



FORACO INTERNATIONAL REPORTS Q1 2019

Toronto, Ontario/Marseille, France - May 3, 2019. Foraco International SA (TSX:FAR) (the “Company” or “Foraco”), a leading global provider of mineral drilling services, today released its unaudited financial results for the first quarter 2019. All figures are expressed in US Dollars (US\$) unless otherwise indicated.

“The first quarter is traditionally the weakest of the year for our industry. The beginning of the year has shown interesting signs confirming the continuation of a period of sustained activity for the group. In Q1 2019 we posted US\$ 45.2 million revenue, a 13% increase compared to Q1 last year. The utilization rate of our fleet of rigs was 46% in Q1 2019 compared to 40% in Q1 2018. Canada and Australia continue to lead the way with revenue increases exceeding 20% and we are pleased to report that Brazil, one of our long standing key market is now among our fast growing regions with a 76% growth compared to the same period last year” commented Daniel Simoncini, Chairman and Co-CEO of Foraco. “Our operational performance is in line with our expectations and our new innovative services are well received by customers. We have been able to secure a number of contracts with improved pricing conditions. There is scope to further profitable growth and we still have development potential”.

“In Q1 2019, we recorded an EBITDA of US\$ 3.4 million versus US\$ 2.3 million in Q1 2018, a 48% increase. Our free cash flow before debt servicing improved from US\$ 7.3 million negative in Q1 2018 to US\$ 1.0 million positive in Q1 2019, a US\$ 8.3 million increase. We now benefit from the price renegotiations and increases which we have gradually introduced in 2018. This, together with the satisfactory operational performance of our contracts, the better absorption of our fixed costs and the control over our selling general and administrative costs, contributed to the improved financial performance. We managed to keep our capex at a reasonable level and succeeded in optimizing our working capital position” added Jean-Pierre Charmensat, Co-CEO and Chief Financial Officer. “During this transition quarter impacted by the seasonality of our activity, our net debt position excluding lease obligations remained unchanged. We implemented the new accounting standard IFRS 16 confirming the absence of significant operating lease commitment”.

Three months Q1 2019 Highlights - Q1 2019

Revenue

- Q1 2019 revenue amounted to US\$ 45.2 million compared to US\$ 40.0 million in Q1 2018, an increase of 13%.
- The utilization rate was 46% in Q1 2019 compared to 40% in Q1 2018 (51% in Q4 2018, 46% in Q3 2018 and 43% in Q2 2018).

Profitability

- The Q1 2019 gross margin including depreciation within cost of sales was US\$ 4.2 million compared to US\$ 3.0 million in Q1 2018, this improvement is mainly due to increased revenue, improvement of gross margin rate and a better absorption of fixed operational costs.
- During the quarter, EBITDA amounted to US\$ 3.4 million (or 7.6% of revenue), compared to US\$ 2.3 million (or 5.6% of revenue) for the same quarter last year.

Net debt

- The net debt excluding the impact of the implementation of IFRS 16 was US\$ 130.4 million as at March 31, 2019 compared to US\$ 130.4 million as at December 31, 2018. The increase linked to capitalized interests was compensated by a favorable exchange rate. The net debt including the impact of IFRS 16 implementation is US\$ 134.5 million as at March 31, 2019.

Financial results

Revenue

(In thousands of US\$) - (unaudited)	<u>Q1 2019</u>	<u>% change</u>	<u>Q1 2018</u>
<u>Reporting segment</u>			
Mining	43,654	14%	38,393
Water	<u>1,547</u>	<u>-4%</u>	<u>1,615</u>
Total revenue	<u>45,201</u>	<u>13%</u>	<u>40,008</u>
<u>Geographic region</u>			
Europe, Middle East and Africa.....	9,197	-10%	10,267
South America	9,758	23%	7,939
North America	19,092	21%	15,836
Asia Pacific.....	<u>7,154</u>	<u>20%</u>	<u>5,966</u>
Total revenue	<u>45,201</u>	<u>13%</u>	<u>40,008</u>

Q1 2019 revenue amounted to US\$ 45.2 million compared to US\$ 40.0 million in Q1 2018, an increase of 13%.

In EMEA, revenue decreased by 10%, to US\$ 9.2 million in Q1 2019 from US\$ 10.3 million in Q1 2018, as a result of a decreased activity in Africa, partially compensated by a slight increase in activity in Russia.

Revenue in South America increased by 23% at US\$ 9.8 million in Q1 2019 (US\$ 7.9 million in Q1 2018). The activity in Brazil increased by 76% thanks to increased activity with major clients and restart of activity with junior companies. This increase was partially offset by a slowdown in Chile.

Revenue in North America increased by 21% to US\$ 19.1 million in Q1 2019 from US\$ 15.8 million in Q1 2018; This increase is mainly due new developments in underground activity since last year, as well as continued sustained activity with major clients.

In Asia Pacific, Q1 2019 revenue amounted to US\$ 7.2 million, an increase of 20% mainly due to the increased volume with our existing clients and start of new contracts.

Gross profit

(In thousands of US\$) - (unaudited)	<u>Q1 2019</u>	<u>% change</u>	<u>Q1 2018</u>
<u>Reporting segment</u>			
Mining	4,078	53%	2,674
Water	<u>159</u>	<u>-47%</u>	<u>298</u>
Total gross profit / (loss)	<u>4,237</u>	<u>43%</u>	<u>2,971</u>

The Q1 2019 gross margin including depreciation within cost of sales was US\$ 4.2 million (or 9.4% of revenue) compared to US\$ 3.0 million (or 7.4% of revenue) in Q1 2018, this improvement is mainly due to increased revenue, improvement of gross margin rate and a better absorption of fixed operational costs.

