

FORACO INTERNATIONAL S.A.

Unaudited Condensed Interim Consolidated Financial Statements

**Three-month and six-month periods ended
June 30, 2023**



Table of Contents

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

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

in thousands of US\$	Note	June 30, 2023	December 31, 2022
ASSETS			
Non-current assets			
Property, plant and equipment	(5)	47,668	39,536
Goodwill	(6)	66,906	64,055
Deferred income tax assets		21,454	18,791
Other non-current assets		1,037	1,053
		137,065	123,435
Current assets			
Inventories, net	(7)	45,389	44,030
Trade receivables, net		60,201	42,439
Other current assets		12,733	10,232
Cash and cash equivalents		34,890	29,409
		153,213	126,110
Total assets		290,278	249,545

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

in thousands of US\$	Note	June 30, 2023	December 31, 2022
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		2,499	2,499
Share premium, reserves and retained earnings		80,349	62,688
		82,848	65,187
Non-controlling interests		10,928	10,305
Total equity		93,776	75,492
LIABILITIES			
Non-current liabilities			
Borrowings - Non-current portion of long-term debt	(8)	86,168	84,771
Lease obligations – Non current portion	(8)	4,513	3,276
Deferred income tax liabilities		2,274	2,292
Provisions for other liabilities and charges	(9)	623	563
Current liabilities			
Trade payables		32,024	28,717
Other payables		36,010	30,243
Current income tax liabilities		10,070	6,524
Borrowings - Current portion of long-term debt	(8)	13,731	13,166
Borrowings - Current portion of drawn credit lines	(8)	8,283	2,323
Lease obligations - Current portion	(8)	2,642	2,032
Provisions for other liabilities and charges	(9)	163	144
Total liabilities		196,502	174,053
Total equity and liabilities		290,278	249,545
Net debt including operating lease obligations under IFRS 16		80,448	76,161

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

Foraco International S.A.
Unaudited condensed interim consolidated financial statements as of June 30, 2023
Unaudited condensed interim consolidated income statement

In thousands of US\$	Note	Three-month period ended June 30,		Six-month period ended June 30,	
		2023	2022	2023	2022
Revenue	(4)	100,066	86,498	188,444	154,239
Cost of sales	(11)	(74,102)	(67,711)	(141,362)	(125,891)
Gross profit		25,964	18,787	47,082	28,348
Selling, general and administrative expenses	(11)	(7,107)	(6,170)	(14,011)	(12,121)
Other operating income / (expense), net		-	-	-	-
Operating profit		18,857	12,617	33,071	16,227
Finance costs		(3,484)	(2,778)	(7,052)	(5,354)
Profit before income tax		15,373	9,839	26,019	10,872
Income tax (expense) / profit	(12)	(4,319)	(2,675)	(6,964)	(2,930)
Net profit for the period		11,054	7,164	19,055	7,942
Attributable to:					
Equity holders of the Company		8,814	5,059	15,449	4,887
Non-controlling interests		2,240	2,105	3,606	3,055
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in US cents per share):					
- basic	(15)	8.92	5.12	15.61	4.95
- diluted	(15)	8.73	4.99	15.29	4.82
Operating profit before depreciation, amortization and non-cash share based compensation expenses		23,812	17,867	42,943	26,394

Foraco International S.A.
Unaudited condensed interim consolidated financial statements as of June 30, 2023
Unaudited condensed interim consolidated statement of changes in equity

in thousands of US\$	Attributable to equity holders of the			Non-controlling interests	Total Equity
	Share Capital	Share Premium and Retained Earnings	Total		
Balance at January 1, 2022	2,499	53,480	55,979	6,549	62,528
Profit / (loss) for the period	-	4,886	4,886	3,055	7,941
Currency translation differences	-	(1,595)	(1,595)	48	(1,547)
Employee share-based compensation	-	150	150	-	150
Increased Capital	-	-	-	-	-
Treasury shares purchased (see Note 10)	-	(749)	(749)	-	(749)
Balance at June 30, 2022	2,499	56,172	58,671	9,652	68,323
Balance at January 1, 2023	2,499	62,688	65,187	10,305	75,492
Profit / (loss) for the period	-	15,449	15,449	3,606	19,055
Currency translation differences	-	2,641	2,641	(738)	1,903
Employee share-based compensation	-	180	180	-	180
Dividend paid to non controlling interests	-	(609)	(609)	-	(609)
Dividend paid to non controlling interests	-	-	-	(2,245)	(2,245)
Balance at June 30, 2023	2,499	80,349	82,848	10,928	93,776

Unaudited statement of comprehensive income

in thousands of US\$	June 30, 2023	June 30, 2022
Net profit / (loss) for the period	19,055	7,941
Currency translation differences	1,903	(1,547)
Total comprehensive profit for the period	20,958	6,394
<i>Attributable to:</i>		
<i>Equity holders of the Company</i>	<i>18,090</i>	<i>3,291</i>
<i>Non-controlling interests</i>	<i>2,868</i>	<i>3,103</i>

