



**Foraco International reports Q3 2021
Revenue Up 26% - Utilization rate reaches 60%**

Toronto, Ontario/Marseille, France - Wednesday November 3, 2021. 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 third quarter 2021. All figures are expressed in US Dollars (US\$) unless otherwise indicated.

“We are pleased to report that our revenue for the third quarter 2021 was US\$ 70.6 million, up 26% yoy. The rig utilization rate reached an average of 60% this quarter compared to 49% for the same quarter in 2020. Our financial performance for the third quarter 2021 reflected both the strong market demand and our operational performance. Nonetheless we were impacted by the general economical context with increasing supply chain disruptions, labour constraints and inflationary costs pressures which are expected to continue in the upcoming quarters. We are working on mitigating the impact of these factors and on passing additional costs through price increases upon renewal of our long-term contracts but there is often a lag effect before it becomes fully effective” said Daniel Simoncini, Chairman and Co-CEO. “All geographical areas once again ended the quarter with like-for-like growth despite the impact of Covid-19 restrictions and tighter labour markets. There were remarkable performances in Russia, Brazil and Canada. We are confident that our business model characterized by its long-term focus and balanced business mix will continue to show its efficiency and its resilience.”

“In this context of increased activity, we are pleased to also report a solid financial performance with an EBITDA for the quarter at US\$ 13.8 million. On a TTM basis, we post a revenue of US\$ 255.0 million and an EBITDA of US\$ 41.5 million. We also managed to keep control of our working capital requirement and financed our Capex with our operating cash flow. Our capital investment plans remain focused on demand growth and we will continue to deploy our capital thoughtfully.” said Jean-Pierre Charmensat, Co-CEO and CFO”. As previously disclosed, we completed on July 7 our financial reorganization which allowed us to drastically reshape and de-leverage the Company’s balance sheet with a significantly accretive transaction for our shareholders. At the end of the third quarter our net debt was US\$ 86.1 million, our leverage ratio 2.1 and our net debt / equity ratio 1.3. We are pleased to note that the financial community Market started to recognize our track record and our capacity to pursue profitable growth.”

Income Statement

(In thousands of US\$) (unaudited)	Three-month period ended		Nine-month period ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Revenue	70,574	55,924	200,793	152,945
Gross profit / (loss) (1)	14,858	12,836	36,708	29,262
<i>As a percentage of sales</i>	<i>21.1%</i>	<i>23.0%</i>	<i>18.3%</i>	<i>19.1%</i>
EBITDA	13,802	11,582	33,621	26,208
<i>As a percentage of sales</i>	<i>19.6%</i>	<i>20.7%</i>	<i>16.7%</i>	<i>17.1%</i>
Operating profit / (loss)	8,988	7,623	19,840	13,808
<i>As a percentage of sales</i>	<i>12.7%</i>	<i>13.6%</i>	<i>9.9%</i>	<i>9.0%</i>
Profit / (loss) for the period	32,093	4,247	36,785	5,459
Attributable to:				
Equity holders of the Company	30,408	2,949	33,219	2,633
Non-controlling interests	1,685	1,298	3,566	2,827
EPS (in US cents)				
Basic	30.91	3.28	35.78	2.93
Diluted	29.90	3.19	34.60	2.86

(1) This line item includes amortization and depreciation expenses related to operations

Highlights - Q3 2021

Balance Sheet

- On July 7, 2021, the Company finalized its financial reorganization through the raising of US\$ 100 million of new bonds and the early redemption of its euro-denominated bonds maturing in May 2022.
- The net debt after the impact of the financial reorganization and of IFRS 16 was US\$ 86.1 million as at September 30, 2021 compared to US\$ 141.7 million as at December 31, 2020.
- Following this reorganization, the net debt to equity ratio is 1.3 and the leverage ratio (Net debt / TTM EBITDA) is 2.1.

Revenue

- Revenue of the period amounted to US\$ 70.6 million compared to US\$ 55.9 million in Q3 2020, an increase of 26%. The Company benefited from favourable market dynamics compared to 2020,
- This trend is confirmed by the rig utilization rate which was 60% in Q3 2021 compared to 49% in Q3 2020.

