NEWS RELEASE

Foraco International reports Q2 2021
Revenue up 60% - EBITDA up 45% - Debt reduced by 32% (US$ 55 million)

Toronto, Ontario/Marseille, France – Friday July 30, 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 second quarter 2021. All figures are expressed in US Dollars (US$) unless otherwise indicated.

“Q2 2021 was one of the best ever quarters for Foraco in terms of activity. The Company benefited from favourable market dynamics and a lower impact of Covid-19 on the quarter operations compared to last year, to achieve a revenue of US$ 75.6 m for the quarter, up 60% compared YoY. The rig utilization rate reached an average of 60% in Q2 compared to 47% in Q2 2020.” said Daniel Simoncini, Chairman and Co-CEO. “All geographical areas once again ended the quarter with like-for-like growth. There were remarkable performances in Canada, Russia and Africa while South America and Australia were still somewhat affected by the impact of Covid-19 restrictions and tighter labour markets. In this overall dynamic background, there is still room for increasing the utilization rate, but we are currently facing a tightening labor market and upward pressure on procurement and supply chains which may temporarily hinder our growth. We are confident our business model will continue to show its resilience during the rest of the COVID pandemic and that we have ample capacity to pursue profitable growth.”

“Q2 2021 confirmed the continuing improvement of our financial measures with an EBITDA for the quarter of US$ 14.7 m versus US$ 10.2 m in Q2 2020, an increase of 45%. Our TTM revenue amounts to US$ 244 m and our TTM EBITDA reached US$ 39.3 m.” Commented Jean-Pierre Charmensat, Co-CEO and CFO “Through the implementation of the financial reorganization which we finalized on July 7, we have drastically reshaped and de-leveraged the Company’s balance sheet with a transaction significantly accretive for our shareholders. Our net debt including the impact of the financial reorganization is now US$ 89.1 million, the equivalent of 2.3 x our TTM EBITDA and our debt-to-equity ratio is reduced to 1.3 x. In addition, as previously mentioned, the Company’s debt profile has been significantly improved, exposure to exchange rates fluctuations reduced, financial constraints including covenants eased and debt maturities extended through the end of 2025. For our final point, we are proud to note that our share price has already started to integrate our operational performance and our financial reorganization and this to the benefit of the shareholders and stakeholders who have continued to retain confidence in the Company”.

Simplified Balance Sheet

The table below presents, in the proforma column, the assets, equity and liabilities of the Company assuming that the financial reorganization completed on July 7, 2021 was effective as at June 30, 2021.

in thousands of US$	June 30,2021 (proforma)	June 30,2021	December 31,2020
Non-current assets	131.39	140.467	136.324
Current assets	88.376	88.376	70.481
Cash and cash equivalents	19.978	20.084	20.96
Total assets	**239.741**	**248.927**	**227.765**
Total equity	69.725	26.858	17.802
Borrowings	109.053	160.488	162.612
Non-current liabilities	3.317	3.428	4.087
Current liabilities	57.647	58.153	43.265
Total equity and liabilities	**239.741**	**248.927**	**227.765**
Net Debt	**89.069**	**140.404**	**141.652**

Income Statement

(In thousands of US$) *(unaudited)*	**Three-month period ended June 30,**			**Six-month period ended June 30,**		
	2021 proforma	**2021**	**2020**	**!021 proforma**	**2022**	**2020**
Revenue	**75,668**	**75,668**	**47,351**	**130,219**	**130,219**	**97,022**
Gross profit / (loss) (1)	**15,809**	**15,809**	**11,164**	**21,850**	**21,850**	**16,427**
As a percentage of sales	*20.9%*	*20.9%*	*23.6%*	*16.8%*	*16.8%*	*16.9%*
EBITDA	**14,705**	**14,705**	**10,161**	**19,819**	**19,819**	**14,626**
As a percentage of sales	*19.4%*	*19.4%*	*21.5%*	*15.2%*	*15.2%*	*15.1%*
Operating profit / (loss)	**10,049**	**10,049**	**6,062**	**10,852**	**10,852**	**6,186**
As a percentage of sales	*13.3%*	*13.3%*	*12.8%*	*8.3%*	*8.3%*	*6.4%*
Profit / (loss) for the period	**31,681**	**5,656**	**3,277**	**30,716**	**4,691**	**1,212**
Attributable to:						
Equity holders of the	29,830	3,805	1,726	28,834	2,809	(316)
Non-controlling interests	1,851	1,851	1,551	1,882	1,882	1,529
EPS (in US cents)						
Basic	30.05	4.27	1.88	29.05	3.15	(0.35)
Diluted	29.83	4.15	1.92	28.96	3.06	(0.35)

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

Highlights – Q2 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 proforma net debt including the impact of the financial reorganization and of IFRS 16 was US$ 89.1 million as at June 30, 2021 compared to US$ 141.7 million as at December 31, 2020.

- Following this reorganization, the proforma net debt to equity ratio is 1.3 and the proforma leverage ratio (Net debt / TTM EBITDA) is 2.3.

