FORACO INTERNATIONAL S.A.

Unaudited Condensed Interim Consolidated Financial Statements

Three-month and six-month periods ended June 30, 2021

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Unaudited condensed interim consolidated balance sheet - Assets

in thousands of US$	Note	June 30, 2021 Proforma (*)	June 30, 2021	December 31, 2020
ASSETS				
Non-current assets				
Property, plant and equipment	(5)	40,063	40,063	36,090
Goodwill	(6)	70,502	70,502	69,482
Deferred income tax assets	(16)	19,687	28,764	29,846
Other non-current assets		1,138	1,138	906
		131,390	**140,467**	**136,324**
Current assets				
Inventories, net	(7)	35,415	35,415	31,387
Trade receivables, net		42,500	42,500	29,357
Other current assets		10,461	10,461	9,737
Cash and cash equivalents	(16)	19,978	20,084	20,960
		108,354	**108,460**	**91,441**
Total assets		**239,741**	**248,927**	**227,765**

(*) On July 7, 2021, The Company finalized its financial reorganization related to the early redemption of its euro-denominated bonds (see note 16 – post balance sheet events). The pro forma balance sheet and income statement present the historical statements of operations of Foraco International SA for the three months ended June 30, 2021, giving effect to the financial reorganization, as if it had occurred during the period.

Unaudited condensed interim consolidated balance sheet – Equity and Liabilities

in thousands of US$	Note	June 30, 2021 Proforma (*)	June 30, 2021	December 31, 2020
EQUITY		-		
Capital and reserves attributable to the Company's equity holders				
Share capital	(16)	2,474	2,281	1,772
Share premium, reserves and retained earnings	(16)	60,151	17,465	11,154
		62,612	**19,745**	**12,926**
Non-controlling interests		7,113	7,113	4,876
Total equity		**69,725**	**26,858**	**17,802**
LIABILITIES				
Non-current liabilities				
Borrowings - Non-current portion of long term debt	(8) (16)	99,929	621	153,993
Lease obligations - Non current portion	(8)	4,236	4,236	3,915
Deferred income tax liabilities	(16)	2,718	2,829	3,570
Provisions for other liabilities and charges	(9)	599	599	517
Current liabilities				
Trade payables	(16)	26,466	26,972	17,711
Other payables		28,227	28,227	23,086
Current income tax liabilities		2,797	2,797	2,319
Borrowings - Current portion of long term debt	(8) (16)	1,228	151,971	1,837
Borrowings - Current portion of drawn credit lines	(8) (16)	1,747	1,747	1,299
Lease obligations - Current portion	(8)	1,913	1,913	1,568
Consideration payable related to acquisitions	(6)	-		
Provisions for other liabilities and charges	(9)	157	157	149
Total liabilities		**170,017**	**222,069**	**209,964**
Total equity and liabilities		**239,741**	**248,927**	**227,765**
Net debt including operating lease obligations under IFRS 16		89,069	140,404	141,652

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

(*) On July 7, 2021, The Company finalized its financial reorganization related to the early redemption of its euro-denominated bonds (see note 16 – post balance sheet events). The pro forma balance sheet and income statement present the historical statements of operations of Foraco International SA for the three months ended June 30, 2021, giving effect to the financial reorganization, as if it had occurred during the period.

Unaudited condensed interim consolidated income statement

In thousands of US$	Note	Three-month period ended June 30			Six-month period ended June 30,		
		2021 proforma	2021	2020	2021 proforma	2021	2020
Revenue	(4)	75,668	75,668	47,351	130,219	130,219	97,022
Cost of sales	(11)	(59,859)	(59,859)	(36,187)	(108,369)	(108,369)	(80,594)
Gross profit		**15,809**	**15,809**	**11,164**	**21,850**	**21,850**	**16,427**
Selling, general and administrative expenses	(11)	(5,760)	(5,760)	(5,102)	(10,998)	(10,998)	(10,241)
Other operating income / (expense), net		-	-	-	-	-	-
Operating profit / (loss)		**10,049**	**10,049**	**6,062**	**10,852**	**10,852**	**6,186**
Finance costs	(16)	(2,990)	(2,563)	(2,065)	(5,070)	(4,643)	(4,495)
Gain on refinancing	(16)	35,418			35,418		
Profit / (loss) before income tax		**42,477**	**7,486**	**3,997**	**41,200**	**6,209**	**1,691**
Income tax (expense) / profit	(12) (16)	(10,796)	(1,830)	(720)	(10,484)	(1,518)	(479)
Profit for the period		**31,681**	**5,656**	**3,277**	**30,716**	**4,691**	**1,212**
Attributable to:							
Equity holders of the Company		29,830	3,805	1,726	28,834	2,809	(316)
Non-controlling interests		1,851	1,851	1,551	1,882	1,882	1,529
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in US cents per share):							
- basic	(15)	30.05	4.27	1.88	29.05	3.15	(0.35)
- diluted	(15)	29.93	4.15	1.92	28.96	3.06	(0.35)

