

FORACO INTERNATIONAL S.A.

Unaudited Condensed Interim Consolidated Financial Statements

**Three-month and nine-month periods ended
September 30, 2024**



Foraco International S.A.

Unaudited condensed interim consolidated financial statements as of September 30, 2024

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Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of September 30, 2024****Unaudited condensed interim consolidated balance sheet - Assets**

in thousands of US\$	Note	September 30, 2024	December 31, 2023
ASSETS			
Non-current assets			
Property, plant and equipment	(5)	50,117	51,456
Goodwill	(6)	61,988	65,618
Deferred income tax assets		17,997	19,462
Other non-current assets		882	916
		130,985	137,452
Current assets			
Inventories, net	(7)	39,418	45,583
Trade receivables, net		58,315	51,601
Other current assets		12,940	10,804
Cash and cash equivalents		22,479	34,289
		133,153	142,277
Total assets		264,137	279,729

Foraco International S.A.**Unaudited condensed interim consolidated financial statements as of September 30, 2024****Unaudited condensed interim consolidated balance sheet – Equity and Liabilities**

in thousands of US\$	Note	September 30, 2024	December 31, 2023
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		2,499	2,499
Share premium, reserves and retained earnings		84,648	83,424
		87,147	85,923
Non-controlling interests		6,965	12,136
Total equity		94,113	98,059
LIABILITIES			
Non-current liabilities			
Borrowings - Non-current portion of long-term debt	(8)	72,281	79,056
Lease obligations – Non current portion	(8)	2,801	4,139
Deferred income tax liabilities		1,236	2,365
Provisions for other liabilities and charges	(9)	768	815
Current liabilities			
Trade payables		29,190	34,513
Other payables		31,039	35,818
Current income tax liabilities		6,864	8,415
Borrowings - Current portion of long-term debt	(8)	13,397	13,317
Borrowings - Current portion of drawn credit lines	(8)	9,519	244
Lease obligations - Current portion	(8)	2,731	2,731
Provisions for other liabilities and charges	(9)	200	257
Total liabilities		170,026	181,670
Total equity and liabilities		264,137	279,729
Net debt including operating lease obligations under IFRS 16		78,251	65,198

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

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Unaudited condensed interim consolidated income statement

In thousands of US\$	Note	Three-month period ended September 30,		Nine-month period ended September 30,	
		2024	2023	2024	2023
Revenue	(4)	77,656	95,060	232,629	283,503
Cost of sales	(11)	(60,590)	(68,197)	(180,835)	(209,559)
Gross profit		17,066	26,863	51,794	73,944
Selling, general and administrative expenses	(11)	(5,384)	(6,694)	(17,483)	(20,705)
Other operating income / (expense), net		-	-	2,111	-
Operating profit		11,682	20,169	36,422	53,239
Finance costs		(2,117)	(3,572)	(5,763)	(10,623)
Profit before income tax		9,565	16,597	30,659	42,616
Income tax (expense) / profit	(12)	(1,832)	(4,231)	(6,652)	(11,195)
Net profit for the period		7,733	12,366	24,007	31,421
Attributable to:					
Equity holders of the Company		7,844	10,848	24,451	26,298
Non-controlling interests		(111)	1,518	(444)	5,123
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in US cents per share):					
- basic	(15)	7.88	11.00	24.80	26.61
- diluted	(15)	7.71	10.77	24.28	26.05
Operating profit before depreciation, amortization and non-cash share based compensation expenses		16,142	25,002	50,106	67,945

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Unaudited condensed interim consolidated statement of changes in equity

in thousands of US\$	Attributable to equity holders of the Company			Non-controlling interests	Total Equity
	Share Capital	Share Premium and Retained Earnings	Total		
Balance at January 1, 2023	2,499	62,688	65,187	10,305	75,492
Profit / (loss) for the period	-	26,298	26,298	5,123	31,421
Currency translation differences	-	(7,571)	(7,571)	(993)	(8,564)
Employee share-based compensation	-	270	270	-	270
Treasury shares purchased (see Note 10)	-	(1,097)	(1,097)	-	(1,097)
Dividend paid to non controlling interests	-	-	-	(2,644)	(2,644)
Balance at September 30, 2023	2,499	80,589	83,088	11,791	94,878
Balance at January 1, 2024	2,499	83,424	85,923	12,136	98,059
Profit / (loss) for the period	-	24,451	24,451	(444)	24,007
Currency translation differences	-	(12,965)	(12,965)	313	(12,652)
Employee share-based compensation	-	306	306	-	306
Deconsolidation of EDC Russia	-	(5,222)	(5,222)	(4,710)	(9,932)
Treasury shares purchased (see Note 10)	-	(802)	(802)	-	(802)
Dividends paid to shareholders	-	(4,544)	(4,544)	-	(4,544)
Dividend paid to non controlling interests	-	-	-	(330)	(330)
Balance at September 30, 2024	2,499	84,648	87,147	6,965	94,112

