

**INTEGRITY.
INNOVATION.
INVOLVEMENT.**



FORACO INTERNATIONAL

2014 ANNUAL REPORT

FORACO

A WORLD LEADER IN MINERAL & WATER DRILLING

INTEGRITY INNOVATION INVOLVEMENT

Foraco International SA (TSX: FAR) is a world leading mineral and water driller. We operate in 23 countries providing a modern drilling fleet, best-in-class safety standards, and a versatile, well trained work force. Through extensive international drilling experience, Foraco's expertise specializes in engineering custom drill rigs and specific techniques to meet their customer's exact drilling requirements.

To support our mining customers, we provide a range of drilling services through each phase of a mine's life; from exploration to life-of-mine extensions. 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.

DIAMOND CORE

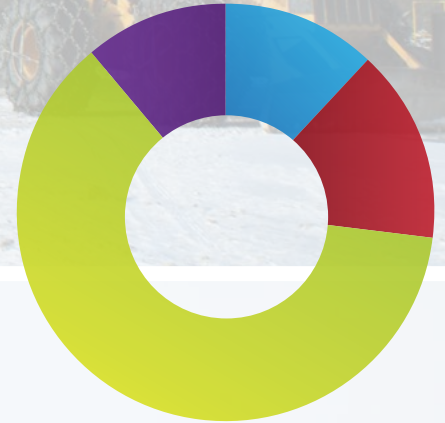
- Surface
- Underground
- Deep Directional Drilling
- Air Core

ROTARY

- Reverse Circulation
- Down-the-Hole Hammer
- RAB
- Large Diameter Bulk Sampling



FAR activity by mine stage 2014



- Water
- Feasibility Stage
- Life of Mine Extension
- Exploration



DRILLING SOLUTIONS

SAFETY AND CUSTOMER FIRST CULTURE

Foraco's collaborative approach provides customers with peace of mind that all their necessary drilling requirements can be met with one company in a safe and efficient manner.

We do not compromise on safe work or service quality, even in a challenging market. Our global footprint allows us to collaborate with other regions by exchanging technical resources, equipment, and personnel to ensure efficient and effective response to our customers' needs.

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.



Core Drilling - Chile



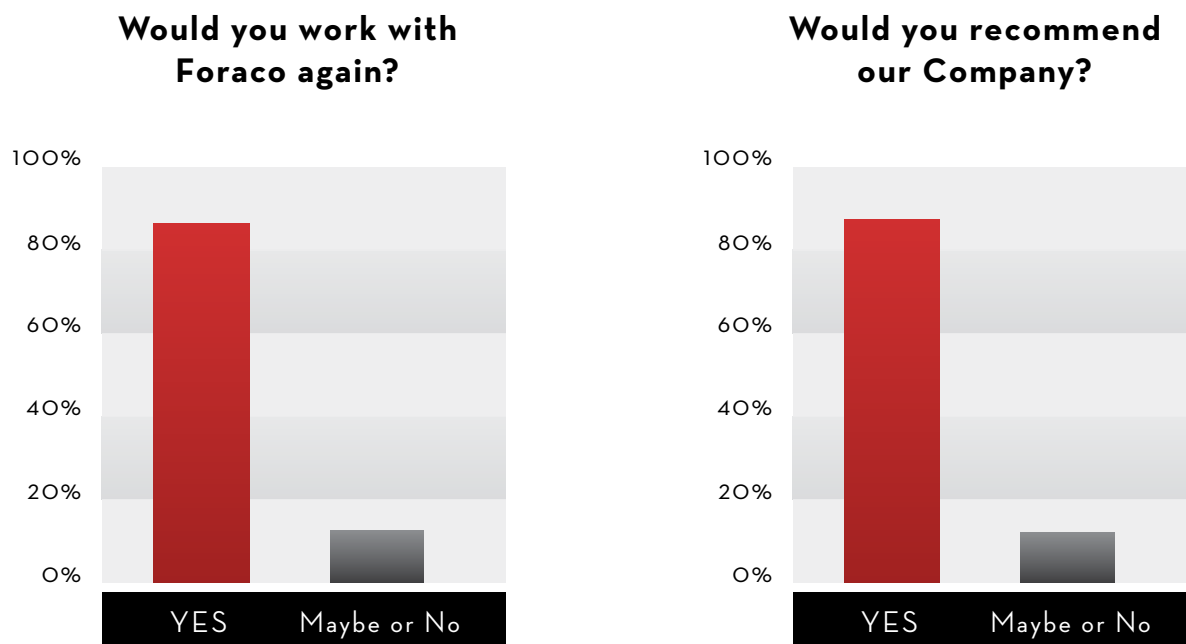
Underground Coring - Mali

WE SPEAK DRILLING

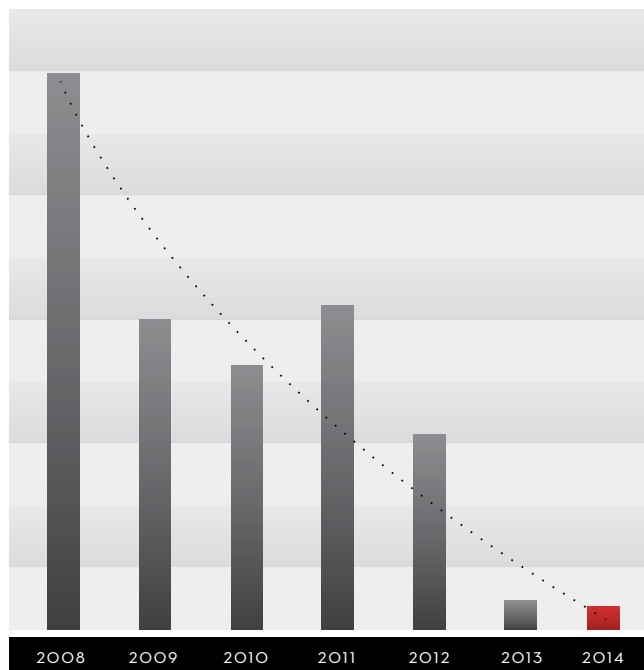
PEOPLE MAKE THE DIFFERENCE

Our people are our greatest asset and Foraco has some of the best in the business. In 2014, we once again delivered on technically challenging projects while maintaining an industry leading safety record. This can only be done through disciplined emphasis on training, standardization, technology transfer, and best practices that ensure everyone goes home safely at the end of each shift. We remain focussed on finding ways to work even safer under all conditions.

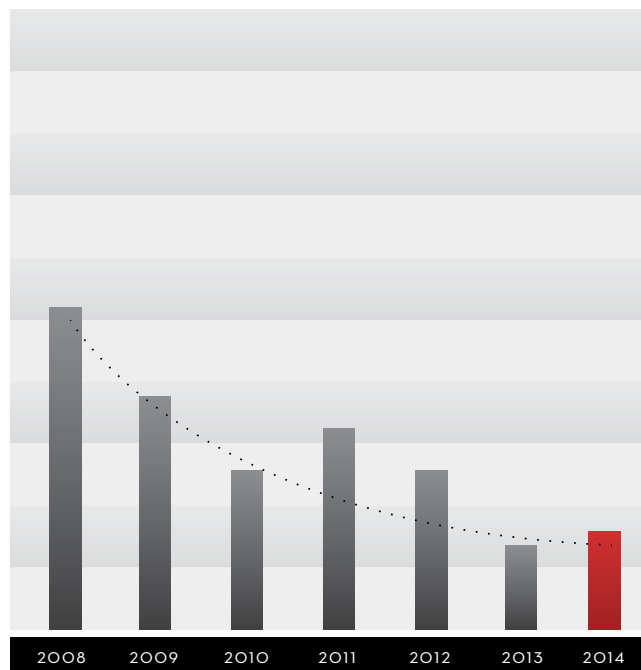
Below find the results of Foraco's 3rd Customer Satisfaction Survey (taken mid-2014):



Lost Time Injury Rate Trend
per 200,000 hrs



Total Recordable Injury Frequency Rate
per 200,000 hrs



Night crew - Australia



Site - Canada

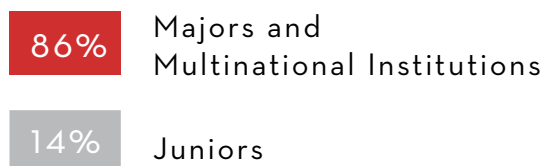
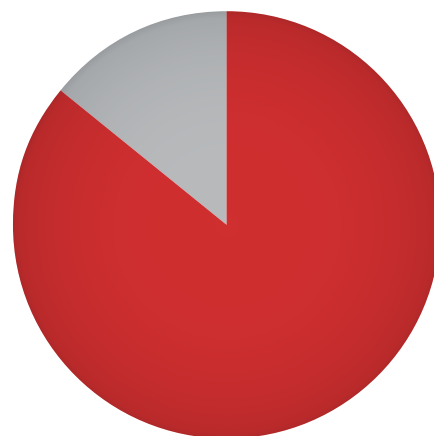
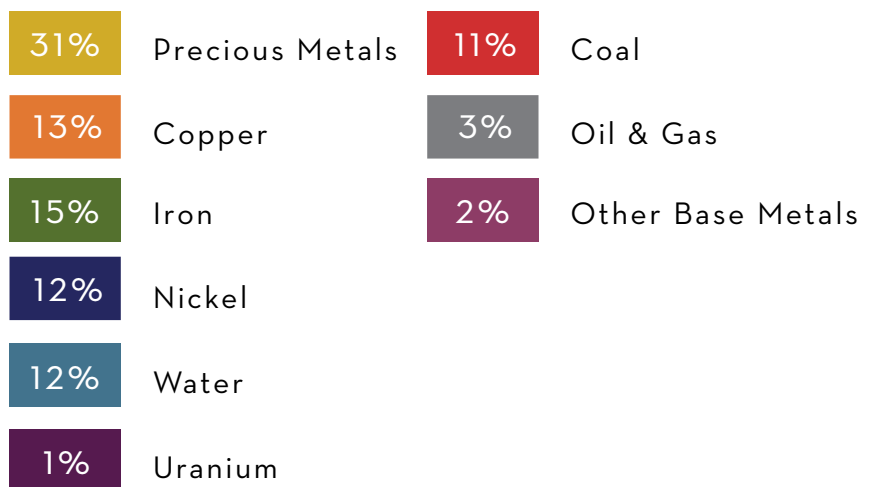
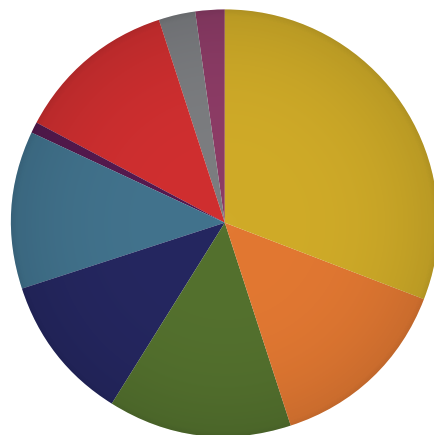
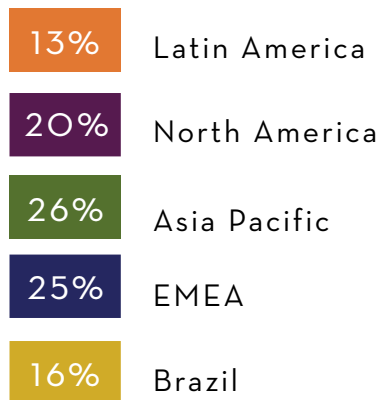
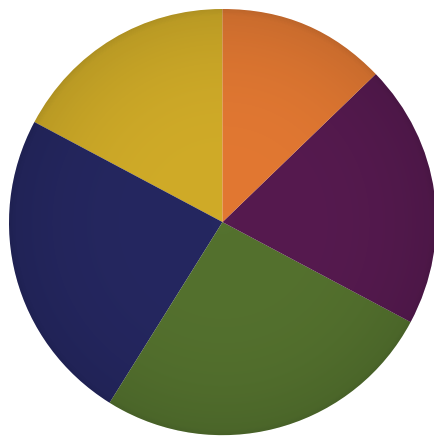


