



NEWS RELEASE

Foraco International reports record first quarter 2023 revenue and 22% EBITDA margin

- Q1 2023 Revenue of US\$ 88.4 million (+30% vs last year)
- Q1 2023 EBITDA of US\$ 19.1 million (+124% vs last year)
- Q1 2023 EBITDA of 21.6% of revenue (vs 12.6% of revenue last year)
- TTM Revenue of US\$ 351 million
- TTM EBITDA of US\$ 77 million
- TTM Net Profit of US\$ 33.0 million (9.4% of Revenue)

Toronto, Ontario/Marseille, France – April 28, 2023. Foraco International SA (TSX: FAR) (the “Company” or “Foraco”), a leading global provider of mineral and water drilling services, today announced its first quarter 2023 results. All figures are expressed in US Dollars (US\$) unless otherwise indicated.

“We set an all-time revenue record of US\$ 88.4 million in the first quarter of 2023 compared to US\$ 67.7 million in the first quarter of 2022, an increase of 30%. Our last twelve months revenue reached a new high of US\$ 351 million. We are proud to see the results of the strategy we have developed and consistently applied over the past few years. We offer an optimal range of services particularly well adapted to the commodities that we target including gold, battery metals and water, and mainly operate in stable countries with potential for long-term growth. Our utilization rate remained stable at 53% in Q1 2023 compared to Q1 2022. The growth in revenue reflects increased prices, provision of higher value-added drilling services and the excellent performance of our operations” said Daniel Simoncini, Co-CEO. “As always, we remain focused on the long term and actively search opportunities to expand in selected parts of the world. Meanwhile, the refocusing of our operations in Africa and the completion of the sale of our Russian subsidiary are progressing as planned”.

“The impressive growth momentum of our business in the first quarter comes along with healthy profitability. We achieved our strongest start to a new fiscal year for the last decade, with the first quarter of 2023 EBITDA at US\$ 19.1 million (or 21.6% of revenue) compared to US\$ 8.5 million (or 12.6% of revenue) for the same period last year, an increase of 124%. We are proud to report an EBITDA of US\$ 77 million for the last twelve months which confirms our continuing profitable growth.” said Jean-Pierre Charmensat, Co-CEO and CFO. “The Capex of US\$ 8.5 million this quarter includes two large rigs, one of which is proprietary and has been specifically designed for the long-term water drilling services contract recently obtained in Australia. We are well prepared for further growth in the upcoming quarters and are exploring alternatives to capitalize on our strong balance sheet and excellent financial performance to further reduce our cost of capital”.

Income Statement

(In thousands of US\$) (unaudited)	Three-month period ended March 31,	
	2023	2022
Revenue	88,378	67,740
Gross profit (1)	21,118	9,560
<i>As a percentage of sales</i>	<i>23.9%</i>	<i>14.1%</i>
EBITDA	19,130	8,527
<i>As a percentage of sales</i>	<i>21.6%</i>	<i>12.6%</i>
Operating profit	14,214	3,609
<i>As a percentage of sales</i>	<i>16.1%</i>	<i>5.3%</i>
Net profit for the period	8,001	778
Attributable to:		
Equity holders of the Company	6,335	428
Non-controlling interests	1,366	350
EPS (in US cents)		
Basic	6.70	0.43
Diluted	6.56	0.42

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

Highlights – Q1 2023

The Company is present in Russia through its 50% stake in Eastern Drilling Company (EDC). On April 5, 2023, the Company signed a preliminary agreement to sell its shares to its Russian partners which is subject to the approval of the Russian authorities expected in the second quarter of 2023. In the first quarter of 2023, EDC's contribution to Foraco's consolidated revenues and net income was US\$ 3.8 million and US\$ 0.1 million, respectively (US\$22.7 million and US\$2.0 million respectively for fiscal year 2022).

Revenue

- Revenue for Q1 2023 amounted to US\$ 88.4 million compared to US\$ 67.7 million in Q1 2022, an increase of 30%. Long term contracts were remobilized earlier than last year and reported solid performances.

