

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD&A) reviews the financial condition and results of operations for EnGlobe Corp. ("EG" or the "Company") for the three-month periods ended March 31, 2010 and 2009. This information is presented as of May 12, 2010.

This MD&A should be read in conjunction with our audited consolidated financial statements and the accompanying notes for the years ended December 31, 2009 and 2008. You are also encouraged to read the MD&A for the year ended December 31, 2009.

The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). All amounts in this MD&A are in Canadian dollars, except as otherwise noted.

Throughout this MD&A, "we", "us", "our", "EG" and "the Company" refer to EnGlobe Corp. and its subsidiaries. More information about EG, including our Annual Information Form for the year ended December 31, 2009 and recent financial reports may be found on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking statements" within the meaning of applicable securities laws; such as statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. These statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including those described in our Annual Information Form ("AIF"). Those risks and uncertainties include general economic conditions, pricing pressures and other competitive factors, the availability of future financing and the variability of interest rates, environmental industry and waste management industry regulations and potential regulatory changes, results of the ongoing efforts to improve our cost effectiveness, adverse factors generally encountered in an environmental services company such as our ability to attract and retain customers, our relationships with our suppliers and availability and costs of utilities. Many of these risks and uncertainties can affect our actual results and could cause our actual results to differ materially from those expressed or implied in any forward-looking statement made by us or on our behalf. All forward-looking statements in this MD&A are qualified by these cautionary statements. These statements are made as of the date of this MD&A and, except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Additionally, we undertake no obligation to comment on analyses, expectations or statements made by third parties in respect of EG, its financial or operating results or its securities. Additional information, including the Company's AIF, can be found on SEDAR at www.sedar.com.

Canadian Securities Laws contemplate that companies may disclose forward-looking information so that investors can get a better understanding of the Company's future prospects and make informed investment decisions. A statement is forward-looking when it uses what we know and expect today to make a statement about the future. Forward-looking statements may include words such as "anticipate", "believe", "could", "expect", "goal", "guidance", "intend", "may", "objective", "outlook", "plan", "seek", "strive", "target" and "will".

It is important to know that:

- Forward-looking statements in this MD&A describe our expectations as at May 12, 2010.
- Our actual results could be materially different from what we expect if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, we cannot guarantee that any forward-looking statement will materialize and, accordingly, you are cautioned not to place undue reliance on these forward-looking statements.

- Forward-looking statements do not take into account the effect of transactions, or non-recurring or other special items announced or occurring after the statements are made, may have on our business. For example, they do not include the effect of sales of assets, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after the forward-looking statements are made.

NON-GAAP FINANCIAL MEASURES

Adjusted EBITDA

Adjusted EBITDA does not have any standardized meaning prescribed under GAAP and is therefore unlikely to be comparable to similar measures presented by other companies.

We use Adjusted EBITDA, among other measures, to assess the operating performance of our ongoing businesses without the effects of amortization of property, plant and equipment and intangible assets, gain on disposal of property, plant and equipment, restructuring and other costs, stock-based compensation, interest on long-term debt, other interest and bank charges, unrealized gain on interest rate swap, foreign exchange loss (gain) and income tax expense (recovery). We exclude gain on disposal of property, plant and equipment, restructuring and other costs, unrealized gain on interest rate swap and foreign exchange loss (gain) because they are generally not part of our ongoing operations. We also exclude stock-based compensation because they all largely depend on the accounting methods and assumptions we use such as the value of our common shares.

Adjusted EBITDA allows us to compare our operating performance over time on a consistent basis. We believe that certain investors and analysts use Adjusted EBITDA to measure a company's ability to service debt and to meet other payment obligations, or as a common valuation measurement in the environmental services industry. Readers are cautioned that Adjusted EBITDA should not be confused with cash flow from operating activities. The most comparable GAAP financial measure is gross profit, which is discussed in the *Results of Operations* section of the MD&A.

ABOUT OUR BUSINESS

EnGlobe Corp. is a leading international integrated environmental services company specializing in the management of contaminated soils and organic-based waste streams, with an emphasis on beneficial reuse. EG offers cost-effective solutions to municipal, commercial and industrial clients in Canada, the United Kingdom, France and the north eastern United States through our division Biogenie and through our subsidiaries Biogenie Corporation, Biogenie Europe SAS, Biogenie Site Remediation Limited (collectively "Biogenie"), Celtic Technologies Limited ("Celtic"), GSI Environment Inc. ("GSI") and Tanknology Canada Inc. ("Tanknology").

