INTEGRITY. INNOVATION. INVOLVEMENT.

FORACO INTERNATIONAL

2022 ANNUAL REPORT

WORLD LEADING MINERAL & WATER DRILLING SERVICE PROVIDER

INTEGRITY INNOVATION INVOLVEMENT

For over 50 years, Foraco International SA (TSX:FAR) has been providing mineral and water drilling services around the world. We continue to operate in 22 countries with best in class equipment and an innovative and versatile workforce who are dedicated in their field. It is Foraco's international drilling expertise that allows us to tailor drilling solutions to our customers' needs without compromising quality and service delivery.

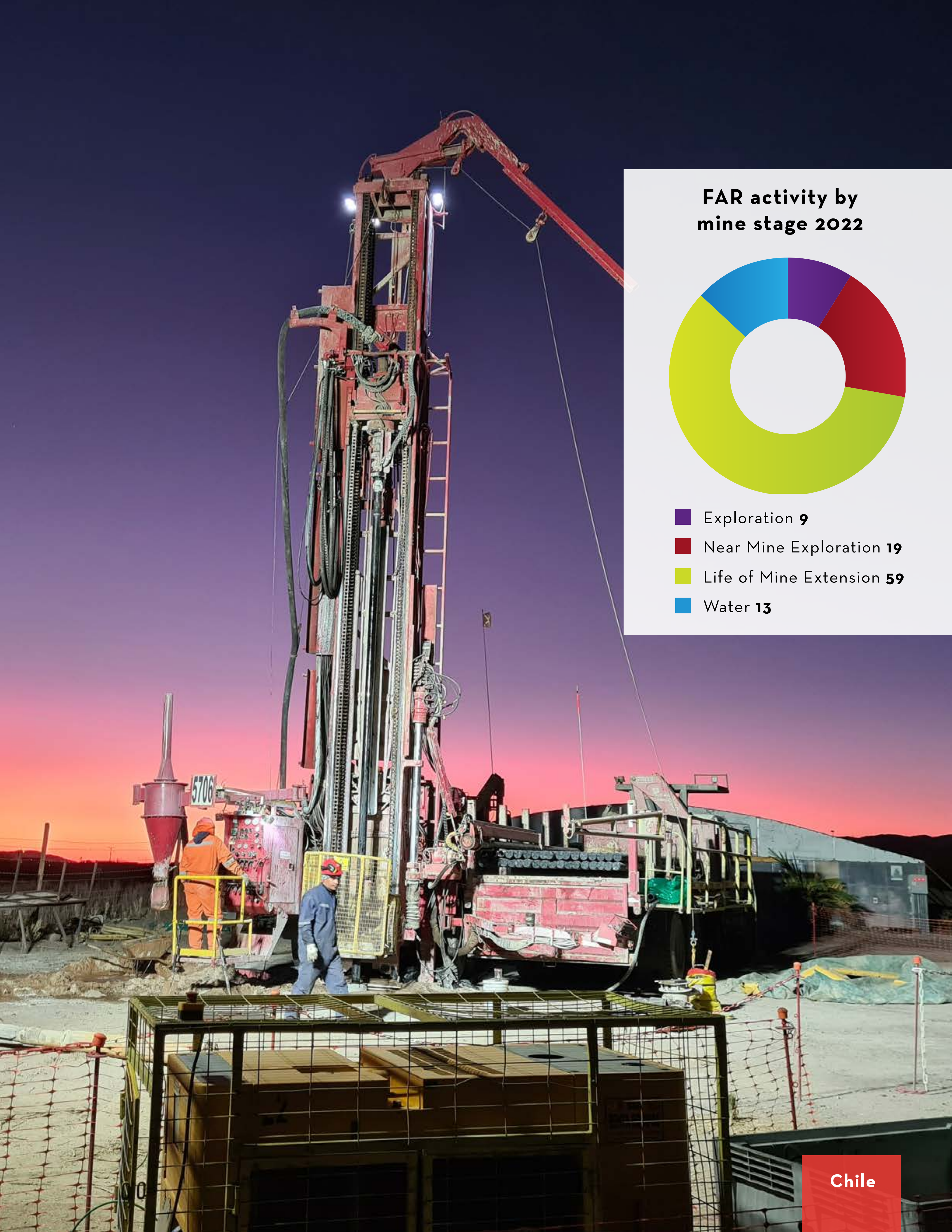
Mining customers have come to depend on Foraco's diverse range of drilling services during challenging market conditions that demand efficiency across all levels of operations. Many of these productivity and quality enhancements have direct application in our hydro business, where we proudly drill for water in rural communities and in mining environments.

DIAMOND CORE

- **Surface**
- **Underground**
- **Deep Directional Drilling**
- **Air Core**

ROTARY

- **Reverse Circulation**
- **Down-the-Hole Hammer**
- **Rotary Air Blast**
- **Large Diameter Bulk Sampling**



FAR activity by mine stage 2022

- Exploration **9**
- Near Mine Exploration **19**
- Life of Mine Extension **59**
- Water **13**

Chile

VALUE BASED SERVICE DELIVERY

SAFETY AND CUSTOMER FIRST CULTURE

Foraco customers are loyal customers. They recognize the value that comes from peace of mind and a personal approach to doing business with Foraco. They know we don't compromise on safe work or service quality in-spite of challenging market conditions that impact all stakeholders – which has strengthened relationships even further.

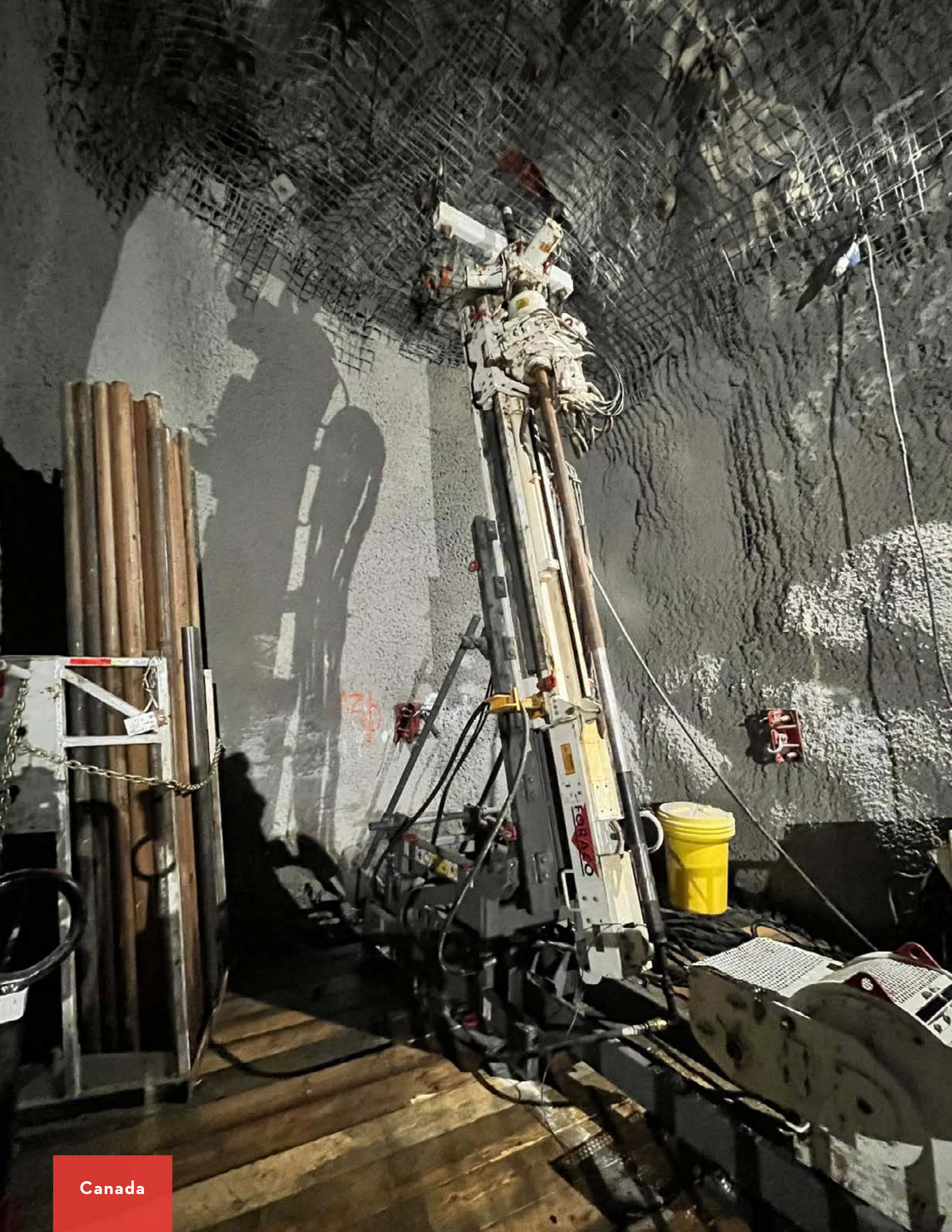
More than ever, we collaborate between regions where we continue to deploy the best people and know-how in the business – wherever they are needed.

DRILLING IS OUR BUSINESS
PEOPLE AND TECHNOLOGY

Technical innovations and the best people in the business continue to set Foraco apart from the pack. We successfully developed and deployed our first fully wireless remote controlled reverse circulation drill rig, allowing us to remove the crew from the drill and potential harm, without compromising drilling performance – True Innovation.

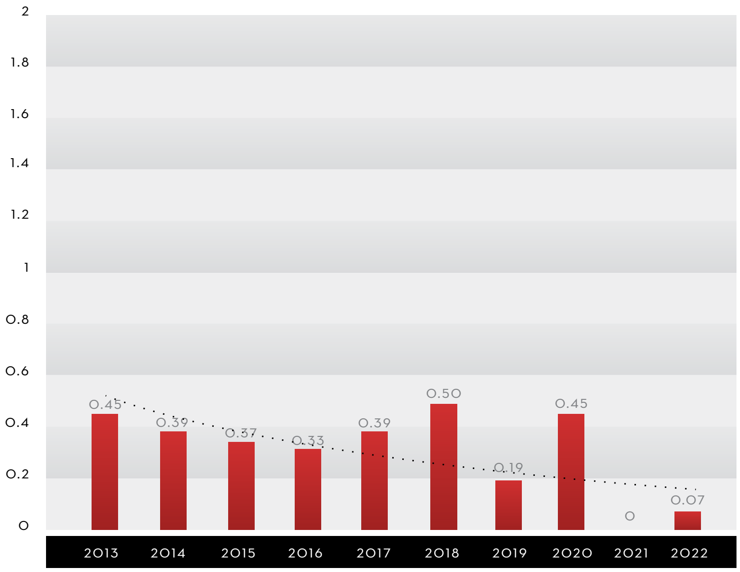
We have developed industry-leading wireless remote drilling technology for reverse circulation drilling and large diameter dewatering packages complete with mechanized road handling.

Australia

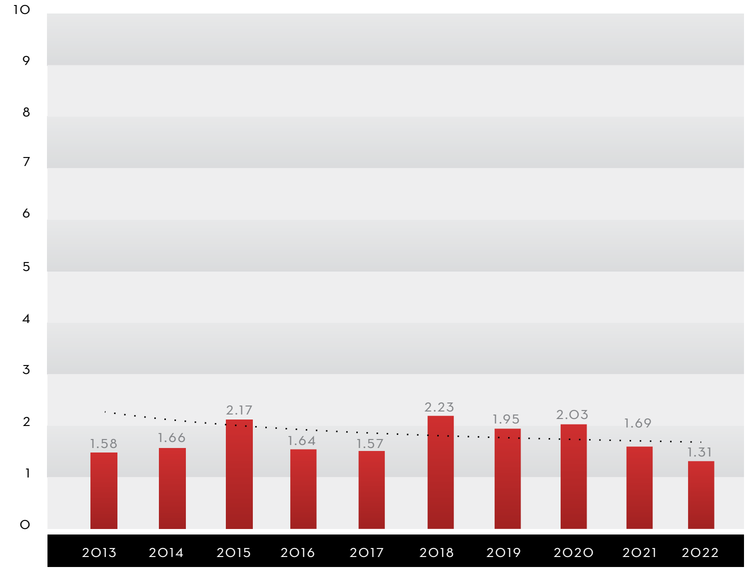


Canada

Lost Time Injury Rate Trend
per 200,000 hrs



Total Recordable Injury Frequency Rate
per 200,000 hrs



FINANCIAL HIGHLIGHTS

In US$ Million	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual
Revenue	180.0	205.4	207.1	269.7	330.1
EBITDA	18.1	29.3	34.1	43.0	66.5
EBITDA %	10.0%	14.2%	16.4%	15.9%	20.1%
Number of Rigs	302	302	302	302	302
Employees (average)	1,757	2,022	1,958	2,544	2,910

Positive EBITDA from more than 20 years

REGION, COMMODITY & CUSTOMER BASE

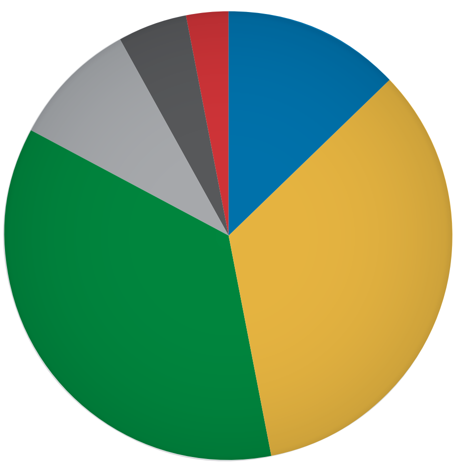
32% North America

32% South America

16% Asia Pacific

14% Europe

6% Africa



13% Water*

34% Precious Metal (Gold)

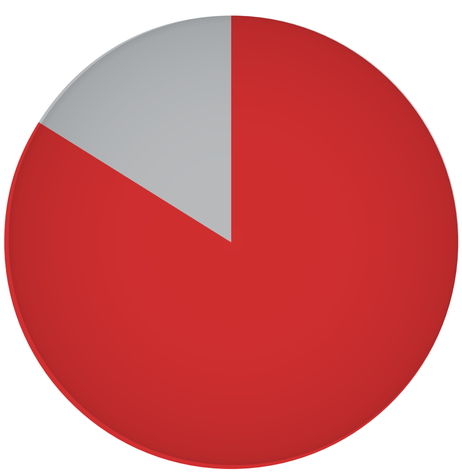
36% Battery Metals

9% Iron Ore

5% Steel Coal

3% Others

* including dewatering for mining



84% Majors

16% Juniors

LETTER TO SHAREHOLDERS

Dear fellow Shareholders,

2022 has been a great year for our Company. With most of our operations running smoothly, improved market conditions and some adjustment to commercial terms, we finally achieved the financial performance we wanted.

