FORACO INTERNATIONAL S.A.

MANAGEMENT'S DISCUSSION & ANALYSIS

Three-month and nine-month periods ended September 30, 2021

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 nine-months periods ended September 30, 2021, 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, 2020. 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 November 2, 2021.

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, 2021, which is filed with 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 with presence in 22 countries and 5 continents. On September 30, 2021, the Company had 2,693 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 September 30,		Nine-month period ended September 30,	
	2021	2020	2021	2020
Revenue	**70,574**	**55,924**	**200,793**	**152,945**
Gross profit / (loss) (1)	**14,858**	**12,836**	**36,708**	**29,262**
As a percentage of sales	*21.1%*	*23.0%*	*18.3%*	*19.1%*
EBITDA	**13,802**	**11,582**	**33,621**	**26,208**
As a percentage of sales	*19.6%*	*20.7%*	*16.7%*	*17.1%*
Operating profit / (loss)	**8,988**	**7,623**	**19,840**	**13,808**
As a percentage of sales	*12.7%*	*13.6%*	*9.9%*	*9.0%*
Profit / (loss) for the period	**32,093**	**4,247**	**36,785**	**5,459**
Attributable to:				
Equity holders of the Company	30,408	2,949	33,219	2,633
Non-controlling interests	1,685	1,298	3,566	2,827
EPS (in US cents)				
Basic	30.91	3.28	35.78	2.93
Diluted	29.90	3.19	34.60	2.86

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

Balance Sheet

- On July 7, 2021, the Company finalized its financial reorganization through the raising of US$ 100 million of new bonds and the early redemption of its euro-denominated bonds maturing in May 2022.
- The net debt after the impact of the financial reorganization and of IFRS 16 was US$ 86.1 million as at September 30, 2021 compared to US$ 141.7 million as at December 31, 2020.
- Following this reorganization, the net debt to equity ratio is 1.3 and the leverage ratio (Net debt / TTM EBITDA) is 2.1.

<u>Three-month period ended September 30, 2021 – Q3 2021</u>

Revenue

- Revenue of the period amounted to US$ 70.6 million compared to US$ 55.9 million in Q3 2020, an increase of 26%. The Company benefited from favourable market dynamics compared to 2020,
- This trend is confirmed by the rig utilization rate which was 60% in Q3 2021 compared to 49% in Q3 2020.

Profitability

- The Q3 2021 gross margin including depreciation within cost of sales was US$ 14.9 million (or 21.1% of revenue) compared to US$ 12.8 million (or 23.0% of revenue) in Q3 2020. Ongoing contracts reported solid performances while some costs increased are not yet compensated in the selling prices.

- During the quarter, EBITDA amounted to US$ 13.8 million (or 19.6% of revenue), a 19% increase compared to US$ 11.6 million (or 20.7% of revenue) for the same quarter last year.

Nine-month period ended September 30, 2021 – YTD Q3 2021

Revenue

- YTD Q3 2021 revenue amounted to US$ 200.8 million compared to US$ 152.9 million in YTD Q3 2020 an increase of 31%.

Profitability

- YTD Q3 2021 gross margin including depreciation within cost of sales was US$ 36.7 million (or 18.3% of revenue) compared to US$ 29.3 million (or 19.1% of revenue) in YTD Q3 2020.

- During the period, EBITDA amounted to US$ 33.6 million (or 16.7% of revenue), compared to US$ 26.2 million (or 17.1% of revenue) for the same period last year.

Results of Operations

Comparison of the three-month periods ended September 30, 2021 and September 30, 2020

Revenue

The following table provides a breakdown of the Company's revenue for Q3 2021 and Q3 2020 by reporting segment and geographic region:

(In thousands of US$) - *(unaudited)*	Q3 2021	% change	Q3 2020
Reporting segment			
Mining	61,793	41%	43,790
Water	8,781	-28%	12,134
Total revenue	***70,574***	***26%***	***55,924***
Geographic region			
North America	25,131	23%	20,423
Europe, Middle East and Africa	19,684	15%	17,118
South America	14,057	71%	8,228
Asia Pacific	11,702	12%	10,155
Total revenue	***70,574***	***26%***	***55,924***

Revenue of the quarter increased from US$ 55.9 million in Q3 2020 to US$ 70.6 million in Q3 2021 (26%).

