

Foraco International reports a robust performance for Q3 2023

Toronto, Ontario/Marseille, France – October 30, 2023 - Foraco International SA (TSX: FAR) ("Foraco" or the "Company"), a global leader in drilling services, is pleased to announce its third quarter of 2023. All amounts are denominated in US Dollars (US\$) unless otherwise stated.

- Q3 2023 Financial Metrics:
 - Revenue: US\$ 95.1 million (+4% YoY)
 - EBITDA: US\$ 25.0 million (+9% YoY)
 - EBITDA as % of Revenue: 26.3% (up from 25.2% in Q3 2022)
- Trailing Twelve Months (TTM) Indicators:
 - Revenue: US\$ 368 million (+17% YoY)
 - EBITDA: US\$ 85.1 million (+45% YoY)
 - Net Profit: US\$ 38.0 million (10.3% of Revenue, +79% YoY)

The Company continued to build on its momentum from the previous quarters, maintaining a trajectory of profitable growth driven by sustained demand in battery metals, gold, and water. The Rig Utilization Rate remained steady at 58%.

Tim Bremner, CEO of Foraco, commented, " We look forward to sustaining this positive momentum by continuing to provide advanced drilling services globally. We follow the various stages of our strategic plan including taking advantage of the sustained interest in battery metals, gold and water management, focusing on profitable and geopolitically stable jurisdictions and capitalizing on relationships with our longstanding customers."

Fabien Sevestre, CFO of Foraco, added, "We are pleased to report a TTM EBITDA of US\$ 85.1 million and a net debt to EBITDA ratio of 0.9. This quarter, we repaid US\$ 10 million to bondholders. We are actively negotiating with our bankers to overhaul our debt profile, aiming for reduced interest expenses and better terms. Independently, our financial position enables us to optimally allocate capital to support our growth. The TTM net profit of US\$ 38 million, which translates to an EPS of C\$ 0.44 — double that of the previous year — provides us with the opportunity to review our capital allocation."

Income Statement

(In thousands of US\$) (unaudited)	Three-month period ended September 30,		Nine-month period ended September 30,	
	2023	2022	2023	2022
	Revenue	95,060	91,414	283,503
Gross profit (1)	26,863	24,446	73,944	52,793
<i>As a percentage of sales</i>	<i>28.3%</i>	<i>26.7%</i>	<i>26.1%</i>	<i>21.5%</i>
EBITDA	25,002	23,024	67,945	49,417
<i>As a percentage of sales</i>	<i>26.3%</i>	<i>25.2%</i>	<i>24.0%</i>	<i>20.1%</i>
Operating profit	20,169	18,156	53,239	34,382
<i>As a percentage of sales</i>	<i>21.2%</i>	<i>19.9%</i>	<i>18.8%</i>	<i>14.0%</i>
Net profit for the period	12,366	11,151	31,421	19,093
Attributable to:				
Equity holders of the Company	10,848	8,351	26,298	13,238
Non-controlling interests	1,518	2,800	5,123	5,855
EPS (in US cents)				
Basic	11.00	8.46	26.61	13.41
Diluted	10.77	8.25	26.05	13.07

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

Highlights – Q3 2023

Revenue

- In Q3 2023, Foraco's revenue was US\$ 95.1 million compared to US\$ 91.4 million generated in Q3 2022, a 4% increase.

Profitability

- Q3 2023 gross margin, including depreciation within cost of sales, reached US\$ 26.9 million (representing 28.3% of revenue), compared to US\$ 24.4 million (or 26.7% of revenue) recorded in Q3 2022. The uplift was driven by the satisfactory performance of contracts and an increase contribution of value-added drilling services.
- For the quarter, EBITDA totaled US\$ 25.0 million (or 26.3% of revenue), from the US\$ 23.0 million (or 25.2% of revenue) for the corresponding quarter of the previous year.

Highlights – YTD Q3 2023

Revenue

- For the nine-month period ending September 30, 2023 (YTD Q3 2023), the revenue amounted to US\$ 283.5 million, representing a 15% increase over the US\$245.7 million recorded in YTD Q3 2022. This surge in revenue is due to the solid performance of main contracts and the delivery of more-added drilling services.

Profitability

- In YTD 2023, the gross margin, inclusive of depreciation within cost of sales, was US\$ 73.9 million (or 26.1% of revenue), a significant 40% increase from US\$ 52.8 million (or 21.5% of revenue) in YTD Q3 2022. This increase resulted from good contract performance, improved selling prices, and the delivery of more value-added drilling services.
- During YTD Q3 2023, EBITDA amounted to US\$ 67.9 million (or 24.0% of revenue), a 37% increase from US\$ 49.4 million (or 20.1% of revenue) for the same period last year.

- For the trailing twelve months (TTM) ending September 30, 2023, the net profit was US\$ 38 million, resulting in an EPS of C\$ 0.44, a 109% increase from the previous year.

