INTEGRITY. INNOVATION. INVOLVEMENT.

FORACO INTERNATIONAL

2016 ANNUAL REPORT

WORLD LEADING MINERAL & WATER DRILLING SERVICE PROVIDER

INTEGRITY INNOVATION INVOLVEMENT

For over 50 years, Foraco International SA (TSX:FAR) has been providing mineral and water drilling services around the world. We continue to operate in 22 countries with best in class equipment and an innovative and versatile workforce who are dedicated in their field. It is Foraco's international drilling expertise that allows us to tailor drilling solutions to our customers' needs without compromising quality and service delivery.

Mining customers have come to depend on Foraco's diverse range of drilling services during challenging market conditions that demand efficiency across all levels of operations. Many of these productivity and quality enhancements have direct application in our hydro business, where we proudly drill for water in rural communities and in mining environments.

DIAMOND CORE

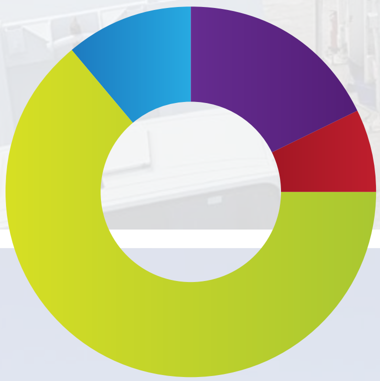
- Surface
- Underground
- Deep Directional Drilling
- Air Core

ROTARY

- Reverse Circulation
- Down-the-Hole Hammer
- Rotary Air Blast
- Large Diameter Bulk Sampling

Scientific Diamond Drilling – France

FAR activity by mine stage 2016



Wireline Core Drilling – Australia

VALUE BASED SERVICE DELIVERY

SAFETY AND CUSTOMER FIRST CULTURE

Foraco customers are loyal customers. They recognize the value that comes from peace of mind and a personal approach to doing business with Foraco. They know we don't compromise on safe work or service quality in-spite of challenging market conditions that impact all stakeholders – which has strengthened relationships even further.

More than ever, we collaborate between regions where we continue to deploy the best people and know-how in the business – wherever they are needed.

DRILLING IS OUR BUSINESS
PEOPLE AND TECHNOLOGY

Technical innovations and the best people in the business continue to set Foraco apart from the pack. In 2015, we successfully developed and deployed our first fully wireless remote controlled reverse circulation drill rig, allowing us to remove the crew from the drill and potential harm, without compromising drilling performance – True Innovation.

We have developed industry-leading wireless remote drilling technology for reverse circulation drilling and large diameter dewatering packages complete with mechanized road handling.


Australia


Brazil


Canada


Africa

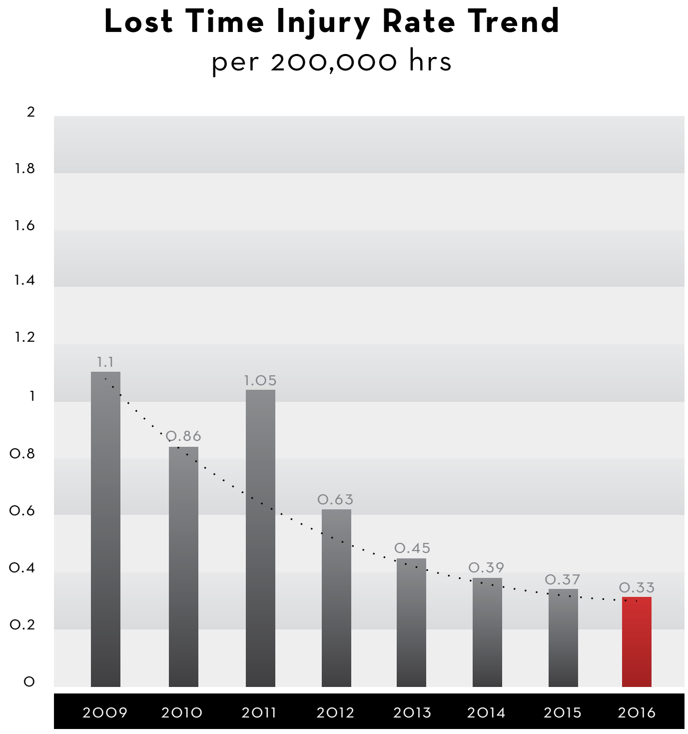

Chile

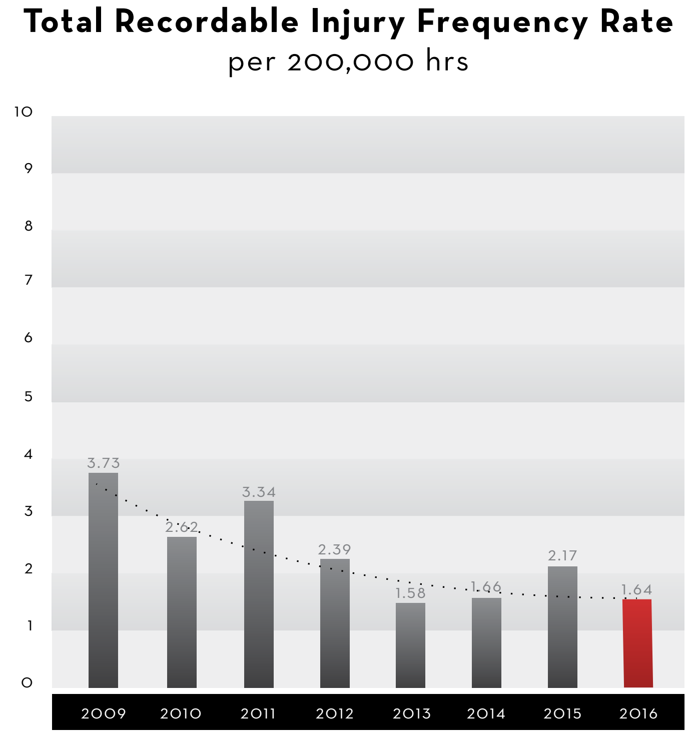

France


New Caledonia


Russia


USA





Safety Training – Africa

FINANCIAL HIGHLIGHTS

In US$ Million	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual
Revenue	367.5	247.8	185.5	137.7	115.2
EBITDA	83.1	37.8	14.4	18.1	7.0
EBITDA %	22.6%	15.3%	7.8%	13.1%	6.1%
Number of Rigs	308	303	302	302	302
Employees	3,349	2,304	1,863	1,562	1,536

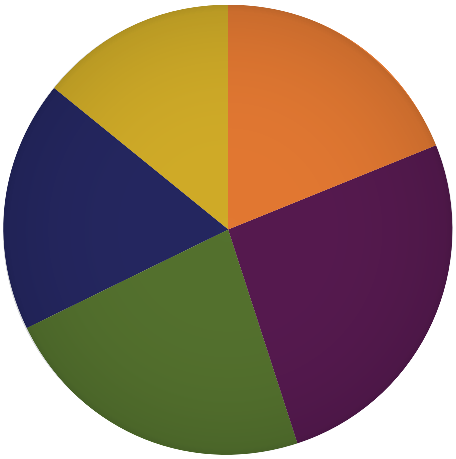
Positive EBITDA from more than 20 years and through the downturns

SUCCESSFUL DEBT RENEGOTIATION WAS COMPLETED IN 2017

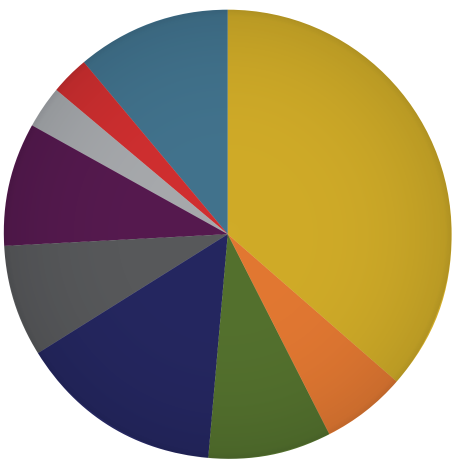
In US$ Million	As Per FY 2016 Financial Statements	Post Reorganization
Short Term	78,271	12,072
Long Term	31,270	97,469*
	109,541	**109,541**

* of which US$ 91 million over 5 years

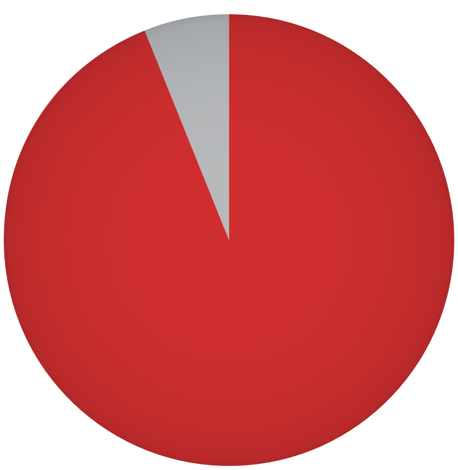
REGION, COMMODITY & CUSTOMER BASE



- 19% Africa
- 26% South America
- 23% North America
- 18% Asia Pacific
- 14% Europe



- 11% Water
- 37% Gold
- 6% Diamonds
- 9% Copper
- 15% Iron
- 8% Nickel
- 8% Coal (+CSG)
- 3% Phosphate
- 3% Solution Mining



- 94% Majors and Multinational Institutions
- 6% Juniors

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

Late last year, there were early signs of a recovery in metal prices. This improvement, however, followed yet another decline in global exploration activity for the fifth consecutive year. In March 2017, the SNL Metals & Mining Group published its worldwide exploration survey, which reported a drop in exploration spending in 2016 of 21% year over year, compared to 19% in 2015. SNL also estimated that the mining industry's total budget for nonferrous metals exploration was US$6.89 billion in 2016 compared to US$9.2 billion in 2015, US$11.4 billion in 2014, and US$15.2 billion in 2013, and a mere 32% of the record US$21.5 billion spent in 2012.

