

EnGlobe Corp.

**Interim Consolidated Financial Statements
(Unaudited)**

**For the six-month periods ended June 30, 2009 and
2008**

EnGlobe Corp.

Interim Consolidated Balance Sheet

(In thousands of dollars)

	As at June 30 2009 \$ (Unaudited)	As at December 31 2008 \$
Assets		
Current assets		
Cash and cash equivalents (note 11)	1,865	3,157
Accounts receivable	26,681	34,749
Inventory	1,485	2,141
Unbilled revenue	9,629	9,233
Prepaid expenses and advances	2,958	1,563
Income taxes receivable	1,348	967
Future income taxes	627	883
	44,593	52,693
Property, plant and equipment	27,182	27,646
Intangible assets	27,417	29,116
Goodwill	21,133	21,133
Tax credits recoverable	578	838
Future income taxes	797	858
	121,700	132,284
Liabilities		
Current liabilities		
Bank indebtedness (note 4)	6,817	5,676
Accounts payable and accrued liabilities	21,869	24,166
Additional consideration payable (note 5)	1,244	2,663
Deferred revenue	8,319	9,808
Current portion of capital lease obligations	389	394
Current portion of long-term debt (note 4)	5,224	4,070
Current portion of other long-term obligations (note 9c and d)	683	665
Other current liabilities	846	1,108
	45,391	48,550
Capital lease obligations	156	296
Long-term debt (note 4)	51,704	53,638
Other long-term obligations (note 9c and d)	1,662	1,640
Future income taxes	2,618	2,626
Preferred shares (note 4b)	1,196	1,127
	102,727	107,877
Shareholders' Equity		
Share capital (note 5)		
Common shares	66,271	66,271
Preferred shares	20,987	20,474
Contributed surplus	13,496	13,386
Deficit	(81,781)	(75,724)
	18,973	24,407
	121,700	132,284
Commitments and contingencies (note 9)		

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

Signed on behalf of the Board of Directors:

_____, Director

_____, Director

EnGlobe Corp.

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

(In thousands of dollars, except per share data)

	Three-month period ended June 30		Six-month period ended June 30	
	2009 \$	2008 \$	2009 \$	2008 \$
Revenues	32,167	38,209	56,973	62,490
Direct costs	23,615	33,917	42,026	52,761
Gross profit	8,552	4,292	14,947	9,729
Expenses				
Selling, general and administrative	5,449	7,979	11,150	14,607
Depreciation of property, plant and equipment	1,122	1,536	2,409	2,921
Loss (gain) on disposal of property, plant and equipment	(65)	186	(78)	178
Earnings (loss) before the undernoted items	2,046	(5,409)	1,466	(7,977)
Amortization of intangible assets	790	1,274	1,713	1,914
Stock-based compensation	51	66	110	153
Restructuring and other costs (note 6)	301	1,725	533	2,637
Foreign exchange loss (gain)	768	109	978	(226)
Interest on long-term debt	1,465	1,723	2,968	2,915
Other interest and bank charges	101	567	429	830
Other non-cash charges (note 8)	--	9,553	--	9,553
Unrealized loss (gain) on interest rate swap	(218)	(201)	(261)	231
Loss before income taxes	(1,212)	(20,225)	(5,004)	(25,984)
Income tax expense	613	2,324	446	501
Net loss and comprehensive loss for the period	(1,825)	(22,549)	(5,450)	(26,485)
Deficit – Beginning of period	(79,651)	(50,797)	(75,724)	(46,861)
Dividends – Preferred shares	(305)	--	(607)	--
Deficit – End of period	(81,781)	(73,346)	(81,781)	(73,346)
Basic and diluted net loss per common share (note 7)	(0.02)	(0.26)	(0.05)	(0.32)

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

EnGlobe Corp.

