FORACO INTERNATIONAL S.A.

Unaudited Condensed Interim Consolidated Financial Statements

Three-month period ended March 31, 2019

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Unaudited condensed interim consolidated balance sheet - Assets

in thousands of US$	Note	March 31, 2019	December 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	(5)	36,204	31,821
Goodwill	(6)	78,698	78,229
Deferred income tax assets		27,696	28,477
Other non-current assets		1,175	1,068
		143,773	**139,595**
Current assets			
Inventories, net	(7)	33,350	32,932
Trade receivables, net		33,723	31,853
Other current assets		10,595	11,547
Cash and cash equivalents		9,874	11,088
		87,542	**87,420**
Total assets		**231,315**	**227,015**

Unaudited condensed interim consolidated balance sheet – Equity and Liabilities

in thousands of US$	Note	March 31, 2019	December 31, 2018
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		1,772	1,772
Share premium and retained earnings		146,495	150,474
Other reserves		(114,408)	(114,478)
		33,859	**37,768**
Non-controlling interests		3,777	3,026
Total equity		**37,636**	**40,794**
LIABILITIES			
Non-current liabilities			
Borrowings - Non-current portion of long term debt	(8)	130,264	131,863
Lease obligations - Non current portion	(8)	3,130	-
Deferred income tax liabilities		2,673	2,870
Provisions for other liabilities and charges	(9)	379	388
Current liabilities			
Trade payables		22,625	22,361
Other payables		21,703	17,095
Current income tax liabilities		1,506	1,540
Borrowings - Current portion of long term debt	(8)	2,768	2,740
Borrowings - Current portion of drawn credit lines	(8)	7,205	6,900
Lease obligations - Current portion	(8)	1,062	-
Provisions for other liabilities and charges	(9)	365	465
Total liabilities		**193,680**	**186,222**
Total equity and liabilities		**231,315**	**227,015**
Net debt excluding lease obligations		130,363	130,415

Net debt excluding lease obligations is a non IFRS measure and corresponds to the current and non-current portion of borrowings, net of cash and cash equivalents

Unaudited condensed interim consolidated income statement

In thousands of US$	Note	Three-month period ended March 31, 2019	2018
Revenue	(4)	45,201	40,008
Cost of sales	(11)	(40,964)	(37,037)
Gross profit		**4,237**	**2,971**
Selling, general and administrative expenses	(11)	(5,163)	(5,171)
Other operating income / (expense), net		-	-
Operating profit / (loss)		**(926)**	**(2,200)**
Finance costs		(2,268)	(1,989)
Profit / (loss) before income tax		**(3,194)**	**(4,189)**
Income tax (expense) / profit	(12)	(739)	(485)
Profit / (loss) for the period		**(3,933)**	**(4,674)**
Attributable to:			
Equity holders of the Company		(3,979)	(4,164)
Non-controlling interests		46	(510)
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in US cents per share):			
- basic	(15)	(4.43)	(4.64)
- diluted	(15)	(4.43)	(4.64)

Unaudited condensed interim consolidated statement of changes in equity

in thousands of US$	Attributable to equity holders of the Company				Non-controlling interests	Total Equity
	Share Capital	Share Premium and Retained Earnings	Other Reserves	Total		
Balance at January 1, 2018	**1,772**	**160,980**	**(97,902)**	**64,850**	**4,297**	**69,147**
Profit / (loss) for the period	-	(4,164)	-	(4,164)	(510)	(4,674)
Currency translation differences	-	-	(5,181)	(5,181)	86	(5,095)
Employee share-based compensation	-	-	45	45	-	45
Exercise of share-based compensation	-	-	-	-	-	-
Treasury shares purchased (see Note 10)	-	-	(16)	(16)	-	(16)
Dividend paid to non controlling interests	-	-	-	-	-	-
Balance at March 31, 2018	**1,772**	**156,816**	**(103,054)**	**55,534**	**3,873**	**59,407**
Balance at January 1, 2019	**1,772**	**150,474**	**(114,478)**	**37,768**	**3,026**	**40,794**
Profit / (loss) for the period	-	(3,979)	-	(3,979)	46	(3,933)
Currency translation differences	-	-	30	30	705	735
Employee share-based compensation	-	-	45	45	-	45
Exercise of share-based compensation	-	-	-	-	-	-
Treasury shares purchased (see Note 10)	-	-	(5)	(5)	-	(5)
Dividend paid to non controlling interests	-	-	-	-	-	-
Balance at March 31, 2019	**1,772**	**146,495**	**(114,408)**	**33,859**	**3,777**	**37,636**