Unaudited statement of comprehensive income

in thousands of US\$	September 30, 2024	September 30, 2023
Net profit / (loss) for the period	24,007	31,421
Currency translation differences	(12,652)	(8,564)
Total comprehensive profit for the period	11,355	22,857
<i>Attributable to:</i>		
<i>Equity holders of the Company</i>	<i>11,486</i>	<i>18,727</i>
<i>Non-controlling interests</i>	<i>(131)</i>	<i>4,130</i>

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Unaudited condensed interim consolidated cash flow statement

in thousands of US\$	Nine-month period ended September	
	2024	2023
Profit for the period	24,007	31,421
Adjustments for:		
- Depreciation, amortization and impairment (see Note 11)	13,378	14,435
- Share-based compensation expenses (see Note 11)	306	270
- Income tax expenses / (profit) (see Note 12)	6,652	11,195
- Finance costs, net	5,763	10,623
Cash generated from operations before changes in operating assets and liabilities	50,106	67,945
Changes in operating assets and liabilities:		
- Inventories	(763)	(3,796)
- Trade accounts receivable and other receivables	(15,359)	(26,427)
- Trade accounts payable and other payables	(6,829)	7,207
Cash generated from / (used in) operations	27,155	44,930
- Interest paid, net	(5,342)	(10,435)
- Income tax paid	(10,629)	(9,601)
Net cash flow from / (used in) operating activities	11,184	24,894
Purchase of property, plant and equipment (*)	(13,863)	(20,719)
Net cash generated from / (used in) investing activities	(13,863)	(20,719)
Proceeds from issuance of borrowings, net of issuance costs	906	2,635
Proceeds from issuance of bonds, net of issuance costs	-	(10,000)
Repayments of borrowings	(9,105)	(1,396)
Repayments of lease obligations	(1,929)	(1,920)
Proceeds from / (repayment of) short term credit facilities	9,280	5,786
Acquisition of treasury shares (see Note 10)	(802)	(1,097)
Deconsolidation of EDC Russia (See Note 2.3)	(2,076)	-
Dividends paid to Company's shareholders (**)	(4,544)	-
Dividends paid to non-controlling interests	(330)	(1,098)
Net cash generated from / (used in) financing activities	(8,600)	(7,090)
Exchange differences on cash and cash equivalents	(531)	(854)
Net increase / (decrease) in cash and cash equivalents	(11,810)	(3,769)
Cash and cash equivalents at beginning of the period	34,289	29,408
Cash and cash equivalents at end of the period	22,479	25,640
(*) Excluding acquisition financed through leases	1,607	3,067
(**) Dividends paid during the third quarter (C\$0.06 per share)	4,544	

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, 2023.

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, 2023 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. 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 March 6, 2024, Foraco finalized the share purchase agreement to sell its 50% stake in Eastern Drilling Company (EDC) Russia to local partners. The share transfer was registered with Russian tax authorities on March 15, 2024, marking the last day EDC Russia was included in Foraco's consolidated financial statements. From the beginning of the year until the transfer, EDC Russia added \$3.6 million to Foraco's revenues and contributed \$0.1 million in net income. This transaction resulted in a net

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gain of \$2.1 million for Foraco, which was recorded within "other operating income" in Foraco's consolidated financial statements as of September 30, 2024.

2.4. Impairment testing

As at December 31, 2023, 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, 2023. The Company considers that there is no triggering event which would justify an impairment testing as at September 30, 2024.

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, 2023, annual financial statements.

New standards and amendments effective for periods beginning on January 1, 2024, and therefore relevant to these interim financial statements.

Effective January 1, 2024:

Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current (Amendments to IAS 1): These amendments provide clarity on how covenants affect the classification of liabilities, ensuring that entities classify liabilities based on circumstances existing at the end of the reporting period.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16): This amendment revises the accounting treatment for sale and leaseback transactions, defining how to measure and recognize lease liabilities and assets in such arrangements.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7): These changes enhance transparency in reporting supplier finance arrangements, requiring detailed disclosure of their terms and impacts on liquidity and cash flow.

