

FORACO INTERNATIONAL S.A.

**Unaudited Condensed Interim Consolidated Financial
Statements**

**Three-month period and year ended
December 31, 2020**



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Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of December 31, 2020****Unaudited condensed interim consolidated balance sheet - Assets**

in thousands of US\$	Note	December 31, 2020	December 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	(5)	36,090	35,197
Goodwill	(6)	69,482	75,936
Deferred income tax assets		29,846	27,677
Other non-current assets		906	1,147
		136,324	139,957
Current assets			
Inventories, net	(7)	31,387	32,873
Trade receivables, net		29,357	31,189
Other current assets		9,737	10,270
Cash and cash equivalents		20,960	16,053
		91,441	90,385
Total assets		227,765	230,342

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Unaudited condensed interim consolidated balance sheet – Equity and Liabilities

in thousands of US\$	Note	December 31, 2020	December 31, 2019
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		1,772	1,772
Share premium and retained earnings		155,794	151,559
Other reserves		(144,640)	(122,335)
		12,926	30,996
Non-controlling interests		4,876	5,682
Total equity		17,802	36,678
LIABILITIES			
Non-current liabilities			
Borrowings - Non-current portion of long term debt	(8)	153,993	133,961
Lease obligations - Non current portion	(8)	3,915	2,910
Deferred income tax liabilities		3,570	3,457
Provisions for other liabilities and charges	(9)	517	405
Current liabilities			
Trade payables		17,711	20,301
Other payables		23,086	19,012
Current income tax liabilities		2,319	1,084
Borrowings - Current portion of long term debt	(8)	1,837	2,817
Borrowings - Current portion of drawn credit lines	(8)	1,299	8,149
Lease obligations - Current portion	(8)	1,568	1,241
Provisions for other liabilities and charges	(9)	149	328
Total liabilities		209,964	193,665
Total equity and liabilities		227,765	230,342
Net debt excluding operating lease obligations under IFRS 16		136,169	128,874

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

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Unaudited condensed interim consolidated income statement

In thousands of US\$	Note	Three-month period ended December 31,		Year ended December 31,	
		2020	2019	2020	2019
Revenue	(4)	54,177	48,379	207,122	205,444
Cost of sales	(11)	(45,214)	(39,459)	(168,897)	(173,344)
Gross profit		8,963	8,920	38,225	32,100
Selling, general and administrative expenses	(11)	(5,586)	(5,336)	(21,040)	(21,149)
Other operating income / (expense), net		-	-	-	-
Operating profit / (loss)		3,377	3,584	17,185	10,951
Finance costs		(2,217)	(2,128)	(8,663)	(8,454)
Profit / (loss) before income tax		1,160	1,456	8,522	2,497
Income tax (expense) / profit	(12)	900	813	(1,003)	135
Profit / (loss) for the period		2,060	2,269	7,519	2,632
Attributable to:					
Equity holders of the Company		1,604	2,756	4,236	1,085
Non-controlling interests		456	(487)	3,283	1,547
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in US cents per share):					
- basic	(15)	1.79	3.07	4.72	1.21
- diluted	(15)	1.74	2.99	4.61	1.18

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Unaudited condensed interim consolidated statement of changes in equity

in thousands of US\$	Attributable to equity holders of the Company			Total	Non-controlling interests	Total Equity
	Share Capital	Share Premium and Retained Earnings	Other Reserves			
Balance at January 1, 2019	1,772	150,474	(114,478)	37,768	3,026	40,794
Profit / (loss) for the period	-	1,085	-	1,085	1,547	2,632
Currency translation differences	-	-	(8,017)	(8,017)	964	(7,053)
Employee share-based compensation	-	-	180	180	-	180
Exercise of share-based compensation	-	-	-	-	1,192	1,192
Treasury shares purchased (see Note 10)	-	-	(19)	(19)	-	(19)
Dividend paid to non controlling interests	-	-	-	-	(1,046)	(1,046)
Balance at December 31, 2019	1,772	151,558	(122,335)	30,996	5,682	36,678
Balance at January 1, 2020	1,772	151,558	(122,335)	30,996	5,682	36,678
Profit / (loss) for the period	-	4,236	-	4,236	3,283	7,519
Currency translation differences	-	-	(22,337)	(22,337)	(1,554)	(23,891)
Employee share-based compensation	-	-	195	195	-	195
Treasury shares purchased (see Note 10)	-	-	(163)	(163)	-	(163)
Dividend paid to non controlling interests	-	-	-	-	(2,536)	(2,536)
Balance at December 31, 2020	1,772	155,794	(144,640)	12,927	4,875	17,802