Unaudited statement of comprehensive income

in thousands of US$	Year ended	
	March 31, 2019	March 31, 2018
Net profit / (loss) for the period	(3,933)	(4,674)
Currency translation differences	735	(5,095)
Total comprehensive loss for the period	**(3,198)**	**(9,769)**
Attributable to:		
Equity holders of the Company	*(3,949)*	*(9,345)*
Non-controlling interests	*751*	*(424)*

Unaudited condensed interim consolidated cash flow statement

in thousands of US$	Three month ended March 31,	
	2019	2018
Profit / (loss) for the period	**(3,933)**	**(4,674)**
Adjustments for:		
- Depreciation, amortization and impairment (see Note 11)	4,325	4,413
- Non-cash changes in provisions and considerations payable	-	5
- (Gain) / loss on sale and disposal of assets	-	-
- Share-based compensation expenses (see Note 11)	45	45
- Income tax expenses / (profit) (see Note 12)	739	485
- Finance costs, net	2,268	1,989
Cash generated from operations before changes in operating assets and liabilities	**3,444**	**2,263**
Changes in operating assets and liabilities:		
- Inventories	(1,283)	(1,149)
- Trade accounts receivable and other receivables	(1,983)	(10,611)
- Trade accounts payable and other payables	4,754	4,466
Cash generated from / (used in) operations	**4,932**	**(5,031)**
- Interest paid, net	(800)	(886)
- Income tax paid	(903)	6
Net cash flow from / (used in) operating activities	**3,229**	**(5,911)**
Purchase of property, plant and equipment (*)	(3,025)	(2,289)
Net cash generated from / (used in) investing activities	**(3,025)**	**(2,289)**
Repayments of borrowings	(624)	(731)
Repayments of lease obligations	(276)	-
Proceeds from / (repayment of) short term credit facilities	(243)	2,911
Acquisition of treasury shares (see Note 10)	(5)	(16)
Dividends paid to non-controlling interests	-	-
Net cash generated from / (used in) financing activities	**(1,148)**	**2,164**
Exchange differences on cash and cash equivalents	(271)	181
Net increase / (decrease) in cash and cash equivalents	**(1,215)**	**(5,855)**
Cash and cash equivalents at beginning of the period	11,089	14,575
Cash and cash equivalents at end of the period	**9,874**	**8,720**
(*) Excluding acquisition financed through leases	*None*	*None*

Selected notes to the unaudited condensed interim consolidated financial statements

1. Basis of preparation

These unaudited condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. All material intercompany balances have been eliminated. Because all the disclosures required by IFRS are not included, these interim statements should be read in conjunction with the audited financial statements of Foraco International S.A. and its subsidiaries ("Foraco" or the "Company") for the year ended December 31, 2018.

Except when otherwise stated, all amounts are presented in thousands of US$, which is the presentation currency of the Company.

2. Selected notes on critical accounting policies and new accounting pronouncements

2.1. Accounting policies

The accounting policies have been consistently applied with those of the annual financial statements for the year ended December 31, 2018 except for the following: during the year, the income tax expense is recognized based on Management's best estimate of the average annual income tax rate expected for the full financial year on a tax jurisdiction by tax jurisdiction basis. In the last quarter of each fiscal year, Management determines the effective income tax rate for the full year based on the anticipated actual tax returns to be filed and the effective contribution of each tax jurisdiction to the consolidated financial statements.

2.2. Seasonal fluctuations

The worldwide presence of the Company reduces its overall exposure to seasonality and its influence on business activity. The first quarter tends to become weaker year on year, this trend being increasingly apparent in a context of restrictions in the budget of the Company's clients operating in the mining industry. In West Africa, most of the Company's operations are suspended between July and October due to the rainy season. In Canada, seasonal slow periods occur during the winter freeze and spring thaw or break-up periods. Depending on the latitude, this can occur anytime from October until late December (freezing) and from mid-April through to mid-June (break-up). Operations at mining sites continue throughout the year. Russia is also affected by the winter period during which operations are suspended. In Asia Pacific and in South America, where the Company operates exclusively in the Mining segment, a seasonal slowdown in activity occurs around year-end during the vacation period. Certain contracts are also affected in Chile in July and August when the winter season peaks.

