


FORACO INTERNATIONAL

— 2013 ANNUAL REPORT —

Global Mineral & Water Driller

EFFICIENT AND RELIABLE SERVICES

Foraco International SA (TSX: FAR) is a global mineral and water driller operating in 24 countries providing efficient and reliable services to mining and water clients. For our mineral clients, we provide a range of drilling services through each phase of a mine's life; exploration to life of mine extension. We also have a long history of drilling water wells for rural communities, and more recently have been providing access to water, or dewatering for mining projects.

- **Reverse circulation**
- **Diamond core**
- **Rotary**
- **Down-the-hole hammer**
- **Direct circulation**
- **Air core**
- **Rotary air blast**

Diamond Drilling, Niger

RC Drilling, Australia

FAR activity by mine stage 2013

Drilling Solutions

CREATING OPERATIONAL EFFICIENCIES

Increasingly, ore deposits are being found in challenging terrains and at greater depths. Also, with the volatility in commodity prices our clients need to focus on returning shareholder value by developing their most profitable projects. Drilling provides truth to mining projects by determining grade and geotechnical parameters. Bulk sampling provides material for metallurgical testing, and determining a project's access to water is always a fundamental task. Foraco's collaborative approach provides clients with peace of mind that all their necessary drilling requirements can be met with one company in a safe and efficient manner. We have also managed to share internal best practices by introducing technical solutions and equipment into underserviced markets.

- **Deep directional drilling**
- **Large diameter drilling**
- **Hydrogeological drilling**
- **Metallurgical sampling**

Deep directional drilling, Brazil

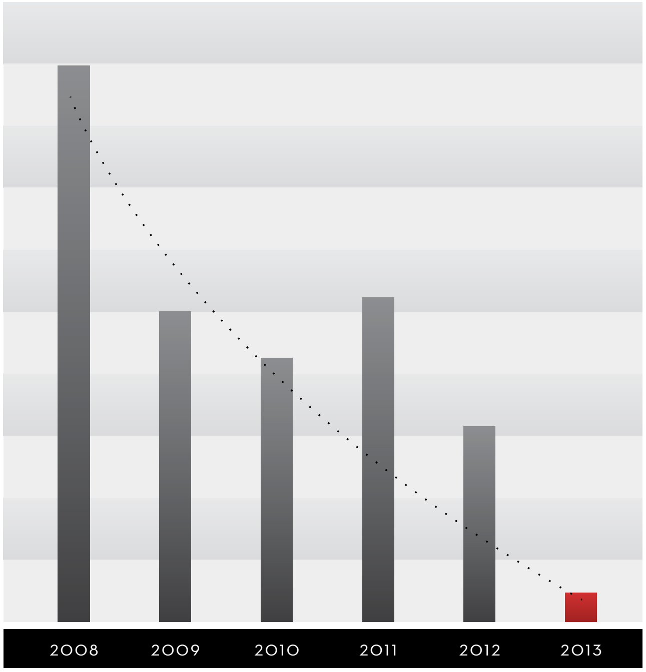
Geotechnical drilling, France

We Speak Drilling

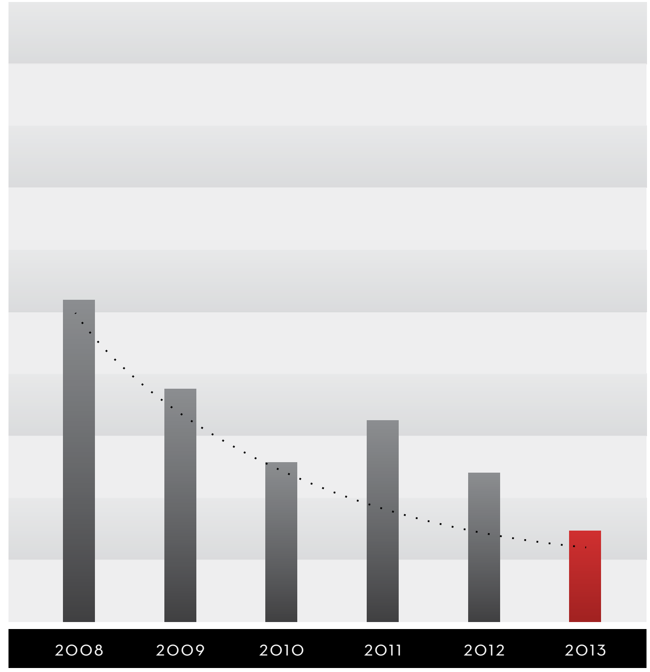
FOCUS ON SAFETY AND THE ENVIRONMENT

Our people are our greatest asset, and 2013 was a record year for safety at Foraco. We are focused on finding ways to work safer and improve our procedures to ensure we minimize incidents and leave a minimum impact on the environment. One example of this is our latest rod handling system which we have deployed in Australia. This next generation system allows our drill crews to minimize their exposure to physically handling the rods, one of the main sources of incidents in our industry. We have also developed a proprietary self-contained Solids Control Unit for removing diamond drill cuttings from drilling fluids. This innovative unit can help clients reduce costs for a more efficient drilling program.

Lost Time Injury Rate Trend
per 200,000 hrs



Total Recordable Injury Frequency Rate
per 200,000 hrs




Health and Safety Training, Brazil

Rod Handling System, Australia

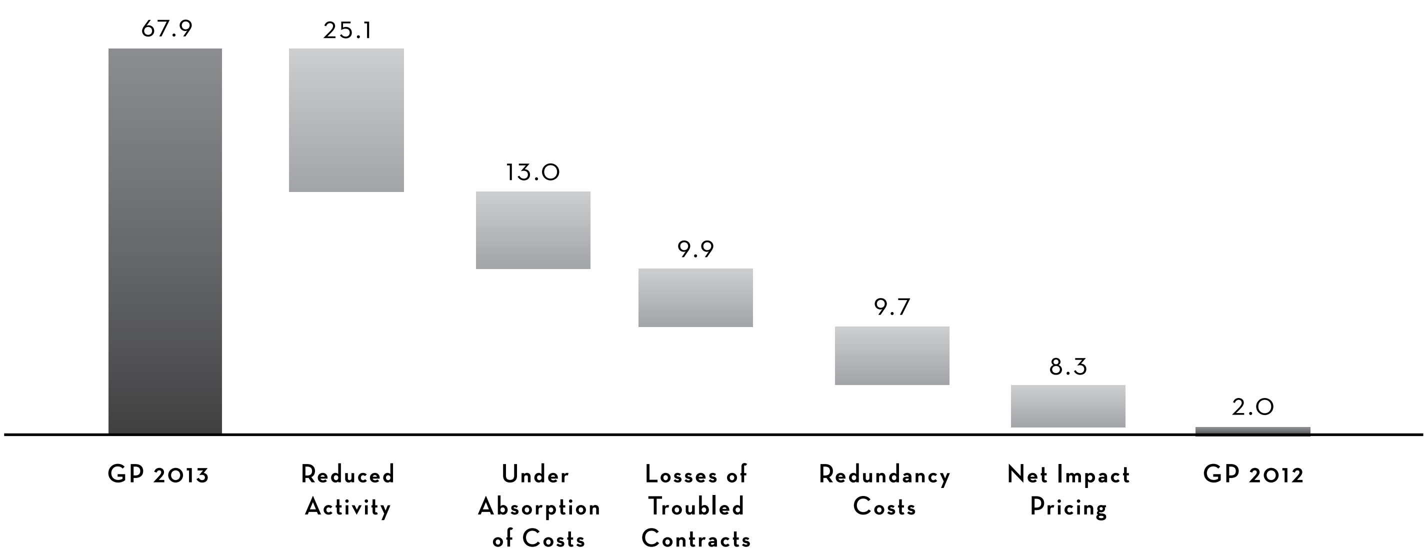
Solids Control Unit, Canada

Financial Highlights

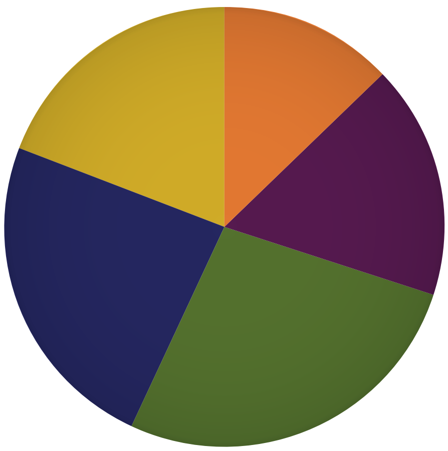
In US$ Million	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenue	119.4	164.0	301.1	367.5	247.8
EBITDA	33.5	37.8	73.3	83.1	37.8
EBITDA %	28.1%	23.0%	24.3%	22.6%	15.3%
Net Profit	13.8	11.3	30.4	32.6	0.5
Number of Rigs	119	180	192	308	303
Employees	793	1,988	2,759	3,339	1,697

Gross Profit Margin Bridge

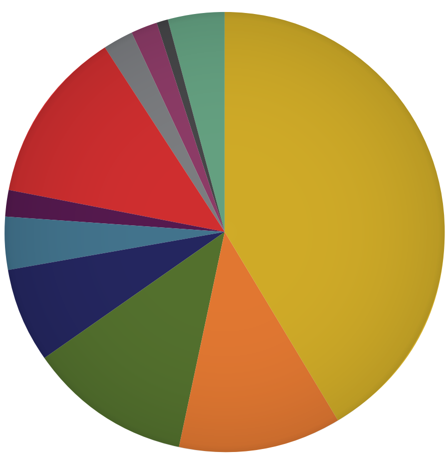
(In US$ Million)



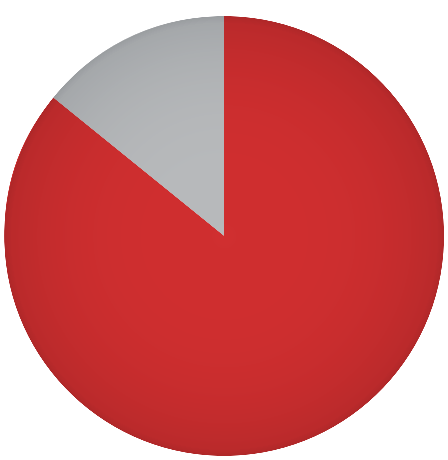
Region, Commodity & Customer Base



- 13% Latin America
- 17% North America
- 27% EMEA
- 24% Asia Pacific
- 19% Brazil



- 42% Gold
- 12% Copper
- 12% Iron
- 7% Nickel
- 4% Water
- 2% Uranium
- 13% Coal
- 2% Oil & Gas
- 2% Potash
- 1% Other Base Metals
- 4% Coal Seam Gas



- 86% Majors and Multinational Institutions
- 14% Juniors

Letter to Shareholders

Dear Fellow Shareholders,

2013 certainly was a challenging year for the mineral commodities sector in general. Concerns about short term base metals supply and demand balance, gold price behaviour and recurring questions about China's growth rate and sustainability exacerbated the overall negative market sentiment which had already risen in the second half of 2012. During the year, the IMF commodity metals price index contracted by 7% and the price of gold fell 29%.

In the mining space, cost cutting, CAPEX deferrals and productivity enhancement actions continued to be the paramount focus of most producing companies which, coupled with investor wariness of the junior sector, contributed to generate a strong pullback on global exploration spending. As a consequence, the demand for mineral drilling – our core business – tumbled. In March 2014, SNL Metals & Mining Group published the worldwide exploration budgets for 2013 and reported a drop in exploration spending of 29% from the all-time high of $20.5 billion in 2012. A year earlier, they were predicting only a 20% decrease.

Foraco was not immune to this global demand contraction. Our fleet utilization decreased from 62% in 2012 to 36% in 2013 and we had to reduce the headcount by 49% to 1,697 employees while setting a much lower fixed cost platform. During this transitional year, which was complicated by numerous dynamic effects, we managed to quickly and effectively streamline our company in order to return to profitability. Significant actions have been taken at all levels in the organization to lower our cost base and adapt to reduced activity levels and negative pricing pressure. We reduced our executive management team and line management resulting in a 33% reduction in SG&A costs.

Despite this difficult period we have had the best safety performance ever with a Lost Time Injury Rate (LTIFR) improvement of 28% and Total Recordable Incident Frequency Rate (TRIFR) improvement of 34%. This was the result of the incredible involvement and focus of our people during the year.

In 2012 we acquired two companies; Servitec in Brazil, and JND in Australia through a combination of debt and Foraco shares. In 2013 we focused on integrating these acquisitions by successfully merging the teams and developing synergies between regions. Our results show that our initial analysis was correct as our total revenue for 2013 in Asia Pacific increased by 76% as compared to a decrease of 45% without JND. We had a profitable year in what was otherwise a difficult market. In Brazil our activity suffered much less than elsewhere and as a result we have developed a significant presence in this important mining market. Servitec Foraco is now the number two mineral driller in the Brazilian market.

While we ended 2013 with a debt to equity ratio of 0.69, our primary focus for 2014 is to deleverage our balance sheet in a timely manner. During the year we kept a continuous and transparent dialog with our main lenders and negotiated a new covenant for a modest additional cost, with no alteration to the repayment schedules.

Post-closing, we negotiated a waiver of the respective put and call options we had in place with our Brazilian shareholder. We have now entered into an open ended partnership which is by far the best solution. Further we have managed to retain two valuable professionals committed to the success of Servitec Foraco in Brazil. This will also improve the deleveraging of our balance sheet, since we have now further reduced our debt by $13 million.

Our 2013 revenue amounted to US$ 247.8 million compared to US$ 367.5 million in FY 2012, a decrease of 33%.

Revenue in South America was US$ 80.4 million in FY 2013 (US$ 180.0 million in FY 2012), a decrease of 55%. Brazil contributed the largest portion of revenue in the region, where we reinforced the management team and installed senior management to work alongside the original managers, most notably a regional vice president. In addition the region received some highly technical assistance from our team in Canada to commence a deep directional drilling program, a relatively new drilling technique in the country. In Chile we seriously downsized our operations to a level adapted to the current market conditions and succeeded to retain the confidence of 2 major customers with whom we are setting the building blocks for a much better future. We are happy to share that we are well on our way to building a stronger and leaner Chile operation, built upon Foraco's core values and code of ethics.

In EMEA, revenue decreased by 28%, from US$ 92.2 million in 2012 to US$ 66.4 million in 2013. This is mainly due to reduced activity levels across West Africa (-52%) partially compensated by a 35% increase activity in both France and Russia. West Africa is mainly a gold mining region, and our activity was hit by the inability of junior companies to secure financing and by the postponement of some major iron ore projects in Guinea. On a more positive note, we experienced a robust bidding season for our water services and have successfully booked a much higher level of water related activity in the region. In Russia we posted strong activity in the first half with a slowdown in the second half related primarily to the decline in the price of gold. We are now exploring new opportunities across many commodities in this large and diverse country.

Revenue in North America decreased by 32%, from US$ 61.6 million in FY 2012 to US$ 41.8 million in FY 2013. This decrease was mainly due to reduced activity levels in Ontario, while we maintained a good level of activity in Western Canada with our traditional customer base despite the very hard landing experienced in the region. During the last quarter, the Company renewed a significant long term contract, and we managed to redeploy some assets in other regions to export our leading Canadian diamond drilling technology and expertise.

In Asia Pacific, FY 2013 revenue amounted to US$ 59.2 million, an increase of 76% compared to FY 2012 as a result of the integration of JND since November 19, 2012. We successfully integrated the JND business thanks to the dedication of every member of our team and at the same time, achieved a modest increase in market share. We now have a solid operational base to service all of Australia and have access to all markets segments in the mineral drilling space. As in other regions, we have recently renewed two significant long term contracts.

FY 2013 gross profit including depreciation within cost of sales was US$ 2.0 million compared to US$ 67.9 million in FY 2012.