Site Assessment and Remediation

The Site Assessment and Remediation ("SAR") business unit of EG specializes in on-site and off-site treatment and recycling of contaminated soil as well as the remediation of contaminated or degraded sites. The SAR division has operating locations in Canada, the United Kingdom, France and the United States including 15 off-site treatment facilities; 11 in Canada, 2 in the United Kingdom, and 2 in France as well as approximately 50 on-site treatment units where contaminated soils are treated.

Organic Waste Management

The Organic Waste Management (“OWM”) business unit of EG provides environmental services such as composting, direct land application and biomass cogeneration, in addition to the commercialization of eco-products in bulk. The OWM business unit has operating locations in Québec and Ontario including composting and transfer facilities, all located in Québec.

Tank Testing and Calibration

Tanknology is the Tank Testing and Calibration business unit of EG. Its services, which are provided across Canada, include storage tank and line precision leak testing and statistical inventory reconciliation, compliance testing, meter calibration and facility compliance as well as tank system audits.

RESULTS OF OPERATIONS

First Quarter

Highlights of the period

- \$22.7 million in revenues;
- Adjusted EBITDA increased by \$1.5 million compared to last year to reach \$2.2 million;
- Gross profit of \$6.8 million;
- Gross profit margin of 30.1% compared to 25.8% in the same period last year;

Revenues

Revenues were \$22.7 million for the quarter ended March 31, 2010 compared with revenues of \$24.8 million for the quarter ended March 31, 2009, a decrease of \$2.1 million.

The strengthening of the Canadian dollar against the Pound Sterling and the euro negatively impacted our revenues by \$1.4 million. However, this decrease was offset by strong performance from our SAR France and UK operations.

The OWM unit generated revenue of \$4.1 million in the first quarter of 2010 compared to \$5.2 million in the same period last year. Starting in the third quarter of 2008, the Company undertook a detailed review of the OWM operations that resulted in major changes to its strategy. The Company has largely cancelled or restructured unprofitable activities and renegotiated less profitable contracts, and now concentrates its operations on contracts and activities that generate positive returns. This strategy has led to lower sales for the OWM division, but higher Adjusted EBITDA and lower risk, as discussed in the next section.

\$000's (Unaudited)	Three-month period ended March 31	
	2010	2009
Revenues		
Site Assessment and Remediation	\$ 17 905	\$ 19 125
Organic Waste Management	4 145	5 188
Tank Testing and Calibration	605	493
Total	22 655	24 806

Gross Profit

Gross profit for the quarter ended March 31, 2010 was \$6.8 million, compared to gross profit of \$6.4 million for the quarter ended March 31, 2009, an increase of \$0.4 million or 6.3%. As a percentage of revenues, gross profit margin for the quarter ended March 31, 2010 was 30.1% compared to 25.8% for the quarter ended March 31, 2009.

The OWM division's gross profit increased by \$0.1 million compared to last year's first quarter despite lower revenues, as described in the preceding section. As a percentage of revenues, the gross margin increased from 5.7% for the quarter ended March 31, 2009 to 8.5% for the quarter ended March 31, 2010. As mentioned above, starting in the third quarter of 2008, the Company renegotiated certain unprofitable contracts, rationalized its compost sales to include only products that generate a good return, and substantially reduced its fixed and variable staffing levels. The 2008 initiative to perform corrective actions continue to generate concrete and improved results.

The SAR division's gross profit increased by \$0.3 million in the first quarter of 2010 versus the same period in 2009. This increase was primarily attributable to strong performance in Canada and France, contributing to an increase in gross profit by \$0.3 million and \$0.6 million, respectively. This was offset by the decline in the value of the Pound Sterling and the euro in comparison to the same quarter last year, which contributed to a decrease in gross profit of \$0.5 million.