Unaudited statement of comprehensive income

in thousands of US\$	December 31, 2020	December 31, 2019
Net profit / (loss) for the period	7,519	2,632
Currency translation differences	(23,891)	(7,054)
Total comprehensive loss for the period	(16,372)	(4,422)
<i>Attributable to:</i>		
<i>Equity holders of the Company</i>	<i>(18,101)</i>	<i>(6,932)</i>
<i>Non-controlling interests</i>	<i>1,729</i>	<i>2,511</i>

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Unaudited condensed interim consolidated cash flow statement

in thousands of US\$	Year ended December 31,	
	2020	2019
Profit / (loss) for the period	7,519	2,632
Adjustments for:		
- Depreciation, amortization and impairment (see Note 11)	16,673	18,119
- Non-cash changes in provisions and considerations payable	-	-
- (Gain) / loss on sale and disposal of assets	-	-
- Share-based compensation expenses (see Note 11)	195	180
- Income tax expenses / (profit) (see Note 12)	1,003	(135)
- Finance costs, net	8,663	8,455
Cash generated from operations before changes in operating assets and liabilities	34,054	29,251
Changes in operating assets and liabilities:		
- Inventories	1,215	55
- Trade accounts receivable and other receivables	2,520	2,071
- Trade accounts payable and other payables	(386)	(2,763)
Cash generated from / (used in) operations	37,403	28,614
- Interest paid, net	(2,904)	(3,364)
- Income tax paid	(3,982)	(4,696)
Net cash flow from / (used in) operating activities	30,517	20,554
Purchase of property, plant and equipment (*)	(13,320)	(12,533)
Net cash generated from / (used in) investing activities	(13,320)	(12,533)
Proceeds from issuance of borrowings, net of issuance costs	1,565	938
Proceeds from issuance of bonds, net of issuance costs	-	-
Repayments of borrowings	(2,107)	(2,629)
Repayments of lease obligations	(1,478)	(864)
Proceeds from / (repayment of) short term credit facilities	(7,219)	1,394
Acquisition of treasury shares (see Note 10)	(163)	(19)
Dividends paid to non-controlling interests	(2,536)	(1,046)
Net cash generated from / (used in) financing activities	(11,938)	(2,226)
Exchange differences on cash and cash equivalents	(354)	(830)
Net increase / (decrease) in cash and cash equivalents	4,905	4,965
Cash and cash equivalents at beginning of the period	16,052	11,089
Cash and cash equivalents at end of the period	20,960	16,054
(*) 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, 2019.

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, 2019 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.

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2.3. Going concern

After a stand-by period due to the Covid-19 pandemic which slowed down the activity in the first part of 2020, growth resumed during the second part of the year. The fiscal year 2020 revenue exceeded that of fiscal year 2019. Key profitability indicators also improved year-on-year.

On this basis, taking into consideration the market for commodities supported by the demand from the global energy transition and for water management, the Company believes that it will have adequate financial resources to continue in operation for a period of at least twelve months.

As at December 31, 2020, the Company met its financial covenants.

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.

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, 2019 annual financial statements.

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

- Update of references to the Conceptual Framework
- Amendment to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"
- Amendments to IFRS 3 "Revision of the Definition of a Business"
- Amendments to IFRS 16

Annual improvements to IFRS include:

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- IFRS 3 “Business Combinations”
- IFRS 11 “Joint Arrangements”
- IAS 12 “Income Taxes”
- IAS 23 “Borrowing Costs”

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

Standards, amendments and interpretations to existing standards that are applicable by anticipation from January 1, 2020.

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.

The variation in exchange rates between December 31, 2019 and December 31, 2020 significantly impacted certain line items of the balance sheet, including:

- A reduction in Goodwill amounting to US\$ 6,454 thousand
- A reduction in Equity amounting to US\$ 23,891 thousand
- An increase in Financial Debt amounting to US\$ 15,110 thousand.