Unaudited condensed interim consolidated statement of changes in equity

	Attributable to equity holders of the Company				
in thousands of US$	**Share Capital**	**Share Premium, reserves and retained earnings**	**Total**	**Non-controlling interests**	**Total Equity**
Balance at January 1, 2020	**1,772**	**29,223**	**30,996**	**5,682**	**36,678**
Profit / (loss) for the period	-	(316)	(316)	1,529	1,213
Currency translation differences	-	(21,126)	(21,126)	(1,024)	(22,150)
Employee share-based compensation	-	90	90	-	90
Treasury shares purchased (see Note 10)	-	-	-	-	-
Dividend paid to non controlling interests	-	-	-	(676)	(676)
Balance at June 30, 2020	**1,772**	**7,871**	**9,644**	**5,511**	**15,155**
Balance at January 1, 2021	**1,772**	**11,154**	**12,927**	**4,875**	**17,802**
Profit / (loss) for the period	-	2,809	2,809	1,882	4,691
Currency translation differences	-	4,134	4,134	355	4,489
Employee share-based compensation	-	100	100	-	100
Impact in modification of share par value	509	(509)	-	-	-
Treasury shares purchased (see Note 10)	-	(226)	(226)	-	(226)
Dividend paid to non controlling interests	-	-	-	-	-
Balance at June 30, 2021	**2,281**	**17,465**	**19,744**	**7,113**	**26,858**
Proforma adjustments					
Profit for the period	-	26,025	26,025	-	26,025
Share capital increase	183	16,661	16,844	-	16,844
Proforma balance at June 30, 2021	**2,474**	**60,151**	**62,612**	**7,113**	**69,725**

Unaudited statement of comprehensive income

in thousands of US$	**June 30, 2021**	**June 30, 2020**
Net profit / (loss) for the period	4,691	1,213
Currency translation differences	4,489	(22,150)
Total comprehensive profit / (loss) for the period	**9,180**	**(20,937)**
Attributable to:		
Equity holders of the Company	*6,943*	*(21,442)*
Non-controlling interests	*2,237*	*505*

Unaudited condensed interim consolidated cash flow statement

in thousands of US$	Six-month period ended June 30, 2021	Six-month period ended June 30, 2020
Profit / (loss) for the period	**4,691**	**1,212**
Adjustments for:		
- Depreciation, amortization and impairment (see Note 11)	8,867	8,350
- Share of (profit) / loss from associates		
- Share-based compensation expenses (see Note 11)	100	90
- Non Cash Reorganization program impact		
- Income tax expenses / (profit) (see Note 12)	1,517	479
- Finance costs, net	4,642	4,495
Cash generated from operations before changes in operating assets and liabilities	**19,817**	**14,626**
Changes in operating assets and liabilities:		
- Inventories	(3,695)	225
- Trade accounts receivable and other receivables	(13,724)	(4,034)
- Trade accounts payable and other payables	14,408	1,632
Cash generated from / (used in) operations	**16,806**	**12,449**
- Interest paid, net	(775)	(1,451)
- Income tax paid	(3,126)	(928)
Net cash flow from / (used in) operating activities	**12,905**	**10,070**
Purchase of property, plant and equipment (*)	(10,463)	(4,147)
Net cash generated from / (used in) investing activities	**(10,463)**	**(4,147)**
Proceeds from issuance of borrowings, net of issuance costs	187	417
Proceeds from issuance of bonds, net of issuance costs	-	-
Repayments of borrowings	(3,049)	(889)
Repayments of lease obligations	(720)	(500)
Proceeds from / (repayment of) short term credit facilities	450	(3,211)
Acquisition of treasury shares (see Note 10)	(225)	-
Dividends paid to Company's shareholders		
Dividends paid to non-controlling interests	-	(676)
Net cash generated from / (used in) financing activities	**(3,357)**	**(4,859)**
Exchange differences on cash and cash equivalents	36	(694)
Net increase / (decrease) in cash and cash equivalents	**(879)**	**370**
Cash and cash equivalents at beginning of the period	20,960	16,053
Cash and cash equivalents at end of the period	**20,084**	**16,423**
(*) 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, 2020.

