

FORACO INTERNATIONAL S.A.

**Unaudited Condensed Interim Consolidated Financial
Statements**

**Three-month and nine-month periods ended
September 30, 2022**



Table of Contents

Unaudited condensed interim consolidated balance sheet - Assets	3
Unaudited condensed interim consolidated balance sheet – Equity and Liabilities	4
Unaudited condensed interim consolidated income statement	5
Unaudited condensed interim consolidated statement of changes in equity	6
Selected notes to the unaudited condensed interim consolidated financial statements	8
1. Basis of preparation	8
2. Selected notes on critical accounting policies and new accounting pronouncements	8
3. Financial risk management	10
4. Segment information	10
5. Property, plant and equipment	12
6. Goodwill	12
7. Inventories	13
8. Financial debt and lease obligations	13
9. Provisions	14
10. Share capital and change in equity	14
11. Expenses by nature	15
12. Income tax expense	15
13. Commitments and contingencies	16
14. Related-party transactions	16
15. Earnings per share calculation	16
16. Post balance sheet events	16

Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of September 30, 2022****Unaudited condensed interim consolidated balance sheet - Assets**

in thousands of US\$	Note	September 30, 2022	December 31, 2021
ASSETS			
Non-current assets			
Property, plant and equipment	(5)	37,537	39,681
Goodwill	(6)	61,958	63,504
Deferred income tax assets		16,492	20,356
Other non-current assets		972	854
		116,959	124,395
Current assets			
Inventories, net	(7)	43,606	37,057
Trade receivables, net		50,010	32,237
Other current assets		11,137	11,179
Cash and cash equivalents		27,631	23,924
		132,383	104,397
Total assets		249,342	228,792

Foraco International S.A.
Unaudited condensed interim consolidated financial statements as of September 30, 2022

Unaudited condensed interim consolidated balance sheet – Equity and Liabilities

in thousands of US\$	Note	September 30, 2022	December 31, 2021
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		2,499	2,499
Share premium, reserves and retained earnings		55,054	53,480
		57,553	55,979
Non-controlling interests		12,417	6,549
Total equity		69,970	62,528
LIABILITIES			
Non-current liabilities			
Borrowings - Non-current portion of long-term debt	(8)	84,780	94,101
Lease obligations – Non current portion	(8)	3,734	4,684
Deferred income tax liabilities		2,335	2,485
Provisions for other liabilities and charges	(9)	534	568
Current liabilities			
Trade payables		28,028	26,401
Other payables		32,661	23,830
Current income tax liabilities		1,172	3,182
Borrowings - Current portion of long-term debt	(8)	12,912	7,584
Borrowings - Current portion of drawn credit lines	(8)	11,375	1,382
Lease obligations - Current portion	(8)	1,701	1,913
Provisions for other liabilities and charges	(9)	141	135
Total liabilities		179,372	166,264
Total equity and liabilities		249,342	228,792
Net debt including operating lease obligations under IFRS 16		86,871	85,741

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

Foraco International S.A.

Unaudited condensed interim consolidated financial statements as of September 30, 2022

Unaudited condensed interim consolidated income statement

In thousands of US\$	Note	Three-month period ended September 30		Nine-month period ended September 30	
		2022	2021	2022	2021
Revenue	(4)	91,414	70,574	245,652	200,793
Cost of sales	(11)	(66,968)	(55,716)	(192,859)	(164,085)
Gross profit		24,446	14,858	52,793	36,708
Selling, general and administrative expenses	(11)	(6,290)	(5,870)	(18,411)	(16,868)
Other operating income / (expense), net		-	-	-	-
Operating profit / (loss)		18,156	8,988	34,382	19,840
Finance costs		(2,923)	(2,107)	(8,277)	(6,850)
Gain on refinancing			34,583		34,583
Profit / (loss) before income tax		15,233	41,464	26,105	47,673
Income tax (expense) / profit	(12)	(4,082)	(9,371)	(7,013)	(10,889)
Profit for the period		11,151	32,093	19,093	36,785
Attributable to:					
Equity holders of the Company		8,351	30,408	13,238	33,219
Non-controlling interests		2,800	1,685	5,855	3,566
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in US cents per share):					
- basic	(15)	8.46	30.91	13.41	35.78
- diluted	(15)	8.25	29.90	13.07	34.60
Operating profit before depreciation, amortization and non-cash share based compensation expenses		23,024	13,802	49,417	33,621

Foraco International S.A.
Unaudited condensed interim consolidated financial statements as of September 30, 2022

