FORACO INTERNATIONAL S.A.

MANAGEMENT’S DISCUSSION & ANALYSIS

Year ended December 31, 2022

FORACO INTERNATIONAL S.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") relates to the results of operations, liquidity and capital resources of Foraco International S.A. and its subsidiaries ("Foraco" or the "Company"). This report has been prepared by Management and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022, including the notes thereto. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by IASB. Following the decision taken by the Accounting Standards Board, IFRS became the accounting standards for all issuers in Canada on January 1, 2011. The Company adopted IFRS and made an explicit and unreserved statement that its consolidated financial statements comply with IFRS in 2004. Except as otherwise stated, all amounts presented in this MD&A are denominated in US Dollars ("US$"). The discussion and analysis within this MD&A are as of March 2, 2023.

Caution concerning forward-looking statements

This document may contain "forward-looking statements" and "forward-looking information" within the meaning of applicable securities laws. These statements and information include estimates, forecasts, information and statements as to Management's expectations with respect to, among other things, the future financial or operating performance of the Company and capital and operating expenditures. Often, but not always, forward-looking statements and information can be identified by the use of words such as "may", "will", "should", "plans", "expects", "intends", "anticipates", "believes", "budget", and "scheduled" or the negative thereof or variations thereon or similar terminology. Forward-looking statements and information are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Readers are cautioned that any such forward-looking statements and information are not guarantees and there can be no assurance that such statements and information will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed under the heading "Risk Factors" in the Company's Annual Information Form dated March 2, 2023, which is filed with the Canadian regulators on SEDAR (www.sedar.com). The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements and information whether as a result of new information, future events or otherwise. All written and oral forward-looking statements and information attributable to Foraco or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements.

This MD&A is presented in the following sections:

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Business Overview

Headquartered in Marseille, France, Foraco is a worldwide drilling service provider and is present in 22 countries and 5 continents. On December 31, 2022, the Company had 2,789 employees and operated 302 drill rigs worldwide, providing a diverse range of drilling services to its customer base. The Company has developed and acquired significant expertise in destructive and non-destructive drilling, as well as proprietary drill rig design capabilities. Through its global operations the Company services a range of industries focusing on mining and water.

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.

Consolidated Financial Highlights

Income Statement

(In thousands of US$)	Year ended December 31,	
	2022	**2021**
Revenue	**330,555**	**269,689**
Gross profit (1)	**71,272**	**46,820**
As a percentage of sales	*21.6%*	*17.4%*
EBITDA (See note 9)	**66,544**	**43,041**
As a percentage of sales	*20.1%*	*16.0%*
Operating profit	**46,384**	**24,127**
As a percentage of sales	*14.0%*	*8.9%*
Profit for the period (2)	**25,780**	**39,010**
Attributable to:		
Equity holders of the Company	19,761	35,487
Non-controlling interests	6,019	3,523
EPS (in US cents)		
Basic	20.01	37.65
Diluted	19.59	36.71

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

(2) In FY 2021, the Company recognized a one-off gain of US$ 25.2 million linked to a financial reorganization.

Year ended December 31, 2022 – FY 2022

Revenue

- FY 2022 revenue amounted to US$ 330.6 million compared to US$ 269.7 million in FY 2021 an increase of 23%.

Profitability

- FY 2022 gross margin including depreciation within cost of sales was US$ 71.3 million (or 21.6% of revenue) compared to US$ 46.8 million (or 17.4% of revenue) for FY 2021.

- During the period, EBITDA amounted to US$ 66.5 million (or 20.1% of revenue), compared to US$ 43.0 million (or 16.0% of revenue) for the same period last year.

- The Free Cash Flow for the year was US$17.4 million compared to US$ 10.4 million in FY 2021.

Net debt

- The net debt including the impact of IFRS 16 was US$ 76.2 million as at December 31, 2022 compared to US$ 85.7 million as at December 31, 2021.

- Our Net debt to EBITDA ratio at year-end 2022 was 1.1 versus 2.0 at year-end 2021.

