

FORACO INTERNATIONAL S.A.

**Unaudited Condensed Interim Consolidated Financial
Statements**

**Three-month period ended
March 31, 2020**



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Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of March 31, 2020****Unaudited condensed interim consolidated balance sheet - Assets**

in thousands of US\$	Note	March 31, 2020	December 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	(5)	31,846	35,197
Goodwill	(6)	63,869	75,936
Deferred income tax assets		23,992	27,677
Other non-current assets		1,133	1,147
		120,840	139,957
Current assets			
Inventories, net	(7)	28,823	32,873
Trade receivables, net		33,549	31,189
Other current assets		7,471	10,270
Cash and cash equivalents		11,292	16,053
		81,135	90,385
Total assets		201,975	230,342

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Unaudited condensed interim consolidated balance sheet – Equity and Liabilities

in thousands of US\$	Note	March 31, 2020	December 31, 2019
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		1,772	1,772
Share premium and retained earnings		149,517	151,559
Other reserves		(143,965)	(122,335)
		7,324	30,996
Non-controlling interests		3,417	5,682
Total equity		10,741	36,678
LIABILITIES			
Non-current liabilities			
Borrowings - Non-current portion of long term debt	(8)	133,540	133,961
Lease obligations - Non current portion	(8)	2,537	2,910
Deferred income tax liabilities		3,192	3,457
Provisions for other liabilities and charges	(9)	443	405
Current liabilities			
Trade payables		20,869	20,301
Other payables		19,623	19,012
Current income tax liabilities		612	1,084
Borrowings - Current portion of long term debt	(8)	2,405	2,817
Borrowings - Current portion of drawn credit lines	(8)	6,606	8,149
Lease obligations - Current portion	(8)	1,194	1,241
Provisions for other liabilities and charges	(9)	214	328
Total liabilities		191,235	193,665
Total equity and liabilities		201,975	230,342
Net debt excluding operating lease obligations under IFRS 16		131,260	128,874

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

Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of March 31, 2020****Unaudited condensed interim consolidated income statement**

In thousands of US\$	Three-month period ended		
	Note	March 31,	
	2020	2019	
Revenue	(4)	49,671	45,201
Cost of sales	(11)	(44,408)	(40,964)
Gross profit		5,263	4,237
Selling, general and administrative expenses	(11)	(5,139)	(5,163)
Other operating income / (expense), net		-	-
Operating profit / (loss)		124	(926)
Finance costs		(2,430)	(2,268)
Profit / (loss) before income tax		(2,305)	(3,194)
Income tax (expense) / profit	(12)	241	(739)
Profit / (loss) for the period		(2,064)	(3,933)
Attributable to:			
Equity holders of the Company		(2,042)	(3,979)
Non-controlling interests		(22)	46
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in US cents per share):			
- basic	(15)	(2.27)	(4.43)
- diluted	(15)	(2.27)	(4.43)

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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, 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
Balance at January 1, 2020	1,772	151,558	(122,335)	30,996	5,682	36,678
Profit / (loss) for the period	-	(2,042)	-	(2,042)	(22)	(2,064)
Currency translation differences	-	-	(21,675)	(21,675)	(1,567)	(23,242)
Employee share-based compensation	-	-	45	45	-	45
Treasury shares purchased (see Note 10)	-	-	-	-	-	-
Dividend paid to non controlling interests	-	-	-	-	(676)	(676)
Balance at March 31, 2020	1,772	149,516	(143,965)	7,324	3,417	10,741

Unaudited statement of comprehensive income

in thousands of US\$	March 31, 2020	March 31, 2019
Net profit / (loss) for the period	(2,064)	(3,933)
Currency translation differences	(23,242)	735
Total comprehensive loss for the period	(25,306)	(3,198)
<i>Attributable to:</i>		
<i>Equity holders of the Company</i>	<i>(23,717)</i>	<i>(3,949)</i>
<i>Non-controlling interests</i>	<i>(1,589)</i>	<i>751</i>

Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of March 31, 2020****Unaudited condensed interim consolidated cash flow statement**