Interim Consolidated Statements of Cash Flows (Unaudited)

(In thousands of dollars)

	Three-month period ended June 30		Six-month period ended June 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash provided by (used in)				
Operating activities				
Net loss for the period	(1,825)	(22,549)	(5,450)	(26,485)
Items not affecting cash and cash equivalents				
Depreciation and amortization	1,912	2,810	4,122	4,835
Non-cash interest accretion on debentures, preferred share and other long-term obligation	575	516	1,136	778
Unrealized (gain) loss on interest rate swap	(218)	(201)	(261)	231
Stock-based compensation	51	66	110	153
Unrealized foreign exchange loss	862	35	1,033	57
Loss (gain) on disposal of property, plant and equipment	(65)	186	(78)	178
Other non-cash charges (note 8)	--	9,553	--	9,553
Other	--	(25)	--	(25)
Future income taxes	113	2,400	162	469
	1,405	(7,209)	774	(10,256)
Net change in non-cash working capital items (note 11)	549	(1,867)	3,642	5,867
Cash provided by (used in) operating activities	1,954	(9,076)	4,416	(4,389)
Investing activities				
Purchase of property, plant and equipment	(1,257)	(783)	(2,709)	(1,443)
Purchase of intangible assets	(12)	--	(12)	--
Proceeds from disposal of property, plant, equipment	159	185	175	198
Business acquisition, net of cash acquired (note 5)	(1,531)	(1,151)	(1,531)	(10,069)
Other investing activities	--	--	--	(604)
Cash used in investing activities	(2,641)	(1,749)	(4,077)	(11,918)
Financing activities				
Increase (decrease) in bank indebtedness	(691)	9,488	1,141	(6,287)
Repayment of capital lease obligations	(112)	(171)	(230)	(275)
Repayment of other long-term obligations	--	--	(7)	--
Proceeds from long-term debt	--	--	--	21,976
Repayment of long-term debt	(1,168)	(1,325)	(2,488)	(1,575)
Proceeds from issuance of preferred shares	--	--	--	2,950
Preferred shares issuance costs	--	--	(47)	--
Proceeds from issuance of common shares	--	--	--	18
Cash provided by (used in) financing activities	(1,971)	7,992	(1,631)	16,807
Net change in cash and cash equivalents for the period	(2,658)	(2,832)	(1,292)	500
Cash and cash equivalents – Beginning of period	4,523	4,234	3,157	902
Cash and cash equivalents – End of period	1,865	1,402	1,865	1,402
Supplemental disclosure of cash flow information				
Interest paid	993	1,399	2,262	2,542
Income taxes paid (recovered)	(324)	1,891	311	2,092

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

EnGlobe Corp.

Notes to Interim Consolidated Financial Statements (Unaudited)

(In thousands of dollars, except the number of shares, options, warrants and per share data and as otherwise noted)

1 Nature of operations

EnGlobe Corp. (“EG”, “EnGlobe” 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.

EG is an environmental services company specializing in the management of contaminated soils and organic-based waste streams, with an emphasis on beneficial re-use. EG provides solutions to municipal, commercial and industrial clients in Canada, the United Kingdom, France and the northern United States, 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 and Celtic, encompasses on-site and 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 Interim financial information

The financial information as at June 30, 2009, and for the three-month and six-month periods ended June 30, 2009 and 2008, is unaudited. In the opinion of management, all adjustments necessary to present fairly the results of these periods in accordance with generally accepted accounting principles (GAAP) in Canada have been included. The adjustments made were of a normal and recurring nature.

These interim unaudited consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada and use the same accounting policies and methods used in the preparation of the company’s most recent annual consolidated financial statements, except for changes described in note 3. However, all disclosures required for annual financial statements have not been included in these financial statements. Consequently, these unaudited interim consolidated financial statements should be read in conjunction with the company’s most recent annual consolidated financial statements.

Revenue recognition

The Company has included its revenue recognition policy in this document for further clarity. This revenue recognition policy has not changed since December 31, 2008.

The Company’s recognizes revenue in each of its three operating segments; Site Assessment and Remediation (“SAR”), Organic Waste Management (“OWM”) and Tank Testing and Calibration.

I) SAR Segment

The majority of the SAR segment’s revenues are generated by “fixed-price” contracts with the balance of revenue generated under “cost-plus” contracts.

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(In thousands of dollars, except the number of shares, options, warrants and per share data and as otherwise noted)

Under the "fixed-price" contracts, services are to be provided for a fixed price. In general, the contracts provide for payments to the Company throughout the period in which service is being provided. Under these "fixed-price" contracts, revenue is recognized using the percentage of completion method. At inception of the contract, the total costs to complete the contract are estimated. The revenue is recognized proportionately to the costs incurred of the contract. The Company revises these estimates periodically and reflects any changes in estimates using the cumulative catch-up method. At any point, if the estimate for the remaining costs exceeds the revenue under the contract, a loss is recorded.

