FORACO INTERNATIONAL S.A.

MANAGEMENT'S DISCUSSION & ANALYSIS

Year ended December 31, 2020

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 audited consolidated financial statements for the year ended December 31, 2020, including the notes thereto. These consolidated 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, all amounts presented in this MD&A are denominated in US Dollars ("US$"). The discussion and analysis within this MD&A are as of March 30, 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 29, 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 December 31, 2020, the Company had 2,109 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

Financial highlights

(In thousands of US$) *(audited)*	Year ended December 31, 2020	2019
Revenue	**207,122**	**205,444**
Gross profit / (loss) (1)	**38,225**	**32,100**
As a percentage of sales	*18.5%*	*15.6%*
EBITDA	**34,054**	**29,251**
As a percentage of sales	*16.4%*	*14.2%*
Operating profit / (loss)	**17,185**	**10,951**
As a percentage of sales	*8.3%*	*5.3%*
Profit / (loss) for the period	**7,519**	**2,632**
Attributable to:		
Equity holders of the Company	4,236	1,085
Non-controlling interests	3,283	1,547
EPS (in US cents)		
Basic	4.72	1.21
Diluted	4.61	1.18

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

Year ended December 31, 2020 – FY 2020

Revenue

- After a stand-by period due to the Covid-19 pandemic which slowed down the activity in the first part of 2020, growth resumed during the second part of the year. FY 2020 revenue reached US$ 207.1 million compared to US$ 205.4 million in FY 2019 an increase of 1%. Excluding foreign exchange variances, revenue increased by 8% compared to the same period last year.

Profitability

- FY 2020 gross margin including depreciation within cost of sales was US$ 38.2 million (or 18.5% of revenue) compared to US$ 32.1 million (or 15.6% of revenue) in FY 2019. This improvement results from the combination of higher contribution of the water segment and solid overall performance on contracts despite unprecedented logistic and human challenges linked to Covid-19.

- During the period, EBITDA amounted to US$ 34.1 million (or 16.4% of revenue), compared to US$ 29.3 million (or 14.2% of revenue) for the same period last year.

- The Free Cash Flow of the year was US$17.2 million compared to US$ 8.0 million in FY 2019.

Net debt

- The net debt excluding the impact of the implementation of IFRS 16 was US$ 136.2 million as at December 31, 2020 compared to US$ 128.9 million as at December 31, 2019. The net debt including the impact of IFRS 16 was US$ 141.7 million as at December 31, 2020.

- The net debt position of the company is penalized by non-cash items including adverse foreign exchange variations (US$ 15.1 million) mainly due to the exchange rate between the euro and the dollar and capitalized interests (US$ 6.7 million).

Backlog

- As at December 31, 2020, the Company's order backlog for continuing operations was US$ 270.1 million of which US$ 174.7 million is expected to be executed during the FY 2021. Last year at the same period, the order backlog for continuing operations was US$ 269.1 million of which US$ 158.1 million was expected to be executed during FY 2020.

Results of Operations

Comparison of the year ended December 31, 2020 and December 31, 2019

Revenue

The following table provides a breakdown of the Company's revenue for FY 2020 and FY 2019 by reporting segment and geographic region:

(In thousands of US$) - *(audited)*	FY 2020	% change	FY 2019
Reporting segment			
Mining	169,305	-9%	185,325
Water	37,817	+88%	20,119
Total revenue	***207,122***	***+1%***	***205,444***
Geographic region			
Europe, Middle East and Africa	68,209	+30%	52,386
South America	33,130	-29%	46,404
North America	67,563	-4%	70,499
Asia Pacific	38,220	+6%	36,155
Total revenue	***207,122***	***+1%***	***205,444***

Despite the impact of the Covid-19 pandemic in the first part of the year, FY 2020 revenue amounted to US$ 207.1 million compared to US$ 205.4 million in FY 2019, an increase of 1%. The FY 2020 revenue increased by 8% after adjusting for currency fluctuations.

In EMEA, revenue increased by 30%, to US$ 68.2 million in FY 2020 from US$ 52.4 million in FY 2019. Russia, Africa and France showed improved activity.

