FORACO INTERNATIONAL S.A.

MANAGEMENT'S DISCUSSION & ANALYSIS

Three-month period ended March 31, 2013

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 quarterly unaudited consolidated interim financial statements for the three-month period ended March 31, 2013, 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 consolidated interim financial statements, these quarterly unaudited consolidated interim 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, 2012. 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 May 6, 2013.

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 2, 2013, 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**
- **Subsequent Events**
- **Outlook**
- **Risk Factors**

Business Overview

Headquartered in Marseille, France, Foraco is a worldwide drilling service provider with presence in 23 countries and five continents. On March 31, 2013, the Company had 2,835 employees and operated 308 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

	2013	2012
Revenue	**59,795**	**88,163**
Gross profit / (loss) (1)	**(8,741)**	**20,383**
As a percentage of sales	*-14.6%*	*23.1%*
EBITDA	**2,134**	**21,337**
As a percentage of sales	*3.6%*	*24.2%*
Operating profit / (loss)	**(8,483)**	**12,842**
As a percentage of sales	*-14.2%*	*14.6%*
Profit / (loss) for the period	**(4,170)**	**9,102**
EPS (in US cents)		
Basic	(3.66)	11.97
Diluted	(3.66)	11.83
EPS (in US cents) including the impact of the considered acquisition of the non-controlling interest of Servitec		
Basic	(2.64)	11.97
Diluted	(2.64)	11.83

(1) includes amortization and depreciation expenses related to operations

Acquisitions of businesses and non-controlling interests

Servitec

On April 20, 2012, the Company completed the acquisition of a 51% shareholding in WFS Sondagem S.A. (“Servitec”), a Brazilian drilling service provider, for an amount of US$ 44.2 million through a combination of US$ 20.2 million in cash and 4,816,509 Foraco shares at US$ 4.99 each representing US$ 24.0 million. As part of this agreement, the Company has an option to acquire, and the current minority shareholders of Servitec have an option to sell, the remaining 49% after three years. The corresponding purchase consideration will depend upon a formula based on the average 2012, 2013 and 2014 EBITDA of Servitec and on the net cash as at December 31, 2014. A first estimate at transaction date of the present value of the amount payable was US$ 57.0 million. As a result of the change in market conditions in the last part of FY 2012, the Company has revised this estimate and adjusted the amount payable to US$43.7 million as at December 31, 2012. The further deterioration of these market conditions in the first part of 2013 led the Company to reassess the present value of the amount payable. In accordance with IFRS 3, the adjustment amounting to US$ 9.2 million has been accounted for within other operating income in Q1 2013. The best estimate of the present value of the amount payable is US$ 34.5 million as at March 31, 2013.

Servitec has been consolidated into the Foraco International financial statements since April 20, 2012. The financial statements for the three month period ended March 31, 2012 did not include the contribution of Servitec.

John Nitschke Drilling

On November 19, 2012, the Company acquired a 100% shareholding in John Nitschke Drilling, ("JND"), an Australian drilling service provider, through a combination of AU$ 30 million (US$ 31.2 million) in cash, an earn out amount and 6,000,000 warrants giving the right to acquire, for no additional consideration, 6,000,000 Foraco International shares, with the possibility to issue up to an additional 1,000,000 warrants depending on certain market conditions. The warrants will be automatically convertible on the occurrence of certain events on or after 9 months from the closing date.

JND has been consolidated into the Foraco International financial statements since November 19, 2012. The financial statements for the three month period ended March 31, 2012 did not include the contribution of JND.

First quarter ended March 31, 2013 – Q1 2013

Revenue

- Q1 2013 revenue amounted to US$ 59.8 million compared to US$ 88.2 million in Q1 2012, a decrease of 32%. Excluding the impact of acquisitions performed during fiscal year 2012, revenue decreased by 53% due to the continued trend of sharp fall of the exploration budgets of mining companies recorded in all regions which significantly impacted the activity since Q4 2012.