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, 2020 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 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. Covid-19

Key profitability indicators continue to improve period over period despite the continuing uncertainties linked to the Covid-19 pandemic. The market for commodities is supported by the global economic recovery and the increased demand for energy transition and water management.

2.4. Impairment testing

As at December 31, 2020, 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, 2020.

In light of its current financial performance, the Company considers that there is no triggering event which would justify an impairment testing as at June 30, 2021.

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

The consolidated interim financial statements have been prepared using the same accounting policies and methods of evaluation as in the December 31, 2020 annual financial statements.

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

- IBOR reform Phase 2 amendments - applicable on January 1, 202 – "Interest Rate Benchmark Reform"
- IFRS 16 amendment - applicable on April 1, 2021 – "Rent Concession".

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

Standards, amendments and interpretations to existing standards that are applicable on or after January 1, 2022

- IAS 1 amendments on classification - applicable on January 1, 2023 – "Classification of liabilities as current or non-current",
- Amendments to IFRS 17 - applicable on January 1, 2023 – "Insurance contract",

- Amendments on disclosure of accounting policies - applicable on January 1, 2023 - Disclosure of accounting policies",
- IAS 8 amendments on accounting estimates - applicable on January 1, 2023 – "Definition of accounting estimates",
- IFRS 17 - Applicable on January 1, 2023 – "Insurance contract",
- IAS 16 amendments regarding proceeds before intended use - applicable on January 1, 2022 – "Plant and equipment - proceeds before intended use".
- 2018-2020 annual improvements cycle - applicable on January 1, 2022,
- IAS 37 amendments regarding onerous contracts - applicable on January 1,2022 – "Cost of fulfilling a contract".
- IFRS 3 amendments updating a reference to the Conceptual Framework -applicable on January 1, 2022 – "Business combination".

The impact on the consolidated financial statements of the Company of these standards, amendments and improvements are 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 / 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.

As part of the refinancing, the Company reduced its exposure to Euros. As described in note 16, the new financing amounting to US$ 100 million raised on July 7, 2021 is US$ denominated.

4. Segment information

The business segment information for the three-month periods ended June 30, 2021 and June 30, 2020 is as follows:

	Mining		Water		Group	
Three-month period ended	**June 30,**		**June 30,**		**June 30,**	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Revenue	64,737	40,129	10,931	7,222	75,668	47,351
Gross profit / (loss)	12,870	8,650	2,939	2,514	15,809	11,164
Operating profit / (loss)	7,942	4,326	2,107	1,736	10,049	6,062
Finance costs	n/a	n/a	n/a	n/a	(2,563)	(2,065)
Profit / (Loss) before income tax	n/a	n/a	n/a	n/a	**7,486**	**3,997**
Income tax profit / (expense)	n/a	n/a	n/a	n/a	(1,830)	(720)
Profit / (loss) for the period	n/a	n/a	n/a	n/a	**5,656**	**3,277**

The business segment information for the six-month periods ended June 30, 2021 and June 30, 2020 is as follows:

	Mining		Water		Group	
Six-month period ended	**June 30,**		**June 30,**		**June 30,**	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Revenue	109,939	80,509	20,380	16,513	130,319	97,022
Gross profit / (loss)	17,622	12,169	4,228	4,258	21,850	16,427
Operating profit / (loss)	8,363	3,667	2,489	2,519	10,852	6,186
Finance costs	n/a	n/a	n/a	n/a	(4,643)	(4,495)
Profit / (loss) before income tax	n/a	n/a	n/a	n/a	**6,209**	**1,691**
Income tax profit / (expense)	n/a	n/a	n/a	n/a	(1,518)	(479)
Profit / (loss) for the period	n/a	n/a	n/a	n/a	**4,691**	**1,212**

The following is a summary of sales to external customers by geographic area for the three-month periods ended June 30, 2021 and June 30, 2020:

Three-month period ended	June 30, 2021	June 30, 2020
Europe, Middle East and Africa	24,474	17,758
North America	25,723	11,570
South America	12,819	6,718
Asia Pacific	12,652	11,305
Net sales	**75,668**	**47,351**

The following is a summary of sales to external customers by geographic area for the six-month periods ended June 30, 2021 and June 30, 2020:

Six-month period ended	June 30, 2021	June 30, 2020
Europe, Middle East and Africa	43,302	32,863
North America	44,358	29,846
South America	22,399	15,804
Asia Pacific	20,160	18,509
Net sales	**130,219**	**97,022**

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, 2020						
Opening net book amount	1,640	27,162	1,814	405	4,176	35,197
Additions	193	11,343	1,915	153	1,955	15,559
Exchange differences	88	1,547	96	(41)	467	2,157
Disposals or retirements	-	(303)	(38)	-	-	(341)
Depreciation expense	(118)	(14,323)	(685)	(169)	(1,187)	(16,482)
Closing net book value	**1,803**	**25,426**	**3,102**	**348**	**5,411**	**36,090**
Period ended June 30, 2021						
Opening net book amount	1,803	25,426	3,102	348	5,411	36,090
Additions	88	9,968	701	107	1,411	12,275
Exchange differences	(3)	435	43	10	93	578
Disposals or retirements	-	(31)	-	-	-	(31)
Depreciation expense	(52)	(7,445)	(447)	(70)	(835)	(8,849)
Closing net book value	**1,836**	**28,353**	**3,399**	**395**	**6,080**	**40,063**

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

Period ended	June 30, 2021	December 31, 2020
Cost of sales	8,217	15,650
Selling, general and administrative expenses	650	1,023
Total depreciation and amortization	**8,867**	**16,673**

6. Goodwill

Goodwill can be analyzed as follows:

	June 30, 2021	December 31, 2020
Goodwill at beginning of period	**69,482**	**75,936**
Exchange differences	1,020	(6,454)
Goodwill at end of period	**70,502**	**69,482**

Goodwill is denominated in the functional currency of its primary economic environment and is allocated to the following geographic regions: South America (US$ 47.8 million), North America (US$ 9.2 million), Asia Pacific (US$ 7.7 million) and Europe, Middle East and Africa (US$ 5.8 million).

7. Inventories

Inventories break down as follows:

	June 30, 2021	December 31, 2020
Spare parts and consumables, gross	35,415	31,387
Less inventory allowance	-	-
Inventories, net	**35,415**	**31,387**

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

On July 7, 2021, the Company finalized its financial reorganization related to the early redemption of its euro-denominated bonds amounting to US$145,871 thousand as at June 30, 2021 maturing in May 2022. The Company raised US$ 100 million of new bonds for the purpose of financing the transaction. The refinancing resulted in a reduction of the financial debt and the extension of the maturity through the end of 2025.

As at June 30, 2021, the maturity of financial debt can be analyzed as presented in the table below:

	June 30, 2021 Proforma	June 30, 2021
Credit lines	1,747	1,747
Long-term debt		
Within one year	1,228	151,971
Between 1 and 2 years	5,424	404
Between 2 and 3 years	10,223	205
Between 3 and 4 years	10,032	12
Between 4 and 5 years	74,250	-
Total	**102,904**	**154,339**

The borrowing presented above in the proforma column is mainly denominated in US$.

As part of the implementation of IFRS 16, the Company recognized lease obligations amounting to US$ 6,149 thousand as at June 30, 2021.

9. Provisions

Provisions comprise the following elements:

	Pension and retirement indemnities	Provision for tax uncertainty	Claims	Total
As at January 1, 2021	**518**	**-**	**148**	**666**
Charged to consolidated income statement				
- Addition to provisions	77	-	-	77
- Used amounts reversed	-	-	-	-
- Unused amouts reversed	-	-	-	-
- Exchange differences	1	-	8	9
As at June 30, 2021	**596**	**-**	**156**	**752**

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 payable of US$ 156 thousand has been provided for as at June 30, 2021.

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 June 30, 2021, the total common shares of the Company are distributed as follows:

	Proforma	Number of shares
Common shares held directly or indirectly by principal shareholders	34,155,191	34,155,191
Common shares held directly or indirectly by individuals in their capacity as members of the Board of Directors	1,164,754	1,164,754
Common shares held by the Company	725,657	725,657
Common shares held by the public (*)	63,306,196	53,906,196
Total shares issued and outstanding	**99,251,798**	**89,951,798**
Common shares held by the Company	(725,657)	(725,657)
Total common shares issued and outstanding	**98,526,141**	**89,226,141**

(*) The early redemption of the bonds as described in note 16 has been completed by the issuance of 9,300,000 ordinary shares of the Company.