FINANCIAL HIGHLIGHTS

In US\$ Million	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenue	164.0	301.1	367.5	247.8	185.5
EBITDA	37.8	73.3	83.1	37.8	14.4
EBITDA %	23.0%	24.3%	22.6%	15.3%	7.8%
Net Profit	11.3	30.4	32.6	0.5	(19.4)
Number of Rigs	180	192	308	303	302
Employees	1,988	2,759	3,369	2,304	1,863

- Market Conditions
- Debt Restructuring
- Positive Free Cashflow

REGION, COMMODITY & CUSTOMER BASE



LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

2014 was another difficult year both for the mining sector and for our Company.

Commodity prices decreased further for a variety of reasons, including the continuous slowing growth in China, coupled with a change of economic paradigm, lower than expected world GDP growth, the rise of the US dollar against all currencies, and the continuous negative sentiment of the market towards the mining sector. Commodities such as Iron Ore and Coal lost nearly half of their value, while Copper lost 12%. Nickel and Zinc did reasonably well and Gold, although remaining volatile, was mostly above US\$1,150 per ounce. Globally, the IMF metal prices index fell 16.7% over the year with a significant drop in the last quarter.

This additional contraction of commodity prices fueled a further steep plunge in activity as producing mining companies reduced exploration spending even further, while ongoing investor wariness of the junior sector made it increasingly difficult for most companies to raise funds. As a consequence, the demand for mineral drilling, our core business, continued to fall. In March 2015, the SNL Metals & Mining Group published their worldwide 2014 exploration budgets survey which reported a drop in exploration spending of 26% compared with 2013. SNL estimated that the mining industry's total budget for nonferrous metals exploration was US\$11.4 billion in 2014, this contrasts with the US\$15.2 billion allocated in 2013, and the record US\$21.5 billion budgeted in 2012.

Our 2014 revenue amounted to US\$185.5 million compared to US\$247.8 million in 2013, a decrease of 25%. This 25% decline can be explained by the effect of foreign exchange for 6%, the decrease in fleet utilization for 7%, and the combined effect of the downward pressure on pricing and the shift towards less intense revenue services for 12%. At the same time, our average headcount went from 2,304 employees in 2013 to 1,863 in 2014, a 19% reduction, largely compensating the reduction in activity.

Revenue in South America was US\$54.1 million in 2014 (US\$80.4 million in 2013), a decrease of 33%, and 25% before foreign exchange impact. Brazil continued to generate the most revenue in the region, however, activity also decreased by 36% due to the evaporation of the junior market, the completion of certain projects in second half of the year, and the early termination of certain contracts during Q4, all a result of further budget reductions. Despite these tough market conditions, we managed to deliver on an extremely technical and deep directional drilling project, the first of its kind in Brazil. Thus setting records for depth and innovative techniques, and providing services that can surely be marketed to others. In Chile, the decrease of 16% was mainly linked to further contraction in the market; one that has contracted more than any other, and will remain very difficult as it transitions from oversupply through massive downsizing and cost cutting. In the interim, pricing for drilling services has fallen to unsustainable levels in spite of operational improvements and

efficiencies, to the point where we are better off redeploying rigs in other regions or leaving them parked until conditions improve.

In EMEA, revenue decreased from US\$66.4 million in 2013 to US\$47.0 million in 2014, a 29% decline, and 25% before foreign exchange impact. In addition to the global mining crisis, West Africa was further affected by a host of issues: the Ebola out-break, increased terrorist aggression, political unrest in Burkina Faso and Mali, and revisions to certain mining codes, making it a very challenging year. Although our mining activity was down 60%, we managed to offset most of this reduction by almost doubling our activity in the water business. In Russia, the year began without any significant contracts and revenue for 2014 had decreased by 34% compared to 2013 before the foreign exchange impact. However, during the course of the year, we won two important contracts which were mobilized at the end of 2014 and early 2015. On a positive note, the collapse of the Ruble has resulted in an increase in exploration as Russian miners take advantage of lower operating and production costs resulting in increased exploration spending.

In Asia Pacific, 2014 revenue amounted to US\$48.0 million, a decrease of 19%, and 15% before foreign exchange impact. Fleet utilization actually increased 5 bps following the gain of two major contracts. However, in Australia, prices were further depressed due to unreasonable pricing from competitors and this weighed on the financial performance. We are now well established in Queensland and Western Australia, and our client portfolio has been concentrated to top tier companies, who are in the best position to weather the price collapse for both Iron Ore and Coal, -49% and -26%, respectively, representing the bulk of Australian mining production. We are now diversifying our services and have started a large diameter coring contract in Western Australia and are mobilizing a dewatering contract scheduled to start next year. Our activity in New Caledonia remained stable compared to 2013 despite the impact of a one month closure of one of the major mining sites where we operate. This was compensated by an increase in productivity from our crews and an additional program in geotechnical works.

Revenue in North America decreased from US\$41.8 million in 2013 to US\$36.4 million in 2014, a 13% decline in US dollars (6% in Canadian dollars). Our activity was relatively strong in the Eastern Canada and in our Rotary business; while Western Canada, which is predominantly a junior market, contracted significantly. We managed to renew a long term deep drilling contract in Ontario, as well as several large diameter flood reverse projects for diamonds.

Gross Profit for 2014, including depreciation in cost of sales was US\$7.1 million compared to US\$2.0 million in 2013, thanks to ongoing company-wide cost cutting plans resulting in a further reduction of fixed operations costs. We managed to further reduce our SG&A costs by 22%, excluding one non-recurring item over the period. All these efforts, plus excellent performance on a number of projects, led to a positive free cash flow generation of US\$4.9 million in 2014 after CAPEX. Capital expenditure for the year was strictly limited

to operational needs for contracts in progress. We spent US\$10.1 million in 2014 compared to US\$11.1 million in 2013 and anticipate similar capital expenditure in 2015 for ongoing contracts. We sold 1 rig and reallocated 6 rigs over our regions this year, resulting in a total fleet rig count of 302 at year end.

In October 2014, we entered into discussions with the French banks, which represented 83% of our consolidated debt, in order to better adapt the maturity of the debt to our future cash flow generation in this challenging environment. These negotiations concluded favorably in February 2015. The main achievement being a 24 month grace period on the long term loans which postpones US\$30.1 million of installments by increasing the duration of the debts. The short term credit lines and guarantee lines are also secured until Q4 2016. The covenant ratio at December 31, 2014, was waived and a new ratio "Net Debt / EBITDA" at year end 2015 was agreed at 5.07. A moderate 20 bps increase on the overdraft interest rate was also agreed. As a cash preservation measure, the Company committed not to pay dividends before October 31, 2016. We are pleased to report to our Shareholders that we protected their long term interest as no dilutive instruments or equivalents were issued.

The closing of the debt renegotiation is the second step of the plan implemented since the downturn in the market in 2013. It comes alongside ongoing cost cutting efforts that reduced our fixed costs by US\$38 million per year compared to previous years.

At year end, our order book stood at US\$227 million compared to US\$261 million in 2013, a decrease of 13%, but only 3% after foreign exchange impact. The bidding season was again sluggish, and complicated by long decision processes due to ongoing uncertainty and the vulnerability of approved drilling budgets. Most of our customers, like us, are surprised by the further decline in metal prices forcing the entire industry to continue cost cutting measures.

The drilling industry has endured brutal market conditions since 2012, when customers began demanding – and got – heavy price reductions upwards of 15% to 20%. Some contractors, including the largest ones, reduced rates even further to unsustainable levels. This resulted in a number of costly drilling campaign failures and a growing number of contractors going into receivership. In Canada and Eastern Australia, for example, both well established and mature markets, during 2014 we identified 14 drilling contractors who declared bankruptcy, corresponding to 162 rigs. While we expect certain companies will continue to benefit from underpriced drilling and the ongoing rationalization of the services sector, there are a growing number of companies who buy value rather than jeopardize their programs. The current crisis has also triggered many large customers to revisit their own way of doing things, including migrating to a more open and collaborative approach with service suppliers in order to crystallize cost saving sources through synergies and operational efficiencies. We believe the market will continue to become more balanced and rationalized as customers recognize the value in safe, efficient, quality services delivered at competitive rates and while we see some encouraging signs of this, we do not expect market stabilization to happen in the short term.

