

FORACO INTERNATIONAL S.A.

MANAGEMENT'S DISCUSSION & ANALYSIS

Three-month period ended March 31, 2026



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, 2026, 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, 2025. 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 at April 29, 2026.

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 using words such as "may", "will", "should", "plans", "expects", "intends", "anticipates", "believes", "budget", and "scheduled" or the negative thereof or variations thereof 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, 2026, which is filed with the Canadian regulators on SEDAR+ (www.sedarplus.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 Lunel, France, Foraco is a global provider of drilling services, maintaining a presence in 13 countries across five continents. As of March 31, 2026, the Company had 2,166 employees and had a fleet of 260 drill rigs worldwide, offering a broad range of drilling services to its clients. The Company has developed and acquired significant expertise including proprietary drill rig design capabilities. Its global operations cater to a variety of industries, with an emphasis on long-term valuable commodities and water.

Foraco's strategy involves assisting its clients in exploring or managing their deposits throughout the entire life cycle, with particular emphasis on activities extending the lifespan of mines. The Company plans to persist in expanding its services worldwide, prioritizing stable jurisdictions, high-tech drilling services, and an optimal mix of commodities, including battery metals and gold. Foraco maintains a substantial presence in water-related drilling services. It is also gradually implementing advanced digital applications. The company anticipates achieving its strategic goals primarily through organic growth and targeted acquisitions.

Foraco is attentive to environmental, social, and governance (ESG) requirements. It has implemented a pragmatic and measurable approach to ESG, using quantitative KPIs to ensure maximum improvements and efficiencies.

Interim Consolidated Financial Highlights

Income Statement

(In thousands of US\$) (unaudited)	Three -month period ended March 31,	
	2026	2025
Revenue	66,255	55,010
Gross profit (1)	7,089	7,729
<i>As a percentage of sales</i>	<i>10.7%</i>	<i>14.1%</i>
EBITDA	7,375	7,027
<i>As a percentage of sales</i>	<i>11.1%</i>	<i>12.8%</i>
Operating profit	2,059	2,894
<i>As a percentage of sales</i>	<i>3.1%</i>	<i>5.3%</i>
Net profit for the period	94	1,027
Attributable to:		
Equity holders of the Company	645	1,544
Non-controlling interests	(551)	(517)
EPS (in US cents)		
Basic.....	0.66	1.57
Diluted.....	0.65	1.54

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

Three-month period ended March 31, 2026 – Q1 2026

Revenue

- Revenue in Q1 2026 totaled US\$66.3 million, up 20.4% compared to Q1 2025, with growth across nearly all regions, particularly in Canada, the United States and South America.
- The rig utilization rate in Q1 2026 was 40% compared to 30% in Q1 2025.
- *Profitability*
- Gross margin for Q1 2026, including depreciation within cost of sales, was US\$7.1 million, representing 10.7% of revenue, compared to US\$7.7 million, or 14.1% of revenue, in Q1 2025. The year-on-year decrease reflects the mobilization of significant new contracts during the period, which typically generate lower margins in their initial phases.
- During the quarter, EBITDA amounted to US\$7.4 million (11.1% of revenue) compared to US\$7.0 million (12.8% of revenue) in the prior-year period.
- Net profit for the quarter amounted to US\$0.1 million compared to US\$1.0 million in the prior-year period.

Net debt

- As of March 31, 2026, net debt, including the impact of IFRS 16, was US\$90.9 million compared to US\$71.1 million as of December 31, 2025 as additional working capital and Capex financing was secured during the quarter to support growth.

Results of Operations

Comparison of the three-month periods ended March 31, 2026, and March 31, 2025

Revenue

The following table provides a breakdown of the Company's revenue for Q1 2026 and Q1 2025 by reporting segment and geographic region:

(In thousands of US\$) - (unaudited)	<u>Q1 2026</u>	<u>% change</u>	<u>Q1 2025</u>
<u>Reporting segment</u>			
Mining.....	57,009	30%	43,738
Water.....	<u>9,246</u>	<u>-18%</u>	<u>11,272</u>
Total revenue	<u>66,255</u>	<u>20%</u>	<u>55,010</u>
<u>Geographic region</u>			
North America.....	25,081	39%	18,099
Asia Pacific.....	14,071	-31%	20,393
South America.....	20,006	98%	10,118
Europe, Middle East and Africa.....	<u>7,097</u>	<u>11%</u>	<u>6,400</u>
Total revenue	<u>66,255</u>	<u>20%</u>	<u>55,010</u>

Revenue in Q1 2026 was US\$66.3 million, compared to US\$55.0 million in Q1 2025.

