FORACO INTERNATIONAL S.A.

Unaudited Condensed Interim Consolidated Financial Statements

Three-month and six-month periods ended June 30, 2019

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Unaudited condensed interim consolidated balance sheet - Assets

in thousands of US$	Note	June 30, 2019	December 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	(5)	37,613	31,821
Goodwill	(6)	79,699	78,229
Deferred income tax assets		28,369	28,477
Other non-current assets		1,334	1,068
		147,015	**139,595**
Current assets			
Inventories, net	(7)	34,535	32,932
Trade receivables, net		36,359	31,853
Other current assets		9,415	11,547
Cash and cash equivalents		10,384	11,088
		90,693	**87,420**
Total assets		**237,708**	**227,015**

Unaudited condensed interim consolidated balance sheet – Equity and Liabilities

in thousands of US$	Note	June 30, 2019	December 31, 2018
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		1,772	1,772
Share premium and retained earnings		147,092	150,474
Other reserves		(114,750)	(114,478)
		34,114	**37,768**
Non-controlling interests		4,693	3,026
Total equity		**38,807**	**40,794**
LIABILITIES			
Non-current liabilities			
Borrowings - Non-current portion of long term debt	(8)	133,668	131,863
Lease obligations - Non current portion	(8)	2,918	-
Deferred income tax liabilities		2,781	2,870
Provisions for other liabilities and charges	(9)	446	388
Current liabilities			
Trade payables		24,071	22,361
Other payables		22,013	17,095
Current income tax liabilities		1,571	1,540
Borrowings - Current portion of long term debt	(8)	3,088	2,740
Borrowings - Current portion of drawn credit lines	(8)	6,915	6,900
Lease obligations - Current portion	(8)	1,062	-
Provisions for other liabilities and charges	(9)	369	465
Total liabilities		**198,902**	**186,222**
Total equity and liabilities		**237,708**	**227,015**
Net debt excluding operating lease obligations under IFRS 16		133,287	130,415

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

Unaudited condensed interim consolidated income statement

In thousands of US$	Note	Three-month period ended June 30, 2019	Three-month period ended June 30, 2018	Six-month period ended June 30, 2019	Six-month period ended June 30, 2018
Revenue	(4)	54,093	45,694	99,295	85,701
Cost of sales	(11)	(45,627)	(39,512)	(86,592)	(76,548)
Gross profit		**8,466**	**6,182**	**12,703**	**9,153**
Selling, general and administrative expenses	(11)	(5,487)	(5,138)	(10,650)	(10,309)
Other operating income / (expense), net		-	-	-	-
Operating profit / (loss)		**2,979**	**1,044**	**2,053**	**(1,156)**
Finance costs		(1,934)	(2,109)	(4,202)	(4,098)
Profit / (loss) before income tax		**1,045**	**(1,065)**	**(2,149)**	**(5,254)**
Income tax (expense) / profit	(12)	246	(401)	(493)	(886)
Profit / (loss) for the period		**1,291**	**(1,466)**	**(2,642)**	**(6,140)**
Attributable to:					
Equity holders of the Company		597	(1,782)	(3,382)	(5,946)
Non-controlling interests		694	316	740	(194)
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in US cents per share):					
- basic	(15)	0.66	(1.99)	(3.77)	(6.63)
- diluted	(15)	0.64	(1.99)	(3.77)	(6.63)

Unaudited condensed interim 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	Total	Non-controlling interests	Total Equity
Balance at January 1, 2018	**1,772**	**160,980**	**(97,902)**	**64,850**	**4,297**	**69,147**
Profit / (loss) for the period	-	(5,946)	-	(5,946)	(194)	(6,140)
Currency translation differences	-	-	(13,043)	(13,043)	(337)	(13,380)
Employee share-based compensation	-	-	89	89	-	89
Treasury shares purchased (see Note 10)	-	-	(50)	(50)	-	(50)
Dividend paid to non controlling interests	-	-	-	-	-	-
Balance at June 30, 2018	**1,772**	**155,034**	**(110,906)**	**45,900**	**3,766**	**49,666**
Balance at January 1, 2019	**1,772**	**150,474**	**(114,478)**	**37,768**	**3,026**	**40,794**
Profit / (loss) for the period	-	(3,382)	-	(3,382)	740	(2,642)
Currency translation differences	-	-	(348)	(348)	927	579
Employee share-based compensation	-	-	90	90	-	90
Exercise of share-based compensation	-	-	-	-	-	-
Treasury shares purchased (see Note 10)	-	-	(14)	(14)	-	(14)
Dividend paid to non controlling interests	-	-	-	-	-	-
Balance at June 30, 2019	**1,772**	**147,092**	**(114,750)**	**34,114**	**4,693**	**38,807**