Revenue

- Revenue of the period amounted to US$ 75.7 million compared to US$ 47.4 million in Q2 2020, an increase of 60%. The Company benefited from favourable market dynamics and the lower impact of Covid-19 on the 2021 operations compared to 2020,

- This trend is confirmed by the rig utilization rate which increased to 60% in Q2 2021 compared to 48% in Q1 2021 and 47% in Q2 2020.

Profitability

- The Q2 2021 gross margin including depreciation within cost of sales was US$ 15.8 million (or 20.9% of revenue) compared to US$ 11.2 million (or 23.6% of revenue) in Q2 2020. Ongoing contracts reported solid performances while some new contracts in mobilization phase generated a lower percentage of gross margin.

- During the quarter, EBITDA amounted to US$ 14.7 million (or 19.4% of revenue), a 45% increase compared to US$ 10.2 million (or 21.5% of revenue) for the same quarter last year.

Highlights – H1 2021

Revenue

- H1 2021 revenue amounted to US$ 130.2 million compared to US$ 97.0 million in H1 2020 an increase of 34%.

Profitability

- H1 2021 gross margin including depreciation within cost of sales was US$ 21.9 million (or 16.8% of revenue) compared to US$ 16.4 million (or 16.9% of revenue) in H1 2020.

- During the semester, EBITDA amounted to US$ 19.9 million (or 15.2% of revenue), compared to US$ 14.6 million (or 15.1% of revenue) for the same period last year.

Financial results

Revenue

(In thousands of US$) - *(unaudited)*	Q2 2021	% change	Q2 2020	H1 2021	% change	H1 2020
Reporting segment						
Mining	64,737	61%	40,129	109,839	36%	80,509
Water	10,931	51%	7,222	20,380	23%	16,513
Total revenue	***75,668***	***60%***	***47,351***	***130,219***	***34%***	***97,022***
Geographic region						
North America	25,723	122%	11,570	44,358	49%	29,846
Europe, Middle East and Africa	24,474	38%	17,758	43,302	31%	32,863
South America	12,819	91%	6,718	22,399	42%	15,804
Asia Pacific	12,652	12%	11,305	20,160	9%	18,509
Total revenue	***75,668***	***60%***	***47,351***	***130,219***	***34%***	***97,022***

Q2 2021

Revenue of the quarter increased from US$ 47.4 million in Q2 2020 to US$ 75.7 million in Q2 2021 (60%).

The significant increase in revenue for both reporting segments is the result of the combination of favourable market dynamics and the lower impact of Covid-19 on the Q2 2021 operations.

Activity in North America increased 122% with revenue at US$ 25.7 million in Q2 2021 compared to US$ 11.6 million in Q2 2020. This increase is mainly due to new significant contracts secured during Q4 2020 and less disruptions linked to the Covid 19 pandemic.

In EMEA revenue for the quarter was US$ 24.5 million compared to US$ 17.8 million in Q2 2020, an increase of 38%. Each area showed improved activity. In Africa, new contracts mobilized in Q1 2021 continued in Q2 2021 and will continue through 2021. In Russia, activity increased by 24% thanks to new significant contracts secured during Q1 2021.

Revenue in South America increased by 91% at US$ 12.9 million in Q2 2021 (US$ 6.7 million in Q2 2020). The activity in the region was particularly impacted in Q2 2020 by the effect of the pandemic which disrupted the commercial and operational activities.

In Asia Pacific, Q2 2021 revenue amounted to US$ 12.7 million, an increase of 12%. New contracts were mobilized during the quarter and will continue through 2021.

H1 2021

H1 2021 revenue amounted to US$ 130.2 million compared to US$ 97.0 million in H1 2020, an increase of 34%. The increase in revenue is the result of the combination of favourable market dynamics and the lower impact of Covid-19 on the 2021 operations.

Revenue in North America increased by 49% to US$ 44.4 million in H1 2021 from US$ 29.8 million in H1 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 31%, to US$ 43.3 million in H1 2021 from US$ 32.9 million in H1 2020. Both CEI and Africa areas showed sustained activity.

Revenue in South America increased by 42% at US$ 22.4 million in H1 2021 (US$ 15.8 million in H1 2020). The activity in the region was particularly impacted by the effect of the Covid-19 pandemic in H1 2020.

In Asia Pacific, H1 2021 revenue amounted to US$ 20.2 million, an increase of 9%.

Gross profit

(In thousands of US$) - *(unaudited)*	Q2 2021	% change	Q2 2020	H1 2021	% change	H1 2020
Reporting segment						
Mining	12,870	49%	8,650	17,622	45%	12,169
Water	2,939	17%	2,514	4,228	*0%*	4,258
Total gross profit / (loss)	***15,809***	***42%***	***11,164***	***21,850***	***33%***	***16,427***

Q2 2021

The Q2 2021 gross margin including depreciation within cost of sales was US$ 15.8 million (or 20.9% of revenue) compared to US$ 11.2 million (or 23.6% of revenue) in Q2 2020. Ongoing contracts reported solid performances while some new contracts in mobilization phase generated a lower percentage of gross margin. 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. There is generally a time lag before these costs increases can be passed through selling prices.