Cost-plus contracts are contracts under which the customer agrees to pay EnGlobe the cost of the services provided, plus a margin. Under these "cost-plus" contracts, revenue is recognized as the services are provided.

II) OWM Segment

The majority of the OWM segment's revenues are derived from fees charged to customers for the transport and receipt of organic waste. Customers (often municipalities) pay a fee based on the amount of metric tonnage of organic waste. OWM recognizes revenues upon receipt of the organic waste as the performance requirements under the contract have been met and all other revenue recognition criteria have been satisfied.

The balance of the OWM segment's revenues is derived from the sale of compost materials. Sales are made primarily based on a price list that is reviewed by management periodically. Revenue is recognized upon delivery (or-pick-up) of the compost by the customer as the risk and rewards of ownership are transferred at this time and all other revenue recognition criteria have been satisfied.

III) Tank Testing and Calibration Segment

The Tank Testing and Calibration segment provides testing and calibration services primarily to the petroleum industry, usually gas stations. Revenue is recognized as the service is rendered.

3 New accounting standards

On January 1, 2009, the company adopted Section 3064, "Goodwill and intangible assets", which supersedes Section 3062, "Goodwill and other intangible assets" and Section 3450, "Research and development costs" issued by the Canadian Institute of Chartered Accountants ("CICA").

Section 3064, "Goodwill and intangible assets", establishes standards for the recognition, measurement, presentation and disclosure of intangible assets. These changes clarify that costs may only be deferred when they relate to an item that meets the definition of an asset. The concept of matching revenues and expenses remains appropriate only for allocating the cost of an asset that is consumed in generating revenue over multiple reporting periods. Standards relating to goodwill are unchanged from those included in Section 3062.

The Company has applied this new accounting standard prospectively and it had no effect on its consolidated financial statements.

Credit risk and the fair value of financial assets and liabilities

The CICA issued Abstract EIC-173 "Credit Risk and the Fair Value of Financial Assets and Liabilities", which apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. This abstract clarifies the application of Section 3855 "Financial Instruments – Recognition and Measurement".

The adoption of these guidelines did not have any material effect on the Company's result, financial position or cash flows.

New accounting Standards Not Yet Adopted

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

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Notes to Interim Consolidated Financial Statements (Unaudited)

(In thousands of dollars, except the number of shares, options, warrants and per share data and as otherwise noted)

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 income will be calculated without deduction for the non-controlling interest. Rather, net income 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.

4 Long-term debt

	June 30 2009 \$	December 31 2008 \$
Term Loan (a)	35,470	37,268
Class A Convertible Debentures (b)	16,241	16,050
Class B Debentures (c)	8,180	7,714
	<hr/>	<hr/>
	59,891	61,032
Less: Deferred financing charges	2,963	3,324
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	56,928	57,708
Less: Current portion of long-term debt	5,224	4,070
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Long-term portion of long-term debt	51,704	53,638
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Notes to Interim Consolidated Financial Statements (Unaudited)

(In thousands of dollars, except the number of shares, options, warrants and per share data and as otherwise noted)

(a) Term loan and revolving facility

On March 25, 2008, the Company amended its credit agreement to arrange a 5-year term loan of \$15,200 denominated in pounds sterling (£7,566), for net proceeds of \$14,815. This term loan was used, in part, for the acquisition of Celtic with the remainder used for transaction expenses and the reduction of the revolving facility. This loan bears interest at the LIBOR rate plus 2.5%. In addition, the term of the November 2006 term loan of \$42,000, bearing interest at the banker's acceptance rate plus 2%, was extended to 2013. The loans are collateralized by all assets of the operating companies. The interest rate is adjustable based on achieving certain financial measures and for the November 2006 term loan, the base rate can be changed from prime rate to banker's acceptance or LIBOR at the discretion of the Company.

As at June 30, 2009, the Company also has a \$20,000 (as at December 31, 2008 - \$20,000) revolving facility bearing interest at the prime rate or banker's acceptance rate plus 2.0%. The facility is collateralized by all assets of the operating companies. As at June 30, 2009, \$6,228 (as at December 31, 2008 - \$11,166) was available under the revolving facility. On March 25, 2008, the term of the revolving facility was extended to 2013.

