FORACO INTERNATIONAL S.A.

MANAGEMENT'S DISCUSSION & ANALYSIS

Three-month period and year ended December 31, 2018

FORACO INTERNATIONAL S.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") relates to the results of operations, liquidity and capital resources of Foraco International S.A. ("Foraco" or the "Company"). This report has been prepared by Management and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three month period and year ended December 31, 2018, 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, 2017. 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 February 28 , 2019.

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 April 3, 2018, 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:

- **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**
- **Outlook**
- **Risk Factors**

Business Overview

Headquartered in Marseille, France, Foraco is a worldwide drilling service provider with presence in 22 countries and 5 continents. On December 31, 2018, the Company had 1,882 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$) *(unaudited)*	Three-month period ended December 31,		Year ended December 31,	
	2018	**2017**	**2018**	**2017**
Revenue	**47,992**	**34,978**	**180,046**	**135,737**
Gross profit / (loss) (1)	**5,447**	**4,345**	**21,885**	**14,132**
As a percentage of sales	*11.3%*	*12.4%*	*12.2%*	*10.4%*
EBITDA	**4,370**	**3,860**	**18,081**	**12,107**
As a percentage of sales	*9.1%*	*11.0%*	*10.0%*	*8.9%*
Operating profit / (loss)	**182**	**(908)**	**1,114**	**(6,740)**
As a percentage of sales	*0.4%*	*-2.6%*	*0.6%*	*-5.0%*
Profit / (loss) for the period	**(3,633)**	**(2,576)**	**(10,630)**	**(11,286)**
Attributable to:				
Equity holders of the Company	(3,931)	(2,328)	(10,616)	(10,740)
Non-controlling interests	298	(248)	(14)	(546)
EPS (in US cents)				
Basic	(4.37)	(2.60)	(11.83)	(11.98)
Diluted	(4.37)	(2.60)	(11.83)	(11.98)

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

Three-month period ended December 31, 2018 – Q4 2018

Revenue

- Q4 2018 revenue amounted to US$ 48.0 million compared to US$ 35.0 million in Q4 2017, an increase of 37%.
- The utilization rate was 51% in Q4 2018 (46% in Q3 2018, 43% in Q2 2018 and 40% in Q1 2018) compared to 35% in Q4 2017.

Profitability

- The Q4 2018 gross margin including depreciation within cost of sales was US$ 5.4 million compared to US$ 4.3 million in Q4 2017, this improvement is mainly due to increased revenue.
- During the quarter, EBITDA amounted to US$ 4.4 million (or 9.1% of revenue), compared to US$ 3.9 million (or 11.0% of revenue) for the same quarter last year.

Order book

- As at December 31, 2018, the Company’s order backlog for continuing operations was US$ 266.0 of which US$ 133.9 million is expected to be executed during the FY 2019. Last year at the same period, the order backlog for continuing operations was US$ 200.8 million of which US$ 127.7 million was expected to be executed during FY 2018.

Year ended December 31, 2018 – FY 2018

Revenue

- FY 2018 revenue amounted to US$ 180.0 million compared to US$ 135.7 million in FY 2017, an increase of 33%.

Profitability

- FY 2018 gross margin including depreciation within cost of sales was US$ 21.9 million (or 12.2% of revenue) compared to US$ 14.1 million (or 10.4% of revenue) in FY 2017. This improvement is mainly due to performance on contracts and a better absorption of fixed operational costs linked to the revenue increase.

- FY 2018 EBITDA amounted to US$ 18.1 million (or 10.0% of revenue) compared to US$ 12.1 million (or 8.9% of revenue) last year.

Net debt

- The net debt was US$ 130.4 million as at December 31, 2018 compared to US$ 122.7 million as at December 31, 2017. The increase is mainly attributable to higher working capital requirements linked to the increased activity, partially compensated by a favorable exchange rate.

