FORACO INTERNATIONAL S.A.

Unaudited Condensed Interim Consolidated Financial Statements

Three-month period ended
March 31, 2023

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Unaudited condensed interim consolidated balance sheet - Assets

in thousands of US$	Note	March 31, 2023	December 31, 2022
ASSETS			
Non-current assets			
Property, plant and equipment	(5)	45,110	39,536
Goodwill	(6)	66,021	64,055
Deferred income tax assets		20,549	18,791
Other non-current assets		1,005	1,053
		132,685	**123,435**
Current assets			
Inventories, net	(7)	44,872	44,030
Trade receivables, net		60,609	42,439
Other current assets		11,598	10,232
Cash and cash equivalents		27,611	29,409
		144,690	**126,110**
Total assets		**277,375**	**249,545**

Unaudited condensed interim consolidated balance sheet – Equity and Liabilities

in thousands of US$	Note	March 31, 2023	December 31, 2022
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		2,499	2,499
Share premium, reserves and retained earnings		71,218	62,688
		73,717	**65,187**
Non-controlling interests		8,982	10,305
Total equity		**82,699**	**75,492**
LIABILITIES			
Non-current liabilities			
Borrowings - Non-current portion of long-term debt	(8)	85,811	84,771
Lease obligations – Non current portion	(8)	4,063	3,276
Deferred income tax liabilities		2,347	2,292
Provisions for other liabilities and charges	(9)	591	563
Current liabilities			
Trade payables		35,837	28,717
Other payables		35,614	30,243
Current income tax liabilities		7,274	6,524
Borrowings - Current portion of long-term debt	(8)	13,553	13,166
Borrowings - Current portion of drawn credit lines	(8)	7,072	2,323
Lease obligations - Current portion	(8)	2,365	2,032
Provisions for other liabilities and charges	(9 & 2.4)	149	144
Total liabilities		**194,677**	**174,053**
Total equity and liabilities		**277,375**	**249,545**
Net debt including operating lease obligations under IFRS 16		85,253	76,161

Net debt including 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 March 31, 2023	2022
Revenue	(4)	88,378	67,740
Cost of sales	(11)	(67,260)	(58,180)
Gross profit		**21,118**	**9,560**
Selling, general and administrative expenses	(11)	(6,904)	(5,951)
Other operating income / (expense), net		-	-
Operating profit		**14,214**	**3,609**
Finance costs		(3,568)	(2,576)
Profit before income tax		**10,646**	**1,033**
Income tax (expense) / profit	(12)	(2,645)	(255)
Net profit for the period		**8,001**	**778**
Attributable to:			
Equity holders of the Company		6,635	428
Non-controlling interests		1,366	350
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in US cents per share):			
- basic	(15)	6.70	0.43
- diluted	(15)	6.56	0.42
Operating profit before depreciation, amortization and non-cash share based compensation expenses		**19,130**	**8,527**

Unaudited condensed interim consolidated statement of changes in equity

in thousands of US$	Attributable to equity holders of the			Non-controlling interests	Total Equity
	Share Capital	Share Premium and Retained Earnings	Total		
Balance at January 1, 2022	**2,499**	**53,480**	**55,979**	**6,549**	**62,528**
Profit / (loss) for the period	-	428	428	350	778
Currency translation differences	-	6,231	6,231	(425)	5,806
Employee share-based compensation	-	70	70	-	70
Increased Capital	-	-	-	-	-
Treasury shares purchased (see Note 10)	-	(313)	(313)	-	(313)
Balance at March 31, 2022	**2,499**	**59,896**	**62,395**	**6,475**	**68,870**
Balance at January 1, 2023	**2,499**	**62,688**	**65,187**	**10,305**	**75,492**
Profit / (loss) for the period	-	6,635	6,635	1,366	8,001
Currency translation differences	-	2,197	2,197	(745)	1,452
Employee share-based compensation	-	90	90	-	90
Treasury shares purchased (see Note 10)	-	(393)	(393)	-	(393)
Dividend paid to non controlling interests	-	-	-	(1,944)	(1,944)
Balance at March 31, 2023	**2,499**	**71,218**	**73,717**	**8,982**	**82,699**

Unaudited statement of comprehensive income

in thousands of US$	March 31, 2023	March 31, 2022
Net profit / (loss) for the period	8,001	778
Currency translation differences	1,452	5,806
Total comprehensive loss for the period	**9,453**	**6,584**
Attributable to:		
Equity holders of the Company	*8,832*	*6,659*
Non-controlling interests	*621*	*(75)*

