FORACO INTERNATIONAL S.A.

MANAGEMENT'S DISCUSSION & ANALYSIS

Three-month period and year ended December 31, 2023

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 and year ended December 31, 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 February 16, 2024.

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:

- **Business Overview**
- **Interim Consolidated Financial Highlights**
- **Results of Operations**
- **Seasonality**
- **Effect of Exchange Rates**
- **Liquidity and Capital Resources**
- **Related-Party Transactions**
- **Capital Stock**
- **Critical Accounting Estimates**
- **Non-IFRS Measures**
- **Litigation and claims**
- **Subsequent Events**
- **Risk Factors**

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 December 31, 2023, the company had close to 2,800 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 December 31,		Year ended December 31,	
	2023	**2022**	**2023**	**2022**
Revenue	**86,590**	**84,903**	**370,093**	**330,555**
Gross profit (1)	**19,918**	**18,479**	**93,862**	**71,272**
As a percentage of sales	*23.0%*	*21.8%*	*25.4%*	*21.6%*
EBITDA	**18,726**	**17,126**	**86,671**	**66,544**
As a percentage of sales	*21.6%*	*20.2%*	*23.4%*	*20.1%*
Operating profit	**13,469**	**12,002**	**66,708**	**46,384**
As a percentage of sales	*15.6%*	*14.1%*	*18.0%*	*14.0%*
Net profit for the period before one-off refinancing costs	**7,230**	**6,687**	**38,652**	**25,780**
Net profit for the period	**2,494**	**6,687**	**33,916**	**25,780**
Attributable to:				
Equity holders of the Company	2,415	6,523	28,714	19,761
Non-controlling interests	79	164	5,202	6,019
EPS (in US cents)				
Basic	2.45	6.61	29.07	20.01
Diluted	2.41	6.48	28.57	19.59

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

Three-month period ended December 31, 2023 – Q4 2023

Revenue

In Q4 2023, Foraco's revenue was US$ 86.6 million compared to US$ 84.9 million generated in Q4 2022, a 2% increase.

Profitability

- Q4 2023 gross margin, including depreciation within cost of sales, was US$ 19.9 million (representing 23.0% of revenue), compared to US$ 18.5 million (or 21.8% of revenue) recorded in Q4 2022. The uplift was driven by the satisfactory performance of contracts.

- For the quarter, EBITDA totaled US$ 18.7 million (or 21.6% of revenue), from the US$ 17.1 million (or 20.2% of revenue) for the corresponding quarter of the previous year.

Balance Sheet

- On November 8, 2023, the Company undertook an early redemption of its US-dollar-denominated senior bonds. They were originally issued in 2021 with a maturity date set for December 2025. In line with this redemption, the Company entered into two separate financing agreements: Desjardins in Canada, providing C$76 million with a 10% annual repayment and a maturity of 3.5 years reschedulable over 6 further years. Caisse d'Epargne (Natixis Group) in France, offering €30 million with €22.5 million to be amortized over the next four years and a final payment of €7.5 million in 2028. This refinancing reduces the Company's interest expense, modify the debt maturity profile, and implement a back-ended amortization schedule. Concurrently, an additional liquidity line of C$15 million has been secured with Desjardins.

Year ended December 31, 2023 – FY 2023

Revenue

- For the year ending December 31, 2023, the revenue amounted to US$ 370.1 million, representing a 12% increase over the US$330.6 million recorded in FY 2022. This rise in revenue is due to the solid performance of main contracts and the delivery of more-added drilling services.

Profitability

- In FY 2023, the gross margin, inclusive of depreciation within cost of sales, was US$ 93.9 million (or 25.4% of revenue), a significant 32% increase from US$ 71.3 million (or 21.6% of revenue) in FY 2022. This increase resulted from good contract performance, improved selling prices, and the delivery of more value-added drilling services.

- During FY 2023, EBITDA amounted to US$ 86.7 million (or 23.4% of revenue), a 30% increase from US$ 66.5 million (or 20.1% of revenue) for FY 2022.

- The Free Cash Flow of the year was US$29.1 million compared to US$ 17.4 million in FY 2022.

Net debt

- As of December 31, 2023, the net debt, accounting for the impact of IFRS 16, stood at US$ 65.2 million, reflecting a notable reduction from US$ 76.2 million as of December 31, 2022.

- Our Net debt to EBITDA ratio at year-end 2023 is 0.75 versus 1.15 at year-end 2022.

Results of Operations

Comparison of the three-month periods ended December 31, 2023 and December 31, 2022

Revenue

The following table provides a breakdown of the Company's revenue for Q4 2023 and Q4 2022 by reporting segment and geographic region:

(In thousands of US$) - *(unaudited)*	Q4 2023	% change	Q4 2022
Reporting segment			
Mining	75,877	2%	74,235
Water	10,713	-	10,668
Total revenue	***86,590***	***2%***	***84,903***
Geographic region			
North America	26,123	-8%	28,277
South America	31,796	8%	29,543
Asia Pacific	16,261	17%	13,954
Europe, Middle East and Africa	12,411	-6%	13,130
Total revenue	***86,590***	***2%***	***84,903***

The solid revenue was driven by the continued performance of main contracts and the provision of value-added drilling services which more than compensated for the decline in activity in certain regions. The rig utilization rate for Q4 2023 held steady at 55%, marginally up from 54% in Q4 2022, with underlying disparities across regions, CIS reporting lower rates, and other regions witnessing higher utilization.