Throughout the year, the demand for our services continued to grow, especially from our main customer base—Senior Mining Companies—while the junior space struggled to get financed. Over the same peri the International Monetary Fund (IMF) reported a 7% decrease of its composite metal prices index year over year, after a 17% increase in 2021. In March 2022, S&P published its worldwide exploration survey, which reported an increase of 16% year over year from $11.2 billion in 2021 to $13 billion in 2022, a nine year high after a 35% increased YoY in 2021.

In 2022, inflation was relatively stable, the labour market improved and our customers maintained a steadfast course. This relative stability allowed us to execute our long-term contracts with good results and safety performance, thanks to our dedicated, passionate and skilled team.

We recorded our sixth year over year increase in revenue since 2017, with US$330.6 million in 2022, compared to US$269.7 million in 2021 – 23% growth, and improved our EBITDA by 55% at US$66.5 million. This increase in revenue is the result of a combination of a growth of demand driven by new long-term contracts, increased prices to offset inflation and the capacity of the Company to deliver more through improved productivity.

Our commodity split in 2022 saw a significant surge of battery metals at 42% (+9%), which reflects our growing activity in lithium, 28% for Gold, 13% for steel ingredients and 13% for water related services.

Since 2021, the Company has successfully renegotiated most of its long-term contracts including inflation protection clauses. The FY 2022 gross margin including depreciation within cost of sales increased by 52% year over year to US$ 71.3 million (21.6% of revenue) from US$ 46.8 million in FY 2021 (17.4% of revenue). We posted a net profit of US$25.8 million in FY 2022.

During 2022, Capex required US$ 20.0 million in cash compared to US$ 18.6 million in FY 2021. Capex essentially relates to the acquisition of rigs, major rig overhauls, ancillary equipment and rods.

In 2022 we generated free cash flow before debt servicing of US$ 27.5 million (US$ 13.6 million in FY 2021). We continued to deleverage our balance sheet during the period and our Net debt to EBITDA ratio reached a low of 1.1x at year-end, a significant improvement year-on-year. Our profitability and the strong fundamentals of our business give us grounds to proactively work on improving our capital structure.

FORACO has been the very first mineral drilling company to disclose its ESG data since 2021. Our main 2022 ESG K are available now in our Investors Presentation on our website, and we're pleased to report a significant decrease of our global climate footprint: YoY we reduced our GHG emissions by 6%, our water consumption by 18% and our energy consumption by 10%. We understand these initial savings are the "low hanging fruit" and further improvements will become more challenging. We have established an internal ESG committee who have been tasked with the preparation of a comprehensive plan. On the safety side, we improved our TRIFR at 1.31 for 5.8 million hours reported from 1.69, but unfortunately, we had to report 2 relatively minor LTIs with we reported none in 2021. On the Governance side, we have had no alerts from our whistleblowing line and have not recorded any breach of any sort.

ESP Policy Deployment in 2022 – Main Facts

We adopted SASB Sustainability Accounting Standards: Metals and Mining 2018-10

2022: we gathered data in all branches to estimate our impact:

- CO_2 emission: 57,543 TCO_2
- Water consumption: 887,999 m^3
- Energy: 844,019 Gj

Foraco does not work in war zones and has developed a systematic cooperation approach with natives or local community groups wherever possible

Foraco has collective bargaining agreements covering 56% of its workforce in complement of labor laws

Foraco has a strong safety at work policy and systems in place: LTIR of 0.07 in 2022, TRIFR of 1.31 for 5,800,574 hours reported

Foraco has a strong business ethics policy and procedures that are compliant with Europe's most stringent anti-corruption rules like Sapin 2 law and OECD rules: no whistleblow in 2022

LETTER TO SHAREHOLDERS

We believe the Company has proven its ability to deliver excellent performance, which are the direct consequences of a well thought long term strategy, good execution of contracts leading to a high customer satisfaction level and the dedication of our unique team. Throughout 2022 we have extended our leadership in certain high-tech services like deep directional drilling or large flooded reverse water drilling which will further fuel a further acceleration of our profitability metrics, market permitting.

Our top ten clients make 65% of our revenue and we now get a much better visibility from these customers who are on stable paths, and this is a key of our business model: being able to plan and well prepare our resources ahead of time for each and every project we execute.

Despite the current geopolitical environment and the uncertainties about the global economy, we are confident the world will need more metals in the short term to replace hydrocarbons, and FORACO is ideally positioned to thrive in the coming years, as long as there is no major disruption.

On a more personal note, as September 2022 marked FORACO's 60th anniversary, we have decided that 26 years after we founded FORACO INTERNATIONAL, it was time to transition our Co-CEOs roles to the next generation of leadership. We have now a great succession plan in place and we will continue to seat at the Board keeping a special focus on the Company's strategy, its corporate developments and its results.

Our current SVP North America, Tim Bremner, will become Chief Executive Officer upon our retirement, and he will be assisted by the brilliant "next generation" managers that have all been groomed and trained at FORACO over the years. Two of them will be promoted:

- Fabien Sevestre, currently Deputy CFO, will become CFO.
- Olivier Demesy, our current SVP Brazil, will become Senior VP in charge of South America, Europe and Africa.

Tim Bremner is recognized as one of the best professional leaders in the drilling field, as an expert in our industry and is a true believer in Foraco's core values.

We are extremely proud of our achievements, from bringing fresh water to millions of people in need to developing a leading global scale mineral drilling company based on strong values, personal development, audacity, multi-culturalism, optimism, respect and humanity. We are confident that the next generation of leadership will build upon our success using the same foundational ingredients. It has been an immense pleasure and a great honor to lead this exceptional team during these years and we look forward to continuing to work with the new team to continue serving our customers, employees and shareholders.

We deeply thank our Shareholders for their support, our team for its hard work, dedication and continuous trust in the Company and our leadership.

Kindest Regards

Daniel and Jean-Pierre

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") relates to the results of operations, liquidity and capital resources of Foraco International S.A. and its subsidiaries ("Foraco" or the "Company"). This report has been prepared by Management and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022, including the notes thereto. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by IASB. Following the decision taken by the Accounting Standards Board, IFRS became the accounting standards for all issuers in Canada on January 1, 2011. The Company adopted IFRS and made an explicit and unreserved statement that its consolidated financial statements comply with IFRS in 2004. Except as otherwise stated, all amounts presented in this MD&A are denominated in US Dollars ("US$"). The discussion and analysis within this MD&A are as of March 2, 2023.

Caution concerning forward-looking statements

This document may contain "forward-looking statements" and "forward-looking information" within the meaning of applicable securities laws. These statements and information include estimates, forecasts, information and statements as to Management's expectations with respect to, among other things, the future financial or operating performance of the Company and capital and operating expenditures. Often, but not always, forward-looking statements and information can be identified by the use of words such as "may", "will", "should", "plans", "expects", "intends", "anticipates", "believes", "budget", and "scheduled" or the negative thereof or variations thereon or similar terminology. Forward-looking statements and information are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Readers are cautioned that any such forward-looking statements and information are not guarantees and there can be no assurance that such statements and information will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed under the heading "Risk Factors" in the Company's Annual Information Form dated March 2, 2023, which is filed with the Canadian regulators on SEDAR (www.sedar.com). The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements and information whether as a result of new information, future events or otherwise. All written and oral forward-looking statements and information attributable to Foraco or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements.

This MD&A is presented in the following sections:

- Business Overview
- Consolidated Financial Highlights
- Results of Operations
- Seasonality
- Effect of Exchange Rates
- Liquidity and Capital Resources
- Related-Party Transactions
- Capital Stock
- Critical Accounting Estimates
- Non-IFRS Measures
- Litigation and claims
- Subsequent Events
- Backlog
- Risk Factors

BUSINESS OVERVIEW

Headquartered in Marseille, France, Foraco is a worldwide drilling service provider and is present in 22 countries and 5 continents. On December 31, 2022, the Company had 2,789 employees and operated 302 drill rigs worldwide, providing a diverse range of drilling services to its customer base. The Company has developed and acquired significant expertise in destructive and non-destructive drilling, as well as proprietary drill rig design capabilities. Through its global operations the Company services a range of industries focusing on mining and water.

The Company's strategy is to assist its customers in exploring or managing their deposits throughout the entire cycle, with a special focus on the life of mines extension activity. The Company intends to continue developing and growing its services across the world with a focus on stable jurisdictions, high tech drilling services, optimal commodities mix including battery metals and gold - with a significant presence in water related drilling services - and a gradual implementation of advanced digital applications. The Company expects to execute its strategy primarily through organic growth and targeted acquisitions.

The Company addressed the environmental, social and governance (ESG) requirements, and implements a pragmatic and measurable approach to ESG with quantitative KPIs to maximize improvement and efficiencies.

CONSOLIDATED FINANCIAL HIGHLIGHTS

Income Statement

(In thousands of US$)	**Year ended December 31, 2022**	**2021**
Revenue	**350,555**	**269,689**
Gross profit / (loss) (1)	**71,272**	**46,820**
As a percentage of sales	*21.6%*	*17.4%*
EBITDA (see note 9)	**66,544**	**43,041**
As a percentage of sales	*20.1%*	*16.0%*
Operating profit	**46,384**	**24,127**
As a percentage of sales	*14.0%*	*8.9%*
Profit for the period (2)	**25,780**	**39,010**
Attributable to:		
Equity holders of the Company	19,761	35,487
Non-controlling interests	6,019	3,523
EPS (in US cents)		
Basic	20.01	37.65
Diluted	19.59	36.71

(1) includes amortization and depreciation expenses related to operations.
(2) In FY 2021, the Company recognized a one-off gain of US$ 25.2 million linked to a financial reorganization.

YEAR ENDED DECEMBER 31, 2022 – FY 2022

Revenue

- FY 2022 revenue amounted to US$ 330.6 million compared to US$ 269.7 million in FY 2021 an increase of 23%.

Profitability

- FY 2022 gross margin including depreciation within cost of sales was US$ 71.3 million (or 21.6% of revenue) compared to US$ 46.8 million (or 17.4% of revenue) for FY 2021.
- During the period, EBITDA amounted to US$ 66.5 million (or 20.1% of revenue), compared to US$ 43.0 million (or 16.0% of revenue) for the same period last year.
- The Free Cash Flow for the year was US$17.4 million compared to US$ 10.4 million in FY 2021.

Net Debt

- The net debt including the impact of IFRS 16 was US$ 76.2 million as at December 31, 2022 compared to US$ 85.7 million as at December 31, 2021.
- Our net debt to EBITDA ratio at year-end 2022 was 1.1 versus 2.0 at year-end 2021.

Year-end Backlog

- Order backlog to be executed during calendar year 2023 amounted to US$ 229.6 million vs US$ 216.5 million last year (+6%).
- As most of the Company's long-term contracts were renegotiated at the end of 2021, order backlog amounted to US$ 342.3 million at 2022 year-end vs US$ 419.8 million at 2021 year-end.

RESULTS OF OPERATIONS

Comparison of the year ended December 31, 2022 and December 30, 2021

Revenue

The following table provides a breakdown of the Company's revenue for FY 2022 and FY 2021 by reporting segment and geographic region:

(In thousands of US$)

(audited)	**FY 2022**	**% change**	**FY 2021**
Reporting segment			
Mining	286,065	23%	232,356
Water	44,490	19%	37,333
Total revenue	***330,555***	***23%***	***269,689***
Geographic region			
North America	104,345	13%	92,261
Europe, Middle East and Africa	68,275	-7%	81,875
South America	104,640	98%	52,797
Asia Pacific	53,295	25%	42,756
Total revenue	***330,555***	***23%***	***269,689***

FY 2022 revenue was US$ 330.6 million compared to US$ 269.7 million in FY 2021, an increase of 23%. The increase in revenue is the result of a combination of a steady stream of demand for battery metals and water services and the capacity of the Company to deliver despite logistics and staffing issues.