Unaudited condensed interim consolidated cash flow statement

in thousands of US\$	Six month ended June 30,	
	2023	2022
Profit for the period	19,055	7,942
Adjustments for:		
- Depreciation, amortization and impairment (see Note 11)	9,692	10,018
- Share-based compensation expenses (see Note 11)	180	150
- Income tax expenses / (profit) (see Note 12)	6,964	2,930
- Finance costs, net	7,052	5,354
Cash generated from operations before changes in operating assets and liabilities	42,943	26,394
Changes in operating assets and liabilities:		
- Inventories	(1,370)	(4,488)
- Trade accounts receivable and other receivables	(21,733)	(18,824)
- Trade accounts payable and other payables	8,839	10,884
Cash generated from / (used in) operations	28,679	13,966
- Interest paid, net	(6,824)	(4,645)
- Income tax paid	(5,636)	(3,980)
Net cash flow from / (used in) operating activities	16,219	5,341
Purchase of property, plant and equipment (*)	(14,162)	(8,574)
Net cash generated from / (used in) investing activities	(14,162)	(8,574)
Proceeds from issuance of borrowings, net of issuance costs	1,532	-
Repayments of borrowings	(843)	(627)
Repayments of lease obligations	(1,274)	(1,220)
Proceeds from / (repayment of) short term credit facilities	5,913	5,099
Acquisition of treasury shares (see Note 10)	(609)	(749)
Dividends paid to non-controlling interests	(699)	-
Net cash generated from / (used in) financing activities	4,020	2,503
Exchange differences on cash and cash equivalents	(595)	397
Net increase / (decrease) in cash and cash equivalents	5,482	(332)
Cash and cash equivalents at beginning of the period	29,408	23,924
Cash and cash equivalents at end of the period	34,890	23,592
(*) Excluding acquisition financed through leases	3,067	922

Selected notes to the unaudited condensed interim consolidated financial statements

1. Basis of preparation

These unaudited condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. All material intercompany balances have been eliminated. Due to the fact that all the disclosures required by IFRS are not included, these interim statements should be read in conjunction with the audited financial statements of Foraco International S.A. and its subsidiaries ("Foraco" or the "Company") for the year ended December 31, 2022.

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

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

2.1. Accounting policies

The accounting policies have been consistently applied with those of the annual financial statements for the year ended December 31, 2022 except for the following: during the year, the income tax expense is recognized based on Management's best estimate of the average annual income tax rate expected for the full financial year on a tax jurisdiction by tax jurisdiction basis. In the last quarter of each fiscal year, Management determines the effective income tax rate for the full year based on the anticipated actual tax returns to be filed and the effective contribution of each tax jurisdiction to the consolidated financial statements.

2.2. Seasonal fluctuations

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

2.3. Sale of the Company's Russian subsidiary

On April 5, 2023, the Company entered into a preliminary agreement to sell its 50% stake in Eastern Drilling Company (EDC) to its Russian partners. The execution of this agreement, which is anticipated to occur in the second half of 2023, remains uncertain, as it is subject to the approval of Russian authorities, an outcome anticipated but not definitively confirmed. EDC contributions to Foraco's

consolidated revenues were US\$ 3.8 million and US\$ 3.5 million respectively in the first and second quarter of 2023, for a net income close to nil for the first half of 2023.

2.4. Impairment testing

As at December 31, 2022, the Company performed impairment tests at the level of each geographic region using the carrying value of the Company's long lived assets based on the expected discounted cash flows method. Based on the internal forecasts and projections made, the expected discounted future cash flows exceeded each of the long-lived asset's carrying amount for each geographic region and accordingly no impairment was recognized as at December 31, 2022.

Based on the current activity trend, the Company considers that there is no triggering event which would justify an impairment testing as at June 30, 2023.

2.5. Deferred tax valuation allowance

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

2.6. New accounting pronouncements

The consolidated interim financial statements have been prepared using the same accounting policies and methods of evaluation as those disclosed in the December 31, 2022, annual financial statements.

New standards and amendments effective for periods beginning on January 1, 2023, and therefore relevant to these interim financial statements.

- IFRS 17 insurance Contracts,
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 (Amendment - Disclosure of Accounting Policies),
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Accounting Estimates),
- IAS 12 Income Taxes (Amendment – Deferred Tax related to Assets and Liabilities arising from a Single Transaction).

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

Agenda decisions - IFRS Interpretations Committee

- IAS 7 Statement of Cash Flows Demand Deposits with Restrictions on Use arising from a Contract with a Third Party,

Foraco International S.A.

