

FORACO INTERNATIONAL S.A.

Unaudited Condensed Interim Consolidated Financial Statements

**Three-month period ended
March 31, 2022**



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Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of March 31, 2022****Unaudited condensed interim consolidated balance sheet - Assets**

in thousands of US\$	Note	March 31, 2022	December 31, 2021
ASSETS			
Non-current assets			
Property, plant and equipment	(5)	40,996	39,681
Goodwill	(6)	69,502	63,504
Deferred income tax assets	(16)	22,281	20,356
Other non-current assets		872	854
		133,651	124,395
Current assets			
Inventories, net	(7)	40,260	37,057
Trade receivables, net		48,172	32,237
Other current assets		12,763	11,179
Cash and cash equivalents		14,991	23,924
		116,192	104,397
Total assets		249,843	228,792

Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of March 31, 2022****Unaudited condensed interim consolidated balance sheet – Equity and Liabilities**

in thousands of US\$	Note	March 31, 2022	December 31, 2021
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		2,499	2,499
Share premium, reserves and retained earnings		59,896	53,480
		62,395	55,979
Non-controlling interests		6,475	6,549
Total equity		68,870	62,528
LIABILITIES			
Non-current liabilities			
Borrowings - Non-current portion of long-term debt	(8) & (16)	94,599	94,101
Lease obligations – Non current portion	(8)	4,331	4,684
Deferred income tax liabilities		2,793	2,485
Provisions for other liabilities and charges	(9)	626	568
Current liabilities			
Trade payables		30,529	26,401
Other payables		29,103	23,830
Current income tax liabilities		1,953	3,182
Borrowings - Current portion of long-term debt	(8) & (16)	7,437	7,584
Borrowings - Current portion of drawn credit lines	(8)	7,661	1,382
Lease obligations - Current portion	(8)	1,784	1,913
Provisions for other liabilities and charges	(9)	160	135
Total liabilities		180,973	166,264
Total equity and liabilities		249,843	228,792
Net debt including operating lease obligations under IFRS 16		100,820	85,741

Net debt including operating lease obligations is a non IFRS measure and corresponds to the current and non-current portion of borrowings, net of cash and cash equivalents

Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of March 31, 2022****Unaudited condensed interim consolidated income statement**

In thousands of US\$	Note	Three-month period ended March 31,	
		2022	2021
Revenue	(4)	67,740	54,551
Cost of sales	(11)	(58,180)	(48,510)
Gross profit		9,560	6,041
Selling, general and administrative expenses	(11)	(5,951)	(5,238)
Other operating income / (expense), net		-	-
Operating profit / (loss)		3,609	803
Finance costs		(2,576)	(2,080)
Profit / (loss) before income tax		1,033	(1,277)
Income tax (expense) / profit	(12)	(255)	312
Profit / (loss) for the period		778	(965)
Attributable to:			
Equity holders of the Company		428	(995)
Non-controlling interests		350	30
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in US cents per share):			
- basic	(15)	0.43	(1.11)
- diluted	(15)	0.42	(1.11)
Operating profit before depreciation, amortization and non-cash share based compensation expenses		8,527	5,114

Foraco International S.A.
Unaudited condensed interim consolidated financial statements as of March 31, 2022
Unaudited condensed interim consolidated statement of changes in equity

in thousands of US\$	Attributable to equity holders of			Non-controlling interests	Total Equity
	Share Capital	Share Premium and Retained Earnings	Total		
Balance at January 1, 2021	1,772	11,154	12,927	4,875	17,802
Profit / (loss) for the period	-	(995)	(995)	30	(965)
Currency translation differences	-	(817)	(817)	(129)	(946)
Employee share-based compensation	-	50	50	-	50
Increased Capital	-	-	-	-	-
Treasury shares purchased (see Note 10)	-	(154)	(154)	-	(154)
Balance at March 31, 2021	1,772	9,238	11,011	4,776	15,787
Balance at January 1, 2022	2,499	53,480	55,979	6,549	62,528
Profit / (loss) for the period	-	428	428	350	778
Currency translation differences	-	6,231	6,231	(425)	5,806
Employee share-based compensation	-	70	70	-	70
Treasury shares purchased (see Note 10)	-	(313)	(313)	-	(313)
Dividend paid to non controlling interests	-	-	-	-	-
Balance at March 31, 2022	2,499	59,896	62,395	6,475	68,870