Revenue in North America increased by 13% to US$ 104.3 million in FY 2022 from US$ 92.3 million in FY 2021, a growth driven by long term contracts which started during the period and continued throughout the year.

In EMEA, revenue decreased by 17%, to US$ 68.3 million in FY 2022 from US$ 81.9 million in FY 2021. The activity in this region is affected by the political and economic uncertainties in Russia and Africa. The decrease in activity in Russia was partially offset by successful new developments in Kazakhstan.

Revenue in South America increased by 98% to US$ 104.6 million in FY 2022 (US$ 52.8 million in FY 2021). This increase is mainly linked to the capacity of the Company to mobilize resources and deliver in the context of a fast-growing demand.

In Asia Pacific, FY 2022 revenue amounted to US$ 53.3 million, an increase of 25% reflecting year over year increased demand and ability to develop broader collaboration with clients.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for FY 2022 and FY 2021:

(In thousands of US$)

(audited)	**FY 2022**	**% change**	**FY 2021**
Reporting segment			
Mining	59,963	52%	39,342
Water	11,309	51%	7,478
Total gross profit / (loss)	***71,272***	***52%***	***46,820***

In the context of a solid demand and good operating performances and despite supply chain challenges and global inflationary pressures, margins continue to improve. Since 2021, the Company successfully renegotiated most of its long-term contracts including inflation protection clauses. The FY 2022 gross margin including depreciation within cost of sales increased by 52% year over year to US$ 71.3 million (21.6% of revenue) from US$ 46.8 million in FY 2021 (17.4% of revenue).

Selling, General and Administrative Expenses

The following table provides an analysis of the selling, general and administrative expenses (SG&A):

(In thousands of US$) *(audited)*	**FY 2022**	**% change**	**FY 2021**
Selling, general and administrative expenses	24,888	10%	22,693

SG&A increased by 10% compared to the same period last year. As a percentage of revenue, SG&A decreased from 8.4% to 7.5% of revenue.

Operating Result

The following table provides a breakdown of the Company's operating result for FY 2022 and FY 2021 by reporting segment:

(In thousands of US$) *(audited)*	**FY 2022**	**% change**	**FY 2021**
Reporting segment			
Mining	38,409	93%	19,851
Water	7,975	87%	4,276
Total operating gain (loss)	***46,384***	***92%***	***24,127***

The operating profit was US$ 46.4 million in FY 2022, a US$ 22.3 million improvement compared to FY 2021 as a result of the increase in activity and the continued control over the operations and SG&A expenses.

Finance Costs

Net financial expenses increased to US$ 11.8 million in FY 2022 from US$ 9.4 in FY 2021 mainly linked to the increase of the Libor interest rate.

Gain on Refinancing

In July 2021, the Company finalized a financial reorganization through the raising of US$ 100 million in new bonds and the early redemption of former euro-denominated bonds. This financial reorganization generated a one-off gain before income tax of US$ 34.2 million.

Income Tax

In FY 2022, the corporate income tax expense was US$ 8.8 million an effective income tax rate of 25% compared to US$ 10.0 million for the same period last year an effective income tax rate of 20%. This income tax profit corresponds to taxable income in profitable jurisdictions and the recognition of deferred tax assets when they can be used against taxable profit within a reasonable timeframe (generally five years).

SEASONALITY

The worldwide presence of the Company reduces its overall exposure to seasonality and the influence this can have on the business activity. 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 operations are suspended. In Asia Pacific and in South America, where the Company operates exclusively in the Mining segment, 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.

EFFECT OF EXCHANGE RATES

The Company operates in a large number of countries with functional currencies (Euros, Canadian Dollars, Australian Dollars, Chilean Pesos, Brazilian Reals and Russian Rubles) and therefore not with the US Dollar which is the presentation currency of the Group. The significant variations in the value of the US Dollar over the previous quarters have had a substantial impact on the Company's financial statements.

The Company however, mitigates its net exposure to foreign currency fluctuations by balancing its costs, revenues and financing in local currencies, resulting in a natural hedge.

The exchange rates against the US Dollar for the periods under review are as follows:

	Average FY 2022	Average FY 2021	Closing Dec 31, 2022	Closing Dec 31, 2021
€	0.95	0.85	0.94	0.88
CAD	1.30	1.25	1.35	1.28
AUD	1.44	1.33	1.47	1.38
CLP	873	759	853	849
BRL	5.16	5.39	5.28	5.64
RUB	69.73	74.43	73.11	74.47

LIQUIDITY AND CAPITAL RESOURCES

The following table provides a summary of the Company's cash flows for FY 2022 and FY 2021:

(In thousands of US$)	**FY 2022**	**FY 2021**
Cash generated by operations before working capital requirements	**66,544**	**43,041**
Working capital requirements	(9,745)	(4,048)
Income tax paid	(9,302)	(6,764)
Purchase of equipment in cash	(20,042)	(18,586)
Free Cash Flow before debt servicing	**27,454**	**13,643**
Proceeds from issuance of bonds, net of issuance costs	—	95,564
Repayments of Bonds including costs paid	—	(96,125)
Repayments of borrowings and others	(7,932)	(4,906)
Interests paid	(10,068)	(3,210)
Acquisition of treasury shares	(1,032)	(552)
Dividends paid to non-controlling interests	(1,714)	(1,778)
Net cash generated / (used in) financing activities	**(20,746)**	**(11,007)**
Net cash variation	**6,709**	**2,636**
Foreign exchange differences	(1,224)	328
Variation in cash and cash equivalents	**5,485**	**2,963**
Cash and cash equivalents at the end of the period	**29,409**	**23,924**

In FY 2022, the cash generated from operations before working capital requirements amounted to US$ 66.5 million compared to US$ 43.0 million in FY 2021.

In FY 2022, the working capital requirement was US$ 9.7 million compared to US$ 4.0 million in the same period last year. The increase of the working capital requirement is a result of the activity's continuing ramp-up.

During the period, Capex totaled US$ 20.0 million in cash compared to US$ 18.6 million in FY 2021. Capex essentially relates to the acquisition of rigs, major rig overhauls, ancillary equipment and rods.

As at December 31, 2022, the maturity of financial debt can be analyzed as presented in the table below:

	December 31, 2022
Credit lines	2,323
Long-term debt	
Within one year	13,166
Between 1 and 2 years	10,112
Between 2 and 3 years	74,551
Between 3 and 4 years	109
Total	**100,261**
IFRS 16	**5,308**
Cash	**29,409**
Net Debt	**76,161**

As at December 31, 2022, cash and cash equivalents totaled US$ 29.4 million compared to US$ 23.9 million as at December 31, 2021. Cash and cash equivalents are mainly held at or invested within top tier financial institutions.

As at December 31, 2022, the net debt including operational lease obligations (IFRS 16) amounted to US$ 76.2 million (US$ 85.7 million as at December 31, 2021).

The Net debt to EBITDA ratio as at December 31, 2022 was 1.1 versus 2.0 at year-end 2021.

As at December 31, 2022, the Company met its covenants.

Bank guarantees as at December 31, 2022 totaled US$ 9.4 million compared to US$ 9.0 million as at December 31, 2021.

Cash Transfer Restrictions

Foraco operates in a number of different countries where cash transfer restrictions may exist. The Company organizes its business so as to ensure that the majority of payments are collected in countries where there are no such restrictions. No excess cash is held in countries where cash transfer restrictions are in force.

RELATED-PARTY TRANSACTIONS

For details of related-party transactions, please refer to Note 28 of the audited consolidated financial statements.

CAPITAL STOCK

As at December 31, 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*	698,462
Common shares held by the Company**	265,573
Common shares held by the public	64,132,572
Total shares issued and outstanding	**99,251,798**
Common shares held by the Company	(265,573)
Total common shares issued and outstanding	**98,986,225**

**In the table above, the shares owned indirectly are presented as an amount corresponding to the pro rata of the ownership interest*

***265,573 common shares are held by the Company to meet the Company's obligations under the employee free share plan.*

CRITICAL ACCOUNTING ESTIMATES

The audited consolidated financial statements have been prepared in accordance with IFRS. The Company's significant accounting policies are described in Note 2 to the Annual and audited consolidated financial statements. As required by IAS 1, the depreciation of property, plant and equipment related to operations is included within cost of sales.

NON-IFRS MEASURES

EBITDA represents Net income before interest expense, income taxes, depreciation, amortization and non-cash share based compensation expenses. EBITDA is a non-IFRS quantitative measure used to assist in the assessment of the Company's ability to generate cash from its operations. The Company believes that the presentation of EBITDA is useful to investors as this is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the drilling industry. EBITDA is not defined in IFRS and should not be considered as an alternative to Profit for the period or Operating profit or any other financial metric required by such accounting principles.

Net debt corresponds to the current and non-current portions of borrowings and the consideration of payables related to acquisitions, net of cash and cash equivalents. The Company's lease obligations are included in the net debt calculation.

Reconciliation of EBITDA is as follows:

(In thousands of US$) *(audited)*	FY 2022	FY 2021
Operating profit / (loss)	46,384	24,127
Depreciation expense	19,830	18,681
Non-cash employee share-based compensation	330	233
EBITDA	***66,544***	***43,041***

LITIGATION AND CLAIMS

Generally, the Company is subject to legal proceedings, claims and legal action arising in the ordinary course of business. The Company's Management does not expect ensuing costs in resolving these matters to have a material adverse effect on either the Company's consolidated financial position, results of operations or cash flows.

SUBSEQUENT EVENTS

There are no significant post balance sheet events.

BACKLOG

As at December 31, 2021, the Company's order backlog for continuing As at December 31, 2022, the Company's order backlog for continuing operations was US$ 342.3 million of which US$ 229.6 million is expected to be executed during FY 2023. Last year at the same period, most of the Company's long term contracts were renegotiated and the order backlog for continuing operations was US$ 419.8 million of which US$ 216.5 million was expected to be executed during FY 2022. The Company's order backlog consists of sales orders. Sales orders are subject to modification by mutual consent and in certain instances orders may be revised by customers. As a result, the order backlog of any particular date may not be indicative of actual operating results for any subsequent period.

Internal Control Framework

Internal control is a process implemented by management with the objective of ensuring (i) the effectiveness and efficiency of the Company's operations, (ii) the reliability of financial reporting and disclosures, and (iii) compliance with applicable laws and regulations, including those promoted by the Toronto Stock Exchange (TSX).

The organization of the internal control environment of the Company is based upon the Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The inherent limitation in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

Responsibilities Over Internal Control

The Company's Board of Directors is the primary sponsor of the internal control environment. The Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee are the specific bodies acting in the field of internal control and reporting to the Board of Directors. These committees comprise a majority of independent members.

Audit Committee

The Audit Committee meets at least every quarter before the Board of Directors meeting authorizing for issuance the quarterly and annual consolidated financial statements. The main responsibilities of the Audit Committee are the examination of the quarterly and annual financial statements including related disclosures, the internal control environment and the oversight of the work performed by the external auditors on the Company's financial statements, the assessment of the Company's risks exposure with a particular focus on Russia and Africa, cash transfers, guarantee lines and structure and cost of debt discussed by the Audit Committee in 2022. During 2022 financial year, the Audit Committee met five times.

Compensation Committee

The principal responsibilities of the Compensation Committee are the examination of the Company's remuneration policy, in particular changes in the global payroll, the review of the collective and individual objectives and the succession planning. The Compensation Committee meets at least once a year. During 2022 financial year, the Compensation Committee met two times.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee meets at least every quarter before the Board of Directors. It reports to the Board of Directors and is in charge of the supervision of the governance of the Company and its relationship with senior management. During FY 2022, an assessment of selected risks was performed. The Corporate Governance and Nominating Committee met four times during the 2022 financial year.

Internal Control Organization within the Company

The Company operates in various different countries worldwide and has The Company operates in various different countries worldwide and has organized its internal reporting process into a monthly centralized system which allows the flows of relevant operating and financial data upstream to management. The subsidiaries report under standardized forms which are prepared in accordance with IFRS. These forms include financial information such as detailed income statement data, cash flow and working capital data, capital expenditures and other relevant operational data. This reporting, combined with a comprehensive budgeting process and systematic reforecasting, reflects the latest operating conditions and market trends and allows management to perform thorough variance analysis. Management considers that this monthly reporting process provides a reasonable assurance over the monitoring of its operating and financial activities and an effective tool for the operating decision makers.

The financial controlling function is organized by region, internal control being a significant part of the regional controllers' duties. Timely on site reviews are performed by operating and financial representatives from corporate. Considering this organization, there is no dedicated internal control department.

The Company has a presence in Russia through its 50% shareholding in EDC Russia. The Company strictly complies with the imposed sanctions and applies all regulations to its facilities and operations in Russia. Management is examining means to discontinue its presence in the country consistent with Foraco policy and in a manner consistent with all applicable law. The Company will take the necessary time to proceed with the next steps considering the legal environment. The contribution of EDC Russia to the 2022 consolidated revenue was US$ 27.6 million. The contribution to the net consolidated result was US$ 2.0 million. The contribution to the 2022 consolidated net asset amounted to US$ 7.0 m.

Approach Implemented by the Company

The Company implements an approach consisting of (i) evaluating the design of its control environment over financial reporting and (ii) documenting the related control activities and key controls in a risk control matrix. This approach is implemented at every significant location of the Company. Management also focuses on the integration of newly acquired businesses over which the Company's two step approach on internal control is implemented within a reasonable time period.