This reduction in Gross profit amounted to US$ 65.9 million and can be analyzed as follows:

(i) reduced activity:	US$ 25.1 million
(ii) under absorption of depreciation and other fixed operational costs:	US$ 13.0 million
(iii) contract losses in troubled contracts (Chile):	US$ 9.9 million
(iv) redundancy costs:	US$ 9.7 million
(v) net impact of pricing, savings and productivity variations:	US$ 8.3 million

The contract losses and redundancy costs presented above are non-recurring elements.

In accordance with IFRS an operating profit of US$ 27.0 million was recorded in 2013 to reflect the reassessed value of the second tranche payable to Servitec minority shareholders; and we reported a consolidated net profit after tax of US$ 0.49 million, and a fully diluted loss per share of US$ 1.7 cent.

All these factors undoubtedly had a major impact on our share price and we closed the year at $CDN 0.58, down 76%. Liquidity also decreased by 46% as investors turned their attention away from the sector. We completed the existing tranche of a Normal Course Issuer Bid which we will be using for our employee free share plan.

We retired 7 rigs and acquired 2 rigs this year resulting in a rig count of 303 Diamond, Reverse Circulation and Multipurpose rigs in the fleet at year end. Capital expenditure for the year was strictly limited to operational needs required for the contracts in progress. We spent $11.5 million in 2013 compared to $40.9 million in 2012 and anticipate similar capital expenditures in 2014 for ongoing contracts.

In a difficult market, like the one we find ourselves in today, it is imperative we continue to reinforce our competitive advantages. Our customers need to lower their operating costs through innovation and collaboration resulting in improved value for money for their exploration campaigns. Foraco prides itself as being one of the most innovative companies in the mineral drilling industry and we continue to invest in research and development through our in-house engineering team. We will roll out several major innovative systems which will allow us to consolidate our leadership in the high end of the technical market.

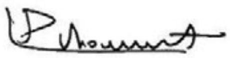
Our year end order book stood at $US261 million, compared to $342 million in 2012, a decrease of 24% year over year. This can be attributed to the fact that many of our customers delayed the evaluation and decision making process and to a substantial reduction in scope for existing projects reflecting a cautious funding approach and release of project capital. Post-closing, we were awarded a set of key contracts which will represent the backbone of our 2014 activity.

We believe that 2014 market demand will be similar to 2013 providing metal prices show the same resilience and the price of gold holds up. While we do not anticipate a rapid or large increase in activity in the next months, we believe the return of higher activity is inevitable over the long term. Mining companies will eventually need to replace depleted reserves, find solutions for lowering grades, extend mine life and will eventually have to incorporate growth sources into their pipeline of projects. While the severe contraction of drilling activity over the past 18 months may appear to be beneficial in the short term, it is potentially concerning over the longer term.

Together with all of our employees, who deserve special thanks for their hard work and dedication through this difficult year, we have prepared Foraco to sustain a longer than expected low level of market demand. However, we remain committed to our strategy to become a clear leader in the mineral and water drilling space. We all know that there is more uncertainty than ever out there, and only those who can adapt will succeed. Our belief is that even during a down cycle, if we keep delivering a good service to our customers at a competitive price, we will increase our market share and position the Company favourably for the upturn.

On behalf of our dedicated employees, senior management, Foraco's Independent Board of Directors, and especially ourselves, we thank you for your continued support.

Sincerely,



Daniel Simoncini and Jean-Pierre Charmensat

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") relates to the results of operations, liquidity and capital resources of Foraco International S.A. ("Foraco" or the "Company"). This report has been prepared by Management and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2013, including the notes thereto. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"). Following the decision taken by the Accounting Standards Board, IFRS became the accounting standards for all issuers in Canada on January 1, 2011. The Company adopted IFRS and made an explicit and unreserved statement that its consolidated financial statements comply with IFRS in 2004.

Except when otherwise stated, all amounts presented in this MD&A are denominated in US Dollars ("US$"). The discussion and analysis within this MD&A are as of March 31, 2014.

Caution concerning forward-looking statements

This document may contain "forward-looking statements" and "forward-looking information" within the meaning of applicable securities laws. These statements and information include estimates, forecasts, information and statements as to Management's expectations with respect to, among other things, the future financial or operating performance of the Company and capital and operating expenditures. Often, but not always, forward-looking statements and information can be identified by the use of words such as "may", "will", "should", "plans", "expects", "intends", "anticipates", "believes", "budget", and "scheduled" or the negative thereof or variations thereon or similar terminology. Forward-looking statements and information are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Readers are cautioned that any such forward-looking statements and information are not guarantees and there can be no assurance that such statements and information will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed under the heading "Risk Factors" in the Company's Annual Information Form dated March 31, 2014, which is filed with Canadian regulators on SEDAR (www.sedar.com). The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements and information whether as a result of new information, future events or otherwise. All written and oral forward-looking statements and information attributable to Foraco or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements.

This MD&A is presented in the following sections:

- Business Overview
- Financial Highlights
- Results of Operations
- Seasonality
- Effect of Exchange Rates
- Liquidity and Capital Resources
- Related-Party Transactions
- Capital Stock
- Critical Accounting Estimates
- Non-IFRS Measures
- Litigation
- Subsequent Events
- Outlook
- Disclosure Controls and Procedures and Internal Control over Financial Reporting
- Risk Factors

BUSINESS OVERVIEW

Headquartered in Marseille, France, Foraco is a worldwide drilling service provider with presence in 23 countries and five continents. On December 31, 2013, the Company had 1,697 employees and operated 303 drill rigs worldwide, providing a diverse range of drilling services to its customer base. The Company has developed and acquired significant expertise in destructive and non-destructive drilling, as well as proprietary drill rig design capabilities. These capabilities allow Foraco to tailor solutions to meet the specific conditions and drilling requirements of certain customers, such as mining companies, governmental organizations and international development funds. Through its global operations the Company services a range of industries focusing on mining and water.

Foraco specializes in drilling in harsh environments and isolated locations including arctic, desert and mountainous regions, generally under conditions where operations are challenged by logistical matters and geographic barriers. The Company's engineers and technicians have developed special drilling methods which respond to the requirements of certain areas in which geology prevents the use of standard techniques and equipment. The Company has specialized equipment for, among other uses, helicopter based drilling campaigns, combination rigs able to perform multi drilling technique contracts, desert suited rigs and large diameter core sampling systems.

CONSOLIDATED FINANCIAL HIGHLIGHTS

Financial Highlights

(In thousands of US$) *(audited)*	**Year ended December 31, 2013**	**2012**
Revenue	**247,757**	**367,519**
Gross profit (1)	**2,005**	**67,933**
As a percentage of sales	*0.8%*	*18.5%*
EBITDA	**37,791**	**83,095**
As a percentage of sales	*15.3%*	*22.6%*
Operating profit / (loss)	**(2,215)**	**44,989**
As a percentage of sales	*-0.9%*	*12.2%*
Profit / (loss) for the period	**488**	**32,617**
Attributable to:		
Equity holders of the Company	(1,508)	27,130
Non-controlling interests	1,996	5,487
EPS (in US cents)		
Basic	(1.71)	33.15
Diluted	(1.71)	32.69
EPS (in US cents) including the impact of the considered acquisition of the non-controlling interest of Servitec		
Basic	(2.82)	35.67
Diluted	(2.82)	35.18

(1) includes amortization and depreciation expenses related to operations

YEAR ENDED DECEMBER 31, 2013 – FY 2013

Revenue

- FY 2013 revenue amounted to US$ 247.8 million compared to US$ 367.5 million in FY 2012, a decrease of 33% due to the low level of exploration activities of mining companies in all regions which significantly impacted the activity since Q4 2012.

Profitability

- FY 2013 gross profit including depreciation within cost of sales was US$ 2.0 million compared to US$ 67.9 million in FY 2012.
- In accordance with IFRS an operating profit of US$ 27.0 million was recorded in 2013 to reflect the reassessed value of the second tranche payable to Servitec minority shareholders.

- FY 2013 resulted in a net profit of US$ 0.5 million compared to US$ 32.6 million in 2012.
- Net Debt decreased from US$ 137.5 million as at December 31, 2012 to US$ 121.9 million as at December 31, 2013.
- A new net debt/EBITDA ratio at December 31, 2013 was agreed at 5.0. Actual ratio was 3.2.

Acquisitions of businesses and non-controlling interests

SERVITEC

On April 20, 2012, the Company completed the acquisition of a 51% shareholding in WFS Sondagem S.A. ("Servitec"), a Brazilian drilling service provider, for an amount of US$ 44.2 million. As part of this agreement, the Company has an option to acquire, and the current minority shareholders of Servitec have an option to sell, the remaining 49% after three years. The corresponding purchase consideration recorded as a financial debt will depend upon a formula based on the average 2012, 2013 and 2014 EBITDA of Servitec and on the net cash as at December 31, 2014. In FY 2013, a reduction of the estimated purchase consideration amounting to US$ 27.0 million was recorded, of which US $8.2 million during the last quarter. In accordance with IFRS 3, the adjustments were accounted for within other operating income. The best estimate of the present value of the amount payable is US$ 16.7 million as at December 31, 2013.

Servitec has been consolidated into the Foraco International financial statements since April 20, 2012.

JOHN NITSCHKE DRILLING

On November 19, 2012, the Company acquired a 100% shareholding in John Nitschke Drilling, ("JND"), an Australian drilling service provider, through a combination of AU$ 30 million (US$ 31.2 million) in cash, an earn out amount and the issuance of 7,000,000 shares in August 2013.

JND has been consolidated into the Foraco International financial statements since November 19, 2012.

RESULTS OF OPERATIONS

Comparison of the years ended December 31, 2013 and December 31, 2012

Revenue

The following table provides a breakdown of the Company's revenue for FY 2013 and FY 2012 by reporting segment and geographic region:

(In thousands of US$) *(unaudited)*	**FY 2013**	**% change**	**FY 2012**
Reporting segment			
Mining	237,720	-33%	357,375
Water	10,037	-1%	10,144
Total revenue	***247,757***	***-33%***	***367,519***
Geographic region			
South America	80,397	-55%	180,034
Europe, Middle East and Africa	66,417	-28%	92,228
North America	41,754	-32%	61,568
Asia Pacific	59,189	76%	33,688
Total revenue	***247,757***	***-33%***	***367,519***

FY 2013 revenue amounted to US$ 247.8 million compared to US$ 367.5 million in FY 2012, a decrease of 33%. Excluding the impact of acquisitions made during fiscal year 2012, revenue decreased by 50% due to the continued low level of exploration activity of mining companies recorded in all regions.

Revenue in South America amounted to US$ 80.4 million in FY 2013 (US$ 180.0 million in FY 2012), a decrease of 55%. Excluding the acquisition of Servitec in Brazil during Q2 2012, revenue decreased by 75% due to reduced activities in ongoing contracts and the end of certain contracts in Chile and Argentina.

In EMEA, revenue decreased by 28%, from US$ 92.2 million in FY 2012 to US$ 66.4 million in FY 2013. This is mainly due to reduced activity levels across West Africa (-52%) partially compensated by a 35% increase activity in Europe in both France and Russia.

Revenue in North America decreased by 32%, from US$ 61.6 million in FY 2012 to US$ 41.8 million in FY 2013. This decrease was mainly due to decreasing activity levels in Eastern Canada up to Q3 2013. During the last quarter, the Company renewed a significant long term contract.

In Asia Pacific, FY 2013 revenue amounted to US$ 59.2 million, an increase of 76% compared to FY 2012 as a result of the integration of JND since November 19, 2012. Excluding this acquisition, revenue decreased by 45% compared to FY 2012.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for FY 2013 and FY 2012:

(In thousands of US$) *(unaudited)*	**FY 2013**	**% change**	**FY 2012**
Reporting segment			
Mining	1,697	-96%	65,145
Water	308	-89%	2,788
Total gross profit	***2,005***	***-97%***	***67,933***

FY 2013 gross profit including depreciation within cost of sales was US$ 2.0 million compared to US$ 67.9 million in FY 2012.

This reduction in Gross profit amounting to US$ 65.9 million can be analyzed as follows:

(i) reduced activity:	US$ 25.1 million
(ii) under absorption of depreciation and other fixed operational costs:	US$ 13.0 million
(iii) losses on troubled contracts (South America):	US$ 9.9 million
(iv) redundancy costs:	US$ 9.7 million
(v) net impact of pricing, savings and productivity variations:	US$ 8.3 million

The contract losses and redundancy costs presented above are non-recurring elements. Significant actions have been taken to reduce the cost base and adapt the organization to the lower activity levels and the pressure on pricing.

Selling, General and Administrative Expenses

The following table provides an analysis of the selling, general and administrative expenses (SG&A):

(In thousands of US$) *(unaudited)*	**FY 2013**	**% change**	**FY 2012**
Selling, general and administrative expenses	31,240	-14%	36,247

FY 2012 SG&A expenses do not include the full impact of the 2012 acquisitions (JND was purchased in November 2012 and Servitec in April 2012).

The continued implementation of the company-wide cost cutting action plans resulted in a 28% SG&A cost reduction and 35% headcount reduction since December 31, 2012. As commented above, SG&A expenses recorded during the last quarter of the year are not affected by non-recurring one-off costs and can therefore be considered as being in line with the current market conditions.

Operating Profit

The following table provides a breakdown of the Company's operating profit for FY 2013 and FY 2012 by reporting segment:

(In thousands of US$) *(unaudited)*	**FY 2013**	**% change**	**FY 2012**
Reporting segment			
Mining	(1,172)	*NS*	43,161
Water	(1,043)	*NS*	1,828
Total operating profit	***(2,215)***	***NS***	***44,989***

The YoY difference is the result of the changes in gross profit and SG&A described above.

In addition, during 2013, the Company re-estimated at US$ 16.7 million the present value of the amount payable related to the second phase of the Servitec acquisition, compared to US$ 43.7 million as at December 31, 2012. The adjustment amounting to US$ 27.0 million (US$ 13.3 million during FY 2012) was recorded in other operating income and expense within operating profit in accordance with IFRS 3.

FINANCE COSTS

Net financial expenses amounted to US$ 4.6 million in FY 2013, compared to US$ 4.6 million for the corresponding 2012 period. The average effective interest rate on third party financing is 3.4% for the full year.

INCOME TAX

For the year ended December 31, 2013, excluding the impact of the non-taxable re-assessment of the Servitec acquisition's second phase, the income tax rate was 22% compared to 29% last year. Certain deferred tax assets have not been recognized during the period given the Company's policy of recognizing deferred tax assets only when they can be used against taxable profit within a timeframe of five years and in countries in which the Company operates.

SEASONALITY

The continuing geographical expansion of the Company progressively reduces its overall exposure to seasonality and its influence on business activity. 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 mine 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 and in Argentina in July and August when the winter season peaks.

EFFECT OF EXCHANGE RATES

The Company mitigates its exposure to foreign currency fluctuations by balancing its costs, revenues and financing in local currencies, resulting in a natural hedge.

The exchange rates for the periods under review are as follows against the US$:

	Closing FY 2013	**Average FY 2013**	**Closing FY 2012**	**Average FY 2012**
€	0.73	0.75	0.76	0.78
CAD	1.07	1.03	1.00	1.00
AUD	1.13	1.04	0.96	0.97
CLP	525	496	478	488
BRL	2.35	2.16	2.05	2.02

LIQUIDITY AND CAPITAL RESOURCES

The following table provides a summary of the Company's cash flows for FY 2013 and FY 2012:

(In thousands of US$)	**FY 2013**	**FY 2012**
Cash generated from operations before working capital requirements	10,898	70,119
Working capital requirements, interest and tax	2,383	(28,146)
Net cash flow from operating activities	**13,281**	**41,973**
Purchase of equipment in cash	(11,063)	(39,512)
Consideration payable related to acquisitions	—	(49,435)
Net cash used in investing activities	**(11,063)**	**(88,947)**
Net financing	11,118	68,835
Acquisition of treasury shares	(1,556)	(3,667)
Dividends paid	(5,983)	(7,068)
Net cash from financing activities	**3,579**	**58,100**
Net cash variation for the year	**5,797**	**11,126**
Exchange differences	(4,168)	458
Variation in cash and cash equivalents	**1,629**	**11,584**

For the year ended December 31, 2013, cash generated from operations before changes in operating assets and liabilities amounted to US$ 10.9 million compared to US$ 70.1 million of cash generated during the same period a year ago.

