

**FORACO INTERNATIONAL S.A.**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**Three-month period and year ended December 31, 2024**



# **FORACO INTERNATIONAL S.A.**

## **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. ("Foraco" or the "Company"). This report has been prepared by Management and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three-month and year ended December 31, 2024, including the notes thereto. These quarterly unaudited interim financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 in Note 2 to the unaudited interim condensed consolidated financial statements, these quarterly unaudited condensed interim consolidated financial statements were prepared using accounting policies and methods consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended December 31, 2024. Except when 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 at February 17, 2024.

### **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 using words such as "may", "will", "should", "plans", "expects", "intends", "anticipates", "believes", "budget", and "scheduled" or the negative thereof or variations thereof 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 7, 2024, which is filed with the Canadian regulators on SEDAR ([www.sedar.com](http://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**
- **Interim 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**
- **Risk Factors**

## **Business Overview**

Headquartered in Marseille, France, Foraco is a global provider of drilling services, maintaining a presence in 21 countries across five continents. As of December 31, 2024, the company had close to 1,850 employees and had a fleet of 265 drill rigs worldwide, offering a broad range of drilling services to its clients. The Company has developed and acquired significant expertise including proprietary drill rig design capabilities. Its global operations cater to a variety of industries, with an emphasis on long-term valuable commodities and water.

Foraco's strategy involves assisting its clients in exploring or managing their deposits throughout the entire life cycle, with particular emphasis on activities extending the lifespan of mines. The Company plans to persist in expanding its services worldwide, prioritizing stable jurisdictions, high-tech drilling services, and an optimal mix of commodities, including battery metals and gold. Foraco maintains a substantial presence in water-related drilling services. It is also gradually implementing advanced digital applications. The company anticipates achieving its strategic goals primarily through organic growth and targeted acquisitions.

Foraco is attentive to environmental, social, and governance (ESG) requirements. It has implemented a pragmatic and measurable approach to ESG, using quantitative KPIs to ensure maximum improvements and efficiencies.

## Interim Consolidated Financial Highlights

### Income Statement

(In thousands of US\$) (unaudited)	Three-month period ended December 31,		Year ended December 31	
	2024	2023	2024	2023
<b>Revenue</b>	<b>60,824</b>	<b>86,590</b>	<b>293,453</b>	<b>370,093</b>
<b>Gross profit (1)</b>	<b>11,262</b>	<b>19,918</b>	<b>63,056</b>	<b>93,862</b>
<i>As a percentage of sales</i>	<i>18.5%</i>	<i>23.0%</i>	<i>21.5%</i>	<i>25.4%</i>
<b>EBITDA</b>	<b>10,375</b>	<b>18,726</b>	<b>60,481</b>	<b>86,671</b>
<i>As a percentage of sales</i>	<i>17.1%</i>	<i>21.6%</i>	<i>20.6%</i>	<i>23.4%</i>
<b>Operating profit</b>	<b>6,124</b>	<b>13,469</b>	<b>42,546</b>	<b>66,708</b>
<i>As a percentage of sales</i>	<i>10.1%</i>	<i>15.6%</i>	<i>14.5%</i>	<i>18.0%</i>
<b>Net profit for the period</b>	<b>2,079</b>	<b>2,494</b>	<b>26,085</b>	<b>33,916</b>
Attributable to:				
Equity holders of the Company	3,361	2,415	27,811	28,714
Non-controlling interests	(1,282)	79	(1,726)	5,202
<b>EPS (in US cents)</b>				
Basic	3.40	2.45	28.18	29.07
Diluted	3.35	2.41	27.76	28.57

(1) includes amortization and depreciation expenses related to operations.

### Three-month period ended December 31, 2024 – Q4 2024

#### Revenue

- Q4 2024 revenue totaled US\$60.8 million compared to US\$86.6 million in Q4 2023. Asia Pacific delivered its third consecutive record performance while the revenue in other regions was affected by (i) continued Juniors activity decline due to lack of financing (US\$ 7.0 million), (ii) the exit of Russia (US\$4.8 million), (iii) phasing of contracts with Majors (US\$11 million) and (iv) negative foreign exchange (US\$ 3.0 million).