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General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) and Climate-related Disclosures (IFRS S2): New standards aiming to integrate sustainability and climate-related financial information into mainstream financial statements.

The application of these new standard and amendments 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

Effective January 1, 2025:

Lack of Exchangeability (Amendments to IAS 21): This amendment addresses how to determine the exchange rate to use when the currency is not exchangeable, providing guidance on the accounting treatment in such scenarios.

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, and US Dollars. The financial performance and position as reported in US\$ are dependent on the fluctuations of the US\$ against the other mentioned currencies of the Group.

4. Segment information

The business segment information for the three-month periods ended September 30, 2024 and September 30, 2023 is as follows:

Three-month period ended	Mining		Water		Group	
	September 30,		September 30,		September 30,	
	2024	2023	2024	2023	2024	2023
Revenue	66,724	83,369	10,932	11,691	77,656	95,060
Gross profit	13,616	23,165	3,450	3,698	17,066	26,863
Operating profit	8,990	17,294	2,692	2,875	11,682	20,169
Finance costs	n/a	n/a	n/a	n/a	(2,117)	(3,572)
Profit before income tax	n/a	n/a	n/a	n/a	9,565	16,597
Income tax profit / (expense)	n/a	n/a	n/a	n/a	(1,832)	(4,231)
Net profit for the period	n/a	n/a	n/a	n/a	7,733	12,366

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The business segment information for the nine-month periods ended September 30, 2024 and September 30, 2023 is as follows:

Nine-month period ended	Mining		Water		Group	
	September 30,		September 30,		September 30,	
	2024	2023	2024	2023	2024	2023
Revenue	205,087	245,820	27,542	37,683	232,629	283,503
Gross profit	44,458	63,654	7,336	10,290	51,794	73,944
Operating profit	31,139	45,717	5,283	7,522	36,422	53,239
Finance costs	n/a	n/a	n/a	n/a	(5,763)	(10,623)
Profit before income tax	n/a	n/a	n/a	n/a	30,659	42,616
Income tax profit / (expense)	n/a	n/a	n/a	n/a	(6,652)	(11,195)
Net profit for the period	n/a	n/a	n/a	n/a	24,007	31,421

The following is a summary of sales to external customers by geographic area for the three-month periods ended September 30, 2024 and September 30, 2023:

Three-month period ended	September 30, 2024	September 30, 2023
North America	35,817	32,164
Asia Pacific	24,724	19,440
South America	13,062	29,930
Europe, Middle East and Africa	4,053	13,526
Net sales	77,656	95,060

The following is a summary of sales to external customers by geographic area for the nine-month periods ended September 30, 2024 and September 30, 2023:

Nine-month period ended	September 30, 2024	September 30, 2023
North America	94,969	93,066
Asia Pacific	61,585	52,178
South America	56,892	100,088
Europe, Middle East and Africa	19,183	38,171
Net sales	232,629	283,503

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5. Property, plant and equipment

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

	Land & Buildings	Drilling equipment & tools	Automotive equipment	Office furniture & other equipment	Rights of use	Total
Period ended December 31, 2023						
Opening net book amount	1,703	27,353	4,443	759	5,276	39,536
Additions	120	22,286	4,084	250	3,504	30,244
Exchange differences	22	591	1	142	170	926
Disposals or retirements	-	-	(38)	(3)	-	(41)
Depreciation expense	(131)	(15,422)	(1,233)	(210)	(2,214)	(19,210)
Closing net book value	1,714	34,808	7,257	938	6,736	51,456
Period ended September 30, 2024						
Opening net book amount	1,714	34,808	7,257	938	6,736	51,456
Additions	-	13,821	1,033	208	294	15,356
Exchange differences	(23)	(242)	(310)	(83)	5	(653)
Disposals or retirements	-	(956)	(47)	(14)	-	(1,017)
Deconsolidation of EDC Russia		(1,132)	(580)	(1)	-	(1,713)
Depreciation expense	(98)	(10,388)	(1,022)	(157)	(1,647)	(13,312)
Closing net book value	1,593	35,911	6,331	891	5,388	50,117

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

Period ended	September 30, 2024	December 31, 2023
Cost of sales	12,109	17,543
Selling, general and administrative expenses	1,269	2,048
Total depreciation and amortization	13,378	19,591

6. Goodwill

Goodwill can be analyzed as follows:

	September 30, 2024	December 31, 2023
Goodwill at beginning of period	65,618	64,055
Exchange differences	(3,630)	1,563

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Goodwill at end of period	61,988	65,618
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Goodwill is denominated in the functional currency of its primary economic environment and is allocated to the following geographic regions: South America (US\$ 41.6 million), North America (US\$ 8.4 million), Asia Pacific (US\$ 7.0 million) and Europe, Middle East and Africa (US\$ 4.9 million).