Adjusted EBITDA and earnings (loss) before the undernoted items

\$000's (Unaudited)	Three-month period ended March 31	
	2010	2009
Gross profit	\$ 6 816	\$ 6 395
Selling, general and administrative	4 649	5 701
Adjusted EBITDA	2 167	694
Amortization of property, plant and equipment	1 077	1 287
Gain on disposal of property, plant and equipment	-	(13)
Earnings (loss) before the undernoted items	1 090	(580)

Adjusted EBITDA for the quarter ended March 31, 2010 was \$2.2 million compared to an Adjusted EBITDA of \$0.7 million for the quarter ended March 31, 2009, an increase of \$1.5 million.

The SAR division's Adjusted EBITDA was \$0.6 million higher in the first quarter of 2010 versus the same period last year. This increase is explained by the higher gross profit of \$0.3 million, as discussed previously, combined with a reduction of the operating expenses by \$0.3 million in the first quarter of 2010 versus the same period last year, resulting from management's continuous focus on controlling costs throughout the organization and from some bad debts recovery.

The OWM division generated an additional \$0.9 million in Adjusted EBITDA in the first quarter versus the same period last year. Higher OWM Adjusted EBITDA was the result of the review and restructuring of the OWM division, as described in the preceding sections.

Selling, general and administrative (“SG&A”) expenses for the quarter ended March 31, 2010 were \$4.6 million compared to \$5.7 million for the quarter ended March 31, 2009. This decrease in SG&A was the result of the success of the Company’s SG&A and operating cost restructuring initiatives, which began in the third quarter of 2008, and the continuous focus on cost improvements demonstrated by the Company.

Amortization of property, plant and equipment for the quarter ended March 31, 2010 has decreased by \$0.2 million, which is mostly explained by the lower carrying value of fixed assets.

As a result of the foregoing, earnings before the undernoted items for the quarter ended March 31, 2010 was \$1.1 million compared with a loss before the undernoted items of \$0.6 million for the quarter ended March 31, 2009, an increase of \$1.7 million.

Net Loss

\$000's (Unaudited)	Three-month period ended March 31	
	2010	2009
Earnings (loss) before the undernoted items	\$ 1 090	\$ (580)
Amortization of intangible assets	572	923
Stock-based compensation	70	59
Restructuring and other costs	123	232
Foreign exchange loss (gain)	(484)	210
Interest and bank charges	1 811	1 831
Unrealized gain on interest rate swap	(120)	(43)
Income tax expense (recovery)	183	(167)
Net loss	(1 065)	(3 625)

Amortization of intangible assets for the quarter ended March 31, 2010 was \$0.6 million, a decrease of \$0.3 million compared to the quarter ended March 31, 2009, mainly due to a lower carrying value of intangible assets. Intangible assets from the acquisition of Biogenie in 2006 became fully amortized during the second quarter of fiscal 2009.

Interest and bank charges for the quarter ended March 31, 2010 remained unchanged at \$1.8 million compared to the quarter ended March 31, 2009. Average cost of debt financing (excluding deferred financing charges) was 8.7% during the quarter ended March 31, 2010 and 9.2% for the quarter ended March 31, 2009. When including deferred financing charges, the effective cost of debt financing for the quarter ended March 31, 2010 was 9.7% compared with 9.9% for the quarter ended March 31, 2009. The average cost of debt financing was calculated using total interest on long-term debt and other interest and bank charges divided by total interest-bearing debt. Total debt includes bank indebtedness, term loans, loans, debentures, preferred shares that are included in debt and other interest-bearing obligations, plus outstanding letters of credit.

In the first quarter of 2010, the Company recorded a foreign exchange gain of \$0.5 million compared to a loss of \$0.2 million in 2009. In 2010, the Company recorded a foreign exchange gain due to a weaker Pound Sterling currency compared to Canadian dollars since the Company’s net exposure in Pound Sterling is negative because of items such as long-term debt and additional consideration payable.

Income tax expense was \$0.2 million in 2010 compared to a recovery of \$0.2 million for the same quarter in 2009 mainly attributable to the performance of SAR Canada and France.