The increase in revenue in Mining segment is the result of the favorable market dynamics. The water activity decreased by 28% mainly due to phasing of contracts compared to last year which is not indicative of the business trend.

Activity in North America increased 23% with revenue at US$ 25.1 million in Q3 2021 compared to US$ 20.4 million in Q3 2020. This increase is mainly linked to new long term rolling contracts.

In EMEA revenue for the quarter was US$ 19.7 million compared to US$ 17.1 million in Q3 2020, an increase of 15%. In Africa, activity decreased by 16% compared to Q3 2020 mainly due to phasing of contracts. In Russia, activity increased by 45% thanks to new significant contracts secured during Q1 2021.

Revenue in South America increased by 71% at US$ 14.1 million in Q3 2021 (US$ 8.2 million in Q3 2020). The activity in the region was particularly impacted in Q3 2020 by the effect of the pandemic which disrupted the commercial and operational activities.

In Asia Pacific, Q3 2021 revenue amounted to US$ 11.7 million, an increase of 12%. Contracts mobilized during the first semester continue and will go through the end of 2022.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for Q3 2021 and Q3 2020:

(In thousands of US$) - *(unaudited)*	Q3 2021	% change	Q3 2020
Reporting segment			
Mining	13,076	34%	9,773
Water	1,782	-42%	3,063
Total gross profit	***14,858***	***16%***	***12,836***

The Q3 2021 gross margin including depreciation within cost of sales was US$ 14.9 million (or 21.1% of revenue) compared to US$ 12.8 million (or 23.0% of revenue) in Q3 2020. Ongoing contracts reported solid performances while some costs increased were not compensated in our selling prices. All regions face ongoing pressures on supply chains and procurement and operate in a tight labor market which generates inflation on costs and impact the project gross margins.

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)*	Q3 2021	% change	Q3 2020
Selling, general and administrative expenses	5,870	13%	5,213

SG&A increased compared to the same quarter last year mainly due to the level of activity with some increased costs linked to inflationary pressure. As a percentage of revenue, SG&A decreased from 9.3% in Q3 2020 to 8.3% in Q3 2021.

Operating result

The following table provides a breakdown of the Company's operating result for Q3 2021 and Q3 2020 by reporting segment:

(In thousands of US$) - *(unaudited)*	Q3 2021	% change	Q3 2020
Reporting segment			
Mining	7,936	39%	5,691
Water	1,052	-46%	1,932
Total operating profit (loss)	**8,988**	***18%***	**7,623**

The operating profit was US$ 9.0 million, a US$ 1.4 million increase as a result of the increase in activity and the continued control over the operations and SG&A expenses.

Finance costs

Net financial expenses were stable at US$ 2.1 million in Q3 2021 compared to US$ 2.0 million in Q3 2020.

Income tax

In Q3 2021, the corporate income tax expense was US$ 9.4 million including US$ 9.0 million non cash related to the gain on refinancing compared to US$ 1.4 million in the same period last year. 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.

Comparison of the nine-month periods ended September 30, 2021 and September 30, 2020

Revenue

The following table provides a breakdown of the Company's revenue for YTD Q3 2021 and YTD Q3 2020 by reporting segment and geographic region:

(In thousands of US$) - *(unaudited)*	YTD Q3 2021	% change	YTD Q3 2020
Reporting segment			
Mining	171,632	38%	124,298
Water	29,161	2%	28,647
Total revenue	***200,793***	***31%***	***152,945***
Geographic region			
North America	69,489	38%	50,269
Europe, Middle East and Africa	62,985	26%	49,981
South America	36,456	52%	24,031
Asia Pacific	31,863	11%	28,664
Total revenue	***200,793***	***31%***	***152,945***

YTD Q3 2021 revenue amounted to US$ 200.8 million compared to US$ 152.9 million in YTD Q3 2020, an increase of 31%.

The increase in revenue is the result of the combination of favorable market dynamics and the lower impact of Covid-19 on the 2021 operations.

Revenue in North America increased by 38% to US$ 69.5 million in YTD Q3 2021 from US$ 50.3 million in YTD Q3 2020, a growth driven by long term contracts This increase is also due to the fact that Q2 2020 was particularly affected by the Covid-19 pandemic.

In EMEA, revenue increased by 26%, to US$ 63.0 million in YTD Q3 2021 from US$ 50.0 million in YTD Q3 2020. Both Russia and Africa areas showed sustained activity.