Revenue in South America decreased by 29% (11% excluding foreign exchange variance) at US$ 33.1 million in FY 2020 (US$ 46.4 million in FY 2019). The activity in the region was particularly impacted by the Covid-19 pandemic which continued to disrupt the commercial and operational activities throughout the year.

Revenue in North America decreased by 4% to US$ 67.6 million in FY 2020 from US$ 70.5 million in FY 2019. This decrease is mainly due to disruptions affecting a certain number of contracts in Q2 2020 linked to the Covid-19 pandemic. The activities resumed progressively in Q3 2020.

In Asia Pacific, FY 2020 revenue amounted to US$ 38.2 million, an increase of 6%. New contracts were mobilized during the period and will continue through 2021.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for FY 2020 and FY 2019:

(In thousands of US$) - *(audited)*	FY 2020	% change	FY 2019
Reporting segment			
Mining	29,347	+2%	28,773
Water	8,878	*x 1.7*	3,327
Total gross profit / (loss)	***38,225***	***19%***	***32,100***

FY 2020 gross margin including depreciation within cost of sales was US$ 38.2 million (or 18.5% of revenue) compared to US$ 32.1 million (or 15.6% of revenue) in FY 2019. This improvement results from the combination of higher contribution of the water segment and solid overall performance on contracts despite unprecedented logistic and human challenges linked to Covid-19.

Selling, General and Administrative Expenses

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

(In thousands of US$) - *(audited)*	FY 2020	% change	FY 2019
Selling, general and administrative expenses	21,040	-1%	21,149

SG&A expenses decreased by 1% compared to the same period last year.

Operating result

The following table provides a breakdown of the Company's operating result for FY 2020 and FY 2019 by reporting segment:

(In thousands of US$) - *(audited)*	FY 2020	% change	FY 2019
Reporting segment			
Mining	12,122	+31%	9,277
Water	5,063	x 3.0	1,674
Total operating gain (loss)	**17,185**	***+57%***	**10,951**

The operating profit was US$ 17.2 million in FY 2020, a US$ 6.2 million improvement as a result of improved gross margin rate and tight control over SG&A expenses.

Finance costs

Net financial expenses were US$ 8.7 million in FY 2020 compared to US$ 8.5 million in FY 2019.

Income tax

In FY 2020, the corporate income tax expense was US$ 1.0 million compared to a profit of US$ 0.1 million last year. This income tax charge 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 its influence on business activity, the first quarter being the weakest. 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 certain operations are slowed down. In Asia Pacific and in South America, 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 FY 2020	% change	Average FY 2019	Closing Q4 2020	% change	Closing Q4 2019
€	0.88	-2%	0.89	0.81	-9%	0.89
CAD	1.34	1%	1.33	1.28	-2%	1.31
AUD	1.45	1%	1.44	1.31	-9%	1.43
CLP	792	13%	703	713	-4%	745
BRL	5.15	31%	3.94	5.20	29%	4.03
RUB	72.24	12%	64.68	74.19	20%	61.94

The FY 2020 was marked by significant exchange rate fluctuations which affected most currencies.

Liquidity and Capital Resources

The following table provides a summary of the Company's cash flows for FY 2020 and FY 2019:

(In thousands of US$)	FY 2020	FY 2019
Cash generated by operations before working capital requirements	**34,054**	**29,251**
Working capital requirements	3,349	(637)
Income tax paid	(3,982)	(4,696)
Purchase of equipment in cash	(13,320)	(12,533)
Free Cash Flow before debt servicing	**20,100**	**11,385**
Debt variance	(9,239)	(1,161)
Interests paid	(2,904)	(3,364)
Acquisition of treasury shares	(163)	(19)
Dividends paid to non-controlling interests	(2,536)	(1,046)
Net cash generated / (used in) financing activities	**(14,842)**	**(5,590)**
Net cash variation	**4,576**	**5,795**
Foreign exchange differences	(354)	(830)
Variation in cash and cash equivalents	**4,907**	**4,965**
Cash and cash equivalents at the end of the period	**20,960**	**16,053**

In 2020, the cash generated from operations before working capital requirements amounted to US$ 34.1 million compared to US$ 29.3 million in 2019.

The working capital decreased by US$ 3.3 million compared to an increase of US$ 0.6 million in the same period last year.

During the period, the Capex was US$ 13.3 million in cash compared to US$ 12.5 million in FY 2019. The Capex mainly relates to major rigs overhauls, ancillary equipment and rods.