OUTSTANDING SHARE DATA

As of May 12, 2010, the following shares of the Company were outstanding:

Common shares issued	94,876,263
Preferred shares issued	211,389,202

As of May 12, 2010, there were 6,000,000 stock options and 11,350,000 option and stock appreciation rights outstanding.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2010, cash totalled \$1.5 million, while bank indebtedness amounted to \$6.7 million. Cash decreased by \$0.4 million for the quarter ended March 31, 2010. During the quarter, operating activities generated \$0.4 million. The Company used an additional \$1.5 million on the revolving loan facility during the quarter ended March 31, 2010. Additionally, EG made cash payments of \$0.4 million for the purchase of property, plant and equipment and \$1.8 million as repayments on long-term debt, capital lease obligations and other long-term obligations.

The Company has access to a \$20.0 million revolving facility to support the ongoing cash requirements of the business. This facility is used for, among other things, issuing letters of credit required for security, bonding or similar requirements for projects and to fund working capital of the Company. As at March 31, 2010, \$7.2 million in letters of credit were outstanding and \$4.7 million of the revolving facility was utilized to support working capital commitments. The Company is focused on optimizing working capital by reviewing its management processes, including accelerating the collection of accounts receivable.

On March 31, 2010, the Company entered into a Letters of Credit Facility (the "Facility") amounting to \$1.9 million. The Facility is limited to certain letters of credit issued by the Company and such letters of credit amounted to \$1.7 million as at March 31, 2010 and are non-recourse to the Company. The Facility is secured by an unconditional and irrevocable guarantee issued by Export Development Canada and shall expire on or before December 30, 2011.

On November 14, 2008, the Company entered into an amendment agreement to its existing credit facility following repayment of portions of the term loan and the revolving facility. With this amendment, the Banks agreed to suspend the Company's financial covenants until the third quarter of 2009 and adjusted the financial covenants for all remaining quarters including the final maturity date. The financial covenants the Company is subject to include a Fixed Charge Coverage Ratio and a Senior Funded Debt to EBITDA Ratio. As at March 31, 2010, both ratios were met by the Company.

Additionally, the Company is subject to a maximum annual capital expenditure limit, which it believes is sufficient to meet the capital requirements associated with the maintenance of current capital assets and the execution of growth plan. During the period, applicable interest rates for all advances had been base rate or LIBOR plus 5.00%.

On January 28, 2010, the Company entered into a new amendment to its existing credit facility. The interest rate is now adjustable based on achieving certain financial measures and the base rate can be changed from prime rate to Banker's Acceptance or LIBOR at the discretion of the Company.

Based on its financial forecasts, the Company expects to meet the financial ratios and covenants set by its Lenders.

From June 2008 to September 30, 2009, under the terms of the November 2008 amended credit facility, neither the Borrowers nor any of their respective Subsidiaries were permitted to make any cash payments on account of any Subordinated Debt. The unpaid interest on the Subordinated Debt during this time was accrued and capitalized. The Company and its subordinated debt holders have agreed to continue to have cash interest accrue and be capitalized until further notice.

The Company believes that cash flows related to operating activities should be sufficient to cover its capital expenditures and satisfy the principal repayments requirements of its long-term debt for at least the next twelve months while seasonal cash requirements, mostly required during the summer months, will be financed by the revolving facility.

CASH FLOW PROVIDED BY / USED IN OPERATING ACTIVITIES

For the quarter ended March 31, 2010, cash flows from operating activities decreased by \$2.0 million compared to the same period last year to reach \$0.4 million. This decrease was mostly due to an unfavorable variation of the net change in the non-cash working capital items of \$2.9 million versus last year mainly explained by the high balance of unbilled revenues combined with an unfavorable impact of items not affecting cash for a total of \$1.6 million. This decrease was partially offset by a significant reduction of the net loss for the quarter by \$2.5 million compared to the same quarter last year.

CASH FLOW USED IN INVESTING ACTIVITIES

For the quarter ended March 31, 2010, cash used in investing activities was \$0.4 million and was all related to acquisition of property, plant & equipment.

CASH FLOW PROVIDED BY / USED IN FINANCING ACTIVITIES

For the quarter ended March 31, 2010, cash used by financing activities amounted to \$0.2 million. The Company used an amount of \$1.8 million to make payments on its long-term debt, capital lease obligations and other long-term obligations. This was partially offset by an increase in bank indebtedness of \$1.5 million.

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

Contractual obligations

The Company's contractual obligations have not materially changed from those described in the Company's 2009 audited consolidated financial statements.