Unaudited condensed interim consolidated statement of changes in equity

in thousands of US\$	Attributable to equity holders of the Company			Non-controlling interests	Total Equity
	Share Capital	Share Premium, reserves and retained earnings	Total		
Balance at January 1, 2021	1,772	11,154	12,927	4,875	17,802
Profit / (loss) for the period	-	33,219	33,219	3,566	36,785
Currency translation differences	-	(4,404)	(4,404)	128	(4,276)
Employee share-based compensation	-	150	150	-	150
Impact in modification of share par value	507	(507)	-	-	-
Share capital increase (See Note 16)	220	16,831	17,051	-	17,051
Treasury shares purchased (see Note 10)	-	(263)	(263)	-	(263)
Dividend paid to non controlling interests	-	-	-	(1,217)	(1,217)
Balance at September 30, 2021	2,499	56,180	58,679	7,353	66,032
Balance at January 1, 2022	2,499	53,480	55,979	6,549	62,528
Profit / (loss) for the period	-	13,238	13,238	5,855	19,092
Currency translation differences	-	(10,977)	(10,977)	1,111	(9,866)
Employee share-based compensation	-	240	240	-	240
Treasury shares purchased (see Note 10)	-	(927)	(927)	-	(927)
Dividend paid to non controlling interests	-	-	-	(1,098)	(1,098)
Balance at September 30, 2022	2,499	55,054	57,553	12,417	69,970

Unaudited statement of comprehensive income

in thousands of US\$	September 30, 2022	September 30, 2021
Net profit / (loss) for the period	19,092	36,785
Currency translation differences	(9,866)	(4,276)
Total comprehensive profit / (loss) for the period	9,226	32,509
<i>Attributable to:</i>		
<i>Equity holders of the Company</i>	<i>2,260</i>	<i>28,815</i>
<i>Non-controlling interests</i>	<i>6,966</i>	<i>3,694</i>

Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of September 30, 2022****Unaudited condensed interim consolidated cash flow statement**

in thousands of US\$	Nine-month period ended	
	September 30,	
	2022	2021
Profit / (loss) for the period	19,092	36,785
Adjustments for:		
- Depreciation, amortization and impairment (see Note 11)	14,795	13,631
- Share of (profit) / loss from associates	-	-
- Share-based compensation expenses (see Note 11)	240	150
- Non Cash Reorganization program impact	-	-
- Income tax expenses / (profit) (see Note 12)	7,013	10,888
- Finance costs, net	8,277	(27,834)
Cash generated from operations before changes in operating assets and liabilities	49,417	33,621
Changes in operating assets and liabilities:		
- Inventories	(6,822)	(4,344)
- Trade accounts receivable and other receivables	(18,274)	(13,384)
- Trade accounts payable and other payables	6,569	12,085
Cash generated from / (used in) operations	30,891	27,978
- Interest paid, net	(7,097)	(839)
- Income tax paid	(5,685)	(4,670)
Net cash flow from / (used in) operating activities	18,109	22,469
Purchase of property, plant and equipment (*)	(14,096)	(14,677)
Net cash generated from / (used in) investing activities	(14,096)	(14,677)
Proceeds from issuance of borrowings, net of issuance costs	-	187
Proceeds from issuance of bonds, net of issuance costs	-	95,564
Repayments of Bonds including costs paid	(5,000)	(96,125)
Repayments of borrowings	(953)	(3,354)
Repayments of lease obligations	(1,880)	(1,120)
Proceeds from / (repayment of) short term credit facilities	10,188	(313)
Acquisition of treasury shares (see Note 10)	(927)	(263)
Dividends paid to Company's shareholders	-	-
Dividends paid to non-controlling interests	(1,098)	(1,217)
Net cash generated from / (used in) financing activities	330	(6,641)
Exchange differences on cash and cash equivalents	(635)	207
Net increase / (decrease) in cash and cash equivalents	3,708	1,359
Cash and cash equivalents at beginning of the period	23,924	20,960
Cash and cash equivalents at end of the period	27,631	22,319
<i>(*) Excluding acquisition financed through leases and right of use</i>	<i>927</i>	<i>1,591</i>

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, 2021.

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, 2021 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 copper and battery metals. 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. Impairment testing

As at December 31, 2021, 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, 2021.

Based on the current activity trend, the Company considers that there is no triggering event which would justify an impairment testing as at September 30, 2022.

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, 2021 annual financial statements.

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

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

- IAS 16 amendments regarding proceeds before intended use - "Plant and equipment - proceeds before intended use".
- IAS 37 amendments regarding onerous contracts - "Cost of fulfilling a contract".
- IFRS 3 amendments to business combination - "Accounting using the acquisition method".

Foraco International S.A.

