FORACO INTERNATIONAL S.A.

MANAGEMENT'S DISCUSSION & ANALYSIS

Three-month period ended March 31, 2011

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, 2011, including the notes thereto. These quarterly unaudited interim financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") rather than Canadian Generally Accepted Accounting Principles (Canadian "GAAP"), on the basis that the Company is a "foreign issuer" as defined under National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* ("NI 52-107"). Following the decision taken by the Accounting Standard Board, IFRS will become the accounting standards for all issuers in Canada on January 1, 2011.

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, 2010. Except when otherwise stated, all amounts presented in this MD&A as "$" are denominated in US Dollars ("US$"). The discussion and analysis within this MD&A are as of May 9, 2011.

As of the second quarter ended June 30, 2010, and in accordance with IAS 21.38, the Company has elected to report its consolidated financial statements using the US Dollar as its presentation currency. Previously, the Company reported in Euros. The Company has recently expanded internationally and now has significant operations in North America, Australia, South America and Russia, those areas being generally more linked to the US economy than to the Euro zone. The revenue generated by the mining industry now represents more than 80% of total revenue. The mining industry is mainly US Dollar driven. Management considers that the US Dollar more fairly represents the economic environment in which Foraco operates. This change in presentation currency does not affect the functional currencies of each of the entities of the Group. All figures previously reported in Euros have been converted at historical, average or closing currency exchange rate, as appropriate and in accordance with generally accepted accounting principles.

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 31, 2011, 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 operations in 22 countries and five continents. As at March 31, 2011, the Company operates 184 drill rigs around the world, 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 including mining, energy, water, environmental and infrastructure.

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

On May 26, 2010, the Company acquired a 100% shareholding in Adviser Drilling SA ("Adviser"), a company based in Chile. Adviser operates a fleet of 54 modern diamond and reverse circular drill rigs and provides services to major and junior mining companies in South America, mainly in Chile and Argentina. Adviser was not yet part of the Group and therefore was not consolidated in Q1 2010.

On May 27, 2010, the Company completed the acquisition of a 50% controlling interest in LLC Eastern Drilling Company ("EDC"). EDC's operational facilities are positionned in far East Russia and Eastern Siberia where many mining developments are located and managed from. EDC was not yet part of the Group and therefore was not consolidated in Q1 2010. However, given the low level of activity during the winter season up to March, the contribution of EDC to the Group's Q1 2011 revenue is limited.

(In thousands of US$) *(unaudited)*	**Three-month period ended March 31,**	
	2011	**2010**
Revenue	**65 333**	**24 525**
Gross profit (1)	**14 521**	**5 403**
As a percentage of sales	*22,2%*	*22,0%*
EBITDA	**15 456**	**4 805**
As a percentage of sales	*23,7%*	*19,6%*
Operating profit	**8 605**	**1 594**
As a percentage of sales	*13,2%*	*6,5%*
Profit for the period	**5 944**	**1 056**
EPS (in US$ cents)		
Basic	7,75	1,79
Diluted	7,65	1,77

(1) includes amortization and depreciation expenses

First Quarter ended March 31, 2011 – Q1 2011

Increased Revenue

- Q1 2011 revenue increased by 2.7 times to US$ 65.3 million from US$ 24.5 million in Q1 2010, up US$ 40.8 million.

- The US$ 40.8 million increase is primarily the result of:
  - US$ 25.7 million in revenue from South America,
  - US$ 15.1 million in organic growth, a 62% increase.

Increased Profitability

- Q1 2011 gross profit including depreciation within cost of sales amounted to US$ 14.5 million, an increase of US$ 9.1 million or 2.7 times on Q1 2010.

- Q1 2011 EBITDA amounted to US$ 15.5 million (23.7% of revenue) compared to US$ 4.8 million in Q1 2010 (19.6% of revenue).

- Q1 2011 net profit after tax amounted to US$ 5.9 million, an increase of US$ 4.9 million or 5.6 times on Q1 2010.

- Q1 2011 earnings per share amounted to 7.75 US$ cents (basic) and 7.65 US$ cents (diluted), 4.3 times the 1.79 US$ cents (basic) and 1.77 US$ cents (diluted) reported in Q1 2010.