2.3. Going concern

Going concern is assessed based on internal forecasts and projections that take into account the trend in the business in which the Company operates and its capacity to address the market and deliver its services. On the basis of the above, the Company believes that it will have adequate financial resources to continue in operation for a period of at least twelve months. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements.

As part of the May 2017 debt reorganization, certain key financial covenants were set including; minimum cash, leverage ratio and limitation to capital expenditure. In December 2018, a new set of covenants applicable to the year 2019 was agreed with the lenders. As at March 31, 2019, the Company met its covenants. Nothing indicates that the Company will not respect its covenants going forward within the next 12 month period.

2.4. Impairment testing

As at December 31, 2018, the Company performed impairment tests at the level of each geographic region using the carrying value of the Company's long lived assets based on expected discounted cash flows method. Based on the internal forecasts and projections made, the expected discounted future cash flows exceeded each of the long-lived asset's carrying amount for each geographic region and accordingly no impairment was recognized as at December 31, 2018.

Based on the current activity trend, the Company considers that there is no triggering event which would justify an impairment testing as at March 31, 2019.

2.5. Deferred tax valuation allowance

The Company's policy is to recognize deferred tax assets only when they can be recovered within a reasonable timeframe. Based on internal forecasts and projections, management considers that the potential recovery timeframe for deferred tax assets in certain countries will be longer than previously estimated, thus creating a risk that deferred tax assets may be unused. As a general rule, the Company recognizes deferred tax assets only when they can be used against taxable profit within a timeframe of five years or when available tax opportunities exist. On this basis, the Company has adopted a partial recognition based approach and has recorded certain valuation allowances.

2.6. New accounting pronouncements

Standards, amendments and interpretations to existing standards that were adopted by the Company during the period

- IFRS 16, Leases (January 1, 2019)
- Amendments to IAS 19

- Annual improvement 2014 – 2016; amendments to IFRS 3, IFRS 11, IAS 23 and IAS 12.

The adoption of IFRS 16 resulted in the recognition on rights-of-use assets and lease obligations of US$ 4.4 million as at January 1, 2019. The Company applied the simplified transition method, where the cumulative effect of initially applying the Standard is recognized at the date of initial application.

The application of the other standards and amendments has not had any material impact on the consolidated financial statements.

Standards, amendments and interpretations to existing standards that are not yet mandatory effective and have not been early adopted by the Company

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2020, but have not been early adopted by the Group:

- Annual improvement 2015 – 2017: modifications to IFRS 9 Financial instruments and IFRS 16 Leases

The application of the new amendments is not expected to have a material impact on the consolidated financial statements.

3. Financial risk management

The Company is exposed to a variety of financial risks through its activity, including: liquidity risk, currency risk, cash transfer restriction, interest rate / re-investment risk, financial counter-party risk and credit risk.

A significant portion of the cash flows of the Company are denominated in Canadian Dollars, Euros, Australian Dollars, Brazilian Real, Chilean Pesos, Russian Rubbles and US Dollars. The financial performance and position as reported in US$ are dependent on the fluctuations of the US$ against the other mentioned currencies of the Group.

4. Segment information

The business segment information for the three-month periods ended March 31, 2018 and March 31, 2019 is as follows:

Three-month period ended	Mining March 31, 2019	Mining March 31, 2018	Water March 31, 2019	Water March 31, 2018	Group March 31, 2019	Group March 31, 2018
Revenue	43,654	38,393	1,547	1,615	45,201	40,008
Gross profit / (loss)	4,078	2,674	159	297	4,237	2,971
Operating profit / (loss)	(908)	(1,981)	(18)	(219)	(926)	(2,200)
Finance costs	n/a	n/a	n/a	n/a	(2,268)	(1,989)
Profit / (Loss) before income tax	n/a	n/a	n/a	n/a	**(3,194)**	**(4,189)**
Income tax profit / (expense)	n/a	n/a	n/a	n/a	(739)	(485)
Profit / (Loss) for the period	n/a	n/a	n/a	n/a	**(3,933)**	**(4,674)**