It would appear that 2016 will mark the bottom of the cycle as the International Monetary Fund (IMF) metal price index increased 33.2% during the year compared to a contraction of 29.3% in 2015, led by gold, iron ore, coal, and zinc. However, this long-awaited positive change did not impact our 2016 results. While metal prices recovered from historical lows, the timing was such that mining and exploration companies did not increase exploration budgets or reinstate deferred drilling programs in 2016. Accordingly, we prepared for a further reduction in activity and another difficult year. Our 2016 revenue was US$115.2 million compared to US$137.7 million in 2015, a decline of 16%, with regional results as follows.

Revenue in South America was stable at US$30.0 million for the full year in 2016 (US$31.4 million in 2015), with the majority of the revenue coming from Brazil.

Revenue in North America amounted to US$26.1 million for 2016 compared to US$29.6 million in 2015, down 12%. Although this is one of the most competitive markets for drilling services globally, our performance in the region was supported by several secure long-term contracts.

In EMEA, revenue decreased by 14% from US$44.9 million for the full year in 2015 to US$38.6 million in 2016, due to lower demand for drilling services in Russia and the completion of several large-scale drinking water supply projects by our water division in Africa. However, we remain well positioned in terms of infrastructure, rigs, and key personnel throughout the region.

The Asia-Pacific region generated revenues of US$20.4 million in 2016, a decline of 36% due to cuts to drilling programs throughout the region, but mainly in iron ore. The Australian market remains highly competitive which helps drive innovation. For example, we have developed industry-leading wireless remote drilling technology for reverse circulation drilling and large-diameter dewatering packages complete with mechanized rod handling. These solutions have been fully deployed despite the challenging market conditions.

As a result, gross profit for 2016, which takes into account the depreciation included in cost of sales, stood at US$4.5 million compared to US$11.6 million in 2015. The decline was mainly due to lower levels of activity and continued pricing pressure in a challenging environment.

Working capital requirement was also significantly affected by the timing of operations and increased payment terms for certain customers.

Capital expenditure for the year was again strictly limited to operational needs for work in progress, and amounted to US$6.5 million in 2016 compared to US$9.1 million in 2015. In terms of drilling equipment, two second-hand rigs were acquired in connection with new contracts and to replace obsolete equipment that was retired from service. The total rig count remained unchanged at 302.

Our free cash flow amounted to a negative US$10.9 million in 2016 compared with a positive US$3.7 million in 2015. As a result, our net debt increased to US$103.3 million, requiring a new round of negotiations with our lenders.

Last year we reported that an agreement had been reached with our French lenders regarding debt renegotiation. As part of this agreement, Foraco and its French lenders resumed discussions in June 2016, and these were ongoing through early 2017. On March 2, 2017, we reported that a new agreement had been reached with new and existing lenders, relating to the terms of the reorganization of our financing. The agreement, which was signed on March 17, provides for an injection of new money in the amount of €23 million (US$24 million) in the form of secured bonds, with a 5-year term, including an €18 million (US$19 million) tranche available immediately, subject to satisfaction of the customary conditions precedent. The agreement with our lenders notably provides for the postponement of installments on most of our existing long-term financing, with the issuance of 5-year subordinated bonds to be held by the new lenders for an amount of €82 million (US$86.4 million). As part of the agreement reached with our existing lenders, new bank guarantees will be granted, representing €12.7 million (US$13.5 million).

The cost of our debt, including interest on the bonds, will represent an average effective interest rate of approximately 5% in 2017. No equity-dilutive instruments will be issued as part of this agreement.

We are pleased that we have been able to secure new financial resources, despite another challenging year for the industry. The entire Foraco team is now fully prepared to capitalize on the improved market conditions brought about by higher metal prices and the ability of our customers to finance their drilling needs.

Why the cautious optimism?

- Drilling provides information in terms of mineralization, structure, and water. This information is invaluable to our customers – especially to producing mines – and the drilling that provides this information cannot be deferred indefinitely.
- More junior companies are obtaining financing and starting to drill again, especially North American gold companies. We have also observed that drilling budgets have been reinstated for many of the major and mid-tier companies.
- Furthermore, the financial markets finally turned their positive attention to mining and mining-related stocks in 2016, and we closed the year at C$0.46, up 18 cents or 61% year over year.
- As an early predictor of improved market conditions, we can report an increase in bidding activity for 2017 compared to last year.

Looking ahead, we are well positioned for the future in terms of the necessary financial resources and thanks to our ongoing presence in all of the key mining markets globally. This will allow Foraco to recover, especially now that market conditions are improving. In addition, Foraco has managed to retain all of its management and technical operations teams who, with all Foraco employees, are committed to responding to the opportunities and (positive) challenges ahead and, in doing so, restoring Foraco to its position as one of the most profitable and proficient leaders of the mining and water drilling industry.

On behalf of our dedicated employees, senior management and Foraco's Board of Directors, 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, 2016, including the notes thereto. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS").

Except as 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, 2017.

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 and its ability to continue to benefit from the support of its French lenders. 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, 2017, 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
- 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 22 countries and 5 continents. On December 31, 2016, the Company had 1,536 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,** **2016**	**2015**
Revenue	**115,164**	**137,684**
Gross profit / (loss) (1)	**4,510**	**11,601**
As a percentage of sales	*3.9%*	*8.4%*
EBITDA (2)	**7,013**	**18,067**
As a percentage of sales	*6.1%*	*13.1%*
Operating profit / (loss)	**(14,365)**	**(6,675)**
As a percentage of sales	*-12.5%*	*-4.8%*
Profit / (loss) for the period	**(18,283)**	**(9,916)**
Attributable to:		
Equity holders of the Company	(18,014)	(9,686)
Non-controlling interests	(269)	(230)
EPS (in US cents)		
Basic	(19.88)	(10.76)
Diluted	(19.88)	(10.76)

(1) This line item includes amortization and depreciation expenses related to operations.

YEAR ENDED DECEMBER 31, 2016 – FY 2016

Revenue

- FY 2016 revenue amounted to US$ 115.2 million compared to US$ 137.7 million in FY 2015, a decrease of 16%. This decrease is mainly linked to the reduced activity in the first semester of 2016. During the second semester, the revenue decreased by 3% compared to last year.

Profitability

- FY 2016 gross margin including depreciation within cost of sales was US$ 4.5 million compared to US$ 11.6 million in FY 2015, this decrease can mainly be explained by the decrease in activity and continued pressure on prices in the current challenging environment.
- SG&A costs reduced by US$ 1.0 million between FY 2015 and FY 2016 as a result of certain additional savings.
- Capital expenditure was US$ 6.9 million in FY 2016 compared to US$ 9.8 million in FY 2015.

RESULTS OF OPERATIONS

Comparison of the year ended December 31, 2016 and December 31, 2015

Revenue

The following table provides a breakdown of the Company's revenue for FY 2016 and FY 2015 by reporting segment and geographic region:

(In thousands of US$) *(audited)*	**FY 2016**	**% change**	**FY 2015**
Reporting segment			
Mining	102,910	-14%	119,358
Water	12,254	-33%	18,326
Total revenue	***115,164***	***-16%***	***137,684***
Geographic region			
Europe, Middle East and Africa	38,602	-14%	44,943
South America	30,046	-4%	31,376
North America	26,115	-12%	29,619
Asia Pacific	20,401	-36%	31,746
Total revenue	***115,164***	***-16%***	***137,684***

FY 2016 revenue amounted to US$ 115.2 million compared to US$ 137.7 million in FY 2015.

In EMEA, revenue decreased by 14% (from US$ 44.9 million in FY 2015 to US$ 38.6 million in FY 2016) as a result of the decreased activity in Russia and in the Water segment in Africa, partially compensated by a higher level of activity in the Mining segment in Africa and in France.

Revenue in South America amounted to US$ 30.0 million in FY 2016 (US$ 31.4 million in FY 2015), a decrease of 4%. The increased activity in Brazil (+12% in local currency) was more than offset by the reduced activity in Chile and lack of activity in Argentina.

