organic Waste Management \$	Tank Testing and Calibration \$	Total \$
Revenue				
Canada	5,175,888	8,793,749	625,860	14,595,497
France	6,268,565	-	-	6,268,565
United States	753,505	-	-	753,505
United Kingdom	2,663,760	-	-	2,663,760
	<u>14,861,718</u>	<u>8,793,749</u>	<u>625,860</u>	<u>24,281,327</u>
Amortization and depreciation	939,919	1,040,295	36,921	2,017,135
Segment earnings (loss) before the undernoted	395,160	(3,191,769)	(76,731)	(2,873,340)
Income tax recovery				(1,822,947)
Stock-based compensation				87,165
Interest on long-term debt				932,977
Other interest and bank charges				521,530
Unrealized loss on interest rate swap				432,145
Restructuring and other costs				<u>911,678</u>
Net loss				(3,935,888)
Assets of discontinued operations	-	-	-	<u>36,406</u>
Acquired goodwill as at March 31, 2008	<u>14,902,512</u>	<u>4,375,601</u>	<u>788,277</u>	<u>20,066,390</u>

Identifiable assets, excluding goodwill and discontinued operations, are not separated into specific segments. External revenue by market is attributed to countries based on the location of the Company's subsidiary responsible for the revenue. Total expenditures for property, plant and equipment for the period were \$660,564 (2007 - \$1,822,073). Goodwill increased during the first quarter of 2008 by \$5,519,067 as a result of the acquisition of Celtic (see note 4).

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	Three-month period ended March 31, 2007			
	Site Assessment and Remediation \$	Organic Waste Management \$	Tank Testing and Calibration \$	Total \$
Revenue				
Canada and other	6,956,831	8,968,092	623,608	16,548,531
France	6,033,981	-	-	6,033,981
United Kingdom	4,211,749	-	-	4,211,749
	<u>17,202,561</u>	<u>8,968,092</u>	<u>623,608</u>	<u>26,794,261</u>
Amortization and depreciation	1,604,957	446,116	40,133	2,091,206
Segment earnings before the undernoted	1,141,751	(1,978,832)	(49,825)	(886,906)
Income tax recovery				(879,150)
Stock-based compensation				137,699
Interest on long-term debt				961,721
Other interest and bank charges				259,163
Unrealized loss on interest rate swap				32,551
Restructuring and other costs				<u>500,435</u>
Net loss for the period				<u>(1,899,325)</u>
Assets of discontinued operations – December 31, 2007	-	-	-	36,593
Acquired goodwill as at December 31, 2007	9,383,445	4,375,601	788,277	14,547,323

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Geographic segments

The Company's assets, operations and employees are located in Canada, France, the United Kingdom and the United States.

	As at March 31 2008				
	Canada \$	France \$	United Kingdom \$	United States \$	Total \$
Property, plant and equipment	26,398,588	2,485,593	3,792,573	90,369	32,767,123
Goodwill and intangible assets	30,032,947	7,347,982	15,293,416	78,524	52,752,869
Other assets	41,995,122	8,635,201	9,408,254	931,442	60,970,019
Total assets	<u>98,426,657</u>	<u>18,468,776</u>	<u>28,494,243</u>	<u>1,100,335</u>	<u>146,490,011</u>

	As at December 31 2007				
	Canada \$	France \$	United Kingdom \$	United States \$	Total \$
Property, plant and equipment	26,958,757	2,593,949	2,676,144	89,742	32,318,592
Goodwill and intangible assets	30,514,898	7,465,898	2,468,824	79,784	40,529,404
Other assets	48,927,249	10,413,582	2,989,204	266,087	62,596,122
Total assets	<u>106,400,904</u>	<u>20,473,429</u>	<u>8,134,172</u>	<u>435,613</u>	<u>135,444,118</u>

11 Capital management

The Company's objective when managing capital is to generate a superior return for its shareholders by making an optimal use of debt and equity while maintaining flexibility and liquidity in its sources of financing. The Company defines its capital as the total of shareholders' equity, including the Class A convertible Debentures and Series 1 and Series 2 Preferred Shares, long-term debt, including the current portion, balances of purchase price of acquisition, including the current portion, as well as Series B Debentures, bank indebtedness and cash and cash equivalents.

The Company's objective is to maintain a reasonable level of debt and the Company is using the net debt to earnings before interest, income taxes, depreciation and amortization, and restructuring and other non-cash charges ("EBITDA") ratio to define and manage the risk of its capital structure. Net debt, a non-GAAP measure, is calculated as the sum of the long-term debt (including the current portion and Series B Debentures) and bank indebtedness less cash and cash equivalents. The Class A convertible Debentures and the Series 1 Preferred Shares are excluded from this calculation as they are held by a significant shareholder of the Company and can be converted into common shares. EBITDA, a non-

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GAAP measure, is calculated as net earnings plus depreciation and amortization, interest and taxes, restructuring costs and non-cash charges.

The Company uses the trailing twelve-month EBITDA to reflect the seasonal nature of its activities. The following table below reconciles EBITDA to net loss for the periods used in the calculation of the trailing twelve-month EBITDA.

(in 000\$)	Twelve-month period ended March 31, 2008 \$	Twelve-month period ended December 31, 2007 \$
Net loss	(5,016)	(2,979)
Depreciation, amortization and loss on disposal of property, plant and equipment	6,131	6,264
Amortization of intangibles	2,552	2,540
Restructuring and other costs	4,127	3,716
Stock-based compensation	377	429
Interest and bank charges	6,028	5,794
Unrealized loss on interest swap	435	35
Foreign exchange loss	336	641
Income tax recovery	(2,665)	(1,721)
EBITDA	12,305	14,719

The following table presents this ratio, as calculated as at March 31, 2008 and December 31, 2007. This ratio increased from 3.4 to 4.2 mainly because of the increase in long-term debt and a reduction in the trailing twelve-month EBITDA.