The following is a summary of sales to external customers by geographic area for the three-month periods ended March 31, 2018 and March 31, 2019:

Three-month period ended	March 31, 2019	March 31, 2018
Europe, Middle East and Africa	9,197	10,267
South America	9,758	7,939
North America	19,092	15,836
Asia Pacific	7,154	5,966
Net sales	**45,201**	**40,008**

5. Property, plant and equipment

Property, plant and equipment (PP&E) consists of the following:

	Land & Buildings	Drilling equipment & tools	Automotive equipment	Office furniture & other equipment	Rights of use	Total
Year ended December 31, 2018						
Opening net book amount	2,073	32,447	3,230	302	-	38,054
Additions	35	12,354	437	145	-	12,971
Exchange differences	(101)	(1,866)	(505)	(26)	-	(2,498)
Disposals or retirements	(1)	(120)	(8)	(1)	-	(130)
Depreciation expense	(216)	(14,889)	(1,337)	(134)	-	(16,576)
Closing net book value	**1,790**	**27,926**	**1,817**	**286**	**-**	**31,821**
Period ended March 31, 2019						
Opening net book amount	1,790	27,926	1,817	286	4,389	36,208
Additions	8	3,557	220	39	-	3,824
Exchange differences	(15)	473	36	3	-	497
Disposals or retirements	-	-	-	-	-	-
Depreciation expense	(51)	(3,712)	(251)	(35)	(276)	(4,325)
Closing net book value	**1,732**	**28,244**	**1,822**	**293**	**4,113**	**36,204**

As part of IFRS 16 implementation, the Company recognized rights of use asset amounting to US$ 4,389 thousand as at January 1st, 2019. This mainly relates to rentals of operational facilities.

The PP&E depreciation expense and the intangible asset amortization expense have been charged to the income statement as follows:

Period ended	March 31, 2019	March 31, 2018
Cost of sales	4,236	4,404
Selling, general and administrative expenses	89	9
Total depreciation and amortization	**4,325**	**4,413**

In the period ended March 31, 2019, the depreciation expense includes US$ 276 thousand of depreciation expense of rights of use (nil in the period ended March 31, 2018), US$ 81 thousand have been classified in Selling, general and administrative expenses.

6. Goodwill

Goodwill can be analyzed as follows:

	March 31, 2019	December 31, 2018
Goodwill at beginning of period	**78,229**	**89,169**
Exchange differences	469	(10,940)
Goodwill at end of the period	**78,698**	**78,229**

Goodwill is allocated to the following geographic regions: South America (US$ 56.9 million), North America (US$ 8.5 million), Asia Pacific (US$ 7.2 million) and Europe, Middle East and Africa (US$ 6.0 million). The exchange differences are mainly generated by the variation in exchange rate between the Brazilian Real and the US Dollar.

7. Inventories

Inventories break down as follows:

	March 31, 2019	December 31, 2018
Spare parts and consumables, gross	33,350	32,932
Less inventory allowance	-	-
Inventories, net	**33,350**	**32,932**

The Company continually assesses spare parts and consumables and writes off obsolete inventories as soon as they are identified.

8. Financial debt and lease obligations

As at March 31, 2019, the maturity of financial debt can be analyzed as presented in the table below:

	March 31, 2019
Credit lines	7,205
Long-term debt	
Within one year	2,768
Between 1 and 2 years	1,707
Between 2 and 3 years	455
Between 3 and 4 years	128,018
Between 4 and 5 years	84
Total	**140,237**

The borrowing above is mainly denominated in Euros. The weighted average interest rate based on the composition of the borrowings outstanding as at March 31, 2019 approximates 6.0%.

The reconciliation of the financial debt between December 31, 2018 and March 31, 2019 is as follows:

Debt as at December 31, 2018	**(141,503)**
Repayment of borrowings	624
Net decrease in bank overdrafts	243
Interests	(1,506)
Foreign exchange	1,905
Debt as at March 31, 2019	**(140,237)**

As part of IFRS 16 implementation, the Company recognized lease obligations amounting to US$ 4,389 thousand as at January 1st, 2019. As at March 31, 2019, the corresponding amount is US$ 4,192 thousand.

