FORACO INTERNATIONAL S.A.

MANAGEMENT'S DISCUSSION & ANALYSIS

Three-month period ended March 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. (“Foraco” or the “Company”). This report has been prepared by Management and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three-month period ended March 31, 2022, including the notes thereto. These quarterly unaudited interim financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”). 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 in Note 2 to the unaudited interim condensed consolidated financial statements, these quarterly unaudited condensed interim consolidated financial statements were prepared using accounting policies and methods consistent with those used in the preparation of the Company’s audited consolidated financial statements for the year ended December 31, 2021. Except when 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 May 2, 2022.

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 30, 2022, 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 March 31, 2022, the Company had 2,930 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. These capabilities allow Foraco to tailor solutions to meet the specific conditions and drilling requirements of certain customers such as mining companies, governmental organizations and international development funds. Through its global operations the Company services a range of industries focusing on mining and water.

Foraco specializes in drilling in harsh environments and isolated locations including arctic, desert and mountainous regions, generally under conditions where operations are challenged by logistical matters and geographic barriers. The Company's engineers and technicians have developed special drilling methods which respond to the requirements of certain areas in which geology prevents the use of standard techniques and equipment. The Company has specialized equipment for, among other uses, helicopter-based drilling campaigns, combination rigs able to perform multi-drilling technique contracts, desert-suited rigs and large diameter core sampling systems.

Interim Consolidated Financial Highlights

Income Statement

(In thousands of US$) *(unaudited)*	Three-month period ended March 31, 2022	2021
Revenue	**67,740**	**54,551**
Gross profit / (loss) (1)	**9,560**	**6,061**
As a percentage of sales	*14.1%*	*11.1%*
EBITDA	**8,527**	**5,114**
As a percentage of sales	*12.6%*	*9.4%*
Operating profit / (loss)	**3,609**	**803**
As a percentage of sales	*5.3%*	*1.5%*
Profit / (loss) for the period	**778**	**(965)**
Attributable to:		
Equity holders of the Company	428	(995)
Non-controlling interests	350	30
EPS (in US cents)		
Basic	0.43	(1.11)
Diluted	0.42	(1.11)

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

Three-month period ended March 31, 2022 – Q1 2022

Revenue

- Revenue for Q1 2022 amounted to US$ 67.7 million compared to US$ 54.6 million in Q1 2021, an increase of 24%.
- Rig utilization rate was 53% in Q1 2022 compared to 48% in Q1 2021.

Profitability

- Q1 2022 gross margin including depreciation within cost of sales was US$ 9.6 million (or 14.1% of revenue) compared to US$ 6.1 million (or 11.1% of revenue) in Q1 2021, an increase of 58%.
- Ongoing contracts reported solid performances. Increased costs were passed on most of the new selling prices upon the renewal and the renegotiation of long term contracts.
- During the quarter, EBITDA amounted to US$ 8.6 million (or 12.6% of revenue), compared to US$ 5.1 million (or 9.4% of revenue) for the same quarter last year, an increase of 67 %.

Results of Operations

Comparison of the three-month periods ended March 31, 2022 and March 31, 2021

Revenue

The following table provides a breakdown of the Company's revenue for Q1 2022 and Q1 2021 by reporting segment and geographic region:

(In thousands of US$) - *(unaudited)*	Q1 2022	% change	Q1 2021
Reporting segment			
Mining	59,350	32%	45,102
Water	8,390	-11%	9,449
Total revenue	***67,740***	***24%***	***54,551***
Geographic region			
North America	21,600	16%	18,635
Europe, Middle East and Africa	15,168	-19%	18,828
South America	20,698	116%	9,580
Asia Pacific	10,274	37%	7,508
Total revenue	***67,740***	***24%***	***54,551***

Revenue for the quarter increased from US$ 54.6 million in Q1 2021 to US$ 67.7 million in Q1 2022 (+ 24%).

The increase in revenue in the Mining segment is the result of the favorable market dynamics with long-term rolling contracts started in 2021 and the capacity of the Company to deliver. The water activity decreased by 11% mainly due to the phasing of contracts compared to last year.