Unaudited condensed interim consolidated financial statements as of June 30, 2023

- IFRS 15 Revenue from Contracts with Customers Principal vs Agent: Software Reseller,
- IFRS 17 Insurance Contracts Transfer of Insurance Coverage under a Group of Annuity Contracts,
- IAS 32 Financial Instruments: Presentation SPAC: Classification of Public Shares as Financial Liabilities or Equity,
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets Negative Low Emission Vehicle Credits,
- IFRS 9 Financial Instruments & IFRS 16 Leases Lessor Forgiveness of Lease Payments
- IAS 32 Financial Instruments: Presentation SPAC: Accounting for Warrants at Acquisition,
- IFRS 17 Insurance Contracts & IAS 21 The Effects of Changes in Foreign Exchange Rates Multi-currency Groups of Insurance Contracts.

These agenda decisions do not represent authoritative guidance but are seen as helpful, informative, and persuasive. The application of these decisions has not had any material impact on the interim consolidated financial statements of the Company.

Pronouncements with a mandatory effective date in future accounting periods

- Lease Liability in a Sale and Leaseback (Amendment to IFRS 16),
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current),
- IAS 1 Presentation of Financial Statements (Amendment – Non-Current Liabilities with Covenants).

The impact on the consolidated financial statements of the Company of these pronouncements is currently being evaluated.

3. Financial risk management

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

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

4. Segment information

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

Foraco International S.A.
Unaudited condensed interim consolidated financial statements as of June 30, 2023

Three-month period ended	Mining		Water		Group	
	June 30		June 30		June 30	
	2023	2022	2023	2022	2023	2022
Revenue	87,933	73,453	12,133	13,045	100,066	86,498
Gross profit	22,846	15,511	3,118	3,276	25,964	18,787
Operating profit	16,601	10,272	2,256	2,345	18,857	12,617
Finance costs	n/a	n/a	n/a	n/a	(3,484)	(2,778)
Profit before income tax	n/a	n/a	n/a	n/a	15,373	9,839
Income tax profit / (expense)	n/a	n/a	n/a	n/a	(4,319)	(2,675)
Net profit for the period	n/a	n/a	n/a	n/a	11,054	7,164

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

Six-month period ended	Mining		Water		Group	
	June 30,		June 30,		June 30,	
	2023	2022	2023	2022	2023	2022
Revenue	162,452	132,804	25,992	21,435	188,444	154,239
Gross profit	40,490	23,226	6,592	5,121	47,082	28,348
Operating profit	28,424	12,773	4,647	3,453	33,071	16,227
Finance costs	n/a	n/a	n/a	n/a	(7,052)	(5,354)
Profit before income tax	n/a	n/a	n/a	n/a	26,019	10,873
Income tax profit / (expense)	n/a	n/a	n/a	n/a	(6,964)	(2,930)
Net profit for the period	n/a	n/a	n/a	n/a	19,055	7,942

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

Three-month period ended	June 30, 2023	June 30, 2022
South America	39,016	25,001
North America	31,176	26,598
Asia Pacific	16,731	13,910
Europe, Middle East and Africa	13,143	20,989
Net sales	100,066	86,498

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

Six-month period ended	June 30, 2023	June 30, 2022
South America	70,158	45,700
North America	60,902	48,198
Asia Pacific	32,738	24,184
Europe, Middle East and Africa	24,645	36,158
Net sales	188,444	154,239

Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of June 30, 2023****5. Property, plant and equipment**

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

	Land & Buildings	Drilling equipment & tools	Automotive equipment	Office furniture & other equipment	Rights of use	Total
Period ended December 31, 2022						
Opening net book amount	1,696	27,647	3,384	388	6,564	39,681
Additions	205	17,222	2,579	536	1,234	21,776
Exchange differences	(74)	(800)	(207)	12	(288)	(1,357)
Disposals or retirements	-	(587)	(134)	(1)	(28)	(750)
Depreciation expense	(124)	(16,129)	(1,179)	(176)	(2,206)	(19,814)
Closing net book value	1,703	27,353	4,443	759	5,276	39,536
Period ended June 30, 2023						
Opening net book amount	1,703	27,353	4,443	759	5,276	39,536
Additions	79	12,286	1,616	185	3,067	17,233
Exchange differences	46	395	(118)	144	50	517
Disposals or retirements	-	-	-	(2)	-	(2)
Depreciation expense	(63)	(7,802)	(334)	(100)	(1,317)	(9,616)
Closing net book value	1,765	32,232	5,607	986	7,076	47,668

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

Period ended	June 30, 2023	December 31, 2022
Cost of sales	8,850	18,050
Selling, general and administrative expenses	842	1,780
Total depreciation and amortization	9,692	19,830

6. Goodwill

Goodwill can be analyzed as follows:

	June 30, 2023	December 31, 2022
Goodwill at beginning of period	64,055	63,504
Exchange differences	2,851	552
Goodwill at end of period	66,906	64,055

Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of June 30, 2023**

Goodwill is denominated in the functional currency of its primary economic environment and is allocated to the following geographic regions: South America (US\$ 46.0 million), North America (US\$ 8.5 million), Asia Pacific (US\$ 6.7 million) and Europe, Middle East and Africa (US\$ 5.1 million).

