

FORACO INTERNATIONAL S.A.

**Unaudited Condensed Interim Consolidated Financial
Statements**

**Three-month and nine-month periods ended
September 30, 2019**



Table of Contents

Unaudited condensed interim consolidated balance sheet - Assets	3
Unaudited condensed interim consolidated balance sheet – Equity and Liabilities	4
Unaudited condensed interim consolidated income statement	5
Unaudited condensed interim consolidated statement of changes in equity	6
Selected notes to the unaudited condensed interim consolidated financial statements	8
1. Basis of preparation	8
2. Selected notes on critical accounting policies and new accounting pronouncements	8
3. Financial risk management	10
4. Segment information	11
5. Property, plant and equipment	12
6. Goodwill	13
7. Inventories	13
8. Financial debt and lease obligations	13
9. Provisions	14
10. Share capital	14
11. Expenses by nature	15
12. Income tax expense	15
13. Commitments and contingencies	16
14. Related-party transactions	16
15. Earnings per share calculation	16
16. Post balance sheet events	17

Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of September 30, 2019****Unaudited condensed interim consolidated balance sheet - Assets**

in thousands of US\$	Note	September 30, 2019	December 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	(5)	35,188	31,821
Goodwill	(6)	74,806	78,229
Deferred income tax assets		26,604	28,477
Other non-current assets		1,266	1,068
		137,864	139,595
Current assets			
Inventories, net	(7)	31,683	32,932
Trade receivables, net		35,346	31,853
Other current assets		10,001	11,547
Cash and cash equivalents		13,272	11,088
		90,302	87,420
Total assets		228,166	227,015

Foraco International S.A.
Unaudited condensed interim consolidated financial statements as of September 30, 2019

Unaudited condensed interim consolidated balance sheet – Equity and Liabilities

in thousands of US\$	Note	September 30, 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		149,588	150,474
Other reserves		(119,444)	(114,478)
		31,916	37,768
Non-controlling interests		5,263	3,026
Total equity		37,179	40,794
LIABILITIES			
Non-current liabilities			
Borrowings - Non-current portion of long term debt	(8)	129,701	131,863
Lease obligations - Non current portion	(8)	2,711	-
Deferred income tax liabilities		2,601	2,870
Provisions for other liabilities and charges	(9)	429	388
Current liabilities			
Trade payables		20,725	22,361
Other payables		20,558	17,095
Current income tax liabilities		1,051	1,540
Borrowings - Current portion of long term debt	(8)	3,118	2,740
Borrowings - Current portion of drawn credit lines	(8)	8,648	6,900
Lease obligations - Current portion	(8)	1,062	-
Provisions for other liabilities and charges	(9)	384	465
Total liabilities		190,988	186,222
Total equity and liabilities		228,166	227,015
Net debt excluding operating lease obligations under IFRS 16		128,196	130,415

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 September 30, 2019****Unaudited condensed interim consolidated income statement**

In thousands of US\$	Note	Three-month period ended September 30,		Nine-month period ended September 30,	
		2019	2018	2019	2018
Revenue	(4)	57,771	46,353	157,066	132,055
Cost of sales	(11)	(47,293)	(39,067)	(133,885)	(115,616)
Gross profit		10,478	7,286	23,181	16,439
Selling, general and administrative expenses	(11)	(5,163)	(5,197)	(15,813)	(15,506)
Other operating income / (expense), net		-	-	-	-
Operating profit / (loss)		5,315	2,089	7,368	933
Finance costs		(2,125)	(2,392)	(6,327)	(6,491)
Profit / (loss) before income tax		3,190	(303)	1,041	(5,558)
Income tax (expense) / profit	(12)	(186)	(552)	(679)	(1,437)
Profit / (loss) for the period		3,004	(855)	362	(6,995)
Attributable to:					
Equity holders of the Company		2,451	(737)	(885)	(6,683)
Non-controlling interests		553	(118)	1,247	(312)
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in US cents per share):					
- basic	(15)	2.73	(0.82)	(0.99)	(7.45)
- diluted	(15)	2.66	(0.82)	(0.99)	(7.45)