Year-end backlog

- Order backlog to be executed during calendar year 2023 amounted to US$ 229.6 million vs US$ 216.5 million last year (+6%).

- As most of the Company's long-term contracts were renegotiated at the end of 2021, order backlog amounted to US$ 342.3 million at 2022 year-end vs US$ 419.8 million at 2021 year-end.

Results of Operations

Comparison of the year ended December 31, 2022 and December 30, 2021

Revenue

The following table provides a breakdown of the Company's revenue for FY 2022 and FY 2021 by reporting segment and geographic region:

(In thousands of US$) - *(audited)*	FY 2022	% change	FY 2021
Reporting segment			
Mining	286,065	23%	232,356
Water	44,490	19%	37,333
Total revenue	***330,555***	***23%***	***269,689***
Geographic region			
North America	104,345	13%	92,261
Europe, Middle East and Africa	68,275	-17%	81,875
South America	104,640	98%	52,797
Asia Pacific	53,295	25%	42,756
Total revenue	***330,555***	***23%***	***269,689***

FY 2022 revenue was US$ 330.6 million compared to US$ 269.7 million in FY 2021, an increase of 23%. The increase in revenue is the result of a combination of a steady stream of demand for battery metals and water services and the capacity of the Company to deliver despite logistics and staffing issues.

Revenue in North America increased by 13% to US$ 104.3 million in FY 2022 from US$ 92.3 million in FY 2021, a growth driven by long term contracts which started during the period and continued throughout the year.

In EMEA, revenue decreased by 17%, to US$ 68.3 million in FY 2022 from US$ 81.9 million in FY 2021. The activity in this region is affected by the political and economic uncertainties in Russia and Africa. The decrease in activity in Russia was partially offset by successful new developments in Kazakhstan.

Revenue in South America increased by 98% to US$ 104.6 million in FY 2022 (US$ 52.8 million in FY 2021). This increase is mainly linked to the capacity of the Company to mobilize resources and deliver in the context of a fast-growing demand.

In Asia Pacific, FY 2022 revenue amounted to US$ 53.3 million, an increase of 25% reflecting year over year increased demand and ability to develop broader collaboration with clients.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for FY 2022 and FY 2021:

(In thousands of US$) - *(audited)*	FY 2022	% change	FY 2021
Reporting segment			
Mining	59,963	52%	39,342
Water	11,309	*51%*	7,478
Total gross profit	***71,272***	***52%***	***46,820***

In the context of a solid demand and good operating performances and despite supply chain challenges and global inflationary pressures, margins continue to improve. Since 2021, the Company successfully renegotiated most of its long-term contracts including inflation protection clauses. The FY 2022 gross margin including depreciation within cost of sales increased by 52% year over year to US$ 71.3 million (21.6% of revenue) from US$ 46.8 million in FY 2021 (17.4% of revenue).

Selling, General and Administrative Expenses

The following table provides an analysis of the selling, general and administrative expenses (SG&A):

(In thousands of US$) - *(audited)*	FY 2022	% change	FY 2021
Selling, general and administrative expenses	24,888	10%	22,693

SG&A increased by 10% compared to the same period last year. As a percentage of revenue, SG&A decreased from 8.4% to 7.5% of revenue.

Operating result

The following table provides a breakdown of the Company's operating result for FY 2022 and FY 2021 by reporting segment:

(In thousands of US$) - *(audited)*	FY 2022	% change	FY 2021
Reporting segment			
Mining	38,409	93%	19,851
Water	7,975	87%	4,276
Total operating gain (loss)	**46,384**	***92%***	**24,127**

The operating profit was US$ 46.4 million in FY 2022, a US$ 22.3 million improvement compared to FY 2021 as a result of the increase in activity and the continued control over the operations and SG&A expenses.

Finance costs

Net financial expenses increased to US$ 11.8 million in FY 2022 from US$ 9.4 in FY 2021 mainly linked to the increase of the Libor interest rate.