7. Inventories

Inventories are broken down as follows:

	September 30, 2024	December 31, 2023
Spare parts and consumables, gross	39,418	45,583
Less inventory allowance	-	-
Inventories, net	39,418	45,583

EDC Russia's inventories were valued at US\$ 5.3 million at the time of the deconsolidation.

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

8. Financial debt and lease obligations

As at September 30, 2024, the maturity of financial debt can be analyzed as presented in the table below:

	September 30, 2024
Credit lines	9,519
Long-term debt	
Within one year	13,397
Between 1 and 2 years	12,369
Between 2 and 3 years	47,648
Between 3 and 4 years	11,960
Between 4 and 5 years	304
Total	95,198

Financial debts are denominated in the functional currency of the main subsidiaries, mainly in Canadian Dollars and in Australian Dollars.

As part of the implementation of IFRS 16, the Company recognized lease obligations amounting to US\$ 5,532 thousand as at September 30, 2024.

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9. Provisions

Provisions comprise the following elements:

	Pension and retirement indemnities	Provision for tax uncertainty	Others provision	Total
As at January 1, 2024	815	-	257	1,072
Charged to consolidated income statement				
- Addition to provisions	27	-	96	123
- Used amounts reversed	-	-	(127)	(127)
- Unused amounts reversed	(70)	-	-	(70)
- Exchange differences	(4)	-	(26)	(30)
As at September 30, 2024	768	-	200	968

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

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

10. Share capital and change in equity

Number of shares outstanding

As at September 30, 2024, 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 Officers and individuals in their capacity as members of the Board of Directors	1,453,838
Common shares held by the Company	294,097
Common shares held by the public (*)	63,348,672
Total shares issued and outstanding	99,251,798
Common shares held by the Company	(294,097)
Total common shares issued and outstanding	98,957,701

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

On September 29, 2023, 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 September 30, 2024, the Company purchased 699,628 of its own shares at an average purchase price of Can\$2.28.

As at September 30, 2024, the Company owns 294,097 of its own shares (626,481 as at December 31, 2023).

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

11. Expenses by nature

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

	Three-month period ended		Nine-month period ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Depreciation and amortization	(4,358)	(4,743)	(13,378)	(14,435)
Accruals increases / (reversals)	30	(1)	46	123
Raw materials, consumables used and external charges	(30,874)	(36,851)	(92,870)	(112,151)
Employee benefit expense	(30,497)	(32,387)	(90,992)	(100,842)
Taxes other than on income	(39)	(909)	(1,293)	(2,959)
Other operating (expenses) / profit, net	(236)	-	2,281	-
Total operating expenses	(65,974)	(74,890)	(196,206)	(230,264)

Share-based compensation expenses recognized in Employee benefit expense for the period ended September 30, 2024 amount to US\$ 306 thousand (US\$ 270 thousand for the period ended September 30, 2023).

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.

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13. Commitments and contingencies

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

	September 30, 2024	December 31, 2023
Bid bonds	18	18
Advance payment guarantees	3,261	3,680
Performance guarantees	1,689	3,558
Retention guarantees	-	-
Financial guarantees	-	153
Total	4,968	7,408

As part of the 2023 financing, the Company granted a security package consisting, in Canada, in a share pledge agreement and a general security agreement, and in Australia, in a share pledge agreement and a featherweight security agreement.

14. Related-party transactions

The Company accounted for certain related party transactions including lease of facility and equipment amounting to US\$ 1,655 thousand for the period ended September 30, 2024 (US\$ 1,578 thousand for the period ended September 30, 2023).

Compensation to key managers for the period ended September 30, 2024 amounted to US\$ 1,197 thousand (US\$ 2,475 thousand for the period ended September 30, 2023).

15. Earnings per share calculation

For the three-month period ended September 30, 2024, the weighted basic average number of shares was 98,432,222 (98,615,129 in 2023) and the weighted diluted average number of shares was 100,536,217 (100,725,441 in 2023).

For the nine-month period ended June 30, 2024, the weighted basic average number of shares was 98,574,650 (98,831,169 in 2023) and the weighted diluted average number of shares was 100,724,256 (100,940,580 in 2023).

16. Post balance sheet events

There are no significant post balance sheet events.