FORACO INTERNATIONAL S.A.

MANAGEMENT'S DISCUSSION & ANALYSIS

Three-month and six-month periods ended June 30, 2023

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 and six-month periods ended June 30, 2023, 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, 2022. 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 July 27, 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 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 3, 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 global provider of drilling services, maintaining a presence in 22 countries across five continents. As of June 30, 2023, the company had close to 3,000 employees and had a fleet of 302 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 June 30,		Six-month period ended June 30,	
	2023	**2022**	**2023**	**2022**
Revenue	**100,066**	**86,498**	**188,444**	**154,239**
Gross profit (1)	**25,964**	**18,787**	**47,082**	**28,348**
As a percentage of sales	*25.9%*	*21.7%*	*25.0%*	*18.4%*
EBITDA	**23,812**	**17,867**	**42,943**	**26,394**
As a percentage of sales	*23.8%*	*20.7%*	*22.8%*	*17.1%*
Operating profit	**18,857**	**12,617**	**33,071**	**16,227**
As a percentage of sales	*18.8%*	*14.6%*	*17.5%*	*10.5%*
Net profit for the period	**11,054**	**7,164**	**19,055**	**7,942**
Attributable to:				
Equity holders of the Company	8,814	5,059	15,449	4,887
Non-controlling interests	2,240	2,105	3,606	3,055
EPS (in US cents)				
Basic	8.92	5.12	15.61	4.95
Diluted	8.73	4.99	15.29	4.82

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

Three-month period ended June 30, 2023 – Q2 2023

On April 5, 2023, the Company entered into a preliminary agreement to sell its 50% stake in Eastern Drilling Company (EDC) to its Russian partners. The execution of this agreement, which is anticipated to occur in the second half of 2023, remains uncertain, as it is subject to the approval of Russian authorities, an outcome anticipated but not definitively confirmed. EDC contributions to Foraco's consolidated revenues were US$ 3.8 million and US$ 3.9 million in Q1 and Q2 of 2023, for a net income close to nil for the six-month period.

Revenue

- In Q2 2023, Foraco's revenue rose to US$ 100.1 million, marking a 16% increase from the US$ 86.5 million generated in Q2 2022. This growth is attributed to the solid performance of main contracts.

Profitability

- Q2 2023 gross margin, including depreciation within cost of sales, reached US$ 26.0 million (representing 25.9% of revenue), a substantial increase of 39% from the US$ 18.8 million (or 21.7% of revenue) recorded in Q2 2022. The uplift was driven by the satisfactory performance of contracts and an increase contribution of value-added drilling services.

- For the quarter, EBITDA totaled US$ 23.8 million (or 23.8% of revenue), a 33% increase from the US$ 17.9 million (or 20.7% of revenue) for the corresponding quarter of the previous year."

- The Free Cash Flow before debt service for the period stood at US$ 11.3 million. The company had anticipated the increased working capital requirements corresponding to the robust revenue growth seen in H1.

Six-month period ended June 30, 2023 – H1 2023

Revenue

- For the six-month period ending June 30, 2023 (H1 2023), the revenue amounted to US$ 188.4 million, a 22% increase from US$ 154.2 million in H1 2022. This surge in revenue is due to the solid performance of main contracts and the delivery of more-added drilling services.

Profitability

- In H1 2023, the gross margin, inclusive of depreciation within cost of sales, was US$ 47.1 million (or 25.0% of revenue), a significant 66% increase from US$ 28.3 million (or 18.4% of revenue) in H1 2022. This boost resulted from good contract performance, improved selling prices, and the delivery of more value-added drilling services.

- During H1, EBITDA amounted to US$ 42.9 million (or 22.8% of revenue), a 63% increase from US$ 26.4 million (or 17.1% of revenue) for the same period last year.