Gain on refinancing

In July 2021, the Company finalized a financial reorganization through the raising of US$ 100 million in new bonds and the early redemption of former euro-denominated bonds. This financial reorganization generated a one-off gain before income tax of US$ 34.2 million.

Income tax

In FY 2022, the corporate income tax expense was US$ 8.8 million an effective income tax rate of 25% compared to US$ 10.0 million for the same period last year an effective income tax rate of 20%. This income tax profit corresponds to taxable income in profitable jurisdictions and the recognition of deferred tax assets when they can be used against taxable profit within a reasonable timeframe (generally five years).

Seasonality

The worldwide presence of the Company reduces its overall exposure to seasonality and the influence this can have on the business activity. In Canada, seasonal slow periods occur during the winter freeze and spring thaw or break-up periods. Depending on the latitude, this can occur anytime from October until late December (freezing) and from mid-April through to mid-June (break-up). Operations at mining sites continue throughout the year. Russia is also affected by the winter period during which operations are suspended. In Asia Pacific and in South America, where the Company operates exclusively in the Mining segment, a seasonal slowdown in activity occurs around year-end, during the vacation period. Certain contracts are also affected in Chile in July and August when the winter season peaks.

Effect of Exchange Rates

The Company operates in a large number of countries with functional currencies (Euros, Canadian Dollars, Australian Dollars, Chilean Pesos, Brazilian Reals and Russian Rubles) and therefore not with the US Dollar which is the presentation currency of the Group. The significant variations in the value of the US Dollar over the previous quarters have had a substantial impact on the Company's financial statements.

The Company however, mitigates its net exposure to foreign currency fluctuations by balancing its costs, revenues and financing in local currencies, resulting in a natural hedge.

The exchange rates against the US Dollar for the periods under review are as follows:

	Average FY 2022	Average FY 2021	Closing Dec 31, 2022	Closing Dec 31, 2021
€	0.95	0.85	0.94	0.88
CAD	1.30	1.25	1.35	1.28
AUD	1.44	1.33	1.47	1.38
CLP	873	759	853	849
BRL	5.16	5.39	5.28	5.64
RUB	69.73	74.43	73.11	74.47

Liquidity and Capital Resources

The following table provides a summary of the Company's cash flows for FY 2022 and FY 2021:

(In thousands of US$)	FY 2022	FY 2021
Cash generated by operations before working capital requirements	**66,544**	**43,041**
Working capital requirements	(9,745)	(4,048)
Income tax paid	(9,302)	(6,764)
Purchase of equipment in cash	(20,042)	(18,586)
Free Cash Flow before debt servicing	**27,454**	**13,643**
Proceeds from issuance of bonds, net of issuance costs	-	95,564
Repayments of Bonds including costs paid	-	(96,125)
Repayments of borrowings and others	(7,932)	(4,906)
Interests paid	(10,068)	(3,210)
Acquisition of treasury shares	(1,032)	(552)
Dividends paid to non-controlling interests	(1,714)	(1,778)
Net cash generated / (used in) financing activities	**(20,746)**	**(11,007)**
Net cash variation	**6,709**	**2,636**
Foreign exchange differences	(1,224)	328
Variation in cash and cash equivalents	**5,485**	**2,963**
Cash and cash equivalents at the end of the period	**29,409**	**23,924**

In FY 2022, the cash generated from operations before working capital requirements amounted to US$ 66.5 million compared to US$ 43.0 million in FY 2021.

In FY 2022, the working capital requirement was US$ 9.7 million compared to US$ 4.0 million in the same period last year. The increase of the working capital requirement is a result of the activity's continuing ramp-up.

During the period, Capex totaled US$ 20.0 million in cash compared to US$ 18.6 million in FY 2021. Capex essentially relates to the acquisition of rigs, major rig overhauls, ancillary equipment and rods.