Legal proceedings

A statement of claim had been filed, on November 5, 2003, against Wasteco Environmental Services Ltd. ("WasteCo"), a subsidiary of EnGlobe, currently discontinued, and other parties alleging damages of \$23.8 million. This claim was dismissed on August 12, 2008, but on October 21, 2008, the plaintiff decided to file a civil notice of appeal. The appeal was heard on October 8, 2009 and on January 29, 2010, the Court of Appeal of Alberta saw no reason to overturn the trial judge's analysis and the appeal was dismissed. The plaintiff did not serve an application for Leave to appeal to the Supreme Court of Canada by the March 30th deadline, therefore this case is definitely closed.

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.

Environmental contingencies

The Company operates soil treatment facilities and also composting sites. As such, the Company is subject to environmental regulations and is required to operate its facilities within the conditions of permits, authorization certificates and other regulations. Failure to meet these conditions could result in financial penalties and/or site closure which could result in material charge against operating results. Also, because of the nature of the Company's operations, we are subject to third-party reclamations due to potential contamination of soils, underground water and processed water.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of selected consolidated financial information derived from the unaudited interim consolidated financial statements for each of the eight most recently completed quarters.

\$ 000's except per share amounts	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
	2010	2009	2009	2008	2009	2008	2009	2008
Revenues	22 655	24 806	35 388	40 953	39 275	45 760	32 167	38 209
Adjusted EBITDA	2 167	694	6 593	3 879	6 101	6 388	3 103	(3 687)
Net earnings (loss)	(1 065)	(3 625)	8 497	(2 349)	1 851	105	(1 825)	(22 549)
Basic net earnings (loss) per share	(0,01)	(0,05)	0,04	(0,03)	0,02	0,00	(0,02)	(0,26)
Diluted net earnings (loss) per share	(0,01)	(0,05)	0,04	(0,03)	0,02	0,00	(0,02)	(0,26)
Total assets	124 745	121 127	135 475	132 284	124 294	139 214	121 700	132 714
Total long-term financial liabilities	54 085	55 363	57 327	56 701	52 384	58 286	54 718	3 422
Weighted Average number of shares (in 000's)								
Basic	94 876	86 711	94 876	84 861	97 300	86 711	97 300	86 711
Diluted	368 426	347 487	369 538	95 183	97 300	86 711	97 325	86 711

The seasonality of the business has caused results to fluctuate quarter to quarter. Due to the fact that the main business of the Company is soil remediation and organic waste management, it is quite common for the business to have lower soil volumes and revenues in the winter months due to weather patterns, as reflected in the first quarter results.

Basic earnings per share are determined using the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated using the treasury stock method.

TRANSACTIONS WITH RELATED PARTIES

The Company has Convertible Units and Class B debentures that are held by shareholders. Associated to those items, the Company has recorded \$746 of interest on long-term debt (\$771 in 2009). The amount of Convertible Units and Class B debentures held by shareholders as at March 31, 2010 amount to \$18,366 and \$9,357 (\$17,986 and \$9,036 as at December 31, 2009), respectively.

CRITICAL ACCOUNTING POLICIES

The accounting policies followed by the Company for the three-month period ended March 31, 2010 are the same as those followed in the Company's audited consolidated financial statements for the year ended December 31, 2009 and notes thereto. The following details the changes in critical accounting policies that will be adopted after 2010.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interest

In January 2009, the CICA issued Sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests".

Section 1582 will be converged with IFRS 3, "Business Combinations". Section 1602 will be converged with the requirements of IAS 27, "Consolidated and Separate Financial Statements", for non-controlling interests. Section 1601 carries forward the requirements of Section 1600, "Consolidated Financial Statements", other than those relating to non-controlling interests.

Section 1582 applies to a transaction in which the acquirer obtains control of one or more businesses. The term "business" is more broadly defined than in the existing standard. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value at the acquisition date. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. A bargain purchase will result in recognition of a gain. Acquisition costs must be expensed.

Under Section 1602, any non-controlling interest will be recognized as a separate component of shareholders' equity. Net earnings will be calculated without deduction for the non-controlling interest. Rather, net earnings will be allocated between the controlling and non-controlling interests.

The new standards will become effective in 2011. The Company is currently evaluating the impact of the adoption of these new standards on its consolidated financial statements.

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.