Profitability

- Q1 2013 gross profit including depreciation within cost of sales was US$ (8.7) million compared to US$ 20.4 million in Q1 2012.

- The contraction of activity recorded in all regions generated an under absorption of fixed operational cost of US$10.8 million.

- The Company has taken actions to reduce the number of employees and to cut SG&A costs with non-recurring costs of US$ 10.2 million which include US$ 7.2 million incurred in 2 key contracts in Chile.

- As a result of the continuing change in market conditions, the Company reassessed its estimate of the second tranche payable to Servitec minority shareholders to US$ 34.5 million, resulting in an operating profit of US$ 9.2 million on Q1 2013.

- Q1 2013 EBIT amounted to US$ (8.5) million compared to US$12.8 million in Q1 2012.

Results of Operations

Comparison of the three-month periods ended March 31, 2013 and March 31, 2012

Revenue

The following table provides a breakdown of the Company's revenue for Q1 2013 and Q1 2012 by reporting segment and geographic region:

(In thousands of US$) *(unaudited)*	Q1 2013	% change	Q1 2012
Reporting segment			
Mining	57,559	-31%	83,028
Water	2,236	- 56%	5,135
Total revenue	***59,795***	***-32%***	***88,163***
Geographic region			
South America	24,451	-34%	37,297
Europe, Middle East and Africa	13,279	-48%	25,335
North America	11,135	-32%	16,449
Asia Pacific	10,930	20%	9,080
Total revenue	***59,795***	***-32%***	***88,163***

Since Q3 2012, Europe, Africa and Middle East have been grouped into one geographic region for management and reporting purposes (EMEA). Previously, Africa and Europe were presented separately.

Q1 2013 revenue amounted to US$ 59.8 million compared to US$ 88.2 million in Q1 2012, a decrease of 32%. Excluding the impact of acquisitions performed during fiscal year 2012, revenue decreased by 53% due to the continued trend of sharp fall of the exploration budgets of mining companies recorded in all regions which significantly impacted the activity of Q1 2013.

Revenue in South America amounted to US$ 24.5 million in Q1 2013 (US$ 37.3 million in Q1 2012), a decrease of 34%. Excluding the acquisition of Servitec in Brazil during Q2 2012, revenue decreased by 64%.

In EMEA, revenue decreased by 48%, from US$ 25.3 in Q1 2012 to US$ 13.3 million in Q1 2013. This is mainly due to reduced activity levels in Africa (60%) partially compensated by new contract in France and an increase of 34% in Russia.

Revenue in North America decreased by 32%, from US$ 16.4 million in Q1 2012 to US$ 11.1 million in Q1 2013. This decrease was mainly due to delays in the restart of long term contracts in Ontario which were suspended in October 2012.

In Asia-Pacific, Q1 2013 revenue amounted to US$ 10.9 million, an increase of 20% compared to Q1 2012 as a result of the integration of JND activity since November 19, 2012. Excluding this acquisition, revenue decreased by 54% compared to Q1 2012.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for Q1 2013 and Q1 2012:

(In thousands of US$) *(unaudited)*	Q1 2013	% change	Q1 2012
Gross profit			
Reporting segment			
Mining	(8,668)	*-146%*	18,808
Water	(73)	*-105%*	1,575
Total gross profit	***(8,741)***	***-143%***	***20,383***

Q1 2013 gross profit including depreciation within cost of sales was US$ (8.7) million compared to US$ 20.4 million in Q1 2012.

The contraction of activity recorded in all regions generated an under absorption of fixed operational cost of US$10.8 million. The Company has taken actions to reduce the number of employees (by 514 in Q1 2013) and Capex. The two troubled contracts in Chile negatively impacted the Gross Profit by US$ 7.2 million. In addition, redundancy costs related to the contraction of activity amounting to US$ 2 million in Chile and US$ 1 million in Argentina impacted Q1 2013.