Revenue in South America increased by 52% at US$ 36.5 million in YTD Q3 2021 (US$ 24.0 million in YTD Q3 2020). The activity in the region was particularly impacted by the effect of the Covid-19 pandemic in YTD Q3 2020.

In Asia Pacific, YTD Q3 2021 revenue amounted to US$ 31.9 million, an increase of 11%.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for YTD Q3 2021 and YTD Q3 2020:

(In thousands of US$) - *(unaudited)*	YTD Q3 2021	% change	YTD Q3 2020
Reporting segment			
Mining	30,698	40%	21,941
Water	6,010	*-18%*	7,321
Total gross profit / (loss)	***36,708***	***25%***	***29,262***

The YTD Q3 2021 gross margin including depreciation within cost of sales was US$ 36.8 million compared to US$ 29.3 million in YTD Q3 2020. Ongoing contracts reported solid performances while some new contracts in mobilization phase generated a lower percentage of gross margin. All regions face ongoing inflationary pressures on operating costs. There is generally a time lag before these costs increases can be passed on through selling prices.

Selling, General and Administrative Expenses

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

(In thousands of US$) - *(unaudited)*	YTD Q3 2021	% change	YTD Q3 2020
Selling, general and administrative expenses	16,868	9%	15,454

SG&A increased by 9% compared to the same period last year. As a percentage of revenue, SG&A decreased from 10.1% to 8.4% of revenue.

Operating result

The following table provides a breakdown of the Company's operating result for YTD Q3 2021 and YTD Q3 2020 by reporting segment:

(In thousands of US$) - *(unaudited)*	YTD Q3 2021	% change	YTD Q3 2020
Reporting segment			
Mining	16,299	74%	9,357
Water	3,541	-20%	4,451
Total operating gain (loss)	**19,840**	***44%***	**13,808**

The operating profit was US$ 19.8 million in YTD Q3 2021, a US$ 6.0 million improvement compared to YTD Q3 2020 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$ 6.9 million in YTD Q3 2021 from US$ 6.4 million in YTD Q3 2020.

Income tax

In YTD Q3 2021, the corporate income tax expense was US$ 10.9 million including US$ 9.0 million non cash related to the gain on refinancing. compared to US$ 1.9 million for the same period last year. The income tax loss 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.

Seasonality

The worldwide presence of the Company reduces its overall exposure to seasonality and its influence on 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 very large number of countries with functional currencies (Euros, Canadian Dollars, Australian Dollars, Chilean Pesos, Brazilian Reals and Russian Rubles) different than the US Dollar, the presentation currency of the Group. The significant variation of the US Dollar over the last quarters has had a substantial impact on the Company's financial statements. The impact of exchange rates on each significant line item of the income statement is reported above.

However, 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$ for the periods under review are as follows:

	Average Q3 2021	**Average Q2 2021**	**Average Q1 2021**	**Average Q3 2020**	**Average Q2 2020**	**Average Q1 2020**	**Closing Q3 2021**	**% change**	**Closing Q4 2020**
€	0.85	0.83	0.83	0.81	0.91	0.91	0.86	1%	0.81
CAD	1.26	1.23	1.27	1.40	1.39	1.34	1.27	-1%	1.28
AUD	1.36	1.30	1.29	1.33	1.52	1.52	1.39	6%	1.31
CLP	772	716	723	781	823	804	805	13%	713
BRL	5.23	5.31	5.47	5.38	5.37	4.45	5.23	4%	5.20
RUB	73.43	74.17	74.39	73.75	72.32	66.79	72.70	2%	74.19

Liquidity and Capital Resources

The following table provides a summary of the Company's cash flows for YTD Q3 2021 and YTD Q3 2020:

(In thousands of US$)	YTD Q3 2021	YTD Q3 2020
Cash generated by operations before working capital requirements	**33,621**	**26,208**
Working capital requirements	(5,643)	(1,648)
Income tax paid	(4,670)	(1,664)
Purchase of equipment in cash	(14,677)	(7,313)
Free Cash Flow before debt servicing	**8,631**	**15,582**
Proceeds from issuance of bonds, net of issuance costs	95,564	-
Repayments of Bonds including costs paid	(96,125)	-
Repayments of borrowings and others	(4,600)	(7,598)
Interests paid	(839)	(2,237)
Acquisition of treasury shares	(263)	(27)
Dividends paid to non-controlling interests	(1,217)	(1,978)
Net cash generated / (used in) financing activities	**(7,480)**	**(11,840)**
Net cash variation	**1,151**	**4,576**
Foreign exchange differences	207	(698)
Variation in cash and cash equivalents	**1,359**	**3,878**
Cash and cash equivalents at the end of the period	**22,319**	**19,931**

In YTD Q3 2021, the cash generated from operations before working capital requirements amounted to US$ 33.6 million compared to US$ 26.2 million in YTD Q3 2020.