Activity in North America increased 16% with revenue at US$ 21.6 million in Q1 2022 compared to US$ 18.6 million in Q1 2021. This increase is mainly linked to the rolling of long-term contracts.

In EMEA, revenue for the quarter was US$ 15.2 million compared to US$ 18.8 million in Q1 2021, a decrease of 18%. In Africa, activity decreased by 41% compared to Q1 2021 mainly due to the phasing of contracts. The activity was stable in the other regions (Europe and CIS).

Revenue in South America increased by 116% to US$ 20.7 million in Q1 2022 (US$ 9.6 million in Q1 2021). This increase is mainly linked to new contracts mobilized during the first quarter and the lower impact of the pandemic which disrupted the region during the same period last year.

In Asia Pacific, Q1 2022 revenue amounted to US$ 10.3 million, an increase of 37% reflecting quarter over quarter the ongoing improvement of the activity.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for Q1 2022 and Q1 2021:

(In thousands of US$) - *(unaudited)*	Q1 2022	% change	Q1 2021
Reporting segment			
Mining	7,715	62%	4,752
Water	1,845	43%	1,289
Total gross profit	***9,560***	***58%***	***6,061***

The Q1 2022 gross margin including depreciation within cost of sales was US$ 9.6 million (or 14.1% of revenue) compared to US$ 6.1 million (or 11.1% of revenue) in Q1 2021. Ongoing contracts reported expected performances. All regions operated in a tight labor market generating inflation on costs and impacting project gross margins. Some of these cost increases were not yet compensated in our selling prices.

Selling, General and Administrative Expenses

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

(In thousands of US$) - *(unaudited)*	Q1 2022	% change	Q1 2021
Selling, general and administrative expenses	5,951	14%	5,238

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 9.6% in Q1 2021 to 8.8% in Q1 2022.

Operating result

The following table provides a breakdown of the Company's operating result for Q1 2022 and Q1 2021 by reporting segment:

(In thousands of US$) - *(unaudited)*	Q1 2022	% change	Q1 2021
Reporting segment			
Mining	2,501	n/a	421
Water	1,108	n/a	382
Total operating profit (loss)	**3,609**	***n/a***	**803**

The operating profit was US$ 3.6 million, resulting in a US$ 2.8 million increase thanks to the increased activity and the continued control over the operations and costs.

Finance costs

Net financial expenses were US$ 2.6 million in Q1 2022 compared to US$ 2.1 million in Q1 2021.

Income tax

Q1 is a quarter that is seasonally lower. The income tax expense being recognized based on Management's best estimate of the average annual income tax rate expected for the full financial year on a tax jurisdiction by tax jurisdiction basis, the corporate income tax for Q1 2022 was an expense of US$ 0.3 million compared to US$ 0.3 million profit in the same period for the previous year.

Seasonality

The worldwide presence of the Company reduces its overall exposure to seasonality and the influence this can have on the business activity. In West Africa, most of the Company's operations are suspended between July and October due to the rainy season. 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$ for the periods under review are as follows:

	Average Q1 2022	% change	Average Q1 2021	Closing Q1 2022	% change	Closing Q4 2021
€	0.89	7%	0.83	0.90	2%	0.88
CAD	1.27	-%	1.27	1.25	-2%	1.28
AUD	1.38	7%	1.29	1.33	-4%	1.38
CLP	809	12%	723	784	-8%	849
BRL	5.23	-4%	5.47	4.76	-16%	5.64
RUB	88.43	19%	74.39	85.43	15%	74.47

Liquidity and Capital Resources

The following table provides a summary of the Company's cash flows for Q1 2022 and Q1 2021:

(In thousands of US$)	Q1 2022	Q1 2021
Cash generated by operations before working capital requirements	**8,527**	**5,114**
Working capital requirements	(12,615)	(7,655)
Income tax paid	(2,586)	(1,240)
Purchase of equipment in cash	(5,235)	(4,418)
Free Cash Flow before debt servicing	**(11,910)**	**(8,199)**
Debt variance	5,422	3,906
Interests paid	(2,365)	(534)
Acquisition of treasury shares	(313)	(154)
Dividends paid to non-controlling interests	-	-
Net cash generated / (used in) financing activities	**2,745**	**3,218**
Net cash variation	**(9,165)**	**(4,881)**
Foreign exchange differences	232	329
Variation in cash and cash equivalents	**(8,933)**	**(4,653)**
Cash and cash equivalents at the end of the period	**14,991**	**16,310**

In Q1 2022, the cash generated from operations before working capital requirements amounted to US$ 8.5 million compared to US$ 5.1 million in Q1 2021.

In Q1 2022, the working capital requirement was US$12.6 million compared to a US$ 7.7 million in the same period last year. This is mainly linked to the improved activity requiring higher inventories and resulting in higher receivables at quarter end which is only partially offset by the increased amounts payable to suppliers.

During the period, Capex totaled US$ 5.2 million in cash compared to US$ 4.4 million in Q1 2021. Capex essentially relates to the acquisition of rigs, major rig overhauls, ancillary equipment and rods.

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

	March 31, 2022
Credit lines	7,661
Long-term debt	
Within one year	7,437
Between 1 and 2 years	10,216
Between 2 and 3 years	9,919
Between 3 and 4 years	74,464
Total	**109,696**

As at March 31, 2022, cash and cash equivalents totaled US$ 15.0 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 March 31, 2022, the net debt including operational lease obligations (IFRS 16) amounted to US$ 100.8 million (US$ 85.7 million as at December 31, 2021).

Bank guarantees as at March 31, 2022 totaled US$ 5.7 million compared to US$ 9.0 million as at December 31, 2021. The Company benefits from a confirmed contract guarantee line of € 6.5 million (US$ 7.1 million).

Covid 19

The Company continues to report improved key profitability indicators compared to pre-Covid-19 activity in the context of favourable market conditions. While the Company believes that the worst of the impacts of Covid-19 on the business have been felt, there remains a level of uncertainty.

Impairment testing

As at December 31, 2021, the Company performed impairment tests at the level of each geographic region using the carrying value of the Company's long-lived assets based on the expected discounted cash flows method. Based on the internal forecasts and projections made, the expected discounted future cash flows exceeded each of the long-lived asset's carrying amount for each geographic region and accordingly no impairment was recognized as at December 31, 2021.

Based on the current activity trend, the Company considers that there is no triggering event which would justify an impairment testing as at March 31, 2022.

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 exist.

Related-Party Transactions

For details of related-party transactions, please refer to Note 14 of the unaudited condensed interim consolidated financial statements.

Capital Stock

As at March 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	34.41%
Common shares held directly or indirectly by individuals in their capacity as members of the Board of Directors *	693,462	0.70%
Common shares held by the Company**	284,464	0.99%
Common shares held by the public	64,118,981	64.60%
Total common shares issued and outstanding	**99,251,798**	
Common shares held by the Company	(284,464)	
Total common shares issued and outstanding excluding shares held by the Company	**98,967,334**	

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

***284,464 common shares are held by the Company to meet the Company's obligations under the employee free share plan.*

Critical Accounting Estimates

The unaudited condensed interim 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 unaudited condensed interim 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 lease obligations are included in the net debt calculation.

Reconciliation of EBITDA is as follows:

(In thousands of US$) *(unaudited)*	Q1 2022	Q1 2021
Operating profit / (loss)	3,609	803
Depreciation expense	4,848	4,261
Non-cash employee share-based compensation	70	50
EBITDA	***8,527***	***5,114***

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.

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 - with a significant presence in water related drilling services - and a gradual implementation of advanced digital applications. The Company expects it will execute its strategy primarily through organic growth and targeted acquisitions.

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

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 30, 2022, under the heading "Risk Factors", which has been filed with the Canadian regulators on SEDAR (www.sedar.com).