



Foraco International reports Q3 2024

Toronto, Ontario/Marseille, France – October 30, 2024 - Foraco International SA (TSX: FAR) ("Foraco" or the "Company"), a leading global provider of drilling services, is pleased to announce its results for the third quarter ended September 30, 2024. All amounts are denominated in US Dollars (US\$) unless otherwise stated.

Q3 2024 Highlights:

Revenue:

- Q3 2024 revenue totaled US\$77.7 million, down from a record US\$95.1 million in Q3 2023.
- For the second consecutive quarter, two main regions achieved record performance. More specifically:
 - North America delivered US\$35.8 million (+ 11% compared to Q3 2023)
 - Asia-Pacific (Australia) delivered US\$24.7 million (+27% compared to Q3 2023)
- Revenue increased by 2% primarily driven by tier-one clients notwithstanding a drop in demand from juniors customers, amounting to US\$14.3 million and the strategic exit from the Russian market, which accounted for US\$4.9 million.

Profitability:

- EBITDA for Q3 2024 was US\$16.1 million, or 20.8% of revenue, compared to US\$25.0 million, or 26.3% of revenue, in Q3 2023. Most projects generated solid operating performance.
- Net profit for the period was US\$7.7 million representing 10% of revenue.

Tim Bremner, CEO of Foraco, commented, " The market drivers for drilling services remain strong led by the global demand for copper, related EV transition metals and gold. However, challenges persist amid current economic uncertainty, financing challenges for Juniors, and geopolitical risks. In this context, we continue to benefit from our strategic positioning in key markets across North America and Australia with long-term contracts, innovation capabilities and robust relationships with tier-one clients. Our leadership in the water services sector further enhances our competitive advantage. Thanks to these core strengths, I am pleased to report that , excluding the impact of the temporary decrease in activity with Juniors and our strategic exit from the Russian market, our revenue has grown by 2% over last year's record revenue."

Fabien Sevestre, CFO of Foraco, added, "During the quarter, we maintained solid financial metrics, with a 22.0% gross margin after depreciation, a 20.8% EBITDA margin and a 10.0% net profit margin. We optimized our operational workforce as needed and reduced our SG&A expenses. The increase in working capital requirements for the first nine months of the year is linked to supporting growth in North America and Australia. Additionally, we achieved a significant reduction in net financial expenses compared to the same period last year. Looking forward, we will maintain our focus on cost control and debt reduction."

Income Statement

(In thousands of US\$) (unaudited)	Three-month period ended September 30,		Nine-month period ended September 30,	
	2024	2023	2024	2023
Revenue	77,656	95,060	232,629	283,503
Gross profit (1)	17,066	26,863	51,794	73,944
<i>As a percentage of sales</i>	<i>22.0%</i>	<i>28.3%</i>	<i>22.3%</i>	<i>26.1%</i>
EBITDA	16,142	25,002	50,106	67,945
<i>As a percentage of sales</i>	<i>20.8%</i>	<i>26.3%</i>	<i>21.5%</i>	<i>24.0%</i>
Operating profit	11,682	20,169	36,422	53,239
<i>As a percentage of sales</i>	<i>15.0%</i>	<i>21.2%</i>	<i>15.7%</i>	<i>18.8%</i>
Net profit for the period	7,733	12,366	24,007	31,421
Attributable to:				
Equity holders of the Company	7,844	10,848	24,451	26,298
Non-controlling interests	(111)	1,518	(444)	5,123
EPS (in US cents)				
Basic	7.88	11.00	24.80	26.61
Diluted	7.71	10.77	24.28	26.05

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

Highlights – Q3 2024

Revenue

- Q3 2024 revenue totaled US\$77.7 million, down from a record US\$95.1 million in Q3 2023.
- For the second consecutive quarter, two main regions achieved record performance. More specifically:
 - North America delivered US\$35.8 million (+ 11% compared to Q3 2023)
 - Asia-Pacific (Australia) delivered US\$24.7 million (+27% compared to Q3 2023)
- Revenue increased by 2% primarily driven by tier-one clients notwithstanding a drop in demand from juniors customers, amounting to US\$14.3 million and the strategic exit from the Russian market, which accounted for US\$4.9 million.

Profitability

- Q3 2024 gross margin including depreciation within cost of sales was US\$ 17.1 million (or 22.0% of revenue) compared to US\$ 26.9 million (or 28.3% of revenue) in Q3 2023. Most projects generated solid operating performance which partially offset the under-absorption of fixed costs. The Company optimized its operational workforce as required and reduced its SG&A expenses by 19.6% compared to Q3 2023.
- During the quarter, EBITDA amounted to US\$ 16.1 million (or 20.8% of revenue) compared to US\$ 25.0 million (or 26.3% of revenue) for the same quarter last year.
- Net profit for the quarter amounted to US\$7.7 million (10% of the revenue) compared to US\$ 12.4 million (13% of revenue) in Q3 2023.

Highlights – YTD Q3 2024

Revenue

- For the nine-month period ending September 30, 2024 (YTD Q3 2024), the revenue amounted to US\$ 232.6 million

compared to US\$ 283.5 million in YTD 2023.