Profitability

- The Q3 2021 gross margin including depreciation within cost of sales was US\$ 14.9 million (or 21.1% of revenue) compared to US\$ 12.8 million (or 23.0% of revenue) in Q3 2020. Ongoing contracts reported solid performances while some costs increased are not yet compensated in the selling prices.
- During the quarter, EBITDA amounted to US\$ 13.8 million (or 19.6% of revenue), a 19% increase compared to US\$ 11.6 million (or 20.7% of revenue) for the same quarter last year.

Highlights - YTD Q3 2021

Revenue

- YTD Q3 2021 revenue amounted to US\$ 200.8 million compared to US\$ 152.9 million in YTD Q3 2020 an increase of 31%.

Profitability

- YTD Q3 2021 gross margin including depreciation within cost of sales was US\$ 36.7 million (or 18.3% of revenue) compared to US\$ 29.3 million (or 19.1% of revenue) in YTD Q3 2020.
- During the period, EBITDA amounted to US\$ 33.6 million (or 16.7% of revenue), compared to US\$ 26.2 million (or 17.1% of revenue) for the same period last year.

Financial results

Revenue

(In thousands of US\$) - (unaudited)	<u>Q3 2021</u>	<u>% change</u>	<u>Q3 2020</u>	<u>YTD Q3 2021</u>	<u>% change</u>	<u>YTD Q3 2020</u>
<u>Reporting segment</u>						
Mining.....	61,793	41%	43,790	171,632	38%	124,298
Water	8,781	-28%	12,134	29,161	2%	28,647
Total revenue	<u>70,574</u>	<u>26%</u>	<u>55,924</u>	<u>200,793</u>	<u>31%</u>	<u>152,945</u>
<u>Geographic region</u>						
North America	25,131	23%	20,423	69,489	38%	50,269
Europe, Middle East and Africa	19,684	15%	17,118	62,985	26%	49,981
South America	14,057	71%	8,228	36,456	52%	24,031
Asia Pacific.....	11,702	12%	10,155	31,863	11%	28,664
Total revenue	<u>70,574</u>	<u>26%</u>	<u>55,924</u>	<u>200,793</u>	<u>31%</u>	<u>152,945</u>

Q3 2021

Revenue of the quarter increased from US\$ 55.9 million in Q3 2020 to US\$ 70.6 million in Q3 2021 (26%).

The increase in revenue in Mining segment is the result of the favorable market dynamics. The water activity decreased by 28% mainly due to phasing of contracts compared to last year which is not indicative of the business trend.

Activity in North America increased 23% with revenue at US\$ 25.1 million in Q3 2021 compared to US\$ 20.4 million in Q3 2020. This increase is mainly linked to new long term rolling contracts.

In EMEA revenue for the quarter was US\$ 19.7 million compared to US\$ 17.1 million in Q3 2020, an increase of 15%. In Africa, activity decreased by 16% compared to Q3 2020 mainly due to phasing of contracts. In Russia, activity increased by 45% thanks to new significant contracts secured during Q1 2021.

Revenue in South America increased by 71% at US\$ 14.1 million in Q3 2021 (US\$ 8.2 million in Q3 2020). The activity in the region was particularly impacted in Q3 2020 by the effect of the pandemic which disrupted the commercial and operational activities.

In Asia Pacific, Q3 2021 revenue amounted to US\$ 11.7 million, an increase of 12%. Contracts mobilized during the first semester continue and will go through the end of 2022.

YTD Q3 2021

YTD Q3 2021 revenue amounted to US\$ 200.8 million compared to US\$ 152.9 million in YTD Q3 2020, an increase of 31%.

The increase in revenue is the result of the combination of favorable market dynamics and the lower impact of Covid-19 on the 2021 operations.

Revenue in North America increased by 38% to US\$ 69.5 million in YTD Q3 2021 from US\$ 50.3 million in YTD Q3

2020, a growth driven by long term contracts This increase is also due to the fact that Q2 2020 was particularly affected by the Covid-19 pandemic.

In EMEA, revenue increased by 26%, to US\$ 63.0 million in YTD Q3 2021 from US\$ 50.0 million in YTD Q3 2020. Both Russia and Africa areas showed sustained activity.