4. Segment information

The long-standing presence of the Company in the water segment enabled it to develop unique applications for the mining sector. These applications which require the use of certain specific assets and which now represent a growing part of the Company’s revenue led the chief operating decision makers to assess the performance of these activities separately from the mining sector. These activities which include the mining dewatering are now classified in the water segment. The historical figures presented in the table above have been restated to present comparative data in a homogeneous manner.

The business segment information for the three-month periods ended December 31, 2020 and December 31, 2019 is as follows:

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Three-month period ended	Mining		Water		Group	
	December 31,		December 31,		December 31,	
	2020	2019	2020	2019	2020	2019
Revenue	45,007	42,411	9,170	5,968	54,177	48,379
Gross profit / (loss)	7,406	8,118	1,557	802	8,963	8,920
Operating profit / (loss)	2,765	3,422	612	162	3,377	3,584
Finance costs	n/a	n/a	n/a	n/a	(2,217)	(2,128)
Profit / (Loss) before income tax	n/a	n/a	n/a	n/a	1,160	1,456
Income tax profit / (expense)	n/a	n/a	n/a	n/a	900	813
Profit / (Loss) for the period	n/a	n/a	n/a	n/a	2,060	2,269

The business segment information for the year ended December 31, 2020 and December 31, 2019 is as follows:

Year ended	Mining		Water		Group	
	December 31,		December 31,		December 31,	
	2020	2019	2020	2019	2020	2019
Revenue	169,305	185,325	37,817	20,119	207,122	205,444
Gross profit / (loss)	29,347	28,774	8,878	3,327	38,225	32,100
Operating profit / (loss)	12,122	9,711	5,063	1,241	17,185	10,952
Finance costs	n/a	n/a	n/a	n/a	(8,663)	(8,455)
Profit / (Loss) before income tax	n/a	n/a	n/a	n/a	8,522	2,497
Income tax profit / (expense)	n/a	n/a	n/a	n/a	(1,003)	135
Profit / (Loss) for the period	n/a	n/a	n/a	n/a	7,519	2,632

The following is a summary of sales to external customers by geographic area for the three-month periods ended December 31, 2020 and December 31, 2019:

Three-month period ended	December 31, 2020	December 31, 2019
Europe, Middle East and Africa	18,228	12,931
South America	9,099	10,145
North America	17,294	16,245
Asia Pacific	9,556	9,058
Net sales	54,177	48,379

The following is a summary of sales to external customers by geographic area for the year ended December 31, 2020 and December 31, 2019:

Year ended	December 31, 2020	December 31, 2019
Europe, Middle East and Africa	68,209	52,386
South America	33,130	46,404
North America	67,563	70,499
Asia Pacific	38,220	36,155
Net sales	207,122	205,444

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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, 2019						
Opening net book amount	1,790	27,926	1,817	286	-	31,821
First-time adoption of IFRS 16	-	-	-	-	4,389	4,389
Additions	13	12,862	898	260	861	14,894
Exchange differences	10	2,555	47	1	(9)	2,604
Disposals or retirements	-	(379)	(17)	-	-	(396)
Depreciation expense	(173)	(15,802)	(931)	(142)	(1,065)	(18,113)
Closing net book value	1,640	27,162	1,814	405	4,176	35,197
Period 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

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

Period ended	December 31, 2020	December 31, 2019
Cost of sales	15,650	17,527
Selling, general and administrative expenses	1,023	592
Total depreciation and amortization	16,673	18,119

6. Goodwill

Goodwill can be analyzed as follows:

	December 31, 2020	December 31, 2019
Goodwill at beginning of period	75,936	78,229
Exchange differences	(6,454)	(2,293)
Goodwill at end of the period	69,482	75,936

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Goodwill is denominated in the functional currency of its primary economic environment and is allocated to the following geographic regions: South America (US\$ 46.9 million), North America (US\$ 8.9 million), Asia Pacific (US\$ 7.8 million) and Europe, Middle East and Africa (US\$ 5.8 million).

The significant variations in currency exchange rates during the period resulted in the recognition of unfavorable exchange rates differences mainly in South America (US\$ 7.8 million for FY 2020).