in thousands of US\$	Three month ended March 31,	
	2020	2019
Profit / (loss) for the period	(2,064)	(3,933)
Adjustments for:		
- Depreciation, amortization and impairment (see Note 11)	4,296	4,325
- Non-cash changes in provisions and considerations payable	-	-
- (Gain) / loss on sale and disposal of assets	-	-
- Share-based compensation expenses (see Note 11)	45	45
- Income tax expenses / (profit) (see Note 12)	(241)	739
- Finance costs, net	2,430	2,268
Cash generated from operations before changes in operating assets and liabilities	4,466	3,444
Changes in operating assets and liabilities:		
- Inventories	1,291	(1,283)
- Trade accounts receivable and other receivables	(3,842)	(1,983)
- Trade accounts payable and other payables	574	4,754
Cash generated from / (used in) operations	2,489	4,932
- Interest paid, net	(627)	(800)
- Income tax paid	(688)	(903)
Net cash flow from / (used in) operating activities	1,174	3,229
Purchase of property, plant and equipment (*)	(2,777)	(3,025)
Net cash generated from / (used in) investing activities	(2,777)	(3,025)
Proceeds from issuance of borrowings, net of issuance costs	417	-
Proceeds from issuance of bonds, net of issuance costs	-	-
Repayments of borrowings	(670)	(624)
Repayments of lease obligations	(250)	(276)
Proceeds from / (repayment of) short term credit facilities	(1,439)	(243)
Acquisition of treasury shares (see Note 10)	-	(5)
Dividends paid to non-controlling interests	(676)	-
Net cash generated from / (used in) financing activities	(2,618)	(1,148)
Exchange differences on cash and cash equivalents	(540)	(271)
Net increase / (decrease) in cash and cash equivalents	(4,761)	(1,215)
Cash and cash equivalents at beginning of the period	16,053	11,089
Cash and cash equivalents at end of the period	11,292	9,874
(*) 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, 2019.

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, 2019 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 being the weakest. 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.

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2.3. Covid-19

The Covid-19 pandemic has significantly impacted the world in the beginning of 2020. For Foraco, the first priority is to ensure the health and well-being of its employees, customers and business partners. The next priority is to ensure business continuity and to support the Company's customers to keep their mining operations running. The impact of the pandemic on Company's activity in Q1 2020 was relatively limited in its main operations centers. Some customers postponed but did not cancel their orders.

As at March 31, 2020, the Company met its financial covenants. However, given the current economic uncertainties, management has taken a number of operational and financial measures to protect the Company's cash position including (i) adapting the cost structure to the current environment (ii) postponing non-essential expenditures (iii) applying for loans guaranteed by governments and other incentives and (iv) entering into negotiation with its lenders to implement a standstill period for the debt service and revisit the covenants applicable to the forthcoming quarters. 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.

2.4. Impairment testing

As at December 31, 2019, the Company conducted impairment testing for goodwill at the level of each geographic region using the expected discounted cash flows method. Based on the internal forecasts and projections made, the expected discounted future cash flows generally exceeded, and sometimes significantly, the goodwill carrying amounts. As at March 31, 2020, the Company reformed an impairment testing for the regions which presented a lower headroom. As mentioned in the preceding section, there is considerable uncertainty regarding the business impacts of the Covid-19 pandemic. However, based on the current information available including customers' feedback and the Company's backlog there were no indications of impairment.

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. As a general rule, the Company recognizes deferred tax assets only when they can be used against taxable profit generally within 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

- Amendments to IFRS 3
- Amendment to IAS 1 and IAS 8
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

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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 2018 – 2020

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, 2020 and March 31, 2019 is as follows:

Three-month period ended	Mining		Water		Group	
	March 31,		March 31,		March 31,	
	2020	2019	2020	2019	2020	2019
Revenue	40,380	41,465	9,291	3,736	49,671	45,201
Gross profit / (loss)	3,519	3,874	1,744	363	5,263	4,237
Operating profit / (loss)	(659)	(953)	783	27	124	(926)
Finance costs	n/a	n/a	n/a	n/a	(2,430)	(2,268)
Profit / (Loss) before income tax	n/a	n/a	n/a	n/a	(2,306)	(3,194)
Income tax profit / (expense)	n/a	n/a	n/a	n/a	241	(739)
Profit / (Loss) for the period	n/a	n/a	n/a	n/a	(2,064)	(3,933)

The long-standing presence of the Company in the water segment enabled it to develop unique applications for the mining sector. These applications which require the use of certain specific assets and which now represent a growing part of the Company's revenue led the chief operating decision makers to assess the performance of these activities separately from the mining sector. These activities which include the mining dewatering are now classified in

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the water segment. The historical figures presented in the table above have been restated to present comparative data in a homogeneous manner.

The following is a summary of sales to external customers by geographic area for the three-month periods ended March 31, 2020 and March 31, 2019:

Three-month period ended	March 31, 2020	March 31, 2019
Europe, Middle East and Africa	15,106	9,197
South America	9,085	9,758
North America	18,275	19,092
Asia Pacific	7,204	7,154
Net sales	49,671	45,201

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, 2019						
Opening net book amount	1,790	27,926	1,817	286	-	31,821
First-time adoption of IFRS 16	-	-	-	-	4,389	4,389
Additions	13	12,862	898	260	861	14,894
Exchange differences	10	2,555	47	1	(9)	2,604
Disposals or retirements	-	(379)	(17)	-	-	(396)
Depreciation expense	(173)	(15,802)	(931)	(142)	(1,065)	(18,113)
Closing net book value	1,640	27,162	1,814	405	4,176	35,197
Period ended March 31, 2020						
Opening net book amount	1,640	27,162	1,814	405	4,176	35,197
Additions	2	2,251	476	48	-	2,777
Exchange differences	(62)	(1,525)	(100)	(31)	(113)	(1,831)
Disposals or retirements	-	(24)	(10)	-	-	(34)
Depreciation expense	(31)	(3,735)	(154)	(42)	(300)	(4,262)
Closing net book value	1,549	24,129	2,026	380	3,763	31,845