On November 14, 2008, the Company entered into an amendment agreement to this existing credit facility following repayment of portions of the term loan and the revolving facility. With this amendment, the Banks have agreed to suspend the Company's current financial covenants until the third quarter of 2009 and adjusted the financial covenants for the third and fourth quarter of 2009. Also, until the fiscal quarter ending September 2009, the Company shall maintain a cumulative minimum adjusted EBITDA. As at June 30, 2009, this condition has been met. During the period not exceeding November 29, 2009, applicable interest rates for all advances shall be LIBOR plus 5.75%.

Adjusted EBITDA is a non-GAAP measure related to the credit facilities. This measure does not have standardized meaning under GAAP.

(b) Class A convertible debentures and convertible preferred shares

Class A convertible debentures bear interest at a rate of 5% per annum, payable quarterly. The debentures are due in 2014 and are convertible into common shares at the option of the holder at a rate of \$0.323 per common share. Starting in 2010, the debentures are convertible into common shares at the option of the Company at a rate of \$0.323 per common share if certain minimum earnings levels are achieved.

A total of 10,296,250 convertible preferred shares were issued concurrently with the debentures. The convertible preferred shares pay a cumulative 5% dividend and are convertible and redeemable at \$0.323 per common share. The preferred shares have been issued contemporaneously with the debenture and may only be assigned or transferred on the basis of 500 preferred shares with each debenture. The preferred shares can be redeemed at the option of the holders after the debentures become due or at the option of the holders and the Company if the debentures have been repaid.

Because the units have elements of both debt and equity, they necessitate the recording of separate equity and two debt components. Management used the residual method to establish the fair value of the components. Using 9%, which is management's estimate of the effective interest rate on March 31, 2006, the debt component, representing the redemption feature of the debenture units, was valued at \$15,134. The other debt component, representing the redemption feature of the preferred shares units, was valued at \$797. Finally, the equity component, representing the conversion feature of the units, was valued at \$4,662. This equity component has been allocated to contributed surplus.

Since June 2008 and following the November 14, 2008 amendment to the credit agreement, neither the Borrowers nor any of their respective Subsidiaries shall be permitted to make any payments on account of any Subordinated Debt until September 2009. The unpaid interest shall accrue and be capitalized.

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Notes to Interim Consolidated Financial Statements (Unaudited)

(In thousands of dollars, except the number of shares, options, warrants and per share data and as otherwise noted)

(c) Class B Debentures

On March 25, 2008, the Company issued \$7,046 in Class B debentures, for net proceeds of \$6,374, after deducting financing fees of \$672, including \$271 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.

Since June 2008 and following the November 14, 2008 amendment agreement, neither the Borrowers nor any of their respective Subsidiaries shall be permitted to make any payments on account of any Subordinated Debt until September 2009. The unpaid interest shall accrue and be capitalized.

In 2008, the Company breached certain covenants under the Class B debenture agreement. On November 13, 2008, the Company obtained a waiver that waived the various breaches under the agreement until September 30, 2009.

The minimum annual payments, including accrued and capitalized interest, related to the long-term debt are as follow:

	\$
2009 (remainder of the year)	2,149
2010	6,447
2011	6,447
2012	8,596
2013	11,831
Thereafter	24,421
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	59,891
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EnGlobe Corp.

Notes to Interim Consolidated Financial Statements (Unaudited)

(In thousands of dollars, except the number of shares, options, warrants and per share data and as otherwise noted)

5 Share capital

Common shares

Authorized

Unlimited number of common shares with no par value

	Number	Amount \$
Balance as at December 31, 2007	78,705,160	61,773
Acquisition of Celtic	7,960,645	3,516
Exercise of stock options	45,000	29
	<hr/>	<hr/>
Total issued and fully paid as at December 31, 2008 and June 30, 2009	86,710,805	65,318
To be issued:		
Common shares issuable as additional consideration	10,589,000	953
	<hr/>	<hr/>
Total common shares including common shares to be issued as at December 31, 2008 and June 30, 2009	97,299,805	66,271
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On March 25, 2008, the Company issued 7,960,645 common shares with a fair value of \$3,516 (\$0.44 per share) as consideration for the acquisition of Celtic. Part of this acquisition is an additional consideration of £2,000 payable in a ratio of 75% cash and 25% in common shares of the Company. On April 3, 2009, an amendment to the original share sale agreement concerning the additional consideration payable in cash has been made. The cash payment to the Sellers will be done in two instalments instead of one. Following this agreement, £850 (\$1,531) has been paid on April 15, 2009 and £650 (\$1,244) will be paid on April 15, 2010. The second instalment bears interest at 8% per annum. The Company will issue an estimate of 10,589,000 common shares with a fair value of \$953 (\$0.09 per share) in the third quarter of 2009.