Unaudited condensed interim consolidated financial statements as of September 30, 2022

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, 2023

- IAS 1 amendments on presentation and classification - applicable on or after January 1, 2023 with early adoption permitted – “Classification of liabilities as current or non-current”,
- Amendments to IFRS 17 - applicable on January 1, 2023 – “Insurance contract”,
- IAS 8 amendments on accounting estimates - applicable on or after January 1, 2023 with early adoption permitted – “Definition of accounting estimates”,
- IAS 12, "Income Taxes" – applicable on January 1, 2023 with early adoption permitted - implementation of a 'comprehensive balance sheet method'.

The impact on the consolidated financial statements of the Company of these standards, amendments and improvements 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 September 30, 2022 and September 30, 2021 is as follows:

Three-month period ended	Mining		Water		Group	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Revenue	79,027	61,793	12,387	8,781	91,414	70,574
Gross profit / (loss)	20,523	13,076	3,923	1,782	24,446	14,858
Operating profit / (loss)	15,085	7,936	3,071	1,052	18,156	8,988
Finance profit / (costs)	n/a	n/a	n/a	n/a	(2,923)	32,476
Profit / (Loss) before income tax	n/a	n/a	n/a	n/a	15,233	41,464
Income tax profit / (expense)	n/a	n/a	n/a	n/a	(4,082)	(9,371)
Profit / (loss) for the period	n/a	n/a	n/a	n/a	11,151	32,093

Foraco International S.A.
Unaudited condensed interim consolidated financial statements as of September 30, 2022

The business segment information for the nine-month periods ended September 30, 2022 and September 30, 2021 is as follows:

Nine-month period ended	Mining		Water		Group	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Revenue	211,831	171,632	33,822	29,161	245,652	200,793
Gross profit / (loss)	43,749	30,698	9,044	6,010	52,793	36,708
Operating profit / (loss)	27,858	16,299	6,524	3,541	34,382	19,840
Finance profit / (costs)	n/a	n/a	n/a	n/a	(8,277)	27,833
Profit / (loss) before income tax	n/a	n/a	n/a	n/a	26,105	47,673
Income tax profit / (expense)	n/a	n/a	n/a	n/a	(7,013)	(10,889)
Profit / (loss) for the period	n/a	n/a	n/a	n/a	19,093	36,785

The following is a summary of sales to external customers by geographic area for the three-month periods ended September 30, 2022 and September 30, 2021:

Three-month period ended	September 30, 2022	September 30, 2021
North America	27,870	25,131
South America	29,398	14,057
Europe, Middle East and Africa	18,988	19,684
Asia Pacific	15,158	11,702
Net sales	91,414	70,574

The following is a summary of sales to external customers by geographic area for the nine-month periods ended September 30, 2022 and September 30, 2021:

Nine-month period ended	September 30, 2022	September 30, 2021
North America	76,068	69,489
South America	75,097	36,456
Europe, Middle East and Africa	55,145	62,985
Asia Pacific	39,342	31,863
Net sales	245,652	200,793

Foraco International S.A.
Unaudited condensed interim consolidated financial statements as of September 30, 2022

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, 2021						
Opening net book amount	1,803	25,426	3,102	348	5,411	36,090
Additions	90	17,785	1,351	210	3,210	22,646
Exchange differences	(90)	(72)	(83)	(23)	(143)	(411)
Disposals or retirements	-	(32)	(1)	-	-	(33)
Depreciation expense	(107)	(15,522)	(986)	(148)	(1,914)	(18,676)
Closing net book value	1,696	27,647	3,384	388	6,564	39,681
Period ended September 30, 2022						
Opening net book amount	1,696	27,647	3,384	388	6,564	39,681
Additions	39	12,115	1,921	521	927	15,523
Exchange differences	(158)	(2,651)	(368)	(12)	(547)	(3,736)
Disposals or retirements	-	656	134	1	28	818
Depreciation expense	(69)	(12,114)	(881)	(149)	(1,536)	(14,749)
Closing net book value	1,508	25,654	4,189	749	5,435	37,537

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

Period ended	September 30, 2022	December 31, 2021
Cost of sales	13,415	17,311
Selling, general and administrative expenses	1,380	1,370
Total depreciation and amortization	14,795	18,681

6. Goodwill

Goodwill can be analyzed as follows:

	September 30, 2022	December 31, 2021
Goodwill at beginning of period	63,504	69,482
Exchange differences	(1,546)	(5,978)
Goodwill at end of period	61,958	63,504

Goodwill is denominated in the functional currency of its primary economic environment and is allocated to the following geographic regions: South America (US\$ 40.8 million), North

Foraco International S.A.

