FORACO INTERNATIONAL S.A.

Unaudited Condensed Interim Consolidated Financial Statements

Three-month period and year ended December 31, 2023

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Unaudited condensed interim consolidated balance sheet - Assets

in thousands of US$	Note	December 31, 2023	December 31, 2022
ASSETS			
Non-current assets			
Property, plant and equipment	(5)	51,456	39,536
Goodwill	(6)	65,618	64,055
Deferred income tax assets		19,462	18,791
Other non-current assets		916	1,053
		137,452	**123,435**
Current assets			
Inventories, net	(7)	45,583	44,030
Trade receivables, net		51,601	42,439
Other current assets		10,804	10,232
Cash and cash equivalents		34,289	29,409
		142,277	**126,110**
Total assets		**279,729**	**249,545**

Unaudited condensed interim consolidated balance sheet – Equity and Liabilities

in thousands of US$	Note	December 31, 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		83,424	62,688
		85,923	**65,187**
Non-controlling interests		12,136	10,305
Total equity		**98,059**	**75,492**
LIABILITIES			
Non-current liabilities			
Borrowings - Non-current portion of long-term debt	(8)	79,056	84,771
Lease obligations – Non current portion	(8)	4,139	3,276
Deferred income tax liabilities		2,365	2,292
Provisions for other liabilities and charges	(9)	815	563
Current liabilities			
Trade payables		34,513	28,717
Other payables		35,818	30,243
Current income tax liabilities		8,415	6,524
Borrowings - Current portion of long-term debt	(8)	13,317	13,166
Borrowings - Current portion of drawn credit lines	(8)	244	2,323
Lease obligations - Current portion	(8)	2,731	2,032
Provisions for other liabilities and charges	(9)	257	144
Total liabilities		**181,670**	**174,053**
Total equity and liabilities		**279,729**	**249,545**
Net debt including operating lease obligations under IFRS 16		65,198	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

Unaudited condensed interim consolidated income statement

In thousands of US$	Note	Three-month period ended December 31, 2023	Three-month period ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022
Revenue	(4)	86,590	84,903	370,093	330,555
Cost of sales	(11)	(66,672)	(66,424)	(276,231)	(259,283)
Gross profit		**19,918**	**18,479**	**93,862**	**71,272**
Selling, general and administrative expenses	(11)	(6,449)	(6,477)	(27,154)	(24,888)
Other operating income / (expense), net		-	-	-	-
Operating profit		**13,469**	**12,002**	**66,708**	**46,384**
Finance costs		(9,505)	(3,523)	(20,128)	(11,800)
Profit before income tax		**3,964**	**8,479**	**46,581**	**34,585**
Income tax (expense) / profit	(12)	(1,470)	(1,792)	(12,665)	(8,805)
Net profit for the period		**2,494**	**6,687**	**33,916**	**25,780**
Attributable to:					
Equity holders of the Company		2,415	6,523	28,714	19,761
Non-controlling interests		79	164	5,202	6,019
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in US cents per share):					
- basic	(15)	2.45	6.61	29.07	20.01
- diluted	(15)	2.41	6.48	28.57	19.59
Operating profit before depreciation, amortization and non-cash share based compensation expenses		**18,726**	**17,126**	**86,671**	**66,544**

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	-	19,761	19,761	6,019	25,780
Currency translation differences	-	(9,850)	(9,850)	(549)	(10,399)
Employee share-based compensation	-	330	330	-	330
Treasury shares purchased (see Note 10)	-	(1,032)	(1,032)	-	(1,032)
Dividend paid to non controlling interests	-	-	-	(1,714)	(1,714)
Balance at December 31, 2022	**2,499**	**62,688**	**65,188**	**10,305**	**75,492**
Balance at January 1, 2023	**2,499**	**62,688**	**65,188**	**10,305**	**75,492**
Profit / (loss) for the period	-	28,714	28,714	5,202	33,916
Currency translation differences	-	(6,875)	(6,875)	(1,057)	(7,932)
Employee share-based compensation	-	372	372	-	372
Treasury shares purchased (see Note 10)	-	(1,475)	(1,475)	-	(1,475)
Dividend paid to non controlling interests	-	-	-	(2,314)	(2,314)
Balance at December 31, 2023	**2,499**	**83,424**	**85,923**	**12,136**	**98,059**

Unaudited statement of comprehensive income

in thousands of US$	December 31, 2023	December 31, 2022
Net profit / (loss) for the period	33,916	25,780
Currency translation differences	(7,932)	(10,399)
Total comprehensive profit for the period	**25,984**	**15,381**
Attributable to:		
Equity holders of the Company	*21,839*	*9,911*
Non-controlling interests	*4,145*	*5,470*