All these factors, plus the general uncertainty of the market continued to have a major impact on our share price. We closed the year at C\$0.25, down 55%. Liquidity, however, increased 168% with more than 12 million shares traded in the year.

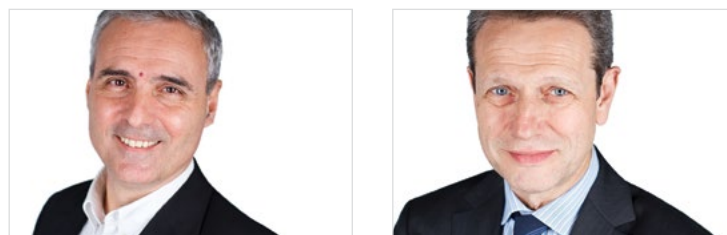
Despite this rather somber picture, there are bright spots. We managed to retain the confidence of all our significant customers, by delivering safe and efficient services throughout the year. Moreover, we gained two prestigious customers, one in Australia and one in Russia. This was further endorsed by the results of Foraco's third Customer Satisfaction Survey, taken mid-2014, which showed an overall increase in customer satisfaction from 82% to 85%. This is another year of consecutive improvement in our rating and this is the highest ever despite challenging market conditions. Equally important, we managed to maintain our industry leading safety records, ongoing R&D efforts, and retain key personnel, including our talented senior management team.

Going forward, we anticipate another difficult year as metal prices showed renewed weakness early in 2015. The commodity sector is still going through a difficult period – four years now – but as we have seen before in this highly cyclical business, it will not remain that way forever. Foraco is well prepared to take advantage of the challenges ahead and the next turnaround in the market. We remain active in all strategic geographic region sectors while others have abandoned certain markets. We have restructured the Company and reduced costs in line with the current market conditions and have managed to retain the most experienced and capable people in the industry – our single greatest asset. We have concluded highly successful debt renegotiations and all of these measures will not only provide the basis for sustainable operations throughout the downturn, but also a solid foundation for future growth.

In conclusion, we continue to work hard to ready Foraco for the challenges ahead and together with all of our employees, we remain committed to our strategy that will ensure we emerge from this difficult period as a profitable leader in the mineral and water drilling space. This is our job – every day.

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, 2014, 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, 2015.

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, 2015, 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
- Interim Consolidated 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 and Claims
- Subsequent Events
- Outlook
- Risk Factors

BUSINESS OVERVIEW

Headquartered in Marseille, France, Foraco is a worldwide drilling service provider with presence in 23 countries and 5 continents. On December 31, 2014, the Company had 1,683 employees and operated 302 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, 2014	2013
Revenue	185,525	247,757
Gross profit (1)	7,093	2,005
<i>As a percentage of sales</i>	<i>3.8%</i>	<i>0.8%</i>
EBITDA	14,408	37,791
<i>As a percentage of sales</i>	<i>7.8%</i>	<i>15.3%</i>
Adjusted EBITDA	14,559	10,771
<i>As a percentage of sales</i>	<i>7.8%</i>	<i>4.3%</i>
Operating profit / (loss)	(17,516)	(2,215)
<i>As a percentage of sales</i>	<i>-9.4%</i>	<i>-0.9%</i>
Profit / (loss) for the period	(19,412)	488
Attributable to:		
Equity holders of the Company	(16,155)	(1,508)
Non-controlling interests	(3,257)	1,996
EPS (in US cents)		
Basic	(18.28)	(1.71)
Diluted	(18.28)	(1.71)

(1) includes amortization and depreciation expenses related to operations

YEAR ENDED DECEMBER 31, 2014 - FY 2014

Revenue

- FY 2014 revenue amounted to US\$ 185.5 million compared to US\$ 247.8 million in FY 2013, a decrease of 25% (19% excluding the effect of foreign exchange). Revenue decreased as a result of the continued market contraction and pressure on prices.
- The average utilization rate was 34% for FY 2014 compared to 36% for FY 2013.

Profitability

- FY 2014 gross profit including depreciation within cost of sales was US\$ 7.1 million (or 4% of revenue) compared to US\$ 2.0 million in FY 2013. The Company fully benefited from the positive effect of the fixed operational costs reduction which compensated some under absorption of fixed costs.

- SG&A costs excluding one non-recurring item decreased by 22% between FY 2013 and FY 2014, mainly as a result of the continued implementation of the company-wide cost cutting action plans.
- The FY 2014 adjusted EBITDA was US\$ 14.6 million compared to a US\$ 10.8 million adjusted EBITDA in FY 2013, an increase of 35%. EBIT was US\$ (17.5) million in FY 2014 compared to US\$ (2.2) million in FY 2013. Adjusted EBIT was US\$ (17.4) million in FY 2014 compared to US\$ (29.2) million in FY 2013. Capital expenditures were US\$ 10.2 million in FY 2014 compared to US\$ 11.0 million in FY 2013.

Cash flow and net debt

- Free cash flow positive by US\$ 4.4 million after US\$ 10.1 million Capex.
- Total reduction of net debt was US\$ 25.2 million during 2014, from US\$ 121.9 million as at December 31, 2013 to US\$ 96.7 million as at December 31, 2014.
- On February 12, 2015 the Company signed an agreement with a group of eight French Banks this primarily consisted of securing the roll-over of short-term credit facilities, securing bank guarantee lines, and postponing installments due in connection with long term debts by 24 months through increasing the duration of these debts.

RESULTS OF OPERATIONS

Comparison of the years ended December 31, 2014 and December 31, 2013

Revenue

The following table provides a breakdown of the Company's revenue for FY 2014 and FY 2013 by reporting segment and geographic region:

(In thousands of US\$) <i>(audited)</i>	FY 2014	% change	FY 2013
Reporting segment			
Mining	163,660	-31%	237,720
Water	21,865	118%	10,037
Total revenue	185,525	-25%	247,757
Geographic region			
South America	54,074	-33%	80,397
Asia Pacific	48,022	-19%	59,189
Europe, Middle East and Africa	46,989	-29%	66,417
North America	36,440	-13%	41,754
Total revenue	185,525	-25%	247,757

FY 2014 revenue amounted to US\$ 185.5 million compared to US\$ 247.8 million in FY 2013, a decrease of 25% (19% excluding the effect of foreign exchange). This revenue decrease which was a result of the continued market contraction, foreign exchange impact and pressure on selling prices, was mainly recorded in Q2 and Q3.

Revenue in South America amounted to US\$ 54.1 million in FY 2014 (US\$ 80.4 million in FY 2013), a decrease of 33%. In Chile, the decrease of 16% was mainly linked to the termination of two troubled contracts. The Company mobilized a new contract in Argentina. In Brazil, revenue decreased by 36% due to the evaporation of the junior market in Q2 and Q3 2014, the completion of certain projects in Q3 and Q4 2014, and the early demobilization of some contracts during Q4 2014.

In Asia Pacific, FY 2014 revenue amounted to US\$ 48.0 million, a decrease of 19%. In Australia, activity was impacted by pressure on selling prices. After a slow start the Company signed two large multi-year multi-rig contracts. In New Caledonia, the second quarter suffered from local disturbances including the temporary closure of a large nickel mine.

In EMEA, revenue decreased by 29%, from US\$ 66.4 million in FY 2013 to US\$ 47.0 million in FY 2014. This is mainly due to the reduced activity in the mining segment across West Africa (-60%) which was partly offset by the increased activity in the water segment (+191%).

Revenue in North America decreased by 13% in US\$ but only by 6% in Canadian dollars.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for FY 2014 and FY 2013:

(In thousands of US\$) <i>(audited)</i>	FY 2014	% change	FY 2013
Reporting segment			
Mining	5,059	198%	1,697
Water	2,034	n/a	308
Total gross profit	7,093	254%	2,005

FY 2014 gross profit including depreciation within cost of sales was US\$ 7.1 million (or 4% of revenue) compared to US\$ 2.0 million in FY 2013. There were no one-off costs during the period and the Company fully benefited from the positive effect of the fixed operational cost reduction which compensated some under absorption of fixed costs.

Selling, General and Administrative Expenses

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

(In thousands of US\$) (audited)	FY 2014	% change	FY 2013
Selling, general and administrative expenses	25,148	-20%	31,240

SG&A costs decreased by US\$ 6.1 million between FY 2013 and FY 2014 or by US\$ 6.8 million excluding certain provisions for claims and doubtful debt recorded in Q4. These savings are mainly the result of the continued implementation of the company-wide cost cutting action plans.

Operating Profit

The following table provides a breakdown of the Company's operating profit for FY 2014 and FY 2013 by reporting segment:

(In thousands of US\$) (audited)	FY 2014	% change	FY 2013
Reporting segment			
Mining	(16,635)	n/a	(1,172)
Water	(881)	-15%	(1,043)
Total operating profit / (loss)	(17,516)	n/a	(2,215)
Total operating profit / (loss) Adjusted	(17,365)	-41%	(29,235)

Operating loss decreased by US\$ (11.6) million, going from an adjusted operating loss of US\$ (29.2) million in FY 2013 to US\$ (17.7) million in FY 2014. The reduced activity including the impact of exchange rate fluctuations was partially compensated for by the reduction in fixed operational and SG&A costs.

FINANCE COSTS

Net financial expenses amounted to US\$ 4.7 million in FY 2014, compared to US\$ 4.6 million for the corresponding 2013 period.

INCOME TAX

For the year ended December 31, 2014, excluding the impact of the non-taxable re-assessment of the Servitec acquisition's second phase, the income tax rate was 11% compared to 22% 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 worldwide presence of the Company reduces its overall exposure to seasonality and its subsequent 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 mining sites continue throughout the year. Russia is also affected by the winter period during which operations are suspended. In Asia Pacific and in South America, where the Company operates exclusively in the Mining segment, a seasonal slowdown in activity occurs around year-end during the vacation

period. Certain contracts are also affected in Chile in July and August when the winter season peaks.