Free cash flow before debt servicing was US$ 20.1 million in FY 2020 compared to US$ 11.4 million in FY 2019.

As at December 31, 2020, cash and cash equivalents totaled US$ 21.0 million compared to US$ 16.1 million as at December 31, 2019. Cash and cash equivalents are mainly held at or invested within top tier financial institutions.

As at December 31, 2020, net debt excluding IFRS 16 implementation amounted to US$ 136.2 million (US$ 128.9 million as at December 31, 2019). The net debt position of the Company is penalized by non-cash items including adverse foreign exchange variations (US$ 15.1 million) mainly due to the exchange rate between the euro and the US dollar and capitalized interests (US$ 6.7 million).

Bank guarantees as at December 31, 2020 totaled US$ 8.1 million compared to US$ 6.5 million as at December 31, 2019. The Company benefits from a confirmed contract guarantee line of € 12.7 million (US$ 15.6 million).

Covid-19

The Covid-19 pandemic significantly impacted the Company's business throughout the 2020 financial year and especially during late Q1 and Q2 2020 when lockdowns and quarantines were implemented in many countries.

In this context, the Company monitored the situation on a daily basis to ensure the safety of its staff, customers and business partners and managed to keep its operations running at a reasonable level. Teams were sometimes prevented from accessing work sites or asked to remain in quarantine when they arrived. Certain clients stopped their drilling campaigns for the same reasons, waiting for the situation to stabilize as they could not mobilize enough staff on sites. As a result, the Company has not been able to operate in part or in full in certain areas. Certain important operations centers were affected, particularly in North and South America, but solid activities were recorded in other areas. Overall, the Company managed to limit the negative impact of the pandemic on its costs structure thanks to satisfactory control of operations, flexibility of its organization and the support from certain clients and governments.

Such trends continue to prevail in the beginning of 2021 and the full length and impact of the COVID-19 crisis remains difficult to predict. Ultimate business impact will depend on the pace at which economies resume globally and on the various government measures to support that recovery as well as strategies adopted by mining and metals companies.

When assessing the recoverable amounts of assets as at December 31, 2020, although the uncertainty is still significant due to the COVID-19 pandemic, Management assessment is that assumptions applied in the 2019 Consolidated Financial Statements are still considered the most appropriate. As at December 31, 2020, the Company met its financial covenants. Despite the current economic environment, and assuming that the health crisis does not deteriorate further, the Company believes that it will have adequate financial resources to continue in operation for a period of at least twelve months.

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 28 of the audited consolidated financial statements.

Capital Stock

As at December 31, 2020, the capital stock of the Company amounted to US$ 1,772 thousand, divided into 89,951,798 common shares. The common shares of the Company are distributed as follows:

	Number of shares	%
Common shares held directly or indirectly by principal shareholders	37,594,498	41.79%
Common shares held directly or indirectly by individuals in their capacity as members of the Board of Directors *	1,164,754	1.29%
Common shares held by the Company**	298,209	0.34%
Common shares held by the public	50,894,337	56.58%
Total common shares issued and outstanding	**89,951,798**	
Common shares held by the Company	(298,209)	
Total common shares issued and outstanding excluding shares held by the Company	**89,653,589**	

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

***298,209 common shares are held by the Company to meet the Company's obligations under the employee free share plan and for the purposes of potential acquisitions.*

Critical Accounting Estimates

The consolidated financial statements have been prepared in accordance with IFRS. The Company's significant accounting policies are described in Note 2 to the annual 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 is not included in the net debt calculation.

Reconciliation of EBITDA is as follows:

(In thousands of US$) *(audited)*	Q4 2020	Q4 2019	FY 2020	FY 2019
Operating profit / (loss)	3,377	3,584	17,185	10,951
Depreciation expense	4,409	4,601	16,673	18,119
Non-cash employee share-based compensation	60	45	195	180
EBITDA	***7,846***	***8,230***	***34,054***	***29,251***

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.

Outlook

The Company's strategy is to be a major player in an evolving market. The Company intends to continue developing and growing its services across the world with a focus on stable jurisdictions, high tech drilling services, optimal commodities mix - with a significant involvement in water related drilling services and choose carefully its customers. The Company expects it will execute its strategy primarily through organic growth in the near future.