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

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Notes to Interim Consolidated Financial Statements (Unaudited)

(In thousands of dollars, except the number of shares, options, warrants and per share data and as otherwise noted)

Preferred shares

Authorized

Unlimited number of preferred shares issuable in series

Issued and fully paid	Six-month period ended June 30, 2009		Year ended December 31, 2008	
	Number	Amount \$	Number	Amount \$
Balance - Beginning of period	196,207,745	20,412	--	--
Series 2 preferred shares	--	--	7,375,000	2,950
Series 2 preferred shares in consideration of financing fees	--	--	470,745	188
Series 3 preferred shares	--	--	177,700,000	17,770
Series 3 preferred shares in consideration of financing fees	--	--	10,662,000	1,066
	196,207,745	20,412	196,207,745	21,974
Issue costs	--	(47)	--	(1,562)
Balance - End of period	196,207,745	20,365	196,207,745	20,412

To be issued

Series 3 preferred shares issuable as dividends	6,221,995	622	617,580	62
Total preferred shares - End of period	202,429,740	20,987	196,825,325	20,474

Preferred share issuances

On December 12, 2008, the Company completed a private placement of 188,362,000 Series 3 preferred shares at \$0.10 per share, including 10,662,000 preferred shares issued in consideration for financing fees. Consideration received for the preferred shares was \$17,595 after deducting \$175 in issue expenses and \$1,066 in financing fees paid to the holders of the preferred shares. The Series 3 preferred shares are convertible at any time by the holders into freely tradable common shares of the Company at a conversion of \$0.10 per common share. Holders of the Series 3 Preferred Shares are entitled to receive, subject to certain exceptions, a fixed, cumulative dividend per preferred share equal to 6% of the issue price per annum. These dividends are payable quarterly at the Company's option in cash or additional equivalent value preferred shares. As a result, the Company will issue 6,221,995 Series 3 preferred shares valued at \$622 as dividends for the period from December 12, 2008 to June 30, 2009.

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 of financing fees. Consideration received for the preferred shares was \$2,817 after deducting \$133 in issue expenses and \$188 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

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(In thousands of dollars, except the number of shares, options, warrants and per share data and as otherwise noted)

share for each common share. Holders are entitled to receive, subject to certain exceptions, a fixed, cumulative quarterly dividend of 3% of the issue price per annum. The preferred shares are redeemable by the Company, at its option, on or after March 31, 2014 at the issue price plus all accrued and unpaid dividends.

6 Restructuring and other costs

Restructuring and other costs are typically to provide for the costs of facility consolidations, workforce reductions, transition costs or non-recurrent costs resulting from specific situations that occurred.

The Company records restructuring charges relating to employee terminations and recruiting costs, professional fees and legal costs, facility exit and other costs when the liability is incurred. The recognition of these charges requires management to make certain judgements regarding the nature, timing and amounts associated with planned restructuring activities.

The tables below provide a summary of restructuring and other costs undertaken by the Company detailing the components of the expenses and the movement in accrued liabilities. This summary is presented by the year in which the restructuring activities were initiated.

	Employee terminations and recruiting costs \$	Professional fees and legal costs \$	Facility exit and other costs \$	Non-cash items \$	Total \$
Expenses recorded in the 2nd quarter 2008	759	98	851	17	1,725
Expenses recorded in the 2nd quarter 2009:					
For activities initiated prior to 2008	--	83	--	--	83
For activities initiated during 2008	23	119	13	--	155
For activities initiated during 2009	16	2	45	--	63
	39	204	58	--	301
	Employee terminations and recruiting costs \$	Professional fees and legal costs \$	Facility exit and other costs \$	Non-cash items \$	Total \$
Expenses recorded in the six-month period ended June 30, 2008	1,123	314	1,183	17	2,637
Expenses recorded in the six-month period ended June 30, 2009:					
For activities initiated prior to 2008	--	83	--	--	83
For activities initiated during 2008	73	282	27	5	387
For activities initiated during 2009	16	2	45	--	63
	89	367	72	5	533