Profitability

- In YTD Q3 2024, the gross margin, including depreciation within cost of sales, was US\$ 51.8 million (or 22.3% of revenue), compared to US\$ 73.9 million (or 26.1% of revenue) in YTD Q3 2023.
- During the period, EBITDA amounted to US\$ 50.1 million (or 21.5% of revenue), compared to US\$ 67.9 million (or 24.0% of revenue) for the same period last year.
- The Free Cash Flow for the period was US\$ (2.7) million, mainly explained by the working capital requirements to support the development in North America and Asia Pacific.

Financial results

Revenue

(In thousands of US\$) - (unaudited)	<u>Q3 2024</u>	<u>% change</u>	<u>Q3 2023</u>	<u>YTD Q3 2024</u>	<u>% change</u>	<u>YTD Q3 2023</u>
<i>Reporting segment</i>						
Mining.....	66,724	-20%	83,369	205,087	-17%	245,820
Water.....	<u>10,932</u>	<u>-6%</u>	<u>11,691</u>	<u>27,542</u>	<u>-27%</u>	<u>37,683</u>
Total revenue.....	<u>77,656</u>	<u>-18%</u>	<u>95,060</u>	<u>232,629</u>	<u>-18%</u>	<u>283,503</u>
<i>Geographic region</i>						
North America.....	35,817	11%	32,164	94,969	2%	93,066
Asia-Pacific	24,724	27%	19,440	61,585	18%	52,178
South America.....	13,062	-56%	29,930	56,892	-43%	100,088
Europe, Middle East and Africa	<u>4,053</u>	<u>-70%</u>	<u>13,526</u>	<u>19,183</u>	<u>-50%</u>	<u>38,171</u>
Total revenue.....	<u>77,656</u>	<u>-18%</u>	<u>95,060</u>	<u>232,629</u>	<u>-18%</u>	<u>283,503</u>

Q3 2024

Q3 2024 revenue totaled US\$77.7 million, down from a record US\$95.1 million in Q3 2023, the two main regions delivering second record performances in a row. The revenue in other regions is primarily affected by a drop in demand from the Juniors, amounting to US\$14.3 million, and the strategic exit from the Russian market, which accounts for US\$5.0 million. Excluding these two factors, our revenue, primarily driven by tier one clients, has grown by 2%.

Activity in North America reported its best quarter ever, with an 11% increase in revenue to US\$ 35.8 million in Q3 2024, compared to US\$ 32.2 million in Q3 2023. This increase is attributed to strong operational performance on ongoing long-term contracts.

In Asia Pacific, Q3 2024 revenue amounted to US\$ 24.7 million, marking the best quarter ever with a 27% increase compared to Q3 2023. This growth is primarily attributable to increased demand and the acquisition and commissioning of new rigs.

Revenue in South America dropped to US\$13.1 million, down from last year's record of US\$29.9 million. This decline was mainly due to a lack of financing in the junior mining sector, particularly in lithium, which affected operations in Brazil. Additionally, an unusually cold winter in Chile and Argentina led to a significant seasonal slowdown, unlike in 2023, when projects operated year-round.

In the EMEA region, revenue declined to US\$4.1 million, reflecting the Company's strategic decision to exit unstable jurisdictions, including Russia and certain West African countries.

Overall, rig utilization rate in Q3 2024 was 40% compared to 58% in Q3 2023.

YTD Q3 2024

YTD Q32024 revenue amounted to US\$ 232.6 million compared to US\$ 283.5 million in YTD Q3 2023, a decrease of 18%.

Revenue in North America, the largest region, was US\$ 95.0 million up from US\$ 93.1 million, representing a 2% increase

compared to the same period last year.

In Asia-Pacific, our second-largest revenue contributor, YTD Q3 2024 revenue reached US\$61.6 million, reflecting an 18% increase. This growth was primarily driven by rising demand and the acquisition and commissioning of new rigs.

Revenue in South America totaled US\$56.9 million in YTD Q3 2024, down 43% from US\$100.1 million in the same period of 2023. This decline was due to several clients delaying the issuance of orders to remobilize long-term contracts, the impact of the withdrawal of junior companies due to financing challenges and an early winter season affecting high-altitude projects.

In EMEA, revenue decreased by 50%, reducing from US\$38.2 million in YTD Q3 2023 to US\$19.2 million in YTD Q3 2024. The Company sold its stake in Russia in Q1 2024 and continued to implement its plan to reduce exposure in unstable jurisdictions.

Gross profit

(In thousands of US\$) - (unaudited)	<u>Q3 2024</u>	<u>% change</u>	<u>Q3 2023</u>	<u>YTD Q3 2024</u>	<u>% change</u>	<u>YTD Q3 2023</u>
<u>Reporting segment</u>						
Mining	13,616	-41%	23,165	44,458	-30%	63,654
Water	<u>3,450</u>	<u>-7%</u>	<u>3,698</u>	<u>7,336</u>	<u>-29%</u>	<u>10,290</u>
Total gross profit / (loss)	<u>17,066</u>	<u>-36%</u>	<u>26,863</u>	<u>51,794</u>	<u>-30%</u>	<u>73,944</u>

Q3 2024

The Q3 2024 gross margin including depreciation within cost of sales was US\$ 17.1 million (or 22.0% of revenue) compared to US\$ 26.9million (or 28.3% of revenue) in Q3 2023. Most projects generated solid operating performance which partially offset the under-absorption of fixed costs. The Company optimized its operational workforce as required.