Revenue in North America was US$ 26.1 million compared to US$ 29.6 million, a decrease of 12% mainly due to the reduction of volumes and the postponement of certain ongoing contracts.

In Asia Pacific, FY 2016 revenue amounted to US$ 20.4 million, a decrease of 36% mainly due to the reduction of drilling programs in Australia and in New Caledonia.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for FY 2016 and FY 2015:

(In thousands of US$) *(audited)*	**FY 2016**	**% change**	**FY 2015**
Reporting segment			
Mining	4,201	-61%	10,792
Water	309	-62%	809
Total gross profit / (loss)	***4,510***	***-61%***	***11,601***

FY 2016 gross margin including depreciation within cost of sales was US$ 4.5 million compared to US$ 11.6 million in FY 2015, this decrease can mainly be explained by the decrease in activity and continued pressure on prices in the current challenging environment.

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 2016**	**% change**	**FY 2015**
Selling, general and administrative expenses	16,767	-6%	17,754

SG&A costs reduced by US$ 1.0 million between FY 2015 and FY 2016 as a result of certain additional savings.

Operating Result

The following table provides a breakdown of the Company's operating result for FY 2016 and FY 2015 by reporting segment:

(In thousands of US$) *(audited)*	**FY 2016**	**% change**	**FY 2015**
Reporting segment			
Mining	(12,723)	n/a	(5,036)
Water	(1,642)	n/a	(1,639)
Total operating profit / (loss)	***(14,365)***	***n/a***	***(6,675)***

The operating loss was US$ (14.4) million, compared to US$ (6.7) million in FY 2015 for the same reasons as stated above. The FY 2016 operating loss includes a US$ 0.9 million one-off cost linked to the settlement of the earn-out relating to the acquisition of JND in Australia.

Finance Costs

Net financial expenses amounted to US$ 3.8 million in FY 2016, compared to US$ 4.0 million for the corresponding period in 2015.

Income Tax

In FY 2016, the effective corporate income tax was a US$ 0.1 million loss (an effective tax rate of 0.5%) compared to a US$ 0.7 million profit in the same period last year. Certain deferred tax assets have not been recognized during the quarter given the Company's policy of recognizing deferred tax assets only when they can be used against taxable profit within a reasonable timeframe (generally 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. The first quarter tends to become weaker year on year, this trend being increasingly apparent in a context of restrictions in the budget of the Company's clients operating in the mining industry. In West Africa, most of the Company's operations are suspended between July and October due to the rainy season. In Canada, seasonal slow periods occur during the winter freeze and spring thaw or break-up periods. Depending on the latitude, this can occur anytime from October until late December (freezing) and from mid-April through to mid-June (break-up). Operations at mining sites continue throughout the year. Russia is also affected by the winter period during which operations are suspended. In Asia Pacific and in South America, where the Company operates exclusively in the Mining segment, a seasonal slowdown in activity occurs around year-end during the vacation period. Certain contracts are also affected in Chile in July and August when the winter season peaks.

EFFECT OF EXCHANGE RATES

The Company operates in a very large number of countries with functional currencies (Euros, Canadian Dollars, Australian Dollars, Chilean Pesos, Brazilian Reals and Russian Rubles) different than the US Dollar, the presentation currency of the Group. The significant variation of the US Dollar over the last quarters has had a substantial impact on the Company's financial statements. The impact of exchange rates on each significant line item of the income statement is reported above.

However, the Company mitigates its net 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:

	Average FY 2016	Average FY 2015	Closing Q4 2016	Closing Q4 2015
€	0.90	0.90	0.95	0.92
CAD	1.33	1.28	1.35	1.39
AUD	1.35	1.33	1.38	1.37
CLP	682	654	665	708
BRL	3.49	3.33	3.25	3.90
RUB	67.02	61.20	60.80	73.16

LIQUIDITY AND CAPITAL RESOURCES

The following table provides a summary of the Company's cash flows for FY 2016 and FY 2015:

(In thousands of US$)	**FY 2016**	**FY 2015**
Cash generated by / (used in) operations before working capital requirements	5,773	17,982
Working capital requirements	(5,756)	322
Interest and tax	(4,327)	(5,535)
Net cash flow generated by / (used in) operating activities	**(4,310)**	**12,769**
Purchase of equipment in cash	**(6,549)**	**(9,097)**
Free cash flow	**(10,859)**	**3,672**
Consideration payable related to acquisitions	—	(1,111)
Settlement of dispute	(934)	—
Debt variance	3,610	(5,786)
Dividends paid to minority shareholders in affiliates	(1,126)	—
Acquisition of treasury shares	(128)	(12)
Net cash generated / (used in) financing activities	**1,422**	**(6,901)**
Net cash variation	**(9,437)**	**(3,237)**
Foreign exchange differences	(930)	(3,417)
Variation in cash and cash equivalents	**(10,367)**	**(6,654)**

In FY 2016, the cash generated from operations before working capital requirements amounted to US$ 5.8 million compared to US$ 18.0 in FY 2015.

The net cash flow used in operating activities after working capital requirements, interest and tax, amounted to US$ 4.3 million. In FY 2015, the net cash flow generated from operating activities amounted to US$ 12.8 million.

The level of working capital requirements is significantly affected by the phasing of activity and the increased payment terms of certain clients.

During the year, Capex amounted to US$ 6.5 million in cash, compared to US$ 9.1 million in cash and US$ 0.4 million through capital leases in FY 2015. The total rig count remains unchanged at 302.

Free cash flow was US$ (10.9) million in FY 2016 compared to US$ 3.7 million in FY 2015.

As at December 31, 2016, cash and cash equivalents totaled US$ 6.2 million compared to US$ 16.6 million as at December 31, 2015. Cash and cash equivalents are mainly held at or invested within top tier financial institutions.

As at December 31, 2016, net debt amounted to US$ 103.3 million (US$ 89.3 million as at December 31, 2015). The positive cash generated by operations was more than offset by the working capital requirements and the Capex.

The Company has used and unused credit facilities amounting to US$ 57.3 million of which US$ 54.3 million was drawn down as of December 31, 2016.

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

Agreement Reached with Lenders

As at December 31, 2016, the Company obtained a waiver confirming the postponement of all installments due to its French lenders. Accordingly, the Company maintained the classification of current and non-current portion of long-term debt as at December 31, 2016, based on the initial terms of the bank agreements.

On February 28, 2017, the Company reached an agreement with new and existing lenders. The agreement which was formalized on March 17, 2017 (the "Agreement") allows (i) to provide for a new money injection of €23 million (US$ 24 million) in the form of bonds with a 5 year term, including €18 million (US$ 19 million) available at closing, and (ii) to postpone the installment of most of the Company's existing long-term financing also for a period of 5 years. This new debt arrangement includes standard covenants. Under the proposed structure, the cost of the debt will represent an average effective interest rate of approximately 5%. No dilutive instruments will be issued as part of these negotiations.

On March 30, 2017 the Board of Directors agreed to submit an extraordinary resolution to the next shareholders meeting to transfer shares of certain subsidiaries to a trust and to pledge other assets in favor of the lenders as per the terms of the Agreement.

Presented below is the maturity of the financial debts as at December 31, 2016 as well as the maturity of the financial debt as at December 31, 2016 as if the Agreement with lenders had been reached prior to year-end ("pro forma" column):

(In thousands of US$)	**December 31, 2016**	**December 31, 2016 Pro forma**
Credit lines	54,337	7,663
Long-term debt		
January 1, 2017 and December 31, 2017	23,934	4,409
January 1, 2018 and December 31, 2018	15,009	2,390
January 1, 2019 and December 31, 2019	13,643	2,215
January 1, 2020 and December 31, 2020	2,310	1,807
January 1, 2021 and December 31, 2021	308	308
January 1, 2022 and December 31, 2022		90,750
Total	**109,541**	**109,541**
Short term	78,271	12,072
Long term	31,270	97,469

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 and the agreement reached with lenders as described above, the Company believes that it will have adequate financial resources to continue in operation and meet its financial commitments for a period of at least twelve months.

Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements.

Impairment Testing

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, 2016. The Company performed impairment tests 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:

- 2017 to 2019 management business plan with an unchanged number of rigs as at December 31, 2016
- As of 2020:
- 8 year historical average of revenue per rig
- 8 year historical average of EBITDA margin adjusted for significant one-off events
- A discount rate of 9.7%
- The residual value takes into account 1% long term growth

These assumptions are therefore 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 2016, 2015 and 2014 the Group did not record any impairment charge.

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 of related-party transactions, please refer to Note 28 of the annual consolidated financial statements.