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 against the US\$ for the periods under review are as follows:

	Closing FY 2014	Average FY 2014	Closing FY 2013	Average FY 2013
€	0.82	0.75	0.73	0.75
CAD	1.16	1.10	1.07	1.03
AUD	1.23	1.11	1.13	1.04
CLP	606	571	525	496
BRL	2.68	2.36	2.35	2.16
RUB	56	39	33	32

LIQUIDITY AND CAPITAL RESOURCES

The following table provides a summary of the Company's cash flows for FY 2014 and FY 2013:

(In thousands of US\$)	FY 2014	FY 2013
Cash generated from operations before working capital requirements	15,047	10,898
Working capital requirements, interest and tax	(22)	(2,383)
Net cash flow from operating activities	15,025	13,281
Purchase of equipment in cash	(10,121)	(11,063)
Consideration payable related to acquisitions	(500)	—
Net cash used in investing activities	(10,621)	(11,063)
Free cash flow	4,404	2,218
Debt variance	(16,008)	11,118
Acquisition of treasury shares	-	(1,556)
Dividends paid	(1,086)	(5,983)
Net cash generated by / used in financing activities	(17,094)	3,579
Net cash variation	(12,690)	5,797
Foreign exchange differences	(1,611)	(4,168)
Variation in cash and cash equivalents	(14,301)	1,629

In FY 2014, the net cash flow generated by operating activities amounted to US\$ 15.0 million compared to US\$ 13.3 million for FY 2013.

During the year, the Company acquired maintenance Capex for US\$ 10.1 million in cash and US\$ 0.5 million through capital leases compared to a total of US\$ 11.1 million in cash purchases during FY 2013.

As at December 31, 2014, cash and cash equivalents totaled US\$ 23.2 million compared to US\$ 37.5 million as at December 31, 2013. Cash and cash equivalents are held at or invested within top tier financial institutions.

As at December 31, 2014, net debt amounted to US\$ 96.7 million (US\$ 121.9 million as at December 31, 2013). The ratio of debt (net of cash) to shareholders' equity decreased from 0.69 as at December 31, 2013 to 0.67 as at December 31, 2014.

On December 31, 2014, financial debts and equivalents amounted to US\$ 119.9 million (US\$ 159 million as at December 31, 2013). The financial debt also includes the present value of the consideration payable in 2015 for the acquisition of the remaining Servitec shares which were reduced to US\$ 0.5 million following the remeasurement of the second tranche and payable in March 2015.

On February 12, 2015, an agreement was reached with the lenders representing all of Foraco International's and its French subsidiaries' debts, resulting in the postponement by 24 months of € 24.8 million (US\$ 30.1 million) of installments due in connection with long term debts through increasing the duration of these debts. This agreement also resulted in securing the roll-over of short-term credit facilities and bank guarantee lines.

As part of this agreement, a new covenant related to acquisition loans at December 31, 2015 was agreed, the margins on short term loans will increase by 20 bps and an excess cash flow clause was included. Additionally, the Company committed not to pay dividends before October 31, 2016.

As at December 31, 2014, financial debt is as follows (in thousands of US\$):

Maturity	Credit lines	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	January 1, 2019 to December 31, 2019	Total
Drawn credit lines rolled over on a yearly basis	5,093	—	—	—	—	—	5,093
Long term financing related to:							
Drawn credit lines rolled over confirmed for at least 12 months	48,452	—	—	—	—	—	48,452
Brazil acquisition		—	—	3,890	3,890	3,890	11,669
Australia acquisition		—	6,078	6,078	6,078	6,078	24,310
Acquisition of fixed assets		3,864	4,966	8,695	6,741	3,976	28,242
Acquisition of fixed assets through capital leases		1,096	264	180	60	(0)	1,599
Total	53,545	4,960	11,307	18,842	16,768	13,943	119,365

(*) The non-current portion of long term debt, i.e. from January 1, 2016 onwards, is US\$60,860 thousand

As at December 31, 2014, drawn credit lines can be analyzed as follows:

Credit lines	Authorized amount (in thousand USD)	Used amount	Currency	Interest Rate	Guarantee	Covenants	Other
France	41,694	37,662	€	EUR 3M + 100 to 220 bps	No	No	Confirmed until October 31, 2016
Chile	16,140	13,042	CLP	UF + 300 bps	US\$ 11 million SBLC from French banks	No	SBLC confirmed until October 31, 2016
Canada	6,881	0	CAD	Prime + 225 bps	Partially covered by current Canadian assets	% of current assets	roll over one year
Brazil	2,349	2,346	BRL	CDI + 600 bps	No	No	roll over one year
Australia	1,693	493	AUD	Bank Prime + 60 bps	No	No	roll over one year
Others	102	3					
Total	68,859	53,545					

As indicated above, the conditions of the French credit lines (overdraft and Standby Letter of Credit (SBLC)) were restated under the terms of the agreement signed on February 12, 2015.

The Company now has used and unused short-term credit facilities amounting to US\$ 68.9 million, of which US\$ 53.5 million was drawn down as of December 31, 2014.

Other facilities are granted individually by various banks, mainly in Chile, Brazil, Australia and Canada. They are generally granted on a yearly basis and are subject to review at certain dates.

Long term bank financing can be broken down as follows:

Long Term Debt	Amounts (in thousand USD)	Currency	Interest Rates	Guarantee	Covenants
Acquisition Brazil	11,669	€	EUR 3M + 235 bps	Servitec Shares	Net Debt / EBITDA
Acquisition Australia	24,310	€	EUR 3M + 235 bps	JND Shares	Net Debt / EBITDA
Long term loans	28,242				
France	15,107	€	1.8 to 2.1 % Fixed	No	No
Canada	8,079	CAD/USD	From 3 to 4% Fixed	General Security	Net Debt / EBITDA at quarter end
Chile	4,006	USD	Libor + 280 bps	SBLC from French Bank	No
Brazil	942	BRL	From 8 to 14% Fixed	Financed Assets	No
Capital lease obligations	1,599				
Russia	128	USD	From 4 to 6% Fixed	Financed Assets	No
Brazil	550	BRL	From 8 to 14% Fixed	Financed Assets	No
Australia	314	AUD	From 6 to 10%	Financed Assets	No
Chile	608	UF	From 2.8 to 5.5% over UF	Financed Assets	No
Total	65,820				

Bank guarantees as at December 31, 2014, totaled US\$ 30.4 million compared to US\$ 28.5 million as at December 31, 2013.

These bank guarantees are confirmed until October 31, 2016 under the terms of the February 12, 2015 agreement signed with the French banks.

GOING CONCERN AND IMPAIRMENT TESTING

Current economic conditions make forecasting difficult, and there is the possibility that the Company'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 Company's operating performance, the Company believes that it has adequate financial resources to continue in operation and meet its financial commitments for a period of at least twelve months provided it continues to benefit from the support of its lenders. The next testing date for the bank covenants is December 31, 2015. The Company's negotiations with its lenders in France successfully came to a close on February 12, 2015. The objective to adapt its debt structure so as to better match its future cash flow generation was obtained. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements.

The current economic conditions in mining services are seen as an indicator of potential impairment of the carrying value of the Company's long lived assets. Accordingly, an impairment test was performed at the level of each reporting segment and geographic region. The assumptions used involve a considerable degree of estimation on the part of management. The most significant assumptions include revenue per rig, EBITDA margin, discount rate and long term growth. The assumptions for 2015, 2016 and 2017 are based on management's business plan. From 2018 onwards, the Company used the 8-year actual historical performance in order to determine its revenue per rig and EBITDA margin. Management considers that this provides a reasonable factual basis for the purpose of impairment testing. On this basis, no impairment was deemed necessary.

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 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 28 of the FY 2014 consolidated financial statements.

CAPITAL STOCK

As at December 31, 2014, the capital stock of the Company amounted to US\$ 1,772 thousand, divided into 89,951,798 common shares. The common shares of the Company are distributed as follows:

	Number of shares	%
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*	1,096,754	1.22%
Common shares held by the Company**	677,499	0.75%
Common shares held by the public	50,583,047	56.23%
Total common shares issued and outstanding	89,951,798	
Common shares held by the Company	(677,499)	
Total common shares issued and outstanding excluding shares held by the Company	89,274,299	

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

** 677,499 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 audited condensed 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.

Adjusted EBITDA and adjusted EBIT exclude the impact resulting from (i) the remeasurement of the contribution payable for Servitec, (ii) a non-recurring provision corresponding to a claim in Brazil, and (iii) a one-off bad debt in Africa.

Net debt corresponds to the current and non-current portions of borrowings and the consideration payable related to acquisitions, net of cash and cash equivalents.

Reconciliations of the various non IFRS measures are as follows:

EBITDA, adjusted EBITDA and adjusted EBIT

(In thousands of US\$) <i>(audited)</i>	FY 2014	FY 2013
Operating profit / (loss)	(17,516)	(2,215)
Depreciation expense	30,810	38,303
Non-cash employee share-based compensation	1,114	1,703
EBITDA	14,408	37,791
Impact resulting from the remeasurement of the contribution payable for Servitec	(2,902)	(27,020)
Non-recurring provision for claim and doubtful debt	3,053	—
Adjusted EBITDA	14,559	10,771
Adjusted EBIT	(17,365)	(29,235)

Net debt:

(In thousands of US\$) <i>(audited)</i>	FY 2014	FY 2013
Cash and cash equivalents	23,225	37,526
Borrowings - Non-current portion	(109,312)	(68,556)
Borrowings - Current portion	(10,053)	(74,194)
Consideration payable related to acquisitions	(528)	(16,670)
Total Net Debt	(96,667)	(121,894)

LITIGATION AND CLAIMS

In late 2013, the JND's former shareholders 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\$ 3.3 million). The Company is confident in its position that no earn-out is due and accordingly, no provision has been recorded. The defense was filed with the Supreme Court of South Australia on April 22, 2014. The outcome of this claim is expected in 2015.

SUBSEQUENT EVENTS

On February 12, 2015, an agreement was reached with the lenders representing all of Foraco International's and its French subsidiaries' debts,

resulting in the postponement of certain installments due in connection with long term debt and in the securing of the roll-over of short term credit facilities and bank guarantee lines.

OUTLOOK

As at December 31, 2014 the Company's order backlog for continuing operations was US\$ 226.7 million, of which US\$ 118.6 million is expected to be executed during the FY 2015.

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 2014 financial year, the Audit Committee met five 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 2014 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 2014 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 2014, the Company continued to strengthen the internal control processes in all 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 2014, 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, 2014 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, 2014.