#### Profitability

- Q4 2024 gross margin including depreciation within cost of sales was US\$ 11.3 million (or 18.5% of revenue) compared to US\$ 19.9 million (or 23% of revenue) in Q4 2023. The Company proactively adjusted its cost structure to align with market conditions incurring a one off cost of US\$ 3.5 million.
- During the quarter, EBITDA amounted to US\$ 10.4 million (or 17.1% of revenue) or US\$ 13.9 million (or 22.9% of revenue) excluding one off costs compared to US\$ 18.7 million (or 21.6% of revenue) in the previous year.
- Net profit for the quarter amounted to US\$2.1 million (3.4% of the revenue) compared to US\$ 2.5 million (2.9% of revenue) in Q4 2023.

### Year ended December 31, 2024 – FY 2024

#### Revenue

- For the year ended December 31, 2024, the revenue amounted to US\$293.5 million, representing a 21% decrease from a record US\$370.1 million in FY 2023. While the two main regions, North America and Australia delivered record performances, the slowdown is primarily driven by (i) a drop in demand from junior customers (US\$ 39.6 million), (ii)

the effect of the strategic exit from Russia and other non-stable jurisdictions (US\$ 22.9 million), and (iii) adverse foreign exchange rates for US\$ 9.2 million.

### Profitability

- In FY 2024 gross margin, including depreciation within cost of sales, was US\$ 63.1 million (or 21.5% of revenue) compared to US\$ 93.9 million (or 25.4% of revenue) in FY 2023. The Company proactively adjusted its cost structure to align with market conditions representing a one off cost of US\$ 6.1 million.
- During FY 2024, EBITDA amounted to US\$ 60.5 million (or 20.6% of revenue) or US\$ 66.6 million (or 22.7% of revenue) excluding one off costs compared to US\$ 86.7 million (or 23.4% of revenue) last year.
- Net profit for FY 2024 amounted to US\$ 26.1 million (9% of the revenue) compared to US\$ 33.9 million (9% of revenue) in FY 2023.

### Net debt

- As of December 31, 2024, the net debt, including the impact of IFRS 16, stood at US\$ 60.9 million, reflecting a reduction from US\$ 65.2 million as of December 31, 2023.

## Results of Operations

### Comparison of the three-month periods ended December 31, 2024 and December 31, 2023

#### Revenue

The following table provides a breakdown of the Company's revenue for Q4 2024 and Q4 2023 by reporting segment and geographic region:

(In thousands of US\$) - (unaudited)	<u>Q4 2024</u>	<u>% change</u>	<u>Q4 2023</u>
<u>Reporting segment</u>			
Mining.....	50,219	-34%	75,877
Water.....	<u>10,605</u>	<u>-1%</u>	<u>10,713</u>
<b>Total revenue</b> .....	<b><u>60,824</u></b>	<b><u>-30%</u></b>	<b><u>86,590</u></b>
<u>Geographic region</u>			
North America.....	23,477	-10%	26,123
Asia Pacific.....	22,379	38%	16,261
South America.....	9,896	-69%	31,796
Europe, Middle East and Africa.....	<u>5,073</u>	<u>-59%</u>	<u>12,411</u>
<b>Total revenue</b> .....	<b><u>60,824</u></b>	<b><u>-30%</u></b>	<b><u>86,590</u></b>

Q4 2024 revenue totaled US\$60.8 million, down from US\$86.6 million in Q4 2023. Asia Pacific delivered its third consecutive record performance while the revenue in other regions was affected by (i) continued Juniors activity decline due to lack of financing (US\$ 7.0 million), (ii) the exit of Russia (US\$4.8 million), (iii) phasing of contracts with Majors (US\$11 million) and (iv) negative foreign exchange (US\$ 3.0 million).

Activity in North America decreased by 10% to US\$ 23.5 million in Q4 2024, compared to US\$ 26.1 million in Q4 2023. This decrease of US\$ 2.6 million is mainly attributed to phasing of contracts with Majors.

Asia Pacific marked the best fourth quarter ever at US\$ 22.4 million, a 38% increase compared to Q4 2023. This growth is primarily attributable to successful operations and commissioning of new proprietary rigs.

Revenue in South America dropped to US\$9.9 million, down from last year's record of US\$31.8 million. This decline was

mainly due to a lack of financing in the junior mining sector and unusual delays in the tendering process.

In the EMEA region, revenue declined to US\$5.1 million, reflecting the Company's strategic decision to exit unstable jurisdictions, including Russia and certain West African countries.

Overall, rig utilization rate in Q4 2024 was 35% compared to 55% in Q4 2023.

#### Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for Q4 2024 and Q4 2023:

(In thousands of US\$) - (unaudited)	<u>Q4 2024</u>	<u>% change</u>	<u>Q4 2023</u>
<u>Reporting segment</u>			
Mining .....	8,105	-54%	17,567
Water .....	<u>3,157</u>	<u>34%</u>	<u>2,351</u>
<b>Total gross profit .....</b>	<b><u>11,262</u></b>	<b><u>-43%</u></b>	<b><u>19,918</u></b>

The Q4 2024 gross margin, including depreciation within cost of sales, was US\$ 11.3 million (or 18.5% of revenue) compared to US\$ 19.9 million (or 23% of revenue) in Q4 2023. The Company proactively adjusted its cost structure to align with market conditions representing a one off cost of US\$ 3.5 million.

#### Selling, General and Administrative Expenses

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

(In thousands of US\$) - (unaudited)	<u>Q4 2024</u>	<u>% change</u>	<u>Q4 2023</u>
Selling, general and administrative expenses	5,138	-20%	6,449

SG&A decreased 20% compared to the same quarter last year. As a percentage of revenue, SG&A remained stable at approximately 8.0% of revenue.

#### Operating result

The following table provides a breakdown of the Company's operating result for Q4 2024 and Q4 2023 by reporting segment:

(In thousands of US\$) - (unaudited)	<u>Q4 2024</u>	<u>% change</u>	<u>Q4 2023</u>
<u>Reporting segment</u>			
Mining .....	3,863	-68%	12,112
Water .....	<u>2,261</u>	<u>67%</u>	<u>1,357</u>
<b>Total operating profit .....</b>	<b><u>6,124</u></b>	<b><u>-55%</u></b>	<b><u>13,469</u></b>

The operating profit was US\$ 6.1 million compared to US\$ 13.5 million in the same quarter last year.

#### Finance costs

Net financial expenses were US\$ 2.1 million in Q4 2024, compared to US\$ 9.5 million in Q4 2023. This decrease is primarily attributed to the US\$ 6.4 million in one-off costs associated with the early repayment of bonds and refinancing in Q4 2023, as well as the more favorable interest rates secured under the new financing arrangement.

## Income tax

In Q4 2024, corporate income tax expense amounted to US\$ 1.9 million, up from US\$ 1.5 million in the same period of the previous year. This tax expense reflects taxable income in profitable jurisdictions and the recognition of deferred tax assets, when they can be used against taxable profits within a reasonable timeframe, typically five years.

## Comparison of the year ended December 31, 2024 and December 31, 2023

### Revenue

The following table provides a breakdown of the Company's revenue for FY 2024 and FY 2023 by reporting segment and geographic region:

(In thousands of US\$) - (unaudited)	<u>FY 2024</u>	<u>% change</u>	<u>FY 2023</u>
<u>Reporting segment</u>			
Mining.....	255,306	-21%	321,697
Water.....	<u>38,147</u>	<u>-21%</u>	<u>48,395</u>
<b>Total revenue</b> .....	<b><u>293,453</u></b>	<b><u>-21%</u></b>	<b><u>370,093</u></b>
 <u>Geographic region</u>			
North America.....	118,445	-1%	119,188
Asia Pacific.....	83,964	23%	68,439
South America.....	66,788	-49%	131,884
Europe, Middle East and Africa.....	<u>24,256</u>	<u>-52%</u>	<u>50,582</u>
<b>Total revenue</b> .....	<b><u>293,453</u></b>	<b><u>-21%</u></b>	<b><u>370,093</u></b>

FY 2024 revenue totaled US\$293.5 million, down from a record US\$370.1 million in FY 2023. While the two main regions, North America and Australia delivered record performances, the slowdown is primarily driven by (i) a drop in demand from junior customers (US\$ 39.5 million), (ii) the effect of the strategic exit from Russia and other non-stable jurisdictions (US\$ 22.9 million), and (iii) adverse foreign exchange rates for US\$ 9.2 million.

North America, the Company's largest region, delivered its best year ever, with a 1% increase in functional currency (a slight decline of 1% in USD). This growth reflects sustained strong operational performance on long-term contracts currently in progress.

In Asia Pacific, the Company's second-largest revenue contributor, FY 2024 revenue amounted to US\$ 84.0 million, marking the best year ever with a 23% increase compared to FY 2023. This growth is primarily attributable to successful operations and the commissioning of new proprietary rigs.

Revenue in South America totaled US\$66.8 million in FY 2024, down 49% from US\$131.9 million in FY 2023. This decline was due to several clients delaying the issuance of orders to remobilize long-term contracts, the impact of the withdrawal of junior companies due to financing challenges and an early winter season affecting high-altitude projects.