Unaudited condensed interim consolidated cash flow statement

in thousands of US$	Year ended December 31,	
	2023	2022
Profit for the period	**33,916**	**25,780**
Adjustments for:		
- Depreciation, amortization and impairment (see Note 11)	19,591	19,830
- Share-based compensation expenses (see Note 11)	372	330
- Income tax expenses / (profit) (see Note 12)	12,665	8,805
- Finance costs, net	20,128	11,800
Cash generated from operations before changes in operating assets and liabilities	**86,671**	**66,544**
Changes in operating assets and liabilities:		
- Inventories	(1,661)	(7,762)
- Trade accounts receivable and other receivables	(9,668)	(8,539)
- Trade accounts payable and other payables	6,291	6,555
Cash generated from / (used in) operations	**81,633**	**56,799**
- Interest paid, net	(14,224)	(10,068)
- Income tax paid	(12,194)	(9,302)
Net cash flow from / (used in) operating activities	**55,215**	**37,429**
Purchase of property, plant and equipment (*)	(26,135)	(20,042)
Net cash generated from / (used in) investing activities	**(26,135)**	**(20,042)**
Proceeds from issuance of borrowings, net of issuance costs	86,169	-
Repayment of Bonds	(98,700)	(5,000)
Repayments of borrowings	(3,274)	(1,447)
Repayments of lease obligations	(2,570)	(2,620)
Proceeds from / (repayment of) short term credit facilities	(2,059)	1,135
Acquisition of treasury shares (see Note 10)	(1,475)	(1,032)
Dividends paid to non-controlling interests	(2,035)	(1,714)
Net cash generated from / (used in) financing activities	**(23,944)**	**(10,678)**
Exchange differences on cash and cash equivalents	(256)	(1,224)
Net increase / (decrease) in cash and cash equivalents	**4,880**	**5,485**
Cash and cash equivalents at beginning of the period	29,409	23,924
Cash and cash equivalents at end of the period	**34,289**	**29,409**
(*) Excluding acquisition financed through leases	*3,504*	*1,234*

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. On February 2, 2024, the Company received approval from Russian authorities, allowing it to finalize the cash transaction, which is expected to occur in the first half of 2024. EDC's contributions to Foraco's consolidated revenues amounted to 17.0 million, with a net income of US$0.9 million for the year ended December 31, 2023.

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.

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,
- 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 December 31, 2023 and December 31, 2022 is as follows:

Three-month period ended	Mining		Water		Group	
	December 31		December 31		December 31	
	2023	2022	2023	2022	2023	2022
Revenue	75,877	74,235	10,713	10,668	86,590	84,903
Gross profit	17,567	16,214	2,351	2,265	19,918	18,479
Operating profit	12,112	10,551	1,357	1,451	13,469	12,002
Finance costs	n/a	n/a	n/a	n/a	(9,505)	(3,523)
Profit before income tax	n/a	n/a	n/a	n/a	**3,964**	**8,479**
Income tax profit / (expense)	n/a	n/a	n/a	n/a	(1,470)	(1,792)
Net profit for the period	n/a	n/a	n/a	n/a	**2,494**	**6,687**

The business segment information for the year ended December 31, 2023 and December 31, 2022 is as follows:

Year ended	Mining		Water		Group	
	December 31,		December 31,		December 31,	
	2023	2022	2023	2022	2023	2022
Revenue	321,697	286,065	48,395	44,490	370,093	330,555
Gross profit	81,220	59,963	12,642	11,309	93,862	71,272
Operating profit	57,829	38,409	8,879	7,975	66,708	46,384
Finance costs	n/a	n/a	n/a	n/a	(20,128)	(11,800)
Profit before income tax	n/a	n/a	n/a	n/a	**46,581**	**34,585**
Income tax profit / (expense)	n/a	n/a	n/a	n/a	(12,665)	(8,805)
Net profit for the period	n/a	n/a	n/a	n/a	**33,916**	**25,780**

The following is a summary of sales to external customers by geographic area for the three-month periods ended December 31, 2023 and December 31, 2022:

Three-month period ended	December 31, 2023	December 31, 2022
South America	31,796	29,543
North America	26,123	28,277
Asia Pacific	16,261	13,954
Europe, Middle East and Africa	12,411	13,130
Net sales	**86,590**	**84,903**

The following is a summary of sales to external customers by geographic area for the year ended December 31, 2023 and December 31, 2022:

Year ended	December 31, 2023	December 31, 2022
South America	131,884	104,640
North America	119,188	104,345
Asia Pacific	68,439	53,295
Europe, Middle East and Africa	50,582	68,275
Net sales	**370,093**	**330,555**

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 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**

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

Period ended	December 31, 2023	December 31, 2022
Cost of sales	17,543	18,050
Selling, general and administrative expenses	2,048	1,780
Total depreciation and amortization	**19,591**	**19,830**

6. Goodwill

Goodwill can be analyzed as follows:

	December 31, 2023	December 31, 2022
Goodwill at beginning of period	**64,055**	**63,504**
Exchange differences	1,563	552
Goodwill at end of period	**65,618**	**64,055**

Goodwill is denominated in the functional currency of its primary economic environment and is allocated to the following geographic regions: South America (US$ 45.1 million), North America (US$ 8.6 million), Asia Pacific (US$ 6.9 million) and Europe, Middle East and Africa (US$ 5.0 million).