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(In thousands of dollars, except the number of shares, options, warrants and per share data and as otherwise noted)

Accrued expenses reconciliation:

Accrued liabilities – December 31, 2008	1,629	300	125	--	2,054
Expenses in 2009	89	367	72	5	533
Cash payments in 2009	(1,485)	(667)	(197)	(5)	(2,354)
Accrued liabilities – June 30, 2009	233	--	--	--	233

7 Loss per common share

The following table reconciles the net loss and the number of shares for the basic and diluted loss per share calculations for the three-month and six-month periods ended June 30:

			For the three-month period ended June 30, 2009
	Net loss attributable to common shareholders	Weighted average number of shares	Per share amount
	\$		\$
Basic net loss per share	(1,520)	97,299,805	(0.02)
Dilutive effect of option and stock appreciation rights	--	25,253	--
Diluted net loss per share	(1,520)	97,325,058	(0.02)

Stock-based awards are excluded from the calculation of the diluted weighted average number of shares outstanding when their exercise price is greater than the average market price of common shares. The number of excluded stock-based awards is presented below.

Stock options	6,151,666
Option and Stock Appreciation Rights	10,935,709
Warrants	1,982,134
Preferred shares	206,503,995
Convertible debentures	\$19,562,875

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Notes to Interim Consolidated Financial Statements (Unaudited)

(In thousands of dollars, except the number of shares, options, warrants and per share data and as otherwise noted)

	For the three-month period ended June 30, 2008		
	Net loss attributable to common shareholders	Weighted average number of shares	Per share amount
	\$		\$
Basic and diluted net loss per share	(22,549)	86,710,805	(0.26)

Stock-based awards are excluded from the calculation of the diluted weighted average number of shares outstanding when their exercise price is greater than the average market price of common shares. The number of excluded stock-based awards is presented below.

Stock options	3,011,780
Option and Stock Appreciation Rights	4,500,000
Warrants	1,982,134
Preferred shares	18,141,995
Convertible debentures	\$19,562,875

	For the six-month period ended June 30, 2009		
	Net loss attributable to common shareholders	Weighted average number of shares	Per share amount
	\$		\$
Basic net loss per share	(4,843)	97,299,805	(0.05)
Dilutive effect of stock options	--	83,057	--
Dilutive effect of option and stock appreciation rights	--	12,627	--
Diluted net loss per share	(4,843)	97,395,489	(0.05)

Stock-based awards are excluded from the calculation of the diluted weighted average number of shares outstanding when their exercise price is greater than the average market price of common shares. The number of excluded stock-based awards is presented below.

Stock options	4,414,166
Option and Stock Appreciation Rights	11,142,855
Warrants	1,982,134
Preferred shares	206,503,995
Convertible debentures	\$19,562,875

EnGlobe Corp.

Notes to Interim Consolidated Financial Statements (Unaudited)

(In thousands of dollars, except the number of shares, options, warrants and per share data and as otherwise noted)

	For the six-month period ended June 30, 2008		
	Net loss attributable to common shareholders	Weighted average number of shares	Per share amount
	\$		\$
Basic net loss per share	(26,485)	82,990,696	(0.32)
Dilutive effect of warrants	--	16,315	--
Dilutive effect of stock options	--	71,656	--
Diluted net loss per share	(26,485)	83,078,667	(0.32)

Stocks-based awards are excluded from the calculation of the diluted weighted average number of shares outstanding when their exercise price is greater than the average market price of common shares. The number of excluded stocks-based awards is presented below.

Stock options	2,361,780
Option and Stock Appreciation Rights	4,500,000
Warrants	1,607,134
Preferred shares	18,141,995
Convertible debentures	\$19,562,875