Revenue in South America increased by 52% at US\$ 36.5 million in YTD Q3 2021 (US\$ 24.0 million in YTD Q3 2020). The activity in the region was particularly impacted by the effect of the Covid-19 pandemic in YTD Q3 2020.

In Asia Pacific, YTD Q3 2021 revenue amounted to US\$ 31.9 million, an increase of 11%.

Gross profit

(In thousands of US\$) - (unaudited)	<u>Q3 2021</u>	<u>% change</u>	<u>Q3 2020</u>	<u>YTD Q3 2021</u>	<u>% change</u>	<u>YTD Q3 2020</u>
<i>Reporting segment</i>						
Mining	13,076	34%	9,773	30,698	40%	21,941
Water	<u>1,782</u>	<u>-42%</u>	<u>3,063</u>	<u>6,010</u>	<u>-18%</u>	<u>7,321</u>
Total gross profit / (loss)	<u>14,858</u>	<u>16%</u>	<u>12,836</u>	<u>36,708</u>	<u>25%</u>	<u>29,262</u>

Q3 2021

The Q3 2021 gross margin including depreciation within cost of sales was US\$ 14.9 million (or 21.1% of revenue) compared to US\$ 12.8 million (or 23.0% of revenue) in Q3 2020. Ongoing contracts reported solid performances while some costs increased were not compensated in our selling prices. All regions face ongoing pressures on supply chains and procurement and operate in a tight labor market which generates inflation on costs and impact the project gross margins.

YTD Q3 2021

The YTD Q3 2021 gross margin including depreciation within cost of sales was US\$ 36.8 million compared to US\$ 29.3 million in YTD Q3 2020. Ongoing contracts reported solid performances while some new contracts in mobilization phase generated a lower percentage of gross margin. All regions face ongoing inflationary pressures on operating costs. There is generally a time lag before these costs increases can be passed on through selling prices.

Selling, General and Administrative Expenses

(In thousands of US\$) - (unaudited)	<u>Q3 2021</u>	<u>% change</u>	<u>Q3 2020</u>	<u>YTD Q3 2021</u>	<u>% change</u>	<u>YTD Q3 2020</u>
Selling, general and administrative expenses	5,870	13%	5,213	16,868	9%	15,454

Q3 2021

SG&A increased compared to the same quarter last year mainly due to the level of activity with some increased costs linked to inflationary pressure. As a percentage of revenue, SG&A decreased from 9.3% in Q3 2020 to 8.3% in Q3 2021.

YTD Q3 2021

SG&A increased by 9% compared to the same period last year. As a percentage of revenue, SG&A decreased from 10.1% to 8.4% of revenue.

Operating result

(In thousands of US\$) - (unaudited)	<u>Q3 2021</u>	<u>% change</u>	<u>Q3 2020</u>	<u>YTD Q3 2021</u>	<u>% change</u>	<u>YTD Q3 2020</u>
<i>Reporting segment</i>						
Mining	7,936	39%	5,691	16,299	74%	9,357
Water	<u>1,052</u>	-46%	<u>1,932</u>	<u>3,541</u>	-20%	<u>4,451</u>
Total operating profit / (loss) .	<u>8,988</u>	<u>18%</u>	<u>7,623</u>	<u>19,840</u>	<u>44%</u>	<u>13,808</u>

Q3 2021

The operating profit was US\$ 9.0 million, a US\$ 1.4 million increase as a result of the increase in activity and the continued control over the operations and SG&A expenses.

YTD Q3 2021

The operating profit was US\$ 19.8 million in YTD Q3 2021, a US\$ 6.0 million improvement compared to YTD Q3 2020 as a result of the increase in activity and the continued control over the operations and SG&A expenses.