Results of Operations

Comparison of the three-month periods ended March 31, 2011 and March 31, 2010

Revenue

The following table provides a breakdown of the Company's revenue for Q1 2011 and Q1 2010 by reporting segment and geographic region:

(In thousands of US$) *(unaudited)*	Q1 2011	% change	Q1 2010
Revenue			
Reporting segment			
Mining	59,745	218%	18,811
Water	5,588	-2%	5,714
Total revenue	***65,333***	***166%***	***24,525***
Geographic region			
South America	25,715	-	-
Africa	16,935	49%	11,338
North America	14,623	109%	6,988
Asia Pacific	6,111	9%	5,602
Europe	1,950	227%	597
Total revenue	***65,333***	***166%***	***24,525***

Q1 2011 revenue amounted to US$ 65.3 million, an increase of US$ 40.8 million or 166% compared to Q1 2010, as predicted based on the order backlog reported in December 2010.

The Mining segment, up US$ 40.9 million, is driven by the contribution of operations in South America (US$ 25.7 million in Q1 2011) and a generally strong demand from which all operations benefited worldwide (US$ 15.2 million increase in revenue).

The Water segment remained relatively stable, down by US$ 0.1 million to US$ 5.6 million in Q1 2011. Activities in this segment are principally carried out in Africa.

Revenue in South America amounted to US$ 25.7 million in Q1 2011 (nil in Q1 2010), generated by long-term contracts with major companies in Chile and strong activity in Argentina.

In Africa, the Q1 2011 revenue increased by US$ 5.6 million or 49% compared to Q1 2010. This is mainly the result of the Company's strategy to develop its mining operations in West Africa. The Water segment, which is significant in this geographic region, remained stable during Q1 2011 despite the political turmoil in Ivory Coast where the Company had to stop its operations.

As a result of the continuing improvements in market conditions in Canada, revenue in North America increased by 109% to US$ 14.6 million in Q1 2011 from US$ 7.0 million in Q1 2010. Greater demand in the tar sands activity in central Canada contributed to this increase.

In Asia-Pacific, Q1 2011 revenue amounted to US$ 6.1 million, an increase of US$ 0.5 million or 9% compared to Q1 2010. The Company invested in two new rigs in Australia to be delivered during Q2 2011.

Revenue in Europe increased by US$ 1.4 million in Q1 2011 compared to Q1 2010 due to the March restart of operations in Russia, where activity had been low during the winter season which lasts from October to February.

The Company has no presence in North Africa, the Middle East or Japan and as such is not directly affected by recent events in these areas. The Company does not anticipate any indirect consequences stemming from these events.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for Q1 2011 and Q1 2010:

(In thousands of US$) *(unaudited)*	**Q1 2011**	**% change**	**Q1 2010**
Gross profit			
Reporting segment			
Mining	13,035	*238%*	3,862
Water	1,486	-4%	1,541
Total gross profit	***14,521***	***169%***	***5,403***

Overall, Q1 2011 gross profit amounted to US$ 14.5 million (or 22% of revenue), an increase of US$ 9.1 million or 169% compared to Q1 2010 (US$ 5.4 million or 22% of revenue).

In the Mining segment, the trend towards recovery in contract margins in South America, first seen during Q4 2010, continued. The unusual adverse climatic conditions in West Canada and the mobilization of contracts in West Africa were compensated by the fact that in general contracts performed well worldwide. This resulted in an increase in the gross profit margin from 21% in Q1 2010 to 22% in Q1 2011.

In the Water segment, gross profit margins remained stable compared to Q1 2010 at 27%.

Selling, general and administrative expenses

The following table provides an analysis of the selling, general and administrative expenses (SG&A), which represent substantially all operating expenses other than cost of sales, for Q1 2011 and Q1 2010:

(In thousands of US$) *(unaudited)*	Q1 2011	% change	Q1 2010
Selling, general and administrative expenses	5,916	54%	3,841
As a percentage of revenue	*9%*		*16%*

Q1 2011 SG&A amounted to US$ 5.9 million, an increase of US$ 2.1 million or 55% compared to Q1 2010. As a percentage of revenue, SG&A are now 9% of revenue in Q1 2011 as compared to 16% of revenue in Q1 2010. As anticipated, SG&A as a percentage of revenue decreased as a result of the profitable growth strategy implemented by the Company.

Operating Profit

The following table provides a breakdown of the Company's operating profit for Q1 2011 and Q1 2010 by reporting segment:

(In thousands of US$) *(unaudited)*	Q1 2011	% change	Q1 2010
Operating profit			
Reporting segment			
Mining	7,625	*710%*	941
Water	980	50%	653
Total operating profit	***8,605***	***440%***	***1,594***

Operating profit increased to US$ 8.6 million in Q1 2011 compared to US$ 1.6 million in Q1 2010. This variation is primarily due to the satisfying level of gross margin, together with the reduction of SG&A as a percentage of revenue.