Treasury shares

The Company filed a notice on June 17, 2020, in respect of a Normal Course Issuer Bid ("NCIB") with the Toronto Stock Exchange ("TSX"). The Company was entitled to purchase up to 1,000,000 additional common shares. The NCIB was partially completed in 2021, 683,888 shares were purchased at an average purchase price of Can$ 0.60.

As at June 30, 2021, the Company owns 725,657 of its own shares (298,209 as at December 31, 2020).

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,	
	2021	2020	2021	2020
Depreciation and amortization	(4,606)	(4,054)	(8,867)	(8,350)
Accruals increases / (reversals)	(14)	(2)	(77)	(110)
Raw materials, consumables used and external charges	(32,689)	(23,159)	(59,584)	(49,808)
Employee benefit expense	(27,743)	(17,741)	(49,923)	(35,789)
Taxes other than on income	(388)	(187)	(772)	(722)
Other operating (expenses) / profit, net	(179)	(72)	(145)	18
Total operating expenses	**(65,619)**	**(45,215)**	**(119,368)**	**(94,761)**

Share-based compensation expenses recognized within Employee benefit expense for the period ended June 30, 2021 amount to US$ 100 thousand (US$ 90 thousand in 2020).

12. Income tax expense

During the three-month period ended June 30, 2021, the Company recognized an income tax expense amounting to US$ 1,830 thousand. 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.

The proforma income tax expense is detailed in note 16.

13. Commitments and contingencies

Guarantees given are as follows:

	June 30, 2021	December 31, 2020
Bid bonds	126	243
Advance payment guarantees	3,507	5,337
Performance guarantees	2,334	2,052
Retention guarantees	143	299
Financial guarantees	165	170
Total	**6,275**	**8,101**

On June 25, 2021, the Company finalized the negotiation of a corporate contract guarantee line confirmed until December 2022 amounting to €6.5 million (US$ 7.7 million) of which €3.9 million (US$ 4.6 million) was used as at June 30, 2021.

As part of the refinancing described in note 16, the Company granted a security package in favor of its new lender mainly consisting in a pledge on 100% of the shares held by Foraco International in certain of its subsidiaries and over certain materials and equipment, in Canada, Brazil and Australia.

14. Related-party transactions

The Company accounted for certain related party transactions including lease of facility and equipment amounting to US$ 615 thousand for the period ended June 30, 2021 (US$ 413 thousand for the period ended June 30, 2020).

Compensation to key management for the period ended June 30, 2021 amounted to US$ 900 thousand (US$ 893 thousand for the period ended June 30, 2020).

15. Earnings per share calculation

For the three-month period ended June 30, 2021, the weighted basic average number of shares was 89,211,765 (89,868,851 in 2020) and the weighted diluted average number of shares was 91,676,064 (91,917,469 in 2020).

For the six-month period ended June 30, 2021, the weighted basic average number of shares was 89,310,801 (89,868,940 in 2020) and the weighted diluted average number of shares was 91,775,100 (91,917,559 in 2020).

Diluted earnings per share

The dilutive earning per share calculation includes the impact of the Company's free share plan as if the related new shares were issued. 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 loss making periods.

16. Post balance sheet events

On July 7, 2021, the Company finalized its financial reorganization, which was announced on May 19, 2021 related to the early redemption of its euro-denominated bonds amounting to US$145,871 thousand as at June 30, 2021, raised in 2017 and maturing in May 2022. The early redemption of these bonds has been completed by way of a repayment of US$ 90,997 thousand in cash and the issuance of 9,300,000 ordinary shares of the Company. The Company raised US$ 100 million of new bonds for the purpose of financing the transaction.

The proforma balance sheet and income statement presented in this unaudited financial statement reflect the effects of this financial reorganisation on the unaudited consolidated historical balance sheet of the Company as at June 30, 2021. The proforma balance sheet and income statement present the historical statements of operations of Foraco International SA for the three months ended June 30, 2021, giving effect to the financial reorganization, as if it had occurred on April 1, 2021.