Unaudited statement of comprehensive income

in thousands of US$	Six month period ended June 30, 2019	Six month period ended June 30, 2018
Net profit / (loss) for the period	(2,642)	(6,140)
Currency translation differences	579	(13,380)
Total comprehensive loss for the period	**(2,063)**	**(19,520)**
Attributable to:		
Equity holders of the Company	*(3,730)*	*(18,989)*
Non-controlling interests	*1,667*	*(531)*

Unaudited condensed interim consolidated cash flow statement

in thousands of US$	Six month ended June 30, 2019	Six month ended June 30, 2018
Profit / (loss) for the period	**(2,642)**	**(6,140)**
Adjustments for:		
- Depreciation, amortization and impairment (see Note 11)	8,645	8,519
- Non-cash changes in provisions and considerations payable	-	112
- (Gain) / loss on sale and disposal of assets	-	-
- Share-based compensation expenses (see Note 11)	90	89
- Income tax expenses / (profit) (see Note 12)	493	886
- Finance costs, net	4,202	4,098
Cash generated from operations before changes in operating assets and liabilities	**10,788**	**7,564**
Changes in operating assets and liabilities:		
- Inventories	(1,011)	(1,139)
- Trade accounts receivable and other receivables	(4,056)	(5,278)
- Trade accounts payable and other payables	4,893	2,048
Cash generated from / (used in) operations	**10,614**	**3,195**
- Interest paid, net	(1,707)	(1,914)
- Income tax paid	(1,540)	(536)
Net cash flow from / (used in) operating activities	**7,367**	**745**
Purchase of property, plant and equipment (*)	(5,736)	(5,823)
Net cash generated from / (used in) investing activities	**(5,736)**	**(5,823)**
Proceeds from issuance of borrowings, net of issuance costs	641	-
Proceeds from issuance of bonds, net of issuance costs	-	3,038
Repayments of borrowings	(1,260)	(1,367)
Repayments of lease obligations	(408)	-
Proceeds from / (repayment of) short term credit facilities	(540)	968
Acquisition of treasury shares (see Note 10)	(14)	(50)
Dividends paid to non-controlling interests	-	-
Net cash generated from / (used in) financing activities	**(1,581)**	**2,589**
Exchange differences on cash and cash equivalents	(755)	(728)
Net increase / (decrease) in cash and cash equivalents	**(705)**	**(3,217)**
Cash and cash equivalents at beginning of the period	11,089	14,575
Cash and cash equivalents at end of the period	**10,384**	**11,358**
(*) Excluding acquisition financed through leases	*None*	*None*

Selected notes to the unaudited condensed interim consolidated financial statements

1. Basis of preparation

These unaudited condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. All material intercompany balances have been eliminated. Because all the disclosures required by IFRS are not included, these interim statements should be read in conjunction with the audited financial statements of Foraco International S.A. and its subsidiaries ("Foraco" or the "Company") for the year ended December 31, 2018.

Except when otherwise stated, all amounts are presented in thousands of US$, which is the presentation currency of the Company.

2. Selected notes on critical accounting policies and new accounting pronouncements

2.1. Accounting policies

The accounting policies have been consistently applied with those of the annual financial statements for the year ended December 31, 2018 except for the following: during the year, the income tax expense is recognized based on Management's best estimate of the average annual income tax rate expected for the full financial year on a tax jurisdiction by tax jurisdiction basis. In the last quarter of each fiscal year, Management determines the effective income tax rate for the full year based on the anticipated actual tax returns to be filed and the effective contribution of each tax jurisdiction to the consolidated financial statements.