North American operations reported a US$ 2.2 million revenue decrease, at US$ 26.1 million in Q4 2023 from US$ 28.3 million in Q4 2022. This decrease was mainly due to the delayed start on two significant projects now scheduled for 2024 and the preparation and relocation of rigs for new US based contracts which will start in Q1 2024.

South American revenue increased to US$ 31.8 million in Q4 2023 compared to US$ 29.5 million in Q4 2022. New contracts were mobilized during the quarter and will continue through 2024.

In the Asia Pacific region, revenue for Q4 2023 was US$ 16.3 million, a 17% increase that reflects a quarter-over-quarter increase in demand and the acquisition and commissioning of new rigs.

Revenue for the EMEA region saw a 6% decrease, moving down to US$ 12.4 million in Q4 2023 from US$ 13.1 million in Q4 2022. Revenues in Southern Europe and Africa remained stable compared to Q4 2022, while activity in the CIS decreased by 15% 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 Q4 2023 and Q4 2022:

(In thousands of US$) - *(unaudited)*	Q4 2023	% change	Q4 2022
Reporting segment			
Mining	17,567	8%	16,214
Water	2,351	4%	2,265
Total gross profit	***19,918***	***8%***	***18,479***

For Q4 2023, the gross margin, inclusive of depreciation within cost of sales, reached US$ 19.9 million (or 23.0% of the revenue) compared to Q4 2022 US$ 18.5 million (or 21.9% 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)*	Q4 2023	% change	Q4 2022
Selling, general and administrative expenses	6,449	0%	6,477

SG&A was stable compared to the same quarter last year. As a percentage of revenue, SG&A remained stable at 7.4% of the revenue.

Operating result

The following table provides a breakdown of the Company's operating result for Q4 2023 and Q4 2022 by reporting segment:

(In thousands of US$) - *(unaudited)*	Q4 2023	% change	Q4 2022
Reporting segment			
Mining	12,112	15%	10,551
Water...	1,357	-6%	1,451
Total operating profit	***13,469***	***12%***	***12,002***

The operating profit was US$ 13.5 million, resulting in a US$ 1.5 million increase driven by activity levels and enhanced profit margins.

Finance costs

In Q4 2023, net financial expenses amounted to US$ 9.5 million, up from US$ 3.5 million in Q4 2022. This uptick is primarily attributable to US$ 6.4 million one off costs linked to the early repayment of the Bonds and the new refinancing.

Income tax

In Q4 2023, the corporate income tax expense was US$ 1.5 million compared to US$ 1.8 million in the same period for the previous year. This income tax profit corresponds to taxable income in profitable jurisdictions and the recognition of deferred tax assets when they can be used against taxable profit within a reasonable timeframe (generally five years).

Comparison of the year ended December 31, 2023 and December 31, 2022

Revenue

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

(In thousands of US$) - *(unaudited)*	FY 2023	% change	FY 2022
Reporting segment			
Mining	321,697	13%	286,065
Water	48,395	9%	44,490
Total revenue	***370,093***	***12%***	***330,555***
Geographic region			
South America	131,884	26%	104,640
North America	119,188	14%	104,345
Asia Pacific	68,439	28%	53,295
Europe, Middle East and Africa	50,582	-26%	68,275
Total revenue	***370,093***	***12%***	***330,555***

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 14% surge in activity, with revenues climbing to US$ 119.2 million in FY 2023, up from US$ 104.3 million in FY 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 26% to reach US$ 131.9 million in FY 2023, a notable increase from US$ 104.6 million in FY 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, FY 2023 revenues rose to US$ 68.4 million, a 28% increase, reflecting the period-over-period market growth and the capacity of the Company to meet demand.

In the EMEA region, revenue for FY 2023 amounted to US$50.6 million, representing a 26% decrease compared to the US$68.3 million recorded in FY 2022. Although revenues in Southern Europe and Africa experienced a slight increase compared to FY 2022, operations in the CIS countries witnessed a 42% decline, primarily attributable to the unstable situation in the region.

Gross Profit

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

(In thousands of US$) - *(unaudited)*	FY 2023	% change	FY 2022
Reporting segment			
Mining	81,220	36%	59,963
Water	12,642	12%	11,309
Total gross profit	***93,862***	***32%***	***71,272***

In FY 2023, the gross margin, inclusive of depreciation within the cost of sales, rose to US$ 93.9 million (or 25.4% of the total revenue). This marked a significant surge compared to the US$ 71.3 million (or 21.6% of revenue) in FY 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)*	FY 2023	% change	FY 2022
Selling, general and administrative expenses	27,154	9%	24,888

SG&A increased compared to the same period last year mainly due to the level of activity. As a percentage of revenue, SG&A decreased from 7.5% in FY 2022 to 7.3% in FY 2023.