After working capital requirements, interest and income tax paid, the net cash generated from operations was US$ 13.3 million in FY 2013 compared to US$ 42.0 million of cash generated during the same period a year ago. During the period, the Company acquired operating equipment for US$ 11.1 million in cash. This compares to a total of US$ 39.5 million in cash purchases during FY 2012.

As at December 31, 2013, cash and cash equivalents totaled US$ 37.7 million compared to US$ 35.9 million as at December 31, 2012. Cash and cash equivalents are held at or invested within top tier financial institutions.

As at December 31, 2013, the net debt amounted to US$ 121.9 million (US$ 137.5 million as at December 31, 2012). The ratio of debt (net of cash) to shareholders' equity increased to 0.69 from 0.62 as at December 31, 2012.

On December 31, 2013, financial debts and equivalents amounted to US$ 159.4 million (US$ 175 million as at December 31, 2012). The financial debt also includes the present value of the consideration payable in 2015 for the acquisition of the remaining shares of Servitec totaling US$ 16.7 million.

In December 2013, the Company signed an addendum to the loan agreements linked to the 2012 acquisitions in Brazil and Australia. Under the terms of these agreements, the covenant ratio Net Debt / EBITDA was revised from 2.0 to 5.0 as at December 31, 2013, and to 3.5 as at June 30, 2014 to reflect the changes in the economic conditions. The margin on the financing subject to renegotiation was temporarily increased to 235 Bp (from 195 Bp) until the Company returns to its previous covenant ratio. The actual December 31, 2013 ratio was 3.2. The Company is not in breach of any covenant.

During FY 2013, the Company raised new long term loans amounting to US$ 26.7 million:

- € 10.6 million (US$ 14.0 million) in France through three new long term credits without covenant,
- CAD 8 million (US$ 7.5 million) in Canada through a lease back arrangement guaranteed by a general security on Canadian assets and subject to covenants related to the activity of the Canadian subsidiary,
- US$ 4 million in Chile through a new long term credit without covenant,
- BRL 2.8 million in Brazil (US$ 1.2 million) through a new long term credit without covenant.

As at December 31, 2013, the financial debt is as follows (in thousands of US$):

Maturity	**Roll-over**	**January 1, 2014 to December 31, 2014**	**January 1, 2015 to December 31, 2015**	**January 1, 2016 to December 31, 2016**	**January 1, 2017 to December 31, 2017**	**January 1, 2018 to December 31, 2018**	**Total**
Drawn credit lines rolled over on a yearly basis	48,865	—	—	—	—	—	48,865
Long term financing related to:							
Drawn credit lines rolled over confirmed for at least 12 months	4,000	—	—	—	—	—	4,000
Brazil acquisition	—	4,672	4,672	4,672	4,672	—	18,687
Australia acquisition	—	6,883	6,883	6,883	6,883		27,532
Acquisition of fixed assets	—	10,119	9,859	8,443	6,583	3,524	38,530
Acquisition of fixed assets through capital leases	—	3,655	1,207	268	6	—	5,137
Total	**52,865**	**25,330**	**22,622**	**20,266**	**18,144**	**3,524**	**142,751**

Drawn credit lines can be analyzed as follows:

Credit lines	**Authorized amount** *(in thousand USD)*	**Used amount**	**Currency**	**Interest Rate**	**Guarantee**	**Covenants**	**Other**
France	79,020	41,647	€	EUR 3M + 200 Bp max	No	No	roll over one year
Chile	17,675	9,919	CLP	UF + 300 Bp	US$ 8 million SBLC from French banks	No	roll over one year
Canada	7,481	0	CAD	Prime + 225 Bp	Partially covered by current Canadian assets	% of current assets	roll over one year
Brazil	4,982	852	BRL	CDI + 600 Bp	No	No	roll over one year
Australia	2,330	448	AUD	Bank Prime + 60 BP	No	No	roll over one year
Others	626						
Total	**112,114**	**52,865**					

The Company has used and unused short-term credit facilities amounting to US$ 112.1 million out of which US$ 52.9 million was drawn as of December 31, 2013. These facilities are granted individually by several banks, mainly in France, Canada and Chile. They are generally granted on a yearly basis and are subject to review at various dates. They are not subject to any covenant obligations. A relatively small portion of the credit facilities, in Canada, is secured by short term receivables and inventories.

Long term bank financing can be broken down as follows:

Long Term Debt	Amounts *(in thousand USD)*	Currency	Interest Rates	Guarantee	Covenants
Acquisition Brazil	**18,687**	€	EUR 3M + 235 Bp	Servitec Shares	Net Debt / EBITDA at
Acquisition Australia	**27,532**	€	EUR 3M + 235 Bp	JND Shares	December 31
Long term loans	**38,530**				
France	20,758	€	1.8 to 2.1 % Fixed	No	No
Canada	11,215	CAD/USD	From 3 to 4% Fixed	General Security	Net Debt / EBITDA at quarter end
Chile	3,996	USD	Libor + 280 Bp	SBLC from French Bank	No
Brazil	2,561	BRL	From 8 to 14% Fixed	Financed Assets	No
Capital lease obligations	**5,137**				
Russia	705	USD	From 4 to 6% Fixed	Financed Assets	No
Brazil	756	BRL	From 8 to 14% Fixed	Financed Assets	No
Australia	372	AUD	From 6 to 10%	Financed Assets	No
Chile	3,304	UF	From 2.8 to 5.5% over UF	Financed Assets	No
Total	**89,886**				

Bank guarantees as at December 31, 2013, totaled US$ 28.5 million compared to US$ 22.8 million as at December 31, 2012.

GOING CONCERN AND IMPAIRMENT TESTING

Based on internal forecasts and projections which are regularly updated in order to take into account foreseeable changes in the Company's operating performance, the Company believes that it has adequate financial resources to continue in operation and meet its financial commitments (mainly related to debt service obligations) for a period of at least twelve months. In addition, impairment tests based on expected discounted cash flows were performed at the level of each business segment and geographic area as at December 31, 2013 and indicated that no impairment was required on the carrying values of the long lived assets for each business segment and geographic area.

CASH TRANSFER RESTRICTIONS

Foraco operates in a number of different countries where cash transfer restrictions may exist. The Company organizes its business so as to ensure that the majority of the payments are collected in countries where there are no such restrictions. No excess cash is held in countries where cash transfer restrictions exist.

RELATED-PARTY TRANSACTIONS

For details on related-party transactions, please refer to Note 27 of the FY 2013 consolidated financial statements.

CAPITAL STOCK

As at December 31, 2013, the capital stock of the Company amounted to US$ 1,772 thousand, divided into 89,951,798 common shares. Warrants issued as part the acquisition of JND were converted for no consideration into 7,000,000 common shares in August 2013. The common shares of the Company are distributed as follows:

	Number of shares and warrants	%
Common shares held directly or indirectly by principal shareholders	37,594,498	41.80%
Common shares held directly or indirectly by individuals in their capacity as members of the Board of Directors*	901,754	1.00%
Common shares held by the Company**	1,107,498	1.23%
Common shares held by the public	50,348,048	55.97%
Total common shares issued and outstanding	**89,951,798**	
Common shares held by the Company	(1,107,498)	
Total common shares issued and outstanding excluding shares held by the Company	**88,844,300**	

**In the table above, the shares owned indirectly are presented as an amount corresponding to the pro rata of the ownership interest.*

***1,107,498 common shares are held by the Company to meet the Company's obligations under the employee free share plan and for the purposes of potential acquisitions.*

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements have been prepared in accordance with IFRS. The Company's significant accounting policies are described in Note 2 to the annual consolidated financial statements. As required by IAS 1, the depreciation of property, plant and equipment related to operations is included within cost of sales.

Non-IFRS measures

EBITDA represents Net income before interest expense, income taxes, depreciation, amortization and non-cash share based compensation expenses. EBITDA is a non-IFRS quantitative measure used to assist in the assessment of the Company's ability to generate cash from its operations. The Company believes that the presentation of EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the drilling industry. EBITDA is not defined in IFRS and should not be considered to be an alternative to Profit for the period or Operating profit or any other financial metric required by such accounting principles.

The reconciliation of the EBITDA with the operating profit is as follows:

(In thousands of US$) *(unaudited)*	**FY 2013**	**FY 2012**
Operating profit	(2,215)	44,989
Depreciation expense	38,303	36,540
Non-cash employee share-based compensation	1,703	1,566
EBITDA	***37,591***	***83,095***

The FY 2013 EBITDA includes the US$ 27.0 million change in estimate relating to the present value of the consideration payable for Servitec (US$ 13.3 million in FY 2012).

LITIGATION AND CLAIMS

During the period, the former shareholders of JND filed a claim against the Company as their assessment of the earn-out clause differed from that of the Company. Based on their assessment, the former shareholders of JND are claiming an amount of AU$ 4 million (US$ 3.7 million). The Company is confident in its position that no earn-out is due and accordingly, no provision has been recorded.

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

SUBSEQUENT EVENTS

On March 31, 2014, the Company entered into a memorandum of understanding with one of the two minority shareholders of Servitec, whereby the Company cancelled its option to acquire, and the minority shareholder cancelled his option to sell, the latter's minority shareholding in Servitec. This will result in the reversal of the consideration payable related to acquisitions recorded as a liability as at December 31, 2013 for an amount of US$ 12,740 thousand.

On March 31, 2014, the Board of Directors proposed no dividend payment to be approved by shareholders at the Company's Annual General Meeting on May 6, 2014.

OUTLOOK

As at December 31, 2013 the Company's order backlog for continuing operations was US$ 261.2 million, of which US$ 149.1 million is expected to be executed during the 2014 fiscal year.

The Company's order backlog consists of sales orders. Sales orders are subject to modification by mutual consent and in certain instances orders may be revised by customers. As a result the order backlog of any particular date may not be indicative of actual operating results for any subsequent period.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Pursuant to NI 52-109, the directors of the Company are required to certify annually as to the design and operations of their (i) disclosure controls and (ii) internal controls over financial reporting.

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis so that appropriate decisions can be made regarding public disclosure. It covers the preparation of Management's Discussion and Analysis and the Annual Consolidated Financial Statements. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards (IFRS).

The section below is the result of an analysis carried out in conjunction with the management, the Audit Committee and the various employees involved in the control activity within the Company.

Internal control framework

Internal control is a process implemented by management with the objective of ensuring (i) the effectiveness and efficiency of the Company's operations, (ii) the reliability of financial reporting and disclosures, and (iii) compliance with applicable laws and regulations, including those promoted by the Toronto Stock Exchange (TSX).

The organization of the internal control environment of the Company is based upon the *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The inherent limitation in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

Responsibilities over internal control

The Company's Board of Directors is the primary sponsor of the internal control environment. The Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee are the specific bodies acting in the field of internal control and reporting to the Board of Directors. These committees comprise a majority of independent members.

AUDIT COMMITTEE

The Audit Committee meets at least every quarter before the Board of Directors meeting authorizing for issuance the quarterly and annual consolidated financial statements. The main responsibilities of the Audit Committee are the examination of the quarterly and annual financial statements including related disclosures, the internal control environment and the oversight of the work performed by the external auditors. The question of internal control over financial reporting is a core subject discussed by the Audit Committee. During 2013 financial year, the Audit Committee met four times.

COMPENSATION COMMITTEE

The principal responsibilities of the Compensation Committee are the examination of the Company's remuneration policy, in particular changes in the global payroll, and the review of the collective and individual objectives. The Compensation Committee meets at least once a year. During 2013 financial year, the Compensation Committee met twice.

CORPORATE GOVERNANCE AND NOMINATING COMMITTEE

The Corporate Governance and Nominating Committee meets at least every quarter before the Board of Directors. It reports to the Board of Directors and is in charge of the supervision of the governance of the Company and its relationship with senior management. The Corporate Governance and Nominating Committee met four times during the 2013 financial year.

Internal control organization within the Company

The Company operates in various different countries worldwide and has organized its internal reporting process into a monthly centralized system which allows the flows of relevant operating and financial data upstream to management. The subsidiaries report under standardized forms which are prepared in accordance with IFRS. These forms include financial information such as detailed income statement data, cash flow and working capital data, capital expenditures and other relevant operational data. This reporting, combined with a comprehensive budgeting process and systematic reforecasting, reflects the latest operating conditions and market trends and allows management to perform thorough variance analysis. Management considers that this monthly reporting process provides a reasonable assurance over the monitoring of its operating and financial activities and an effective tool for the operating decision makers.

The financial controlling function is organized by region, internal control being a significant part of the regional controllers' duties. Timely on site reviews are performed by operating and financial representatives from corporate. Considering this organization, there is no dedicated internal control department.

In 2012, the Company saw a significant expansion through their acquisitions in Brazil and Australia. As part of the integration process and throughout 2013, the Company strengthened the internal control processes in these locations and enforced the implementation of Group procedures. Specific attention was paid to processes such as the follow-up of contract margins at completion, inventory and treasury.

Approach implemented by the Company

The Company implements an approach consisting of (i) evaluating the design of its control environment over financial reporting and (ii) documenting the related control activities and key controls in a risk control matrix. This approach is implemented at every significant location of the Company. Management also focuses on the integration of newly acquired businesses over which the Company's two step approach on internal control is implemented within a reasonable time period.

The Company views its internal control procedure as a process of continuous improvement and will make changes aimed at enhancing the effectiveness of its internal control and to ensure that processes evolve with the business.

There were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

In 2013, the Company updated its risk assessment which consisted of evaluating the likelihood and the magnitude of the risks to which it is exposed. The conclusions were used to reassess the adequacy of the Company's risk control matrix. The assessment did not reveal any significant deficiencies in the design of the Company's controls.

The Company has evaluated the effectiveness of the internal control procedures over financial reporting as at December 31, 2013 and has concluded that, subject to its inherent limitations, these were effective at a reasonable assurance level. The Company has evaluated the effectiveness of the Company's disclosure controls and concluded that, subject to its inherent limitations, the disclosure controls were effective for the year ended December 31, 2013.

RISK FACTORS

For a comprehensive discussion of the important factors that could impact the Company's operating results, please refer to the Company's Annual Information Form dated March 31, 2014, under the heading "Risk Factors", which has been filed with Canadian regulators on SEDAR (www.sedar.com).

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Foraco International SA

Report on the Consolidated Financial Statements

INTRODUCTION

We have audited the accompanying consolidated financial statements of Foraco International SA and its subsidiaries which comprise the consolidated balance sheet as at December 31, 2013 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Foraco International SA and its subsidiaries at December 31, 2013, and the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers Audit

Marseille, France
March 31, 2014

PricewaterhouseCoopers is represented by PricewaterhouseCoopers Audit, 63 rue de Villiers —92200 Neuilly-sur-Seine, France.