Results of Operations

Comparison of the three-month periods ended June 30, 2023 and June 30, 2022

Revenue

The following table provides a breakdown of the Company's revenue for Q2 2023 and Q2 2022 by reporting segment and geographic region:

(In thousands of US$) - *(unaudited)*	Q2 2023	% change	Q2 2022
Reporting segment			
Mining	87,933	20%	73,453
Water	12,133	-7%	13,045
Total revenue	***100,066***	***16%***	***86,498***
Geographic region			
South America	39,016	56%	25,001
North America	31,176	17%	26,598
Asia Pacific	16,731	20%	13,910
Europe, Middle East and Africa	13,143	-37%	20,989
Total revenue	***100,066***	***16%***	**67,740**

The company's quarterly revenue experienced a 16% surge, escalating from US$ 86.5 million in Q2 2022 to US$ 100.1 million in Q2 2023. The hike in revenue was driven by the solid performance of main contracts and the provision of more value-added drilling services which more than compensated for the decline in activity in certain regions due to political and economic instability. The rig utilization rate remained stable at 59% for Q2 2023, compared to Q2 2022, with underlying disparities across regions with notably lower rates in CIS and higher rates in other areas.

The uptick in the Mining segment's revenue can be attributed to favorable market dynamics. Long-term rolling contracts, renegotiated and extended last year, coupled with the company's proven delivery capability, played a crucial role. In the water segment, revenue experienced a slight dip due to the phasing of contracts.

North American operations reported a 17% revenue increase, reaching US$ 31.2 million in Q2 2023 from US$ 26.6 million in Q2 2022. This improvement was driven by heightened activity on long-term contracts renewed last year with senior customers.

South American revenue swelled by 56% to US$ 39.0 million in Q2 2023, up from US$ 25.0 million in Q2 2022. All countries reported an upsurge in activity, powered by new long-term contracts with senior companies.

In the Asia Pacific region, revenue for Q2 2023 rose to US$ 16.7 million, a 20% increase that reflects a quarter-over-quarter increase in demand and a gain in market share.

Revenue for the EMEA region saw a 37% decrease, moving down to US$ 13.1 million in Q2 2023 from US$ 21.0 million in Q2 2022. Revenues in Southern Europe and Africa remained stable compared to Q2 2022, while activity in the CIS decreased by 56% due to political and economic uncertainties in the region.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for Q2 2023 and Q2 2022:

(In thousands of US$) - *(unaudited)*	Q2 2023	% change	Q2 2022
Reporting segment			
Mining	22,846	47%	15,511
Water	3,118	-5%	3,276
Total gross profit	***25,964***	***38%***	***18,787***

For Q2 2023, the gross margin, inclusive of depreciation within cost of sales, reached US$ 26.0 million (or 25.9% of the revenue). This shows a substantial rise when compared to Q2 2022's US$ 18.8 million (or 21.7% of the revenue). This reflects the solid operating performance of contracts.

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)*	Q2 2023	% change	Q2 2022
Selling, general and administrative expenses	7,107	15%	6,170

SG&A increased compared to the same quarter last year mainly due to the level of activity. As a percentage of revenue, SG&A remained stable at 7.1% of the revenue.

Operating result

The following table provides a breakdown of the Company's operating result for Q2 2023 and Q2 2022 by reporting segment:

(In thousands of US$) - *(unaudited)*	Q2 2023	% change	Q2 2022
Reporting segment			
Mining	16,601	62%	10,272
Water	2,256	-4%	2,345
Total operating profit	***18,857***	***49%***	***12,617***

The operating profit reached US$ 18.9 million, resulting in a US$ 6.2 million increase driven by heightened activity levels and enhanced profit margins.

Finance costs

In Q2 2023, net financial expenses climbed to US$ 3.5 million, up from US$ 2.8 million in Q2 2022. This uptick is primarily attributable to the increased reference interest rates over the period.

Income tax

The income tax for Q2 2023 totaled US$ 4.3 million, up from US$ 2.7 million during the same period in the previous year. This figure was calculated using management's best estimate of the annual average income tax rate for the full financial year, determined on a jurisdiction-by-jurisdiction basis.