Selling, General and Administrative Expenses

(In thousands of US\$) - (unaudited)	<u>Q1 2019</u>	<u>% change</u>	<u>Q1 2018</u>
Selling, general and administrative expenses	5,163	0%	5,171

Despite the higher level of activity, SG&A remained stable compared to the same quarter last year. As a percentage of revenue, SG&A decreased from 12.9% in Q1 2018 to 11.4% in Q1 2019.

Operating result

(In thousands of US\$) - (unaudited)	<u>Q1 2019</u>	<u>% change</u>	<u>Q1 2018</u>
<u>Reporting segment</u>			
Mining	(18)	n/a	(1,981)
Water	<u>(918)</u>	<u>n/a</u>	<u>(219)</u>
Total operating profit / (loss)	<u>(936)</u>	<u>n/a</u>	<u>(2,200)</u>

The operating loss was US\$ 0.9 million, a US\$ 1.3 million improvement as a result of increased activity, improved gross margin and stabilization of SG&A expenses.

Financial position

The following table provides a summary of the Company's cash flows for Q1 2019 and Q1 2018:

(In thousands of US\$)	<u>Q1 2019</u>	<u>Q1 2018</u>
Cash generated by operations before working capital requirements	3,445	2,245
Working capital requirements	1,489	(7,295)
Income tax paid (received)	(903)	6
Purchase of equipment in cash	(3,025)	(2,289)
Free Cash Flow before debt servicing	1,006	(7,333)
Debt variance	(1,143)	2,180
Interests paid	(800)	(886)
Acquisition of treasury shares	(5)	(16)
Net cash generated / (used in) financing activities	(1,948)	1,278
Net cash variation	(942)	(6,055)
Foreign exchange differences	(273)	199
Variation in cash and cash equivalents	<u>(1,215)</u>	<u>(5,856)</u>

In Q1 2019, the cash generated from operations before working capital requirements amounted to US 3.4 million compared to US\$ 2.2 million in Q1 2018.

In Q1 2019, the working capital requirement was a positive US\$ 1.5 million mainly due to sustained activity in both Q4 18 and Q1 19. This is to be compared with a US\$ (7.3) million need in Q1 2018 linked to a lower level of activity in Q4 2017.

During the quarter, Capex amounted to US\$ 3.0 million in cash, compared to US\$ 2.3 million in cash in Q1 2018. The Capex mainly relates to rods and ancillary equipment.

Free cash flow before debt servicing was US\$ 1.0 million in Q1 2019 compared to US\$ (7.3) million in Q1 2018.

As at March 31, 2019, cash and cash equivalents totaled US\$ 9.9 million compared to US\$ 11.1 million as at December 31, 2018. Cash and cash equivalents are mainly held at or invested within top tier financial institutions.

As at March 31, 2019, net debt excluding IFRS 16 implementation amounted to US\$ 130.4 million (US\$ 130.4 million as at December 31, 2018 and US\$ 135.3 million as at March 31, 2018).

Bank guarantees as at March 31, 2019 totaled US\$ 2.5 million compared to US\$ 1.7 million as at December 31, 2018. The Company benefits from a confirmed contract guarantee line of € 12.7 million (US\$ 14.2 million).

Going concern and impairment testing

Going concern is assessed based on internal forecasts and projections that take into account the trend in the business in which the Company operates and its capacity to address the market and deliver its services. On the basis of the above, the Company believes that it will have adequate financial resources to continue in operation for a period of at least twelve months. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements.

As part of the May 2017 debt reorganization, certain key financial covenants were set including; minimum cash, leverage ratio and limitation to capital expenditure. In December 2018, a new set of covenants applicable to the

year 2019 was agreed with the lenders. As at March 31, 2019, the Company met its covenants. Nothing indicates that the Company will not respect its covenants going forward within the next 12 month period.

Currency exchange rates

The exchange rates for the periods under review are provided in the Management's Discussion and Analysis of Q1 2019.

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 because it 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 to be 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 payable related to acquisitions, net of cash and cash equivalents.

Reconciliation of the EBITDA is as follows:

(In thousands of US\$) (<i>unaudited</i>)	<u>Q1 2019</u>	<u>Q1 2018</u>
Operating profit / (loss)	(926)	(2,200)
Depreciation expense	4,325	4,413
Non-cash employee share-based compensation	<u>45</u>	<u>45</u>
EBITDA	<u>3,444</u>	<u>2,258</u>

IFRS 16 implementation had a positive impact on Q1 2019 EBITDA for an amount of US\$ 265 thousand.

Outlook

The Company's business strategy is to actively prepare for the next growth phase of the metallic commodities cycle in the best possible conditions through the development and optimization of its services offered across its range of geographical regions, industry sectors, commodities and customers. The Company expects it will execute its strategy primarily through organic growth in the near future.

Conference call and webcast

On May 3, 2018, Company Management will conduct a conference call at 11:00 am ET to review the financial results. The call will be hosted by Daniel Simoncini, Chairman and co-CEO, and Jean-Pierre Charmensat, co-CEO and CFO.

You can join the call by dialing 1-888-231-8191 or 1-647-427-7450. You will be put on hold until the conference call begins. A live audio webcast of the Conference Call will also be available through:

<https://event.on24.com/wcc/r/1997232/1F9E7127FC8DF8474604E9EA7BDC1218>

An archived replay of the webcast will be available for 90 days.

About Foraco International SA

Foraco International SA (TSX: FAR) is a leading global mineral drilling services company that provides a comprehensive and reliable service offering in mining and water projects. Supported by its founding values of integrity, innovation and involvement, Foraco has grown into the third largest global drilling enterprise with a presence in 22 countries across five continents. For more information about Foraco, visit www.foraco.com.

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