PricewaterhouseCoopers Audit, SA, Les Docks, Atrium 10.1, 10 place de la Joliette, CS 81525, 13567 Marseille Cedex 02
Téléphone: +33 (0)4 91 99 30 00, Fax: +33 (0)4 91 99 30 01, www.pwc.fr

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CONSOLIDATED BALANCE SHEET — ASSETS

In thousands of US$		As at December 31,		
	Note	2013	2012	2011
ASSETS				
Non-current assets				
Property and equipment	(6)	107,098	146,780	92,500
Goodwill	(7)	116,612	133,675	50,629
Deferred income tax assets	(16)	28,286	23,111	7,984
Other non-current assets	(8)	1,059	1,416	1,006
		253,055	**304,982**	**152,119**
Current assets				
Inventories, net	(9)	43,172	52,288	40,754
Trade receivables, net	(10)	30,464	54,931	45,490
Other current receivables	(11)	12,853	16,381	12,464
Cash and cash equivalents	(12)	37,526	35,897	24,313
		124,015	**159,497**	**123,021**
Total assets		**377,070**	**464,479**	**275,140**

CONSOLIDATED BALANCE SHEET — EQUITY & LIABILITIES

In thousands of US$		As at December 31,		
	Note	**2013**	**2012**	**2011**
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	(13)	1,772	1,629	1,468
Share premium and retained earnings	(13)	211,377	219,682	159,434
Other reserves	(13)	(45,169)	(7,820)	(3,393)
		167,980	**213,491**	**157,509**
Non-controlling interests		9,175	8,415	5,033
Total equity		**177,155**	**221,906**	**162,542**
LIABILITIES				
Non-current liabilities				
Borrowings – Non-current portion of long term debt	(14)	64,556	61,733	17,292
Borrowings – Non-current portion of drawn credit lines	(14)	4,000	—	—
Consideration payable related to acquisitions	(15)	16,170	44,358	—
Deferred income tax liabilities	(16)	5,264	8,756	3,976
Provisions for other liabilities and charges	(17)(18)	457	871	677
		90,447	**115,718**	**21,945**
Current liabilities				
Trade and other payables	(19)	31,732	53,463	51,535
Current income tax liabilities		1,635	3,568	5,840
Borrowings – Current portion of long term debt	(14)	25,329	41,186	24,272
Borrowings – Current portion of drawn credit lines	(14)	48,865	26,115	7,640
Consideration payable related to acquisitions	(15)	500	—	470
Derivative financial instrument	(7)	—	1,609	—
Provisions for other liabilities and charges	(17)	1,407	914	896
Total current liabilities		**109,468**	**126,855**	**90,655**
Total equity and liabilities		**377,070**	**464,479**	**275,140**

CONSOLIDATED INCOME STATEMENT — BY FUNCTION OF EXPENSE

In thousands of US$		Year Ended December 31,		
	Note	2013	2012	2011
Revenue	(5)	247,757	367,519	301,139
Cost of sales	(20)	(245,752)	(299,586)	(231,714)
Gross Profit		**2,005**	**67,933**	**69,425**
Selling, general and administrative expenses	(20)	(31,240)	(36,247)	(25,983)
Other operating income / (expense), net	(7)	27,020	13,303	(23)
Operating Profit / (loss)		**(2,215)**	**44,989**	**43,419**
Finance income	(22)	399	1,201	417
Finance expense	(22)	(4,953)	(5,831)	(3,806)
Profit / (loss) before income tax		**(6,769)**	**40,359**	**40,030**
Income tax profit / (expense)	(23)	7,257	(7,742)	(9,616)
Profit for the year		**488**	**32,617**	**30,414**
Attributable to:				
Equity holders of the Company	(24)	(1,508)	27,130	27,027
Non-controlling interests		1,996	5,487	3,387
		488	**32,617**	**30,414**
Earnings per share for profit / (loss) attributable to the equity holders of the Company during the year (expressed in US cents per share)				
—basic	(24)	(1.71)	33.15	34.51
—diluted	(24)	(1.71)	32.69	34.25
Earnings per share for profit / (loss) attributable to the equity holders of the Company during the year including the non-controlling interests corresponding to Servitec which the Company is in the process of acquiring and for which the consideration payable is recorded as a liability (expressed in US cents per share)				
—basic	(24)	(2.82)	35.67	34.51
—diluted	(24)	(2.82)	35.18	34.25

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of US$	Year Ended December 31,		
	2013	2012	2011
Profit for the year	**488**	**32,617**	**30,414**
Net investment hedge, net of tax	(16,303)	(940)	(2,348)
Currency translation differences	(23,099)	(24)	(5,047)
Items that may be recycled subsequently to income statement	**(39,402)**	**(964)**	**(7,395)**
Total comprehensive income for the year	**(38,914)**	**31,654**	**23,019**
Attributable to:			
Equity holders of the Company	(41,174)	28,272	19,720
Non-controlling interests	2,260	3,382	3,299

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of US$	Attributable to Equity Holders of the Company					
	Share Capital	Share Premium and Retained Earnings	Other Reserves (see Note 13)	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2011	**1,468**	**137,342**	**4,131**	**142,941**	**3,811**	**146,751**
Profit for the year	—	27,027	—	27,027	3,387	30,414
Other comprehensive income for the year	—	—	(7,307)	(7,307)	(88)	(7,395)
Employee share-based compensation (Note 21)	—	—	1,083	1,083	—	1,083
Purchase of treasury shares (Note 13)	—	(3,272)	—	(3,272)	—	(3,272)
Dividends declared relating to 2010	—	(2,962)	—	(2,962)	(2,077)	(5,039)
Vesting of share-based compensation (Note 13)		1,300	(1,300)	—	—	—
Balance at December 31, 2011	**1,468**	**159,434**	**(3,393)**	**157,510**	**5,033**	**162,542**
Balance at January 1, 2012	**1,468**	**159,434**	**(3,393)**	**157,510**	**5,033**	**162,542**
Profit for the year	—	27,130	—	27,130	5,487	32,617
Non controlling interests recorded as a liability	—	2,068	—	2,068	(2,068)	—
Other comprehensive income for the year	—	—	(927)	(927)	(37)	(964)
Employee share-based compensation (Note 21)	—	—	1,566	1,566	—	1,566
Purchase of treasury shares (Note 13)	—	(3,667)	—	(3,667)	—	(3,667)
Conversion of warrants	91	(91)	—	—	—	—
Acquisition of Servitec and JND through:						
Issuance of equity instruments (Note 13)	70	34,684	—	34,754	—	34,754
Use of treasury shares (Note 13)	—	3,735	(3,735)	—	—	—
Dividends declared relating to 2011	—	(4,943)	—	(4,943)	—	(4,943)
Vesting of share-based compensation (Note 13)		1,331	(1,331)	—	—	—
Balance at December 31, 2012	**1,629**	**219,680**	**(7,820)**	**213,491**	**8,415**	**221,906**
Balance at January 1, 2013	**1,629**	**219,680**	**(7,820)**	**213,491**	**8,415**	**221,906**
Profit / (loss) for the year	—	(1,508)	—	(1,508)	1,996	488
Non-controlling interests recorded as a liability	—	(968)	—	(968)	968	
Other comprehensive income for the year	—	—	(38,698)	(38,698)	(704)	(39,402)
Employee share-based compensation (Note 21)	—	—	1,703	1,703	—	1,703
Purchase of treasury shares (Note 13)	—	(1,556)	—	(1,556)	—	(1,556)
Conversion of warrants	143	(143)	—	—	—	—
Dividends declared relating to 2012	—	(4,483)	—	(4,483)	(1,500)	(5,983)
Vesting of share-based compensation (Note 13)	—	354	(354)	—	—	—
Balance at December 31, 2013	**1,772**	**211,377**	**(45,169)**	**167,980**	**9,175**	**177,155**

CONSOLIDATED STATEMENT OF CASH FLOW

In thousands of US$	Note	2013	Year ended December 31, 2012	2011
Cash flows from operating activities				
Profit for the year		**488**	**32,617**	**30,414**
Adjustments for:				
Depreciation, amortization and impairment	(20)	38,303	36,540	28,804
Changes in non-current portion of provisions and other liabilities		(27,022)	(13,052)	374
Loss on sale and disposal of assets		129	73	409
Non-cash share-based compensation expenses	(21)	1,703	1,566	1,083
Income taxes expense / (profit)	(23)	(7,257)	7,743	9,615
Finance income and expenses, net	(22)	4,554	4,631	3,389
Cash generated from operations before changes in operating assets and liabilities		**10,898**	**70,119**	**74,088**
Changes in operating assets and liabilities:				
Inventories		9,867	(3,609)	(9,168)
Trade accounts receivable and other receivable		30,744	556	(1,649)
Trade accounts payable and other payable		(29,655)	(9,271)	7,717
Cash generated from operations		**21,854**	**57,795**	**70,988**
Interest received / (paid)		(3,821)	(3,731)	(2,989)
Income tax paid		(4,752)	(12,091)	(231)
Net cash flow from operating activities		**13,281**	**41,973**	**67,768**
Cash flows from investing activities				
Purchase of Property and equipment and intangible assets (*)	(6)	(11,063)	(39,512)	(35,702)
Acquisition of Servitec, net of cash acquired (**)	(7)	—	(18,223)	—
Acquisition of JND, net of cash acquired (**)	(7)	—	(31,212)	—
Acquisition of Eastern Drilling Company, net of cash acquired (***)	(7)	—	—	(7,600)
Net cash used in investing activities		**(11,063)**	**(88,947)**	**(43,302)**
Cash flows from financing activities				
Acquisition of treasury shares	(13)	(1,556)	(3,667)	(3,272)
Repayments of borrowings	(14)	(29,274)	(18,430)	(20,525)
Proceeds from issuance of borrowings, net of issuance costs	(14)	26,668	67,104	8,634
Net increase/(decrease) in bank overdrafts and short-term loans	(14)	13,724	20,161	3,910
Dividends paid to Company's shareholders	(25)	(4,483)	(4,943)	(2,957)
Dividends paid to non-controlling interests		(1,500)	(2,125)	—
Net cash provided by / (used in) financing activities		**3,579**	**58,100**	**(14,210)**
Exchange differences in cash and cash equivalents		(4,168)	458	(863)
Net increase / (decrease) in cash and cash equivalents		**1,629**	**11,584**	**9,393**
Cash and cash equivalents at beginning of the year	(12)	35,897	24,313	14,920
Cash and cash equivalents at the end of the year	**(12)**	**37,526**	**35,897**	**24,313**
(*) Excluding acquisition financed through finance leases		*409*	*2,128*	*15,608*
(**) Excluding portion of purchased through shares, warrants and treasury shares		—	*40,898*	—
(***) Excluding deferred cash consideration to be paid in future periods		—	—	*470*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Foraco International SA (the Company) and its subsidiaries (together, the Group or Foraco Group) trade mainly in the mining, geological and hydraulic drilling sectors.

The principle sources of revenue consist of drilling contracts for companies primarily involved in mining and water exploration. The Group has operations in Europe, Middle East and Africa, North America, South America and Asia Pacific.

The Company is a "société anonyme" incorporated in France. The address of its registered office is 26, plage de l'Estaque, 13016 Marseille, France.

These consolidated financial statements were authorized for issue by the Board of Directors on March 31, 2014.

The Company is listed on the Toronto Stock Exchange (TSX) under the symbol "FAR".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of Preparation

The consolidated financial statements of Foraco Group have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements have been prepared under the historical cost convention except for certain financial assets recognized at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Except otherwise stated, all amounts are presented in thousands of US$.

The Group is a drilling service provider and as such IFRS 6, 'Exploration for and evaluation of mineral resources' is not applicable to its operations.

Standards, amendments and interpretations to existing standards that have been adopted by the Group on January 1, 2013 with no material impact on the consolidated financial statements.

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint arrangements
- IFRS 12 – Disclosure of interests in other entities
- Amendment to IAS 27 – Separate financial statements
- Amendment to IAS 28 – Associates and joint ventures
- Amendments to IFRS 10, 11, 12 – Transition guidance
- IFRS 13 – Fair value measurement
- Amendment to IAS 1 – Presentation of financial statements
- Amendment to IAS 19 – Employee benefits
- IFRS 7 – Financial instruments – Disclosures' on offsetting
- Amendment to IAS 32 – Financial instruments: presentation
- IFRIC 20 – Stripping costs in the production phase of a surface mine
- Annual improvement 2011

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

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, 2014 or later periods, but have not been early adopted by the Group:

- IFRS 9, Financial instruments – Classification of financial assets and financial liabilities
- IFRIC 21: Levies

The impact resulting from the application of this standard is currently being assessed.

2.2 Consolidation

(A) SUBSIDIARIES

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business acquisitions. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed (Note 7).

Inter company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A cash generating unit "CGU" is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

(B) TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The effects of all transactions with non-controlling interests have to be recorded in equity if there is no change in control and these transactions no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

The accounting treatment for put and call options on non-controlling interests is presented in further detail in Note 7.

2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management (Chief Executive Officer and vice Chief Executive Officer).

The Group reports its financial performance based on its business segments. Segment reporting disclosures are provided in Note 5.

2.4 Foreign Currency translation

(A) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). In accordance with IAS 21.38, the Group has elected to report its consolidated financial statements using the US Dollar as its presentation currency.

(B) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions' valuation where items are re-measured. The exchange rates prevailing at the dates of the transactions are approximated by a single rate per currency for each month (unless these rates are not reasonable approximations of the cumulative effect of the rates prevailing on the transaction dates). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement except when deferred in other comprehensive income as qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within finance income or expense. All other foreign exchange gains and losses are presented in the income statement within 'other operating income / (expense), net'.

(C) GROUP COMPANIES

None of the Group's entities has the functional currency of a hyperinflation economy.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of income are translated at a monthly average exchange rate (unless this rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income and as a separate component of equity within "Other reserves".

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

2.5 Property and Equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Major refurbishment work and improvements are capitalized with the carrying amount of the replaced part derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Borrowing costs are capitalized as part of the cost of property and equipment. There was no significant borrowing cost capitalized over the periods presented.

Depreciation of property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful life (Note 6).

The useful lives are as follows:

Buildings.. 10 years
Drills... 3 to 10 years
Other drilling equipment....................................... 1 to 5 years
Automotive equipment... 3 to 5 years
Office equipment and furniture .... 2 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

When the Group leases assets under the terms of a long-term contract or other agreements that substantially transfer all of the risks and rewards of ownership to the Group, the value of the leased property is capitalized and depreciated (as described above) and the corresponding obligation is recorded as a liability within borrowings.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating income / (expense), net' in the income statement.

2.6 Intangible Assets

GOODWILL

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired, is recorded as goodwill. Goodwill on acquisitions of subsidiaries is presented on the consolidated balance sheet under the line item "Goodwill".

Goodwill is tested annually for impairment (or when events or changes in circumstances indicate a potential impairment) and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment (see Note 5).

2.7 Impairment of Non-financial Assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial Assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables originated by the Group are included in trade and other current receivables in the consolidated balance sheet.

The Group holds certain financial assets presented within cash and cash equivalents that are treated as financial assets at fair value with changes recognized through net income.

2.9 Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The Group does not enter into hedging activities.

2.10 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income within operating expenses on a straight-line basis over the period of the lease.

Where the Group has substantially all the risks and rewards of ownership, the lease is classified as finance lease. Finance leases are capitalized at the lease's commencement date at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.11 Inventories

The Group maintains an inventory of operating supplies and drill consumables such as bits additives and chunks.

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the average weighted unit cost method. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Drilling work is periodically approved by customers. Accordingly, revenues and receivables are accounted for when services have been approved. The amount of revenue is not considered to be reliably measurable until all contingencies relating to services rendered have been resolved. Contracts in progress at the closing date are accounted for using the percentage of completion method whereby revenues and directly attributable costs are recognized in each period based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs including the cost for mobilizing and demobilizing drilling equipment.

When the global income from a contract cannot be reliably estimated, no gross profit is recognized during the period.

Under either of the policies mentioned above, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. This loss is equal to the total estimated loss on the project minus the loss already accounted for and is first applied against the project's receivables. Any excess is then credited to provisions.

2.13 Trade Receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established on a case by case basis when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

The Group transfers certain receivables to banks as collateral under an assignment of receivables program. As risks and rewards related to the trade receivables have been retained by the Group, accounts receivable are not derecognized and a financial liability is accounted for against the consideration received from the lenders.