In the EMEA region, revenue declined to US\$24.3 million, reflecting the Company's strategic decision to exit unstable jurisdictions, including Russia and certain West African countries.

### Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for FY 2024 and FY 2023:

(In thousands of US\$) - (unaudited)	<u>FY 2024</u>	<u>% change</u>	<u>FY 2023</u>
<u>Reporting segment</u>			
Mining.....	52,564	-35%	81,221
Water.....	<u>10,492</u>	<u>-17%</u>	<u>12,642</u>
<b>Total gross profit</b> .....	<b><u>63,056</u></b>	<b><u>-33%</u></b>	<b><u>93,863</u></b>

The FY 2024 gross margin including depreciation within cost of sales was US\$ 63.1 million (or 21% of revenue) compared to US\$ 93.9million (or 25% of revenue) in FY 2023. The Company proactively adjusted its costs structure to align with market conditions representing a one off cost of US\$ 6.1 million.

#### *Selling, General and Administrative Expenses*

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

(In thousands of US\$) - (unaudited)	<u>FY 2024</u>	<u>% change</u>	<u>FY 2023</u>
Selling, general and administrative expenses	22,621	-17%	27,154

SG&A decreased 17% compared to last year. As a percentage of revenue, SG&A remained stable at approximately 7.5% of revenue.

#### *Operating result*

The following table provides a breakdown of the Company's operating result for FY 2024 and FY 2023 by reporting segment:

(In thousands of US\$) - (unaudited)	<u>FY 2024</u>	<u>% change</u>	<u>FY 2023</u>
<u>Reporting segment</u>			
Mining .....	35,003	-39%	57,830
Water .....	<u>7,543</u>	<u>-15%</u>	<u>8,879</u>
<b>Total operating profit .....</b>	<b><u>42,546</u></b>	<b><u>-36%</u></b>	<b><u>66,709</u></b>

The FY 2024 operating profit was US\$ 42.5 million compared to US\$ 66.7 million in FY 2023. On March 15, 2024, the Company finalized the sale of its 50 % stake in Eastern Drilling Company (EDC) Russia. This transaction generated a net profit of US\$ 2.1 million recorded in other operating income and expense within operating profit.

#### *Finance costs*

Net financial expenses were US\$ 7.9 million in FY 2024, compared to US\$ 20.1 million in FY 2023. This decrease is primarily attributed to the US\$ 6.4 million in one-off costs associated with the early repayment of bonds and refinancing in Q4 2023, as well as the more favorable interest rates secured under the new financing arrangement.

#### *Income tax*

In FY 2024, the corporate income tax expense was US\$8.6 million, representing an effective tax rate of 26%, compared to US\$12.7 million and an effective tax rate of 27% in the previous year. This expense reflects taxable income in profitable jurisdictions and the recognition of deferred tax assets, which are utilized against taxable profits within a reasonable timeframe, typically 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. 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's operations span across a vast array of countries, each with their own functional currencies such as, Canadian Dollars, Brazilian Reals, Australian Dollars, Chilean Pesos, and Euros. The US Dollar has been adopted as the presentation currency for group reporting purposes. Over recent quarters, the US Dollar has experienced significant fluctuations in its value. This volatility has an impact on the Company's financial statements, due to the currency conversion required for financial reporting purposes.

The Company 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 Q4 2024	Average Q4 2023	Average Q3 2024	Average Q3 2023	Average Q2 2024	Average Q2 2023	Average Q1 2024	Average Q1 2023	Closing Q4 2024	Closing Q4 2023
€	0.94	0.93	0.91	0.92	0.93	0.92	0.92	0.93	0.96	0.91
CAD	1.40	1.36	1.36	1.34	1.37	1.34	1.35	1.35	1.44	1.32
AUD	1.53	1.53	1.49	1.53	1.52	1.50	1.52	1.46	1.61	1.47
CLP	963	895	930	851	933	800	946	810	993	879
BRL	5.85	4.95	5.54	4.88	5.21	4.94	4.95	5.19	6.19	4.85

## Liquidity and Capital Resources

The following table provides a summary of the Company's cash flows for FY 2024 and FY 2023:

(In thousands of US\$)	<b><u>FY 2024</u></b>	<b><u>FY 2023</u></b>
<b>Cash generated by operations before working capital requirements</b>	<b>60,482</b>	<b>86,671</b>
Working capital requirements	(10,467)	(5,038)
Income tax paid	(13,793)	(12,194)
Purchase of equipment in cash	(18,871)	(26,135)
<b>Free Cash Flow before debt servicing</b>	<b>17,351</b>	<b>43,304</b>
Proceeds from / (repayment of) debt	(10,574)	(20,434)
Interests paid	(6,993)	(14,224)
Acquisition of treasury shares	(1,231)	(1,475)
Deconsolidation of EDC Russia	(2,076)	-
Dividends paid to Company's shareholders	(4,544)	-
Dividends paid to non-controlling interests	(330)	(2,035)
<b>Net cash generated / (used in) financing activities</b>	<b>(25,748)</b>	<b>(38,168)</b>
<b>Net cash variation</b>	<b>(8,397)</b>	<b>5,136</b>
Foreign exchange differences	(1,529)	(256)
<b>Variation in cash and cash equivalents</b>	<b><u>(9,926)</u></b>	<b><u>4,880</u></b>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>24,363</u></b>	<b><u>34,289</u></b>

In FY 2024, the cash generated from operations before working capital requirements amounted to US\$ 60.5 million compared to US\$ 86.7 million in FY 2023.

During the same period, the working capital requirements reached US\$ 10.5 million increasing compared to the same period last year, primarily due to delays in collection of receivables at closing date representing US\$ 10 million.

During the period, Capex totaled US\$ 18.9 million in cash compared to US\$ 26.1 million in FY 2023. Capex primarily relates to the acquisition of rigs, major rig overhauls, ancillary equipment and rods. Three large rigs were added to the fleet during the period.

As at December 31, 2024, the maturity of financial debt can be analyzed as presented in the table below:

<i>In thousands US\$</i>	<b>December 31, 2024</b>
Credit lines	3,364
Long-term debt	
Within one year	12,867
Between 1 and 2 years	12,012
Between 2 and 3 years	11,804
Between 3 and 4 years	40,104
Between 4 and 5 years	220
<b>Total</b>	<b>80,372</b>
IFRS 16	4,939
Cash	24,363
<b>Net Debt</b>	<b>60,948</b>

As at December 31, 2024, cash and cash equivalents totaled US\$ 24.4 million compared to US\$ 34.3 million as at December 31, 2023. Cash and cash equivalents are mainly held at or invested within top tier financial institutions.

During the period, as anticipated, the Company extended its maturity date of repayment with its Canadian lender from June 2027 to June 2028.

As at December 31, 2024, the net debt including operational lease obligations (IFRS 16) amounted to US\$ 60.9 million (US\$ 65.2 million as at December 31, 2023).

#### *Cash Transfer Restrictions*

Foraco operates in a number of different countries where cash transfer restrictions apply. The Company limits its activities in countries where there are 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 14 of the unaudited condensed interim consolidated financial statements.

## Capital Stock

As at December 31, 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	557,897
Common shares held by the public (*)	63,084,872
<b>Total shares issued and outstanding</b>	<b>99,251,798</b>
Common shares held by the Company	(557,897)
<b>Total common shares issued and outstanding</b>	<b>98,693,901</b>

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

\*\*557,897 common shares are held by the Company to meet the Company's obligations under the employee free share plan.

## Critical Accounting Estimates

The unaudited condensed interim 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 unaudited condensed interim 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\$) (unaudited)	<u>Q4 2024</u>	<u>Q4 2023</u>	<u>FY 2024</u>	<u>FY 2023</u>
Operating profit / (loss).....	6,124	13,469	42,546	66,708
Depreciation expense .....	4,054	5,156	17,432	19,591
Non-cash employee share-based compensation.....	198	102	504	372
<b>EBITDA</b> .....	<b><u>10,375</u></b>	<b><u>18,726</u></b>	<b><u>60,481</u></b>	<b><u>86,671</u></b>

## **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, 2024, the Company's order backlog for continuing operations was US\$ 220.5 million of which US\$ 200.6 million is expected to be executed during FY 2025. Last year at the same period, the order backlog for continuing operations was US\$ 316.7 million of which US\$ 236.1 million was expected to be executed during FY 2024. The Company's order backlog consists of confirmed sales orders. During the last period, order confirmations have tended to be delayed and for shorter durations. 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.

## **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 7, 2024, under the heading "Risk Factors", which has been filed with the Canadian regulators on SEDAR ([www.sedar.com](http://www.sedar.com)).