The Company views its internal control procedure as a process of continuous improvement and will make changes aimed at enhancing the effectiveness of its internal control and to ensure that processes evolve with the business.

There were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company regularly reviews its main risks and threats. A specific attention was paid in 2022 on the impact of the internal control processes. The conclusions were used to assess the adequacy of the Company's risk control matrix. The assessment did not reveal any significant deficiencies in the design and effectiveness of the Company's controls.

The Company has evaluated the effectiveness of the internal control procedures over financial reporting as at December 31, 2022 and has concluded that, subject to its inherent limitations, these were effective at a reasonable assurance level. The Company has evaluated the effectiveness of the Company's disclosure controls and concluded that, subject to its inherent limitations, the disclosure controls were effective for the year ended December 31, 2022.

RISK FACTORS

For a comprehensive discussion of the important factors that could impact the Company's operating results, please refer to the Company's Annual Information Form dated March 2, 2023, under the heading "Risk Factors", which has been filed with the Canadian regulators on SEDAR (www.sedar.com).

FORACO INTERNATIONAL

Société anonyme
26, Plage de l'Estaque
13016 Marseille

Independent auditor's report on the consolidated financial statements

For the years ended December 31, 2022, 2021 and 2020

To the Shareholders of Foraco International,

OPINION

We have audited the consolidated financial statements of Foraco International and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2022, 2021 and 2020, and the consolidated statements of profit or loss, consolidated statement of changes in equity, consolidated statement of comprehensive income and consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

This report replaces our *Independent auditor's report on the consolidated financial statements* dated March 3, 2023, which did not include the "Other Information" section.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in France, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, prepared under the conditions mentioned above, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	**How our audit addressed the key audit matter**
IMPAIRMENT OF GOODWILL *(See Notes 2.6 and 4.3 to the consolidated financial statements for the years ended December 31, 2022, 2021 and 2020)*	
The Group's evaluation of goodwill for impairment involves the comparison of the fair value of each reporting unit to its carrying value. The Group used the discounted cash flow model to estimate fair value, which requires management to make significant estimates and assumptions mainly related to forecasts of future revenues and operating margins, and discount rates. Changes in these assumptions could have a significant impact on either the fair value, the amount of any goodwill impairment charge, or both. The Group carries out impairment tests on goodwill, annually or when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill amounts to $64.1M as of December 31, 2022. We considered the valuation of goodwill to be a key audit matter due to: (1) the materiality of the balance of this account (goodwill representing 26% of total assets of $249.5M), (2) the material judgements made by management to determine the assumptions and estimates underlying the calculations of recoverable amounts.	We tested management's impairment analysis of goodwill, as well as their assessment of impairment triggers. Our audit procedures included: ➤ assessing the consistency of the model used by management in performing the impairment test as compared to prior years, ➤ assessing the reasonableness of the assumptions used in performing impairment testing on the basis of (i) the Group's budget, (ii) historical performance and (iii) evidence of the intended use of the assets, ➤ challenging key assumptions, including the growth rate and the terminal value derived from the Group business plan as well as the discount rate, ➤ performing a sensitivity analysis over the key assumptions used in the model in order to assess the potential impact of a range of possible outcomes.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Christophe PERRAU.

Marseille, March 3, 2023

The Auditor

Deloitte & Associés

Christophe PERRAU

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CONSOLIDATED BALANCE SHEET — ASSETS

In thousands of US$	Note	As at December 31, 2022	2021	2020
ASSETS				
Non-current assets				
Property, plant and equipment	(6)	39,536	39,681	36,090
Goodwill	(7)	64,055	63,504	69,482
Deferred income tax assets	(16)	18,791	20,356	29,846
Other non-current assets	(8)	1,053	854	906
		123,435	**124,395**	**136,324**
Current assets				
Inventories, net	(9)	44,030	37,057	31,387
Trade receivables, net	(10)	42,439	32,237	29,357
Other current receivables	(11)	10,232	11,179	9,737
Cash and cash equivalents	(12)	29,409	23,924	20,960
		126,110	**104,397**	**91,441**
Total assets		**249,545**	**228,792**	**227,765**

CONSOLIDATED BALANCE SHEET — EQUITY & LIABILITIES

		As at December 31,		
In thousands of US$	**Note**	**2022**	**2021**	**2020**
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	(13)	2,499	2,499	1,772
Share premium, reserves and retained earning	(13)	62,688	53,480	11,154
		65,187	**55,979**	**12,926**
Non-controlling interests		10,305	6,549	4,876
Total equity		**75,492**	**62,528**	**17,802**
LIABILITIES				
Non-current liabilities				
Borrowings – Non-current portion of long-term debt	(14)	84,771	94,101	153,993
Lease obligations – Non current portion	(14)	3,276	4,684	3,915
Deferred income tax liabilities	(16)	2,292	2,485	3,570
Provisions for other liabilities and charges	(17)	563	568	517
		90,902	**101,838**	**161,995**
Current liabilities				
Trade payables	(19)	28,717	26,401	17,711
Other payables		30,243	23,830	23,086
Current income tax liabilities		6,524	3,182	2,319
Borrowings –Current portion of long-term debt	(14)	13,166	7,584	1,837
Borrowings –Current portion of drawn credit lines	(14)	2,323	1,913	1,299
Lease obligations – Current portion	(14)	2,032	1,382	1,568
Provisions for other liabilities and charges	(17)	144	135	149
Total current liabilities		**83,149**	**64,426**	**47,969**
Total equity and liabilities		**249,545**	**228,792**	**227,765**

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		For years ended December 31,		
In thousands of US$	**Note**	**2022**	**2021**	**2020**
Revenue	(5)	330,555	269,689	207,122
Cost of sales	(20)	(259,283)	(222,869)	(168,897)
Gross Profit		**71,272**	**46,820**	**38,225**
Selling, general and administrative expenses	(20)	(24,888)	(22,693)	(21,040)
Other operating income / (expense), net	(21)	—	—	—
Operating profit		**46,384**	**24,127**	**17,185**
Finance income	(23)	870	34,818	1,241
Finance expense	(23)	(12,670)	(9,952)	(9,904)
Profit before income tax		**34,585**	**48,992**	**8,663**
Income tax profit / (expense)	(24)	(8,805)	(9,982)	(1,003)
Profit / (loss) for the year		**25,780**	**39,010**	**7,519**
Attributable to:				
Equity holders of the Company	(25)	19,761	35,487	4,236
Non-controlling interests		6,019	3,523	3,283
		25,780	**39,010**	**7,519**
Earnings per share for profit / (loss) attributable to the equity holders of the Company during the year (expressed in US cents per share)				
—basic	(25)	20.01	37.65	4.72
—diluted	(25)	19.59	36.71	4.61

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of US$	Attributable to Equity Holders of the Company				
	Share Capital	Share Premium and Retained Earnings	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2020	**1,772**	**29,233**	**30,996**	**5,682**	**36,678**
Profit / (loss) for the year	—	4,236	4,236	3,283	7,519
Other comprehensive income for the year	—	(22,337)	(22,337)	(1,554)	(23,891)
Employee share-based compensation (Note 22)	—	195	195	—	195
Treasury shares-purchased	—	(163)	(163)	—	(163)
Dividends declared relating to 2019	—	—	—	(2,536)	(2,536)
Balance at December 31, 2020	**1,772**	**11,154**	**12,927**	**4,875**	**17,802**
Balance at January 1, 2021	**1,772**	**11,154**	**12,927**	**4,875**	**17,802**
Profit / (loss) for the period	—	35,486	35,486	3,523	39,010
Currency translation differences	—	(9,165)	(9,165)	(72)	(9,237)
Employee share-based compensation (Note 22)	—	233	233	—	233
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)	—	(552)	(552)	—	(552)
Dividend paid to non controlling interests	—	—	—	(1,778)	(1,778)
Balance at December 31, 2021	**2,499**	**53,480**	**55,979**	**6,549**	**62,528**
Balance at January 1, 2022	**2,499**	**53,480**	**55,979**	**6,549**	**62,528**
Profit / (loss) for the period	-	19,761	19,761	6,019	25,780
Currency translation differences	-	(9,850)	(9,850)	(549)	(10,399)
Employee share-based compensation (Note 22)	-	330	330	-	330
Treasury shares purchased (see Note 10)	-	(1,032)	(1,032)	-	(1,032)
Dividend paid to non controlling interests	-	-	-	(1,714)	(1,714)
Balance at December 31, 2022	**2,499**	**62,688**	**65,188**	**10,305**	**75,492**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	As at December 31,		
In thousands of US$	**2022**	**2021**	**2020**
Profit/ (loss) for the year	**25,780**	**39,010**	**7,519**
Items that may be subsequently reclassified to earnings:			
Foreign currency translation adjustments	(10,399)	(9,237)	(23,891)
Total comprehensive (loss) / income for the year	**15,381**	**29,773**	**(16,372)**
Attributable to:			
Equity holders of the Company	9,911	26,321	(18,101)
Non-controlling interests	5,470	3,451	1,729v

CONSOLIDATED STATEMENT OF CASH FLOW

In thousands of US$	Note	2022	2021	2020
		For years ended December 31,		
Cash flows from operating activities				
Profit / (loss) for the year		**39,010**	**7,519**	**2,632**
Adjustments for:				
Depreciation, amortization and impairment	(20)	19,830	18,681	16,673
Changes in non-current portion of provisions and other liabilities		—	—	—
(Gain) Loss on sale and disposal of assets		—	—	—
Non-cash share-based compensation expenses	(22)	330	233	195
Income tax expense / (profit)	(24)	8,805	9,981	1,003
Finance (income) / expenses, net	(23)	11,800	(24,865)	8,663
Cash generated from operations before changes in operating assets and liabilities		**66,543**	**43,041**	**34,054**
Changes in operating assets and liabilities:				
Inventories		(7,762)	(6,985)	1,125
Trade accounts receivable and other receivable		(8,539)	(5,628)	2,520
Trade accounts payable and other payable		6,555	8,565	(386)
Cash generated from operations		**56,799**	**38,992**	**37,403**
Interest received/(paid)		(10,068)	(3,210)	(2,904)
Income tax paid		(9,302)	(6,764)	(3,982)
Net cash flow from operating activities		**37,429**	**29,018**	**30,517**
Cash flows from investing activities				
Purchase of Property and equipment and intangible assets (*)	(6)	(20,042)	(18,586)	(13,320)
Net cash used in investing activities		**(20,042)**	**(18,586)**	**(13,320)**
Cash flows from financing activities				
Acquisition of treasury shares	(13)	(1,032)	(552)	(163)
Repayment of borrowings	(14)	(6,447)	(3,674)	(2,107)
Proceeds from issuance of borrowings, net of issuance costs	(14)	—	187	1,565
Repayment of lease obligations	(14)	(2,620)	(1,534)	(1,478)
Net increase/(decrease) in bank overdrafts and short-term loans	(14)	1,135	114	(7,219)
Proceeds from issuance of bonds, net of issuance costs	(14)	—	95,564	—
Repayments of bonds including transaction costs paid	(14)	—	(96,125)	—
Dividends paid to Company's shareholders	(26)	—	—	—
Dividends paid to non-controlling interests	(26)	(1,714)	(1,778)	(2,536)
Net cash generated by / (used in) financing activities		**(10,678)**	**(7,798)**	**(11,938)**
Exchange differences in cash and cash equivalents		(1,224)	328	(354)
Net increase / (decrease) in cash and cash equivalents		**5,485**	**2,963**	**4,905**
Cash and cash equivalents at beginning of the year	(12)	23,924	20,960	16,053
Cash and cash equivalents at the end of the year	(12)	**29,409**	**23,924**	**20,960**
(*) Excluding purchases financed through finance leases and rights of use		*1,234*	*3,210*	*739*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Foraco International SA (the "Company") and its subsidiaries (together, the "Group" or "Foraco Group") trade mainly in the mining, geological and hydraulic drilling sectors.

The principal sources of revenue consist of drilling contracts for companies primarily involved in mining and water exploration. The Group has operations in Europe, Middle East and Africa, North America, South America and Asia Pacific.

The Company is a "société anonyme" incorporated in France. The address of its registered office is 26, Plage de l'Estaque, 13016 Marseille, France.

These consolidated financial statements were authorized for issue by the Board of Directors on March 2, 2023.

The Company is listed on the Toronto Stock Exchange (TSX) under the symbol "FAR".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of Preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board ("IASB").

The consolidated financial statements have been prepared under the historical cost convention except for certain financial assets recognized at fair value through profit and loss.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Except otherwise stated, all amounts are presented in thousands of US$.

The Group is a drilling service provider and as such IFRS 6, 'Exploration for and evaluation of mineral resources' is not applicable to its operations.

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

- Amendment to IFRS 3: Amendments to references to the Conceptual framework
- Amendment to IAS 16: Recognition of proceeds before intended use of an asset
- Amendment to IAS 37: Onerous contracts – Costs to be taken into account when recognizing a provision for onerous contracts
- Amendment to IFRS 1: Valuation of cumulative translation differences at the subsidiary's transition date
- Amendment to IFRS 9: Clarifies which fees should be included when applying the "10 per cent" test in assessing whether to derecognize a financial liability: only fees paid or received between the lender and the borrower or paid/received on their behalf
- Amendment to IFRS 16: Removal of the illustrative example regarding the reimbursement of leasehold improvements

Standards, amendments and interpretations to existing standards that are not yet mandatory effective and have not been early adopted by the Company

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2023, but have not been early adopted by the Group:

- 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",
- IAS 1 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",
- First-time application of IFRS 17 and IFRS 9 - Comparative information
- Amendment to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction
- Amendment to IFRS 16: Lease liability in a sale and leaseback

The application of the new standards and amendments is not expected to have a material impact on the consolidated financial statements.