2.14 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities up to six months or provided that these investments are held to meet short term cash needs and there is no significant risks of change in value as a result of an early withdraw. Bank overdrafts are shown within current liabilities on the consolidated balance sheet.

The Group owns certain highly liquid securities based on the €, RUB and Brazilian Real currency market. These investments are classified as financial assets at fair value through profit or loss.

2.15 Share Capital

Ordinary shares are classified as equity. The Group did not issue any preference shares.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or re-issued. When such shares are subsequently re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity attributable to the Company's equity holders.

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.16 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.17 Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The deferred tax liabilities were determined for the withholding tax due on the reserves of the subsidiaries, when distributions are probable.

2.18 Provisions

Provisions for restructuring costs and legal claims are recognized when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

The Group did not experience restructuring over the periods presented.

The Group evaluates outflows of resources expected to be required to settle the obligation based on facts and events known at the closing date, from its past experience and to the best of its knowledge. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passing of time is recognized as interest expense.

The Group does not provide for future operating losses, except when such losses result from loss making contracts in accordance with the policy described in note 2.12. The Group had no loss making contract over the periods presented.

2.19 Employee Benefits

(A) PENSION OBLIGATIONS

The Group mainly provides to its employees defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan, such as the mandatory retirement plan in France, is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets (if any). The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise. Changes in amounts recognized in other comprehensive income are detailed in Note 13.

Changes in laws and regulations that affect the amount of the Group's obligations are accounted for as change in actuarial assumptions. There was no such change that materially affected amounts reported over the periods presented.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group does not provide other post-employment benefits.

(B) BONUSES

The Group recognizes a liability and an expense for bonuses based on a formula that takes into consideration the Group financial performance. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(C) SHARE-BASED COMPENSATION

The Group operates a limited number of equity-settled, share-based compensation plans under which the Group receives services from its employees as consideration for equity instruments (free shares see note 22). The fair value of the employee services received in exchange for the grant of the free shares is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted determined at grant date.

Non-market vesting conditions, including service conditions are included in assumptions about the number of shares that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the Group issues equity instruments such as warrants as a consideration for services to be received from third parties other than employees, these transactions are accounted for as share-based compensation.

When a portion of the purchase consideration to be paid in a business combination is analyzed as being part of a compensation for services to be received from employees, this portion is deducted from the cost of the business combination and accounted for as a cash-settled compensation (see Note 7).

2.20 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

The trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.21 Earnings Per Share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share are computed by dividing net income attributable to equity holders of the Company by the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

A reconciliation of the weighted average number of ordinary shares outstanding during the period and the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, is presented in Note 24.

3. FINANCIAL RISK MANAGEMENT

The Group's activity exposes it to a variety of financial risks through its activity: currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group did not enter into derivative financial instruments to cover its exposure over the periods presented.

The Group's cash investment strategy aims to avoid capital risks and reach a global performance level equivalent to the reference free risk interest rate on the € currency market. In order to achieve this objective, the Group contracts certain short term deposits offering guaranteed capital with or without guaranteed interest rate yields.

3.1 Company's Risk Exposure

(A) CURRENCY RISKS

The Group operates internationally and is therefore exposed to foreign exchange risk on its commercial transactions. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Foraco reports its consolidated financial statements in US dollars. The main currencies used by the Group are Euros, Canadian Dollars, US Dollars, Australian Dollars, Brazilian Reals and Chilean Pesos.

The Group mitigates its exposure to foreign currency fluctuations by balancing its costs, revenues and financing in local currencies, resulting in a natural hedge.

The exchange rates for the periods under review are as follows against the US:

	Closing 2013	Closing 2012	Closing 2011	Average 2013	Average 2012	Average 2011
€	0.73	0.76	0.77	0.75	0.78	0.72
CAD	1.07	1.00	1.02	1.03	1.00	0.99
AUD	1.13	0.96	0.98	1.08	0.97	0.97
CLP	525	478	519	496	486	485
BRL	2.35	2.05	N/A	2.28	2.02	N/A
RUB	32.77	30.44	32.08	31.88	31.14	30.54

The sensitivity to foreign currencies against US$ fluctuations of the consolidated revenue for the year presented in US$ is summarized as follows (in thousands of US$):

	As at December 31, 2013	
Effect on revenue of a change	**+5%**	**-5%**
AUD $ / US$	2,571	(2,571)
BRL / US$	2,418	(2,418)
€ / US$	2,333	(2,333)
Canadian $ / US$	2,088	(2,088)
RUB / US$	1,376	(1,376)
CLP / US$	1,338	(1,338)

A 5% change of the US$ against all the other currencies used by the Group would have a positive or negative impact of US$ 862 thousand on the 2013 consolidated profit.

(B) INTEREST RATE RISK

The Group owns certain interest-bearing assets (short term deposit) classified as cash and cash equivalents. However, the Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has invested in highly liquid deposits with guaranteed nominal value.

The sensitivity to variable interest rate of short term deposits held by the Group is presented below (in thousands of US$):

	As at December 31,		
	2013	**2012**	**2011**
Average amount of cash and cash equivalent over the year	31,387	27,457	18,748
Increase in financial income following a 50 b.p. increase	157	137	94
Decrease in financial income following a 50 b.p. decrease	(157)	(137)	(94)

For the purpose of this analysis, the average cash equivalent has been defined as the arithmetical average of closing positions at each quarter end.

On the financial liabilities, the Group is not significantly exposed to cash flow risks relating to the fluctuations of interest rates as main financing sources bear interest at a fixed rate.

(C) CREDIT RISK

All significant cash and cash equivalents and deposits with banks and financial institutions are spread amongst major financial institutions with an investment grade rating.

The Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set for each subsidiary. The utilization of credit limits is regularly monitored.

The Group's broad geographical and customer distribution limits the concentration of credit risk. One customer accounted for approximately 10% of the Group's sales during the year ended December 31, 2013 (one customer accounted for approximately 13% in 2012 and three customers accounted for approximately 34% in 2011). No other single customer accounted for more than 10% of the Group's sales during the years ended December 31, 2013, 2012 and 2011.

(D) LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and short term deposits, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management maintains flexibility in funding by maintaining availability under committed credit lines.

The maturity analysis for financial liabilities is presented in Note 14.

3.2 Country Risk

The expansion into new geographic areas via acquisitions brings geographic and currency risks. In Africa, certain countries have experienced political or social instability. There is a risk that the operations, assets, employees or repatriation of revenues could be impaired by factors specific to the regions in which the Group operates. The Group benefits from certain insurance coverage to mitigate these inherent risks.

The Group manages its country risk through a number of risk measures and limits, the most important being the regular review of geopolitical conditions and an effective monitoring of liquidity, inventories and equipment potential exposure.

3.3 Capital Risk Management

The primary objective of the Group's capital management is to ensure that it maintains a prudent liquidity ratio in order to support its growth strategy and maximize shareholders value. The Group monitors financial measures presented in Note 5 on an ongoing basis as well as its net cash level (cash and cash equivalent less borrowings) presented in Notes 12 and 14.

3.4 Estimation of Fair Value of Financial Assets and Liabilities

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at December 31, 2013, the Group holds US$ 10,921 thousand of assets at fair value (2012 - US$ 13,999 thousand of assets at fair value and 2011 – US$ 3,253 thousand). These assets were valued using quoted prices in active markets (level 1). The Group does not hold any other financial assets at fair value through profit or loss, derivatives or available-for-sale financial assets over the years presented.

The carrying amount of trade receivables less impairment provision and trade payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments (see Note 14).

3.5 Financial Instruments by Category

	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available-for-sale	Total
December 31, 2013					
Assets as per balance sheet					
Trade and other receivables	43,317	—	—	—	43,317
Cash and cash equivalents	37,526	—	—	—	37,526
Total	**80,843**	**—**	**—**	**—**	**80,843**

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per balance sheet				
Borrowings	—	—	142,751	142,751
Trade and other payables	—	—	31,732	31,732
Total	**—**	**—**	**174,483**	**174,483**

	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available-for-sale	Total
December 31, 2012					
Assets as per balance sheet					
Trade and other receivables	71,312	—	—	—	71,312
Cash and cash equivalents	35,897	—	—	—	35,897
Total	**107,209**	**—**	**—**	**—**	**107,209**

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per balance sheet				
Borrowings	—	—	129,034	129,034
Trade and other payables	—	—	53,463	53,463
Total	**—**	**—**	**182,497**	**182,497**

	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available-for-sale	Total
December 31, 2011					
Assets as per balance sheet					
Trade and other receivables	57,954	—	—	—	57,954
Cash and cash equivalents	21,059	3,253	—	—	24,313
Total	**79,013**	**3,253**	**—**	**—**	**82,266**

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per balance sheet				
Borrowings	—	—	49,204	49,204
Trade and other payables	—	—	57,375	57,375
Total	**—**	**—**	**106,579**	**106,579**

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Seasonal Fluctuations

The continuing geographical expansion of the Group progressively reduces its overall exposure to seasonality and its influence on business activity. In West Africa, most of the Group'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 mine 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 Group 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 and in Argentina in July and August when the winter season peaks.

4.2 Going Concern

Current economic conditions make forecasting difficult, and there is the possibility that the Group's actual operating performance during the coming year may be different from expectations. Based on internal forecasts and projections that take into account reasonably possible changes in the Group's operating performance, the Group believes that it has adequate financial resources to continue in operation and meet its financial commitments (mainly related to debt service obligations) for a period of at least twelve months. Accordingly, the Group continues to adopt the going concern basis in preparing its financial statements.

4.3 Deferred Tax Valuation Allowance

The current economic conditions also impact the timing of the recognition of deferred tax assets. The Group'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 has considered that the potential recovery timeframe for deferred tax assets in certain countries would be longer than previously estimated, thus creating a risk that deferred tax assets may be unused. As a general rule, the Group recognizes deferred tax assets only when they can be used against taxable profit within a timeframe of five years. On this basis, the Group has adopted a partial recognition based approach and has recorded a valuation allowance. As at December 31, 2013, the Group has unrecognized deferred assets amounting to US$ 6,208 thousand in countries in which the Group operates.

4.4 Estimated Impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see Note 7). No impairment charge has been recognized over the periods presented.

As at December 31, 2013 the goodwill is allocated to cash generating units corresponding to the following operating / geographical segments:

Mining activity – Africa	815
Water activity – Africa	2,087
Mining activity – North America.	10,646
Mining activity – Asia-Pacific	9,028
Mining activity – South America	86,696
Mining activity – Europe	7,340
Total goodwill as at December 31, 2013	**116,612**

The Group tests goodwill based on the discounted cash flows related to each cash generating unit based on assumptions disclosed in Note 7. Value in use determination is sensitive to changes in operating profit assumption and discount rate applied.

4.5 Depreciation of Property and Equipment

Equipment is often used in a hostile environment and may be subject to accelerated depreciation. Management considers the reasonableness of useful lives and whether known factors reduce or extend the lives of certain assets. This is accomplished by assessing the changing business conditions, examining the level of expenditures required for additional improvements, observing the pattern of gains or losses on disposition, and considering the various components of the assets.

4.6 Inventory Allowance on Spare Parts and Slow Moving

Spare parts relate to equipment which may be used in a hostile environment. Management assesses the level of provision for spare parts together with its review of the equipment as described above.

4.7 Contracts in Progress

The Group records its profit and its revenue based on the percentage-of-completion method. Key aspects of the method are the determination of the appropriate extent of progress towards completion and the assessment of the margin to be generated. Management follows the contracts in progress and their related margins on a monthly basis. On occasion the finance and control department performs on site controls.

4.8 Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax assets and liabilities in the period in which such determination is made.

4.9 Share-based Payment Transactions

The fair value of share-based payment transactions is based on certain assumptions from management. The main area of estimates relates to the determination of the fair value of equity instruments granted:

- for free shares, the main assumption used in the determination of the share-based payment expense is the turnover assumption retained to assess the number of equity instruments that are expected to vest. In 2013, the Group retained a 10% turnover assumption (in 2012 – 10% and 2011 – 0%) which is consistent with the Group's experience of employees' departures.

Details of share-based compensations are disclosed in Note 21.

4.10 Determination of the Fair Value of Assets Acquired and Liabilities Assumed in Business Combinations

The assessment of the fair value of assets acquired and liabilities assumed in business combinations is based on different valuation techniques and management's best estimates. Main areas of judgment relate to the valuation of equity instruments included in the purchase consideration paid, the identification and the valuation of intangible assets acquired and the determination of the market value of equipment acquired.

5. SEGMENT INFORMATION

The chief operating decision makers (Chief Executive Officer and vice-Chief Executive Officer) make decisions about resources to be allocated to the segments and assesses their performance using an analysis from revenues to operating profit for business segments and sales for geographic segments. The Group does not identify or allocate assets, liabilities or cash flows to group's segments nor does management evaluate the segments on this criteria on a regular basis.

5.1 Business Segments

As at December 31, 2013, the Group is organized on a worldwide basis in two main business segments.

- The "Mining" segment covers drilling services offered to the mining and energy industry during the exploration, development and production phases of mining projects.
- The "Water" segment covers all activities linked to the construction of water wells leading to the supply of drinking water, the collection of mineral water, as well as the control, maintenance and renovation of the existing installations. This segment also includes drilling services offered to the environmental and construction industry such as geological exploration and geotechnical drilling.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies as discussed in Note 2.

The business segment information for the years ended December 31, 2013, 2012 and 2011 was as follows:

Year ended December 31, 2013	**Mining**	**Water**	**Company**
Revenue	237,720	10,037	247,757
Gross profit	1,697	308	2,005
Operating profit / (loss)	(1,172)	(1,043)	(2,215)
Finance (costs) / profits	—	—	(4,554)
Profit / (loss) before income tax	**—**	**—**	**(6,769)**
Income tax (expense) / profit	—	—	7,257
Profit for the year	**—**	**—**	**488**

Year ended December 31, 2012	**Mining**	**Water**	**Company**
Revenue	357,375	10,144	367,519
Gross profit	65,145	2,788	67,933
Operating profit	43,161	1,828	44,989
Finance (costs) / profits	—	—	(4,630)
Profit before income tax	—	—	40,359
Income tax expense	—	—	(7,742)
Profit for the year	**—**	**—**	**32,617**

Year ended December 31, 2011	Mining	Water	Company
Revenue	286,444	14,695	301,139
Gross profit	66,165	3,260	69,425
Operating profit	41,441	1,978	43,419
Finance (costs) / profits	—	—	(3,389)
Profit before income tax	—	—	40,030
Income tax expense	—	—	(9,616)
Profit for the year	**—**	**—**	**30,414**

There is no inter-segment revenue.

Corporate costs and overheads are allocated to each business segment based on their revenue. Management considers this approach to be a reasonable basis for determining the costs attributable to the respective segments.

5.2 Geographical Segments

The Company operates in five main geographical areas, even though the business is managed on a worldwide basis.

The following is a summary of sales to external customers by geographic area for the years ended December 31, 2013, 2012 and 2011:

	Year ended December 31,		
	2013	2012	2011
South America	80,397	180,034	117,779
Europe, Middle East and Africa	66,417	92,228	95,135
Asia Pacific	59,189	33,688	32,472
North America	41,754	61,568	55,754
Revenue	**247,747**	**367,519**	**301,139**

As a result of the acquisitions of Servitec and Adviser, the Company now benefits from a significant presence in South America. For the purpose of the segment reporting, South America includes Mexico.

Revenues from external customers are based on the customers' billing location. Accordingly, there are no sales transactions between operating segments. The Group does not allocate non-current assets by location for each geographical area.

The Group only bears revenue from its drilling activity and did not account for sales of goods or royalty income over the periods presented.