Comparison of the six-month periods ended June 30, 2023 and June 30, 2022

Revenue

The following table provides a breakdown of the Company's revenue for H1 2023 and H1 2022 by reporting segment and geographic region:

(In thousands of US$) - *(unaudited)*	H1 2023	% change	H1 2022
Reporting segment			
Mining	162,452	22%	132,804
Water	25,992	21%	21,435
Total revenue	***188,444***	***22%***	***154,239***
Geographic region			
South America	70,158	54%	45,700
North America	60,902	26%	48,198
Asia Pacific	32,738	35%	24,184
Europe, Middle East and Africa	24,645	-32%	36,158
Total revenue	***188,444***	***22%***	**154,239**

The uptick in revenue for the Mining and Water segments can be attributed to favorable market dynamics, with the Company having renegotiated and extended its long-term rolling contracts since the previous year. Coupled with the Company's proven capacity to deliver, this has generated significant growth.

North American operations saw a 26% surge in activity, with revenues climbing to US$ 60.9 million in H1 2023, up from US$ 48.2 million in H1 2022. This increase primarily resulted from the early remobilization of long-term contracts with senior clients, renewed in the previous year.

In South America, revenues spiked by 54% to reach US$ 70.2 million in H1 2023, a notable increase from US$ 45.7 million in H1 2022. This was driven by all countries ramping up their activity levels, supported by new long-term contracts with senior companies.

In the Asia Pacific region, H1 2023 revenues rose to US$ 32.7 million, a 35% increase, reflecting period-over-period growth in demand and expansion of market share.

In the EMEA region, revenue for H1 2023 was US$ 24.6 million, showing a 32% decrease compared to the US$ 36.2 million in H1 2022. While revenues in Southern Europe and Africa experienced a slight increase compared to H1 2022, operations in the CIS countries saw a 52% decline, primarily due to political and economic uncertainties in the region.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for H1 2023 and H1 2022:

(In thousands of US$) - *(unaudited)*	H1 2023	% change	H1 2022
Reporting segment			
Mining	40,490	74%	23,226
Water	6,592	29%	5,121
Total gross profit	***47,082***	***66%***	***28,347***

In H1 2023, the gross margin, inclusive of depreciation within the cost of sales, rose to US$ 47.1 million (or 25.0% of the total revenue). This marked a significant surge compared to the US$ 28.3 million (or 18.4% of revenue) in H1 2022. The substantial increase underscores the robust performance and efficiency of contracts.

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)*	**H1 2023**	**% change**	**H1 2022**
Selling, general and administrative expenses	14,011	16%	12,121

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 7.9% in H1 2022 to 7.4% in H1 2023.

Operating result

The following table provides a breakdown of the Company's operating result for H1 2023 and H1 2022 by reporting segment:

(In thousands of US$) - *(unaudited)*	**H1 2023**	**% change**	**H1 2022**
Reporting segment			
Mining	28,424	123%	12,773
Water	4,647	35%	3,453
Total operating profit	***33,071***	***104%***	***16,226***

The operating profit reached US$ 33.1 million, resulting in a US$ 16.8 million increase driven by heightened activity levels and enhanced operational margins.

Finance costs

The net financial expenses for H1 2023 stood at US$ 7.1 million, which is a rise from the US$ 5.4 million recorded in H1 2022. This uptick is primarily attributable to the increased reference interest rates over the period.

Income tax

The income tax for H1 2023 totaled US$ 7.0 million, up from US$ 2.9 million during the same period in the previous year. This figure was calculated using management's best estimate of the annual average income tax rate for the full financial year, determined on a jurisdiction-by-jurisdiction basis."