Except for the following, 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.

Interest swap agreement

The Company's principal exposure to interest rate fluctuations is limited to its long-term debt which bears interest at both fixed and floating interest rates, some of which are LIBOR-based and others are based on the Canadian Bankers' Acceptance Rate. The Company has an interest rate swap to mitigate the exposure to variable interest rates for a notional amount of \$12.9 million of its long-term debt with a fixed interest rate of 4.315% expiring on November 24, 2011.

DISCLOSURE CONTROLS AND PROCEDURES ("DC&P") AND INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")

Our DC&P are designed to provide reasonable assurance that material information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the President and Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. Management is also responsible for establishing and maintaining adequate ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

The control framework used to design ICFR is COSO (*Committee of Sponsoring Organizations*) and COBIT (Control Objectives for Information and related Technology).

The effectiveness of DC&P, including this interim MD&A and the interim financial statements, the annual financial statements, the Annual Information Form and the Management Proxy Circular, has been evaluated. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer of the Company concluded that the DC&P were effective as at the end of the first quarter ended March 31, 2010 and, more specifically, that the design of these controls and procedures provides reasonable assurance that material information about the Company, including its consolidated subsidiaries, is made known to them during the period in which these filings are being prepared.

As of March 31, 2010, Management evaluated the design of the ICFR for the North America operations as defined under National Instrument 52-109, while the first operating effectiveness of the Company's ICFR will be assessed during the second part of the year. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that our ICFR were well designed as at March 31, 2010 for the North America operations. As mentioned in the previous report, for the European operations, the evaluation of the design of the ICFR is underway to identify any particular specificity. This phase has been accelerated with the two newly appointed European financial directors and appropriate adjustments, if necessary, will be implemented. The Company should conduct a first European ICFR operating effectiveness evaluation before the end of this year.

We believe in and are committed to establishing rigorous DC&P and ICFR in all our units. Considering our global control environment, the Company confirmed that our consolidated financial statements do not require any adjustments. Management continues to dedicate important resources to evaluate the effectiveness of our overall control environment and refine existing controls as they, in conjunction with the Audit Committee, Board of Directors, Chief Executive Officer and Chief Financial Officer, seem sufficient.

No changes were made in our internal control over financial reporting during the quarter ended March 31, 2010 that have materially affected, or reasonably likely affected, our internal controls over financial reporting.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

In February 2008, the Accounting Standards Board (“AcSB”) confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011. The conversion to IFRS will be required, for the Company, for interim and annual financial statements beginning on January 1, 2011.

During 2008, the Company proceeded with the assistance of external experts to establish a stage 1 diagnosis for the adoption of IFRS. This diagnosis has identified the main differences between the accounting treatments applied by the Company under Canadian GAAP and the IFRS as well as the practical implications related to the transition. The differences were further classified according to their degree of complexity and by the amount of work required for their implementation.

The Company has completed the planning and high level diagnosis activities of its transition plan. The Company is currently finalizing its detailed analysis of the potential accounting and reporting differences between Canadian GAAP and IFRS on its consolidated financial statements, information systems, processes and controls. As the implementation process evolves, the Company expects to adapt its transition plan based on the new information available.

The table below illustrates key elements of our conversion plan, our major milestones and current status. Our conversion plan is organized in phases over time and by area. We have completed all activities to date per our detailed project plan as follows:

Activity	Milestone	Status
<p>Financial reporting :</p> <ul style="list-style-type: none"> • Assessment of accounting and reporting differences. • Selection of IFRS accounting policies and IFRS 1 elections. • Development of IFRS financial statement format, including disclosures. • Quantification of effects of conversion. 	<ul style="list-style-type: none"> • Senior management and Audit Committee sign-off for policy recommendations and IFRS 1 elections during 2010. • Senior management and Audit Committee sign-off on financial statement format during 2010. • Final quantification of conversion effects on 2010 comparative period by Q1 2011. 	<ul style="list-style-type: none"> • Senior management and Audit Committee preliminary approval to be obtained for IFRS accounting policies and IFRS 1 elections. • Monitoring of impacts on policy recommendations of new or amended IFRS standards issues ongoing. • Preliminary IFRS financial statement format and disclosures to be drafted in 2010. • Preliminary impacts on opening balance sheet and Q1 2010 to be completed by the end of Q2 2010.