Profitability

- Q1 2023 gross margin including depreciation within cost of sales was US\$ 21.1 million (or 23.9% of revenue) compared to US\$ 9.6 million (or 14.1% of revenue) in Q1 2022, an increase of 121% linked to the good performance of contracts, improved selling prices and more added value drilling services.
- During the quarter, EBITDA amounted to US\$ 19.1 million (or 21.6% of revenue) compared to US\$ 8.5 million (or 12.6% of revenue) for the same quarter last year, an increase of 124%.
- The Free Cash Flow for the period was US\$ (5.9) million mainly explained by the capex required in the first quarter to support the upcoming activity and the related working capital requirements in this context of strong growth.

Financial results

Revenue

(In thousands of US\$) - (unaudited)	<u>Q1 2023</u>	<u>% change</u>	<u>Q1 2022</u>
<u>Reporting segment</u>			
Mining	74,519	26%	59,350
Water	13,859	65%	8,390
Total revenue	<u>88,378</u>	<u>30%</u>	<u>67,740</u>
<u>Geographic region</u>			
South America	31,142	50%	20,698
North America	29,726	38%	21,600
Asia Pacific	16,008	56%	10,274
Europe, Middle East and Africa.....	11,502	-24%	15,168
Total revenue	<u>88,378</u>	<u>30%</u>	<u>67,740</u>

Revenue for the quarter increased from US\$ 67.7 million in Q1 2022 to US\$ 88.4 million in Q1 2023 (+ 30%).

Rigs utilization rate was 53% in Q1 2023, stable compared to Q1 2022. The revenue increase results from a combination of (i) improved selling prices (ii) more added value drilling services, and (iii) a decreased utilization in some areas due to political and economic uncertainties.

The increase in revenue in the Mining and Water segment is the result of the favorable market dynamics with long-term rolling contracts which were renegotiated and extended since last year, coupled with the capacity of the Company to deliver.

Activity in North America increased by 38% with revenue at US\$ 29.7 million in Q1 2023 compared to US\$ 21.6 million in Q1 2022. This increase is linked to the early remobilization of long-term contracts renewed last year with senior miners.

Revenue in South America increased by 50% to US\$ 31.1 million in Q1 2023 (US\$ 20.7 million in Q1 2022). All countries increased their level of activity driven by new long-term contracts with senior miners.

In Asia Pacific, Q1 2023 revenue amounted to US\$ 16.0 million, an increase of 56% reflecting quarter over quarter an increased demand and new long term contracts.

In the EMEA, revenue for the quarter was US\$ 11.5 million compared to US\$ 15.2 million in Q1 2022, a decrease of 24%. Revenue in Southern Europe and Africa increased slightly compared to Q1 2022. The activity in CIS decreased by 44% linked to the political and economic uncertainties in these countries.

Gross Profit

(In thousands of US\$) - (unaudited)	<u>Q1 2023</u>	<u>% change</u>	<u>Q1 2022</u>
<u>Reporting segment</u>			
Mining.....	17,644	129%	7,715
Water.....	3,474	88%	1,845
Total gross profit	<u>21,118</u>	<u>121%</u>	<u>9,560</u>

The Q1 2023 gross margin including depreciation within cost of sales was US\$ 21.8 million (or 23.9% of revenue) compared to US\$ 9.6 million (or 14.1% of revenue) in Q1 2022. This reflects the solid operating performances of contracts.

Selling, General and Administrative Expenses

(In thousands of US\$) - (unaudited)	<u>Q1 2023</u>	<u>% change</u>	<u>Q1 2022</u>
Selling, general and administrative expenses	6,904	16%	5,951

SG&A increased compared to the same quarter last year mainly due to the level of activity. As a percentage of revenue, SG&A decreased from 8.8% in Q1 2022 to 7.8% in Q1 2023.

Operating result

(In thousands of US\$) - (unaudited)	<u>Q1 2023</u>	<u>% change</u>	<u>Q1 2022</u>
<u>Reporting segment</u>			
Mining	11,823	373%	2,501
Water	<u>2,391</u>	<u>116%</u>	<u>1,108</u>
Total operating profit	<u>14,214</u>	<u>294%</u>	<u>3,609</u>

The operating profit reached US\$ 14.2 million, resulting in a US\$ 10.6 million increase driven by increased activity and improved margins.