Unaudited condensed interim consolidated financial statements as of September 30, 2022

America (US\$ 8.3 million), Asia Pacific (US\$ 6.6 million) and Europe, Middle East and Africa (US\$ 6.2 million).

7. Inventories

Inventories break down as follows:

	September 30, 2022	December 31, 2021
Spare parts and consumables, gross	43,606	37,057
Less inventory allowance	-	-
Inventories, net	43,606	37,057

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 September 30, 2022, the maturity of financial debt can be analyzed as presented in the table below:

	September 30, 2022
Credit lines	11,375
Long-term debt	
Within one year	12,912
Between 1 and 2 years	10,157
Between 2 and 3 years	9,787
Between 3 and 4 years	64,836
Total	109,067

Borrowings presented above are mainly denominated in US\$.

As part of the implementation of IFRS 16, the Company recognized lease obligations amounting to US\$ 5,435 thousand as at September 30, 2022.

Foraco International S.A.

Unaudited condensed interim consolidated financial statements as of September 30, 2022

9. Provisions

Provisions comprise the following elements:

	Pension and retirement indemnities	Provision for tax uncertainty	Claims	Total
As at January 1, 2022	568	-	135	703
Charged to consolidated income statement				
- Addition to provisions	68	-	-	68
- Used amounts reversed	-	-	-	-
- Unused amounts reversed	-	-	-	-
- Exchange differences	(102)	-	6	(96)
As at September 30, 2022	534	-	141	675

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 September 30, 2022, 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	693,462
Common shares held by the Company	589,129
Common shares held by the public (*)	63,814,016
Total shares issued and outstanding	99,251,798
Common shares held by the Company	(589,129)
Total common shares issued and outstanding	98,662,669

Foraco International S.A.

Unaudited condensed interim consolidated financial statements as of September 30, 2022

Treasury shares

The Company filed a notice on September 16, 2021, 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. As at September 30, 2022, the Company purchased 685,472 of its own shares at an average purchase price of Can\$2.02.

The Company filed a notice on September 30, 2022, 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. No Company share was purchased under this plan at the date of the closing.

As at September 30, 2022, the Company owns 589,129 of its own shares (378,460 as at December 31, 2021).

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 September 30		Nine-month period ended September 30,	
	2022	2021	2022	2021
Depreciation and amortization	(4,777)	(4,764)	(14,795)	(13,631)
Accruals increases / (reversals)	-	(19)	(42)	(95)
Raw materials, consumables used and external charges	(36,753)	(30,011)	(104,070)	(89,740)
Employee benefit expense	(31,281)	(26,498)	(91,108)	(76,421)
Taxes other than on income	(447)	(294)	(1,256)	(1,065)
Other operating (expenses) / profit, net	-	-	-	-
Total operating expenses	(73,258)	(61,586)	(211,270)	(180,952)

Share-based compensation expenses recognized in Employee benefit expense for the period ended September 30, 2022 amount to US\$ 240 thousand (US\$ 150 thousand in 2021).

12. Income tax expense

During the nine-month period ended September 30, 2022, the Company recognized an income tax expense amounting to US\$ 7,013 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.

Foraco International S.A.

Unaudited condensed interim consolidated financial statements as of September 30, 2022

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 as follows:

	September 30, 2022	December 31, 2021
Bid bonds	101	13
Advance payment guarantees	6,203	6,084
Performance guarantees	1,401	2,795
Retention guarantees	36	42
Financial guarantees	135	157
Total	7,876	9,048

The Company benefits from a corporate contract guarantee line confirmed until December 2022 amounting to €6.5 million (US\$ 6.3 million) of which €3.6 million (US\$ 3.5 million) was used as at September 30, 2022.

14. Related-party transactions

The Company accounted for certain related party transactions including lease of facility and equipment amounting to US\$ 1,254 thousand for the period ended September 30, 2022 (US\$ 939 thousand for the period ended September 30, 2021).

Compensation to key management for the nine-month period ended September 30, 2022 amounted to US\$ 2,839 thousand (US\$ 3,198 thousand for the period ended September 30, 2021).

15. Earnings per share calculation

For the three-month period ended September 30, 2022, the weighted basic average number of shares was 98,670,969 (98,376,811 in 2021) and the weighted diluted average number of shares was 101,253,710 (101,685,935 in 2021).

For the nine-month period ended September 30, 2022, the weighted basic average number of shares was 98,752,910 (92,831,292 in 2021) and the weighted diluted average number of shares was 101,262,604 (96,013,653 in 2021).

16. Post balance sheet events

There are no significant post balance sheet events.