H1 2021

The H1 2021 gross margin including depreciation within cost of sales was US$ 21.9 million compared to US$ 16.4 million in H1 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)*	Q2 2021	% change	Q2 2020	H1 2021	% change	H1 2020
Selling, general and administrative expenses	5,760	13%	5,102	10,988	7%	10,241

Q2 2021

SG&A increased compared to the same quarter last year mainly due to one off costs related to the early redeemed loans. As a percentage of revenue, SG&A decreased from 10.8% in Q2 2020 to 7.6% in Q2 2021.

H1 2021

SG&A expenses decreased by 1% compared to the same period last year.

Operating result

(In thousands of US$) - *(unaudited)*	Q2 2021	% change	Q2 2020	H1 2021	% change	H1 2020
Reporting segment						
Mining	7,942	84%	4,326	8,363	128%	3,667
Water	2,107	21%	1,736	2,489	-1%	2,519
Total operating profit / (loss)	**10,049**	***66%***	**6,062**	**10,852**	***75%***	**6,186**

Q2 2021

The operating profit was US$ 10.1 million, a US$ 4.0 million increase as a result of the increase in activity and the continued control over the operations and SG&A expenses.

H1 2021

The operating profit was US$ 10.9 million in H1 2021, a US$ 4.7 million improvement compared to H1 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 H1 2021 and H1 2020:

(In thousands of US$)	H1 2021	H1 2020
Cash generated by operations before working capital requirements	**19,819**	**14,626**
Working capital requirements	(3,011)	(2,177)
Income tax paid (received)	(3,126)	(928)
Purchase of equipment in cash	(10,463)	(4,147)
Free Cash Flow before debt servicing	**3,219**	**7,375**
Debt variance	(3,132)	(4,183)
Interests paid	(775)	(1,451)
Acquisition of treasury shares	-	-
Dividends paid to non-controlling interests	(225)	(676)
Net cash generated / (used in) financing activities	**(4,132)**	**(6,310)**
Net cash variation	**(913)**	**1,065**
Foreign exchange differences	37	(694)
Variation in cash and cash equivalents	**(876)**	**370**

In H1 2021, the cash generated from operations before working capital requirements amounted to US$ 19.8 million compared to US$ 14.6 million in H1 2020.

In H1 2021, the working capital requirement was US$3.0 million compared to US$ 2.2 million in the same period last year.

During the period, the Capex was US$ 10.5 million in cash compared to US$ 4.1 million in H1 2020. The higher 2021 Capex is driven by the increased activity. Capex relates to acquisition of rigs, major rigs overhauls, ancillary equipment and rods.

As at June 30, 2021, cash and cash equivalents totaled US$ 20.1 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 June 30, 2021, the proforma net debt including operation lease obligation (IFRS 16) implementation amounted to US$ 89.1 million (US$ 141.7 million as at December 31, 2020).

Bank guarantees as at June 30, 2021 totaled US$ 6.3 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$ 7.7 million).

Financial reorganization

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 early redemption of these bonds amounting to US$ 146.8 million has been completed by way of a repayment of US$ 91.0 million in cash using the June 30, 2021 exchange rate resulting in a US$ 55.8 million debt reduction and the issuance of 9.3 million ordinary shares in favour of the former bondholders.

This financial reorganisation also includes the early repayment or rescheduling of certain other loans, the renegotiation of the corporate guarantee lines and some amendments to the Corporate Governance of the Company in favour of the new shareholders. As part of the financial reorganization, the Company deleveraged its balance sheet, extended its debt maturity through the end of 2025 and eased its financial constraints and covenants.

As at June 30, 2021, the debt maturity before and after the financial reorganization is as follows:

	New debt maturity	Former debt maturity
Credit lines	1,747	1,747
Long-term debt		
Within one year	1,228	151,971
Between 1 and 2 years	5,424	404
Between 2 and 3 years	10,223	205
Between 3 and 4 years	10,032	12
Between 4 and 5 years	74,250	-
Total	**102,904**	**154,339**

The accounting profit of the transaction before tax can be analysed as follows:

Book value of the bonds as at June 30, 2021 per accounting	145,871
Fair value of the 9,300,000 shares issued to the benefit of the former bond holders	-16,938
Cash payable to the former bond holders	-90,997
Profit before transaction costs	**37,936**
Costs other than financial related to the new financing	-2,518
Gain on refinancing	**35,418**

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 Q2 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$) *(unaudited)*	Q2 2021	Q2 2020	H1 2021	H1 2020
Operating profit / (loss)..	10,049	6,062	10,852	6,186
Depreciation expense	4,606	4,054	8,867	8,350
Non-cash employee share-based compensation	50	45	100	90
EBITDA	***14,705***	***10,161***	***19,819***	***14,626***

Conference call and webcast

On July 30, 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=1484374&tp_key=afb4c24d95

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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