Unaudited condensed interim consolidated cash flow statement

in thousands of US$	Three month ended March 31, 2023	2022
Profit for the period	**8,001**	**778**
Adjustments for:		
- Depreciation, amortization and impairment (see Note 11)	4,826	4,848
- Share-based compensation expenses (see Note 11)	90	70
- Income tax expenses / (profit) (see Note 12)	2,645	255
- Finance costs, net	3,568	2,576
Cash generated from operations before changes in operating assets and liabilities	**19,130**	**8,527**
Changes in operating assets and liabilities:		
- Inventories	(853)	(3,285)
- Trade accounts receivable and other receivables	(18,981)	(17,004)
- Trade accounts payable and other payables	9,293	7,674
Cash generated from / (used in) operations	**8,589**	**(4,088)**
- Interest paid, net	(3,314)	(2,365)
- Income tax paid	(2,402)	(2,586)
Net cash flow from / (used in) operating activities	**2,873**	**(9,039)**
Purchase of property, plant and equipment (*)	(8,572)	(5,235)
Net cash generated from / (used in) investing activities	**(8,572)**	**(5,235)**
Proceeds from issuance of borrowings, net of issuance costs	1,532	-
Repayments of borrowings	(383)	(319)
Repayments of lease obligations	(604)	(560)
Proceeds from / (repayment of) short term credit facilities	4,705	6,301
Acquisition of treasury shares (see Note 10)	(393)	(313)
Dividends paid to non-controlling interests	(398)	-
Net cash generated from / (used in) financing activities	**4,458**	**5,109**
Exchange differences on cash and cash equivalents	(556)	232
Net increase / (decrease) in cash and cash equivalents	**(1,796)**	**(8,933)**
Cash and cash equivalents at beginning of the period	29,408	23,924
Cash and cash equivalents at end of the period	**27,611**	**14,991**
(*) Excluding acquisition financed through leases	*1,702*	*322*

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. Due to the fact that 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, 2022.

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, 2022 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. 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. CIS is also affected by the winter period during which certain operations are slowed down. In Asia Pacific and in South America, 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. General economic environment

The Company continues to report improved key profitability indicators in the context of favourable market conditions for the industry in which it operates. The global demand for electrification continues to fuel an increased market dynamic for battery metals while environmental issues underpin the growth for water services. However, the economic instability with challenges such as supply chains, availability of workforce and inflationary pressures together with the recent geopolitical events has impacted the Company's activity. While the favourable market conditions prevailing with larger clients show no sign of slowing down, there does remain a level of uncertainty.

2.4. Sale of the Company's Russian subsidiary

The Company is present in Russia through its 50% stake in Eastern Drilling Company (EDC). Since the start of the conflict in Ukraine in February 2022, the Company has strictly complied with the sanctions imposed on Russia. On April 5, 2023, the Company signed a preliminary agreement to sell its shares to its Russian partners, this being subject to the approval of the Russian authorities. In the first quarter of 2023, EDC's contribution to Foraco's consolidated revenues and net income was US$ 3.8 million and US$ 0.1 million, respectively (US$22.7 million and US$2.0 million respectively for fiscal year 2022).

2.5. Impairment testing

As at December 31, 2022, 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 the 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, 2022.

Based on the current activity trend, the Company considers that there is no triggering event which would justify an impairment testing as at March 31, 2023.

2.6. 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.

2.7. New accounting pronouncements

The consolidated interim financial statements have been prepared using the same accounting policies and methods of evaluation as those disclosed in the December 31, 2022, annual financial statements.

New standards and amendments effective for periods beginning on January 1, 2023, and therefore relevant to these interim financial statements.

- IFRS 17 insurance Contracts,
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 (Amendment - Disclosure of Accounting Policies),
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Accounting Estimates),
- IAS 12 Income Taxes (Amendment – Deferred Tax related to Assets and Liabilities arising from a Single Transaction).

The application of these new standard and amendments has not had any material impact on the interim consolidated financial statements of the Company.