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, 2015, 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, 2014 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, 2014, as well as the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers Audit

Marseille, France
March 31, 2015

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CONSOLIDATED BALANCE SHEET – ASSETS

In thousands of US\$	Note	2014	2013	2012
ASSETS				
Non-current assets				
Property and equipment	(6)	75,647	107,098	146,780
Goodwill	(7)	100,612	116,612	133,675
Deferred income tax assets	(16)	26,870	28,286	23,111
Other non-current assets	(8)	927	1,059	1,416
		204,056	253,055	304,982
Current assets				
Inventories, net	(9)	35,683	43,172	52,288
Trade receivables, net	(10)	24,182	30,464	54,931
Other current receivables	(11)	11,324	12,853	16,381
Cash and cash equivalents	(12)	23,225	37,526	35,897
		94,414	124,015	159,497
Total assets		298,470	377,070	464,479

CONSOLIDATED BALANCE SHEET – EQUITY & LIABILITIES

In thousands of US\$	Note	2014	2013	2012
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	(13)	1,772	1,772	1,629
Share premium and retained earnings	(13)	198,931	211,377	219,682
Other reserves	(13)	(65,861)	(45,169)	(7,820)
		134,842	167,980	213,491
Non-controlling interests		9,220	9,175	8,415
Total equity		144,062	177,155	221,906
LIABILITIES				
Non-current liabilities				
Borrowings – Non-current portion of long term debt	(14)	60,860	64,556	61,733
Borrowings – Non-current portion of drawn credit lines	(14)	48,452	4,000	—
Consideration payable related to acquisitions	(15)	—	16,170	44,358
Deferred income tax liabilities	(16)	3,598	5,264	8,756
Provisions for other liabilities and charges	(17)(18)	401	457	871
		113,311	90,447	115,718
Current liabilities				
Trade and other payables	(19)	26,152	31,732	53,463
Current income tax liabilities		744	1,635	3,568
Borrowings – Current portion of long term debt	(14)	4,960	25,329	41,186
Borrowings – Current portion of drawn credit lines	(14)	5,093	48,865	26,115
Consideration payable related to acquisitions	(15)	528	500	—
Derivative financial instrument	(7)	—	—	1,609
Provisions for other liabilities and charges	(17)	3,620	1,407	914
Total current liabilities		41,097	109,468	126,855
Total equity and liabilities				
		298,470	377,070	464,479

CONSOLIDATED INCOME STATEMENT – BY FUNCTION OF EXPENSE

In thousands of US\$	Note	2014	2013	2012
Revenue	(5)	185,525	247,757	367,519
Cost of sales	(20)	(178,432)	(245,752)	(299,586)
Gross Profit		7,093	2,005	67,933
Selling, general and administrative expenses	(20)	(25,148)	(31,240)	(36,247)
Other operating income / (expense), net	(7/17)	539	27,020	13,303
Operating Profit / (loss)		(17,516)	(2,215)	44,989
Finance income	(23)	1,137	399	1,201
Finance expense	(23)	(5,870)	(4,953)	(5,831)
Profit / (loss) before income tax		(22,249)	(6,769)	40,359
Income tax profit / (expense)	(24)	2,837	7,257	(7,742)
Profit for the year		(19,412)	488	32,617
Attributable to:				
Equity holders of the Company	(25)	(16,155)	(1,508)	27,130
Non-controlling interests		(3,257)	1,996	5,487
		(19,412)	488	32,617
Earnings per share for profit / (loss) attributable to the equity holders of the Company during the year (expressed in US cents per share)				
— basic	(25)	(18.28)	(1.71)	33.15
— diluted	(25)	(18.28)	(1.71)	32.69

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, 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 22)	—	—	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	219,682	(7,820)	213,491	8,415	221,906
Balance at January 1, 2013	1,629	219,682	(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 22)	—	—	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
Balance at January 1, 2014	1,772	211,377	(45,169)	167,980	9,175	177,155
Profit / (loss) for the year	—	(16,155)	—	(16,155)	(3,257)	(19,412)
Non-controlling interests recorded as a liability	—	(795)	—	(795)	795	—
Waiver of a put and call option related to Servitec	—	4,311	—	4,311	8,429	12,740
Other comprehensive income for the year	—	—	(21,613)	(21,613)	(4,836)	(26,449)
Employee share-based compensation (Note 22)	—	—	1,114	1,114	—	1,114
Dividends declared relating to 2013	—	—	—	—	(1,086)	(1,086)
Vesting of share-based compensation (Note 13)	—	194	(194)	—	—	—
Balance at December 31, 2014	1,772	198,931	(65,861)	134,842	9,220	144,062

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of US\$	2014	2013	2012
Profit for the year	(19,412)	488	32,617
Items that may be recycled subsequently to income statement			
Currency translation differences	(26,449)	(39,402)	(963)
Total comprehensive income for the year	(45,861)	(38,914)	31,654
Attributable to:			
Equity holders of the Company	(38,564)	(41,174)	28,272
Non-controlling interests	(7,297)	2,260	3,382

CONSOLIDATED STATEMENT OF CASH FLOW

In thousands of US\$	Note	2014	2013	2012
Cash flows from operating activities				
Profit for the year		(19,412)	488	32,617
Adjustments for:				
Depreciation, amortization and impairment	(20)	30,810	38,303	36,540
Changes in non-current portion of provisions and other liabilities		230	(27,022)	(13,052)
Loss on sale and disposal of assets		410	129	73
Non-cash share-based compensation expenses	(22)	1,114	1,703	1,566
Income taxes expense / (profit)	(24)	(2,837)	(7,257)	7,743
Finance income and expenses, net	(23)	4,732	4,554	4,631
Cash generated from operations before changes in operating assets and liabilities		15,047	10,898	70,119
Changes in operating assets and liabilities:				
Inventories		3,722	9,867	(3,609)
Trade accounts receivable and other receivable		4,245	30,744	556
Trade accounts payable and other payable		(2,057)	(29,655)	(9,271)
Cash generated from operations		20,957	21,854	57,795
Interest received / (paid)		(3,829)	(3,821)	(3,731)
Income tax paid		(2,103)	(4,752)	(12,091)
Net cash flow from operating activities		15,025	13,281	41,973
Cash flows from investing activities				
Purchase of Property and equipment and intangible assets (*)	(6)	(10,121)	(11,063)	(39,512)
Acquisition of Servitec, net of cash acquired (**)	(7)	(500)	—	(18,223)
Acquisition of JND, net of cash acquired (**)	(7)	—	—	(31,212)
Net cash used in investing activities		(10,621)	(11,063)	(88,947)
Cash flows from financing activities				
Acquisition of treasury shares	(13)	—	(1,556)	(3,667)
Repayments of borrowings	(14)	(16,767)	(29,274)	(18,430)
Proceeds from issuance of borrowings, net of issuance costs	(14)	79	26,668	67,104
Net increase/(decrease) in bank overdrafts and short-term loans	(14)	680	13,724	20,161
Dividends paid to Company's shareholders	(26)	—	(4,483)	(4,943)
Dividends paid to non-controlling interests		(1,086)	(1,500)	(2,125)
Net cash generated by / (used in) financing activities		(17,094)	3,579	58,100
Exchange differences in cash and cash equivalents		(1,611)	(4,168)	458
Net increase / (decrease) in cash and cash equivalents		(14,301)	1,629	11,584
Cash and cash equivalents at beginning of the year	(12)	37,526	35,897	24,313
Cash and cash equivalents at the end of the year	(12)	23,225	37,526	35,897
(*) Excluding acquisition financed through finance leases		521	409	2,128
(**) Excluding portion of purchased through shares, warrants and treasury shares		—	—	40,898

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 principal 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, 2015.

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 were adopted by the Group on January 1, 2014 with no material impact on the consolidated financial statements.

- Amendment to IAS 32 – Financial instruments: presentation, on asset and liability offsetting
- Amendment to IAS 39 – Financial instruments: recognition and measurement: novation of derivatives
- Amendment to IAS 36 – Impairment of assets, on recoverable amount disclosures
- IFRIC 21, Levies

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, 2015 or later periods, but have not been early adopted by the Group:

- Amendment to IAS 19, Defined benefit plans: employee contributions
- Annual improvement Cycle 2010-2012
- Annual improvement Cycle 2011-2013
- IFRS 9, Financial instruments - Classification of financial assets and financial liabilities
- IFRS 15, Revenue from contracts with customers

The impact resulting from the application of these standards and amendments is currently being assessed.

2.2 Consolidation

(A) SUBSIDIARIES

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has the right to variable returns from its involvement with the entity. It also has the ability to affect those returns through its involvement with the entity and through its power over the entity. In addition the Group 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 by 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 a case by case 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 re-measured 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 re-measured, 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 groups 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

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 has not issued any preference shares.

Incremental costs directly attributable to the issuance 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.

Deferred tax liabilities are 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.

No restructuring of the Group occurred in 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 contracts over the periods presented.

2.19 Employee Benefits

(A) PENSION OBLIGATIONS

The Group mainly provides defined contribution plans to its employees. 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 obligation 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 25.

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 Euro 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. A foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

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

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 2014	Closing 2013	Closing 2012	Average 2014	Average 2013	Average 2012
€	0.82	0.73	0.76	0.80	0.75	0.78
CAD	1.16	1.07	1.00	1.14	1.03	1.00
AUD	1.23	1.13	0.96	1.17	1.08	0.97
CLP	605	525	478	599	496	486
BRL	2.68	2.35	2.05	2.55	2.28	2.02
RUB	56.45	32.77	30.44	47.86	31.88	31.14

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, 2014		
Effect on revenue of a change	+5%	-5%
AUD \$ / US\$	2,029	(2,029)
BRL / US\$	1,537	(1,537)
€ / US\$	1,950	(1,950)
Canadian \$ / US\$	1,822	(1,822)
RUB / US\$	771	(771)
CLP / US\$	1,123	(1,123)

(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 a 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,			
	2014	2013	2012	2011
Average amount of cash and cash equivalent over the year	26,148	31,387	27,457	18,748
Increase in financial income following a 50 b.p. increase	13	157	137	94
Decrease in financial income following a 50 b.p. decrease	(13)	(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.

Regarding 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 investment grade ratings.