YTD Q3 2024

The YTD Q3 2024 gross margin including depreciation within cost of sales was US\$ 51.8 million (or 22.3% of revenue) compared to US\$ 73.9 million (or 26.1% of revenue) in YTD Q3 2023. Most projects generated solid operating performance which partially offset the under-absorption of fixed costs.

Selling, General and Administrative Expenses

(In thousands of US\$) - (unaudited)	<u>Q3 2024</u>	<u>% change</u>	<u>Q3 2023</u>	<u>YTD Q3 2024</u>	<u>% change</u>	<u>YTD Q3 2023</u>
Selling, general and administrative expenses	5,384	-20%	6,694	17,483	-16%	20,705

Q3 2024

SG&A decreased 20% compared to the same quarter last year. As a percentage of revenue, SG&A remained stable at approximately 7.0% of revenue.

YTD Q3 2024

SG&A decreased by 16% compared to the same period last year. As a percentage of revenue, SG&A remained stable.

Operating result

(In thousands of US\$) - (unaudited)	<u>Q3 2024</u>	<u>% change</u>	<u>Q3 2023</u>	<u>YTD Q3 2024</u>	<u>% change</u>	<u>YTD Q3 2023</u>
<u>Reporting segment</u>						

Mining	8,990	-48%	17,294	31,139	-32%	45,717
Water.....	<u>2,692</u>	<u>-6%</u>	<u>2,875</u>	<u>5,283</u>	<u>-30%</u>	<u>7,522</u>
Total operating profit / (loss)	<u>11,682</u>	<u>-42%</u>	<u>20,169</u>	<u>36,422</u>	<u>-32%</u>	<u>53,239</u>

Q3 2024

The operating profit was US\$ 11.7 million compared to US\$ 20.2 million in the same quarter last year.

YTD Q3 2024

The operating profit was US\$ 36.4 million compared to US\$ 53.2 million in the same period last year. On March 15, 2024, the Company finalized the sale of its 50 % stake in Eastern Drilling Company (EDC) Russia. This transaction generated a net profit of US\$ 2.1 million recorded in other operating income and expense within operating profit.

Financial position

The following table provides a summary of the Company's cash flows for YTD Q3 2024 and YTD Q3 2023:

(In thousands of US\$)	<u>YTD Q3</u> <u>2024</u>	<u>YTD Q3</u> <u>2023</u>
Cash generated by operations before working capital requirements	50,106	67,945
Working capital requirements	(22,951)	(23,015)
Income tax paid	(10,629)	(9,601)
Purchase of equipment in cash	(13,863)	(20,719)
Free Cash Flow before debt servicing	2,664	14,610
Proceeds from / (repayment of) debt	(848)	(4,895)
Interests paid	(5,342)	(10,435)
Acquisition of treasury shares	(802)	(1,097)
Deconsolidation of EDC Russia	(2,076)	-
Dividends paid to Company's shareholders	(4,544)	-
Dividends paid to non-controlling interests	(330)	(1,098)
Net cash generated / (used in) financing activities	(13,942)	(17,525)
Net cash variation	(11,278)	(2,915)
Foreign exchange differences	(531)	(854)
Variation in cash and cash equivalents	<u>(11,809)</u>	<u>(3,769)</u>
Cash and cash equivalents at the end of the period	<u>22,479</u>	<u>25,640</u>

In YTD Q3 2024, the cash generated from operations before working capital requirements amounted to US\$ 50.1 million compared to US\$ 67.9 million in YTD Q3 2023.

During the same period, the working capital requirements reached US\$ 23.0 million stable compared to the same period last year, primarily to support the developments in North America and Australia.

During the period, Capex totaled US\$ 13.9 million in cash compared to US\$ 20.7 million in YTD Q3 2023. Capex primarily relates to the acquisition of rigs, major rig overhauls, ancillary equipment and rods. Three large rigs were added to the fleet during the period.

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 mine 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 remote-controlled rigs and other 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 2024.

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 2024</u>	<u>Q3 2023</u>	<u>YTD Q3 2024</u>	<u>YTD Q3 2023</u>
Operating profit / (loss)	11,682	20,169	36,422	53,239
Depreciation expense	4,358	4,743	13,378	14,435
Non-cash employee share-based compensation.....	102	90	306	270
EBITDA	<u>16,142</u>	<u>25,002</u>	<u>50,106</u>	<u>67,945</u>

Conference call and webcast

On October 30, 2024, Company Management will conduct a conference call at 10:00 am Eastern Time 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 1-888-699-1199 or 1-416-945-7677. 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/V1wE6Wl5ROz>

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 21 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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