Agenda decisions - IFRS Interpretations Committee

- IAS 7 Statement of Cash Flows Demand Deposits with Restrictions on Use arising from a Contract with a Third Party,
- IFRS 15 Revenue from Contracts with Customers Principal vs Agent: Software Reseller,
- IFRS 17 Insurance Contracts Transfer of Insurance Coverage under a Group of Annuity Contracts,
- IAS 32 Financial Instruments: Presentation SPAC: Classification of Public Shares as Financial Liabilities or Equity,
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets Negative Low Emission Vehicle Credits,
- IFRS 9 Financial Instruments & IFRS 16 Leases Lessor Forgiveness of Lease Payments
- IAS 32 Financial Instruments: Presentation SPAC: Accounting for Warrants at Acquisition,
- IFRS 17 Insurance Contracts & IAS 21 The Effects of Changes in Foreign Exchange Rates Multi-currency Groups of Insurance Contracts.

These agenda decisions do not represent authoritative guidance but are seen as helpful, informative, and persuasive. The application of these decisions has not had any material impact on the interim consolidated financial statements of the Company.

Pronouncements with a mandatory effective date in future accounting periods

- Lease Liability in a Sale and Leaseback (Amendment to IFRS 16),
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current),
- IAS 1 Presentation of Financial Statements (Amendment – Non-Current Liabilities with Covenants.

The impact on the consolidated financial statements of the Company of these pronouncements is currently being evaluated.

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, financial counter-party risk and credit risk.

A significant portion of the cash flows of the Company are mainly denominated in Canadian Dollars, Euros, Australian Dollars, Brazilian Real, 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 March 31, 2023 and March 31, 2022 is as follows:

	Mining		Water		Group	
Three-month period ended	March 31,		March 31,		March 31,	
	2023	2022	2023	2022	2023	2022
Revenue	74,519	59,350	13,859	8,390	88,378	67,740
Gross profit	17,644	7,715	3,474	1,845	21,118	9,560
Operating profit	11,823	2,501	2,391	1,108	14,214	3,609
Finance costs	n/a	n/a	n/a	n/a	(3,568)	(2,576)
Profit before income tax	n/a	n/a	n/a	n/a	**10,646**	**1,033**
Income tax profit / (expense)	n/a	n/a	n/a	n/a	(2,645)	(255)
Net profit for the period	n/a	n/a	n/a	n/a	**8,001**	**778**

The following is a summary of sales to external customers by geographic area for the three-month periods ended March 31, 2023 and March 31, 2022:

Three-month period ended	March 31, 2023	March 31, 2022
South America	31,142	20,698
North America	29,726	21,600
Asia Pacific	16,008	10,274
Europe, Middle East and Africa	11,502	15,168
Net sales	**88,378**	**67,740**

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
Period ended December 31, 2022						
Opening net book amount	1,696	27,647	3,384	388	6,564	39,681
Additions	205	17,222	2,579	536	1,234	21,776
Exchange differences	(74)	(800)	(207)	12	(288)	(1,357)
Disposals or retirements	-	(587)	(134)	(1)	(28)	(750)
Depreciation expense	(124)	(16,129)	(1,179)	(176)	(2,206)	(19,814)
Closing net book value	**1,703**	**27,353**	**4,443**	**759**	**5,276**	**39,536**
Period ended March 31, 2023						
Opening net book amount	1,703	27,353	4,443	759	5,276	39,536
Additions	18	7,312	1,175	67	1,702	10,274
Exchange differences	22	(24)	(34)	109	38	111
Disposals or retirements	-	-	-	(2)	-	(2)
Depreciation expense	(30)	(3,736)	(349)	(50)	(644)	(4,809)
Closing net book value	**1,713**	**30,905**	**5,235**	**883**	**6,372**	**45,110**

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

Period ended	March 31, 2023	December 31, 2022
Cost of sales	4,182	18,050
Selling, general and administrative expenses	644	1,780
Total depreciation and amortization	**4,826**	**19,830**

6. Goodwill

Goodwill can be analyzed as follows:

	March 31, 2023	December 31, 2022
Goodwill at beginning of period	**64,055**	**63,504**
Exchange differences	1,965	552
Goodwill at end of period	**66,021**	**64,055**

Goodwill is denominated in the functional currency of its primary economic environment and is allocated to the following geographic regions: South America (US$ 45.4 million), North

America (US$ 8.4 million), Asia Pacific (US$ 6.8 million) and Europe, Middle East and Africa (US$ 5.4 million).