Financial results

Revenue

(In thousands of US\$) - (unaudited)	<u>Q3 2023</u>	<u>% change</u>	<u>Q3 2022</u>	<u>YTD Q3 2023</u>	<u>% change</u>	<u>YTD Q3 2022</u>
<i>Reporting segment</i>						
Mining.....	83,369	5%	79,027	245,820	16%	211,831
Water.....	<u>11,691</u>	<u>-6%</u>	<u>12,387</u>	<u>37,683</u>	<u>11%</u>	<u>33,822</u>
Total revenue	<u>95,060</u>	<u>4%</u>	<u>91,414</u>	<u>283,503</u>	<u>15%</u>	<u>245,652</u>
<i>Geographic region</i>						
South America.....	32,164	15%	27,870	100,088	33%	75,097
North America.....	29,930	2%	29,398	93,066	22%	76,068
Asia Pacific.....	19,440	28%	15,158	52,178	33%	39,342
Europe, Middle East and Africa	<u>13,526</u>	<u>-29%</u>	<u>18,988</u>	<u>38,171</u>	<u>-31%</u>	<u>55,145</u>
Total revenue	<u>95,060</u>	<u>4%</u>	<u>91,414</u>	<u>283,503</u>	<u>15%</u>	<u>245,652</u>

Q3 2023

The increase in revenue was driven by the solid performance of main contracts and the provision of more value-added drilling services which more than compensated for the decline in activity in certain regions due to political and economic instability. The rig utilization rate for Q3 2023 held steady at 58%, marginally up from 57% in Q3 2022, with underlying disparities across regions, CIS reporting lower rates, and other regions witnessing higher utilization.

The uptick in the Mining segment's revenue can be attributed to favorable market dynamics. Long-term rolling contracts, renegotiated and extended last year, coupled with the company's proven delivery capability, played a crucial role. In the water segment, revenue experienced a slight dip due to the phasing of contracts.

North American operations reported a 15% revenue increase (18% without adverse foreign exchange variance), reaching US\$ 32.1 million in Q3 2023 from US\$ 27.9 million in Q3 2022. This improvement was driven by heightened activity on long-term contracts renewed last year with senior customers.

South American revenue remained stable at US\$ 29.9 million in Q3 2023 compared to US\$ 29.4 million in Q3 2022, a level expected in a period of low activity due to the austral winter season.

In the Asia Pacific region, revenue for Q3 2023 was US\$ 19.4 million, a 28% increase that reflects a quarter-over-quarter increase in demand and the acquisition and commissioning of new rigs.

Revenue for the EMEA region saw a 29% decrease, moving down to US\$ 13.5 million in Q3 2023 from US\$ 19.0 million in Q3 2022. Revenues in Southern Europe and Africa remained stable compared to Q3 2022, while activity in the CIS decreased by 42% due to political and economic uncertainties in the region.

YTD Q3 2023

The uptick in revenue for the Mining and Water segments can be attributed to favorable market dynamics, with the Company having renegotiated and extended its long-term rolling contracts since the previous year. Coupled with the Company's proven capacity to deliver, this has generated significant growth.

North American operations saw a 22% surge in activity, with revenues climbing to US\$ 93.1 million in YTD Q3 2023, up from US\$ 76.1 million in YTD Q3 2022. This increase primarily resulted from the early remobilization of long-term contracts with senior clients, renewed in the previous year.

In South America, revenues spiked by 33% to reach US\$ 100.1 million in YTD Q3 2023, a notable increase from US\$ 75.1

million in YTD Q3 2022. This was driven by all countries ramping up their activity levels, supported by new long-term contracts with senior companies.

In the Asia Pacific region, YTD Q3 2023 revenues rose to US\$ 52.2 million, a 33% increase, reflecting the period-over-period market growth and the capacity of the Company to meet demand.

In the EMEA region, revenue for YTD Q3 2023 was US\$ 38.2 million, showing a 31% decrease compared to the US\$ 55.1 million in YTD Q3 2022. While revenues in Southern Europe and Africa experienced a slight increase compared to YTD Q3 2022, operations in the CIS countries saw a 48% decline, primarily due to political and economic uncertainties in the region.

Gross profit

(In thousands of US\$) - (unaudited)	<u>Q3 2023</u>	<u>% change</u>	<u>Q3 2022</u>	<u>YTD Q3 2023</u>	<u>% change</u>	<u>YTD Q3 2022</u>
<i>Reporting segment</i>						
Mining.....	23,165	13%	20,523	63,654	46%	43,749
Water.....	<u>3,698</u>	<u>-6%</u>	<u>3,923</u>	<u>10,290</u>	<u>14%</u>	<u>9,044</u>
Total gross profit / (loss)	<u>26,863</u>	<u>10%</u>	<u>24,446</u>	<u>73,944</u>	<u>40%</u>	<u>52,793</u>

Q3 2023

For Q3 2023, the gross margin, inclusive of depreciation within cost of sales, reached US\$ 26.9 million (or 28.3% of the revenue) compared to Q3 2022's US\$ 24.4 million (or 26.7% of the revenue). This reflects the solid operating performance of contracts.