2.2 Consolidation

(A) SUBSIDIARIES

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has the right to variable returns from its involvement with the entity. It also has the ability to affect those returns through its involvement with the entity and through its power over the entity. In addition, the Group assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business acquisitions. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred by the former owners of the acquiree and the equity interests issued. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on a case by case basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed (Note 7).

Inter company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A cash generating unit "CGU" is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

(B) TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The effects of all transactions with non-controlling interests have to be recorded in equity if there is no change in control and these transactions no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management (Chief Executive Officer and vice Chief Executive Officer).

The Group reports its financial performance based on its business segments. Segment reporting disclosures are provided in Note 5.

2.4 Foreign Currency Translation

(A) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). In accordance with IAS 21.38, the Group has elected to report its consolidated financial statements using the US Dollar as its presentation currency.

(B) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions' valuation where items are re-measured. The exchange rates prevailing at the dates of the transactions are approximated by a single rate per currency for each month (unless these rates are not reasonable approximations of the cumulative effect of the rates prevailing on the transaction dates). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of profit and loss except when deferred in other comprehensive income as qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statements of profit and loss within finance income or expense. All other foreign exchange gains and losses are presented in the consolidated statements of profit and loss within 'other operating income / (expense), net.

(C) GROUP COMPANIES

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of income are translated at a monthly average exchange rate (unless this rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income and as a separate component of equity within "Other reserves".

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recorded in shareholders' other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are recognized in the consolidated statements of profit and loss as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

2.5 Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Major refurbishment work and improvements are capitalized with the carrying amount of the replaced part derecognized. All other repairs and maintenance are charged to the consolidated statements of profit and loss during the financial period in which they are incurred. Borrowing costs are capitalized as part of the cost of property and equipment. There was no significant borrowing cost capitalized over the periods presented.

Depreciation of property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful life (Note 6).

The useful lives are as follows:

Buildings.. 10 years

Drills... 3 to 10 years

Other drilling equipment.. 1 to 5 years

Automotive equipment.. 3 to 5 years

Office equipment and furniture .... 2 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

When the Group leases assets under the terms of a long-term contract or other agreements that substantially transfer all of the risks and rewards of ownership to the Group, the value of the leased property is capitalized and depreciated (over the shorter of useful lives or lease term) and the corresponding obligation is recorded as a liability within borrowings.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating income / (expense), net in the consolidated statements of profit and loss.

2.6 Intangible Assets

GOODWILL

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired, is recorded as goodwill. Goodwill on acquisitions of subsidiaries is presented on the consolidated balance sheet under the line item "Goodwill".

Goodwill is tested annually for impairment (or when events or changes in circumstances indicate a potential impairment) and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment (see Note 5).

2.7 Impairment of Non-financial Assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial Assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables originated by the Group are included in trade and other current receivables in the consolidated balance sheet.

2.9 Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The Group does not enter into hedging activities.

2.10 Leases

The adoption of IFRS 16 since January 1st, 2019 resulted in the recognition of rights-of-use assets and lease obligations amounting to US$ 5.3 million, US$ 6.1 million and US$ 5.5 million respectively as at December 31, 2022, 2021 and 2020).

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value (less than US$ 5 thousand commitment). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate corresponding to the Group's incremental borrowing rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

2.11 Inventories

The Group maintains an inventory of operating supplies and drill consumables such as bits, additives and chunks.

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the average weighted unit cost method. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. If the net realizable value is lower than cost, then a write down is recognized.

2.12 Revenue Recognition

Revenue from services rendered is recognized in the consolidated statements of profit and loss over time. The revenue is generated through contracts in the mining and water industries. A typical drilling contract for Foraco specifies the depth of drilling required, the duration of the project and the scope and conditions of work to be undertaken. Customers are typically charged on a rate per-meter drilled basis, which is the Company's principal measure of performance in both mining and water contracts. Drilling work is periodically approved by customers. The amount of revenue is not considered to be reliably measurable until all contingencies relating to services rendered have been resolved. Accordingly, variable consideration is recognized when approved. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Contracts in progress at the closing date are accounted for using the percentage of completion method whereby revenues and directly attributable costs are recognized in each period based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs including the cost for mobilizing and demobilizing drilling equipment.

When the global income from a contract cannot be reliably estimated, no gross profit is recognized during the period.

Under either of the policies mentioned above, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. This loss is equal to the total estimated loss on the project minus the loss already accounted for and is first applied against the project's receivables. Any excess is then credited to provisions.

2.13 Trade Receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, less provision for impairment. Contractual payment terms span generally below three months. A provision for impairment of trade receivables is established on a case by case basis when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the consolidated statements of profit and loss.

The Group transfers certain receivables to banks as collateral under an assignment of receivables program. As risks and rewards related to the trade receivables have been retained by the Group, accounts receivable are not derecognized and a financial liability is accounted for against the consideration received from the lenders.

2.14 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities up to six months or provided that these investments are held to meet short term cash needs and there is no significant risks of change in value as a result of an early withdraw. Bank overdrafts are shown within current liabilities on the consolidated balance sheet.

The Group owns certain highly liquid securities. These investments are classified as financial assets at fair value through profit or loss.

2.15 Share Capital

Ordinary shares are classified as equity. The Group has not issued any preference shares.

Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or re-issued. When such shares are subsequently re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity attributable to the Company's equity holders.

Dividend to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.16 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.17 Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statements of profit and loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities are determined for the withholding tax due on the reserves of the subsidiaries, when distributions are probable.

2.18 Provisions

Provisions for restructuring costs and legal claims are recognized when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

No restructuring of the Group occurred in the periods presented.

The Group evaluates outflows of resources expected to be required to settle the obligation based on facts and events known at the closing date, from its past experience and to the best of its knowledge. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passing of time is recognized as interest expense.

The Group does not provide for future operating losses, except when such losses result from loss making contracts in accordance with the policy described in note 2.12. The Group had no significant loss making contracts over the periods presented.

2.19 Employee Benefits

(A) PENSION OBLIGATIONS

The Group mainly provides defined contribution plans to its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan, such as the mandatory retirement plan in France, is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets (if any). The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise. Changes in amounts recognized in other comprehensive income are detailed in Note 13.

Changes in laws and regulations that affect the amount of the Group's obligations are accounted for as change in actuarial assumptions. There was no such change that materially affected amounts reported over the periods presented.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group does not provide other post-employment benefits.

(B) BONUSES

The Group recognizes a liability and an expense for bonuses based on a formula that takes into consideration the Group financial performance. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(C) SHARE-BASED COMPENSATION

The Group operates a limited number of equity-settled, share-based compensation plans under which the Group receives services from its employees as consideration for equity instruments (free shares see note 22). The total amount to be expensed is determined by reference to the fair value of the shares granted determined at grant date.

Non-market vesting conditions, including service conditions are included in assumptions about the number of shares that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statements of profit and loss, with a corresponding adjustment to equity.

2.20 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

The trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.21 Earnings Per Share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share are computed by dividing net income attributable to equity holders of the Company by the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

A reconciliation of the weighted average number of ordinary shares outstanding during the period and the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, is presented in Note 25.

3. FINANCIAL RISK MANAGEMENT

The Group's activity exposes it to a variety of financial risks through its activity: currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group did not enter into derivative financial instruments to cover its exposure over the periods presented.

The Group's cash investment strategy aims to avoid capital risks and reach a global performance level equivalent to the reference risk-free interest rate. In order to achieve this objective, the Group contracts certain short term deposits offering guaranteed capital with or without guaranteed interest rate yields.

3.1 Company's Risk Exposure

(A) CURRENCY RISKS

The Group operates internationally and is therefore exposed to foreign exchange risk on its commercial transactions. A foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Foraco presents its consolidated financial statements in US dollars. The main currencies used by the Group are Euros, Canadian Dollars, US Dollars, Australian Dollars, Brazilian Reals, Russian Rubles, Chilean Pesos and Argentinian Pesos.

Specifically, the conversion of the Euro denominated debt in US dollars for consolidation purpose may significantly affect the debt profile. A significant increase in the Euro versus the US dollar may result in the recognition of higher indebtedness in the Company's consolidated financial statements only due to exchange rate variation and may affect the capacity of the Company to meet its financial ratio covenants.

The Group mitigates its exposure to foreign currency fluctuations by balancing its costs, revenues and financing in local currencies, resulting in a natural hedge.

The exchange rates for the periods under review are as follows against the US$:

	Closing 2022	**Closing 2021**	**Closing 2020**	**Average 2022**	**Average 2021**	**Average 2020**
Euro (€)	0.94	0.88	0.81	0.95	0.85	0.88
Canadian Dollar (Can$)	1.35	1.28	1.28	1.30	1.25	1.34
Australian Dollar (AUD)	1.47	1.38	1.31	1.44	1.33	1.45
Chilean Peso (CLP)	853	849	713	873	759	792
Brazilian Real (BRL)	5.28	5.64	5.20	5.16	5.39	5.15
Russian Ruble (RUB)	73.11	74.47	74.19	69.73	74.43	72.24

The sensitivity to foreign currencies against US$ fluctuations of the consolidated revenue for the year presented in US$ is summarized as follows (in thousands of US$):

	As at December 31, 2022	
Effect on revenue of a change	**+5%**	**-5%**
Can$ / US$	6,486	(6,486)
RUB / US$	1,303	(1,303)
AUD / US$	2,384	(2,384)
€ / US$	1,319	(1,319)
BRL / US$	2,919	(2,919)
CLP / US$	790	(790)

(B) INTEREST RATE RISK

In July 2021, the Company completed a financial reorganization by raising US$100 million in new bonds. These bonds bear interest at Libor plus 8.5%. Given the uncertainty as to the date of repayment of these bonds, which should take place no later than 2025 but which could be considered earlier if the cash position continues to improve, the Company has not entered into an interest rate hedge agreement. It therefore remains exposed to Libor rate fluctuations. The effective weighted average Libor interest rate for the 2022 financial year was 2.07% for the Company. A variation of more or less 1% of the Libor would impact interest charges by more or less 980 thousand US dollars.

The Company is also sensitive to variable interest rates on short-term deposits held. For the purposes of this analysis, the average cash equivalent has been defined as the arithmetic mean of the closing positions at each quarter end. A variation of plus or minus 5% in the interest rate for short-term deposits would impact financial income by plus or minus 10 thousand US dollars.

(C) CREDIT RISK

All significant cash and cash equivalents and deposits with banks and financial institutions are spread amongst major financial institutions with investment grade ratings.

The Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set for each subsidiary. The utilization of credit limits is regularly monitored.

The Group's broad geographical and customer distribution limits the concentration of credit risk. Two customers accounted for more than 10% of the Group's sales during the year ended December 31, 2022 (Two customers accounted for more than 10% of the Group's sales during the year ended December 31, 2021 and during the year ended December 31, 2020).

(D) LIQUIDITY RISK

Prudent liquidity risk management involves maintaining sufficient cash and cash equivalents and short term deposits, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the cyclical nature of the underlying businesses, management maintains funding flexibility by maintaining availability under committed credit lines.

The maturity analysis for financial liabilities is presented in Note 14.

(E) COUNTRY RISK

The Group's strategy is to focus on stable jurisdictions. However, it remains exposed to certain countries experiencing political or social instability, such as Russia and Africa. There is a risk that operations, assets, employees or income repatriation could be compromised by factors specific to the regions in which the Group operates. The Group manages its country risk through a number of risk measures and limits, the most important being the regular review of geopolitical conditions and an effective monitoring of liquidity, inventories and equipment potential exposure.

The Company has a presence in Russia through its 50% shareholding in EDC Russia. The Company strictly complies with the imposed sanctions and applies all regulations to its facilities and operations in Russia. Management is examining means to discontinue its presence in the country consistent with Foraco policy and in a manner consistent with all applicable law. The Company will take the necessary time to proceed with the next steps considering the legal environment. The contribution of EDC Russia to the 2022 consolidated revenue was US$ 27.6 million. The contribution to the net consolidated result was US$ 2.0 million. The contribution to the 2022 consolidated net asset amounted to US$ 7.0 m.

(F) CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a prudent liquidity ratio in order to support its growth strategy and maximize shareholders' value. The Group monitors financial measures presented in Note 5 on an ongoing basis as well as its net cash level (cash and cash equivalents less borrowings) presented in Notes 12 and 14.

3.4 Estimation of Fair Value of Financial Assets and Liabilities

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group does not hold any financial assets at fair value through profit or loss, derivatives or available-for-sale financial assets over the years presented. As at December 31, 2022, the Group holds US$ 5,376 thousand of assets at amortized cost (US$ 4,760 thousand in 2021 and US$ 4,184 thousand in 2020). These assets correspond to term deposits and are classified as cash equivalents.

The carrying amounts of trade receivables less the impairment provision and trade payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments (see note 14).