7. Inventories

Inventories are broken down as follows:

	March 31, 2023	December 31, 2022
Spare parts and consumables, gross	44,872	44,030
Less inventory allowance	-	-
Inventories, net	**44,872**	**44,030**

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 March 31, 2023, the maturity of financial debt can be analyzed as presented in the table below:

	March 31, 2023
Credit lines	7,072
Long-term debt	
Within one year	13,553
Between 1 and 2 years	10,393
Between 2 and 3 years	74,853
Between 3 and 4 years	565
Total	**106,436**

Borrowings presented above are mainly denominated in US$.

As part of the implementation of IFRS 16, the Company recognized lease obligations amounting to US$ 6,428 thousand as at March 31, 2023.

9. Provisions

Provisions comprise the following elements:

	Pension and retirement indemnities	Provision for tax uncertainty	Others provision	Total
As at January 1, 2023	**563**	**-**	**144**	**707**
Charged to consolidated income statement				
- Addition to provisions	21	-	-	21
- Used amounts reversed	-	-	-	-
- Unused amounts reversed	-	-	-	-
- Exchange differences	7	-	4	11
As at March 31, 2023	**591**	**-**	**148**	**940**

All of the Group's employees, with the exception of those in France and Africa, are covered under Government sponsored health and life insurance benefit plans. In France and Africa, 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 Company operates in various countries and may be subject to tax audits and other employee related risks. The Company is currently facing such risks in certain countries but there is no existing or contingent liability at the balance sheet date. The Company regularly reassesses its exposure and accounts for provisions accordingly.

10. Share capital and change in equity

Number of shares outstanding

As at March 31, 2023, the total common shares of the Company are distributed as follows:

	Number of shares
Common shares held directly or indirectly by principal shareholders	34,155,191
Common shares held directly or indirectly by individuals in their capacity as members of the Board of Directors	698,462
Common shares held by the Company	302,065
Common shares held by the public (*)	64,096,080
Total shares issued and outstanding	**99,251,798**
Common shares held by the Company	(302,065)
Total common shares issued and outstanding	**98,949,733**

Treasury shares

On September 30, 2022, the Company issued a notice with the Toronto Stock Exchange ("TSX") in respect of a Normal Course Issuer Bid ("NCIB"). The Company was entitled to purchase up to 1,000,000 additional common shares. As at March 31, 2023, the Company purchased 410,936 of its own shares at an average purchase price of Can$1.63.

As at March 31, 2023, the Company owns 302,065 of its own shares (265,573 as at December 31, 2022).

The common shares held by the Company will be used for free share plans.

11. Expenses by nature

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

	Three-month period ended March 31,	
	2023	**2022**
Depreciation and amortization	(4,826)	(4,848)
Accruals increases / (reversals)	-	(42)
Raw materials, consumables used and external charges	(36,248)	(30,784)
Employee benefit expense	(32,419)	(28,005)
Taxes other than on income	(672)	(453)
Other operating (expenses) / profit, net	-	-
Total operating expenses	**(74,164)**	**(64,131)**

Share-based compensation expenses recognized in Employee benefit expense for the period ended March 31, 2023 amount to US$ 90 thousand (US$ 70 thousand for the period ended March 31, 2022).

12. Income tax expense

The income tax 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, taking into account the fact that the first quarter is seasonally lower.

13. Commitments and contingencies

The Company granted a security package in favor of its new lender mainly consisting of a pledge on 100% of the shares held by Foraco International in certain of its subsidiaries and on certain materials and equipment in Canada, Brazil and Australia.

Guarantees given are mainly related to contracts and are as follows:

	March 31, 2023	December 31, 2022
Bid bonds	17	85
Advance payment guarantees	5,758	6,993
Performance guarantees	2,219	2,196
Retention guarantees	76	39
Financial guarantees	150	148
Total	**8,221**	**9,372**

14. Related-party transactions

The Company accounted for certain related party transactions including lease of facility and equipment amounting to US$ 500 thousand for the period ended March 31, 2023(US$ 422 thousand for the period ended March 31, 2022).

Compensation to key managers for the period ended March 31, 2023 amounted to US$ 876 thousand (US$ 904 thousand for the period ended March 31, 2022).

15. Earnings per share calculation

For the three-month period ended March 31, 2023, the weighted basic average number of shares was 99,012,514 (98,747,953 in 2022) and the weighted diluted average number of shares was 101,104,128 (101,397,707 in 2022).

16. Post balance sheet events

As disclosed in note 2.4, on April 5, 2023, the Company signed a preliminary agreement to sell its shares in EDC Russia to its Russian partners, subject to the approval of the Russian authorities expected in the second quarter of 2023.