As at December 31, 2022, the maturity of financial debt can be analyzed as presented in the table below:

In thousands US$	**December 31, 2022**
Credit lines	2,323
Long-term debt	
Within one year	13,166
Between 1 and 2 years	10,112
Between 2 and 3 years	74,551
Between 3 and 4 years	109
Total	**100,261**
IFRS 16	**5,308**
Cash	**29,409**
Net Debt	**76,161**

As at December 31, 2022, cash and cash equivalents totaled US$ 29.4 million compared to US$ 23.9 million as at December 31, 2021. Cash and cash equivalents are mainly held at or invested within top tier financial institutions.

As at December 31, 2022, the net debt including operational lease obligations (IFRS 16) amounted to US$ 76.2 million (US$ 85.7 million as at December 31, 2021).

The Net debt to EBITDA ratio as at December 31, 2022 was 1.1 versus 2.0 at year-end 2021.

As at December 31, 2022, the Company met its covenants

Bank guarantees as at December 31, 2022 totaled US$ 9.4 million compared to US$ 9.0 million as at December 31, 2021.

Cash Transfer Restrictions

Foraco operates in a number of different countries where cash transfer restrictions may exist. The Company organizes its business so as to ensure that the majority of payments are collected in countries where there are no such restrictions. No excess cash is held in countries where cash transfer restrictions are in force.

Related-Party Transactions

For details of related-party transactions, please refer to Note 28 of the audited consolidated financial statements.

Capital Stock

As at December 31, 2022, the total common shares of the Company are distributed as follows:

	Number of shares
Common shares held directly or indirectly by principal shareholders	34,155,191
Common shares held directly or indirectly by individuals in their capacity as members of the Board of Directors (*)	698,462
Common shares held by the Company (**)	265,573
Common shares held by the public	64,132,572
Total shares issued and outstanding	**99,251,798**
Common shares held by the Company	(265,573)
Total common shares issued and outstanding	**98,986,225**

**In the table above, the shares owned indirectly are presented as an amount corresponding to the pro rata of the ownership interest*

***265,573 common shares are held by the Company to meet the Company's obligations under the employee free share plan.*

Critical Accounting Estimates

The audited consolidated financial statements have been prepared in accordance with IFRS. The Company's significant accounting policies are described in Note 2 to the Annual and audited consolidated financial statements. As required by IAS 1, the depreciation of property, plant and equipment related to operations is included within cost of sales.

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 as this 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 as 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 of payables related to acquisitions, net of cash and cash equivalents. The Company's lease obligations are included in the net debt calculation.

Reconciliation of EBITDA is as follows:

(In thousands of US$) *(audited)*	FY 2022	FY 2021
Operating profit / (loss)...	46,384	24,127
Depreciation expense	19,830	18,681
Non-cash employee share-based compensation........................	330	233
EBITDA	***66,544***	***43,041***

Litigation and claims

Generally, the Company is subject to legal proceedings, claims and legal action arising in the ordinary course of business. The Company's Management does not expect ensuing costs in resolving these matters to have a material adverse effect on either the Company's consolidated financial position, results of operations or cash flows.

Subsequent Events

There are no significant post balance sheet events.

Backlog

As at December 31, 2022, the Company's order backlog for continuing operations was US$ 342.3 million of which US$ 229.6 million is expected to be executed during FY 2023. Last year at the same period, most of the Company's long term contracts were renegotiated and the order backlog for continuing operations was US$ 419.8 million of which US$ 216.5 million was expected to be executed during FY 2022. The Company's order backlog consists of sales orders. Sales orders are subject to modification by mutual consent and in certain instances orders may be revised by customers. As a result, the order backlog of any particular date may not be indicative of actual operating results for any subsequent period.

Internal control framework

Internal control is a process implemented by management with the objective of ensuring (i) the effectiveness and efficiency of the Company's operations, (ii) the reliability of financial reporting and disclosures, and (iii) compliance with applicable laws and regulations, including those promoted by the Toronto Stock Exchange (TSX).
The organization of the internal control environment of the Company is based upon the Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
The inherent limitation in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

Responsibilities over internal control

The Company's Board of Directors is the primary sponsor of the internal control environment. The Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee are the specific bodies acting in the field of internal control and reporting to the Board of Directors. These committees comprise a majority of independent members.