Operating result

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

(In thousands of US$) - *(unaudited)*	FY 2023	% change	FY 2022
Reporting segment			
Mining	57,830	51%	38,409
Water...	8,879	11%	7,975
Total operating profit	***66,708***	***44%***	***46,384***

The operating profit reached US$ 66.7 million, resulting in a US$ 20.3 million increase driven by heightened activity levels and enhanced operational margins.

Finance costs

The net financial expenses for FY 2023 stood at US$ 20.1 million, which is a rise from the US$ 11.8 million recorded in FY 2022. This uptick is primarily attributable to the US$ 6.4 million one-off costs linked to the early repayment of the bonds and the refinancing costs.

Income tax

In FY 2023, the corporate income tax expense was US$ 12.7 million an effective income tax rate of 27% compared to US$ 8.8 million for the same period last year an effective income tax rate of 25%. This income tax profit corresponds to taxable income in profitable jurisdictions and the recognition of deferred tax assets when they can be used against taxable profit within a reasonable timeframe (generally five years).

Seasonality

The worldwide presence of the Company reduces its overall exposure to seasonality and the influence this can have on 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 Q4 2023	Average Q4 2022	Average Q3 2023	Average Q3 2022	Average Q2 2023	Average Q2 2022	Average Q1 2023	Average Q1 2022	Closing Q4 2023	Closing Q4 2022
€	0.93	0.98	0.92	0.85	0.92	0.94	0.93	0.89	0.91	0.94
CAD	1.36	1.36	1.34	1.30	1.34	1.28	1.35	1.27	1.32	1.35
AUD	1.53	1.52	1.53	1.46	1.50	1.40	1.46	1.38	1.47	1.47
CLP	895	913	851	929	800	842	810	809	879	853
BRL	4.95	5.26	4.88	5.24	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 FY 2023 and FY 2022:

(In thousands of US$)	FY 2023	FY 2022
Cash generated by operations before working capital requirements	**86,671**	**66,543**
Working capital requirements	(5,038)	(9,745)
Income tax paid	(12,194)	(9,302
Purchase of equipment in cash	(26,135)	(20,042)
Free Cash Flow before debt servicing	**43,304**	**27,454**
Proceeds from / (repayment of) debt net of issuance costs	(20,434)	(7,932)
Interests paid	(14,224)	(10,068)
Acquisition of treasury shares	(1,475)	(1,032)
Dividends paid to non-controlling interests	(2,035)	(1,714)
Net cash generated / (used in) financing activities	**(38,168)**	**(20,746)**
Net cash variation	**5,136**	**(6,709)**
Foreign exchange differences	(256)	(1,224)
Variation in cash and cash equivalents	**4,880**	**5,485**
Cash and cash equivalents at the end of the period	**34,289**	**29,409**

In FY 2023, the cash generated from operations before working capital requirements amounted to US$ 86.7 million compared to US$ 66.5 million in FY 2022, a 30% increase.

During the same period, the working capital requirements was US$ 5.0 million, down from US$ 9.7 million in the previous year.

During the period, Capex totaled US$ 26.1 million in cash compared to US$ 20.0 million in FY 2022. Capex relates essentially to the acquisition of rigs, major rig overhauls, ancillary equipment and rods. Seven rigs were added to the fleet during the period.

As at December 31, 2023, cash and cash equivalents totaled US$ 34.3 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 December 31, 2023, the net debt including operational lease obligations (IFRS 16) amounted to US$ 65.2 million (US$ 76.2 million as at December 31, 2022).

The Net debt to EBITDA ratio as at December 31, 2023 was 0.75 (1.15 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 December 31, 2023 totaled US$ 7.4 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 December 31, 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 (*)	1,399,863
Common shares held by the Company (**)	626,481
Common shares held by the public	63,070,263
Total shares issued and outstanding	**99,251,798**
Common shares held by the Company	(626,481)
Total common shares issued and outstanding	**98,625,317**

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

***626,481 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)*	Q4 2023	Q4 2022	FY 2023	FY 2022
Operating profit / (loss)	13,469	12,002	66,708	46,384
Depreciation expense	5,156	5,034	19,591	19,830
Non-cash employee share-based compensation	102	90	372	330
EBITDA	***18,726***	***17,126***	***86,671***	***66,544***

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

On February 2, 2024, the Company received authorization from the Russian Authorities to proceed with the sale of its shareholding in its subsidiary, EDC Russia. A sales agreement has been finalized, with the net cash transaction of US$2.1 million expected in the first half of 2024. This transaction, reflecting the Company's strategy to divest from Russia, is anticipated to exceed the carrying amount of the subsidiary's net assets on the Company's balance sheet with no significant impact on net income.

Backlog

As at December 31, 2023, the Company’s order backlog for continuing operations was US$ 316.7 million of which US$ 236.1 million is expected to be executed during FY 2024. Last year at the same period, the order backlog for continuing operations was US$ 334.6 million of which US$ 217.4 million was expected to be executed during FY 2023. The Company’s order backlog consists of sales orders. Sales orders are subject to modification by mutual consent and in certain instances orders may be revised by customers. As a result, the order backlog of any particular date may not be indicative of actual operating results for any subsequent period.

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).