The proforma information is not necessarily indicative of what the financial position or results of operations would have been had the financial reorganization been completed at the dates indicated. In addition, the unaudited proforma combined financial statements do not purport to project the future financial position or operating results of the Company.

Proforma adjustments

The proforma adjustments included in the unaudited proforma consolidated financial statements can be analysed as follows:

Adjustment on the borrowings

As a result of the debt refinancing, the current and non-current portion of long-term debt is reduced from US$ 152,592 thousand to US$ 101,157 thousand, a decrease of US$ 51,435 thousand. The adjustment on the borrowings can be analysed as follows:

Derecognition of the former bonds	(145,871)
New bonds issuance	97,000
Other early debt repayment	(2,564)
Adjustment to borrowings	**(51,435)**

Under IFRS, a financial liability should be removed from the balance sheet when it is extinguished, that is, when the obligation is either discharged, cancelled or expires. Where there is a refinancing and the former and the new debt instruments have substantially different terms, the reimbursement of the former loan is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Given the characteristics of the former and the new financing, Management has assessed that the completion of the financial reorganization will result in the derecognition of former bonds recorded in the balance sheet for an amount of US$ 145,871 thousand as at June 30, 2021 and the recognition of a new debt for the original face value of the new financing of US$ 97,000,000 net of an Original Issue Discount (OID) of US$ 3,000 thousand.

In addition, an existing agreement signed with a French bank includes an early redemption clause in the case the Company completes a refinancing. The transaction therefore leads to the anticipated reimbursement of a loan amounting to US$ 2,564 thousand.

Adjustment on cash and cash equivalent

The debt refinancing results in a reduction of cash of US$ 106 thousand which can be analysed as follows:

Payments to the former bond holders	(90,997)
Proceeds from the new bonds net of OID	97,000
Transaction fees	(3,545)
Other early debt repayment	(2,564)
Adjustment to cash and cash equivalents	**(106)**

The payment to the former bond holders was US$ 90,997 thousands. The cash proceeds from the new financing amounts to US$ 97,000 thousand net of the OID of US$ 3,000 thousand. The early redemption of a loan due to a French bank amounted to US$ 2,564 thousand.

Adjustment on equity

The debt refinancing results in an adjustment of US$ 42,869 thousand on equity which can be analysed as follows:

Share capital	183
Share premium	16,661
Net income	26,025
Adjustment to equity	**42,869**

As part of the transaction 9,300,000 shares have been issued to the benefit of the former bond holders. The transaction has been accounted for using the fair value approach. For the purpose of the proforma financial information, the fair value per share has been determined using a commonly accepted valuation methodology taking into account the adjusted net debt as it will appear post refinancing.

The fair value attributed to the 9,300,000 shares amounting to US$ 16,938 thousand is allocated to par value for US$ 183 thousand and to share premium for US$ 16,755 thousand. Net of the transaction costs amounting to US$ 94 thousand, the adjustment on share premium is US$ 16,661 thousand.

Profit on the transaction

The difference between the fair value of the contribution paid to the former bond holders including the new shares issuance and the cash paid and the book value of the early redeemed bonds generate a financial gain for the Company. The gain, net of tax, can be presented as follows taking into consideration the fact that the income tax payable is offset against previously recognized deferred tax assets:

Book value of the bonds as at June 30, 2021 per accounting	**145,871**
Fair value of the 9,300,000 shares issued to the benefit of the former bond holders	(16,938)
Cash payable to the former bond holders	(90,997)
Profit before transaction costs	**37,936**
Costs other than financial related to the new financing	(2,518)
Gain on refinancing	**35,418**
Adjustment on interest expense (*)	(427)
Profit before tax	**34,991**
Income tax charge resulting from the use of previously recognized deferred tax assets	(9,077)
Income tax on adjustment on interest expense (*)	111
Net profit resulting from the transaction	**26,025**

(*) Adjustment on interest expense

The estimated interest expense for the three-month period ending June 30, 2021 using the effective interest rate method results in an increase in the interest charge amounting to US$ 427 thousand before tax and US$ 316 thousand after tax. The calculation takes into account (i) the interest on the US$ 100 million face value of the loan calculated based on the 3-month LIBOR plus a 8.5% margin, the LIBOR floor being set at 0.5% and (ii) the OID of 3% on the face value of the loan accounted for under the effective interest rate method whereby these costs are recorded in the face value of the financing and therefore amortized over the duration of the financing.