

FORACO INTERNATIONAL S.A.

Unaudited Condensed Interim Consolidated Financial Statements

**Three-month and nine-month periods ended
September 30, 2023**



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Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of September 30, 2023****Unaudited condensed interim consolidated balance sheet - Assets**

in thousands of US\$	Note	September 30, 2023	December 31, 2022
ASSETS			
Non-current assets			
Property, plant and equipment	(5)	48,719	39,536
Goodwill	(6)	63,407	64,055
Deferred income tax assets		15,084	18,791
Other non-current assets		956	1,053
		128,166	123,435
Current assets			
Inventories, net	(7)	46,226	44,030
Trade receivables, net		64,024	42,439
Other current assets		12,738	10,232
Cash and cash equivalents		25,640	29,409
		148,628	126,110
Total assets		276,793	249,545

Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of September 30, 2023****Unaudited condensed interim consolidated balance sheet – Equity and Liabilities**

in thousands of US\$	Note	September 30, 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		80,589	62,688
		83,088	65,187
Non-controlling interests		11,791	10,305
Total equity		94,878	75,492
LIABILITIES			
Non-current liabilities			
Borrowings - Non-current portion of long-term debt	(8)	76,714	84,771
Lease obligations – Non current portion	(8)	3,816	3,276
Deferred income tax liabilities		2,378	2,292
Provisions for other liabilities and charges	(9)	724	563
Current liabilities			
Trade payables		31,658	28,717
Other payables		37,031	30,243
Current income tax liabilities		4,807	6,524
Borrowings - Current portion of long-term debt	(8)	13,936	13,166
Borrowings - Current portion of drawn credit lines	(8)	8,089	2,323
Lease obligations - Current portion	(8)	2,607	2,032
Provisions for other liabilities and charges	(9)	157	144
Total liabilities		181,915	174,053
Total equity and liabilities		276,793	249,545
Net debt including operating lease obligations under IFRS 16		79,522	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

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Unaudited condensed interim consolidated income statement

In thousands of US\$	Note	Three-month period ended September 30,		Nine-month period ended September 30,	
		2023	2022	2023	2022
Revenue	(4)	95,060	91,414	283,503	245,652
Cost of sales	(11)	(68,197)	(66,968)	(209,559)	(192,859)
Gross profit		26,863	24,446	73,944	52,793
Selling, general and administrative expenses	(11)	(6,694)	(6,290)	(20,705)	(18,411)
Other operating income / (expense), net		-	-	-	-
Operating profit		20,169	18,156	53,239	34,382
Finance costs		(3,572)	(2,923)	(10,623)	(8,277)
Profit before income tax		16,597	15,233	42,616	26,105
Income tax (expense) / profit	(12)	(4,231)	(4,082)	(11,195)	(7,013)
Net profit for the period		12,366	11,151	31,421	19,093
Attributable to:					
Equity holders of the Company		10,848	8,351	26,298	13,238
Non-controlling interests		1,518	2,800	5,123	5,855
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in US cents per share):					
- basic	(15)	11.00	8.46	26.61	13.41
- diluted	(15)	10.77	8.25	26.05	13.07
Operating profit before depreciation, amortization and non-cash share based compensation expenses		25,002	23,024	67,945	49,417

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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	-	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
Balance at January 1, 2023	2,499	62,688	65,187	10,305	75,492
Profit / (loss) for the period	-	26,298	26,298	5,123	31,421
Currency translation differences	-	(7,571)	(7,571)	(993)	(8,564)
Employee share-based compensation	-	270	270	-	270
Treasury shares purchased (see Note 10)	-	(1,097)	(1,097)	-	(1,097)
Dividend paid to non controlling interests	-	-	-	(2,644)	(2,644)
Balance at September 30, 2023	2,499	80,589	83,088	11,791	94,878

Unaudited statement of comprehensive income

in thousands of US\$	September 30, 2023	September 30, 2022
Net profit / (loss) for the period	31,421	19,092
Currency translation differences	(8,564)	(9,866)
Total comprehensive profit for the period	22,857	9,226
<i>Attributable to:</i>		
<i>Equity holders of the Company</i>	<i>18,727</i>	<i>2,260</i>
<i>Non-controlling interests</i>	<i>4,130</i>	<i>6,966</i>

Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of September 30, 2023****Unaudited condensed interim consolidated cash flow statement**

in thousands of US\$	Nine-month ended September 30,	
	2023	2022
Profit for the period	31,421	19,092
Adjustments for:		
- Depreciation, amortization and impairment (see Note 11)	14,435	14,795
- Share-based compensation expenses (see Note 11)	270	240
- Income tax expenses / (profit) (see Note 12)	11,195	7,013
- Finance costs, net	10,623	8,277
Cash generated from operations before changes in operating assets and liabilities	67,945	49,417
Changes in operating assets and liabilities:		
- Inventories	(3,796)	(6,822)
- Trade accounts receivable and other receivables	(26,427)	(18,274)
- Trade accounts payable and other payables	7,207	6,569
Cash generated from / (used in) operations	44,930	30,890
- Interest paid, net	(10,435)	(7,097)
- Income tax paid	(9,601)	(5,685)
Net cash flow from / (used in) operating activities	24,894	18,108
Purchase of property, plant and equipment (*)	(20,719)	(14,096)
Net cash generated from / (used in) investing activities	(20,719)	(14,096)
Proceeds from issuance of borrowings, net of issuance costs	2,635	-
Repayment of Bonds	(10,000)	(5,000)
Repayments of borrowings	(1,396)	(953)
Repayments of lease obligations	(1,920)	(1,880)
Proceeds from / (repayment of) short term credit facilities	5,786	10,188
Acquisition of treasury shares (see Note 10)	(1,097)	(927)
Dividends paid to non-controlling interests	(1,098)	(1,098)
Net cash generated from / (used in) financing activities	(7,090)	330
Exchange differences on cash and cash equivalents	(854)	(635)
Net increase / (decrease) in cash and cash equivalents	(3,769)	3,708
Cash and cash equivalents at beginning of the period	29,408	23,924
Cash and cash equivalents at end of the period	25,640	27,631
(*) Excluding acquisition financed through leases	3,067	927

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. Sale of the Company’s Russian subsidiary

On April 5, 2023, the Company entered into a preliminary agreement to sell its 50% stake in Eastern Drilling Company (EDC) to its Russian partners. The execution of this agreement, which is anticipated to occur in Q4 2023, remains uncertain, as it is subject to the approval of Russian authorities, an outcome anticipated but not definitively confirmed. EDC contributions to Foraco's consolidated revenues were 12.2 million for a net income of US\$ 0.5 million for the nine-month period ended September 30, 2023.

2.4. 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 September 30, 2023.

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 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,

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- 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 September 30, 2023 and September 30, 2022 is as follows:

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Three-month period ended	Mining		Water		Group	
	September 30		September 30		September 30	
	2023	2022	2023	2022	2023	2022
Revenue	83,369	79,027	11,691	12,387	95,060	91,414
Gross profit	23,165	20,523	3,698	3,923	26,863	24,446
Operating profit	17,294	15,085	2,875	3,071	20,169	18,156
Finance costs	n/a	n/a	n/a	n/a	(3,572)	(2,923)
Profit before income tax	n/a	n/a	n/a	n/a	16,597	15,233
Income tax profit / (expense)	n/a	n/a	n/a	n/a	(4,231)	(4,082)
Net profit for the period	n/a	n/a	n/a	n/a	12,366	11,151

The business segment information for the nine-month periods ended September 30, 2023 and September 30, 2022 is as follows:

Nine-month period ended	Mining		Water		Group	
	September 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022
Revenue	245,820	211,831	37,683	33,822	283,503	245,652
Gross profit	63,654	43,749	10,290	9,044	73,944	52,793
Operating profit	45,717	27,858	7,522	6,524	53,239	34,382
Finance costs	n/a	n/a	n/a	n/a	(10,623)	(8,277)
Profit before income tax	n/a	n/a	n/a	n/a	42,616	26,105
Income tax profit / (expense)	n/a	n/a	n/a	n/a	(11,195)	(7,013)
Net profit for the period	n/a	n/a	n/a	n/a	31,421	19,093

The following is a summary of sales to external customers by geographic area for the three-month periods ended September 30, 2023 and September 30, 2022:

Three-month period ended	September 30, 2023	September 30, 2022
North America	32,164	27,870
South America	29,930	29,398
Asia Pacific	19,440	15,158
Europe, Middle East and Africa	13,526	18,988
Net sales	95,060	91,414

The following is a summary of sales to external customers by geographic area for the nine-month periods ended September 30, 2023 and September 30, 2022:

Nine-month period ended	September 30, 2023	September 30, 2022
South America	100,088	75,097
North America	93,066	76,068
Asia Pacific	52,178	39,342
Europe, Middle East and Africa	38,171	55,145
Net sales	283,503	245,652

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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
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 September 30, 2023						
Opening net book amount	1,703	27,353	4,443	759	5,276	39,536
Additions	120	17,640	3,062	260	3,067	24,149
Exchange differences	3	(321)	(287)	112	(53)	(546)
Disposals or retirements	-	-	(35)	(2)	-	(37)
Depreciation expense	(97)	(11,424)	(747)	(152)	(1,963)	(14,383)
Closing net book value	1,729	33,248	6,436	977	6,327	48,719

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

Period ended	September 30, 2023	December 31, 2022
Cost of sales	13,087	18,050
Selling, general and administrative expenses	1,348	1,780
Total depreciation and amortization	14,435	19,830

6. Goodwill

Goodwill can be analyzed as follows:

	September 30, 2023	December 31, 2022
Goodwill at beginning of period	64,055	63,504
Exchange differences	(648)	552
Goodwill at end of period	63,407	64,055

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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\$ 43.7 million), North America (US\$ 8.4 million), Asia Pacific (US\$ 6.6 million) and Europe, Middle East and Africa (US\$ 4.7 million).

7. Inventories

Inventories are broken down as follows:

	September 30, 2023	December 31, 2022
Spare parts and consumables, gross	46,226	44,030
Less inventory allowance	-	-
Inventories, net	46,226	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 September 30, 2023, the maturity of financial debt can be analyzed as presented in the table below:

	September 30, 2023
Credit lines	8,089
Long-term debt	
Within one year	13,936
Between 1 and 2 years	10,591
Between 2 and 3 years	65,430
Between 3 and 4 years	594
Between 4 and 5 years	99
Total	98,739

Borrowings presented above are mainly denominated in US\$.

As part of the implementation of IFRS 16, the Company recognized lease obligations amounting to US\$ 6,423 thousand as at September 30, 2023.

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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	166	-	125	291
- Used amounts reversed	-	-	(119)	(119)
- Unused amounts reversed	-	-	-	-
- Exchange differences	(6)	-	7	1
As at September 30, 2023	725	-	156	881

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, 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	796,469
Common shares held by the public (*)	63,601,676
Total shares issued and outstanding	99,251,798
Common shares held by the Company	(796,469)
Total common shares issued and outstanding	98,455,329

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

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1,000,000 additional common shares. As at September 30, 2023, the Company purchased 935,340 of its own shares at an average purchase price of Can\$1.72.

As at September 30, 2023, the Company owns 796,469 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		Nine-month period ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Depreciation and amortization	(4,743)	(4,777)	(14,435)	(14,795)
Accruals increases / (reversals)	(1)	-	123	(42)
Raw materials, consumables used and external charges	(36,851)	(36,753)	(112,151)	(104,070)
Employee benefit expense	(32,387)	(31,281)	(100,842)	(91,108)
Taxes other than on income	(909)	(447)	(2,959)	(1,256)
Other operating (expenses) / profit, net	-	-	-	-
Total operating expenses	(74,890)	(73,258)	(230,264)	(211,271)

Share-based compensation expenses recognized in Employee benefit expense for the period ended September 30, 2023 amount to US\$ 270 thousand (US\$ 240 thousand for the period ended September 30, 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.

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

	September 30, 2023	December 31, 2022
Bid bonds	111	85
Advance payment guarantees	4,508	6,993
Performance guarantees	2,430	2,196
Retention guarantees	-	39
Financial guarantees	147	148
Total	7,195	9,372

14. Related-party transactions

The Company accounted for certain related party transactions including lease of facility and equipment amounting to US\$ 1,578 thousand for the period ended September 30, 2023 (US\$ 1,254 thousand for the period ended September 30, 2022).

Compensation to key managers for the period ended September 30, 2023 amounted to US\$ 2,475 thousand (US\$ 2,839 thousand for the period ended September 30, 2022).

15. Earnings per share calculation

For the three-month period ended September 30, 2023, the weighted basic average number of shares was 98,615,129 (98,670,969 in 2022) and the weighted diluted average number of shares was 100,725,441 (101,253,710 in 2022).

For the nine-month period ended September 30, 2023, the weighted basic average number of shares was 98,831,169 (98,752,910 in 2022) and the weighted diluted average number of shares was 100,940,580 (101,262,604 in 2022).

16. Post balance sheet events

There are no significant post balance sheet events.