Seasonality

The worldwide presence of the Company reduces its overall exposure to seasonality and the influence this can have on 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. Certain contracts are also affected in Chile 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, Canadian Dollars, Brazilian Reals, Australian Dollars, Chilean Pesos, and Euros. 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 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 Q2 2023	**Average Q2 2022**	**Average Q1 2023**	**Average Q1 2022**	**Closing Q2 2023**	**Closing Q4 2022**
€	0.92	0.94	0.93	0.89	0.92	0.94
CAD	1.34	1.28	1.35	1.27	1.33	1.35
AUD	1.50	1.40	1.46	1.38	1.51	1.47
CLP	800	842	810	809	801	853
BRL	4.94	4.91	5.19	5.23	4.85	5.28

Liquidity and Capital Resources

The following table provides a summary of the Company’s cash flows for H1 2023 and H1 2022:

(In thousands of US$)	H1 2023	H1 2022
Cash generated by operations before working capital requirements	**42,943**	**26,394**
Working capital requirements	(14,264)	(12,427)
Income tax paid	(5,636)	(3,980)
Purchase of equipment in cash	(14,162)	(8,574)
Free Cash Flow before debt servicing	**8,881**	**1,412**
Proceeds from / (repayment of) debt	5,328	3,252
Interests paid	(6,824)	(4,645)
Acquisition of treasury shares	(609)	(749)
Dividends paid to non-controlling interests	(699)	-
Net cash generated / (used in) financing activities	**(2,804)**	**(2,142)**
Net cash variation	**6,077**	**(730)**
Foreign exchange differences	(595)	397
Variation in cash and cash equivalents	**5,482**	**(332)**
Cash and cash equivalents at the end of the period	**34,890**	**23,592**

In H1 2023, the cash generated from operations before working capital requirements amounted to US$ 42.9 million compared to US$ 26.4 million in H1 2022.

During the same period, the working capital requirements reached US$ 14.3 million, slightly up from US$ 12.4 million in the previous year. The additional working capital requirement is a result of the heightened activity levels and the seasonality of the activity.

During the period, Capex totaled US$ 14.2 million in cash compared to US$ 8.6 million in H1 2022. Capex relates essentially to the acquisition of rigs, major rig overhauls, ancillary equipment and rods. Three large rigs were added to the fleet during the period.

As at June, 2023, the maturity of financial debt can be analyzed as presented in the table below:

In thousands US$	**June 30, 2023**
Credit lines	8,283
Long-term debt	
Within one year	13,731
Between 1 and 2 years	10,556
Between 2 and 3 years	75,051
Between 3 and 4 years	478
Between 4 and 5 years	84
Total	**108,163**
IFRS 16	**7,155**
Cash	**34,890**
Net Debt	**80,448**

As at June 30, 2023, cash and cash equivalents totaled US$ 34.9 million compared to US$ 29.4 million as at December 31, 2022. Cash and cash equivalents are mainly held at or invested within top tier financial institutions.

As at June 30, 2023, the net debt including operational lease obligations (IFRS 16) amounted to US$ 80.4 million (US$ 76.2 million as at December 31, 2022).

The Net debt to EBITDA ratio as at June 30, 2023 was slightly below 1.0 (1.1 at year-end 2022) reflecting enhanced financial position in a quarter generally affected by increased activity and associated working capital requirements.

Bank guarantees as at June 30, 2023 totaled US$ 7.8 million compared to US$ 9.4 million as at December 31, 2022.

Cash Transfer Restrictions

Foraco operates in a number of different countries where cash transfer restrictions may exist. 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.

Capital Stock

As at June 30, 2023, 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 (**)	434,077
Common shares held by the public	63,964,068
Total shares issued and outstanding	**99,251,798**
Common shares held by the Company	(434,077)
Total common shares issued and outstanding	**98,817,721**

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

***434,077 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 Company's lease obligations are included in the net debt calculation.

Reconciliation of EBITDA is as follows:

(In thousands of US$) *(unaudited)*	Q2 2023	Q2 2022	H1 2023	H1 2022
Operating profit / (loss)..	18,857	12,617	33,071	16,227
Depreciation expense	4,866	5,170	9,692	10,018
Non-cash employee share-based compensation........................	90	70	180	150
EBITDA	***23,812***	***17,867***	***42,943***	***26,394***

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.

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 3, 2023, under the heading "Risk Factors", which has been filed with the Canadian regulators on SEDAR (www.sedar.com).