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 single customer accounted for approximately 12% of the Group's sales during the year ended December 31, 2014 (one customer accounted for approximately 10% in 2013 and 13% in 2012). No other single customer accounted for more than 10% of the Group's sales during the years ended December 31, 2014, 2013 and 2012.

(D) LIQUIDITY RISK

Prudent liquidity risk management involves 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 cyclical nature of the underlying businesses, management maintains funding flexibility 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 revenue could be impaired by factors specific to the regions in which the Group operates. The Group benefits from 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 equivalents 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, 2014, the Group holds US\$ 4,902 thousand of assets at fair value (2013 – US\$ 10,921 thousand of assets at fair value and 2012 – US\$ 13,999 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 amounts of trade receivables less the 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, 2014					
Assets as per balance sheet					
Trade and other receivables	35,506	—	—	—	35,506
Cash and cash equivalents	23,225	—	—	—	23,225
Total	58,731	—	—	—	58,731
		Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per balance sheet					
Borrowings		—	—	119,365	119,365
Trade and other payables		—	—	26,152	26,152
Total		—	—	145,517	145,517
	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

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 worldwide presence of the Company 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 mining sites continue throughout the year. Russia is also affected by the winter period during which operations are suspended. In Asia Pacific and in South America, where the Company operates exclusively in the Mining segment, a seasonal slowdown in activity occurs around year-end during the vacation period. Certain contracts are also affected in Chile in July and August when the winter season peaks.

4.2 Going Concern

Current economic conditions make forecasting difficult, and there is the possibility that the Company'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 Company's operating performance, the Company believes that it has adequate financial resources to continue in operation and meet its financial commitments for a period of at least twelve months.

As part of a global negotiation with the lenders representing all of Foraco International's and its French subsidiaries' debts, the Company first obtained a waiver on its covenant as at December 31, 2014. Subsequently, on February 12, 2015, an agreement was reached, resulting in the postponement by 24 months of € 24.8 million (US\$ 30.1 million) of installments due in connection with long term debts through increasing the duration of these debts. This agreement also resulted in securing the roll-over of short-term credit facilities and bank guarantee lines.

Accordingly, the Company 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, 2014, the Group has unrecognized deferred assets amounting to US\$ 12,529 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, 2014, the goodwill is allocated to cash generating units corresponding to the following operating / geographical segments:

Mining activity – Africa	720
Water activity – Africa.....	1,843
Mining activity – North America.	9,786
Mining activity – Asia-Pacific.....	8,299
Mining activity – South America	75,704
Mining activity – Europe	4,261
Total goodwill as at December 31.....	100,612

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 the 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 Items

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 profit and revenue of contracts in progress 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 up the contracts in progress and their related margins on a monthly basis. Occasionally 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 2014, the Group used a 10% turnover assumption (in 2013 – 10% and 2012 – 10%) which is consistent with the Group's experience of employee departures.

Details of share-based compensations are disclosed in Note 22.

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 segments and assess their performance by analyzing revenues and operating profits for business segments and sales for geographic segments. The Group does not identify or allocate assets, liabilities or cash flows to group segments nor does management evaluate the segments on this criteria on a regular basis.

5.1 Business Segments

As at December 31, 2014, the Group is organized on a worldwide basis with 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, 2014, 2013 and 2012 was as follows:

Year ended December 31, 2014	Mining	Water	Group
Revenue	163,660	21,865	185,525
Gross profit	5,059	2,034	7,093
Operating profit / (loss)	(16,635)	(881)	(17,516)
Finance (costs) / profits	—	—	(4,733)
Profit / (loss) before income tax	—	—	(22,249)
Income tax (expense) / profit	—	—	2,837
Profit for the year	—	—	(19,412)

Year ended December 31, 2013	Mining	Water	Group
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	Group
Revenue	357,375	10,144	367,519
Gross profit	65,145	2,788	67,933
Operating profit / (loss)	43,161	1,828	44,989
Finance (costs) / profits	—	—	(4,630)
Profit / (loss) before income tax	—	—	40,359
Income tax expense / profit	—	—	(7,742)
Profit for the year	—	—	32,617

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 Group operates in four 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, 2014, 2013 and 2012:

	Year ended December 31,		
	2014	2013	2012
South America	54,074	80,397	180,034
Europe, Middle East and Africa	46,989	66,417	92,228
Asia Pacific	36,440	59,189	33,688
North America	48,022	41,754	61,568
Revenue	185,525	247,747	367,519

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

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

The Group only generates 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	Drilling Equipment and Tools	Automotive Equipment	Office Furniture and Other Equipment	Total
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
Year ended December 31, 2014					
Opening net book amount	4,257	85,779	15,916	1,144	107,098
Additions	16	8,742	1,688	195	10,641
Exchange differences	(428)	(7,827)	(2,398)	(122)	(10,775)
Disposals or retirements	(104)	(291)	(160)	(1)	(556)
Depreciation charge	(599)	(22,201)	(7,544)	(417)	(30,761)
Closing net book amount at December 31, 2014	3,142	64,202	7,502	799	75,647
Cost	6,318	208,900	56,142	3,635	274,994
Accumulated depreciation	(3,176)	(144,698)	(48,640)	(2,836)	(199,347)
Net book amount	3,142	64,202	7,502	799	75,647

The depreciation and amortization expense has been charged to the statement of income as follows:

	December 31,		
	2014	2013	2012
Cost of sales	30,651	37,759	35,994
General and administrative expenses	159	544	546
Total depreciation and amortization	30,810	38,303	36,540

In 2014, 2013 and 2012 the Group did not record any impairment charge on Property, Plant and equipment.

7. GOODWILL

Goodwill can be analyzed as follows:

	December 31,		
	2014	2013	2012
As at January 1,	116,612	133,675	50,629
Acquisition of Servitec	—	—	74,255
Acquisition of JND	—	998	8,395
Exchange differences	(16,000)	(18,061)	396
As at December 31,	100,612	116,612	133,675

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 acquisitions" 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 has been consolidated since April 20, 2012.

The 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, 2014	52,082

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, adjustments were accounted for within other operating income.

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.

On March 31, 2014, a memorandum of understanding was signed between Foraco International and one of the minority shareholders of Servitec, whereby

Foraco International waived its call option to acquire the minority shareholder's shares in Servitec, and the minority shareholder waived his put option enabling him to force the sale. In previous periods, because this put and call option existed, the Company assumed, for the purposes of IFRS, that the transaction was substantially completed and recognized it in the balance sheet as a liability amounting to US\$ 12.7 million as at December 31, 2013. On March 31, 2014, as there was no longer a legal obligation, the liability was reversed against "non-controlling interests" for an amount of US\$ 8.4 million corresponding to the share of the minority shareholder in the net assets of Servitec, and against "share premium and retained earnings" for an amount of US\$ 4.3 million reflecting the difference between the transaction at fair value and the carrying value of the net assets of Servitec.

As at December 31, 2014, the amount payable relating to the 11.55% of Servitec shares was adjusted downward by US\$ 2,902 thousand to US\$ 528 thousand, corresponding to the best estimate of the amount payable taking into account the latest 2014 financial data available. In accordance with IFRS 3, the adjustment is accounted for within other operating income (Note 21).

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, 2014	7,099

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.

Impairment Tests for Goodwill and Long-lived Assets

The current economic conditions in mining services are seen as an indicator of potential impairment of the carrying value of the Company's long lived assets. Accordingly, impairment testing, based on expected discounted cash flows was performed as at December 31, 2014 at the level of each reporting segment and geographic region.

The assumptions used involve a considerable degree of estimation on the part of management. Actual conditions may differ from assumptions and thus actual cash flows may be different to those expected with a potential material effect on the recoverability of each cash generating unit. The most significant assumptions used in the determination of expected discounted cash flows for the next 5 years are:

- 2015 to 2017 management business plan with an unchanged number of rigs as at December 31, 2014
- As of 2018:
 - 8 year historical average of EBITDA margin adjusted for significant one-off events
 - 8 year historical average of revenue per rig
- 10.5% discount rate for Brazil and Chile
- 9% to 12% discount rate for other areas 1% long term growth

These assumptions are based on future expectations for the next 3 years and historical trends from then on. Although management believes that the assumptions used to evaluate potential impairment are reasonable, with a significant portion based on the actual performance achieved in the past, such assumptions are inherently subjective.

Based on the assumptions made, the expected discounted future cash flows exceeded each of the long lived asset's carrying amounts for each reporting segment and geographic region and accordingly no impairment has been recognized.

In 2014, 2013 and 2012 the Group did not record any impairment charge.

Sensitivity analyses have been performed, in particular on the weighted average cost of capital (increased by 1%) and on the long-term growth assumption (decreased by 1%). 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,		
	2014	2013	2012
Loans	69	125	387
Software	41	72	77
Investment in unconsolidated affiliates	36	39	40
Deposits and guarantees	750	710	288
Other non-current receivables	30	113	623
Other non-current assets	927	1,059	1,416

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

9. INVENTORIES

Inventories consist of the following:

	December 31,		
	2014	2013	2012
Spare parts, gross	17,904	22,510	24,001
Consumables, gross	17,779	20,662	28,287
Less inventory allowance	—	—	—
Inventories, net	35,683	43,172	52,288

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 2014 in the statement of income under the line item “Cost of sales” amounts to US\$ 1,074 thousand (US\$ 121 thousand in 2013 and US\$ 674 thousand in 2012).

10. TRADE RECEIVABLES

Trade receivables, net, consist of the following:

	December 31,		
	2014	2013	2012
Trade receivable, gross	26,319	31,641	56,114
Less provision for impairment	(2,137)	(1,177)	(1,183)
Trade receivables, net	24,182	30,464	54,931

Impairment expense/(reversal) recognized in 2014 in the statement of income amounted to US\$ (690) thousand (in 2013 US\$ (14) thousand and in 2012 US\$ (326) thousand) under the line item “Cost of sales”.