Financial position

The following table provides a summary of the Company's cash flows for YTD Q3 2021 and YTD Q3 2020:

(In thousands of US\$)	<u>YTD Q3 2021</u>	<u>YTD Q3 2020</u>
Cash generated by operations before working capital requirements	33,621	26,208
Working capital requirements	(5,643)	(1,648)
Income tax paid	(4,670)	(1,664)
Purchase of equipment in cash	(14,677)	(7,313)
Free Cash Flow before debt servicing	8,631	15,582
Proceeds from issuance of bonds, net of issuance costs	95,564	-
Repayments of Bonds including costs paid	(96,125)	-
Repayments of borrowings and others	(4,600)	(7,598)
Interests paid	(839)	(2,237)
Acquisition of treasury shares	(263)	(27)
Dividends paid to non-controlling interests	(1,217)	(1,978)
Net cash generated / (used in) financing activities	(7,480)	(11,840)
Net cash variation	1,151	4,576
Foreign exchange differences	207	(698)
Variation in cash and cash equivalents	<u>1,359</u>	<u>3,878</u>
Cash and cash equivalents at the end of the period	<u>22,319</u>	<u>19,931</u>

In YTD Q3 2021, the cash generated from operations before working capital requirements amounted to US\$ 33.6 million compared to US\$ 26.2 million in YTD Q3 2020.

In YTD Q3 2021, the working capital requirement was US\$5.6 million compared to US\$ 1.6 million in the same period last year exclusively linked to increased activity.

During the period, the Capex was US\$ 14.7 million in cash compared to US\$ 7.3 million in YTD Q3 2020. The higher 2021 Capex is also driven by the increased activity. Capex relates to acquisition of rigs, major rigs overhauls, ancillary equipment and rods.

On July 7, 2021, the Company finalized its financial reorganization related to the early redemption of its euro-denominated bonds amounting to US\$145,871 thousand as at June 30, 2021 maturing in May 2022 through a cash payment of US\$ 96.1 million. The Company raised US\$ 96.1 million net of OID and related transaction fees. The new bonds will mature in December 2025.

As at September 30, 2021, the maturity of financial debt can be analyzed as presented in the table below:

	September 30, 2021
Credit lines	954
Long-term debt	
Within one year	7,574
Between 1 and 2 years	10,202
Between 2 and 3 years	9,930
Between 3 and 4 years	9,626
Between 4 and 5 years	64,428
Total	102,714

As at September 30, 2021, cash and cash equivalents totaled US\$ 22.3 million compared to US\$ 21.0 million as at December 31, 2020. Cash and cash equivalents are mainly held at or invested within top tier financial institutions.

As at September 30, 2021, the net debt including operation lease obligation (IFRS 16) implementation amounted to US\$ 86.1 million (US\$ 141.7 million as at December 31, 2020).

Bank guarantees as at September 30, 2021 totaled US\$ 9.7 million compared to US\$ 8.1 million as at December 31, 2020. The Company benefits from a confirmed contract guarantee line of € 6.5 million (US\$ 7.6 million).

Strategy

The Company's strategy is to secure its position as a leading actor in the mineral drilling services sector, assisting its customers to explore or manage their deposits throughout the whole cycle, with a special focus on life of mines extension activity. As developed economies focus on "green" recovery, there will be an increased need for key resources such as copper, nickel, lithium, and special attention to water management. The Company anticipated the increased environmental, social and governance (ESG) requirements. The Company intends to develop and grow its services offered across the world with a focus on high tech drilling services, optimal commodities mix with a significant involvement in water related drilling services and stable jurisdictions. The Company expects it will execute its strategy primarily through organic growth in the near future.

Covid 19

Key profitability indicators continue to improve period over period despite the continuing uncertainties linked to the Covid-19 pandemic. The market for commodities is supported by the global economic recovery and the increased demand for energy transition and water management.

Currency exchange rates

The exchange rates for the periods under review are provided in the Management's Discussion and Analysis of Q3 2021.

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>Q3 2021</u>	<u>Q3 2020</u>	<u>YTD Q3 2021</u>	<u>YTD Q3 2020</u>
Operating profit / (loss).....	8,988	7,623	19,840	13,808
Depreciation expense	4,764	3,914	13,631	12,264
Non-cash employee share-based compensation	50	45	150	135
EBITDA	<u>13,802</u>	<u>11,582</u>	<u>33,621</u>	<u>26,208</u>

Conference call and webcast

On November 3, 2021, Company Management will conduct a conference call at 10:00 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 1-888-664-6392 or 1-416-764-8659. You will be put on hold until the conference call begins. A live audio webcast of the Conference Call will also be available

https://produceredition.webcasts.com/starthere.jsp?ei=1509957&tp_key=8bf25f684e

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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