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

Period ended	March 31, 2020	March 31, 2019
Cost of sales	4,063	4,236
Selling, general and administrative expenses	200	89
Total depreciation and amortization	4,263	4,325

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6. Goodwill

Goodwill can be analyzed as follows:

	March 31, 2020	December 31, 2019
Goodwill at beginning of period	75,936	78,229
Exchange differences	(12,067)	(2,293)
Goodwill at end of the period	63,869	75,936

Goodwill is denominated in the functional currency of its primary economic environment and is allocated to the following geographic regions: South America (US\$ 44.2 million), North America (US\$ 8.1 million), Asia Pacific (US\$ 6.3 million) and Europe, Middle East and Africa (US\$ 5.4 million).

The significant variations in currency exchange rates during the period resulted in the recognition of unfavorable exchange rates differences mainly in South America (US\$ 9.7 million for the period).

7. Inventories

Inventories break down as follows:

	March 31, 2020	December 31, 2019
Spare parts and consumables, gross	28,823	32,873
Less inventory allowance	-	-
Inventories, net	28,823	32,873

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, 2020, the maturity of financial debt can be analyzed as presented in the table below:

	March 31, 2020
Credit lines	6,606
Long-term debt	
Within one year	2,405
Between 1 and 2 years	857
Between 2 and 3 years	132,468
Between 3 and 4 years	216
Between 4 and 5 years	-
Total	142,552

The borrowing above is mainly denominated in Euros.

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As part of the implementation of IFRS 16, the Company recognized lease obligations amounting to US\$ 4,389 thousand as at January 1st, 2019. As at March 31, 2020, the corresponding amount is US\$ 3,731 thousand.

9. Provisions

Provisions comprise the following elements:

	Pension and retirement indemnities	Provision for tax uncertainty	Claims	Total
As at January 1, 2020	406	-	327	733
Charged to consolidated income statement				
- Addition to provisions	-	-	-	-
- Used amounts reversed	-	-	(60)	(60)
- Unused amounts reversed	-	-	-	-
- Exchange differences	(2)	-	(14)	(16)
As at March 31, 2020	404	-	253	657

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\$ 253 thousand has been provided for as at March 31, 2020.

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 and change in equity

Number of shares outstanding

As at March 31, 2020, 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	1,164,754
Common shares held by the Company	74,769
Common shares held by the public	51,117,777
Total shares issued and outstanding	89,951,798
Common shares held by the Company	(74,769)
Total common shares issued and outstanding	89,877,029

Treasury shares

As at March 31, 2020, the Company owns 74,769 of its own shares (74,769 as at December 31, 2019).

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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,	
	2020	2019
Depreciation and amortization	(4,296)	(4,325)
Accruals increases / (reversals)	(108)	-
Raw materials, consumables used and external charges	(26,649)	(22,023)
Employee benefit expense	(18,048)	(19,630)
Taxes other than on income	(535)	(394)
Other operating (expenses) / profit, net	90	245
Total operating expenses	(49,546)	(46,127)

Share-based compensation expenses recognized within Employee benefit expense for the period ended March 31, 2020 amount to US\$ 45 thousand (US\$ 45 thousand in 2019).

12. Income tax expense

During the three-month period ended March 31, 2020, the Company recognized an income tax profit amounting to US\$ 240 thousand. The income tax 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.

13. Commitments and contingencies

Guarantees given are as follows:

	March 31, 2020	December 31, 2019
Bid bonds	430	530
Advance payment guarantees	5,727	3,537
Performance guarantees	1,998	2,091
Retention guarantees	182	181
Financial guarantees	153	155
Total	8,490	6,494

The Company benefits from a contract guarantee line of €12.7 million (US\$ 14.0 million) confirmed until May 2022.

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)

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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 of facility and equipment amounting to US\$ 207 thousand for the period ended March 31, 2020 (US\$ 64 thousand for the period ended March 31, 2019).

Compensation paid to key management for the period ended March 31, 2020 amounted to US\$ 410 thousand (US\$ 494 thousand for the period ended March 31, 2019).

15. Earnings per share calculation

For the three-month period ended March 31, 2020, the weighted basic average number of shares was 89,871,257 (89,921,318 in 2019) and the weighted diluted average number of shares was 92,187,926 (92,465,386 in 2019).

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 loss making periods.

16. Post balance sheet events

There are no significant post balance sheet events.