2.2. Seasonal fluctuations

The worldwide presence of the Company reduces its overall exposure to seasonality and its influence on business activity, the first quarter being the weakest. In West Africa, most of the Company's operations are suspended between July and October due to the rainy season. In Canada, seasonal slow periods occur during the winter freeze and spring thaw or break-up periods. Depending on the latitude, this can occur anytime from October until late December (freezing) and from mid-April through to mid-June (break-up). Operations at mining sites continue throughout the year. Russia is also affected by the winter period during which operations are suspended. In Asia Pacific and in South America, where the Company operates exclusively in the Mining segment, a seasonal slowdown in activity occurs around year-end during the vacation period. Certain contracts are also affected in Chile in July and August when the winter season peaks.

2.3. Going concern

Going concern is assessed based on internal forecasts and projections that take into account the trend in the business in which the Company operates and its capacity to address the market and deliver its services. On the basis of the above, the Company believes that it will have adequate financial resources to continue in operation for a period of at least twelve months. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements.

As part of the May 2017 debt reorganization, certain key financial covenants were set including minimum cash, leverage ratio and limitation to capital expenditure. In December 2018, a new set of covenants applicable to the year 2019 was agreed with the lenders. As at June 30, 2019, the Company met its covenants. Nothing indicates that the Company will not respect its covenants going forward within the next 12 month period.

2.4. Impairment testing

As at December 31, 2018, the Company performed impairment tests at the level of each geographic region using the carrying value of the Company's long lived assets based on expected discounted cash flows method. Based on the internal forecasts and projections made, the expected discounted future cash flows exceeded each of the long-lived asset's carrying amount for each geographic region and accordingly no impairment was recognized as at December 31, 2018.

Based on the current activity trend, the Company considers that there is no triggering event which would justify an impairment testing as at June 30, 2019.

2.5. Deferred tax valuation allowance

The Company's policy is to recognize deferred tax assets only when they can be recovered within a reasonable timeframe. As a general rule, the Company recognizes deferred tax assets only when they can be used against taxable profit generally within five years or when available tax opportunities exist. On this basis, the Company has adopted a partial recognition based approach and has recorded certain valuation allowances.

2.6. New accounting pronouncements

Standards, amendments and interpretations to existing standards that were adopted by the Company during the period

- IFRS 16, Leases (January 1, 2019)
- Amendments to IAS 19
- Annual improvement 2014 – 2016; amendments to IFRS 3, IFRS 11, IAS 23 and IAS 12.

The adoption of IFRS 16 resulted in the recognition on rights-of-use assets and lease obligations of US$ 4.4 million as at January 1, 2019. The Company applied the simplified transition method, where the cumulative effect of initially applying the Standard is recognized at the date of initial application.

The application of the other standards and amendments has not had any material impact on the consolidated financial statements.

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

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2020, but have not been early adopted by the Group:

- Annual improvement 2015 – 2017: modifications to IFRS 9 Financial instruments and IFRS 16 Leases

The application of the new amendments is not expected to have a material impact on the consolidated financial statements.

3. Financial risk management

The Company is exposed to a variety of financial risks through its activity, including: liquidity risk, currency risk, cash transfer restriction, interest rate / re-investment risk, financial counter-party risk and credit risk.

A significant portion of the cash flows of the Company are denominated in Canadian Dollars, Euros, Australian Dollars, Brazilian Real, Chilean Pesos, Russian Rubbles and US Dollars. The financial performance and position as reported in US$ are dependent on the fluctuations of the US$ against the other mentioned currencies of the Group.

4. Segment information

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

Three-month period ended	Mining June 30, 2019	Mining June 30, 2018	Water June 30, 2019	Water June 30, 2018	Group June 30, 2019	Group June 30, 2018
Revenue	52,189	44,696	1,904	998	54,093	45,694
Gross profit / (loss)	8,186	6,440	280	(258)	8,466	6,182
Operating profit / (loss)	2,892	1,414	87	(370)	2,979	1,044
Finance costs	n/a	n/a	n/a	n/a	(1,934)	(2,109)
Profit / (Loss) before income tax	n/a	n/a	n/a	n/a	**1,045**	**(1,065)**
Income tax profit / (expense)	n/a	n/a	n/a	n/a	246	(401)
Profit / (Loss) for the period	n/a	n/a	n/a	n/a	**1,291**	**(1,466)**