8 Other non-cash charges

- i) CICA Handbook Section 3062, *Goodwill and Other Intangible Assets*, requires goodwill be tested for impairment annually or earlier if there are indications of impairment. The Company performs its annual test of goodwill for impairment in the fourth quarter. However, the current strategic review resulted in the Company performing an impairment test on the goodwill of its OWM segment in the second quarter of fiscal year 2008.
- ii) The impairment test for goodwill is a two-step process. Step one consists of a comparison of the fair value of a reporting unit with its carrying amount, including the goodwill allocated to the reporting unit. Measurement of the fair value of a reporting unit is based on one or more fair value measures including present value techniques of estimated future cash flows and estimated amounts at which the unit as a whole could be bought or sold in a current transaction between willing parties. If the carrying amount of the reporting unit exceeds the fair value, step two requires the fair value of the reporting unit to be allocated to the underlying assets and liabilities of that reporting unit, resulting in an implied fair value of goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss equal to the excess is recorded in net loss.
- iii) In testing for impairment of long-lived assets, the Company assessed recoverability of the carrying amounts by reference to expected undiscounted cash flows. An impairment charge is recognized when the carrying amount is not fully recoverable and when it exceeds the fair values determined by reference to discounted cash flows and independent appraisals.
- iv) During the second quarter of 2008, the Company's management performed a comprehensive review of current performance and the strategic orientation of its reporting units. This strategic review revealed that, several factors have severely and persistently caused the recalibration of some key assumptions in EnGlobe's strategic planning. The value of compost also significantly decreased during 2008. This unforeseen decrease has resulted in a change in management's estimate of the expected realizable value of its compost. In response to this unexpected turn of events, the Company is completing corrective actions in order to minimize the negative impact over the entire business and analysing options to return to a profitable OWM business model in the near future. The strategic review included a review of the carrying amount of certain assets including inventory, property plant and equipment, intangible assets and goodwill in the OWM segment.

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(In thousands of dollars, except the number of shares, options, warrants and per share data and as otherwise noted)

- v) Based on this review, the Company recorded, in the second quarter of 2008, a charge of \$9,553, virtually all related to its OWM segment, detailed as follows:

	Six-month period ended June 30		Six-month period ended June 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
Property, plant and equipment	--	3,206	--	3,206
Intangible assets	--	1,203	--	1,203
Goodwill	--	5,144	--	5,144
Total	--	9,553	--	9,553

- vi) In addition, as a result of the review described above, and the associated uncertainties, the Company has recorded a valuation allowance of approximately \$6.6 million in respect of the operating losses incurred in 2008. The Company, also because of delays in its restricting and integration plans, no longer expects to realize the benefit of the operating losses expiring in 2009 and 2010 and recorded a valuation allowance of \$0.3 million against these losses.
- vii) The Company also recorded an inventory write-down of \$2.3 million, which is recorded in direct costs..

9 Commitments and contingencies

- (a) Letters of credit

The Company has renewable letters of credit outstanding in the aggregate of \$5,759 (December 31, 2008 - \$5,180) which are used, in part, as security for bonding, in place of bonding or in place of cash security. The letters of credit are issued under the credit agreement.

- (b) Litigation

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.

- (c) Asset retirement obligation

The Company recognized an asset retirement obligation of approximately \$1,700 in respect of the expected costs to remediate one of its facilities. The key assumptions on which the fair value of the asset retirement obligations are based include the estimated future cash flows, the timing of those cash flows, and the credit-adjusted risk-free rate at which the estimated cash flows have been discounted. The Company used a discount rate of 6 %. As at June 30, 2009, undiscounted cash outflows approximating \$1,693 (December 31, 2008 - \$1,700) are expected to occur over a five-year period.

- (d) Other obligations

In 2008, the Company settled a case with a former shareholder of GSI, a wholly-owned subsidiary of the Company. This claim was settled in July 2008 under which the Company would pay \$1,200 in accordance with the settlement between the parties. The insurance company disbursed \$500 on July 15, 2008 and the Company will pay \$350 on each of July 15, 2009 and July 15, 2010. These payment obligations, which have been recorded on a discounted basis, are secured by a general security agreement which is subordinated to the security held by the Company's secured lenders.