CAPITAL STOCK

As at December 31, 2016, 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	41.79%
Common shares held directly or indirectly by individuals in their capacity as members of the Board of Directors*	1,161,754	1.29%
Common shares held by the Company**	233,512	0.26%
Common shares held by the public	50,962,034	56.65%
Total common shares issued and outstanding	**89,951,798**	
Common shares held by the Company	(233,512)	
Total common shares issued and outstanding excluding shares held by the Company	**89,718,286**	

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

*** 233,512 common shares are held by the Company to meet the Company's obligations under the employee free share plan and for the purposes of potential acquisitions.*

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements have been prepared in accordance with IFRS. The Company's significant accounting policies are described in Note 2 to the 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.

Net debt of US$ 103,337 thousand corresponds to the current and non-current portions of borrowings amounting to US$ 109,541 thousand, net of cash and cash equivalents of US$ 6,204 thousand.

Reconciliation of the EBITDA is as follows:

(In thousands of US$) *(audited)*	**FY 2016**	**FY 2015**
Operating profit / (loss)	(14,365)	(6,676)
Depreciation expense	20,185	24,158
Non-cash employee share-based compensation	293	585
Settlement related to the 2012 acquisition in Australia	900	—
EBITDA	***7,013***	***18,067***

LITIGATION AND CLAIMS

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 were claiming an amount of AU$ 4 million (US$ 2.9 million). Since 2013, several legal proceedings have taken place. In early 2016, JND's former shareholders sought an agreement in order to terminate the costly procedures with an uncertain outcome. On April 8, 2016, the Company finally agreed on a settlement, motivated by the same financial drivers, the main condition being that the asset and liability guarantee obtained from the seller would still be applicable. Both parties agreed to a settlement amounting to $0.9 million which was recorded in Q1 and paid in June 2016.

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$ 1,428 thousand is provided for. In 2016, a charge amounting to US$ 1,209 thousand was recognized to take into account the amounts actually paid in recent settlements. Reported in other non-current assets is an amount of US$ 738 thousand corresponding to escrow accounts related to these claims.

SUBSEQUENT EVENTS

As previously described, on February 28, 2017, the Company reached an Agreement with its existing and new lenders. On March 17, 2017, the Company and the lenders executed the Agreement. On March 30, 2017, the Board of Directors agreed to submit an extraordinary resolution to the next shareholders meeting to transfer shares of certain subsidiaries to a trust and to pledge other assets in favor of the lenders as per the terms of the Agreement.

OUTLOOK

The Company's business strategy is to actively prepare for the next growth phase of the metallic commodities cycle in the best possible conditions through the development and optimization of its services offered across its range of geographical regions, industry sectors, commodities and customers. The Company expects it will execute its strategy primarily through organic growth in the near future.

As at December 31, 2016, the Company's order backlog for continuing operations was US$ 92.9 million of which US$ 72.9 million is expected to be executed during the FY 2017. 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, as well as the follow up of the negotiations with the existing banks and new lenders to reorganize the financing of the Company overall debt. The question of internal control over financial reporting is a core subject discussed by the Audit Committee. During 2016 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 2016 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 2016 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 2016, 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, receivables 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 2015, the Company updated its risk assessment which consisted of evaluating the likelihood and the magnitude of the risks to which it is exposed. In 2016, Management assessed that there was no substantial modification to the risk assessment performed in 2015. The conclusions were used to assess 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, 2016 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, 2016.

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, 2017, 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 audit of the consolidated financial statements

OUR OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of Foraco international SA (the Company) and its subsidiaries (the Group) as at December 31, 2016, its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at December 31, 2016,
- the consolidated income statement for the year then ended,
- the consolidated statement of comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended, and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in France. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements applicable in France.

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Key audit matter	How our audit addressed the key audit matter
GOING CONCERN	
We focused on this area because the Group relies on having sufficient funding to continue to operate and to develop its activities, and as disclosed in Note 4.2, because current economic conditions in mining services make forecasting of the Company's performance difficult. The assumption that the Group will continue to adopt the going concern basis in preparing its financial statements is based on Management's updated projections of financial resources which take into account (i) the Group's expected operating and financial performance going forward and (ii) the agreement reached with new and existing lenders providing new money injection and the postponement of the instalment of most of the existing long-term financing. At report date, as disclosed in Note 4.2, the Company and the lenders executed the agreement. The Board of Directors submitted an extraordinary resolution to transfer shares of certain subsidiaries to a trust. The approval of this resolution which will take place prior to the general meeting called to approve the 2016 consolidated financial statements, will trigger the release of the new cash injection. On this basis, Management remains confident in its assessment that it will have adequate financial resources to continue in operation and meet its financial commitments for at least 12 months from balance sheet date.	In assessing the appropriateness of the going concern assumption used in preparing the Group financial statements, our work included: ➤ reviewing the projected cash flow requirements over the next 12 months, based on budgets and forecasts, ➤ understanding and challenging the main assumptions underlying the budget forecasts, including forecasted expenditures and revenue already contracted, and what could be discretionary, ➤ reviewing the documentation regarding the debt renegotiation and the amended facilities available to the Group, ➤ assessing the likelihood of the release of the new cash. We found no inconsistencies with Management's assessment.
GOODWILL AND LONG-LIVED ASSETS	
As disclosed in Note 7, the current economic environment in mining services and the resulting financial performance of the Group were seen as indicators of potential impairment. Accordingly, the Company tested long-lived assets for impairment, notably using 2017 to 2019 management business plan, and assumptions for subsequent years, as further described in Note 7. Long-lived assets of the Group include $43.8m of Property and equipment and $86.4m of Goodwill. We focused on this area due to values involved and given judgements and assumptions management is required to make, especially given that current economic conditions in mining services make forecasting difficult.	We tested management's impairment review of Long-lived assets, including goodwill, and reviewed their assessment of impairment triggers. Our work included: ➤ comparing the assumptions used for the purpose of the impairment testing (i) with the Company's budget, (ii) with past performance and (iii) to other evidence of future intentions for the use of assets, ➤ assessing the consistency of the impairment review model with that used in prior years, ➤ challenging key assumptions, including discount rate and inflation, ➤ performing sensitivity analysis over key assumptions in the model in order to assess the potential impact of a range of possible outcomes. We found no inconsistencies and none of the items above resulted in a change to management's conclusion that no impairment was deemed necessary.

Responsibilities of management and those charged with governance 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 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Audit

PricewaterhouseCoopers

Marseille, France
March 31, 2017

TABLE OF CONTENTS

CONSOLIDATED BALANCE SHEET — ASSETS 22
CONSOLIDATED BALANCE SHEET — EQUITY & LIABILITIES 23
CONSOLIDATED INCOME STATEMENT — BY FUNCTION OF EXPENSE 24
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 25
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 26
CONSOLIDATED STATEMENT OF CASH FLOW 27
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 28
1. GENERAL INFORMATION 28
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 28
3. FINANCIAL RISK MANAGEMENT 34
4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS 37
5. SEGMENT INFORMATION 38
6. PROPERTY AND EQUIPMENT 40
7. GOODWILL 41
8. OTHER NON-CURRENT ASSETS 41
9. INVENTORIES 42
10. TRADE RECEIVABLES 42
11. OTHER CURRENT RECEIVABLES 43
12. CASH AND CASH EQUIVALENTS 44
13. EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS 44
14. BORROWINGS 45
15. CONSIDERATION PAYABLE RELATED TO ACQUISITIONS 46
16. DEFERRED INCOME TAX 47
17. PROVISIONS 48
18. RETIREMENT BENEFIT OBLIGATIONS 49
19. TRADE AND OTHER PAYABLES 49
20. EXPENSES BY NATURE 50
21. OTHER OPERATING INCOME (EXPENSE), NET 50
22. SHARE-BASED COMPENSATION 51
23. FINANCE INCOME AND FINANCIAL EXPENSE 53
24. INCOME TAX EXPENSE 53
25. EARNINGS PER SHARE 54
26. DIVIDENDS PER SHARE 54
27. COMMITMENTS AND CONTINGENCIES 54
28. RELATED-PARTY TRANSACTIONS 55
29. EVENTS AFTER THE BALANCE SHEET DATE 55
30. CONSOLIDATED SUBSIDIARIES 56

CONSOLIDATED BALANCE SHEET — ASSETS

In thousands of US$	Note	2016	2015	2014
ASSETS				
Non-current assets				
Property and equipment	(6)	43,756	54,075	75,647
Goodwill	(7)	86,401	77,239	100,612
Deferred income tax assets	(16)	26,750	25,854	26,870
Other non-current assets	(8)	1,228	1,038	927
		158,135	**158,206**	**204,056**
Current assets				
Inventories, net	(9)	30,691	28,295	35,683
Trade receivables, net	(10)	21,889	19,279	24,182
Other current receivables	(11)	13,215	11,532	11,324
Cash and cash equivalents	(12)	6,204	16,571	23,225
		71,999	**76,677**	**94,414**
Total assets		**230,134**	**233,883**	**298,470**