Foraco International S.A.
Unaudited condensed interim consolidated financial statements as of September 30, 2019

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	-	(6,683)	-	(6,683)	(312)	(6,995)
Currency translation differences	-	-	(14,634)	(14,634)	(505)	(15,139)
Employee share-based compensation	-	-	135	135	-	135
Treasury shares purchased (see Note 10)	-	-	(58)	(58)	-	(58)
Dividend paid to non controlling interests	-	-	-	-	-	-
Balance at September 30, 2018	1,772	154,297	(112,459)	43,610	3,480	47,090
Balance at January 1, 2019	1,772	150,474	(114,478)	37,768	3,026	40,794
Profit / (loss) for the period	-	(886)	-	(886)	1,247	361
Currency translation differences	-	-	(5,081)	(5,081)	1,547	(3,534)
Employee share-based compensation	-	-	135	135	-	135
Exercise of share-based compensation	-	-	-	-	-	-
Treasury shares purchased (see Note 10)	-	-	(19)	(19)	-	(19)
Dividend paid to non controlling interests	-	-	-	-	(558)	(558)
Balance at September 30, 2019	1,772	149,588	(119,443)	31,917	5,262	37,179

Unaudited statement of comprehensive income

in thousands of US\$	Nine month period ended	
	September 30, 2019	September 30, 2018
Net profit / (loss) for the period	361	(6,995)
Currency translation differences	(3,534)	(15,139)
Total comprehensive loss for the period	(3,173)	(22,134)
<i>Attributable to:</i>		
<i>Equity holders of the Company</i>	<i>(5,967)</i>	<i>(21,317)</i>
<i>Non-controlling interests</i>	<i>2,794</i>	<i>(817)</i>

Foraco International S.A.
Unaudited condensed interim consolidated financial statements as of September 30, 2019

Unaudited condensed interim consolidated cash flow statement

in thousands of US\$	Nine month ended September	
	2019	2018
Profit / (loss) for the period	362	(6,995)
Adjustments for:		
- Depreciation, amortization and impairment (see Note 11)	13,518	12,644
- Non-cash changes in provisions and considerations payable	-	112
- (Gain) / loss on sale and disposal of assets	-	-
- Share-based compensation expenses (see Note 11)	135	135
- Income tax expenses / (profit) (see Note 12)	678	1,437
- Finance costs, net	6,328	6,491
Cash generated from operations before changes in operating assets and liabilities	21,021	13,824
Changes in operating assets and liabilities:		
- Inventories	(399)	(1,072)
- Trade accounts receivable and other receivables	(3,612)	(10,384)
- Trade accounts payable and other payables	1,613	3,543
Cash generated from / (used in) operations	18,623	5,911
- Interest paid, net	(2,550)	(2,659)
- Income tax paid	(3,204)	(1,548)
Net cash flow from / (used in) operating activities	12,869	1,704
Purchase of property, plant and equipment (*)	(9,379)	(9,433)
Net cash generated from / (used in) investing activities	(9,379)	(9,433)
Proceeds from issuance of borrowings, net of issuance costs	641	-
Proceeds from issuance of bonds, net of issuance costs	-	3,038
Repayments of borrowings	(1,930)	(1,899)
Repayments of lease obligations	(616)	-
Proceeds from / (repayment of) short term credit facilities	2,046	1,988
Acquisition of treasury shares (see Note 10)	(19)	(58)
Dividends paid to non-controlling interests	(558)	-
Net cash generated from / (used in) financing activities	(436)	3,069
Exchange differences on cash and cash equivalents	(871)	(895)
Net increase / (decrease) in cash and cash equivalents	2,183	(5,555)
Cash and cash equivalents at beginning of the period	11,089	14,575
Cash and cash equivalents at end of the period	13,272	9,020
(*) 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 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.

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. As at September 30, 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 September 30, 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. 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

- 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

Foraco International S.A.

Unaudited condensed interim consolidated financial statements as of September 30, 2019

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.

Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of September 30, 2019****4. Segment information**

The business segment information for the three-month periods ended September 30, 2019 and September 30, 2018 is as follows:

Three-month period ended	Mining		Water		Group	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenue	56,985	45,285	786	1,068	57,771	46,353
Gross profit / (loss)	10,353	7,194	125	92	10,478	7,286
Operating profit / (loss)	5,260	2,117	55	(28)	5,315	2,089
Finance costs	n/a	n/a	n/a	n/a	(2,125)	(2,392)
Profit / (Loss) before income tax	n/a	n/a	n/a	n/a	3,190	(303)
Income tax profit / (expense)	n/a	n/a	n/a	n/a	(186)	(552)
Profit / (Loss) for the period	n/a	n/a	n/a	n/a	3,004	(855)

The business segment information for the nine-month periods ended September 30, 2019 and September 30, 2018 is as follows:

Nine-month period ended	Mining		Water		Group	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenue	152,828	128,374	4,237	3,681	157,065	132,055
Gross profit / (loss)	22,617	16,308	564	131	23,181	16,439
Operating profit / (loss)	7,244	1,550	124	(617)	7,368	933
Finance costs	n/a	n/a	n/a	n/a	(6,327)	(6,491)
Profit / (Loss) before income tax	n/a	n/a	n/a	n/a	1,041	(5,558)
Income tax profit / (expense)	n/a	n/a	n/a	n/a	(679)	(1,437)
Profit / (Loss) for the period	n/a	n/a	n/a	n/a	362	(6,995)

The following is a summary of sales to external customers by geographic area for the three-month periods ended September 30, 2019 and September 30, 2018:

Three-month period ended	September 30, 2019	September 30, 2018
Europe, Middle East and Africa	14,321	10,094
South America	13,610	7,832
North America	19,792	19,274
Asia Pacific	10,048	9,153
Net sales	57,771	46,353

Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of September 30, 2019**

The following is a summary of sales to external customers by geographic area for the nine-month periods ended September 30, 2019 and September 30, 2018:

Nine-month period ended	September 30, 2019	September 30, 2018
Europe, Middle East and Africa	39,454	33,517
South America	36,259	23,874
North America	54,255	50,916
Asia Pacific	27,098	23,748
Net sales	157,066	132,055

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 September 30, 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	8	9,432	877	205	-	10,522
Exchange differences	(27)	1,965	1	(11)	-	1,928
Disposals or retirements	-	(38)	(4)	-	-	(42)
Depreciation expense	(137)	(11,611)	(782)	(107)	(791)	(13,428)
Closing net book value	1,634	27,674	1,909	373	3,598	35,188

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	September 30, 2019	September 30, 2018
Cost of sales	13,186	12,571
Selling, general and administrative expenses	332	23
Total depreciation and amortization	13,518	12,594

In the period ended September 30, 2019, the depreciation expense includes US\$ 791 thousand of depreciation expense of rights of use (nil in the period ended September 30,

Foraco International S.A.

Unaudited condensed interim consolidated financial statements as of September 30, 2019

2018), US\$ 318 thousand have been classified in Selling, general and administrative expenses.

6. Goodwill

Goodwill can be analyzed as follows:

	September 30, 2019	December 31, 2018
Goodwill at beginning of period	78,229	89,169
Exchange differences	(3,423)	(10,940)
Goodwill at end of the period	74,806	78,229

Goodwill is allocated to the following geographic regions: South America (US\$ 57.6 million), North America (US\$ 8.7 million), Asia Pacific (US\$ 7.2 million) and Europe, Middle East and Africa (US\$ 6.2 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:

	September 30, 2019	December 31, 2018
Spare parts and consumables, gross	31,682	32,932
Less inventory allowance	-	-
Inventories, net	31,682	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 September 30, 2019, the maturity of financial debt can be analyzed as presented in the table below:

	September 30, 2019
Credit lines	8,648
Long-term debt	
Within one year	3,117
Between 1 and 2 years	1,253
Between 2 and 3 years	128,049
Between 3 and 4 years	370
Between 4 and 5 years	30
Total	141,467

Foraco International S.A.