9. Provisions

Provisions comprise the following elements:

	Pension and retirement indemnities	Provision for tax uncertainty	Claims	Total
As at January 1, 2019	**387**	**126**	**341**	**853**
Charged to consolidated income statement				
- Addition to provisions	-	-	-	-
- Used amounts reversed	-	-	-	-
- Unused amouts reversed	-	(126)	-	(126)
- Exchange differences	(8)	-	24	16
As at March 31, 2019	**379**	**-**	**365**	**744**

A certain number of claims have been filed by former employees of the Brazilian subsidiary. These claims may result in a cash outflow for the Company. Given the uncertainty surrounding such claims, an amount of US$ 365 thousand has been provided for as at March 31, 2019.

The Company operates in various countries and may be subject to tax audits and employee related risks. The Company is currently facing such risks in certain countries. The Company regularly reassesses its exposure and accounts for provisions accordingly.

10. Share capital

Number of shares outstanding

As at March 31, 2019, the total common shares of the Company are distributed as follows:

	Number of shares
Common shares held directly or indirectly by principal shareholders	37,594,498
Common shares held directly or indirectly by individuals in their capacity as members of the Board of Directors	1,161,754
Common shares held by the Company	30,769
Common shares held by the public	51,164,777
Total shares issued and outstanding	**89,951,798**
Common shares held by the Company	(30,769)
Total common shares issued and outstanding	**89,921,029**

Treasury shares

As at March 31, 2019, the Company owns 30,769 of its own shares (16,269 as at December 31, 2018).

The common shares held by the Company can be used for potential future free share plans, bonus schemes and for other general purposes.

11. Expenses by nature

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

	Three-month period ended March 31,	
	2019	2018
Depreciation and amortization	(4,325)	(4,413)
Accruals increases / (reversals)	-	258
Raw materials, consumables used and external charges	(22,023)	(19,058)
Employee benefit expense	(19,630)	(18,452)
Taxes other than on income	(394)	(242)
Other operating (expenses) / profit, net	245	(301)
Total operating expenses	**(46,127)**	**(42,208)**

Share-based compensation expenses recognized within Employee benefit expense for the period ended March 31, 2019 amount to US$ 45 thousand (US$ 45 thousand in 2018).

12. Income tax expense

During the three-month period ended March 31, 2019, the Company recognized an income tax loss amounting to US$ 739 thousand, corresponding mainly to the tax payable in countries where no losses carried forward are available.

13. Commitments and contingencies

Guarantees given are as follows:

	March 31, 2019	December 31, 2018
Bid bonds	379	83
Advance payment guarantees and performance guarantees	1,316	505
Retention guarantees	181	184
Financial guarantees	638	886
Total	**2,514**	**1,658**

The Company benefits from a contract guarantee line of €12.7 million (US$ 14.2 million) confirmed over 5 years.

As part of the debt reorganization in 2017, the Company granted in favor of its lenders a pledge (i) on 100% of the shares held by Foraco International in certain of its subsidiaries in France, Chile, Canada, Brazil and Australia, (ii) on certain intercompany receivables, (iii) over certain bank accounts, (iv) over materials and equipment for the subsidiaries in Australia, Chile and Brazil and (v) over inventories of subsidiaries in Australia and Chile.

14. Related-party transactions

The Company accounted for certain related party transactions including lease rentals amounting to US$ 64 thousand for the year ended December 31, 2018 (US$ 69 thousand for the three-month period ended March 31, 2018).

Compensation paid to key management for the three-month period ended March 31, 2019 amounted to US$ 494 thousand (US$ 378 thousand for the three month period ended March 31, 2018).

15. Earnings per share calculation

For the three-month period ended March 31, 2019, the weighted basic average number of shares was 89,921,318 (89,752,201 in 2018) and the weighted diluted average number of shares was 92,465,386 (91,940,011 in 2018).

Diluted earnings per share

Dilutive instruments cannot have an anti-dilutive effect in case of a net loss attributable to the equity holders of the Company. Therefore, the basic and diluted earnings per share are the same for the three-month periods presented.

16. Post balance sheet events

There are no post balance sheet events to be reported.