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Land and Buildings Equipment	Drilling Equipment and Tools	Automotive Equipment	Office Furniture and Other Equipment	Total
Year ended December 31, 2011					
Opening net book amount	3,598	63,467	10,638	586	78,289
Additions	2,452	30,656	12,754	743	46,605
Exchange differences	(505)	(2,537)	(101)	(131)	(3,274)
Disposals or retirements	—	(247)	(431)	(32)	(710)
Depreciation charge	(496)	(21,000)	(6,523)	(391)	(28,410)
Closing net book amount at December 31, 2011	**5,049**	**70,337**	**16,337**	**775**	**92,500**

	Land and Buildings Equipment	Drilling Equipment and Tools	Automotive Equipment	Office Furniture and Other Equipment	Total
Cost	7,057	157,635	37,898	2,287	204,877
Accumulated depreciation	(2,008)	(87,297)	(21,559)	(1,513)	(112,377)
Net book amount	**5,049**	**70,337**	**16,337**	**775**	**92,500**
Year ended December 31, 2012					
Opening net book amount	5,049	70,337	16,337	775	92,500
Additions	567	32,500	6,931	901	40,899
Acquisition of Servitec (Note 7)	528	11,357	2,872	494	15,251
Acquisition of JND (Note 7)	—	30,394	2,816	—	33,210
Exchange differences	173	1,276	772	(66)	2,155
Disposals or retirements	(2)	(585)	(112)	(2)	(701)
Depreciation charge	(1,037)	(27,750)	(7,232)	(515)	(36,534)
Closing net book amount at December 31, 2012	**5,278**	**117,529**	**22,384**	**1,587**	**146,780**
Cost	7,972	228,886	50,625	3,719	291,202
Accumulated depreciation	(2,694)	(111,357)	(28,241)	(2,132)	(144,422)
Net book amount	**5,278**	**117,529**	**22,384**	**1,587**	**146,780**
Year ended December 31, 2013					
Opening net book amount	5,278	117,529	22,384	1,587	146,780
Additions	86	8,412	2,752	219	11,469
Exchange differences	(168)	(10,707)	(1,956)	(82)	(12,913)
Disposals or retirements	(48)	(63)	(23)	(38)	(172)
Depreciation charge	(891)	(29,392)	(7,241)	(542)	(38,066)
Closing net book amount at December 31, 2013	**4,257**	**85,779**	**15,916**	**1,144**	**107,098**
Cost	7,499	222,298	48,887	3,651	282,336
Accumulated depreciation	(3,242)	(136,519)	(32,971)	(2,507)	(175,238)
Net book amount	**4,257**	**85,779**	**15,916**	**1,144**	**107,098**

Depreciation and amortization expense has been charged to statement of income as follows:

	Year ended December 31,		
	2013	**2012**	**2011**
Cost of sale	37,759	35,994	28,324
General and administrative expenses	544	546	480
Total depreciation and amortization	**38,303**	**36,540**	**28,804**

In 2013, 2012 and 2011 the Group did not record any Property, Plant and equipment impairment charge.

7. GOODWILL

Goodwill can be analyzed as follows:

	December 31,		
	2013	2012	2011
As at January 1,	**133,675**	**50,629**	**50,667**
Earn-out of Northwest Sequoia Drilling Ltd	—	—	300
Acquisition of Servitec	—	74,255	—
Acquisition of JND	998	8,395	—
Exchange differences	(18,061)	396	(338)
As at December 31,	**116,612**	**133,675**	**50,629**

Years ended December 31, 2012 and 2013

On April 20, 2012, the Company completed the acquisition of a 51% shareholding in WFS Sondagem S.A. ("Servitec"), a Brazilian drilling service provider, for an amount of US$ 44.2 million through a combination of US$ 20.2 million cash and 4,816,509 Foraco shares at US$ 4.99 representing US$ 24.0 million. As part of this agreement, the Company has an option to acquire and the current minority shareholders of Servitec have an option to sell the remaining 49% after three years. The corresponding purchase consideration which is recorded under the line item "Consideration payable related to acquisition" will depend upon a formula based on the average 2012, 2013 and 2014 EBITDA of Servitec and on the net cash as at December 31, 2014.

The Group's interest in Servitec is consolidated since April 20, 2012.

As a result of the change in market conditions in FY 2012 and FY 2013, the Group revised the estimate of the amount payable for the remaining 49% shares. In FY 2012, the estimated amount payable was adjusted downward by US $13.3 million. In FY 2013, a further reduction of US$ 27.0 million was recorded. In accordance with IFRS 3, the adjustments were accounted for within other operating income. The best estimate of the present value of the amount payable is US$ 16.7 million as at December 31, 2013.

The estimated purchase price, the fair value of the net assets acquired and the goodwill resulting from the acquisition are as follows:

	In thousands of US$
Fair value of cash consideration for the first step using the exchange rate between the US Dollar and the Brazilian Real prevailing at the date of the acquisition:	
- Cash payable at closing date of the Acquisition	20,163
- Fair value of shares issued	24,038
- Discounted estimated fair value of cash consideration for the second step	56,993
Total fair value of the consideration payable	**101,194**
Fair value of net assets acquired	**26,939**
Goodwill using the exchange rate between the US Dollar and the Brazilian Real prevailing at the date of the acquisition	**74,255**
Goodwill translated at the exchange rate prevailing as at December 31, 2013	**59,445**

The above goodwill is attributable to the expertise of the acquired company in diamond core, directional, geotechnical and large diameter drilling services for top tier companies in the mining industry. This goodwill is allocated to the Mining segment.

In December 2013, the Company signed an agreement with one of the two minority shareholders to acquire all of his shares representing 11.55% of the share capital. An advance payment amounting to US$ 0.5 million was made in January 2014. The final amount payable will be determined net of this advance payment on the same basis as initially agreed. As at December 31, 2013, the Company holds 62.55% of the subsidiary

JOHN NITSCHKE DRILLING PTY LTD

On November 19, 2012, the Company completed the acquisition of a 100% shareholding in John Nitschke Drilling Pty Ltd ("JND"), an Australian drilling service provider, for an amount of US$ 48.1 million.

This purchase price is a combination of:

- A cash consideration,
- The issuance of 7,000,000 of Foraco International shares on August 19, 2013,
- An earn-out payable based on the 2012 EBITDA generated by JND.

The Group's interest in JND is consolidated since November 19, 2012.

The estimated purchase price, the fair value of the net assets acquired and the goodwill resulting from the acquisition are as follows:

	In thousands of US$
Fair value of cash consideration using the exchange rate between the US - Dollar and the Australian Dollar prevailing at the date of the acquisition:	
- Cash consideration paid at completion date	31,212
- Fair value of common shares issued	16,860
- Estimated fair value of the consideration - Earn-out clause	—
Total fair value of the consideration payable	**48,072**
Fair value of net assets acquired	**39,021**
Goodwill using the exchange rate between the US Dollar and the Australian Dollar prevailing at the date of the acquisition	**9,051**
Goodwill translated at the exchange rate prevailing as at December 31, 2013	**7,723**

The above goodwill is attributable to the expertise of the acquired company in diamond core, reverse circulation and large diameter drilling services for top tier companies in the mining industry. This goodwill is allocated to the Mining segment.

Year ended December 31, 2011

NORTHWEST SEQUOIA DRILLING LTD

Northwest Sequoia was acquired in September 2008. An earn-out clause stipulated that above a certain ratio of EBITDA to sales, the former shareholders would be entitled to an additional payment. Following the better than expected performance of the company in 2011, the ratio of EBITDA to sales exceeded the threshold. The additional payment amounting to US$0.3 million has been provided for and recorded against goodwill on the basis that the acquisition took place before the entity first applied IFRS 3 (R).

Allocation of Goodwill to Cash Generating Units

Goodwill is allocated to the Group's business segments as follows:

			December 31,
	2013	**2012**	**2011**
Mining	114,525	131,671	48,666
Water	2,087	2,004	1,963
Total	**116,612**	**133,675**	**50,629**

Impairment Tests for Goodwill and Long-lived Assets

For the purpose of impairment testing, goodwill is allocated by business segments and geographical areas, which are the following: Mining activity Europe, Middle East and Africa, North America, Asia-Pacific and South America and Water activity Africa. The recoverable amount of cash generating units is determined based on value-in-use calculations. The Group used cash flow projections before tax based on financial three year budgets prepared by management and approved by the Board of Directors. Cash flows beyond the budgeted period are extrapolated using the estimated growth rate of activities.

The Group has performed impairment testing for goodwill and long-lived assets using the projections which are approved by the Board of Directors and used for value-in-use calculations as at December 31, 2013. Other key assumptions are as follows:

	Mining	**Water**
Long-term growth rate used to determine the terminal value	-1%	-1%
Discount rate	13%	13%

In 2013, 2012 and 2011 the Group did not record any impairment charge.

Sensitivity analyses have been performed, in particular on the weighted average cost of capital (increase by 1% of the WACC) and on the long-term growth assumption (decrease by 1% of the long-term growth assumption). Taking into account these assumptions, the value in use remains higher than the carrying amount of all of the cash generating units.

8. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

	December 31,		
	2013	2012	2011
Loans	125	387	525
Software	72	77	2
Investment in unconsolidated affiliates	39	40	38
Deposits and guarantees	710	288	138
Other non-current receivables	113	623	302
Other non-current assets	**1059**	**1,416**	**1,006**

The investment in unconsolidated affiliates corresponds to the company "Minera Chimù" (Peru), in which the Company holds 18.74%.

9. INVENTORIES

Inventories consist of the following:

	December 31,		
	2013	2012	2011
Spare parts, gross	22,510	24,001	16,624
Consumables, gross	20,662	28,287	24,130
Less inventory allowance	—	—	—
Inventories, net	**43,172**	**52,288**	**40,754**

Spare parts mainly include motors, wire lines and heads. Spare parts are charged to the statement of income when used on equipment. Consumables mainly include destructive tools, hammers, muds and casing. Consumables are charged to the statement of income when delivered to the field. The Group reviews impairment loss on inventories on a regular and item by item basis.

Inventories write-down expense/(reversal) recognized in 2013 in the statement of income under the line item "Cost of sales" amounts to US$ 121 thousand (US$ 674 thousand in 2012 and US$ 516 thousand in 2011).

10. TRADE RECEIVABLES

Trade receivables, net, consist of the following:

	December 31,		
	2013	2012	2011
Trade receivable, gross	31,641	56,114	46,979
Less provision for impairment	(1,177)	(1,183)	(1,489)
Trade receivables, net	**30,464**	**54,931**	**45,490**

Impairment expense/(reversal) recognized in 2013 in the statement of income amounted to US$ (14) thousand (in 2012 US$ (326) thousand and in 2011 US$ (404) thousand) under the line item "Cost of sales".

Movements on the provision for impairment of trade receivables are as follows:

	December 31,		
	2013	2012	2011
Provision for impairment at January 1,	(1,183)	(1,489)	(1,084)
Provision for receivables impairment	—	(209)	(404)
Receivables written off during the year as uncollectible	14	—	—
Unused amounts reversed during the year following collection of the receivable	—	535	25
Exchange differences	(8)	(20)	(25)
Provision for impairment at December 31,	**(1,177)**	**(1,183)**	**(1,489)**

Trade receivables, net, are broken down per location as follows:

	December 31,		
	2013	2012	2011
Europe	5,340	316	222
New Caledonia	1,337	865	742
Africa	6,270	9,805	9,729
South America	7,722	29,775	27,330
Australia	5,269	7,555	2,796
Canada	4,526	6,615	4,671
Trade receivables, net	**30,464**	**54,931**	**45,490**

The geographical allocation of a receivable is based on the location of the project to which the receivable relates and not to the country where the client is incorporated.

Fair value of trade accounts receivable based on discounted cash flows does not differ from the net book value as the Group does not have trade accounts receivable with payment terms exceeding one year.

Receivables impairment is related to a wide range of customers in both of the Group's operating segments on which a collectability risk was identified.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of trade receivable mentioned above.

As at December 31, 2013, trade receivables of US$ 2,532 thousand (US$ 2,213 thousand in 2012 and US$ 1,846 thousand in 2011) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default or having established practices of long payment terms such as States bodies in the Water segment.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	December 31,		
	2013	2012	2011
€, CFA Francs or CFP Francs (1)	8,100	7,496	7,808
Canadian dollars	4,690	8,073	5,753
Australian dollars	5,269	7,437	2,752
US dollars	22	2,168	6,427
Chilean Pesos	1,508	21,423	22,750
Brazilian Pesos	6,191	6,875	—
Russian Rubles	4,682	1,459	—
Trade receivables, net	**34,464**	**54,931**	**45,490**

(1) CFA Francs and CFP Francs have a fixed exchange rate with €

Certain receivables are provided as collateral under financing agreements (see Note 14).

11. OTHER CURRENT RECEIVABLES

Other current receivables consist of the following:

	December 31,		
	2013	2012	2011
VAT / GST and other recoverable taxes	7,877	9,857	7,280
Prepaid expenses	2,396	4,666	2,973
Down payments / credit notes receivable	986	1,033	1,854
Other receivables	1,593	826	357
Other current receivables	**12,853**	**16,381**	**12,464**

Provisions for impairment of other current receivables is nil as at December 2013 (nil in 2012 and nil in 2011).

VAT / GST and other recoverable taxes mainly comprise tax receivables from African countries.

Fair value of other current receivables based on discounted cash flows does not differ from the net book value as the Group does not have other current receivables with payment terms exceeding one year.

The carrying amounts of the Group's other receivables are denominated in the following currencies:

	December 31,		
	2013	**2012**	**2011**
€, CFA Francs or CFP Francs (1)	4,600	7,390	5,315
Canadian dollars	838	1,041	604
Australian dollars	1,168	1,954	744
Chilean Pesos	1,834	1,863	1,779
Russian Rubles	955	1,240	2,224
Brazilian Reals	2,147	1,155	—
Other currencies	1,311	1,738	1,798
Other current receivables, gross	**12,853**	**16,381**	**12,464**

(1) CFA Francs and CFP Francs have a fixed exchange rate with €

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	December 31,		
	2013	**2012**	**2011**
Cash at bank and in hand	26,605	21,898	21,059
Short-term bank deposits	10,921	13,999	3,253
Cash and cash equivalents	**37,526**	**35,897**	**24,313**

Short term bank deposits are analyzed as follows at the end of each period presented:

Financial institution	**Type**	**Index**	**Fair value as at December 31, 2013 in thousands US$**
BNP Paribas	US$ 4 months fixed term deposit	Fixed	1,470
Crédit Agricole group	€ 3 years fixed term deposit	Progressive	1,377
LCL	€ 1 month fixed term deposit	Fixed	4,100
Rosbank (Societe Generale Group)	RUB monetary marketable security	Fixed	2,973
Banco do Brasil	BRL monetary marketable security	Fixed	359
Banco Itau	BRL monetary marketable security	Fixed	53
Branco Bradesco	BRL monetary marketable security	Fixed	589
Total			**10,921**

Financial institution	**Type**	**Index**	**Fair value as at December 31, 2012 in thousands US$**
BNP Paribas	€ 6 months fixed term deposit	Fixed	2,643
Crédit Agricole group	€ 3 months fixed term deposit	Fixed	3,348
Rosbank (Societe Generale Group)	RUB monetary marketable security	Fixed	5,302
Banco do Brasil	BRL monetary marketable security	Fixed	131
Banco Itau	BRL monetary marketable security	Euribor	1,532
Branco Bradesco	BRL monetary marketable security	Fixed	1,043
Total			**13,999**

Financial institution	Type	Index	Fair value as at December 31, 2011 in thousands US$
Crédit Agricole group	€ 1 month fixed term deposit	Fixed	2,476
BNP Paribas	€ 6 months fixed term deposit	Fixed	777
Total			**3,253**

13. EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS

Consolidated reserves, including net income for the period and other reserves, can be analyzed as follows:

			December 31,
	2013	2012	2011
Foraco International share premium and retained earnings	154,258	135,433	119,633
Reserves of consolidated subsidiaries	57,119	84,249	39,801
Other reserves	(45,169)	(7,820)	(3,393)
Total consolidated reserves	**166,208**	**211,862**	**156,041**

Under French law, dividends can be paid only from the reserves of the parent company (Foraco International). As at December 31, 2013, the value of distributable reserves amounted to € 108,838 thousand (€ 98,755 thousand as at December 31, 2012 and € 82,595 thousand as at December 31, 2011).