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

Six-month period ended	Mining June 30, 2019	Mining June 30, 2018	Water June 30, 2019	Water June 30, 2018	Group June 30, 2019	Group June 30, 2018
Revenue	95,844	83,089	3,451	2,612	99,295	85,701
Gross profit / (loss)	12,263	9,114	440	39	12,703	9,153
Operating profit / (loss)	1,983	(567)	70	(589)	2,053	(1,156)
Finance costs	n/a	n/a	n/a	n/a	(4,202)	(4,098)
Profit / (Loss) before income tax	n/a	n/a	n/a	n/a	**(2,149)**	**(5,254)**
Income tax profit / (expense)	n/a	n/a	n/a	n/a	(493)	(886)
Profit / (Loss) for the period	n/a	n/a	n/a	n/a	**(2,642)**	**(6,140)**

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

Three-month period ended	June 30, 2019	June 30, 2018
Europe, Middle East and Africa	15,936	13,157
South America	12,892	8,104
North America	15,370	15,804
Asia Pacific	9,895	8,629
Net sales	**54,093**	**45,694**

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

Six-month period ended	June 30, 2019	June 30, 2018
Europe, Middle East and Africa	25,133	23,423
South America	22,649	16,043
North America	34,463	31,640
Asia Pacific	17,050	14,595
Net sales	**99,295**	**85,701**

5. Property, plant and equipment

Property, plant and equipment (PP&E) consists of the following:

	Land & Buildings	Drilling equipment & tools	Automotive equipment	Office furniture & other equipment	Rights of use	Total
Year ended December 31, 2018						
Opening net book amount	2,073	32,447	3,230	302	-	38,054
Additions	35	12,354	437	145	-	12,971
Exchange differences	(101)	(1,866)	(505)	(26)	-	(2,498)
Disposals or retirements	(1)	(120)	(8)	(1)	-	(130)
Depreciation expense	(216)	(14,889)	(1,337)	(134)	-	(16,576)
Closing net book value	**1,790**	**27,926**	**1,817**	**286**	**-**	**31,821**
Period ended June 30, 2019						
Opening net book amount	1,790	27,926	1,817	286	4,389	36,208
Additions	8	5,558	779	151	-	6,496
Exchange differences	27	3,468	52	5	2	3,554
Disposals or retirements	-	(2)	(4)	-	-	(6)
Depreciation expense	(104)	(7,456)	(487)	(70)	(522)	(8,639)
Closing net book value	**1,721**	**29,494**	**2,157**	**372**	**3,869**	**37,613**

As part of IFRS 16 implementation, the Company recognized rights of use asset amounting to US$ 4,389 thousand as at January 1st, 2019. This mainly relates to rentals of operational facilities.

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

Period ended	June 30, 2019	June 30, 2018
Cost of sales	8,645	8,504
Selling, general and administrative expenses	172	15
Total depreciation and amortization	**8,817**	**8,519**

In the period ended June 30, 2019, the depreciation expense includes US$ 522 thousand of depreciation expense of rights of use (nil in the period ended June 30, 2018), US$ 158 thousand have been classified in Selling, general and administrative expenses.

6. Goodwill

Goodwill can be analyzed as follows:

	June 30, 2019	December 31, 2018
Goodwill at beginning of period	**78,229**	**89,169**
Exchange differences	1,470	(10,940)
Goodwill at end of the period	**79,699**	**78,229**

Goodwill is allocated to the following geographic regions: South America (US$ 57.6 million), North America (US$ 8.7 million), Asia Pacific (US$ 7.2 million) and Europe, Middle East and Africa (US$ 6.2 million). The exchange differences are mainly generated by the variation in exchange rate between the Brazilian Real and the US Dollar.

7. Inventories

Inventories break down as follows:

	June 30, 2019	December 31, 2018
Spare parts and consumables, gross	34,535	32,932
Less inventory allowance	-	-
Inventories, net	**34,535**	**32,932**

The Company continually assesses spare parts and consumables and writes off obsolete inventories as soon as they are identified.

8. Financial debt and lease obligations

As at June 30, 2019, the maturity of financial debt can be analyzed as presented in the table below:

	June 30, 2019
Credit lines	6,915
Long-term debt	
Within one year	3,088
Between 1 and 2 years	1,670
Between 2 and 3 years	131,574
Between 3 and 4 years	368
Between 4 and 5 years	57
Total	**143,672**

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

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

Debt as at December 31, 2018	**(141,503)**
Proceeds from issuance of borrowings	(641)
Repayment of borrowings	1,260
Net decrease in bank overdrafts	(540)
Interests	(2,756)
Foreign exchange	508
Debt as at June 30, 2019	**(143,672)**

As part of IFRS 16 implementation, the Company recognized lease obligations amounting to US$ 4,389 thousand as at January 1st, 2019. As at June 30, 2019, the corresponding amount is US$ 3,980 thousand.