Results of Operations

Comparison of the three-month periods ended December 31, 2018 and December 31, 2017

Revenue

The following table provides a breakdown of the Company's revenue for Q4 2018 and Q4 2017 by reporting segment and geographic region:

(In thousands of US$) - *(unaudited)*	**Q4 2018**	**% change**	**Q4 2017**
Reporting segment			
Mining	46,566	41%	33,098
Water	1,426	-24%	1,880
Total revenue	***47,992***	***37%***	***34,978***
Geographic region			
Europe, Middle East and Africa	11,087	36%	8,172
South America	12,605	52%	8,280
North America	17,096	36%	12,591
Asia Pacific	7,204	21%	5,935

Total revenue	***47,992***	***37%***	***34,978***

Q4 2018 revenue amounted to US$ 48.0 million compared to US$ 35.0 million in Q4 2017, an increase of 37%.

In EMEA, revenue increased by 36%, to US$ 11.1 million in Q4 2018 from US$ 8.2 million in Q4 2017, as a result of a higher level of activity in Russia, partially compensated by a decreased activity in Africa.

Revenue in South America strongly increased by 52% at US$ 12.6 million in Q4 2018 (US$ 8.3 million in Q4 2017). In Chile, the increased activity was generated by new contracts for major clients. The activity in Brazil also increased by 38% thanks to our major clients and the increasing activity with junior companies.

Revenue in North America increased by 36% to US$ 17.1 million in Q4 2018 from US$ 12.6 million in Q4 2017. Compared to last year, the Company continued to benefit from new contracts with major companies and junior companies and increased activity on ongoing contracts in an overall growing market.

In Asia Pacific, Q4 2018 revenue amounted to US$ 7.2 million, an increase of 21% mainly due to new contracts initiated in the second half of 2017 in Australia.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for Q4 2018 and Q4 2017:

(In thousands of US$) - *(unaudited)*	**Q4 2018**	**% change**	**Q4 2017**
Reporting segment			
Mining	5,794	16%	4,979
Water	(347)	*n/a*	(634)
Total gross profit / (loss)	***5,447***	***25%***	***4,345***

The Q4 2018 gross margin including depreciation within cost of sales was US$ 5.4 million (or 11.3% of revenue) compared to US$ 4.3 million (or 12.4% of revenue) in Q4 2017, this improvement is mainly due to increased revenue. The reduced gross margin rate in Q4 2018 relates to increased maintenance costs to prepare the fleet for the 2019 drilling program.

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 2018**	**% change**	**Q4 2017**
Selling, general and administrative expenses	5,265	0%	5,253

Despite the higher level of activity, SG&A remained flat compared to the same quarter last year. As a percentage of revenue, SG&A decreased from 15.0% in Q4 2017 to 11.0% in Q4 2018.

Operating result

The following table provides a breakdown of the Company's operating result for Q4 2018 and Q4 2017 by reporting segment:

(In thousands of US$) - *(unaudited)*	Q4 2018	% change	Q4 2017
Reporting segment			
Mining	685	n/a	9
Water	(503)	n/a	(917)
Total operating profit / (loss)	**182**	***n/a***	**(908)**

The operating profit was US$ 0.2 million, a US$ 1.1 million improvement as a result of increased activity, improved gross margin and stabilization of SG&A expenses.

Finance costs

Net financial expenses increased to US$ 2.4 million in Q4 2018 from US$ 1.9 million in Q4 2017.

Income tax

In Q4 2018, the corporate income tax was a charge of US$ 1.4 million compared to a profit of US$ 0.2 million in the same period for the previous year. This income tax charge corresponds to taxable income in profitable jurisdictions.

Comparison of the years ended December 31, 2017 and December 31, 2018

Revenue

The following table provides a breakdown of the Company's revenue for FY 2018 and FY 2017 by reporting segment and geographic region:

(In thousands of US$) - *(unaudited)*	FY 2018	% change	FY 2017
Reporting segment			
Mining	174,940	37%	127,944
Water	5,106	-34%	7,793
Total revenue	***180,046***	***33%***	***135,737***
Geographic region			
Europe, Middle East and Africa	44,603	6%	42,116
South America	36,479	19%	30,639
North America	68,012	62%	41,901
Asia Pacific	30,952	47%	21,081
Total revenue	***180,046***	***33%***	***135,737***

FY 2018 revenue amounted to US$ 180.0 million compared to US$ 135.7 million in FY 2017, an increase of 33%.

In EMEA, revenue increased by 6%, to US$ 44.6 million FY 2018 from US$ 42.1 million in FY 2017, as a result of the increased activity in Russia, partially compensated by the decreased activity in France and in Africa.