<p>Systems and processes :</p> <ul style="list-style-type: none"> • Assessment of impact of changes on systems and processes. • Implementation of any system and process design changes including training appropriate personnel. • Documentation and testing of internal controls over new systems and processes. 	<ul style="list-style-type: none"> • Systems, process and internal control changes implemented and training complete in time. • Testing of internal controls for 2010 comparatives completed by Q1 2011. 	<ul style="list-style-type: none"> • Systems and process changes ongoing. Internal reporting changes to be addressed later in 2010. • Internal controls for impacted processes and transition ongoing. • Training on new systems, processes and internal controls to be completed.
<p>Business :</p> <ul style="list-style-type: none"> • Assessment of impacts on all areas of the business, including contractual arrangements and implement changes as necessary. • Communicate conversion plan and progress internally and externally. 	<ul style="list-style-type: none"> • Contracts updated/renegotiated by the end of 2010, if necessary. • Communication at all levels throughout the conversion process. 	<ul style="list-style-type: none"> • Preliminary assessment of impacts on other areas of the business ongoing. • Communication is ongoing. • Training for employees on expected impacts ongoing.

The Company has appointed a project manager to lead the conversion to IFRS. The project manager is working with other members of the finance team to execute the implementation plan. An implementation team is working closely with senior management in a number of different business areas to ensure that the impacts of the conversion throughout the business are managed in a timely and efficient manner. A steering committee has been established to oversee the project.

Impact of Adoption of IFRS

IFRS is premised on a conceptual framework similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. The following paragraphs outline the significant accounting policies, which are required or are currently expected to be applied by the Company upon its adoption of IFRS that will be significantly different than its Canadian GAAP accounting policies. As the Company continues to evaluate the impact of adoption on its processes and accounting policies, it will provide updated disclosure where appropriate. This summary description, presented below, should not be seen as an exhaustive list of all potential or actual differences between IFRS and Canadian GAAP that will or could impact the Company's consolidated financial statements.

Property, Plant and Equipment

Consistent with Canadian GAAP, under IFRS, separable components of property, plant and equipment are recognized initially at cost. Under International Accounting Standard (IAS) 16, *Property, Plant and Equipment*, an entity is required to choose, for each class of property, plant and equipment, to account for each class using either the cost model or the

revaluation model. The cost model is generally consistent with Canadian GAAP where an item of property, plant and equipment is carried at its cost less any accumulated amortization and any accumulated impairment losses. Under the revaluation model, an item of property, plant and equipment is carried at its revalued amount, being its fair value at the date of the revaluation less any accumulated amortization and accumulated impairment losses. The Company expects to use the cost model to account for each class of property, plant and equipment and to use the straight-line method to amortize all its property, plant and equipment. Based on its analysis completed to date, Management cannot quantify the impact on its consolidated financial statements at the present time but expects that the adjustments will be significant. Per the requirements of IFRS 1, these adjustments will be offset in opening retained earnings upon transition to IFRS.

Impairment of assets

Under Canadian GAAP, whenever the estimated future cash flows on an undiscounted basis of a long-lived asset is less than the carrying amount of the asset, an impairment loss is measured and recorded based on fair values. Under IFRS, IAS 36 "Impairment of Assets" requires an impairment charge to be recognized if the recoverable amount, determined as the higher of the estimated fair value less costs to sell or value in use, is less than carrying amount. The impairment charge under IFRS is equal to the amount by which the carrying amount exceeds the recoverable amount. In addition, IAS 36 requires, under certain circumstances, the reversal of impairment losses, which is not allowed under Canadian GAAP. Based on its transition work completed so far, Management cannot quantify the impact of impairment adjustments, if any, at the present time.

Provisions

IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, requires a provision to be recognized when there is a present obligation, legal or implicit, as a result of a past transaction or event and it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the obligation. Probability is based on a "more likely than not" threshold. Under Canadian GAAP, the criterion for recognition in the financial statements is "likely", which is a higher threshold. Therefore, it is possible that there may be some contingent liabilities which would meet the recognition criteria under IFRS that were not recognized under Canadian GAAP.