9. Provisions

Provisions comprise the following elements:

	Pension and retirement indemnities	Provision for tax uncertainty	Claims	Total
As at January 1, 2019	**387**	**126**	**341**	**853**
Charged to consolidated income statement				
- Addition to provisions	62	-	-	62
- Used amounts reversed	-	-	-	-
- Unused amouts reversed	-	(126)	-	(126)
- Exchange differences	(2)	-	27	25
As at June 30, 2019	**447**	**-**	**368**	**815**

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$ 368 thousand has been provided for as at June 30, 2019.

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

10. Share capital

Number of shares outstanding

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

	Number of shares
Common shares held directly or indirectly by principal shareholders	37,594,498
Common shares held directly or indirectly by individuals in their capacity as members of the Board of Directors	1,164,754
Common shares held by the Company	55,269
Common shares held by the public	51,137,277
Total shares issued and outstanding	**89,951,798**
Common shares held by the Company	(55,269)
Total common shares issued and outstanding	**89,896,529**

Treasury shares

As at June 30, 2019, the Company owns 55,269 of its own shares (16,269 as at December 31, 2018).

The common shares held by the Company can be used for potential future free share plans, bonus schemes and for other general purposes.

11. Expenses by nature

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

	Three-month period ended June 30,		Six-month period ended June 30,	
	2019	2018	2019	2018
Depreciation and amortization	(4,320)	(4,106)	(8,645)	(8,519)
Accruals increases / (reversals)	(62)	(77)	63	181
Raw materials, consumables used and external charges	(25,946)	(21,780)	(48,093)	(40,838)
Employee benefit expense	(20,204)	(18,101)	(39,835)	(36,553)
Taxes other than on income	(453)	(370)	(848)	(612)
Other operating (expenses) / profit, net	(128)	(216)	117	(517)
Total operating expenses	**(51,113)**	**(44,650)**	**(97,241)**	**(86,858)**

Share-based compensation expenses recognized within Employee benefit expense for the period ended June 30, 2019 amount to US$ 90 thousand (US$ 89 thousand in 2018).

12. Income tax expense

During the six-month period ended June 30, 2019, the Company recognized an income tax charge amounting to US$ 493 thousand, corresponding mainly to the tax payable in countries where no losses carried forward are available.

13. Commitments and contingencies

Guarantees given are as follows:

	June 30, 2019	December 31, 2018
Bid bonds	296	83
Advance payment guarantees and performance guarantees	1,011	505
Retention guarantees	147	184
Financial guarantees	384	886
Total	**1,838**	**1,658**

The Company benefits from a contract guarantee line of €12.7 million (US$ 14.4 million) confirmed over 5 years.

As part of the debt reorganization in 2017, the Company granted in favor of its lenders a pledge (i) on 100% of the shares held by Foraco International in certain of its subsidiaries in France, Chile, Canada, Brazil and Australia, (ii) on certain intercompany receivables, (iii) over certain bank accounts, (iv) over materials and equipment for the subsidiaries in Australia, Chile and Brazil and (v) over inventories of subsidiaries in Australia and Chile.

14. Related-party transactions

The Company accounted for certain related party transactions including lease rentals amounting to US$ 64 thousand for the six-month period ended June 30, 2019 (US$ 135 thousand for the six-month period ended June 30, 2018).

Compensation paid to key management for the six-month period ended June 30, 2019 amounted to US$ 1,152 thousand (US$ 716 thousand for the six-month period ended June 30, 2018).

15. Earnings per share calculation

For the three-month period ended June 30, 2019, the weighted basic average number of shares was 89,904,095 (89,652,320 in 2018) and the weighted diluted average number of shares was 92,625,630 (92,148,362 in 2018).

For the six-month period ended June 30, 2019, the weighted basic average number of shares was 89,709,220 (89,699,441 in 2018) and the weighted diluted average number of shares was 92,248,039 (91,087,171 in 2018).

Diluted earnings per share

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

16. Post balance sheet events

There are no post balance sheet events to be reported.