7. Inventories

Inventories break down as follows:

	December 31, 2020	December 31, 2019
Spare parts and consumables, gross	31,387	32,873
Less inventory allowance	-	-
Inventories, net	31,387	32,873

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 December 31, 2020, the maturity of financial debt can be analyzed as presented in the table below:

	December 31, 2020
Credit lines	1,299
Long-term debt	
Within one year	1,837
Between 1 and 2 years	153,126
Between 2 and 3 years	752
Between 3 and 4 years	116
Between 4 and 5 years	-
Total	157,130

The borrowing above is mainly denominated in Euros.

As part of the implementation of IFRS 16, the Company recognized lease obligations amounting to US\$ 4,389 thousand as at January 1st, 2019. As at December 31, 2020, the corresponding amount is US\$ 5,482 thousand.

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9. Provisions

Provisions comprise the following elements:

	Pension and retirement indemnities	Provision for tax uncertainty	Claims	Total
As at January 1, 2020	406	-	327	733
Charged to consolidated income statement				
- Addition to provisions	83	-	-	83
- Used amounts reversed	-	-	(165)	(165)
- Unused amounts reversed	-	-	-	-
- Exchange differences	29	-	(14)	15
As at December 31, 2020	518	-	148	666

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\$ 148 thousand has been provided for as at December 31, 2020.

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 and change in equity

Number of shares outstanding

As at December 31, 2020, 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	298,209
Common shares held by the public	50,894,337
Total shares issued and outstanding	89,951,798
Common shares held by the Company	(298,209)
Total common shares issued and outstanding	89,653,589

Treasury shares

The Company filed a notice on June 17, 2020, in respect of an additional NCIB with the TSX. The Company was entitled to purchase up to 1,000,000 additional common shares. As at December 31, 2020, the Company purchased 256,440 of its own shares at an average purchase price of Can\$ 0.49.

As at December 31, 2020, the Company owns 298,209 of its own shares (74,769 as at December 31, 2019).

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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		Year ended	
	December 31,		December 31,	
	2020	2019	2020	2019
Depreciation and amortization	(4,409)	(4,601)	(16,673)	(18,119)
Accruals increases / (reversals)	(317)	72	(428)	69
Raw materials, consumables used and external charges	(23,526)	(21,098)	(95,122)	(94,779)
Employee benefit expense	(22,090)	(19,018)	(75,990)	(79,624)
Taxes other than on income	(293)	(79)	(1,493)	(1,322)
Other operating (expenses) / profit, net	(166)	(71)	(231)	(717)
Total operating expenses	(50,801)	(44,795)	(189,937)	(194,492)

The US\$ 2.0 million net profit corresponding to the successful conclusion of a contract recognized in the second quarter of 2020 has been allocated to the related expenses for the purpose of the table above.

Share-based compensation expenses recognized within Employee benefit expense for the year ended December 31, 2020 amount to US\$ 195 thousand (US\$ 180 thousand in 2019).

12. Income tax expense

During the year ended December 31, 2020, the Company recognized an income tax expenses amounting to US\$ 1,003 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:

	December 31, 2020	December 31, 2019
Bid bonds	243	530
Advance payment guarantees	5,337	3,537
Performance guarantees	2,052	2,091
Retention guarantees	299	181
Financial guarantees	170	155
Total	8,101	6,494

The Company benefits from a corporate contract guarantee line confirmed until May 2022 of €12.7 million (US\$ 15.6 million) of which €4.2 million (US\$ 5.0million) was used as at December 31, 2020.

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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 of facility and equipment amounting to US\$ 843 thousand for the year ended December 31, 2020 (US\$ 271 thousand for the year ended December 31, 2019).

Compensation to key management for the year ended December 31, 2020 amounted to US\$ 2,985 thousand (US\$ 2,778 thousand for the year ended December 31, 2019).

15. Earnings per share calculation

For the three-month period ended December 31, 2020, the weighted basic average number of shares was 89,733,838 (89,871,257 in 2019) and the weighted diluted average number of shares was 92,137,089 (92,187,926 in 2019).

For the year ended December 31, 2020, the weighted basic average number of shares was 89,824,744 (89,732,232 in 2019) and the weighted diluted average number of shares was 91,981,394 (92,222,879 in 2019).

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

There are no significant post balance sheet events.