3.5 Financial Instruments by Category

	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available-for-sale	Total
December 31, 2022					
Assets as per balance sheet					
Trade and other receivables	52,471	—	—	—	**52,671**
Cash and cash equivalents	29,408	—	—	—	**29,408**
Total	**81,879**	**—**	**—**	**—**	**82,079**

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per balance sheet				
Borrowings	—	—	105,568	**105,568**
Trade and other payables	—	—	58,960	**58,960**
Total	**—**	**—**	**164,528**	**164,528**

	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available-for-sale	Total
December 31, 2021					
Assets as per balance sheet					
Trade and other receivables	43,416	—	—	—	**43,416**
Cash and cash equivalents	23,924	—	—	—	**23,924**
Total	**67,340**	**—**	**—**	**—**	**67,340**

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per balance sheet				
Borrowings	—	—	109,664	**109,664**
Trade and other payables	—	—	50,231	**50,231**
Total	**—**	**—**	**159,895**	**159,895**

	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available-for-sale	Total
December 31, 2020					
Assets as per balance sheet					
Trade and other receivables	39,094	—	—	—	**39,094**
Cash and cash equivalents	20,960	—	—	—	**20,960**
Total	**60,054**	**—**	**—**	**—**	**60,054**

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per balance sheet				
Borrowings	—	—	162,611	**162,611**
Trade and other payables	—	—	40,797	**40,797**
Total	**—**	**—**	**203,408**	**203,408**

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Seasonal Fluctuations

The worldwide presence of the Company reduces its overall exposure to seasonality and the influence this can have on the business activity. 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 operations are suspended. In Asia Pacific and in South America, where the Company operates exclusively in the Mining segment, 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.

For accounting purpose, revenues that are received seasonally or cyclically within the year are not anticipated or deferred at the end of the financial year.

4.2 Deferred Tax Valuation Allowance

The current economic conditions also impact the timing of the recognition of deferred tax assets. The Group's policy is to recognize deferred tax assets only when they can be recovered within a reasonable timeframe. Based on internal forecasts and projections, management has considered that the potential recovery timeframe for deferred tax assets in certain countries would be longer than previously estimated, thus creating a risk that deferred tax assets may be unused. As a general rule, the Group recognizes deferred tax assets only when they can be used against taxable profit within a timeframe of five years. On this basis, the Group has adopted a partial recognition based approach. As at December 31, 2022, the Group has unrecognized deferred assets amounting to US$ 15,300 thousand in countries in which the Group operates. Most of the corresponding tax losses can be carried forward indefinitely.

4.3 Estimated Impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Value in use determination is sensitive to changes in the operating profit assumption and discount rate applied.

No impairment charge has been recognized over the periods presented.

As at December 31, 2022, the goodwill is allocated to cash generating units corresponding to the following operating / geographical segments:

Mining activity – Africa.	632
Water activity – Africa	1,618
Mining activity – North America.	8,404
Mining activity – Asia-Pacific	6,910
Mining activity – South America.	43,201
Mining activity – Europe	3,290
Total goodwill as at December 31, 2022	**64,055**

The assumptions used involve a considerable degree of estimation on the part of management. Actual conditions may differ from the assumptions and thus actual cash flows may be different to those expected with a material effect on the recoverability of each cash generating unit. The most significant assumptions made for the determination of expected discounted cash flows covering the next 5 years are:

- 2023 to 2027 management's business plan
- A discount rate of 11.6% applied for each region on the projected cashflows converted into US dollars (8.6% for 2021 and 7.6% for 2020).
- A 1% long term growth applied to the terminal value.

Management believes that the assumptions used to evaluate potential impairment are reasonable. However, such assumptions are inherently subjective.

Based on the assumptions 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. An increase in the discount rate of 1% or a reduction of the long term growth to 0% would not change the outcome of the impairment testing.

4.4 Depreciation of Property and Equipment

Equipment is often used in a hostile environment and may be subject to accelerated depreciation. Management considers the reasonableness of useful lives and whether known factors reduce or extend the lives of certain assets. This is accomplished by assessing the changing business conditions, examining the level of expenditures required for additional improvements, observing the pattern of gains or losses on disposition, and considering the various components of the assets.

4.5 Inventory Allowance on Spare Parts and Slow Moving Items

Spare parts relate to equipment which may be used in a hostile environment. Management assesses the level of provision for spare parts together with its review of the equipment as described above.

4.6 Revenue Recognition

Revenue from services rendered is recognized in the consolidated statements of profit and loss over time. The revenue is generated through contracts in the mining and water industries. A typical drilling contract for Foraco specifies the depth of drilling required, the duration of the project and the scope and conditions of work to be undertaken. Customers are typically charged on a rate per-meter drilled basis, which is the Company's principal measure of performance in both mining and water contracts. Drilling work is periodically approved by customers. The amount of revenue is not considered to be reliably measurable until all contingencies relating to services rendered have been resolved. Accordingly, variable consideration is recognized when approved. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Contracts in progress at the closing date are accounted for using the percentage of completion method whereby revenues and directly attributable costs are recognized in each period based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs including the cost for mobilizing and demobilizing drilling equipment.

When the global income from a contract cannot be reliably estimated, no gross profit is recognized during the period.

Under either of the policies mentioned above, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. This loss is equal to the total estimated loss on the project minus the loss already accounted for and is first applied against the project's receivables. Any excess is then credited to provisions.

4.7 Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax assets and liabilities in the period in which such determination is made.

4.8 Share-based Payment Transactions

The fair value of share-based payment transactions is based on certain assumptions from management. The main area of estimates relates to the determination of the fair value of free shares. The main assumption used in the determination of the share-based payment expense is the turnover assumption retained to assess the number of equity instruments that are expected to vest. In 2022, the Group used a 10% turnover assumption (in 2021 10% and 10% and 2020) which is consistent with the Group's experience of employee departures.

Details of share-based compensation are disclosed in Note 22.

4.9 Accounting for the Shares of Subsidiaries Transferred to a Trust

As part of the 2021 refinancing, a French trust was formed holding 100% of the shares of Foraco Canada and Foraco Australia, a Brazilian trust was formed owning 72% of the shares of Foraco Brazil ("the Subsidiaries"). The trust is governed by the terms of a deed under which the trustee acts under the instructions of the Company. Only in case of the occurrence of certain triggering events and after a resolution dispute process, the trustee would then act under the instructions of the New Lenders and would be entitled to sell the secured shares. Therefore, as long as the Company meets its obligations, the Subsidiaries are considered to be under the control of the Company for the purpose of the Consolidated Financial Statements.

5. SEGMENT INFORMATION

The chief operating decision makers (Chief Executive Officer and Vice-Chief Executive Officer) make decisions about resources to be allocated to segments and assess their performance by analyzing revenues and operating profits for business segments and revenues for geographic segments. The Group does not identify or allocate assets, liabilities or cash flows to group segments nor does management evaluate the segments on these criteria on a regular basis.

5.1 Business Segments

The Group is organized on a worldwide basis with two main business segments.

- The "Mining" segment covers drilling services offered to the mining and energy industry during the exploration, development and production phases of mining projects.
- The "Water" segment covers all activities linked to the construction of water wells leading to the supply of drinking water, the collection of mineral water, as well as the control, maintenance and renovation of the existing installations. This segment also includes drilling services offered to the environmental and construction industry such as geological exploration and geotechnical drilling.

The accounting policies for segment information are the same as those described in the summary of significant accounting policies as discussed in Note 2.

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 years ended December 31, 2022, 2021 and 2020 was as follows:

Year ended December 31, 2022	Mining	Water	Group
Revenue	286,065	44,490	330,555
Gross profit	59,963	11,309	71,272
Operating profit	38,409	7,975	46,384
Finance (costs) / profits	—	—	(11,800)
Profit before income tax	—	—	**34,585**
Income tax (expense) / profit	—	—	(8,805)
Profit for the year	**—**	**—**	**25,780**

Year ended December 31, 2021	Mining	Water	Group
Revenue	232,356	37,333	269,689
Gross profit	39,342	7,478	46,820
Operating profit / (loss)	19,581	4,276	24,127
Finance (costs) / profits	—	—	24,865
Profit / (loss) before income tax	—	—	**48,992**
Income tax (expense) / profit	—	—	(9,982)
Profit (loss) for the year	**—**	**—**	**39,010**

Year ended December 31, 2020	Mining	Water	Group
Revenue	169,305	37,817	207,122
Gross profit	29,347	8,878	38,225
Operating profit / (loss)	12,122	5,063	17,185
Finance (costs) / profits	—	—	(8,663)
Profit / (loss) before income tax	—	—	**8,522**
Income tax (expense) / profit	—	—	(1,003)
Profit (loss) for the year	**—**	**—**	**7,519**

There is no inter-segment revenue.

Corporate costs and overheads are allocated to each business segment based on their revenue. Management considers this approach to be a reasonable basis for determining the costs attributable to the respective segments.

5.2 Geographical Segments

The Group operates in four main geographical areas, even though the business is managed on a worldwide basis.

The following is a summary of revenue from external customers by geographic area for the years ended December 31, 2022, 2021 and 2020:

		Year ended December 31,	
	2022	2021	2020
North America	104,345	92,261	67,563
Europe, Middle East and Africa	68,275	81,875	68,209
South America	104,640	52,797	33,130
Asia Pacific	53,295	42,756	38,220
Revenue	**330,555**	**269,689**	**207,122**

Revenue from external customers is based on the customers' billing location. Accordingly, there are no sale transactions between operating segments. The Group does not allocate non-current assets by location for each geographical area.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	Land and Buildings	Drilling Equipment and Tools	Automotive Equipment	Office Furniture and 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 charge	(118)	(14,323)	(685)	(169)	(1,187)	(16,482)
Closing net book amount at December 31, 2020	**1,803**	**25,426**	**3,102**	**348**	**5,411**	**36,090**
Year 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)	(10)	(83)	(23)	(143)	(345)
Disposals or retirements	-	(32)	(1)	—	—	(33)
Depreciation charge	(107)	(15,522)	(986)	(148)	(1,914)	(18,676)
Closing net book amount at December 31, 2021	**1,696**	**27,647**	**3,384**	**388**	**6,564**	**39,681**
Year 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 charge	(124)	(16,129)	(1,179)	(176)	(2,206)	(19,814)
Closing net book amount at December 31, 2022	**1,703**	**27,353**	**4,443**	**759**	**5,276**	**39,536**

The depreciation and amortization expense has been charged to the statement of income as follows:

			December 31,
	2022	**2021**	**2020**
Cost of sales	18,050	17,311	15,650
General and administrative expenses	1,780	1,370	1,023
Total depreciation and amortization	**19,830**	**18,681**	**16,673**

In 2022, 2021 and 2020 the Group did not record any impairment charge on property, plant and equipment.

Most of the equipment located in Canada, Australia and Brazil are pledged as part of the Group financing agreements entered with its lenders.

7. GOODWILL

Goodwill can be analyzed as follows:

	2022	**2021**	**2020**
As at January 1,	**69,482**	**75,936**	**78,229**
Exchange differences	(5,978)	(6,454)	(2,293)
As at December 31,	**63,504**	**69,482**	**75,936**

In 2022, 2021 and 2020 the Group did not record any impairment charge. The main estimates used for the purpose of the goodwill impairment testing are presented in note 4.4.

8. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

	December 31,		
	2022	2021	2020
Loans	50	55	93
Software	471	333	30
Investment in unconsolidated affiliates	111	103	119
Deposits and guarantees	393	352	451
Other non-current receivables	28	11	212
Other non-current assets	**1,053**	**854**	**906**

The investment in unconsolidated affiliates corresponds to the company "Minera Chimù" (Peru).

9. INVENTORIES

Inventories consist of the following:

	December 31,		
	2022	2021	2020
Spare parts	20,262	17,831	16,290
Consumables	23,768	19,226	15,097
Inventories, net	**44,030**	**37,057**	**31,387**

Spare parts mainly include motors, wire lines and heads. Spare parts are charged to the statement of income when used on equipment. Consumables mainly include destructive tools, hammers, muds and casing. Consumables are charged to the statement of income when delivered to the field. The Group reviews impairment loss on inventories on a regular and item by item basis.

Inventories write-down expense / (reversal) recognized in 2022 in the statement of income under the line item "Cost of sales" amounts to US$ 343 thousand (US$ 242 thousand in 2020 and US$ 108 thousand in 2020).

10. TRADE RECEIVABLES

Trade receivables, net, consist of the following:

	December 31,		
	2022	2021	2020
Trade receivable, gross	43,351	32,400	29,534
Less provision for impairment	(163)	(163)	(177)
Trade receivables, net	**42,439**	**32,237**	**29,357**

Impairment expense / (reversal) recognized in 2022 in the statement of income is nil (nil is 2021 and US$ (296) in 2020) under the line item "Selling, general and administrative expenses".

Movements in the provision for impairment of trade receivables are as follows:

	December 31,		
	2022	2021	2020
Provision for impairment at January 1,	(163)	(177)	(1,490)
Provision for receivables impairment	—	—	—
Receivables written off during the year	—	—	877
Unused amounts reversed during the year following collection of the receivable	—	—	296
Exchange differences	—	(14)	140
Provision for impairment at December 31,	**(163)**	**(163)**	**(177)**

Trade receivables, net, are broken down per location as follows:

			December 31,
	2022	2021	2020
Europe	2,224	4,684	5,194
New Caledonia	666	368	137
Africa	2,956	4,265	4,486
South America	18,876	7,176	5,149
Australia	2,250	3,080	2,444
Canada	15,466	12,663	11,947
Trade receivables, net	**42,439**	**32,237**	**29,357**

The geographical allocation of a receivable is based on the location of the project to which the receivable relates and not to the country where the client is incorporated.