Selling, General and Administrative Expenses

The following table provides an analysis of the selling, general and administrative expenses (SG&A), which represent the vast majority of operating expenses other than cost of sales, for Q1 2013 and Q1 2012:

(In thousands of US$) *(unaudited)*	Q1 2013	% change	Q1 2012
Selling, general and administrative expenses	8,960	19%	7,541

Excluding the impact of the acquisitions in Brazil and Australia, SG&A are stable compared to Q1 2012.As a result of a cost cutting action plan that has been implemented by the Company, SG&A decreased by US$ 0.9 million (10%) when comparing Q1 2013 to Q4 2012.

Operating Profit

The following table provides a breakdown of the Company's operating profit for Q1 2013 and Q1 2012 by reporting segment:

(In thousands of US$) *(unaudited)*	Q1 2013	% change	Q1 2012
Operating profit			
Reporting segment			
Mining	(8,075)	*-169%*	11,710
Water	(408)	-136%	1,132
Total operating profit	***(8,483)***	***-166%***	***12,842***

During the quarter, the Company reestimated at US$ 34.5 million the present value of the amount payable related to the second phase of the Servitec acquisition, compared to US$ 43.7 million as at December 31, 2012. The adjustment amounting to US$ 9.2 million has been recorded in other operating income and expense within operating profit in accordance with IFRS 3.

Finance Costs

Net financial expenses amounted to US$ 1.2 million in Q1 2013, compared to US$ 0.6 million for the corresponding 2012 period. This increase is mainly due to the impact of the bank loans related to the 2012 acquisitions and the discounting of the consideration payable related to the second phase of the Servitec acquisition.

Income Tax

In the first quarter of 2013, the effective corporate income tax was a US$ 5.6 million profit compared to an expense of US$ 3.2 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.

Seasonality

The continuing geographical expansion of the Company progressively 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 mine 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 and in Argentina in July and August when the winter season peaks.

Effect of Exchange Rates

The Company mitigates its exposure to foreign currency fluctuations by balancing its costs, revenues and financing in local currencies, resulting in a natural hedge.

The exchange rates for the periods under review are as follows against the US$:

	Closing Q1 2013	**Average Q1 2013**	**Closing Q1 2012**	**Average Q1 2012**
€	0.78	0.76	0.75	0.76
CAD	1.02	1.00	1.00	1.00
AUD	0.96	0.96	0.97	0.95
CLP	472	473	487	479
BRL	2.02	2.00		

Liquidity and Capital Resources

The following table provides a summary of the Company's cash flows for Q1 2013 and Q1 2012:

(In thousands of US$)	Q1 2013	Q1 2012
Cash generated from operations before working capital requirements	(7,036)	21,315
Working capital requirements, interest and tax	3,645	(21,208)
Net cash flow from operating activities	**(3,391)**	**107**
Purchase of equipment in cash	(3,571)	(8,629)
Net cash used in investing activities	**(3,571)**	**(8,629)**
Proceeds from credit facilities, net	3,785	10,119
Acquisition of treasury shares	(1,005)	(1,917)
Dividends paid	-	(2,125)
Net cash from financing activities	**2,780**	**(6,077)**
Exchange differences	(880)	1,175
Variation in cash and cash equivalents	**(6,805)**	**(3,495)**

For the three month period ended March 31, 2013, cash used in operations before changes in operating assets and liabilities amounted to US$ 7.0 million in Q1 2013 compared to US$ 21.3 million of cash generated during the same period a year ago.

After working capital requirements, interest and income tax paid, the net cash used in operations was US$ 3.4 million in Q1 2013 compared to nil in Q1 2012.

During the period, the Company acquired operating equipment for US$ 3.6 million in cash. This compares to a total of

US$ 8.6 million in cash purchases during Q1 2012.

As of March 31, 2013, cash and cash equivalents totaled US$ 29.1 million compared to US$ 35.9 million as at December 31, 2012. Cash and cash equivalents are held at or invested within top tier financial institutions.