CONSOLIDATED BALANCE SHEET — EQUITY & LIABILITIES

In thousands of US$	Note	2016	2015	2014
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	(13)	1,772	1,772	1,772
Share premium and retained earnings	(13)	171,661	189,505	198,931
Other reserves	(13)	(87,248)	(97,879)	(65,861)
		86,185	**93,398**	**134,842**
Non-controlling interests		5,253	5,717	9,220
Total equity		**91,438**	**99,115**	**144,062**
LIABILITIES				
Non-current liabilities				
Borrowings – Non-current portion of long term debt	(14)	31,270	46,167	60,860
Borrowings – Non-current portion of drawn credit lines	(14)	—	—	48,452
Deferred income tax liabilities	(16)	1,953	3,026	3,598
Provisions for other liabilities and charges	(17)	332	361	401
		33,555	**49,554**	**113,311**
Current liabilities				
Trade and other payables	(19)	24,446	22,782	26,152
Current income tax liabilities		167	94	744
Borrowings – Current portion of long term debt	(14)	23,934	10,424	4,960
Borrowings – Current portion of drawn credit lines	(14)	54,337	49,239	5,093
Consideration payable related to acquisitions	(15)	—	—	528
Provisions for other liabilities and charges	(17)	2,258	2,675	3,620
Total current liabilities		**105,142**	**134,768**	**41,097**
Total equity and liabilities		**230,134**	**233,883**	**298,470**

CONSOLIDATED INCOME STATEMENT — BY FUNCTION OF EXPENSE

In thousands of US$	Note	2016	2015	2014
Revenue	(5)	115,164	137,684	185,525
Cost of sales	(20)	(110,654)	(126,083)	(178,432)
Gross Profit		**4,510**	**11,601**	**7,093**
Selling, general and administrative expenses	(20)	(16,767)	(17,754)	(25,148)
Other operating income / (expense), net	(21)	(2,109)	(522)	539
Operating profit / (loss)		**(14,366)**	**(6,675)**	**(17,516)**
Finance income	(23)	2,224	1,911	1,137
Finance expense	(23)	(6,049)	(5,890)	(5,870)
Profit / (loss) before income tax		**(18,191)**	**(10,654)**	**(22,249)**
Income tax profit / (expense)	(24)	(92)	738	2,837
Profit / (loss) for the year		**(18,283)**	**(9,916)**	**(19,412)**
Attributable to:				
Equity holders of the Company	(25)	(18,014)	(9,686)	(16,155)
Non-controlling interests		(269)	(230)	(3,257)
		(18,283)	**(9,916)**	**(19,412)**
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)	(20.13)	(10.76)	(18.28)
—diluted	(25)	(20.13)	(10.76)	(18.28)

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, 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**
Balance at January 1, 2015	**1,772**	**198,931**	**(65,861)**	**134,842**	**9,220**	**144,062**
Profit / (loss) for the year	—	(9,686)	—	(9,686)	(230)	(9,916)
Other comprehensive income for the year	—	—	(32,524)	(32,524)	(2,329)	(34,853)
Employee share-based compensation (Note 22)	—	—	586	586	—	586
Treasury shares-purchased	—	—	(12)	(12)	—	(12)
Acquisition of non-controlling interest in Servitec	—	192	—	192	(944)	(752)
Vesting of share-based compensation (Note 13)	—	68	(68)	—	—	—
Dividends declared relating to 2014	—	—	—	—	—	—
Balance at December 31, 2015	**1,772**	**189,505**	**(97,879)**	**93,398**	**5,717**	**99,115**
Balance at January 1, 2016	**1,772**	**189,505**	**(97,879)**	**93,398**	**5,717**	**99,115**
Profit / (loss) for the year	—	(18,014)	—	(18,014)	(269)	(18,283)
Other comprehensive income for the year	—	—	10,636	10,636	931	11,567
Employee share-based compensation (Note 22)	—	—	293	293	—	293
Treasury shares-purchased	—	—	(128)	(128)	—	(128)
Exercise of share-based compensation (Note 13)	—	170	(170)	—	—	—
Dividends declared relating to 2015	—	—	—	—	(1,126)	(1,126)
Balance at December 31, 2016	**1,772**	**171,661**	**(87,248)**	**86,185**	**5,253**	**91,438**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of US$	2016	2015	2014
Profit / (loss) for the year	**(18,283)**	**(9,916)**	**(19,412)**
Items that may be recycled subsequently to income statement:			
Currency translation differences	11,568	(34,853)	(26,449)
Total comprehensive (loss) / income for the year	**(6,715)**	**(44,769)**	**(45,861)**
Attributable to:			
Equity holders of the Company	(7,377)	(42,210)	(38,564)
Non-controlling interests	662	(2,559)	(7,297)

CONSOLIDATED STATEMENT OF CASH FLOW

In thousands of US$	Note	2016	2015	2014
Cash flows from operating activities				
Profit / (loss) for the year		**(18,283)**	**(9,916)**	**(19,412)**
Adjustments for:				
Depreciation, amortization and impairment	(20)	20,185	24,158	30,810
Changes in non-current portion of provisions and other liabilities		163	(759)	230
(Gain) Loss on sale and disposal of assets		(502)	673	410
Non-cash share-based compensation expenses	(22)	293	586	1,114
Income tax expense / (profit)	(24)	92	(738)	(2,837)
Finance income and expenses, net	(23)	3,825	3,979	4,732
Cash generated from operations before changes in operating assets and liabilities		**5,773**	**17,982**	**15,047**
Changes in operating assets and liabilities:				
Inventories		(2,512)	1,577	3,722
Trade accounts receivable and other receivable		(4,340)	1,049	4,245
Trade accounts payable and other payable		1,096	(2,304)	(2,057)
Cash generated from operations		**17**	**18,304**	**20,957**
Interest received / (paid)		(3,530)	(3,020)	(3,829)
Income tax paid		(797)	(2,515)	(2,103)
Net cash flow from operating activities		**(4,310)**	**12,769**	**15,025**
Cash flows from investing activities				
Purchase of Property and equipment and intangible assets (*)	(6)	(6,549)	(9,097)	(10,121)
Net cash used in investing activities		**(6,549)**	**(9,097)**	**(10,121)**
Cash flows from financing activities				
Acquisition of treasury shares	(13)	(128)	(12)	—
Settlement of dispute		(934)	—	—
Repayments of borrowings	(14)	(4,242)	(4,978)	(16,767)
Proceeds from issuance of borrowings, net of issuance costs	(14)	4,331	2,207	79
Net increase / (decrease) in bank overdrafts and short-term loans	(14)	3,521	(3,015)	680
Dividends paid to Company's shareholders	(26)	—	—	—
Dividends paid to non-controlling interests		(1,126)	—	(1,086)
Acquisition of non-controlling Interest in Servitec	(7)	—	(1,111)	(500)
Net cash generated by / (used in) financing activities		**1,422**	**(6,909)**	**(17,594)**
Exchange differences in cash and cash equivalents		(930)	(3,417)	(1,611)
Net increase / (decrease) in cash and cash equivalents		**(10,367)**	**(6,654)**	**(14,301)**
Cash and cash equivalents at beginning of the year	(12)	16,571	23,225	37,526
Cash and cash equivalents at the end of the year	(12)	**6,204**	**16,571**	**23,225**
(*) Excluding purchases financed through finance leases		*—*	*410*	*521*

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 30, 2017.

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 Company during the period with no material impact on the consolidated financial statements

- Annual improvement Cycle 2012-2014
- IFRS 14, Regulatory deferral accounts
- Amendment to IAS 16, Property, plant and equipment and IAS 38, Intangible assets on clarification of acceptable methods of depreciation and amortization
- Amendments to IAS 1, Presentation of financial statements. Disclosure initiative

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

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2016, but have not been early adopted by the Group:

- IFRS 9, Financial instruments - Classification of financial assets and financial liabilities (January 1, 2018)
- IFRS 15, Revenue from contracts with customers (January 1, 2018)
- IFRS 16, Leases (January 1, 2019)

The impact of 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.

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 recorded in 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 the 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, Russian Rubles and Chilean Pesos.

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

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

	Closing 2016	Closing 2015	Closing 2014	Average 2016	Average 2015	Average 2014
€	0.95	0.92	0.82	0.90	0.90	0.75
CAD	1.35	1.39	1.16	1.33	1.28	1.10
AUD	1.38	1.37	1.23	1.35	1.33	1.11
CLP	665	708	605	682	654	571
BRL	3.25	3.90	2.68	3.49	3.33	2.36
RUB	60.80	73.16	56.45	67.02	61.20	38.55

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, 2016	
Effect on revenue of a change	**+5%**	**-5%**
AUD $ / US$	923	(923)
BRL / US$	1,295	(1,295)
€ / US$	1,364	(1,364)
Canadian $ / US$	1,306	(1,306)
RUB / US$	663	(663)
CLP / US$	201	(201)

(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,		
	2016	**2015**	**2014**
Average amount of cash and cash equivalent over the year	**9,574**	**15,305**	**26,148**
Increase in financial income following a 5 b.p. increase	5	8	13
Decrease in financial income following a 5 b.p. decrease	(5)	(8)	(13)

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. No single customer accounted for more than 10% of the Group's sales during the year ended December 31, 2016 (no single customer accounted for more than 10% of the Group's sales during the year ended December 31, 2015 and one customer accounted for approximately 12% in 2014). No other single customer accounted for more than 10% of the Group's sales during the years ended December 31, 2014.