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

	December 31,		
	2014	2013	2012
Provision for impairment at January 1,	(1,177)	(1,183)	(1,489)
Provision for receivables impairment	(690)	—	(209)
Receivables written off during the year	—	14	—
Unused amounts reversed during the year following collection of the receivable	—	—	535
Exchange differences	(270)	(8)	(20)
Provision for impairment at December 31,	(2,137)	(1,177)	(1,183)

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

	December 31,		
	2014	2013	2012
Europe	1,526	5,340	316
New Caledonia	1,046	1,337	865
Africa	6,084	6,270	9,805
South America	6,713	7,722	29,775
Australia	4,934	5,269	7,555
Canada	3,879	4,526	6,615
Trade receivables, net	24,182	30,464	54,931

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.

The 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.

The impairment of receivables relates to various 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 receivables mentioned above.

As at December 31, 2014, trade receivables of US\$ 1,299 thousand (US\$ 2,532 thousand in 2012 and US\$ 2,213 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 with 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,		
	2014	2013	2012
€, CFA Francs or CFP Francs (1)	6,621	8,100	7,496
Canadian dollars	4,384	4,690	8,073
Australian dollars	4,934	5,269	7,437
US dollars	681	22	2,168
Chilean Pesos	2,541	1,508	21,423
Brazilian Pesos	3,510	6,191	6,875
Russian Rubles	1,529	4,682	1,459
Trade receivables, net	24,182	34,464	54,931

(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,		
	2014	2013	2012
VAT / GST and other recoverable taxes	6,407	7,877	9,857
Prepaid expenses	2,120	2,396	4,666
Down payments / credit notes receivable	1,199	986	1,033
Other receivables	1,599	1,593	826
Other current receivables	11,324	12,853	16,381

Provisions for impairment of other current receivables is nil as at December 2014 (nil in 2013 and nil in 2012).

VAT / GST and other recoverable taxes mainly comprise tax receivables in African countries. There is no indication that these amounts will not be recovered.

The 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,		
	2014	2013	2012
€, CFA Francs or CFP Francs (1)	5,065	4,600	7,390
Canadian dollars	601	838	1,041
Australian dollars	532	1,168	1,954
Chilean Pesos	990	1,834	1,863
Russian Rubles	1,525	955	1,240
Brazilian Reals	2,221	2,147	1,155
Other currencies	390	1,311	1,738
Other current receivables, gross	11,324	12,853	16,381

(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,		
	2014	2013	2012
Cash at bank and in hand	18,323	26,605	21,898
Short-term bank deposits	4,902	10,921	13,999
Cash and cash equivalents	23,225	37,526	35,897

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, 2014 in thousands US\$
CIC	AUD 3 months fixed term deposit	Fixed	1,631
LCL	€ 1 month fixed term deposit	Fixed	2,419
Rosbank (Societe Generale Group)	RUB monetary marketable security	Fixed	852
Total			4,902

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

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,		
	2014	2013	2012
Foraco International share premium and retained earnings	143,181	154,258	135,433
Reserves of consolidated subsidiaries	55,750	57,119	84,249
Other reserves	(65,861)	(45,169)	(7,820)
Total consolidated reserves	133,070	166,208	211,862

Under French law, dividends can be paid only from the reserves of the parent company (Foraco International). As at December 31, 2014, the value of distributable reserves amounted to € 110,179 thousand (€ 108,838 thousand as at December 31, 2013 and € 98,755 thousand as at December 31, 2012).

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

Items included in other reserves can be analyzed as follows:

	December 31,		
	2014	2013	2012
Employee share-based compensation, net of tax	5,639	4,719	3,370
Use of treasury shares (Note 13)	(3,735)	(3,735)	(3,735)
Currency translation differences and net investment hedge, net of tax	(67,766)	(46,153)	(7,455)
Other reserves	(65,861)	(45,169)	(7,820)

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 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, 2014, the Company owns 677,499 of its own shares (1,107,498 as at December 31, 2013 and 724,898 as at December 31, 2012).

Equity Incentive Plan ("Free Share Plan")

In 2007 and 2010, the Group implemented free share plans. Between 2007 and 2011, 2,776,000 free shares were granted of which 1,035,000 were vested.

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, 2012	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
Treasury shares transferred in connection with equity incentive plan (vested shares)	430,000	—	194
As at December 31, 2014	89,274,300	1,772	95,030

As at December 31, 2014, 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 *	1,096,754
Common shares held by the Company	677,499
Common shares held by the public	50,583,047
Total common shares and warrants issued and outstanding	89,951,799
Common shares held by the Company	(677,499)
Total common shares and warrants issued and outstanding net of treasury shares	89,274,300

* 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

During 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. As at December 31, 2013, 89,951,798 shares were issued, among which 1,107,498 common shares were held by the Company. As at December 31, 2014, 89,951,798 were issued, among which 677,499 common shares were held by the Company.

14. BORROWINGS

Financial debt consists of the following:

	December 31,		
	2014	2013	2012
Non-current			
Other bank financings	60,357	63,074	56,305
Finance lease obligations	503	1,482	5,427
Bank overdrafts	48,452	4,000	—
	109,312	68,556	61,733
Current			
Bank overdrafts	2,842	47,658	26,115
Obligation under assignment of trade receivables	2,251	1,207	13,026
Other bank financings	3,864	21,674	18,043
Finance lease obligations	1,096	3,655	10,117
	10,053	74,194	67,301

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

The Chilean subsidiary of the Group transferred receivable balances amounting to US\$ 2,251 thousand to banks in exchange for cash as at December 31, 2014 (US\$ 1,207 thousand in 2013 and US\$ 13,026 thousand in 2012). These transactions were accounted for as an assignment of trade receivables with recourse (or collateralized borrowing). In the event that the entities default under the assignment agreement, the 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, 2014, the maturity of financial debt can be analyzed as follows:

Maturity in thousands of USD	Credit Lines	January 1, 2015 and December, 31 2015	January 1, 2016 and December, 31 2016	January 1, 2017 and December, 31 2017	January 1, 2018 and December, 31 2018	January 1, 2019 and December, 31 2019	Total
Drawn credit lines rolled over on a yearly basis	5,093	—	—	—	—	—	5,093
- Drawn credit lines rolled over confirmed for at least 12 months	48,452	—	—	—	—	—	48,452
- Brazil acquisition	—	—	—	3,890	3,890	3,890	11,669
- Australia acquisition	—	—	6,078	6,078	6,078	6,078	24,310
- Acquisition of fixed assets	—	3,864	4,966	8,695	6,741	3,976	28,242
- Acquisition of fixed assets through capital leases	—	1,096	264	180	60	-	1,599
Total	53,545	4,960	11,307	18,842	16,768	13,943	119,365

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,		
	2014	2013	2012
€	88,748	108,624	85,773
Canadian dollars	8,079	11,215	9,792
Australian dollars	915	820	800
US dollars	12,000	8,000	—
Chilean Pesos	5,659	9,219	25,281
Russian Rubles	128	705	1,464
Brazilian Real	3,837	4,168	5,924
Total financial debt	119,365	142,751	129,034

As previously mentioned, an agreement was reached with French lenders, principally focusing on the period until the fourth quarter of 2016, and primarily consisting of securing the roll-over of short-term credit facilities, securing bank guarantees lines. The main benefit was the postponement of € 24.8 million (US\$ 30.1 million) of installments due in connection with long term debts by 24 months through increasing the duration of these debts.

As part of this agreement, a new covenant related to acquisition loans at December 31, 2015 was agreed, the margins on short term loans will increase by 20 bps and an excess cash flow clause was included. Additionally, the Company committed not to pay dividends before October 31, 2016.

Credit facilities which do not require confirmation within 12 months are presented within long-term financing. The Company has used and unused short-term credit facilities amounting to US\$ 68.9 million out of which US\$ 53.5 million was drawn down as of December 31, 2014.

These facilities are granted individually by various banks, mainly in France, Chile, Brazil, Australia and Canada. They are generally granted on a yearly basis and are subject to review at certain dates.

Total financial debts include collateralized borrowings of US\$ 3.8 million:

- Obligations under assignment of receivables for US\$2,251 thousand have been secured for an equivalent amount by receivables that have been transferred; and
- Finance lease obligations amounting to US\$1,599 thousand have been secured by related leased assets.

15. CONSIDERATION PAYABLE RELATED TO ACQUISITIONS

As at December 31, 2014, 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\$ 528 thousand.

In 2013, as outlined in Note 7, the present value of the cash consideration payable for the second step of the acquisition of Servitec was revised for an amount of US\$ 27.0 million.

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 deferred tax assets and liabilities recorded as at December 31, 2014, 2013 and 2012 are as follows:

	December 31,		
	2014	2013	2012
Assets			
Pension obligations	484	103	160
Property and equipment depreciation differences	3,073	897	1,351
Losses carried forward	13,326	13,164	2,107
Tax deductible goodwill	8,303	11,969	15,891
Other tax temporary differences	1,684	2,153	3,602
Total	26,870	28,286	23,111
<i>To be recovered after 12 months</i>	<i>26,870</i>	<i>22,457</i>	<i>17,334</i>
<i>To be recovered within 12 months</i>	<i>—</i>	<i>5,829</i>	<i>5,777</i>

	December 31,		
	2014	2013	2012
Liabilities			
Finance leases	(1,329)	(2,978)	(3,888)
Property and equipment depreciation differences	(177)	(1,082)	(1,336)
Revenue recognition	(259)	(723)	(675)
Other tax temporary differences	(1,832)	(481)	(2,857)
Total	(3,598)	(5,264)	(8,756)
<i>To be recovered after 12 months</i>	<i>(3,598)</i>	<i>(3,509)</i>	<i>(6,567)</i>
<i>To be recovered within 12 months</i>	<i>—</i>	<i>(1,755)</i>	<i>(2,189)</i>

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

	December 31,		
	2014	2013	2012
Beginning of the year	23,022	14,355	4,008
Acquisition of subsidiary	—	—	12,530
(Charged)/Credited to the statement of income	3,118	9,960	(2,163)
Exchange differences	(2,868)	(1,293)	(20)
End of the year	23,272	23,022	14,355

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, 2014, US\$ 12,529 thousand (2013 - US\$ 7,215 thousand, 2012 – US\$ 3,107 thousand) in tax losses carried forward are not recognized.