All shares issued by the Company have a par value of € 0.015 and were fully paid.

Items included in other reserves can be analyzed as follows:

			December 31,
	2013	2012	2011
Employee share-based compensation, net of tax	4,719	3,370	3,135
Use of treasury shares (Note 13)	(3,735)	(3,753)	—
Currency translation differences and net investment hedge, net of tax	(46,153)	(7,455)	(6,528)
Other reserves	**(45,169)**	**(7,820)**	**(3,393)**

Acquisitions Funded Through Issuance of Shares

In 2012, the Group funded the acquisition of Servitec partly through the issuance of 3,516,509 new shares of the Group and the transfer of 1,300,000 treasury shares. The corresponding increase in share capital amounted to US$ 70 thousand with a share premium amounting to US$ 20,232 thousand for the portion corresponding to the issuance of new shares and with a share premium amounting to US$ 3,735 thousand for the portion corresponding to the use of treasury shares.

In 2012, the Group funded the acquisition of JND partly through the authorization to issue 7,000,000 common shares purchase warrants which will entitle the vendors to receive for no additional consideration 6,000,000 common shares in Foraco and up to 1,000,000 additional Foraco shares depending on certain market based performance conditions. The corresponding increase in share premium amounted to US$ 14,452 thousand.

Treasury Shares Transactions over the Periods Presented

The Company filed a notice on March 11, 2011, in respect of an additional NCIB with the TSX. The Company may purchase up to 1,000,000 additional common shares. On December 23, 2011, the Company filed a notice to increase the NCIB from 1,000,000 to 1,500,000 shares. For the year ended December 31, 2011, the Company purchased 1,052,200 of its own shares at an average purchase price of CAD 3.11 per share.

The Company filed a notice on September 27, 2012, in respect of an additional NCIB with the TSX. The Company was entitled to purchase up to 1,500,000 additional common shares. As at December 31, 2012, the Company had purchased 634,400 of its own shares at an average purchase price of CAD 2.66.

As at December 31, 2013, the Company owns 1,107,498 of its own shares (724,898 as at December 31, 2012 and 1,271,700 as at December 31, 2011).

Equity Incentive Plan ("Free Share Plan")

The Group implemented in 2007 a free share plan authorized by the ordinary and extraordinary general meeting of shareholders held in June 2007. The total number of shares to be transferred under the free share plan is limited to 3% of the issued and outstanding share capital of the Company on the date grants are made. Such awards are considered as share based payment transactions (see Note 20). A first tranche and second tranche under the free share plan were for 512,000 and 424,000 shares in 2007 and 2008, respectively. Shares to be transferred under the plan upon completion of vesting conditions will be purchased by the Company and there will be no increase in share capital. These awards are taken into account when appropriate in the determination of the Diluted Earnings per share (see Note 24). On July 18, 2009, 165,000 common shares awarded to employees were vested. The corresponding accumulated amount recognized within Other Reserves was transferred to Share Premium for €290 thousand. On September 25, 2009, the Group granted to employees 531,000 additional common shares corresponding to the third tranche of its Equity Incentive Plan. Those stock awards are subject to certain vesting conditions.

On May 18, 2010, the shareholders general meeting approved the implementation of a new free share plan covering the periods 2010-2012 (2nd free share plan). In October 2010, the Group granted to employees 500,000 additional common shares corresponding to the first tranche of the second Equity Incentive Plan. Those stock awards are subject to certain vesting conditions. In July 2011, 626,000 common shares awarded to employees were vested. The corresponding accumulated amount recognized within Other Reserves was transferred to Share Premium for US$ 1,300 thousand. In September 2011, the Group granted to employees 809,000 additional common shares corresponding to the second tranche of its second Equity Incentive Plan. Those stock awards are subject to certain vesting conditions.

Reconciliation of the Share Capital and Premium

The reconciliation of the share capital and share premium at the beginning and end of the year presented is summarized as follows:

	Number of shares	Ordinary shares in thousand US$	Share Premium in thousands US$
As at January 1, 2011	**78,589,789**	**1,468**	**80,348**
Acquisition of treasury shares	(1,052,200)	—	(3,272)
Treasury shares transferred in connection with equity incentive plan (vested shares)	626,000	—	1,300
As at December 31, 2011	**78,163,589**	**1,468**	**78,376**
Acquisition of treasury shares	(1,082,198)	—	(3,667)
Shares issued and treasury shares transferred in connection with acquisition	4,816,509	70	20,232
Treasury shares transferred in connection with equity incentive plan (vested shares)	329,000	—	1,331
Conversion of warrants	—	91	(91)
As at December 31, 2012	**82,226,900**	**1,629**	**96,181**
Acquisition of treasury shares	(865,600)	—	(1,556)
Treasury shares transferred in connection with equity incentive plan (vested shares)	483,000	—	354
Conversion of warrants	7,000,000	143	(143)
As at December 31, 2013	**88,844,300**	**1,772**	**94,836**

As at December 31, 2013, the capital stock of the Company amounted to US$ 1,772 thousand, divided into 89,951,798 common shares. The total common shares and warrants 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 *	901,754
Common shares held by the Company	1,107,498
Common shares held by the public	50,348,048
Total common shares and warrants issued and outstanding	**89,951,798**
Common shares held by the Company	(1,107,498)
Total common shares and warrants issued and outstanding net of treasury shares	**88,844,300**

**In the table above, the shares owned indirectly are presented for an amount corresponding to the prorata of the ownership interest*

Number of Shares Outstanding

As at January 1, 2010, 59,743,000 shares were issued, among which 1,049,700 common shares were held by the Company. On May 26, 2010, as a result of the acquisition of Adviser, 14,935,750 new shares were issued along with 4,756,539 warrants at no issuance price. As at December 31, 2010 and 2011, the number of shares was 74,678,750 along with 4,756,539 warrants. During the year 2012, there was an increase in share capital related to the acquisition of Servitec by 3,516,509 shares. As at December 31, 2012, 82,951,798 shares were issued, among which 724,898 common shares were held by the Company.

14. BORROWINGS

Financial debt consists of the following:

			December 31,
	2013	**2012**	**2011**
Non-current			
Other bank financings	63,074	56,305	6,205
Finance lease obligations	1,482	5,427	11,087
Bank overdrafts	4,000	—	—
	68,556	**61,733**	**17,292**
Current			
Bank overdrafts	47,658	26,115	7,640
Obligation under assignment of trade receivables	1,207	13,026	10,886
Other bank financings	21,674	18,043	4,574
Finance lease obligations	3.655	10,117	8,812
	74,194	**67,301**	**31,912**

During the year ended December 31, 2012, as part of the acquisitions of Servitec and JND, the Group obtained bank financings for an amount of € 41,000 thousand bearing interest at 2.3% and reimbursable over 5 years.

Certain European subsidiaries of the Group transferred receivable balances amounting to US$ 1,207 thousand to banks in exchange for cash during the year ended December 31, 2013 (US$ 13,026 thousand in 2012 and US$ 10,886 thousand in 2011). These transactions were accounted for as an assignment of trade receivables with recourse (or collateralized borrowing). In case the entities default under the assignment agreement, banks have the right to receive the cash flows from the receivables transferred. Without default, the entities will collect the receivables and allocate new receivables as collateral.

As at December 31, 2013, maturity of financial debt can be analyzed as follows:

Maturity in thousands of USD	**Roll Over**	**January 1, 2014 and December, 31 2015**	**January 1, 2015 and December, 31 2016**	**January 1, 2016 and December, 31 2017**	**January 1, 2017 and December, 31 2018**	**January 1, 2018 and December, 31 2019**	**Total**
Drawn credit lines rolled over on a yearly basis	48,865	—	—	—	—	—	48,865
Long term financing related to:							
- Drawn credit lines rolled over confirmed for at least 12 months	4,000	—	—	—	—	—	4,000
- Brazil acquisition	—	4,672	4,672	4,672	4,672	—	18,687
- Australia acquisition	—	6,883	6,883	6,883	6,883	—	27,532
- Acquisition of fixed assets through capital leases	—	3,655	1,207	268	6	(0)	5,137
Total	**52,865**	**25,330**	**22,622**	**20,266**	**18,144**	**3,524**	**142,751**

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	December 31,		
	2013	2012	2011
€	108,624	85,773	17,292
Canadian dollars	11,215	9,792	787
Australian dollars	820	800	744
US dollars	8,000	—	2,409
Chilean Pesos	9,219	25,281	26,945
Russian Rubles	705	1,464	1,027
Brazilian Real	4,168	5,924	—
Total financial debt	**142,751**	**129,034**	**49,204**

In December 2013, the Group signed an addendum to the loan agreements linked to the 2012 acquisitions in Brazil and Australia. Under the terms of these agreements, the covenant ratio Net Debt / EBITDA was revised from 2.0 to 5.0 as at December 31, 2013, and to 3.5 as at June 30, 2014 to reflect the changes in the economic conditions. The margin on the financing subject to renegotiation was temporarily increased to 235 Bp (from 195 Bp) until the Group returns to its previous covenant ratio.

Included within current debt is a roll-over of credit facilities amounting to US$ 48.9 million to be reconfirmed within 12 months and the current portion of the long term bank financing amounting to US$ 25.3 million. Roll-over of credit facilities which do not require confirmation within 12 months is presented within long-term financing and amounts to US$ 4.0 million. Total roll-over of credit facilities amounts to US$ 52.9 million.

The Group has used and unused short-term credit facilities amounting to US$ 112.1 million of which the US$ 52.9 million was drawn as at December 31, 2013. These facilities are granted individually by several banks, mainly in France, Canada and Chile. They are generally granted on a yearly basis and are subject to review at various dates. They are not subject to any covenant obligations. A relatively small portion of the credit facilities, in Canada, is secured by short term receivables and inventories.

Total financial debts include collateralized borrowings of US$ 6.3 million:

- Obligations under assignment of receivables for US$1,207 thousand are secured for an equivalent amount by receivables that have been transferred; and
- Finance lease obligations amounting to US$5,137 thousand are secured by related leased assets.

15. CONSIDERATION PAYABLE RELATED TO ACQUISITION

In 2013, as outlined in note 7, the present value of the cash consideration payable for the second step of the acquisition of Servitec amounts to US$ 16,170 thousand as at December 31, 2013.

In 2012, in connection with the acquisition of Servitec (see note 7), the Company had an option to acquire and the current shareholders of Servitec have an option to sell the remaining 49% after three years. The corresponding purchase consideration will depend on a formula based on the average 2012, 2013 and 2014 EBITDA of Servitec and on the net cash as at December 31, 2014. The present value of the cash consideration payable for this second step of the acquisition amounted to US$ 44,358 thousand as at December 31, 2012.

16. DEFERRED INCOME TAX

The French companies of the Group fall under the French consolidation tax regime.

The components of the net deferred tax liabilities recorded as at December 31, 2013, 2012 and 2011 are as follows:

	December 31,		
	2013	2012	2011
Assets			
Pension obligations	103	160	167
Property and equipment depreciation differences	897	1,351	869
Losses carried forward	13,164	2,107	1,258
Tax deductible goodwill	11,969	15,891	4,966
Other tax temporary differences	2,153	3,602	725
Total	**28,286**	**23,111**	**7,984**
To be recovered after 12 months	*22,457*	*17,334*	*3,023*
To be recovered within 12 months	*5,829*	*5,777*	*4,961*

	December 31, 2013	2012	2011
Liabilities			
Finance leases	(2,978)	(3,888)	(2,054)
Property and equipment depreciation differences	(1,082)	(1,336)	(106)
Revenue recognition	(723)	(675)	(449)
Other tax temporary differences	(481)	(2,857)	(1,367)
Total	**(5,264)**	**(8,756)**	**(3,976)**
To be recovered after 12 months	*(3,509)*	*(6,567)*	*(2,773)*
To be recovered within 12 months	*(1,755)*	*(2,189)*	*(1,203)*

The gross movement on the deferred income tax net position is as follows:

	December 31, 2013	2012	2011
Beginning of the year	14,355	4,008	3,592
Acquisition of subsidiary	—	12,530	—
(Charged)/Credited to the statement of income	9,960	(2,163)	498
Exchange differences	(1,293)	(20)	(82)
End of the year	**23,022**	**14,355**	**4,008**

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through the future taxable profits is probable. As at December 31, 2013, US$ 7,215 thousand (2012 – US$ 3,107 thousand, 2011 – nil) in tax losses carried forward are not recognized.

No deferred income tax liabilities have been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries as such amounts are permanently reinvested.

17. PROVISIONS

Provisions comprise of the following elements:

	Pension & Retirement Indemnities Provision	Provision for tax uncertainty	Other Provisions	Total
At January 1, 2011	**420**	**1,252**	**289**	**1,961**
Charged to income statement:				
— Additional provisions	7	—	—	7
— Unused amounts reversed	—	—	—	—
Used during year	(22)	(328)	—	(350)
Exchange differences	(10)	(28)	(7)	(45)
At December 31, 2011	**395**	**896**	**282**	**1,573**
At January 1, 2012	**395**	**896**	**282**	**1,573**
Charged to income statement:				
— Additional provisions	73	—	101	174
— Unused amounts reversed	(8)	—	—	(8)
Used during year	(11)	—	—	(11)
Exchange differences	32	12	13	57
At December 31, 2012	**481**	**908**	**396**	**1,785**

	Indemnities Provision	Provision for tax uncertainty	Other Provisions	Total
At January 1, 2013	**481**	**908**	**396**	**1,785**
Charged to income statement:				
— Additional provisions	83	—	43	126
— Unused amounts reversed	(131)	—	—	(131)
Used during year	(8)	—	—	(8)
Exchange differences	32	45	15	92
At December 31, 2013	**457**	**953**	**454**	**1,864**

The analysis of total provisions is as follows:

	December 31,		
	2013	**2012**	**2011**
Current	457	914	896
Non-current (retirement and litigation)	1,407	871	677
Provisions	**1,864**	**1,785**	**1,573**

The Group faces various forms of litigation and legal proceedings throughout the normal course of business. The Group records a provision for these risks based on its past experience and on facts and circumstances known on the balance sheet date. The Group's Management is of the opinion that the expenses to be incurred in resolving such affairs will not have a significant additional impact on its consolidated financial situation, income or cash flows.

The Group operates in various tax jurisdictions and is subject on a regular basis to tax audits. A provision amounting to US$ 953 thousand was recognized as at December 31, 2013 (US$ 908 thousand as at December 31, 2012 and US$ 896 thousand as at December 31, 2011) to reflect the Group's best estimate of its exposure.

18. RETIREMENT BENEFIT OBLIGATIONS

Substantially all of the Group's employees, with the exception of those in France, are covered under Government-sponsored health and life insurance benefit plans. Accordingly, the Group has no significant liability to its employees in terms of post-retirement benefits other than pensions and therefore no provision is made.

In France, the Group contributes to the national pension system whereby its obligations to employees in terms of pensions are restricted to a lump-sum length of service award payable at the date the employee reaches retirement age, such an award being determined for each individual based upon years of service provided and projected final salary.

The pension obligation has been estimated on the basis of actuarial assumptions and retirement ages conforming with the law applicable in France, including:

	December 31,		
	2013	**2012**	**2011**
Discount rate	2.8%	2.8%	4.6%
Inflation rate	2.25%	2.25%	2.25%

These retirement indemnities are not funded or covered by pension plan assets. Except in France, the Group does not maintain defined benefit obligations in any country where it operates.