(in 000\$)	As at March 31 2008 \$	As at December 31 2007 \$
Trailing Twelve-Month EBITDA	12,305	14,719
Net Debt		
Bank indebtedness	-	15,775
Long-term debt	66,961	46,286
Current portion of long-term debt	5,321	4,450
Class A Convertible Debentures	(15,777)	(15,691)
Cash	(4,234)	(902)
Total Net Debt	52,271	49,908
Capital Management Ratio	4.2	3.4

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The Company is also subject to financial covenants in its operating credit facility agreement, which are measured on a quarterly basis. As at March 31, 2008, the Company is in compliance with all financial covenants.

12 Financial instruments

Financial Risk Management

The Company is exposed to a variety of financial risks, which include foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Company does not have a practice of trading derivatives. Use of derivatives is based on established practices and parameters, which are subject to the oversight of the Board of Directors.

Foreign Exchange Risk

The Company operates on an international basis and therefore, foreign exchange risk exposures arise from transactions denominated in a foreign currency. Foreign exchange risk arises primarily with respect to the Euro and the U.K. pound. The Company, on occasion, enters into derivative instruments to manage this risk. To partially hedge its risk against the pound, the Company has some pound-denominated debt, used mainly for its recent Celtic acquisition. The Company also has access to funds for its operations through its pound-denominated revolver facility.

Impact of foreign exchange risk on financial instruments	In U.K. pounds	In Euros
Net working capital	0.6 M	0.7 M
Long-term debt	7.6 M	-

As at March 31, 2008, with other variables unchanged, a \$0.01 strengthening (weakening) of the Canadian dollar against the Euro and the UK sterling pound would have an effect of \$0.02 million and \$0.02 million respectively on annual earnings before taxes for the net working capital portion and \$0.3 million for the long-term debt portion.

Interest rate risk

The Company's principal exposure to interest rate fluctuations is limited to its long-term debt (as described in note 5) which bears interest at both fixed and floating interest rates, some of which are LIBOR-based, others are based on the Canadian Bankers' Acceptance Rate. The Company has entered into an interest rate swap to mitigate the exposure to variable interest rates for an amount of \$18.9 M of its long-term debt with a fixed interest rate of 4.315%.

As at March 31, 2008, with other variables unchanged and considering the outstanding interest swap agreement for \$18.9 million, a 1% change in the LIBOR rate and the Canadian Banker's Acceptance Rate would have an annual impact on earnings before taxes of \$0.2 million and \$0.2 million respectively. There would be no effect on other comprehensive income.

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Credit risk

The Company's financial instruments that are exposed to credit risk include cash and accounts receivable. The Company places its cash with institutions of high credit worthiness. The Company provides a wide variety of environmental services for a broad public and private sector customers and which spans numerous industries. Long-term contracts are with large well-established customers. The Company monitors its credit exposure to its customers on a regular basis. The Company's accounts receivable are not subject to a high concentration of credit risk. The following table provides further details on the aging of trade account receivables.

Account receivables (in million of dollars)	As at March 31 2008 \$	
Trade account receivables		
Trade account receivables not past due		\$8.1
Trade account receivables past due		
Under 30 days	\$9.4	
30 to 60 days	\$3.6	
Over 60 days	\$6.3	
	\$27.4	\$27.4
Allowance for doubtful accounts		(\$0.7)
Other account receivables		\$1.9
		\$28.6

The provision for doubtful accounts was increased during the period from \$0.6 to \$0.7, a variation of \$0.1 and resulted from analysis of each past due account over 60 days.

Liquidity risk

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances, managing its account payables and by appropriately utilizing our lines of credit. The Company continuously monitors and reviews both actual and forecasted cash flows. Long-term debt's maturity and repayment schedules are designed to give the Company, the flexibility it needs. The following table provides further details regarding the maturity of each short-term and long-term obligations.

(in millions of dollars)	2008	2009	2010	2011	balance after 2011
Account payables, accrued liabilities, other payables	\$24.0	-	-	-	-
Term loans	\$4.0	\$5.3	\$8.0	\$8.0	\$27.9

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Capital leases obligations	\$0.6	\$0.5	\$0.1	\$0.0	\$0.0
Debentures	\$0.0	\$0.0	\$0.0	\$0.0	\$26.1
Series 1 Preferred Shares	-	-	-	-	\$1.0
	<u>\$28.6</u>	<u>\$5.8</u>	<u>\$8.1</u>	<u>\$8.0</u>	<u>\$55.0</u>

13 Change in non-cash working capital and significant non-cash transaction

	Three-month period ended March 31, 2008 \$	Three-month period ended March 31, 2007 \$
Accounts receivable	11,626,550	4,353,582
Inventory	(341,567)	(702,697)
Work in progress	1,237,612	4,287,989
Prepaid expenses and advances	(38,225)	(970,746)
Other assets	59,956	(702)
Accounts payable and accrued liabilities	(3,368,808)	(3,000,771)
Deferred revenue	(1,394,431)	(2,287,224)
Income taxes payable	(47,190)	(2,899,407)
Change in non-cash working capital	<u>7,733,897</u>	<u>(1,219,976)</u>

14 Related Party

The Company has convertible units that are held by a shareholder corporation. Dividends are paid quarterly at a rate of 5%. During the period, the Company has issued Class B debentures and Series 2 Preferred shares to a shareholder corporation. The interest on the debentures is 15% per annum. The cumulative dividend on the Series 2 preferred shares is fixed at 3% of the issue price per annum.

15 Comparative figures

Certain of the prior year's comparative figures have been reclassified to conform to the current year's financial statement presentation.