17. PROVISIONS

Provisions comprise of the following elements:

	Pension & Retirement Indemnities Provision	Provision for tax uncertainty	Claims & Other Provisions	Total
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

	Pension & Retirement Indemnities Provision	Provision for tax uncertainty	Claims & 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

	Pension & Retirement Indemnities Provision	Provision for tax uncertainty	Claims & Other Provisions	Total
At January 1, 2014	457	953	454	1,864
Charged to income statement:				
— Additional provisions	60	88	2,364	2,512
— Unused amounts reversed	(56)	—	—	(56)
Used during year	(17)	—	—	(17)
Exchange differences	(42)	(162)	(78)	(282)
Reclassifications	—	309	(309)	—
At December 31, 2014	402	1,188	2,431	4,021

The analysis of total provisions is as follows:

	December 31,		
	2014	2013	2012
Current	401	457	914
Non-current (retirement and litigation)	3,620	1,407	871
Provisions	4,021	1,864	1,785

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.

In 2013, JND's former shareholders 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\$ 3.3 million). A defense was filed with the Supreme Court of South Australia on April 22, 2014. The outcome of this claim is expected in 2015. The Company is confident in its position that no earn-out is due and accordingly, no provision has been recorded.

A certain number of claims have been filed by former employees of the Brazilian subsidiary. These claims may result in a cash outflow for the Company. Given the uncertainty surrounding such claims, an amount of US\$ 2,364 thousand has been provided for.

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

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,		
	2014	2013	2012
Discount rate	1.55%	2.8%	2.8%
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,		
	2014	2013	2012
Trade payables	11,073	12,039	24,791
Social security and other taxes	8,422	11,520	17,471
VAT / GST and other tax payable	2,913	3,278	5,269
Down payments from customers	3,090	3,631	5,781
Deferred income	148	469	16
Other miscellaneous payable	506	795	135
Trade and other payables	26,152	31,732	53,463

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,		
	2014	2013	2012
€, CFA Francs or CFP Francs (1)	10,520	11,261	8,589
Canadian dollars	3,571	3,654	5,036
Australian dollars	1,894	3,627	6,204
US dollars	1,614	2,977	1,636
Chilean Pesos & UF	2,897	3,947	21,936
Russian Rubles	2,317	1,786	992
Brazilian Reals	2,459	3,112	5,061
Other currencies	880	1,368	4,009
Trade and other payables	26,152	31,732	53,463

(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,		
	2014	2013	2012
Depreciation, amortization and impairment charges	30,810	38,303	36,540
Provision increase/(reversal)	3,132	(3)	251
Raw materials, consumables used, and other external costs	90,897	124,698	158,227
Employee benefit expense	79,920	112,103	138,479
Other tax expense	1,185	1,967	2,408
Other operating expense/(income), net	(2,902)	(27,096)	(13,375)
Total of operating expenses	203,042	249,972	322,530
<i>Number of employees (unaudited)</i>	<i>1,683</i>	<i>1,697</i>	<i>3,349</i>

21. OTHER OPERATING INCOME (EXPENSE), NET

In 2012, the Company acquired a 51% shareholding in Servitec. As part of this transaction, the Company had the option to acquire, and the former minority shareholders had the option to sell, the remaining 49% after three years. The corresponding purchase consideration which is recorded under the line item

“Consideration payable related to acquisitions” and which applies to the minority shareholders who did not waive their put option, depended on the 2012, 2013 and 2014 EBITDA of the company and its net cash as at December 31, 2014.

The consideration payable has been adjusted in each period based on the latest financial data available and estimates made at each closing. In accordance with IFRS 3, the adjustment is accounted for within other operating income.

Additionally within other income and expenses is the provision recorded during the period regarding claims from former employees of the Brazilian subsidiary mainly related to prior periods, including prior to its acquisition, as disclosed in Note 17 for an amount of US\$ 2,363 thousand.

	December 31,		
	2014	2013	2012
Other operating income	2,902	27,020	13,302
Other operating expense	(2,363)	—	—
Other operating income (expense), net	539	27,020	13,302

22. 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,		
	2014	2013	2012
512,000 free common shares in 2007	—	—	—
424,000 free common shares in 2008	—	—	47
531,000 free common shares in 2009	—	46	45
500,000 free common shares in 2010	119	160	333
809,000 free common shares in 2011	413	854	983
804,000 free common shares in 2012	555	643	158
775,000 free common shares in 2014	28	—	—
Total of non-cash share-based compensation expenses	1,114	1,703	1,566

Movements in the number of free shares and warrants outstanding 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)	—
Granted in 2014	775,000	—
Vested in 2014	(430,000)	—
Forfeited in 2014	(16,000)	—
Outstanding as at December 31, 2014	1,338,000	—

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

	December 31,		
	2014	2013	2012
2012	—	—	—
2013	—	—	502,000
2014	—	414,000	426,000
2015	263,000	263,000	309,000
2016	532,000	332,000	541,000
2018	543,000	—	—
Free shares outstanding	1,338,000	1,009,000	1,778,000

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 the grant date, the Group will amortize over the corresponding vesting period the fair value of the free common shares granted to employees. There are no performance conditions under the Group's equity incentive plan.

The main provisions of this share plan are as follows:

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

Third Free Share plan

FIRST TRANCHE AWARDED IN 2014

- Grant date August 2014
 - Number of free shares issued 775,000
 - 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\$ 0.50
 - Anticipated turnover..... 10%
- Total fair value of the plan Can\$ 271 thousand

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

The impact of this non-cash share-based compensation is presented within "Cost of sales" 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 25).

23. FINANCE INCOME AND FINANCIAL EXPENSE

Financial income and expense consists of the following:

	December 31,		
	2014	2013	2012
Interest expense	(5,006)	(4,598)	(4,374)
Gains on short term deposits	363	235	218
Other	(90)	(191)	(474)
Finance costs	(4,732)	(4,554)	(4,630)

24. INCOME TAX EXPENSE

The income tax rate applicable in France is 33.33% in 2014 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,		
	2014	2013	2012
Current tax	(281)	(2,703)	(5,579)
Deferred tax	3,118	9,960	(2,163)
Total	2,837	7,257	(7,742)

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,		
	2014	2013	2012
Income / (loss) before taxes and share of profit from associates	(22,249)	(6,769)	40,359
Tax calculated at French tax rate (33.33% for 2014)	(7,416)	(2,256)	13,453
Impact of the adjustment of the consideration payable for the second phase of the acquisition of Servitec	(967)	(9,544)	(4,434)
Effect of different tax rates in different countries	(138)	2,212	2,602
Tax provision (see Note 19)	(243)	(300)	—
Share-based payment expense	373	568	522
Expenses not deductible for tax purposes	240	280	382
Unrecognized deferred tax assets	5,314	6,208	421
Total	(2,837)	(7,257)	7,742

25. 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 Group by the weighted average number of ordinary shares issued during the year excluding shares purchased by the Group and held as treasury shares. The Group has also issued certain dilutive equity instruments under its free share plans (see Note 13 and 22).

	December 31,		
	2014	2013	2012
Profit / (loss) attributable to equity holders of the Company in thousands of US\$	(16,155)	(1,508)	27,130
Weighted average number of ordinary shares in issue before dilution	88,361,300	87,839,347	81,849,841
Basic earnings per share (US cents per share)	(18.28)	(1.71)	33.15
Weighted average number of ordinary shares in issue after dilution (1)	88,706,918	87,735,153	82,987,554
Diluted earnings per share (US cents per share)	(18.28)	(1.71)	32.69

(1) Reflect the effect of free shares issued and outstanding at each reporting period end (see Note 22). 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.

In previous periods, the Company reported certain information on the face of the condensed consolidated income statement, so as to include the impact of the put and call option regarding Servitec, as described in Note 10. Indeed, in accordance with IFRS, the Company recorded a legal obligation as a liability in its balance sheet, and also the related non-controlling interest in the income statement. This presentation is no longer deemed necessary as the put and call option has been waived. The recognition of the non-controlling interest continues to apply, but the liability is no longer recognized.

26. DIVIDENDS PER SHARE

On March 31, 2015, the Board of Directors proposed that no dividends are paid out in 2014 (nil for 2013 and € 0.055 for 2012), this decision is yet to be approved by shareholders at the Company's Annual General Meeting on May 5, 2015.

27. COMMITMENTS AND CONTINGENCIES

The guarantees given are the following:

	December 31,		
	2014	2013	2012
Bid bonds	410	1,111	364
Advance payment guarantees and performance guarantees	11,589	12,796	19,013
Retention guarantees	1,698	1,295	1,319
Financial guarantees	16,496	13,346	2,113
Total	30,193	28,548	22,809

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 € 215 thousand for 2014. This lease will end in 2015 representing a total remaining commitment amounting to € 215 thousand.

Other operating lease commitments for future periods are not material as at December 31, 2014, 2013 and 2012.

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.

28. RELATED PARTY TRANSACTIONS

As at December 31, 2014, 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).

Key management compensation is as follows:

In thousands €	Wages, attendance fees and bonuses	Share-based payment expense	Other benefits	Total
Key management	1,380	—	—	1,380
Board of Directors members other than key management	60	—	—	60
Year ended December 31, 2014	1,440	—	—	1,440
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

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

During the year, the Group paid lease rental amounting to € 215 thousand to a related party (€ 212 thousand in 2013 and € 200 thousand in 2012).

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

29. EVENTS AFTER THE BALANCE SHEET DATE

On February 12, 2015, an agreement was reached with the lenders representing all of Foraco International's and its French subsidiaries' debts, resulting in the postponement of certain installments due in connection with long term debts and in the securing of the roll-over of short-term credit facilities and bank guarantee lines.

30. CONSOLIDATED SUBSIDIARIES

As at December 31, 2014, 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%
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%
Foraco Mexico SA	Mexico	100%
Eastern Drilling Company Llc	Russia	50%
Foraco Kazakhstan	Kazakhstan	100%
Foraco Servitec S.A.	Brazil	63%
Foraco Holding Participações Ltda	Brazil	100%
Foraco UK	England	100%
Foraco Singapore	Singapore	100%

SHAREHOLDER INFORMATION

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Jean-Pierre Charmensat
Bruno Chabas
Warren Holmes
Jorge Hurtado

Transfer Agent

Computershare Trust Company of Canada
510 Burrard Street
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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 5, 2015 @ 10:00am
26 Plage de L'Estaque
13016 Marseille, France

Investor Contact

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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 industry. We practice a fluid bottom-up-top-down communication.

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