Revenue in South America increased by 19% to US$ 36.5 million in FY 2018 (US$ 30.6 million in FY 2017). The increase is mainly driven by the awards of new contracts in Chile.

Revenue in North America strongly increased by 62% to US$ 68.0 million in FY 2018 from US$ 41.9 million in FY 2017. Compared to last year, the Company gained new contracts with major and junior companies and increased activity on ongoing contracts in an overall growing market.

In Asia Pacific, FY 2018 revenue amounted to US$ 31.0 million, an increase of 47% mainly due to new contracts initiated in the second half of 2017 in Australia.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for FY 2018 and FY 2017:

(In thousands of US$) - *(unaudited)*	**FY 2018**	**% change**	**FY 2017**
Reporting segment			
Mining	22,101	48%	14,920
Water..	(216)	*n/a*	(788)
Total gross profit / (loss)	***21,885***	***55%***	***14,132***

FY 2018 gross margin including depreciation within cost of sales increased by 55% compared to last year. As a percentage of revenue, the gross margin increased from 10.4% to 12.2%. This improvement is mainly due to performance on contracts and a better absorption of fixed operational costs linked to the revenue increase.

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 2018**	**% change**	**FY 2017**
Selling, general and administrative expenses	20,771	2%	20,407

Despite the higher level of activity, SG&A only increased by US$ 0.4 million compared to last year. As a percentage of revenue, SG&A decreased from 15.0% in FY 2017 to 11.5% in FY 2018.

Operating result

The following table provides a breakdown of the Company's operating result for FY 2018 and FY 2017 by reporting segment:

(In thousands of US$) - *(unaudited)*	FY 2018	% change	FY 2017
Reporting segment			
Mining	2,234	n/a	(4,785)
Water	(1,120)	n/a	(1,955)
Total operating profit / (loss)	**1,114**	***n/a***	**(6,740)**

The operating profit was US$ 1.1 million, a US$ 7.9 million improvement compared to FY 2017 as a result of increased activity, improved gross margin rate and stabilization of SG&A expenses.

Finance costs

Net financial expenses increased to US$ 8.9 million in FY 2018 from US$ 6.2 million in FY 2017. 2018 interests include the full year impact of the new Bonds issued in May 2017 for an amount US$ 19.8 million and the partial impact of the 2018 Bonds issuance for a total amount US$ 5.9 million.

Income tax

In FY 2018, the corporate income tax was a charge of US$ 2.9 million compared to a profit of US$ 1.6 million last year. This income tax charge corresponds to taxable income in profitable jurisdictions.

Seasonality

The worldwide presence of the Company reduces its overall exposure to seasonality and its subsequent 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 Q4 2018	Average Q4 2017	Average Q3 2018	Average Q2 2018	Average Q1 2018	Closing Q4 2018	Closing Q4 2017
€	0.88	0.85	0.87	0.86	0.81	0.87	0.83
CAD	1.32	1.27	1.31	1.31	1.27	1.36	1.26
AUD	1.39	1.30	1.37	1.33	1.27	1.42	1.28
CLP	680	636	664	636	603	693	614
BRL	3.81	3.25	3.94	3.59	3.24	3.88	3.31
RUB	66.68	58.44	65.57	62.77	56.92	69.35	57.61

Liquidity and Capital Resources

The following table provides a summary of the Company's cash flows for FY 2018 and FY 2017:

(In thousands of US$)	FY 2018	FY 2017
Cash generated by operations before working capital requirements	**18,194**	**12,020**
Working capital requirements	(6,847)	4
Income tax paid	(2,404)	(249)
Purchase of equipment in cash	(12,743)	(9,546)
Free Cash Flow before debt servicing	**(3,800)**	**2,229**
Debt variance	5,301	9,761
Interests paid	(3,374)	(3,485)
Dividends paid to minority shareholders in affiliates	(487)	(516)
Acquisition of treasury shares	(77)	(37)
Net cash generated / (used in) financing activities	**1,363**	**5,723**
Net cash variation	**(2,436)**	**7,952**
Foreign exchange differences	(1,051)	419
Variation in cash and cash equivalents	**(3,487)**	**8,371**
Cash and cash equivalents at the end of the year	**11,088**	**14,575**

In FY 2018, the cash generated from operations before working capital requirements amounted to US 18.2 million compared to US$ 12.0 million in FY 2017.