Q1 2023

Financial position

The following table provides a summary of the Company's cash flows for Q1 2023 and Q1 2022:

(In thousands of US\$)	<u>Q1 2023</u>	<u>Q1 2022</u>
Cash generated by operations before working capital requirements	19,130	8,527
Working capital requirements	(10,541)	(12,615)
Income tax paid	(2,402)	(2,586)
Purchase of equipment in cash	(8,572)	(5,235)
Free Cash Flow before debt servicing	(2,385)	(11,910)
Proceeds from / (repayment of) debt	5,250	5,422
Interests paid	(3,314)	(2,365)
Acquisition of treasury shares	(393)	(313)
Dividends paid to non-controlling interests	(398)	-
Net cash generated / (used in) financing activities	1,145	2,745
Net cash variation	(1,241)	(9,165)
Foreign exchange differences	(556)	232
Variation in cash and cash equivalents	<u>(1,797)</u>	<u>(8,933)</u>
Cash and cash equivalents at the end of the period	<u>27,611</u>	<u>14,991</u>

In Q1 2023, the cash generated from operations before working capital requirements amounted to US\$ 19.1 million compared to US\$ 8.5 million in Q1 2022.

In Q1 2023, the working capital requirement was US\$ 10.5 million compared to US\$ 12.6 million in the same period last year. The working capital requirement is a result of the seasonality of the activity.

During the period, Capex totaled US\$ 8.6 million in cash compared to US\$ 5.2 million in Q1 2022. Capex relates essentially to the acquisition of rigs, major rig overhauls, ancillary equipment and rods. Two large rigs were added to the fleet during the quarter.

As at March 31, 2023, the maturity of financial debt can be analyzed as presented in the table below:

<i>In thousands US\$</i>	March 31, 2023
Credit lines	7,072
Long-term debt	
Within one year	13,553
Between 1 and 2 years	10,393
Between 2 and 3 years	74,853
Between 3 and 4 years	565
Total	106,436
IFRS 16	6,428
Cash	27,611
Net Debt	85,253

As at March 31, 2023, cash and cash equivalents totaled US\$ 27.6 million compared to US\$ 29.4 million as at December 31, 2022. Cash and cash equivalents are mainly held at or invested within top tier financial institutions.

As at March 31, 2023, the net debt including operational lease obligations (IFRS 16) amounted to US\$ 85.3 million (US\$ 76.2 million as at December 31, 2022).

The Net debt to EBITDA ratio as at March 31, 2023 was 1.1 (1.1 at year-end 2022).

Bank guarantees as at March 31, 2023 totaled US\$ 8.2 million compared to US\$ 9.4 million as at December 31, 2022.

Strategy

The Company's strategy is to assist its customers in exploring or managing their deposits throughout the entire cycle, with a special focus on the life of mines extension activity. The Company intends to continue developing and growing its services across the world with a focus on stable jurisdictions, high tech drilling services, optimal commodities mix including battery metals and gold - with a significant presence in water related drilling services - and a gradual implementation of advanced digital applications. The Company expects to execute its strategy primarily through organic growth and targeted acquisitions.

The Company addressed the environmental, social and governance (ESG) requirements, and implements a pragmatic and measurable approach to ESG with quantitative KPIs to maximize improvement and efficiencies.

Currency exchange rates.

The exchange rates for the periods under review are provided in the Management's Discussion and Analysis of Q1 2023.

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\$) (unaudited)	<u>Q1 2023</u>	<u>Q1 2022</u>
Operating profit / (loss)	14,214	3,609
Depreciation expense	4,826	4,848
Non-cash employee share-based compensation	90	70
EBITDA	<u>19,130</u>	<u>8,527</u>

Conference call and webcast

On April 28, 2023, 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.

To join the conference call without operator assistance, you may register and enter your phone number at <https://emportal.ink/41vqptg> to receive an instant automated call back.

You can also 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://app.webinar.net/Y6vDJwZr1x7>

Please connect at least 15 minutes prior to the Conference Call to ensure adequate time for any software download that may be needed to hear the webcast. 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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