7. Inventories

Inventories are broken down as follows:

	June 30, 2023	December 31, 2022
Spare parts and consumables, gross	45,389	44,030
Less inventory allowance	-	-
Inventories, net	45,389	44,030

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

8. Financial debt and lease obligations

As at June 30, 2023, the maturity of financial debt can be analyzed as presented in the table below:

	June 30, 2023
Credit lines	8,283
Long-term debt	
Within one year	13,731
Between 1 and 2 years	10,556
Between 2 and 3 years	75,051
Between 3 and 4 years	478
Between 4 and 5 years	84
Total	108,183

Borrowings presented above are mainly denominated in US\$.

As part of the implementation of IFRS 16, the Company recognized lease obligations amounting to US\$ 7,155 thousand as at June 30, 2023.

9. Provisions

Provisions comprise the following elements:

	Pension and retirement indemnities	Provision for tax uncertainty	Others provision	Total
As at January 1, 2023	563	-	144	707
Charged to consolidated income statement				
- Addition to provisions	27	-	113	140
- Used amounts reversed	-	-	-	-
- Unused amounts reversed	-	-	(120)	(120)
- Exchange differences	45	-	13	58
As at June 30, 2023	635	-	151	786

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 June 30, 2023, the total common shares of the Company are distributed as follows:

	Number of shares
Common shares held directly or indirectly by principal shareholders	34,155,191
Common shares held directly or indirectly by individuals in their capacity as members of the Board of Directors	698,462
Common shares held by the Company	434,077
Common shares held by the public (*)	63,964,068
Total shares issued and outstanding	99,251,798
Common shares held by the Company	(434,077)
Total common shares issued and outstanding	98,817,721

Treasury shares

On September 30, 2022, the Company issued a notice with the Toronto Stock Exchange ("TSX") in respect of a Normal Course Issuer Bid ("NCIB"). The Company was entitled to purchase up to

Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of June 30, 2023**

1,000,000 additional common shares. As at June 30, 2023, the Company purchased 572,948 of its own shares at an average purchase price of Can\$1.67.

As at June 30, 2023, the Company owns 434,077 of its own shares (265,573 as at December 31, 2022).

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

11. Expenses by nature

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

	Three-month period ended June 30,		Six-month period ended June 30,	
	2023	2022	2023	2022
Depreciation and amortization	(4,866)	(5,170)	(9,692)	(10,018)
Accruals increases / (reversals)	123	-	124	(41)
Raw materials, consumables used and external charges	(39,053)	(36,534)	(75,300)	(67,318)
Employee benefit expense	(36,036)	(31,821)	(68,455)	(59,826)
Taxes other than on income	(1,378)	(356)	(2,050)	(809)
Other operating (expenses) / profit, net	-	-	-	-
Total operating expenses	(81,209)	(73,881)	(155,373)	(138,012)

Share-based compensation expenses recognized in Employee benefit expense for the period ended June 30, 2023 amount to US\$ 180 thousand (US\$ 150 thousand for the period ended June 30, 2022).

12. Income tax expense

The income tax is recognized based on Management's best estimate of the average annual income tax rate expected for the full financial year on a tax jurisdiction by tax jurisdiction basis, taking into account the fact that the first quarter is seasonally lower.

13. Commitments and contingencies

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

Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of June 30, 2023**

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

	June 30, 2023	December 31, 2022
Bid bonds	114	85
Advance payment guarantees	5,358	6,993
Performance guarantees	2,134	2,196
Retention guarantees	40	39
Financial guarantees	151	148
Total	7,797	9,372

14. Related-party transactions

The Company accounted for certain related party transactions including lease of facility and equipment amounting to US\$ 1,028 thousand for the period ended June 30, 2023 (US\$ 835 thousand for the period ended June 30, 2022).

Compensation to key managers for the period ended June 30, 2023 amounted to US\$ 2,062 thousand (US\$ 2,052 thousand for the period ended June 30, 2022).

15. Earnings per share calculation

For the three-month period ended June 30, 2023, the weighted basic average number of shares was 98,866,442 (98,836,162 in 2022) and the weighted diluted average number of shares was 100,965,656 (101,476,476 in 2022).

For the six-month period ended June 30, 2023, the weighted basic average number of shares was 98,939,478 (98,792,301 in 2022) and the weighted diluted average number of shares was 101,041,466 (101,433,016 in 2022).

16. Post balance sheet events

There are no significant post balance sheet events.