The increase in revenue in the Mining segment reflects favorable market conditions, supported by long-term contracts initiated at the end of 2025 and during the period. Water activity declined by 18%, primarily due to contract phasing compared to the prior year.

Activity in North America increased by 39% to US\$25.1 million in Q1 2026, compared to US\$18.1 million in Q1 2025. This growth was primarily driven by the mobilization of new contracts in Canada and the United States during the period.

Asia Pacific decreased by 31% compared to Q1 2025 mainly due to the phasing of contracts.

Revenue in South America increased by 98% to US\$20.0 million, compared to US\$10.1 million in Q1 2025. In Chile, the Company continued to mobilize new rigs under long-term contracts. In Brazil, additional long-term contracts were mobilized and revenue increased by 80% compared to Q1 2025. The ramp-up phase of these contracts temporarily weighed on margins, reflecting the normal learning curve associated with significant operational deployments.

In the EMEA region, revenue grew by 11% to US\$7.1 million in Q1 2026, compared to US\$6.4 million in Q1 2025 supported by new contracts mobilized during H2 2025.

Overall, rig utilization rate in Q1 2026 was 40% compared to 30% in Q1 2025.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for Q1 2026 and Q1 2025:

(In thousands of US\$) - (unaudited)	<u>Q1 2026</u>	<u>% change</u>	<u>Q1 2025</u>
<u>Reporting segment</u>			
Mining.....	4,516	12%	4,040
Water.....	<u>2,573</u>	<u>-30%</u>	<u>3,689</u>
Total gross profit	<u>7,089</u>	<u>-8%</u>	<u>7,729</u>

Gross margin for Q1 2026, including depreciation within cost of sales, was US\$7.1 million (10.7% of revenue) compared to US\$7.7 million (14.1% of revenue) in Q1 2025. The year-on-year decrease reflects the mobilization of significant new

long term contracts during the period, which typically generate lower margins in their initial phases.

Selling, General and Administrative Expenses

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

(In thousands of US\$) - <i>(unaudited)</i>	<u>Q1 2026</u>	<u>% change</u>	<u>Q1 2025</u>
Selling, general and administrative expenses	5,030	4%	4,835

SG&A expenses increased by 4% compared to the prior-year quarter. As a percentage of revenue, SG&A decreased to 7.6% from 8.8% in Q1 2025.

Operating result

The following table provides a breakdown of the Company's operating result for Q1 2026 and Q1 2025 by reporting segment:

(In thousands of US\$) - <i>(unaudited)</i>	<u>Q1 2026</u>	<u>% change</u>	<u>Q1 2025</u>
<u>Reporting segment</u>			
Mining	188	-4%	195
Water	<u>1,871</u>	<u>-31%</u>	<u>2,699</u>
Total operating profit	<u>2,059</u>	<u>-29%</u>	<u>2,894</u>

The operating profit was US\$2.1 million compared to US\$2.9 million in the same quarter last year.

Finance costs

Net financial expenses were US\$1.9 million in Q1 2026, compared to US\$1.5 million in Q1 2025, reflecting increased financing to support the Group's growth

Income tax

Q1 is a quarter that is seasonally lower. The income tax expense is 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. In Q1 2026, corporate income tax expense amounted to US\$38 thousand, down from US\$0.4 million in the same period of 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 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. 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. In Chile, certain contracts are also affected in July and August, when the winter season peaks.

Effect of Exchange Rates

The Company's operations span across a vast array of countries, each with their own functional currencies such as, Euros, Canadian Dollars, Australian Dollars, Chilean Pesos, and Brazilian Reals. The US Dollar has been adopted as the presentation currency for group reporting purposes. Over recent quarters, the US Dollar has experienced significant fluctuations in its value. This volatility has an impact on the Company's financial statements, due to the currency conversion required for financial reporting purposes.