Due to increased activity in the year of 2018, the level of working capital requirements was US$ 6.8 million (nil in 2017).

During the year, Capex amounted to US$ 12.8 million in cash, compared to US$ 9.5 million in cash in FY 2017. The Company acquired eight new rigs during the year linked to new contracts signed. Eight rigs were retired from service, the total rig count remains at 302.

As a result of the working capital requirements and the Capex, free cash flow before debt servicing was US$ (3.8) million in FY 2018 compared to US$ 2.2 million in FY 2017.

As at December 31, 2018, cash and cash equivalents totaled US$ 11.1 million compared to US$ 14.6 million as at December 31, 2017. Cash and cash equivalents are mainly held at or invested within top tier financial institutions.

As at December 31, 2018, net debt amounted to US$ 130.4 million (US$ 131.0 million as at September 30, 2018, US$ 127.2 million as at June 30, 2018, US$ 135.3 million as at March 31, 2018 and US$ 122.7 million as at December 31, 2017).

Bank guarantees as at December 31, 2018 totaled US$ 1.7 million compared to US$ 4.0 million as at December 31, 2017. The Company benefits from a confirmed contract guarantee line of € 12.7 million (US$ 14.5 million).

Going concern

Going concern is assessed based on internal forecasts and projections that take into account the trend in the business in which the Company operates and its capacity to address the market and deliver its services. On the basis of the above, the Company believes that it will have adequate financial resources to continue in operation for a period of at least twelve months. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements.

On May 11, 2017, the Company completed its debt reorganization consisting (i) in a new money injection of €23 million (US$ 25 million) in the form of bonds with a 5-year term, including €18 million (US$ 19.8 million) available at closing, and (ii) in the postponing of the instalment of most of the Company's existing long-term financing which takes the form of 5-year term subordinated bonds. On April 26, 2018 and then on December 17th 2018, the Company drew an additional € 2.5 million for a total amount of € 5.0 million corresponding to the second tranche of the bonds.

As part of the debt reorganization, certain key financial covenants were set including; minimum cash, leverage ratio and limitation to capital expenditure. A waiver was obtained in March 2018 to offset the negative impact of the exchange rates and of the working capital requirements linked to the increased activity. As at December 31, 2018, the Company met its covenants. In December 2018, a new set of covenants applicable to the year 2019 was agreed with the lenders. Nothing indicates that the Company will not respect its covenants going forward within the next 12 month period.

Impairment testing

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 expected discounted cash flows as at December 31, 2018. 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, 2018.

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 15 of the unaudited condensed interim consolidated financial statements.

Capital Stock

As at December 31, 2018, 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 *	1,161,754	1.29%
Common shares held by the Company**	16,269	0.02%
Common shares held by the public	51,179,277	56.90%
Total common shares issued and outstanding	**89,951,798**	
Common shares held by the Company	(16,269)	
Total common shares issued and outstanding excluding shares held by the Company	**89,935,529**	

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

***16,269 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 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.

Reconciliation of EBITDA is as follows:

(In thousands of US$) *(unaudited)*	Q4 2018	Q4 2017	FY 2018	FY 2017
Operating profit / (loss)	182	(908)	1,114	(6,740)
Depreciation expense	4,143	4,729	16,787	18,717
Non-cash employee share-based compensation	45	39	180	130
EBITDA	***4,370***	***3,860***	***18,081***	***12,107***

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 post balance sheet events to be reported.

Outlook

The Company's business strategy is to actively participate in the current growth phase of the metallic commodities cycle through the development and optimization of its services offered across its range of geographical regions, industry sectors, commodities and customers. The Company expects it will execute its strategy primarily through organic growth in the near future.

As at December 31, 2018, the Company's order backlog for continuing operations was US$ 266.0 million of which US$ 133.9 million is expected to be executed during the FY 2019. Last year at the same period, the order backlog for continuing operations was US$ 200.8 million of which US$ 127.7 million was expected to be executed during FY 2018. 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 April 3, 2018, under the heading "Risk Factors", which has been filed with Canadian regulators on SEDAR (www.sedar.com).