(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, 2016, the Group holds US$ 1,053 thousand of assets at fair value (US$ 5,233 thousand in 2015 and US$ 4,902 thousand in 2014). 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, 2016					
Assets as per balance sheet					
Trade and other receivables	35,104	—	—	—	**35,104**
Cash and cash equivalents	6,204	—	—	—	**6,204**
Total	**41,308**	**—**	**—**	**—**	**41,308**

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per balance sheet				
Borrowings	—	—	109,540	**109,540**
Trade and other payables	—	—	24,446	**24,446**
Total	**—**	**—**	**133,986**	**133,986**

	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available-for-sale	Total
December 31, 2015					
Assets as per balance sheet					
Trade and other receivables	30,811	—	—	—	**30,811**
Cash and cash equivalents	16,571	—	—	—	**16,571**
Total	**47,382**	**—**	**—**	**—**	**47,382**

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per balance sheet				
Borrowings	—	—	105,830	**105,830**
Trade and other payables	—	—	22,782	**22,782**
Total	**—**	**—**	**128,612**	**128,612**

	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**

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 and the agreement reached with lenders as described in the following paragraphs, the Company believes that it will have adequate financial resources to continue in operation and meet its financial commitments for a period of at least twelve months.

As at December 31, 2016, the Company obtained a waiver confirming the postponement of all installments due to French lenders as of February 28, 2017. Subsequently, this waiver was extended to March 18, 2017. Accordingly, the Company maintained the classification of current and non-current portion of long-term debt as at December 31, 2016 based on the initial terms of the bank agreements.

On February 28, 2017, the Company reached an agreement with new and existing lenders. The agreement which was formalized on March 17, 2017 (the "Agreement") allows (i) to provide for a new money injection of €23 million (US$ 24 million) in the form of bonds with a 5 year term, including €18 million (US$ 19 million) available at closing, and (ii) the postponement of the instalment of most of the Company's existing long-term financing also for a period of 5 years. This new debt arrangement includes standard covenants. Under the proposed structure, the cost of the debt will represent an average effective interest rate of approximately 5%. No dilutive instruments will be issued as part of these negotiations.

On March 30, 2017 the Board of Directors agreed to submit a resolution to the next extraordinary shareholders meeting to transfer shares of certain subsidiaries to a trust and to pledge other assets in favor of the lenders as per the terms of the Agreement. The approval of this resolution, which will take place prior to the general meeting called to approve the 2016 consolidated financial statements will trigger the release of the new cash injection. Accordingly, the Company remains confident in its assessment of going concern and continues to adopt the going concern basis in preparing its financial statement.

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, 2016, the Group has unrecognized deferred assets amounting to US$ 14,775 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, 2016, the goodwill is allocated to cash generating units corresponding to the following operating / geographical segments::

Mining activity – Africa	624
Water activity – Africa	1,597
Mining activity – North America.	8,450
Mining activity – Asia-Pacific	7,353
Mining activity – South America	64,422
Mining activity – Europe	3,956
Total goodwill as at December 31,	**86,401**

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 perform 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 2016, the Group used a 10% turnover assumption (in 2015 – 10% and 2014 – 10%) which is consistent with the Group's experience of employee departures.

Details of share-based compensation 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, 2016, 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, 2016, 2015 and 2014 was as follows:

Year ended December 31, 2016	Mining	Water	Group
Revenue	102,910	12,254	115,164
Gross profit	4,201	309	4,510
Operating profit / (loss)	(12,723)	(1,642)	(14,366)
Finance (costs) / profits	—	—	(3,825)
Profit / (loss) before income tax	—	—	**(18,191)**
Income tax (expense) / profit	—	—	(92)
Profit (loss) for the year	**—**	**—**	**(18,283)**

Year ended December 31, 2015	Mining	Water	Group
Revenue	119,358	18,326	137,684
Gross profit	10,792	809	11,601
Operating profit / (loss)	(5,036)	(1,639)	(6,675)
Finance (costs) / profits	—	—	(3,979)
Profit / (loss) before income tax	—	—	**(10,654)**
Income tax (expense) / profit	—	—	738
Profit for the year	**—**	**—**	**(9,916)**

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)**

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, 2016, 2015 and 2014:

		Year ended December 31,	
	2016	**2015**	**2014**
Europe, Middle East and Africa	38,602	44,943	46,989
South America	30,046	31,376	54,074
North America	26,115	29,619	48,022
Asia Pacific	20,401	31,746	36,440
Revenue	**115,164**	**137,684**	**185,525**

Revenue from external customers is 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.

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, 2014					
Opening net book amount	4,257	78,838	22,857	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**	**57,261**	**14,443**	**799**	**75,647**
Year ended December 31, 2015					
Opening net book amount	3,142	57,261	14,443	799	75,647
Additions	37	8,967	652	150	9,806
Exchange differences	(455)	(4,203)	(2,255)	(159)	(7,072)
Disposals or retirements	—	(96)	(56)	—	(152)
Depreciation charge	(312)	(18,572)	(4,974)	(296)	(24,154)
Closing net book amount at December 31, 2015	**2,412**	**43,357**	**7,810**	**494**	**54,075**
Year ended December 31, 2016					
Opening net book amount	2,412	43,357	7,810	494	54,075
Additions	133	6,104	585	127	6,949
Exchange differences	36	2,657	214	38	2,945
Disposals or retirements	(26)	(53)	(41)	-	(120)
Depreciation charge	(587)	(15,521)	(3,702)	(283)	(20,093)
Closing net book amount at December 31, 2016	**1,968**	**36,544**	**4,866**	**376**	**43,756**

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

			December 31,
	2016	**2015**	**2014**
Cost of sales	20,089	24,046	30,651
General and administrative expenses	96	112	159
Total depreciation and amortization	**20,185**	**24,158**	**30,810**

In 2016, 2015 and 2014 the Group did not record any impairment charge on Property and equipment.

7. GOODWILL

Goodwill can be analyzed as follows:

	2016	2015	2014
As at January 1,	**77,239**	**100,612**	**116,612**
Exchange differences	9,163	(23,373)	(16,000)
As at December 31,	**86,401**	**77,239**	**100,612**

Exchange differences mainly relate to the Brazilian currency with a positive impact of US$ 7.1 million on the goodwill at the end of the fiscal year.

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, 2016 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:

- 2017 to 2019 management business plan with an unchanged number of rigs as at December 31, 2016
- As of 2020:
  - 8 year historical average of revenue per rig
  - 8 year historical average of EBITDA margin adjusted for significant one-off events
- A discount rate of 9.7%
- The residual value takes into account 1% long term growth

These assumptions are therefore 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 2016, 2015 and 2014 the Group did not record any impairment charge.

A sensitivity analysis has been performed for each CGU. An increase of 1% of the discount rate and a decrease of 1% of the long term growth have no impact on the result of impairment tests.

8. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

			December 31,
	2016	2015	2014
Loans	59	69	69
Software	24	25	41
Investment in unconsolidated affiliates	82	33	36
Deposits and guarantees	1,000	871	750
Other non-current receivables	63	40	30
Other non-current assets	**1,228**	**1,038**	**927**

The investment in unconsolidated affiliates corresponds to the company "Minera Chimù" (Peru), in which the Company holds 31.77%.

9. INVENTORIES

Inventories consist of the following:

	December 31,		
	2016	2015	2014
Spare parts, gross	15,369	14,619	17,904
Consumables, gross	15,322	13,676	17,779
Inventories, net	**30,691**	**28,295**	**35,683**

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 2016 in the statement of income under the line item "Cost of sales" amounts to US$ 43 thousand (US$ 424 thousand in 2015 and US$ 1,074 thousand in 2014).

10. TRADE RECEIVABLES

Trade receivables, net, consist of the following:

	December 31,		
	2016	2015	2014
Trade receivable, gross	23,256	20,737	26,319
Less provision for impairment	(1,367)	(1,459)	(2,137)
Trade receivables, net	**21,889**	**19,279**	**24,182**

Impairment expense / (reversal) recognized in 2016 in the statement of income amounted to US$(40) thousand (in 2015 US$(489) and in 2014 US$ 690 thousand) under the line item "Selling, general and administrative expenses".