In YTD Q3 2021, the working capital requirement was US$5.6 million compared to US$ 1.6 million in the same period last year exclusively linked to increased activity.

During the period, the Capex was US$ 14.7 million in cash compared to US$ 7.3 million in YTD Q3 2020. The higher 2021 Capex is also driven by the increased activity. Capex relates to acquisition of rigs, major rigs overhauls, ancillary equipment and rods.

On July 7, 2021, the Company finalized its financial reorganization related to the early redemption of its euro-denominated bonds amounting to US$145,871 thousand as at June 30, 2021 maturing in May 2022 through a cash payment of US$ 96.1 million. The Company raised US$ 96.1 million net of OID and related transaction fees. The new bonds will mature in December 2025.

As at September 30, 2021, the maturity of financial debt can be analyzed as presented in the table below:

	September 30, 2021
Credit lines	954
Long-term debt	
Within one year	7,574
Between 1 and 2 years	10,202
Between 2 and 3 years	9,930
Between 3 and 4 years	9,626
Between 4 and 5 years	64,428
Total	**102,714**

As at September 30, 2021, cash and cash equivalents totaled US$ 22.3 million compared to US$ 21.0 million as at December 31, 2020. Cash and cash equivalents are mainly held at or invested within top tier financial institutions.

As at September 30, 2021, the net debt including operation lease obligation (IFRS 16) implementation amounted to US$ 86.1 million (US$ 141.7 million as at December 31, 2020).

Bank guarantees as at September 30, 2021 totaled US$ 9.7 million compared to US$ 8.1 million as at December 31, 2020. The Company benefits from a confirmed contract guarantee line of € 6.5 million (US$ 7.6 million).

Covid 19

Key profitability indicators continue to improve period over period despite the continuing uncertainties linked to the Covid-19 pandemic. The market for commodities is supported by the global economic recovery and the increased demand for energy transition and water management.

Impairment testing

As at December 31, 2020, 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, 2020.

In light of its current financial performance, the Company considers that there is no triggering event which would justify an impairment testing as at September 30, 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 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 September 30, 2021, 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 *	1,164,754	1.17%
Common shares held by the Company**	748,843	0.75%
Common shares held by the public	63,183,010	63.66%
Total common shares issued and outstanding	**99,251,798**	
Common shares held by the Company	(748,843)	
Total common shares issued and outstanding excluding shares held by the Company	**98,502,955**	

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

***748,843 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 because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the drilling industry. EBITDA is not defined in IFRS and should not be considered to be an alternative to Profit for the period or Operating profit or any other financial metric required by such accounting principles.

Net debt corresponds to the current and non-current portions of borrowings and the consideration payable related to acquisitions, net of cash and cash equivalents. The lease obligations are included in the net debt calculation.

Reconciliation of EBITDA is as follows:

(In thousands of US$) *(unaudited)*	Q3 2021	Q3 2020	YTD Q3 2021	YTD Q3 2020
Operating profit / (loss)	8,988	7,623	19,840	13,808
Depreciation expense	4,764	3,914	13,631	12,264
Non-cash employee share-based compensation	50	45	150	135
EBITDA	***13,802***	***11,582***	***33,621***	***26,208***

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 that the ultimate costs to resolve these matters will have a material adverse effect on 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 secure its position as a leading actor in the mineral drilling services sector, assisting its customers to explore or manage their deposits throughout the whole cycle, with a special focus on life of mines extension activity. As developed economies focus on "green" recovery, there will be an increased need for key resources such as copper, nickel, lithium, and special attention to water management. The Company anticipated the increased environmental, social and governance (ESG) requirements. The Company intends to develop and grow its services offered across the world with a focus on high tech drilling services, optimal commodities mix with a significant involvement in water related drilling services and stable jurisdictions. The Company expects it will execute its strategy primarily through organic growth in the near future.

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, 2021, under the heading "Risk Factors", which has been filed with Canadian regulators on SEDAR (www.sedar.com).