7. Inventories

Inventories are broken down as follows:

	December 31, 2023	December 31, 2022
Spare parts and consumables, gross	45,583	44,030
Less inventory allowance	-	-
Inventories, net	**45,583**	**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 December 31, 2023, the maturity of financial debt can be analyzed as presented in the table below:

	December 31, 2023
Credit lines	244
Long-term debt	
Within one year	13,317
Between 1 and 2 years	12,471
Between 2 and 3 years	12,014
Between 3 and 4 years	46,291
Between 4 and 5 years	8,280
Total	**92,618**

Borrowings presented above are mainly denominated in US$.

As part of the implementation of IFRS 16, the Company recognized lease obligations amounting to US$ 6,869 thousand as at December 31, 2023.

On November 8, 2023, the Company undertook an early redemption of its US-dollar-denominated senior bonds, which were originally issued in 2021 and set to mature in December 2025. In conjunction with this redemption, the Company entered into two separate financing agreements (i) with Desjardins in Canada, securing C$76 million at a 10% annual repayment rate, with a maturity of 3.5 years and an option to reschedule over an additional six years and (ii) with Caisse d’Epargne (Natixis Group) in France, obtaining €30 million, of which €22.5 million will be amortized over the next four years and a balloon payment of €7.5 million due in 2028. This refinancing strategy is aimed at reducing the Company's interest expenses, modifying its debt maturity profile, and implementing a back-ended amortization schedule. Concurrently, an additional liquidity line of C$15 million has been secured with Desjardins.

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	232	-	229	461
- Used amounts reversed	-	-	(131)	(131)
- Unused amounts reversed	-	-	-	-
- Exchange differences	19	-	15	34
As at December 31, 2023	**815**	**-**	**257**	**1,072**

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 December 31, 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	1,399,863
Common shares held by the Company	626,481
Common shares held by the public (*)	63,070,263
Total shares issued and outstanding	**99,251,798**
Common shares held by the Company	(626,481)
Total common shares issued and outstanding	**98,625,317**

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 December 31, 2023, the Company purchased 284,012 of its own shares at an average purchase price of Can$1.80.

As at December 31, 2023, the Company owns 626,481 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 December 31,		Year ended December 31,	
	2023	2022	2023	2022
Depreciation and amortization	(5,156)	(5,034)	(19,591)	(19,830)
Accruals increases / (reversals)	(240)	(32)	(117)	(74)
Raw materials, consumables used and external charges	(34,806)	(35,718)	(146,956)	(139,563)
Employee benefit expense	(31,863)	(30,412)	(132,706)	(121,519)
Taxes other than on income	(1,057)	(1,195)	(4,015)	(2,451)
Other operating (expenses) / profit, net	-	(510)	-	(735)
Total operating expenses	**(73,121)**	**(72,901)**	**(303,385)**	**(284,171)**

Share-based compensation expenses recognized in Employee benefit expense for the period ended December 31, 2023 amount to US$ 372 thousand (US$ 330 thousand for the period ended December 31, 2022).

12. Income tax expense

During the year ended December 31, 2023, the Company recognized an income tax expense amounting to US$ 12,665 thousand (US$ 8,805 thousand for the period ended December 31, 2022).

13. Commitments and contingencies

As disclosed above the Company announced new long-term bank financing from Desjardins and Caisse d'Epargne. As part of the new 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.

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

	December 31, 2023	December 31, 2022
Bid bonds	18	85
Advance payment guarantees	3,680	6,993
Performance guarantees	3,558	2,196
Retention guarantees	-	39
Financial guarantees	153	148
Total	**7,408**	**9,372**

14. Related-party transactions

The Company accounted for certain related party transactions including lease of facility and equipment amounting to US$ 2,127 thousand for the period ended December 31, 2023 (US$ 1,656 thousand for the period ended December 31, 2022).

Compensation to key managers for the period ended December 31, 2023 amounted to US$ 2,886 thousand (US$ 2,998 thousand for the period ended December 31, 2022).

15. Earnings per share calculation

For the three-month period ended December 31, 2023, the weighted basic average number of shares was 98,557,506 (98,721,125 in 2022) and the weighted diluted average number of shares was 100,294,930 (100,737,997 in 2022).

For the year ended December 31, 2023, the weighted basic average number of shares was 98,776,996 (98,773,993 in 2022) and the weighted diluted average number of shares was 100,509,742 (100,862,425 in 2022).

16. Post balance sheet events

On February 2, 2024, the Company received authorization from the Russian Authorities to proceed with the sale of its shareholding in its subsidiary, EDC Russia. A sales agreement has been finalized, with the net cash transaction of US$2.1 million expected in the first half of 2024. This transaction, reflecting the Company's strategy to divest from Russia, is anticipated to exceed the carrying amount of the subsidiary's net assets on the Company's balance sheet with no significant impact on net income.