Unaudited statement of comprehensive income

in thousands of US\$	March 31, 2022	March 31, 2021
Net profit / (loss) for the period	778	(965)
Currency translation differences	5,806	(946)
Total comprehensive loss for the period	6,584	(1,911)
<i>Attributable to:</i>		
<i>Equity holders of the Company</i>	<i>6,659</i>	<i>(1,812)</i>
<i>Non-controlling interests</i>	<i>(75)</i>	<i>(99)</i>

Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of March 31, 2022****Unaudited condensed interim consolidated cash flow statement**

in thousands of US\$	Three month ended March 31,	
	2022	2021
Profit / (loss) for the period	778	(965)
Adjustments for:		
- Depreciation, amortization and impairment (see Note 11)	4,848	4,261
- Share-based compensation expenses (see Note 11)	70	50
- Income tax expenses / (profit) (see Note 12)	255	(312)
- Finance costs, net	2,576	2,080
Cash generated from operations before changes in operating assets and liabilities	8,527	5,114
Changes in operating assets and liabilities:		
- Inventories	(3,285)	(4,265)
- Trade accounts receivable and other receivables	(17,004)	(10,477)
- Trade accounts payable and other payables	7,674	7,086
Cash generated from / (used in) operations	(4,088)	(2,542)
- Interest paid, net	(2,365)	(534)
- Income tax paid	(2,586)	(1,240)
Net cash flow from / (used in) operating activities	(9,039)	(4,316)
Purchase of property, plant and equipment (*)	(5,235)	(4,418)
Net cash generated from / (used in) investing activities	(5,235)	(4,418)
Proceeds from issuance of borrowings, net of issuance costs	-	187
Repayments of borrowings	(319)	(533)
Repayments of lease obligations	(560)	(340)
Proceeds from / (repayment of) short term credit facilities	6,301	4,592
Acquisition of treasury shares (see Note 10)	(313)	(154)
Dividends paid to non-controlling interests	-	-
Net cash generated from / (used in) financing activities	5,109	3,752
Exchange differences on cash and cash equivalents	232	329
Net increase / (decrease) in cash and cash equivalents	(8,933)	(4,653)
Cash and cash equivalents at beginning of the period	23,924	20,960
Cash and cash equivalents at end of the period	14,991	16,310
(*) Excluding acquisition financed through leases	322	None

Selected notes to the unaudited condensed interim consolidated financial statements

1. Basis of preparation

These unaudited condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. All material intercompany balances have been eliminated. Because all the disclosures required by IFRS are not included, these interim statements should be read in conjunction with the audited financial statements of Foraco International S.A. and its subsidiaries (“Foraco” or the “Company”) for the year ended December 31, 2021.

Except when otherwise stated, all amounts are presented in thousands of US\$, which is the presentation currency of the Company.

2. Selected notes on critical accounting policies and new accounting pronouncements

2.1. Accounting policies

The accounting policies have been consistently applied with those of the annual financial statements for the year ended December 31, 2021 except for the following: during the year, the income tax expense is recognized based on Management’s best estimate of the average annual income tax rate expected for the full financial year on a tax jurisdiction by tax jurisdiction basis. In the last quarter of each fiscal year, Management determines the effective income tax rate for the full year based on the anticipated actual tax returns to be filed and the effective contribution of each tax jurisdiction to the consolidated financial statements.

2.2. Seasonal fluctuations

The worldwide presence of the Company reduces its overall exposure to seasonality and its influence on business activity. In West Africa, most of the Company’s operations are suspended between July and October due to the rainy season. In Canada, seasonal slow periods occur during the winter freeze and spring thaw or break-up periods. Depending on the latitude, this can occur anytime from October until late December (freezing) and from mid-April through to mid-June (break-up). Operations at mining sites continue throughout the year. Russia is also affected by the winter period during which certain operations are slowed down. In Asia Pacific and in South America, a seasonal slowdown in activity occurs around year-end during the vacation period. Certain contracts are also affected in Chile in July and August when the winter season peaks.

2.3. Covid-19

The Company continues to report improved key profitability indicators compared to pre-Covid-19 activity in the context of favourable market conditions. While the Company believes that the worst of the impacts of Covid-19 on the business have been felt, there remains a level of uncertainty.

2.4. Impairment testing

As at December 31, 2021, the Company performed impairment tests at the level of each geographic region using the carrying value of the Company's long lived assets based on the expected discounted cash flows method. Based on the internal forecasts and projections made, the expected discounted future cash flows exceeded each of the long-lived asset's carrying amount for each geographic region and accordingly no impairment was recognized as at December 31, 2021.

Based on the current activity trend, the Company considers that there is no triggering event which would justify an impairment testing as at March 31, 2022.