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

	December 31,		
	2016	2015	2014
Provision for impairment at January 1,	(1,459)	(2,137)	(1,177)
Provision for receivables impairment	(50)	—	(690)
Receivables written off during the year	—	—	—
Unused amounts reversed during the year following collection of the receivable	90	489	—
Exchange differences	52	189	(270)
Provision for impairment at December 31,	**(1,367)**	**(1,459)**	**(2,137)**

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

	December 31,		
	2016	2015	2014
Europe	2,422	650	1,526
New Caledonia	339	595	1,046
Africa	6,448	7,249	6,084
South America	5,119	3,327	6,713
Australia	4,378	4,788	4,934
Canada	3,183	2,670	3,879
Trade receivables, net	**21,889**	**19,279**	**24,182**

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, 2016, trade receivables of US$ 2,744 thousand (US$ 807 thousand in 2015 and US$ 1,299 thousand in 2014) 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,
	2016	2015	2014
€, CFA Francs or CFP Francs (1)	7,802	7,832	6,621
Canadian dollars	3,155	2,637	4,384
Australian dollars	4,378	4,788	4,934
US dollars	28	45	681
Chilean Pesos	1,345	1,448	2,541
Brazilian Reals	3,775	1,585	3,510
Russian Rubles	1,406	944	1,529
Trade receivables, net	**21,889**	**19,279**	**24,182**

(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,
	2016	2015	2014
VAT / GST and other recoverable taxes	7,230	6,726	6,407
Prepaid expenses	3,909	2,622	2,120
Down payments / credit notes receivable	436	899	1,199
Other receivables	1,640	1,285	1,599
Other current receivables	**13,215**	**11,532**	**11,324**

Provisions for impairment of other current receivables is nil as at December 2016 (nil in 2015 and nil in 2014).

VAT / GST and other recoverable taxes mainly comprise tax receivables in African countries and Brazil. 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,
	2016	2015	2014
€, CFA Francs or CFP Francs (1)	6,008	6,646	5,065
Canadian dollars	1,046	727	601
Australian dollars	599	788	532
Chilean Pesos	947	872	990
Russian Rubles	454	206	1,525
Brazilian Reals	3,281	1,828	2,221
Other currencies	880	304	390
Other current receivables, gross	**13,215**	**11,532**	**11,324**

(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,		
	2016	2015	2014
Cash at bank and in hand	5,151	11,338	18,323
Short-term bank deposits	1,053	5,233	4,902
Cash and cash equivalents	**6,204**	**16,571**	**23,225**

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

Financial institution	Type	Index	Fair value as a December 31, 2016 in thousands US$
VTB	US$ monetary marketable security	Fixed	246
Rosbank (Societe Generale Group)	RUB monetary marketable security	Fixed	807
Total			**1,053**

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,		
	2016	2015	2014
Foraco International share premium and retained earnings	118,691	123,998	143,181
Reserves of consolidated subsidiaries	52,970	65,508	55,750
Other reserves	(87,248)	(97,879)	(65,861)
Total consolidated reserves	**84,413**	**91,627**	**133,070**

Under French law, dividends can be paid only from the reserves of the parent company (Foraco International). As at December 31, 2016, the value of distributable reserves amounted to € 110,775 thousand (€ 113,773 thousand as at December 31, 2015 and € 110,179 thousand as at December 31, 2014).

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,		
	2016	2015	2014
Employee share-based compensation, net of tax	6,378	6,213	5,639
Use of treasury shares	(3,973)	(3,803)	(3,735)
Currency translation differences and net investment hedge, net of tax	(89,653)	(100,289)	(67,766)
Other reserves	**(87,248)**	**(97,879)**	**(65,861)**

Treasury Shares Transactions over the Periods Presented

The Company filed a notice on September 22, 2015, in respect of an additional NCIB with the TSX. The Company was entitled to purchase up to 1,000,000 additional common shares. Under this plan, the Company purchased 257,204 at an average purchase price of 0.35.

The Company filed a notice on October 4, 2016, in respect of an additional NCIB with the TSX. The Company was entitled to purchase up to 1,000,000 additional common shares. Under this plan, the Company purchased 59,809 at an average price of 0.40.

As at December 31, 2016, the Company owns 233,512 of its own shares (502,879 as at December 31, 2015 and 677,499 as at December 31, 2014).

Equity Incentive Plan ("Free Share Plan")

In 2007, 2010, 2013 and 2016, the Group implemented free share plans. Between 2007 and 2016, 5,922,000 free shares were granted of which 3,038,000 were vested and 895,000 were forfeited.

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, 2014	**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**
Acquisition of treasury shares	(88,380)	—	—
Treasury shares transferred in connection with equity incentive plan (vested shares)	263,000	—	68
As at December 31, 2015	**89,448,919**	**1,772**	**95,098**
Acquisition of treasury shares	(228,633)	—	—
Treasury shares transferred in connection with equity incentive plan (vested shares)	498,000	—	170
As at December 31, 2016	**89,718,286**	**1,772**	**95,238**

As at December 31, 2016, 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 *	1,161,754
Common shares held by the Company	233,512
Common shares held by the public	50,962,034
Total common shares and warrants issued and outstanding	**89,951,798**
Common shares held by the Company	(233,512)
Total common shares and warrants issued and outstanding net of treasury shares	**89,718,286**

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

14. BORROWINGS

Financial debt consists of the following as at year-end:

		December 31,	
	2016	2015	2014
Non-current			
Other bank financings	31,041	45,836	60,357
Finance lease obligations	229	331	503
Bank overdrafts	—	—	48,452
	31,270	**46,167**	**109,312**
Current			
Bank overdrafts	53,794	48,982	2,842
Obligation under assignment of trade receivables	543	257	2,251
Other bank financings	23,634	10,146	3,864
Finance lease obligations	300	278	1,096
	78,271	**59,663**	**10,053**

The Chilean subsidiary of the Group transferred receivable balances amounting to US$ 543 thousand to banks in exchange for cash as at December 31, 2016 (US$ 257 thousand as at December 31, 2015 and US$ 2,252 thousand in 2014). 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.

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

			December 31,
	2016	**2015**	**2014**
€	80,343	82,595	88,748
Canadian dollars	13,641	7,462	8,079
Australian dollars	325	1,167	915
US dollars	12,397	8,000	12,000
Chilean Pesos	543	5,357	5,659
Russian Rubles	—	3	128
Brazilian Real	2,291	1,246	3,837
Total financial debt	**109,541**	**105,830**	**119,365**

As disclosed in note 4.2, the Company reached an agreement with its lenders, and the Board of Directors agreed to submit a resolution to the next extraordinary shareholders meeting to transfer shares of certain subsidiaries to a trust and to pledge other assets in favor of the lenders as per the terms of the agreement.

Presented below is the maturity of the financial debts as at December 31, 2016 as well as the maturity of the financial debt as at December 31, 2016 as if the agreement with lenders had been reached prior to year-end ("pro forma" column):

(In thousands of US$)	**December 31, 2016**	**December 31, 2016 Pro forma**
Credit lines	54,337	7,663
Long-term debt		
January 1, 2017 and December 31, 2017	23,934	4,409
January 1, 2018 and December 31, 2018	15,009	2,390
January 1, 2019 and December 31, 2019	13,643	2,215
January 1, 2020 and December 31, 2020	2,310	1,807
January 1, 2021 and December 31, 2021	308	308
January 1, 2022 and December 31, 2022		90,750
Total	**109,541**	**109,541**
Short term	78,271	12,072
Long term	31,270	97,469

15. CONSIDERATION PAYABLE RELATED TO ACQUISITIONS

As at December 31, 2015 and 2016, there was no 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.

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, 2016, 2015 and 2014 are as follows:

	December 31,		
	2016	2015	2014
Assets			
Pension obligations	216	190	484
Property and equipment depreciation differences	1,471	2,167	3,073
Losses carried forward	19,371	16,922	13,326
Tax deductible goodwill	4,671	5,308	8,303
Other tax temporary differences	1,021	1,268	1,684
Total	**26,750**	**25,854**	**26,870**
To be recovered after 12 months	*26,750*	*25,854*	*26,870*
To be recovered within 12 months	—	—	—
Liabilities			
Finance leases	(514)	(824)	(1,329)
Property and equipment depreciation differences	—	(75)	(177)
Revenue recognition	(322)	(335)	(259)
Other tax temporary differences	(1,117)	(1,792)	(1,832)
Total	**(1,953)**	**(3,026)**	**(3,598)**
To be recovered after 12 months	*(1,953)*	*(3,026)*	*(3,598)*
To be recovered within 12 months	—	—	—

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

	December 31,		
	2016	2015	2014
Beginning of the year	22,828	23,272	23,022
(Charged)/Credited to the statement of income	1,073	2,755	3,118
Exchange differences	895	(3,199)	(2,868)
End of the year	**24,796**	**22,828**	**23,272**

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, 2016, US$ 14,775 thousand (2015 – US$ 13,670 thousand and 2014 - US$ 12,529 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, 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	**401**	**1,188**	**2,431**	**4,021**
At January 1, 2015	**401**	**1,188**	**2,431**	**4,021**
Charged to income statement:				
— Additional provisions	69	—	801	870
— Unused amounts reversed	(53)	—	(111)	(165)
Used during year	(11)	(58)	(722)	(792)
Exchange differences	(45)	(85)	(769)	(899)
At December 31, 2015	**361**	**1,045**	**1,630**	**3,036**
At January 1, 2016	**361**	**1,045**	**1,630**	**3,036**
Charged to income statement:				
— Additional provisions	25	—	1,209	1,234
— Unused amounts reversed	—	(220)	—	(220)
Used during year	(18)	—	(1,714)	(1,732)
Exchange differences	(35)	4	303	272
At December 31, 2016	**333**	**829**	**1,428**	**2,590**

The analysis of total provisions is as follows:

			December 31,
	2016	**2015**	**2014**
Current	2,258	2,675	3,620
Non-current (retirement and litigation)	332	361	401
Provisions	**2,590**	**3,036**	**4,021**

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.