Unaudited condensed interim consolidated financial statements as of September 30, 2019

The borrowing above is mainly denominated in Euros. The weighted average interest rate based on the composition of the borrowings outstanding as at September 30, 2019 approximates 6.0%.

The reconciliation of the financial debt between December 31, 2018 and September 30, 2019 is as follows:

Debt as at December 31, 2018	(141,503)
Proceeds from issuance of borrowings	(641)
Repayment of borrowings	1,930
Net increase in bank overdrafts	(2,046)
Interests	(3,648)
Foreign exchange	4,441
Debt as at September, 2019	(141,467)

As part of IFRS 16 implementation, the Company recognized lease obligations amounting to US\$ 4,389 thousand as at January 1st, 2019. As at September 30, 2019, the corresponding amount is US\$ 3,773 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	62	-	-	62
- Used amounts reversed	-	-	(25)	(25)
- Unused amounts reversed	-	(126)	-	(126)
- Exchange differences	(19)	-	71	52
As at September 30, 2019	430	-	387	817

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\$ 387 thousand has been provided for as at September 30, 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

Foraco International S.A.

Unaudited condensed interim consolidated financial statements as of September 30, 2019

As at September 30, 2019, the total common shares of the Company are distributed as follows:

	<u>Number of shares</u>
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	73,769
Common shares held by the public	51,118,777
Total shares issued and outstanding	89,951,798
Common shares held by the Company	(73,769)
Total common shares issued and outstanding	89,878,029

Treasury shares

As at September 30, 2019, the Company owns 73,769 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		Nine-month period ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Depreciation and amortization	(4,873)	(4,126)	(13,518)	(12,644)
Accruals increases / (reversals)	(9)	190	54	371
Raw materials, consumables used and external charges	(25,644)	(19,937)	(73,737)	(60,775)
Employee benefit expense	(20,771)	(19,546)	(60,606)	(56,099)
Taxes other than on income	(396)	(667)	(1,244)	(1,278)
Other operating (expenses) / profit, net	(763)	(178)	(646)	(697)
Total operating expenses	(52,456)	(44,264)	(149,697)	(131,122)

Share-based compensation expenses recognized within Employee benefit expense for the period ended September 30, 2019 amount to US\$ 135 thousand (US\$ 135 thousand in 2018).

12. Income tax expense

During the six-month period ended September 30, 2019, the Company recognized an income tax charge amounting to US\$ 678 thousand, corresponding mainly to the tax payable in countries where no losses carried forward are available.

Foraco International S.A.

Unaudited condensed interim consolidated financial statements as of September 30, 2019

13. Commitments and contingencies

Guarantees given are as follows:

	September 30, 2019	December 31, 2018
Bid bonds	194	83
Advance payment guarantees and performance guarantees	1,036	505
Retention guarantees	142	184
Financial guarantees	151	886
Total	1,523	1,658

The Company benefits from a contract guarantee line of €12.7 million (US\$ 14.4 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\$ 190 thousand for the nine-month period ended September 30, 2019 (US\$ 201 thousand for the nine-month period ended September 30, 2018).

Compensation paid to key management for the nine-month period ended September 30, 2019 amounted to US\$ 1,954 thousand (US\$ 1,282 thousand for the nine-month period ended September 30, 2018).

15. Earnings per share calculation

For the three-month period ended September 30, 2019, the weighted basic average number of shares was 89,882,111 (89,621,589 in 2018) and the weighted diluted average number of shares was 92,272,916 (91,470,553 in 2018).

For the nine-month period ended September 30, 2019, the weighted basic average number of shares was 89,739,725 (89,675,732 in 2018) and the weighted diluted average number of shares was 92,264,180 (91,393,922 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 nine-month periods presented.

Foraco International S.A.

Unaudited condensed interim consolidated financial statements as of September 30, 2019

16. Post balance sheet events

There are no post balance sheet events to be reported.