The fair value of trade accounts receivable based on discounted cash flows does not differ from the net book value as the Group does not have trade accounts receivable with payment terms exceeding one year.

The impairment of receivables relates to various customers in both of the Group's operating segments on which a collectability risk was identified.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of trade receivables mentioned above.

As at December 31, 2022, trade receivables of US$ 1,349 thousand (US$ 2,756 thousand in 2021 and US$ 3,071 thousand in 2020) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default or with established practices of long payment terms such as States bodies in the Water segment.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

			December 31,
	2022	2021	2020
€, CFA Francs or CFP Francs (1)	3,325	4,804	5,007
Canadian dollars	15,466	12,663	11,947
Australian dollars	2,250	3,080	2,444
US dollars	709	596	—
Chilean Pesos	4,544	1,799	477
Brazilian Reals	8,073	4,304	4,100
Russian Rubles	1,813	3,917	4,810
Argentinian Pesos	6,260	1,073	572
Trade receivables, net	**42439**	**32,237**	**29,357**

(1) CFA Francs and CFP Francs have a fixed exchange rate with €

Certain receivables are provided as collateral under financing agreements (see Note 14).

11. OTHER CURRENT RECEIVABLES

Other current receivables consist of the following:

			December 31,
	2022	2021	2020
VAT / GST and other recoverable taxes	5,558	5,297	5,459
Prepaid expenses	1,743	2,579	1,828
Down payments / credit notes receivable	2,339	2,062	1,479
Other receivables	593	1,242	963
Other current receivables	**10,232**	**11,179**	**9,736**

Provisions for impairment of other current receivables is nil as at December 2022 (nil in 2021 and nil in 2020).

Value Added Tax (VAT) and Goods and Services Tax (GST) and other recoverable taxes mainly comprise tax receivables in African countries and Brazil. There is no indication that these amounts will not be recovered.

The fair value of other current receivables based on discounted cash flows does not differ from the net book value as the Group does not have other current receivables with payment terms exceeding one year.

The carrying amounts of the Group's other receivables are denominated in the following currencies:

			December 31,
	2022	2021	2020
€, CFA Francs or CFP Francs (1)	4,209	3,506	2,962
€, CFA Francs or CFP Francs (1)	4,123	4,209	3,506
Canadian dollars	1,093	1,151	1,899
Australian dollars	465	375	435
Chilean Pesos	599	469	466
Russian Rubles	756	2,187	1,307
Brazilian Reals	1,745	1,934	1,851
Other currencies	1,450	854	272
Other current receivables, gross	**10,232**	**11,179**	**9,736**

(1) CFA Francs and CFP Francs have a fixed exchange rate with €

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

			December 31,
	2022	2021	2020
Cash at bank and in hand	24,033	19,164	16,776
Short-term bank deposits	5,376	4,760	4,184
Cash and cash equivalents	**29,409**	**23,924**	**20,960**

13. EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS

Consolidated reserves, including net income for the period and other reserves, can be analyzed as follows:

			December 31,
	2022	2021	2020
Foraco International share premium and retained earnings	105,241	121,995	79,493
Reserves of consolidated subsidiaries and other reserves	(42,553)	(68,515)	(90,647)
Total consolidated reserves	**62,688**	**53,480**	**11,154**

Under French law, dividends can be paid only from the reserves of the parent company (Foraco International). As at December 31, 2022, the value of distributable reserves amounted to € 107,521 thousand (€ 107,731 thousand as at December 31, 2021 and €64,723 thousands as at December 31, 2020).

All shares issued by the Company have a par value of € 0.02 and are fully paid.

Treasury Shares Transactions over the Periods Presented

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.

On September 16, 2021, the Company issued a notice with the Toronto Stock Exchange ("TSX") in respect of a Normal Course Issuer Bid ("NCIB"). The Company was entitled to purchase up to 1,000,000 additional common shares. As at December 31, 2022, the Company purchased 685,472 of its own shares at an average purchase price of Can$2.02.

On September 30, 2022, the Company issued a notice with the Toronto Stock Exchange ("TSX") in respect of a Normal Course Issuer Bid ("NCIB"). The Company was entitled to purchase up to 1,000,000 additional common shares. As at December 31, 2022, the Company purchased 102,444 of its own shares at an average purchase price of Can$1.36.

As at December 31, 2022, the Company owns 265,573 of its own shares (378,460 as at December 31, 2021).

Equity Incentive Plan ("Free Share Plan")

Since 2007, the Group implemented free share plans every 3 years. Between 2007 and 2022, 10,554,500 free shares were granted of which 6,048,000 were vested and 1,298,000 were forfeited.

Reconciliation of the Share Capital and Premium

The reconciliation of the share capital and share premium at the beginning and end of the year presented is summarized as follows:

	Number of shares	Ordinary shares in thousand US$	Share Premium in thousands US$
As at December 31, 2019	**89,877,029**	**1,772**	**95,345**
Acquisition of treasury shares	(256,440)	—	—
Treasury shares transferred in connection with equity incentive plan (vested shares)	(33,000)	—	59
As at December 31, 2020	**89,653,599**	**1,772**	**95,345**
Acquisition of treasury shares	(617,251)	—	—
Impact in modification of share value	—	507	(507)
Share capital increase	9,300,000	220	16,831
Treasury shares transferred in connection with equity incentive plan (vested shares)	537,000	—	—
As at December 31, 2021	**98,873,338**	**2,499**	**111,669**
Acquisition of treasury shares	(598,113)	—	—
Treasury shares transferred in connection with equity incentive plan (vested shares)	711,000	—	—
As at December 31, 2022	**98,986,225**	**2,499**	**111,669**

In FY 2021, as part of the financing reorganization 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 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 appeared post refinancing. The fair value attributed to the 9,300,000 shares amounting to US$ 16,851 thousand is allocated to par value for US$ 220 thousand and to share premium for US$ 16,831 thousand.

As at December 31, 2022, the capital stock of the Company amounted to US$ 2,499 thousand, divided into 99,251,798 common shares. The total common shares and warrants 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	265,573
Common shares held by the public	64,132,572
Total common shares and warrants issued and outstanding	**99,251,798**
Common shares held by the Company	(265,573)
Total common shares and warrants issued and outstanding net of treasury shares	**98,986,225**

** In the table above, the shares owned indirectly are presented for an amount corresponding to the prorata of the ownership interest*

14. BORROWINGS

Financial debt consists of the following as at year-end:

			December 31,
	2022	2021	2020
Non-current			
Other bank financings	84,251	93,991	153,993
Finance lease obligations	521	110	—
Lease Obligations (IFRS 16)	3,276	4,684	3,915
	88,047	**98,786**	**157,908**
Current			
Bank overdrafts	1,482	754	1,299
Obligation under assignment of trade receivables	841	628	-
Other bank financings	12,545	7,493	1,534
Lease obligations (IFRS 16)	2,032	1,913	1,568
Finance lease obligations	622	91	303
	17,521	**10,879**	**4,704**

As at December 31, 2022, the maturity of financial debt can be analyzed as presented in the table below:

	December 31, 2022
Credit lines	2,323
Long-term debt	
Within one year	13,166
Between 1 and 2 years	10,112
Between 2 and 3 years	74,551
Between 3 and 4 years	109
Total	**100,261**

As part of the implementation of IFRS 16, the Company recognized lease obligations for the first time as at January 1st, 2019. As at December 31st, 2022, the lease obligations amount to US$ 5,308 thousand (US$ 6,597 thousand as at December 31st, 2021).

During FY 2021, the Company finalized its financial reorganization related to the early redemption of its euro-denominated bonds amounting to US$145,871 thousand as at June 30, 2021, raised in 2017 and maturing in May 2022. The early redemption of these bonds has been completed by way of a repayment of US$ 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.

As at December 31, 2022 receivable balances transferred to banks in exchange for cash was US$ 841 thousands (US$ 628 thousands as at December 31, 2021 and nil as at December 31, 2020). These transactions were accounted for as an assignment of trade receivables with recourse (or collateralized borrowing). In the event that the entities default under the assignment agreement, the banks have the right to receive the cash flows from the receivables transferred. Without default, the entities will collect the receivables and allocate new receivables as collateral.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

			December 31,
	2022	2021	2020
€	1,726	1,760	153,795
Canadian dollars	1,356	4,342	6,506
Australian dollars	458	1,222	1,012
US dollars	95,069	100,723	—
Chilean Pesos	841	628	—
Russian Rubles	285	—	—
Brazilian Real	526	989	1,299
Total financial debt (excluding IFRS 16 obligations)	**100,261**	**109,665**	**162,612**

15. CONSIDERATION PAYABLE RELATED TO ACQUISITIONS

As at December 31, 2020, 2021 and 2022, there was no consideration payable related to acquisitions.

16. DEFERRED INCOME TAX

The French companies of the Group fall under the French consolidation tax regime.

The components of the deferred tax assets and liabilities recorded as at December 31, 2022, 2021 and 2020 are as follows:

			December 31,
	2022	**2021**	**2020**
Assets			
Pension obligations	329	278	306
Property and equipment depreciation differences	275	419	400
Losses carried forward	17,177	18,485	28,268
Tax deductible goodwill	—	—	—
Other tax temporary differences	1,010	1,174	1,148
Total	**18,791**	**20,356**	**29,845**
To be recovered after 12 months	*9,941*	*15,156*	*17,745*
To be recovered within 12 months	*8,850*	*5,200*	*12,100*
Liabilities			
Finance leases	—	—	(63)
Property and equipment depreciation differences	(892)	(955)	(390)
Revenue recognition	(409)	(684)	(1,256)
Other tax temporary differences	(992)	(846)	(1,861)
Total	**(2,292)**	**(2,485)**	**(3,570)**
To be recovered after 12 months	*(1,449)*	*(1,861)*	*(2,314)*
To be recovered within 12 months	*(843)*	*(624)*	*(1,256)*

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through the future taxable profits is probable. As at December 31, 2022, US$ 15,300 thousand (2021 – US$ 19,349 thousand and 2020 – US$ 21,171 thousand) in tax losses carried forward are not recognized.

17. PROVISIONS

Provisions comprise of the following elements:

	Pension & Retirement Indemnities Provision	Provision for Tax Uncertainty	Claims & Other Provisions	Total
At January 1, 2020	**406**	**—**	**327**	**733**
Charged to income statement:				
— Additional provisions	83	—	—	83
— Unused amounts reversed	—	—	—	—
Used during year	—	—	(165)	(165)
Exchange differences	29	—	(14)	15
At December 31, 2020	**518**	**—**	**148**	**666**

At January 1, 2021	**518**	**—**	**148**	**666**
Charged to income statement:				
— Additional provisions	77	—	—	77
— Unused amounts reversed	—	—	—	—
Used during year	—	—	(18)	(18)
Exchange differences	(27)	—	5	(22)
At December 31, 2021	**568**	**—**	**135**	**703**
At January 1, 2022	**568**	**—**	**135**	**703**
Charged to income statement:				
— Additional provisions	38	—	—	38
— Unused amounts reversed	—	—	—	—
Used during year	(16)	—	—	(16)
Exchange differences	(27)	—	9	(18)
At December 31, 2022	**563**	**—**	**144**	**707**

The analysis of total provisions is as follows:

			December 31,
	2022	**2021**	**2020**
Current	144	135	149
Non-current (retirement and litigation)	563	568	517
Provisions	**707**	**703**	**666**

The Group faces various forms of litigation and legal proceedings throughout the normal course of business. The Group records a provision for these risks based on its past experience and on facts and circumstances known at the balance sheet date. The Group's Management is of the opinion that the expenses to be incurred in resolving such affairs will not have a significant additional impact on its consolidated financial situation, income or cash flows.

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.

18. RETIREMENT BENEFIT OBLIGATIONS

Substantially all of the Group's employees, with the exception of those in France, are covered under Government-sponsored health and life insurance benefit plans. Accordingly, the Group has no significant liability to its employees in terms of post-retirement benefits other than pensions and therefore no provision is made.

In France, 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 pension obligation has been estimated on the basis of actuarial assumptions and retirement ages conforming with the law applicable in France, including:

			December 31,
	2022	**2021**	**2020**
Discount rate	3.65%	2.25%	2.25%
Inflation rate	2.00%	0.70%	0.70%

These retirement indemnities are not funded or covered by pension plan assets. Except in France, the Group does not maintain defined benefit obligations in any country where it operates.

Payments made by the Group for defined contribution plans are accounted for as expenses in the consolidated statements of profit and loss during the period in which they were incurred.

19. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	December 31,		
	2022	2021	2020
Trade payables	28,717	26,401	17,711
Social security and other taxes	20,551	14,536	14,087
VAT / GST and other tax payable	7,494	5,284	3,813
Down payments from customers	1,349	2,685	4,094
Deferred income	197	274	219
Other miscellaneous payable	653	1,051	871
Trade and other payables	**58,961**	**50,231**	**40,797**

Trade and other payables are denominated in the following currencies:

	December 31,		
	2022	2021	2020
€, CFA Francs or CFP Francs (1)	15,129	10,693	11,140
Canadian dollars	10,686	11,217	7,715
Australian dollars	6,802	5,550	5,550
US dollars	20	19	3
Chilean Pesos & UF	3,266	3,224	1,163
Russian Rubles	5,298	9,904	8,668
Brazilian Reals	7,578	6,531	5,478
Other currencies	10,182	2,794	1,080
Trade and other payables	**58,961**	**50,231**	**40,797**

(1) CFA Francs and CFP Francs have a fixed exchange rate with €

20. EXPENSES BY NATURE

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

	2022	2021	2020
Depreciation, amortization and impairment charges	19,830	18,681	16,673
Provision increase/(reversal)	74	116	428
Raw materials, consumables used, and other external costs	139,563	120,645	95,122
Employee benefit expense	121,519	104,868	75,990
Other tax expense	2,451	1,916	1,493
Other operating expense/(income), net	735	—	231
Total of operating expenses	**284,171**	**246,227**	**189,937**
Number of employees (unaudited)	*2,789*	*2,891*	*2,109*

21. OTHER OPERATING INCOME (EXPENSE), NET

There is no other operating income or expenses during the last three years.

22. SHARE-BASED COMPENSATION

The effect on the consolidated statements of profit and loss of equity instruments awarded as part of the IPO and the Group's Equity Incentive Plan are as follows:

			December 31,
	2022	2021	2020
765,000 free common shares in 2015	—	—	—
827,000 free common shares in 2016	—	—	25
947,000 free common shares in 2017	—	24	33
823,000 free common shares in 2018	15	30	44
892,000 free common shares in 2019	32	43	56
908,000 free common shares in 2020	60	55	38
580,000 free common shares in 2021	152	81	—
482,500 free common shares in 2022	70	—	—
Total of non-cash share-based compensation expenses	**330**	**233**	**195**

Movements in the number of free shares and warrants outstanding are as follows:

	Free shares	Warrants
Number of free shares and warrants outstanding as at January 1st, 2019	2,918,000	
Granted in 2019	892,000	—
Forfeited in 2019	(90,000)	—
Granted in 2020	908,000	—
Vested in 2020	(1,173,000)	—
Forfeited in 2020.	(18,000)	—
Granted in 2021	580,000	—
Vested in 2021	(537,000)	—
Forfeited in 2021	(20,000)	—
Granted in 2022	482,500	—
Vested in 2022	(722,000)	—
Forfeited in 2022	(12,000)	—
	3,208.500	**—**

Considering the vesting conditions described below, free shares outstanding at year end have the following expiry dates:

			December 31,
	2022	2021	2020
2021	—	418,000	955,000
2022	450,000	754,000	754,000
2023	810,000	810,000	820,000
2024	890,000	898,000	908,000
2025	576,000	580,000	—
2026	580,000	—	—
Free shares outstanding	**3,208,500**	**3,460,000**	**3,437,000**

Other Share-Based Payment Transactions with Employees (see Note 13)

Awards under the Group's free share plan are within the scope of IFRS 2, Share-based payment as they are issued at a price that is less than the fair value of those equity instruments. From the grant date, the Group will amortize over the corresponding vesting period the fair value of the free common shares granted to employees. There are no performance conditions under the Group's equity incentive plan.

The main provisions of these share plans are as follows:

Fourth Free Share plan

FIRST TRANCHE AWARDED IN 2016

- Grant date .... August 2016
- Number of free shares issued 827,000
- Vesting period for the French plan .... 2 years *(1)*
- Vesting period for the International plan .... 4 years
- Fair value of common shares at grant date........ Can$ 0.40
- Anticipated turnover........ 10%

Total fair value of the plan .... Can$ 229 thousand

SECOND TRANCHE AWARDED IN 2017

- Grant date .... August 2017
- Number of free shares issued 947,000
- Vesting period for the French plan .... 2 years *(1)*
- Vesting period for the International plan .... 4 years
- Fair value of common shares at grant date........ Can$ 0.35
- Anticipated turnover........ 10%

Total fair value of the plan .... Can$ 229 thousand

THIRD TRANCHE AWARDED IN 2018

- Grant date .... August 2018
- Number of free shares issued 823,000
- Vesting period for the French plan .... 2 years *(1)*
- Vesting period for the International plan .... 4 years
- Fair value of common shares at grant date........ Can$ 0.40
- Anticipated turnover........ 10%

Total fair value of the plan .... Can$ 229 thousand

Fifth Free Share plan

FIRST TRANCHE AWARDED IN 2019

- Grant date .... August 2019
- Number of free shares issued 892,000
- Vesting period for the French plan .... 4 years
- Vesting period for the International plan .... 4 years
- Fair value of common shares at grant date........ Can$ 0.37
- Anticipated turnover........ 10%

Total fair value of the plan .... Can$ 267 thousand

SECOND TRANCHE AWARDED IN 2020

- Grant date .... August 2020
- Number of free shares issued 908,000
- Vesting period for the French plan .... 4 years
- Vesting period for the International plan .... 4 years
- Fair value of common shares at grant date........ Can$ 0.51
- Anticipated turnover........ 10%

Total fair value of the plan .... Can$ 321 thousand

THIRD TRANCHE AWARDED IN 2021

- Grant date .... August 2021
- Number of free shares issued 580,000
- Vesting period for the French plan .... 4 years
- Vesting period for the International plan .... 4 years
- Fair value of common shares at grant date........................... Can$ 1.88
- Anticipated turnover.. 10%

Total fair value of the plan .... Can$ 772 thousand

Sixth Free Share plan

THIRD TRANCHE AWARDED IN 2022

- Grant date .... August 2022
- Number of free shares issued 482,500
- Vesting period for the French plan .... 4 years
- Vesting period for the International plan .... 4 years
- Fair value of common shares at grant date........................... Can$ 1.89
- Anticipated turnover.. 10%

Total fair value of the plan .... Can$ 620 thousand

(3) Plus an additional 2-year lock up period following the vesting date.

The impact of this non-cash share-based compensation is presented within “Cost of sales” or “General and administrative expenses” depending on the employee benefiting from the award. The dilutive effect of these awards, if any, is taken into account in the calculation of the diluted earnings per share (see Note 25).

23. FINANCE INCOME AND FINANCIAL EXPENSE

Financial income and expense consists of the following:

	2022	2021	2020
Interest expense	(11,826)	(9,847)	(9,904)
Gains on short term deposits	300	109	154
Gain on refinancing (See note 14)	—	34,233	—
Other	(274)	370	1,087
Finance costs	**(11,800)**	**24,865**	**(8,663)**

24. INCOME TAX EXPENSE

The income tax rate applicable in France is 25.0% in 2022 (26.5% in 2021 and 28.5% in 2020) excluding the impact of certain additional considerations or reductions depending upon the size of the company. The Group also operates in certain countries in which effective rates of tax may be different.

Income tax expense is presented as follows:

	2022	2021	2020
Current tax	(10,806)	(4,698)	(3,554)
Deferred tax	2,001	(5,234)	2,551
Total	**(8,805)**	**(9,982)**	**(1,003)**

The reconciliation between the income tax expense using the French statutory rate and the Group's effective tax rate can be analyzed as follows:

	2022	2021	2020
Income / (loss) before taxes and share of profit from associates	**34,584**	**48,992**	**8,523**
Tax calculated at French tax rate (25% for 2022)	8,646	12,983	2,841
Effect of different tax rates in different countries	(237)	(88)	(850)
Share-based payment expense	83	62	65
Expenses not deductible for tax purposes	225	150	250
Unrecognized tax assets / (Recognition of previously unrecognized deferred tax assets)	88	(3,125)	(1,303)
Total	**8,805**	**9,982**	**1,003**

25. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares issued during the year excluding shares purchased by the Group and held as treasury shares. The Group has also issued certain dilutive equity instruments under its free share plans (see Note 13 and 22).

	2022	2021	2020
Profit / (loss) attributable to equity holders of the Company in thousands of US$	**19,761**	**35,487**	**4,236**
Weighted average number of ordinary shares in issue before dilution	98,721,125	94,252,613	89,824,744
Basic earnings per share (US cents per share)	**20.01**	**37.65**	**4.72**
Weighted average number of ordinary shares in issue after dilution *(1)*	100,862,425	96,666,257	91,981,394
Diluted earnings per share (US cents per share)	**19.59**	**36.71**	**4.61**

(1) Reflect the effect of free shares issued and outstanding at each reporting period end (see Note 22). A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value attached to outstanding free shares. The number of shares calculated as above is compared with the number of shares that would have been issued. Only free shares have a dilutive effect over the periods presented.

Dilutive instruments cannot have an anti-dilutive effect in case of a net loss attributable to the equity holders of the Company.

26. DIVIDENDS PER SHARE

On March 2, 2023, the Board of Directors proposed that no dividends are paid out in 2023 (nil in 2022 and 2021), this decision is yet to be approved by shareholders at the Company's Annual General Meeting on April 7, 2023.

27. COMMITMENTS AND CONTINGENCIES

The guarantees given are the following:

			December 31,
	2022	2021	2020
Bid bonds	85	13	243
Advance payment guarantees and performance guarantees	9,189	8,879	7,389
Retention guarantees	39	42	299
Financial guarantees	148	157	170
Total	**9,372**	**9,048**	**8,101**

Generally, the Group is subject to legal proceedings, claims and legal actions arising in the ordinary course of business. The Group's management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on the Group's consolidated financial position, results of operations or cash flows.

28. RELATED PARTY TRANSACTIONS

As at December 31, 2022, the companies under the control of management hold 35.6% of the shares. 64.0% of the shares are listed on the Toronto Stock Exchange (excluding treasury shares owned by the Company).

Key management compensation is as follows:

In thousand €	Wages, attendance fees and bonuses	Share-based payment expense	Other benefits	Total
Key management	2,092	—	—	2,092
Board of Directors members other than key management	60	—	—	60
Year ended December 31, 2022	**2,152**	**—**	**—**	**2,152**
Key management	2,092	—	—	2,092
Board of Directors members other than key management	60	—	—	60
Year ended December 31, 2021	**2,152**	**—**	**—**	**2,152**
Key management	2,092	—	—	2,092
Board of Directors members other than key management	60	—	—	60
Year ended December 31, 2020	**2,152**	**—**	**—**	**2,152**

The Group did not contribute to any special pension scheme for management.

The Company accounted for certain related party transactions including lease of facility and equipment amounting to US$ 1,656 thousand for the period ended December 31, 2022 (US$ 1,337 thousand for the year ended December 31, 2021 and US$ 843 thousand for the period ended December 31, 2020).

The Group has not carried out any other transactions with related parties.

29. EVENTS AFTER THE BALANCE SHEET DATE

There is no post balance sheet events.

30. CONSOLIDATED SUBSIDIARIES

As at December 31, 2022, consolidated subsidiaries are as follows:

Subsidiaries	Country of incorporation	Direct and indirect percentage of shareholdings
Foraco International S.A.	France	n.a.
Foraco SASU	France	100%
Géode International SASU	France	100%
Foraco Management SASU	France	100%
Foraco Germany	Germany	100%
Foraco Canada Ltd.	Canada	100%
I3DDS	Canada	100%
Innu Innuit Foraco GP Inc.	Canada	49%
Foraco Corp	USA	100%
Foraco Pacifique SASU	New Caledonia	100%
Foraco Australia Pty Ltd	Australia	100%
John Nitschke Drilling Pty Ltd	Australia	100%
Foraco CI S.A	Ivory Coast	100%
Foremi S.A.	Ivory Coast	51%
Foraco Subsahara	Chad	100%
Foraco Senegal	Senegal	100%
Foraco Niger S.A.	Niger	100%
Foraco Sahel Sarl	Mali	100%
Foraco Guinée Sarl	Guinea	100%
Foraco Ghana Ltd	Ghana	100%
Foraco Congo Sarl	Congo	100%
Foraco Burkina Faso	Burkina Faso	100%
Foraco Peru SAC	Peru	100%
Foraco Chile SA	Chile	100%
Foraco Argentina SA	Argentina	100%
Foraco Salta	Argentina	100%
Foraco San Juan	Argentina	100%
Foraco Mexico SA	Mexico	100%
Eastern Drilling Company Llc	Russia	50%
EDC Kazakhstan	Kazakhstan	50%
Foraco Kazakhstan	Kazakhstan	100%
Foraco Brazil S.A.	Brazil	73%
Foraco Holding Participações Ltda	Brazil	100%
Foraco UK	England	100%
Foraco Singapore	Singapore	100%

Corporate Head Office

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Jean-Pierre Charmensat
Bruno Chabas
Warren Holmes
Jorge Hurtado

Transfer Agent

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Auditors

Deloitte & Associés

Legal Counsel

Fasken Martineau DuMoulin LLP

Market Data

Shares of Foraco International S.A.
are listed on the Toronto Stock Exchange under the symbol FAR

Annual General Meeting

April 6, 2023 @ 10:00am
26 Plage de L'Estaque
13016 Marseille, France

Investor Contact

ir@foraco.com

Integrity.

We run our business with the highest level of integrity and this value is embedded in all of our daily operations, from the field to our corporate offices.

Innovation.

The global economic, political and geographic landscape is constantly changing and as a result, so is our work environment.

Involvement.

A winning culture and entrepreneurial spirit are two of our key differentiators in the industry. We practice a fluid bottom-up-top-down communication.

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