Audit Committee

The Audit Committee meets at least every quarter before the Board of Directors meeting authorizing for issuance the quarterly and annual consolidated financial statements. The main responsibilities of the Audit Committee are the examination of the quarterly and annual financial statements including related disclosures, the internal control environment and the oversight of the work performed by the external auditors on the Company's financial statements, the assessment of the Company's risks exposure with a particular focus on Russia and Africa, cash transfers, guarantee lines and structure and cost of debt discussed by the Audit Committee in 2022. During 2022 financial year, the Audit Committee met five times.

Compensation Committee

The principal responsibilities of the Compensation Committee are the examination of the Company's remuneration policy, in particular changes in the global payroll, the review of the collective and individual objectives and the succession planning. The Compensation Committee meets at least once a year. During 2022 financial year, the Compensation Committee met two times.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee meets at least every quarter before the Board of Directors. It reports to the Board of Directors and is in charge of the supervision of the governance of the Company and its relationship with senior management. During FY 2022, an assessment of selected risks was performed. The Corporate Governance and Nominating Committee met four times during the 2022 financial year.

Internal control organization within the Company

The Company operates in various different countries worldwide and has organized its internal reporting process into a monthly centralized system which allows the flows of relevant operating and financial data upstream to management. The subsidiaries report under standardized forms which are prepared in accordance with IFRS. These forms include financial information such as detailed income statement data, cash flow and working capital data, capital expenditures and other relevant operational data. This reporting, combined with a comprehensive budgeting process and systematic reforecasting, reflects the latest operating conditions and market trends and allows management to perform thorough variance analysis. Management considers that this monthly reporting process provides a reasonable assurance over the monitoring of its operating and financial activities and an effective tool for the operating decision makers.

The financial controlling function is organized by region, internal control being a significant part of the regional controllers' duties. Timely on site reviews are performed by operating and financial representatives from corporate. Considering this organization, there is no dedicated internal control department.

The Company has a presence in Russia through its 50% shareholding in EDC Russia. The Company strictly complies with the imposed sanctions and applies all regulations to its facilities and operations in Russia. Management is examining means to discontinue its presence in the country consistent with Foraco policy and in a manner consistent with all applicable law. The Company will take the necessary time to proceed with the next steps considering the legal environment. The contribution of EDC Russia to the 2022 consolidated revenue was US$ 27.6 million. The contribution to the net consolidated result was US$ 2.0 million. The contribution to the 2022 consolidated net asset amounted to US$ 7.0 m.

Approach implemented by the Company

The Company implements an approach consisting of (i) evaluating the design of its control environment over financial reporting and (ii) documenting the related control activities and key controls in a risk control matrix. This approach is implemented at every significant location of the Company. Management also focuses on the integration of newly acquired businesses over which the Company's two step approach on internal control is implemented within a reasonable time period.

The Company views its internal control procedure as a process of continuous improvement and will make changes aimed at enhancing the effectiveness of its internal control and to ensure that processes evolve with the business.
There were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company regularly reviews its main risks and threats. A specific attention was paid in 2022 on the impact of the internal control processes. The conclusions were used to assess the adequacy of the Company's risk control matrix. The assessment did not reveal any significant deficiencies in the design and effectiveness of the Company's controls.

The Company has evaluated the effectiveness of the internal control procedures over financial reporting as at December 31, 2022 and has concluded that, subject to its inherent limitations, these were effective at a reasonable assurance level. The Company has evaluated the effectiveness of the Company's disclosure controls and concluded that, subject to its inherent limitations, the disclosure controls were effective for the year ended December 31, 2022.

Risk Factors

For a comprehensive discussion of the important factors that could impact the Company's operating results, please refer to the Company's Annual Information Form dated March 2, 2023, under the heading "Risk Factors", which has been filed with the Canadian regulators on SEDAR (www.sedar.com).