2.5. Deferred tax valuation allowance

The Company's policy is to recognize deferred tax assets only when they can be recovered within a reasonable timeframe. As a general rule, the Company recognizes deferred tax assets only when they can be used against taxable profit generally within five years or when available tax opportunities exist. On this basis, the Company has adopted a partial recognition based approach and has recorded certain valuation allowances.

2.6. New accounting pronouncements

The consolidated interim financial statements have been prepared using the same accounting policies and methods of evaluation as in the December 31, 2021 annual financial statements.

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

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

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

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

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Standards, amendments and interpretations to existing standards that are applicable on or after January 1, 2023

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

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

3. Financial risk management

The Company is exposed to a variety of financial risks through its activity, including: liquidity risk, currency risk, cash transfer restriction, interest rate / re-investment risk, financial counter-party risk and credit risk.

A significant portion of the cash flows of the Company are denominated in Canadian Dollars, Euros, Australian Dollars, Brazilian Real, Chilean Pesos, Russian Rubbles and US Dollars. The financial performance and position as reported in US\$ are dependent on the fluctuations of the US\$ against the other mentioned currencies of the Group.

4. Segment information

The business segment information for the three-month periods ended March 31, 2022 and March 31, 2021 is as follows:

Three-month period ended	Mining		Water		Group	
	March 31,		March 31,		March 31,	
	2022	2021	2022	2021	2022	2021
Revenue	59,350	45,102	8,390	9,449	67,740	54,551
Gross profit / (loss)	7,715	4,752	1,845	1,289	9,560	6,041
Operating profit / (loss)	2,501	421	1,108	382	3,609	803
Finance costs	n/a	n/a	n/a	n/a	(2,576)	(2,080)
Profit / (Loss) before income tax	n/a	n/a	n/a	n/a	1,033	(1,277)
Income tax profit / (expense)	n/a	n/a	n/a	n/a	(255)	312
Profit / (Loss) for the period	n/a	n/a	n/a	n/a	778	(965)

Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of March 31, 2022**

The following is a summary of sales to external customers by geographic area for the three-month periods ended March 31, 2022 and March 31, 2021:

Three-month period ended	March 31, 2022	March 31, 2021
North America	21,600	18,635
South America	20,698	9,580
Europe, Middle East and Africa	15,168	18,828
Asia Pacific	10,274	7,508
Net sales	67,740	54,551

5. Property, plant and equipment

Property, plant and equipment (PP&E) consists of the following:

	Land & Buildings	Drilling equipment & tools	Automotive equipment	Office furniture & other equipment	Rights of use	Total
Period ended December 31, 2021						
Opening net book amount	1,803	25,426	3,102	348	5,411	36,090
Additions	90	17,785	1,351	210	3,210	22,646
Exchange differences	-90	-72	-83	-23	-143	-411
Disposals or retirements	-	-32	-1	-	-	-33
Depreciation expense	-107	-15,522	-986	-148	-1,914	-18,676
Closing net book value	1,696	27,647	3,384	388	6,564	39,681
Period ended March 31, 2022						
Opening net book amount	1,696	27,647	3,384	388	6,564	39,681
Additions	11	4,623	969	32	-	5,635
Exchange differences	27	419	-28	39	121	578
Disposals or retirements	0	-10	-13	-1	-28	-52
Depreciation expense	-24	-3,962	-256	-45	-559	-4,846
Closing net book value	1,710	28,717	4,056	413	6,098	40,996

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

Period ended	March 31, 2022	December 31, 2021
Cost of sales	4,248	17,311
Selling, general and administrative expenses	600	1,370
Total depreciation and amortization	4,848	18,681

Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of March 31, 2022****6. Goodwill**

Goodwill can be analyzed as follows:

	March 31, 2022	December 31, 2021
Goodwill at beginning of period	63,504	69,482
Exchange differences	5,998	(5,978)
Goodwill at end of period	69,502	63,504

Goodwill is denominated in the functional currency of its primary economic environment and is allocated to the following geographic regions: South America (US\$ 47.6 million), North America (US\$ 9.1 million), Asia Pacific (US\$ 7.6 million) and Europe, Middle East and Africa (US\$ 5.2 million).

7. Inventories

Inventories break down as follows:

	March 31, 2022	December 31, 2021
Spare parts and consumables, gross	40,260	37,057
Less inventory allowance	-	-
Inventories, net	40,260	37,057

The Company continually assesses spare parts and consumables and writes off obsolete inventories as soon as they are identified.