The Company 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 Q1 2026	Average Q1 2025	Closing Q1 2026	Closing Q1 2025
€	0.85	0.95	0.87	0.92
CAD	1.37	1.44	1.39	1.43
AUD	1.44	1.59	1.46	1.59
CLP	886	964	927	950
BRL	5.27	5.86	5.25	5.76

Liquidity and Capital Resources

The following table provides a summary of the Company's cash flows for Q1 2026 and Q1 2025:

(In thousands of US\$)	<u>Q1 2026</u>	<u>Q1 2025</u>
Cash generated by operations before working capital requirements	7,375	7,027
Working capital requirements	(14,774)	(7,829)
Income tax paid	(878)	(1,960)
Purchase of equipment in cash	(9,882)	(3,296)
Free Cash Flow before debt servicing	(18,159)	(6,058)
Proceeds from / (repayment of) long-term debt	2,834	(1,666)
Proceeds / (Repayment) of working capital financing	5,361	6,056
Interests paid	(1,435)	(990)
Acquisition of treasury shares	(617)	(396)
Net cash generated / (used in) financing activities	6,143	3,004
Net cash variation	(12,016)	(3,054)
Foreign exchange differences	235	527
Variation in cash and cash equivalents	<u>(11,781)</u>	<u>(2,528)</u>
Cash and cash equivalents at the end of the period	<u>15,522</u>	<u>21,385</u>

In Q1 2026, the cash generated from operations before working capital requirements amounted to US\$7.4 million compared to US\$7.0 million in Q1 2025.

During the same period, working capital requirements were US\$14.8 million, an increase compared to the same period last year, primarily driven by increased activity and the ramp-up of new contracts.

During the period, capital expenditures totaled US\$9.9 million in cash, compared to US\$3.3 million in Q1 2025. Capex primarily relates to five new rigs, as well as ancillary equipment and rods associated with long-term contracts secured in 2025, which contributed to the record order book of US\$404 million as of December 31, 2025.

During the period, the Group secured new financing arrangements to support its investment program and working capital needs, including a US\$4.7 million loan to finance capital expenditures and a US\$4.0 million credit line in the United States dedicated to working capital.

As at March 31, 2026, the maturity of financial debt can be analyzed as presented in the table below:

<i>In thousands US\$</i>	March 31, 2026
Credit lines	18,877
Long-term debt	
Within one year	17,614
Between 1 and 2 years	15,930
Between 2 and 3 years	43,558
Between 3 and 4 years	3,007
Between 4 and 5 years	2,150
More than 5 years	58
Total	100 994
IFRS 16	5,432
Cash	(15,522)
Net Debt	90 904

As at March 31, 2026, cash and cash equivalents totaled US\$15.5 million, compared to US\$27.3 million as at December 31, 2025. Cash and cash equivalents are mainly held with, or invested through, top-tier financial institutions.

As at March 31, 2026, the net debt including operational lease obligations (IFRS 16) was US\$90.9 million (US\$71.1 million as at December 31, 2025).

As of March 31, 2026, the Company had US\$18 million of undrawn credit facilities and was in compliance with all financial covenants. No material refinancing risk is anticipated in the next twelve months.

Cash Transfer Restrictions

Foraco operates in several different countries where cash transfer restrictions apply. The Company limits its activities in countries where there are 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 14 of the unaudited condensed interim consolidated financial statements. Related-party transactions mainly consist of routine intercompany services and management compensation, conducted on an arm's-length basis.

Capital Stock

As at March 31, 2026, the total common shares of the Company are distributed as follows:

	Number of shares
Common shares held directly or indirectly by principal shareholders	33,155,191
Common shares held directly, indirectly or controlled by Officers and individuals in their capacity as members of the Board of Directors	3,395,072
Common shares held by the Company	1,300,697
Common shares held by the public (*)	61,400,838
Total shares issued and outstanding	99,251,798
Common shares held by the Company	(1,300,697)
Total common shares issued and outstanding	97,951,101

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

***1,300,697 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 is defined as current and non-current borrowings and lease liabilities, less cash and cash equivalents. This indicator is not defined under IFRS and is used by management to monitor the Group's financial position.

Reconciliation of EBITDA is as follows:

(In thousands of US\$) (unaudited)	<u>Q1 2026</u>	<u>Q1 2025</u>
Operating profit / (loss)	2,059	2,894
Depreciation expense	5,159	3,983
Non-cash employee share-based compensation	157	150
EBITDA	<u>7,375</u>	<u>7,027</u>

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 the outcome of these matters to have a material adverse effect on either the Company's consolidated financial position, results of operations or cash flows.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements that are reasonably likely to affect its financial condition or liquidity.

Subsequent Events

There are no significant post balance sheet events.

Internal Controls over Financial Reporting (ICFR) / Disclosure Controls

Management continues to assess the effectiveness of internal controls over financial reporting. No material changes were identified during the quarter.

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, 2026, under the heading "Risk Factors", which has been filed with the Canadian regulators on SEDAR+ (www.sedarplus.com). No new material risks have been identified during the quarter.