Other differences between IFRS and Canadian GAAP exist in relation to the measurement of provisions, such as the methodology for determining the best estimate when there is a range of equally possible outcomes (IFRS uses the mid-point of the range, whereas Canadian GAAP uses the low end of the range), and the requirements under IFRS for provisions to be discounted where material. Management is expecting some impacts related to enhanced disclosure of provisions. Even if recognition and measurement criteria have been lowered under IFRS, we are not expecting to have a material impact on our financial statements.

Share-Based Payments

IFRS 2, *Share-Based Payments*, requires that cash-settled share-based payments to employees be measured (both initially and at each reporting date) based on fair values of the awards. Canadian GAAP requires that such payments be measured based on intrinsic values of the awards. This difference is expected to impact the accounting measurement of our OSARs. Based on our preliminary calculations of the revised liability, we expect that the change will result in an increase in our liability for share based payments. Per the requirements of IFRS 1, this adjustment will be offset in opening retained earnings upon transition to IFRS.

Leases

With respect to leases, we also do not see a material impact to our financial statements outside of enhanced disclosure. Unlike GAAP today, when classifying capital leases (or "finance leases" under IFRS), more judgement is applied due to the lack of quantitative thresholds. After our review during the detailed assessment phase, we

concluded that we had no significant classification issues. When quantifying the value of a finance lease, IFRS requires the use of the implicit interest rate in the lease, or if not available, the incremental borrowing rate. This differs from Canadian GAAP in that the rate to use is the lower of the incremental borrowing rate and the implicit rate. Upon evaluation, financial, business and system impacts are immaterial for the Company at this time. An IFRS exposure draft on leases is expected in late 2010.

First-Time Adoption of International Financial Reporting Standards

EnGlobe's adoption of IFRS will require the application of IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 does require certain mandatory exceptions and limited optional exemptions in specified areas of certain standards from this general requirement. The following are the optional exemptions available under IFRS 1, significant to EnGlobe that the Company expects to apply in preparing its first financial statements under IFRS.

Cumulative Translation Differences

IAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires a company to determine the translation differences in accordance with IFRS from the date on which a subsidiary was formed or acquired. IFRS allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from prior to the date of transition to IFRS. We expect to reset all cumulative translation differences to zero on transition to IFRS.

Business Combinations

For business combinations that occurred before the transition date, being January 1, 2010, the Company has the choice to restate all business combinations to IFRS standards, restate all business combinations after a particular date, or not restate any of the business combinations. Assets and liabilities acquired in an un-restated business combination that were recognized under Canadian GAAP and that do not qualify for recognition under IFRS are then de-recognized. We expect to elect not to restate any business combinations that have occurred prior to January 1, 2010.

Property, Plant and Equipment

IFRS 1 allows an entity transitioning to IFRS to initially measure an item of property, plant and equipment at fair value as deemed cost at the date of the transition to avoid retrospective application. The Company will not utilize this optional exemption and continue to use the cost model for property, plant and equipment as of the date of transition to IFRS.

RISKS THAT COULD AFFECT OUR BUSINESS

As stated above, risks that could cause our actual results to materially differ from our current expectations include, but are not limited to:

- Term loan negotiations with lenders may change the terms and covenants;
- General industry and economic conditions;
- Changes in our relationships with suppliers;
- Changes in exchange rates between the Canadian dollar, the U.S. dollar, the Pound Sterling and the Euro;
- Pricing pressures and other competitive factors;
- The availability and costs of fuels and utilities;
- The results of our ongoing efforts to improve cost effectiveness;
- Changes in legislative and regulatory requirements affecting our business;
- General uncertainty associated with operating in a highly regulated environment;
- Costs and risks associated with litigation;
- Potential changes to the mix of businesses we operate;
- Reliance on key personnel, and
- The availability of future financing and the variability of interest rates.

Should one or more of these risks materialize, or should our underlying assumptions prove incorrect, our actual results may materially differ from our current expectations. Therefore, in evaluating forward-looking statements, readers should specifically consider the various factors that could cause our actual results to materially differ from such forward-looking statements. No change occurred during the period. Please refer to the Risk Factors section of our Annual Information Form for the year ended December 31, 2009 for a more detailed description for risks that could affect our business.

OTHER

Additional information relating to the Company's financial statements is available in the Annual Information Form at www.sedar.com.