YTD Q3 2023

In YTD Q3 2023, the gross margin, inclusive of depreciation within the cost of sales, rose to US\$ 73.9 million (or 26.1% of the total revenue). This marked a significant surge compared to the US\$ 52.8 million (or 21.5% of revenue) in YTD Q3 2022. The substantial increase underscores the robust performance and efficiency of contracts.

Selling, General and Administrative Expenses

(In thousands of US\$) - (unaudited)	<u>Q3 2023</u>	<u>% change</u>	<u>Q3 2022</u>	<u>YTD Q3 2023</u>	<u>% change</u>	<u>YTD Q3 2022</u>
Selling, general and administrative expenses	6,694	6%	6,290	20,705	12%	18,411

Q3 2023

SG&A increased compared to the same quarter last year mainly due to the level of activity. As a percentage of revenue, SG&A remained stable at 7.0% of the revenue.

YTD Q3 2023

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 7.5% in YTD Q3 2022 to 7.3% in YTD Q3 2023.

Operating result

(In thousands of US\$) - (unaudited)	<u>Q3 2023</u>	<u>% change</u>	<u>Q3 2022</u>	<u>YTD Q3 2023</u>	<u>% change</u>	<u>YTD Q3 2022</u>
<i>Reporting segment</i>						
Mining	17,294	15%	15,085	45,717	64%	27,858
Water.....	<u>2,875</u>	<u>-6%</u>	<u>3,071</u>	<u>7,522</u>	<u>15%</u>	<u>6,524</u>
Total operating profit / (loss)	<u>20,169</u>	<u>11%</u>	<u>18,156</u>	<u>53,239</u>	<u>55%</u>	<u>34,382</u>

Q3 2023

The operating profit reached US\$ 20.2 million, resulting in a US\$ 2.0 million increase driven by activity levels and enhanced profit margins.

YTD Q3 2023

The operating profit reached US\$ 53.2 million, resulting in a US\$ 18.9 million increase driven by heightened activity levels and enhanced operational margins.

Financial position

The following table provides a summary of the Company's cash flows for YTD Q3 2023 and YTD Q3 2022:

(In thousands of US\$)	<u>YTD Q3 2023</u>	<u>YTD Q3 2022</u>
Cash generated by operations before working capital requirements	67,945	49,417
Working capital requirements	(23,015)	(18,526)
Income tax paid	(9,601)	(5,685)
Purchase of equipment in cash	(20,719)	(14,096)
Free Cash Flow before debt servicing	14,610	11,109
Debt variance	(4,895)	2,355
Interests paid	(10,435)	(7,097)
Acquisition of treasury shares	(1,097)	(927)
Dividends paid to non-controlling interests	(1,098)	(1,098)
Net cash generated / (used in) financing activities	(17,525)	(6,767)
Net cash variation	(2,915)	4,342
Foreign exchange differences	(854)	(635)
Variation in cash and cash equivalents	<u>(3,769)</u>	<u>3,708</u>
Cash and cash equivalents at the end of the period	<u>25,640</u>	<u>27,631</u>

In YTD Q3 2023, the cash generated from operations before working capital requirements amounted to US\$ 67.9 million compared to US\$ 49.4 million in YTD Q3 2022, a 37% increase.

During the same period, the working capital requirements reached US\$ 23.0 million, up from US\$ 18.5 million in the previous year. The additional working capital requirement is a result of the heightened activity levels.

During the period, Capex totaled US\$ 20.7 million in cash compared to US\$ 14.1 million in YTD Q3 2022. Capex relates essentially 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 September 30, 2023, cash and cash equivalents totaled US\$ 25.6 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 September 30, 2023, the net debt including operational lease obligations (IFRS 16) amounted to US\$ 79.5 million (US\$ 76.2 million as at December 31, 2022).

The Net debt to EBITDA ratio as at September 30, 2023 was 0.9 (1.1 at year-end 2022) reflecting enhanced financial position in a quarter generally affected by increased activity and associated working capital requirements.

Bank guarantees as at September 30, 2023 totaled US\$ 7.2 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 Q3 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>Q3 2023</u>	<u>Q3 2022</u>	<u>YTD Q3 2023</u>	<u>YTD Q3 2022</u>
Operating profit / (loss)	20,169	18,156	53,239	34,382
Depreciation expense	4,743	4,777	14,435	14,795
Non-cash employee share-based compensation.....	90	90	270	240
EBITDA	<u>25,002</u>	<u>23,024</u>	<u>67,945</u>	<u>49,417</u>

Conference call and webcast

On October 30, 2023, Company Management will conduct a conference call at 11:30 am ET to review the financial results. The call will be hosted by Tim Bremner, CEO, and Fabien Sevestre, 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://app.webinar.net/ENpXB84BOVg>

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.

For further information, please contact:

Fabien Sevestre (ir@foraco.com)

Tel: (705) 495-6363

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