As at December 31, 2020, the Company's order backlog for continuing operations was US$ 270.1 million of which US$ 174.7 million is expected to be executed during the FY 2021. Last year at the same period, the order backlog for continuing operations was US$ 269.1 million of which US$ 158.1 million was expected to be executed during FY 2020. 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.

Internal control framework

Internal control is a process implemented by management with the objective of ensuring (i) the effectiveness and efficiency of the Company's operations, (ii) the reliability of financial reporting and disclosures, and (iii) compliance with applicable laws and regulations, including those promoted by the Toronto Stock Exchange (TSX).

The organization of the internal control environment of the Company is based upon the *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The inherent limitation in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

Responsibilities over internal control

The Company's Board of Directors is the primary sponsor of the internal control environment. The Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee are the specific bodies acting in the field of internal control and reporting to the Board of Directors. These committees comprise a majority of independent members.

Audit Committee

The Audit Committee meets at least every quarter before the Board of Directors meeting authorizing for issuance the quarterly and annual consolidated financial statements. The main responsibilities of the Audit Committee are the examination of the quarterly and annual financial statements including related disclosures, the internal control environment and the oversight of the work performed by the external auditors, as well as the follow up of the agreement with the existing banks and new lenders. The questions of securing sources of funds and internal control over financial reporting in the context of the COVID-19 pandemic were core subjects discussed by the Audit Committee in 2020. During 2020 financial year, the Audit Committee met five times.

Compensation Committee

The principal responsibilities of the Compensation Committee are the examination of the Company's remuneration policy, in particular changes in the global payroll, and the review of the collective and individual objectives. The Compensation Committee meets at least once a year. During 2020 financial year, the Compensation Committee met two times.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee meets at least every quarter before the Board of Directors. It reports to the Board of Directors and is in charge of the supervision of the governance of the Company and its relationship with senior management. The Corporate Governance and Nominating Committee met four times during the 2020 financial year.

Internal control organization within the Company

The Company operates in various different countries worldwide and has organized its internal reporting process into a monthly centralized system which allows the flows of relevant operating and financial data upstream to management. The subsidiaries report under standardized forms which are prepared in accordance with IFRS. These forms include financial information such as detailed income statement data, cash flow and working capital data, capital expenditures and other relevant operational data. This reporting, combined with a comprehensive budgeting process and systematic reforecasting, reflects the latest operating conditions and market trends and allows management to perform thorough variance analysis. Management considers that this monthly reporting process provides a reasonable assurance over the monitoring of its operating and financial activities and an effective tool for the operating decision makers.

The financial controlling function is organized by region, internal control being a significant part of the regional controllers' duties. Timely on site reviews are performed by operating and financial representatives from corporate. Considering this organization, there is no dedicated internal control department.

In 2020, in the context of unprecedented challenges linked to Covid-19, the Company continued to maintain the internal control processes in all locations and enforced the implementation of Group procedures. Continuing attention was paid to processes such as the follow-up of contract margins at completion, receivables and treasury.

Approach implemented by the Company

The Company implements an approach consisting of (i) evaluating the design of its control environment over financial reporting and (ii) documenting the related control activities and key controls in a risk control matrix. This approach is implemented at every significant location of the Company. Management also focuses on the integration of newly acquired businesses over which the Company’s two step approach on internal control is implemented within a reasonable time period.

The Company views its internal control procedure as a process of continuous improvement and will make changes aimed at enhancing the effectiveness of its internal control and to ensure that processes evolve with the business.

There were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

The Company updated its risk assessment in 2019 which consisted of evaluating the likelihood and the magnitude of the risks to which it is exposed. A specific attention was paid in 2020 on the impact of the pandemic on the internal control processes. The conclusions were used to assess the adequacy of the Company’s risk control matrix. The assessment did not reveal any significant deficiencies in the design of the Company’s controls.

The Company has evaluated the effectiveness of the internal control procedures over financial reporting as at December 31, 2020 and has concluded that, subject to its inherent limitations, these were effective at a reasonable assurance level. The Company has evaluated the effectiveness of the Company’s disclosure controls and concluded that, subject to its inherent limitations, the disclosure controls were effective for the year ended December 31, 2020.

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).