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Notes to Interim Consolidated Financial Statements (Unaudited)

(In thousands of dollars, except the number of shares, options, warrants and per share data and as otherwise noted)

10 Segment information

The Company's operations consist of three operating segments: Site Assessment and Remediation, Organic Waste Management and Tank Testing and Calibration services. Services are provided to customers in Canada, the United Kingdom, France and the United States. Segmented results for the three-month and six-month periods ended June 30, 2009 and 2008 are as follows:

				Three-month period ended June 30, 2009
	Site Assessment and Remediation	Organic Waste Management	Tank Testing and Calibration	Total
	\$	\$	\$	\$
Revenues	23,594	7,692	881	32,167
Segment earnings (loss) before the undernoted items	649	(199)	38	488
Stock-based compensation				51
Restructuring and other costs				301
Interest on long-term debt				1,465
Other interest and bank charges				101
Unrealized gain on interest rate swap				(218)
Income tax expense				613
Net loss and comprehensive loss				<u>(1,825)</u>

				Three-month period ended June 30, 2008
	Site Assessment and Remediation	Organic Waste Management	Tank Testing and Calibration	Total
	\$	\$	\$	\$
Revenues	22,286	15,045	878	38,209
Segment earnings (loss) before the undernoted items	(605)	(6,306)	119	(6,792)
Stock-based compensation				66
Restructuring and other costs				1,725
Interest on long-term debt				1,723
Other interest and bank charges				567
Unrealized loss on interest rate swap				(201)
Other non-cash charges				9,553
Income tax expense				2,324
Net loss and comprehensive loss				<u>(22,549)</u>

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Notes to Interim Consolidated Financial Statements (Unaudited)

(In thousands of dollars, except the number of shares, options, warrants and per share data and as otherwise noted)

				Six-month period ended June 30, 2009
	Site Assessment and Remediation \$	Organic Waste Management \$	Tank Testing and Calibration \$	Total \$
Revenues	42,719	12,880	1,374	56,973
Segment earnings (loss) before the undernoted items	250	(1,369)	(106)	(1,225)
Stock-based compensation				110
Restructuring and other costs				533
Interest on long-term debt				2,968
Other interest and bank charges				429
Unrealized gain on interest rate swap				(261)
Income tax expense				446
Net loss and comprehensive loss				(5,450)

				Six-month period ended June 30, 2008
	Site Assessment and Remediation \$	Organic Waste Management \$	Tank Testing and Calibration \$	Total \$
Revenues	37,147	23,839	1,504	62,490
Segment earnings (loss) before the undernoted items	(210)	(9,497)	42	(9,665)
Stock-based compensation				153
Restructuring and other costs				2,637
Interest on long-term debt				2,915
Other interest and bank charges				830
Other non-cash charges				9,553
Unrealized loss on interest rate swap				231
Income tax expense				501
Net loss and comprehensive loss				(26,485)

Total assets by reportable segment are detailed as follows:

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(In thousands of dollars, except the number of shares, options, warrants and per share data and as otherwise noted)

	June 30 2009 \$	December 31 2008 \$
Total assets		
Site Assessment and Remediation	100,789	110,580
Organic Waste Management	18,813	19,605
Tank Testing and Calibration	2,098	2,099
	<u>121,700</u>	<u>132,284</u>

11 Additional disclosures

Net change in non-cash working capital items:

	Three-month period ended June 30		Six-month period ended June 30	
	2009 \$	2008 \$	2009 \$	2008 \$
Accounts receivable	(2,634)	(5,003)	8,028	6,623
Inventory	667	4,423	656	4,082
Unbilled revenue	(1,179)	(205)	(396)	1,033
Prepaid expenses and advances	(1,168)	(1,140)	(1,388)	(1,178)
Income taxes and tax credits receivable	570	(2,112)	(121)	(2,159)
Other current assets	--	761	--	821
Accounts payable and accrued liabilities	3,603	2,182	(1,647)	(1,187)
Deferred revenue	690	(774)	(1,490)	(2,168)
Net change in non-cash working capital items	<u>549</u>	<u>(1,867)</u>	<u>3,642</u>	<u>5,867</u>

	June 30 2009 \$	December 31 2008 \$
Cash and cash equivalents consist of the following:		
Cash	1,865	1,382
Short-term investment	--	1,775
	<u>1,865</u>	<u>3,157</u>

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Notes to Interim Consolidated Financial Statements (Unaudited)

(In thousands of dollars, except the number of shares, options, warrants and per share data and as otherwise noted)

12 Related party transactions

The Company has convertible units and Class B debentures that are held by shareholders (see note 4). Associated to those items, the Company has recorded \$1,557 of interest on long-term debt (\$1,193 in 2008) and has accrued interest of \$1,250 as at June 30, 2009 (\$664 as at December 31, 2008) included in accounts payable and accrued liabilities.

13 Comparative figures

Certain comparative figures have been reclassified to confirm with the current period presentation.