8. Financial debt and lease obligations

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

	March 31, 2022
Credit lines	7,661
Long-term debt	
Within one year	7,437
Between 1 and 2 years	10,216
Between 2 and 3 years	9,919
Between 3 and 4 years	74,464
Total	109,696

Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of March 31, 2022**

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

As part of the implementation of IFRS 16, the Company recognized lease obligations amounting to US\$ 6,115 thousand as at March 31, 2022.

9. Provisions

Provisions comprise the following elements:

	Pension and retirement indemnities	Provision for tax uncertainty	Claims	Total
As at January 1, 2022	568	-	135	703
Charged to consolidated income statement				
- Addition to provisions	68	-	-	68
- Used amounts reversed	-	-	-	-
- Unused amounts reversed	-	-	-	-
- Exchange differences	(11)	-	25	14
As at March 31, 2022	625	-	160	785

Substantially all of the Group's employees, with the exception of those in France and Africa, are covered under Government sponsored health and life insurance benefit plans. In France and Africa, the Group contributes to the national pension system whereby its obligations to employees in terms of pensions are restricted to a lump-sum length of service award payable at the date the employee reaches retirement age, such an award being determined for each individual based upon years of service provided and projected final salary.

The Company operates in various countries and may be subject to tax audits and other employee related risks. The Company is currently facing such risks in certain countries but there is no existing or contingent liability at the balance sheet date. The Company regularly reassesses its exposure and accounts for provisions accordingly.

10. Share capital and change in equity

Number of shares outstanding

As at March 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	693,462
Common shares held by the Company	284,464
Common shares held by the public	64,118,981
Total shares issued and outstanding	99,251,798
Common shares held by the Company	(284,464)
Total common shares issued and outstanding	98,967,334

Treasury shares

The Company filed a notice on September 16, 2021, in respect of a Normal Course Issuer Bid (“NCIB”) with the Toronto Stock Exchange (“TSX”). The Company was entitled to purchase up to 1,000,000 additional common shares. As at March 31, 2022, the Company purchased 385,807 of its own shares at an average purchase price of Can\$ 2.10.

As at March 31, 2022, the Company owns 284,464 of its own shares (378,460 as at December 31, 2021).

The common shares held by the Company will be used for free share plans.

11. Expenses by nature

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

	Three-month period ended March 31,	
	2022	2021
Depreciation and amortization	(4,848)	(4,261)
Accruals increases / (reversals)	(42)	(63)
Raw materials, consumables used and external charges	(30,784)	(26,895)
Employee benefit expense	(28,005)	(22,180)
Taxes other than on income	(453)	(384)
Other operating (expenses) / profit, net	-	34
Total operating expenses	(64,131)	(53,749)

Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of March 31, 2022**

Share-based compensation expenses recognized within Employee benefit expense for the period ended March 31, 2022 amount to US\$ 70 thousand (US\$ 50 thousand in 2021).

12. Income tax expense

During the three-month period ended March 31, 2022, the Company recognized an income tax expense amounting to US\$ 255 thousand. The income tax is recognized based on Management's best estimate of the average annual income tax rate expected for the full financial year on a tax jurisdiction by tax jurisdiction basis, taking into account the fact that the first quarter is seasonally lower.

13. Commitments and contingencies

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

Guarantees given are as follows:

	March 31, 2022	December 31, 2021
Bid bonds	13	13
Advance payment guarantees	3,670	6,084
Performance guarantees	1,846	2,795
Retention guarantees	41	42
Financial guarantees	154	157
Total	5,724	9,048

The Company benefits from a corporate contract guarantee line confirmed until December 2022 amounting to €6.5 million (US\$ 7.2 million) of which €3.8 million (US\$ 4.2 million) was used as at March 31, 2022.

14. Related-party transactions

The Company accounted for certain related party transactions including lease of facility and equipment amounting to US\$ 422 thousand for the period ended March 31, 2022 (US\$ 281 thousand for the period ended March 31, 2021).

Compensation to key management for the period ended March 31, 2022 amounted to US\$ 415 thousand (US\$ 453 thousand for the period ended March 31, 2021).

15. Earnings per share calculation

For the three-month period ended March 31, 2022, the weighted basic average number of shares was 98,747,953 (89,409,838 in 2021) and the weighted diluted average number of shares was 101,397,707 (91,833,814 in 2021).

Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of March 31, 2022***Diluted earnings per share*

The dilutive earning per share calculation includes the impact of the Company's free share plan as if the related new shares were issued. Dilutive instruments cannot have an anti-dilutive effect in case of a net loss attributable to the equity holders of the Company. Therefore, the basic and diluted earnings per share are the same for loss making periods.

16. Post balance sheet events

There are no significant post balance sheet events.