On March 31, 2013, financial debts and equivalents amounted to US$ 168.7 million (US$ 175.0 million as at December 31, 2012). The financial debt also includes the present value of the consideration payable in 2015 for the acquisition of the remaining shares of Servitec totaling US$ 34.5 million.

As at March 31, 2013, the maturity of the financial debts (borrowing and other financial debts) breaks down as follows (in thousands of US$):

Maturity	Less than one year	Between one and five years	More than five years	Total
Bank overdraft	29,072	—	—	**29,072**
Assignment of trade receivables with recourse	7,890	—	—	**7,890**
Bank financing	21,248	61,829	—	**83,077**
Capital lease obligations	9,272	4,208	—	**13,480**
Total financial debt	**67,482**	**66,037**	**—**	**133,519**

Assignment of trade receivables with recourse, which is presented in the table above as "less than one year", is backed by trade receivables and can be renewed as necessary. The Company has used and unused short-term credit facilities of US$ 107.7 million available as at March 31, 2013 (US$ 106 million as at December 31, 2012), corresponding to bank overdrafts and the assignment of trade receivables. US$ 37.0 million has been drawn down as at March 31, 2013.

As at March 31, 2013, the net debt amounted to US$ 140.0 million. The ratio of debt (net of cash) to shareholders' equity increased to 0.65 from 0.62 as at December 31, 2012 mainly as a result of the Servitec and JND acquisitions.

Bank guarantees as at March 31, 2013, totaled US$ 17,7 million compared to US$ 22.8 million as at December 31, 2012.

Current economic conditions make forecasting difficult, and there is the possibility that the Company's actual operating performance during the coming year may be different from expectations. Based on internal forecasts and projections that take into account reasonably possible changes in the Company's operating performance, the Company believes that it has adequate financial resources to continue in operation and meet its financial commitments (mainly related to debt service obligations) 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 the 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 on related-party transactions, please refer to Note 13 of the unaudited consolidated interim financial statements.

Capital Stock

As at March 31, 2013, the capital stock of the Company amounted to US$ 1,629 thousand, divided into 82,951,798 common shares. Warrants issued as part the acquisition of JND will be converted for no consideration between 6,000,000 and 7,000,000 common shares to be converted before or in 9 months from the transaction date. The common shares of the Company are distributed as follows:

	Number of shares and warrants	%
Common shares held directly or indirectly by principal shareholders	37,596,497	41.81%
Common shares held directly or indirectly by individuals in their capacity as members of the Board of Directors *	2,254,322	2.51%
Common shares held by the Company**	1,134,298	1.26%
Common shares held by the public (including 6,960,403 warrants)	48,927,084	54.42%
Total common shares and warrants issued and outstanding	**89,912,201**	
Common shares held by the Company	(1,134,298)	
Total common shares and warrants issued and outstanding excluding shares held by the Company	**88, 777,903**	

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

***1,134,298 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 consolidated interim 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 consolidated interim 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.

The reconciliation of the EBITDA with the operating profit is as follows:

(In thousands of US$) *(unaudited)*	Q1 2013	Q1 2012
Operating profit	(8,483)	12,842
Depreciation expense	10,152	8,112
Non-cash employee share-based compensation	465	383
EBITDA	***2,134***	***21,337***

The Q1 2013 EBITDA includes the US$ 9.2 million change in estimate relating to the present value of the consideration payable for Servitec.

Litigation

There is no significant pending litigation.

Subsequent Events

There are no post balance sheet events to be reported.

Outlook

The Company's business strategy is to reinforce its existing platform and to develop and optimize the services it offers across geographical regions and industry segments. Foraco expects to continue to execute its strategy through a combination of organic growth and development and acquisitions of complementary businesses in the drilling services industry.

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 2, 2013, under the heading "Risk Factors", which has been filed with Canadian regulators on SEDAR (www.sedar.com).