Payments made by the Group for defined contribution plans are accounted for as expenses in the income statement during the period in which they were incurred.

19. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	December 31,		
	2013	2012	2011
Trade payables	12,039	24,791	27,953
Social security and other taxes	11,520	17,471	12,304
VAT / GST and other tax payable	3,278	5,269	5,382
Down payments from customers	3,631	5,781	3,756
Deferred income	469	16	15
Non-controlling interest dividends payable	—	—	2,077
Other miscellaneous payable	795	135	48
Trade and other payables	**31,732**	**53,463**	**51,535**

VAT / GST and other tax payable mainly comprise tax payables to African countries.

Trade and other payables are denominated in the following currencies:

	December 31,		
	2013	2012	2011
€, CFA Francs or CFP Francs *(1)*	11,261	8,589	15,043
Canadian dollars	3,654	5,036	6,130
Australian dollars	3,627	6,204	3,868
US dollars	2,977	1,636	2,686
Chilean Pesos & UF	3,947	21,936	16,761
Russian Rubles	1,786	992	2,984
Brazilian Reals	3,112	5,061	—
Other currencies	1,368	4,009	4,063
Trade and other payables	**31,732**	**53,463**	**51,535**

(1) CFA Francs and CFP Francs have a fixed exchange rate with €

20. EXPENSES BY NATURE

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

	December 31,		
	2013	2012	2011
Depreciation, amortization and impairment charges	38,303	36,540	28,804
Provision increase/(reversal)	(3)	251	373
Raw materials, consumables used, and other external costs	124,698	158,227	125,414
Employee benefit expense	112,103	138,479	101,307
Other tax expense	1,967	2,408	2,149
Other operating expense/(income), net	(27,096)	(13,375)	(328)
Total of operating expenses	**249,972**	**322,530**	**257,719**
Number of employees (unaudited)	*1,697*	*3,349*	*2,759*

21. SHARE-BASED COMPENSATION

The effect on the income statement of equity instruments awarded as part of the IPO and the Group's Equity Incentive Plan are as follows:

			December 31,
	2013	2012	2011
512,000 free common shares in 2007	—	—	115
424,000 free common shares in 2008	—	47	66
531,000 free common shares in 2009	46	45	230
500,000 free common shares in 2010	160	333	417
809,000 free common shares in 2011	854	983	255
804,000 free common shares in 2012	643	158	—
Total of non-cash share-based compensation expenses	**1,703**	**1,566**	**1,083**

Movements in the number of free shares and warrants outstanding date are as follows:

	Free shares	Warrants
Granted in 2007	512,000	833,350
Granted in 2008	424,000	—
Granted in 2009	531,000	—
Vested in 2009	(156,000)	—
Forfeited in 2009	(7,000)	(833,350)
Granted in 2010	500,000	—
Vested in 2010	(253,000)	—
Forfeited in 2010	(10,000)	—
Granted in 2011	809,000	—
Vested in 2011	(626,000)	—
Forfeited in 2011	(123,000)	—
Granted in 2012	804,000	—
Vested in 2012	(329,000)	—
Forfeited in 2012	(298,000)	—
Vested in 2013	(483,000)	—
Forfeited in 2013	(281,000)	—
Outstanding as at December 31, 2013	**1,009,000**	**—**

Considering the vesting conditions described below, free shares outstanding at year end have the following expiry date:

			December 31,
	2013	2012	2011
2012	—	—	329,000
2013	—	502,000	529,000
2014	414,000	426,000	268,000
2015	263,000	309,000	475,000
2016	332,000	541,000	—
Free shares outstanding	**1,009,000**	**1,778,000**	**1,601,000**

Other Share-Based Payment Transaction with Employees (see Note 13)

Awards under the Group's free share plan are within the scope of IFRS 2, Share-based payment as they are issued at a price that is less than the fair value of those equity instruments. From grant date, the Group will amortize over the corresponding vesting period the fair value of the free common shares granted to employees. There is no performance condition under the Group's equity incentive plan.

The main provisions of this share plan are as follows:

FIRST TRANCHE AWARDED IN 2007

- Grant date .... September 2007
- Number of free shares issued 512,000
- Vesting period for the French plan .... 2 years (1)
- Vesting period for the International plan .... 4 years
- Fair value of common shares at grant date.. Can$ 2.70
- Anticipated turnover.. Nil
- Total fair value of the plan .... CAD$ 1,382 thousand

SECOND TRANCHE AWARDED IN 2008

- Grant date .... October 2008
- Number of free shares issued 424,000
- Vesting period for the French plan .... 2 years (1)
- Vesting period for the International plan .... 4 years
- Fair value of common shares at grant date.. Can$ 1.95
- Anticipated turnover.. Nil
- Total fair value of the plan .... Can$ 827 thousand

THIRD TRANCHE AWARDED IN 2009

- Grant date .... September 2009
- Number of free shares issued 531,000
- Vesting period for the French plan .... 2 years (1)
- Vesting period for the International plan .... 4 years
- Fair value of common shares at grant date.. Can$ 1.51
- Anticipated turnover.. Nil
- Total fair value of the plan .... Can$ 802 thousand

Second Free Share plan

FIRST TRANCHE AWARDED IN 2010

- Grant date .... October 2010
- Number of free shares issued 500,000
- Vesting period for the French plan .... 2 years (1)
- Vesting period for the International plan .... 4 years
- Fair value of common shares at grant date.. Can$ 2.39
- Anticipated turnover.. Nil
- Total fair value of the plan .... Can$ 1,195 thousand

SECOND TRANCHE AWARDED IN 2011

- Grant date .... September 2011
- Number of free shares issued 809,000
- Vesting period for the French plan .... 2 years (1)
- Vesting period for the International plan .... 4 years
- Fair value of common shares at grant date.. Can$ 3.59
- Anticipated turnover.. Nil
- Total fair value of the plan .... Can$ 1,705 thousand

THIRD TRANCHE AWARDED IN 2012

- Grant date .... September 2012
- Number of free shares issued 804,000
- Vesting period for the French plan .... 2 years (1)
- Vesting period for the International plan .... 4 years
- Fair value of common shares at grant date.. Can$ 3.16
- Anticipated turnover.. 10%
- Total fair value of the plan .... Can$ 1,798 thousand

(1) Plus an additional 2-year lock up period following vesting date.

The impact of these non cash share-based compensations is presented within "Cost of sale" or "General and administrative expenses" depending on the employee benefiting from the award.

The dilutive effect of these awards, if any, is taken into account in the calculation of the diluted earnings per share (see Note 24).

22. FINANCE INCOME AND FINANCIAL EXPENSE

Financial income and expense consists of the following:

	December 31,		
	2013	2012	2011
Interest expense	(4,598)	(4,374)	(3,806)
Gains on short term deposits	235	218	66
Other	(191)	(474)	351
Finance costs	**(4,554)**	**(4,630)**	**(3,389)**

23. INCOME TAX EXPENSE

The income tax rate applicable in France is 33.33% in 2013 excluding the impact of certain additional considerations depending upon the size of the company. The Group also operates in certain countries in which effective rates of tax may be different.

Income tax expense is presented as follows:

	December 31,		
	2013	2012	2011
Current tax	(2,703)	(5,579)	(9,117)
Deferred tax	9,960	(2,163)	(498)
Total	**7,257**	**(7,742)**	**(9,616)**

The reconciliation between the income tax expense using the French statutory rate and the Group's effective tax rate can be analyzed as follows:

	December 31,		
	2013	2012	2011
Income (loss) before taxes and share of profit from associates	**(6,769)**	**40,359**	**40,030**
Tax calculated at French tax rate (33.33% for 2013)	(2,256)	13,453	13,782
Impact of the adjustment of the consideration payable for the second phase of the acquisition of Servitec	(9,544)	(4,434)	–
Effect of different tax rates	(2,212)	(2,602)	(5,190)
Tax provision (see Note 19)	(300)	—	—
Share-based payment expense	568	522	361
Change in tax rate at French level	—	—	25
Expenses not deductible for tax purposes	280	382	198
Unrecognized tax assets	6,208	421	439
Total	**(7,257)**	**7,742**	**9,616**

24. EARNINGS PER SHARE

EXCLUDING THE IMPACT OF THE CONSIDERED ACQUISITION OF THE NON-CONTROLLING INTEREST RELATED TO SERVITEC

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding shares purchased by the Company and held as treasury shares. The Company has issued certain dilutive equity instruments under its free share plans (see Note 13 and 21).

	December 31, 2013	2012	2011
Profit attributable to equity holders of the Company in thousands of US$	**(1,508)**	**27,130**	**27,027**
Weighted average number of ordinary shares in issue before dilution	87,839,347	81,849,841	78,323,743
Basic earnings per share (US cents per share)	**(1.71)**	**33.15**	**34.51**
Weighted average number of ordinary shares in issue after dilution (1)	87,735,153	82,987,554	78,901,466
Diluted earnings per share (US cents per share)	**(1.71)**	**32.69**	**34.25**

(1) Reflect the effect of free shares issued and outstanding at each reporting period end (see Note 21). A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value attached to outstanding free shares and warrants. The number of shares calculated as above is compared with the number of shares that would have been issued. Only free shares have a dilutive effect over the period presented.

INCLUDING THE IMPACT OF THE CONSIDERED ACQUISITION OF THE NON-CONTROLLING INTEREST RELATED TO SERVITEC

As at December 31, 2013, the Company was committed to acquire the non-controlling interests of Servitec for a consideration payable recorded as a liability. No dividends were payable prior to the acquisition. The earnings per share assuming that the acquisition of the non-controlling interest has taken place on April 20, 2012 are as follows:

	December 31, 2013	2012	2011
Basic earnings per share (US cents per share)	**(2.82)**	**35.67**	**34.51**
Diluted earnings per share (US cents per share)	**(2.82)**	**35.18**	**34.25**

25. DIVIDENDS PER SHARE

On March 31, 2014, the Board of Directors proposed no dividend payment for 2013 (Can$ 0.055 for 2012 and € 0.053 for 2011) to be approved by shareholders at the Company's Annual General Meeting on May 6, 2014.

26. COMMITMENTS AND CONTINGENCIES

The guarantees given are the following:

	December 31, 2013	2012	2011
Bid bonds	1,111	364	197
Advance payment guarantees and performance guarantees	12,796	19,013	13,364
Retention guarantees	1,295	1,319	2,805
Financial guarantees	13,346	2,113	2,785
Total	**28,548**	**22,809**	**19,151**

The Group entered into an operating lease with a related party in respect of its premises in Lunel (see Note 27) for a term of nine years with an annual rent of € 216 thousand for 2014. This lease will end in 2015 representing a total remaining commitment amounting to € 432 thousand.

Other operating lease commitments for future periods are not material as at December 31, 2013, 2012 and 2011.

Generally, the Group is subject to legal proceedings, claims and legal actions arising in the ordinary course of business. The Group's management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on the Group's consolidated financial position, results of operations or cash flows.

27. RELATED PARTY TRANSACTIONS

As at December 31, 2013, the companies under the control of management hold 41.8% of the shares. 56.0% of the shares are listed on the Toronto Stock Exchange (excluding treasury shares owned by the Company).

The key management compensation is as follows:

In thousands €	Wages, attendance fees and bonuses	Share-based payment expense	Other benefits	Total
Key management	1,334	—	—	1,334
Board of Directors members other than key management	80	—	—	80
Year ended December 31, 2013	**1,414**	**—**	**—**	**1,414**
Key management	1,611	—	—	1,611
Board of Directors members other than key management	100	—	—	100
Year ended December 31, 2012	**1,711**	**—**	**—**	**1,711**
Key management	1,321	—	—	1,321
Board of Directors members other than key management	70	—	—	70
Year ended December 31, 2011	**1,391**	**—**	**—**	**1,391**

The Group did not contribute to any special pension scheme for management.

The Group paid during the year to a related party certain lease rentals amounting to € 212 thousand (€ 200 thousand in 2012 and € 200 thousand in 2011).

During 2011, the Group entered into a drilling contract with a company of which one of Foraco's Board members is a Director. This transaction was negotiated independently from the related party and represented US$2,129 thousand revenue for the period ended December 31, 2011. During 2012, there is no drilling contract with a company of which one of Foraco's Board members is a Director. During 2013, the Group entered into a drilling contract with a company of which one of Foraco's Board members is a Director. This transaction was negotiated independently from the related party and represented US$63 thousand revenue for the year ended December 31, 2013.

The Company has not carried out any other transactions with related parties.

28. EVENTS AFTER THE BALANCE SHEET DATE

On March 31, 2014, the Company entered into a memorandum of understanding with one of the two minority shareholders of Servitec, whereby the Company cancelled its option to acquire, and the minority shareholder cancelled his option to sell, the latter's 37.45% minority shareholding in Servitec. This will result in the reversal of the consideration payable related to acquisitions recorded as a liability as at December 31, 2013 for an amount of US$ 12,740 thousand.

On March 31, 2014, the Board of Directors proposed no dividend payment to be approved by shareholders at the Company's Annual General Meeting on May 6, 2014.

29. CONSOLIDATED SUBSIDIARIES

The consolidated subsidiaries are as follows:

Subsidiaries	Country of incorporation	Direct and indirect percentage of shareholdings
Foraco International S.A.	France	n.a.
Foraco SASU	France	100%
Géode International SASU	France	100%
Foraco Management SASU	France	100%
Foraco Resources SASU	France	100%
Forafrique International SASU	France	100%
Foraco Canada Ltd.	Canada	100%
Foraco Pacifique SASU	New Caledonia	100%
Foraco Australia Pty Ltd	Australia	100%
John Nitschke Drilling Pty Ltd	Australia	100%
Foraco CI S.A	Ivory Coast	100%
Foremi S.A.	Ivory Coast	51%
Foraco Subsahara	Chad	100%
Foraco Senegal	Senegal	100%
Foraco Niger S.A.	Niger	100%
Foraco Sahel Sarl	Mali	100%
Foraco Guinée Sarl	Guinea	100%
Foraco Ghana Ltd	Ghana	100%
Foraco Congo Sarl	Congo	100%
Foraco Burkina Faso	Burkina Faso	100%
Foraco Sondaj Ticaret Sirteki Ltd	Turkey	100%
Foraco Peru SAC	Peru	100%
Foraco Chile SA	Chile	100%
Foraco Argentina SA	Argentina	100%
Adviser Mexico SA	Mexico	100%
Eastern Drilling Company Llc	Russia	50%
WFS Sondagem S.A.	Brazil	63%
Foraco Holding Participações Ltda	Brazil	100%

NOTES

NOTES

Corporate Head Office

26 Plage de L'Estaque
13016 Marseille, France
T: +33.(0)4.96.15.13.60
F: +33.(0)4.96.15.13.61
www.foraco.com

Board of Directors

Daniel Simoncini (Chairman)
Bruno Chabas
Jean-Pierre Charmensat
Warren Holmes
Jorge Hurtado

Transfer Agent

Computershare Trust Company of Canada
510 Burrard Street
Vancouver, BC
V6C 3B9

Auditors

PricewaterhouseCoopers

Legal Counsel

Fasken Martineau DuMoulin LLP

Market Data

Shares of Foraco International S.A.
are listed on the Toronto Stock Exchange under the symbol FAR

Annual General Meeting

May 6, 2014, at 10:00am
26, Plage de L'Estaque
13016 Marseille, France

Investor Contact

ir@foraco.com

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Integrity.

We run our business with the highest level of integrity and this value is embedded in all of our daily operations, from the field to our corporate offices.

Innovation.

The global economic, political and geographic landscape is constantly changing and as a result, so is our work environment.

Involvement.

A winning culture and entrepreneurial spirit are two of our key differentiators in the insudtry. We practice a fluid bottom-up-top-down communication.

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13016 Marseille, France
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