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$ 1,428 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,		
	2016	**2015**	**2014**
Discount rate	1.22%	1.68%	1.55%
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,		
	2016	**2015**	**2014**
Trade payables	11,458	10,185	11,073
Social security and other taxes	6,583	5,992	8,422
VAT / GST and other tax payable	3,144	3,663	2,913
Down payments from customers	1,073	1,471	3,090
Deferred income	233	200	148
Other miscellaneous payable	1,955	1,271	506
Trade and other payables	**24,446**	**22,782**	**26,152**

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

Trade and other payables are denominated in the following currencies:

	December 31,		
	2016	**2015**	**2014**
€, CFA Francs or CFP Francs (1)	9,727	9,730	10,520
Canadian dollars	2,706	2,078	3,571
Australian dollars	2,414	1,964	1,894
US dollars	1,905	1,548	1,614
Chilean Pesos & UF	1,848	1,763	2,897
Russian Rubles	1,168	1,786	2,317
Brazilian Reals	3,854	3,138	2,459
Other currencies	825	775	880
Trade and other payables	**24,446**	**22,782**	**26,152**

(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,		
	2016	2015	2014
Depreciation, amortization and impairment charges	20,185	24,158	30,810
Provision increase/(reversal)	(897)	(591)	3,132
Raw materials, consumables used, and other external costs	57,071	61,900	90,897
Employee benefit expense	52,209	59,419	79,920
Other tax expense	1,107	1,113	1,185
Other operating expense/(income), net	(145)	(1,639)	(2,902)
Total of operating expenses	**129,529**	**144,359**	**203,042**
Number of employees (unaudited)	*1,536*	*1,497*	*1,683*

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 was 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 was accounted for within other operating income. During 2015, the final payment of the second tranche was made to the former shareholders of Servitec.

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$ 1,209 thousand (US$ 691 for the year ended December 31, 2015 and US$ 2,363 for the year ended December 31, 2014).

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. Following several legal proceedings, in April 2016, the Company finally agreed on a settlement to terminate the costly procedures which had an uncertain outcome. The settlement amounting to US$ 900 thousand was recorded in the first quarter of 2016 and paid in June 2016.

	December 31,		
	2016	2015	2014
Other operating income	—	169	2,902
Other operating expense	(2,109)	(691)	(2,363)
Other operating income (expense), net	**(2,109)**	**(522)**	**539**

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,
	2016	2015	2014
512,000 free common shares in 2007	—	—	—
424,000 free common shares in 2008	—	—	—
531,000 free common shares in 2009	—	—	—
500,000 free common shares in 2010	—	—	119
809,000 free common shares in 2011	—	257	413
804,000 free common shares in 2012	192	252	555
Nil in 2013	—	—	—
775,000 free common shares in 2014	59	68	28
765,000 free common shares in 2015	28	9	—
827,000 free common shares in 2016	14	—	—
Total of non-cash share-based compensation expenses	**293**	**586**	**1,114**

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)	—
Granted in 2015	765,000	—
Vested in 2015	(263,000)	—
Forfeited in 2015	(86,000)	—
Granted in 2016	827,000	—
Vested in 2016	(498,000)	—
Forfeited in 2016	(99,000)	—
	1,989,000	**–**

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

	December 31,		
	2016	2015	2014
2012	—	—	—
2013	—	—	—
2014	—	—	—
2015	—	—	263,000
2016	—	467,000	532,000
2017	210,000	197,000	—
2018	751,000	527,000	543,000
2019	514,000	568,000	—
2020	514,000	—	—
Free shares outstanding	**1,989,000**	**1,759,000**	**1,338,000**

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 these share plans are as follows:

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

SECOND TRANCHE AWARDED IN 2015

- Grant date .... August 2015
- Number of free shares issued 765,000
- 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$ 0.22
- Anticipated turnover 10%

Total fair value of the plan .... Can$ 114 thousand

THIRD TRANCHE AWARDED IN 2016

- Grant date .... August 2016
- Number of free shares issued 827,000
- 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$ 0.40
- Anticipated turnover 10%

Total fair value of the plan .... Can$ 229 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,		
	2016	**2015**	**2014**
Interest expense	(4,379)	(4,273)	(5,006)
Gains on short term deposits	266	309	363
Other	287	(16)	(90)
Finance costs	**(3,825)**	**(3,979)**	**(4,732)**

24. INCOME TAX EXPENSE

The income tax rate applicable in France is 33.33% in 2016 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,		
	2016	**2015**	**2014**
Current tax	(1,165)	(2,016)	(281)
Deferred tax	1,073	2,755	3,118
Total	**(92)**	**738**	**2,837**

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,		
	2016	**2015**	**2014**
Income / (loss) before taxes and share of profit from associates	**(18,191)**	**(10,654)**	**(22,249)**
Tax calculated at French tax rate (33.33% for 2016)	(6,063)	(3,552)	(7,416)
Tax impact of the adjustment of the consideration payable for the second phase of the acquisition of Servitec	—	—	(967)
Effect of different tax rates in different countries	148	679	(138)
Tax provision (see Note 19)	—	—	(243)
Share-based payment expense	98	195	373
Expenses not deductible for tax purposes	260	200	240
Unrecognized deferred tax assets	5,649	1,740	5,314
Total	**92**	**(738)**	**(2,837)**

25. EARNINGS PER SHARE

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,
	2016	**2015**	**2014**
Profit / (loss) attributable to equity holders of the Company in thousands of US$	**(18,014)**	**(9,686)**	**(16,155)**
Weighted average number of ordinary shares in issue before dilution	89,492,984	89,342,143	88,361,300
Basic earnings per share (US cents per share)	**(20.13)**	**(10.76)**	**(18.28)**
Weighted average number of ordinary shares in issue after dilution *(1)*	90,592,697	90,057,033	88,706,918
Diluted earnings per share (US cents per share)	**(20.13)**	**(10.76)**	**(18.28)**

(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. 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.

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

26. DIVIDENDS PER SHARE

On April 18, 2017, the Board of Directors proposed that no dividends are paid out in 2016 (nil in 2015 and 2014), this decision is yet to be approved by shareholders at the Company's Annual General Meeting on May 3, 2017.

27. COMMITMENTS AND CONTINGENCIES

The guarantees given are the following:

			December 31,
	2016	**2015**	**2014**
Bid bonds	74	241	410
Advance payment guarantees and performance guarantees	2,960	5,988	11,589
Retention guarantees	1,552	1,620	1,698
Financial guarantees	13,303	15,098	16,496
Total	**17,889**	**22,947**	**30,193**

The Group entered into an operating lease with a related party in respect of its premises in Lunel for a term of nine years with an annual rent of € 218 thousand for 2016. This lease will end in 2026 representing a total remaining commitment amounting to € 2,203 thousand.

Other operating lease commitments for future periods are not material as at December 31, 2016, 2015 and 2014.

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, 2016, 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	1,042	—	—	1,042
Board of Directors members other than key management	60	—	—	60
Year ended December 31, 2016	**1,102**	**—**	**—**	**1,102**
Key management	1,189	—	—	1,189
Board of Directors members other than key management	60	—	—	60
Year ended December 31, 2015	**1,249**	**—**	**—**	**1,249**
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**

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

During the year, the Group paid lease rental amounting to € 218 thousand to a related party (€ 215 thousand in 2015 and € 215 thousand in 2014).

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

29. EVENTS AFTER THE BALANCE SHEET DATE

As previously described, on February 28, 2017, the Company reached an Agreement with its existing and new lenders. On March 17, 2017, the Company and the lenders executed the Agreement. On March 30, 2017, the Board of Directors agreed to submit an extraordinary resolution to the next shareholders meeting to transfer shares of certain subsidiaries to a trust and to pledge other assets in favor of the lenders as per the terms of the Agreement.

30. CONSOLIDATED SUBSIDIARIES

As at December 31, 2016, 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 Sondagem S.A.	Brazil	73%
Foraco Holding Participações Ltda	Brazil	100%
Foraco UK	England	100%
Foraco Singapore	Singapore	100%

NOTES

NOTES

SHAREHOLDER INFORMATION

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Legal Counsel

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Market Data

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

Annual General Meeting

May 3, 2017 @ 10:00am
26 Plage de L'Estaque
13016 Marseille, France

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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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