Finance Costs

Net financial expenses totaled US$ 0.6 million in Q1 2011, compared to US$ 0.1 million for the corresponding 2010 period. This increase is mainly explained by the consolidation of the debts assumed as part of the acquisitions realized in May 2010 and the related financial expenses.

Income Tax

In the first quarter of 2011, the effective corporate income tax rate was 25%, compared to 28% 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. The estimated income tax rate takes into consideration the relative contribution expected from countries such as Chile and Russia.

Seasonality

The continuing geographical expansion of the Company progressively reduces its overall exposure to seasonality. 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 and in 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. No hedging transactions have been entered into in 2011. The exchange rates for the periods under review are as follows against the US$:

	Closing Q1 2011	Average Q1 2011	Closing Q4 2010	Average Q4 2010	Average FY 2010	Average FY 2009
€	0.71	0.73	0.76	0.74	0.75	0.71
CAD	1.02	1.01	1.01	0.99	1.03	1.13
AUD	1.03	1.00	1.01	0.99	1.09	1.21
CLP	479	486	461	486	516	N/A

Liquidity and Capital Resources

The following table provides a summary of the Company's cash flows for Q1 2011 and Q1 2010:

(In thousands of US$)	Q1 2011	Q1 2010
Cash generated from operations before working capital requirements	15,651	4,673
Working capital requirements, interest and tax	(12,178)	(7,493)
Net cash flow from operating activities	**3,473**	**(2,820)**
Purchase of equipment in cash	(6,411)	(1,668)
EDC consideration payable (*)	(3,800)	-
Net cash used in investing activities	**(10,211)**	**(1,686)**
Repayment of financial debts, net of proceeds	5,179	137
Acquisition of treasury shares	(484)	(134)
Net cash used in financing activities	**4,695**	**3**
Exchange differences	396	(1,349)
Variation in cash and cash equivalents	**(1,647)**	**(5,852)**

(*) The last installment related to the EDC acquisition, amounting to US$ 3.8 million will be paid in Q2 2011.

Q1 2011 cash generated from operations before changes in operating assets and liabilities increased to US$ 15.7 million in 2011 from US$ 4.7 million in 2010.

As a result of seasonality, Q1 is generally marked by an increase in the working capital requirement. The working capital requirements rose as expected from US$ 7.5 million to US$ 12.2 million, in line with the increase in activity.

During the quarter, the Company acquired operating equipment through US$ 6.4 million in cash purchases and US$ 4.8 million in finance leases not shown in the table above as they were non cash transactions, compared to a total of US$ 1.7 million during the same period in 2010.

In 2011, cash is generated mainly by dollar related operations. A larger percentage of the cash available is now kept in dollars, reducing the exposure to exchange rate fluctuations against the Company's presentation currency.

As at March 31, 2011, cash and cash equivalents totaled US$ 13.3 million compared to US$ 20.3 million as at March 31, 2010. Cash and cash equivalents are invested within top tier European financial institutions.

As at March 31, 2011, financial debts and equivalents amounted to US$ 55.7 million (US$ 49.6 million as at December 31, 2010). In Q2 2011, the Company will finalize US$ 9 million in additional long-term financing agreements with French banks and will complete the reorganization and simplification of its short-term financing structure in order to align it to its recently enlarged operations.

As at March 31, 2011, the maturity of the financial debt (borrowing and other financial debts) can be analyzed as follows (in thousands of US$):

Maturity	Less than one year	Between one and five years	More than five years	Total
Bank overdraft	7,693	—	—	**7,693**
Assignment of trade receivables with recourse	17,092	—	—	**17,092**
Bank financing	6,236	480	—	**6,716**
Consideration payable related to acquisitions of Adviser and EDC	4,141	—	—	**4,141**
Capital lease obligations	9,652	10,378	—	**20,030**
Total financial debt	**44,814**	**10,858**		**55,672**

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$ 66.8 million available as at March 31, 2011, corresponding to bank overdrafts and assignment of trade receivables. US$ 24.8 million had been drawn down as at March 31, 2011.

As at March 31, 2011, the net debt amounted to US$ 42.4 million. The ratio of debt (net of cash) to shareholders' equity remains low at 0.27.

Bank guarantees as at March 31, 2011 totaled US$ 21.8 million compared to US$ 27.6 million as at December 31, 2010.

The Company is not subject to any financial covenants.

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, 2011, the capital stock of the Company amounted to US$ 1,468 thousand, divided into 74,678,750 common shares. Warrants issued as part the acquisition of Adviser are expected to be converted for no consideration into 4,756,539 common shares in May 2012. The total common shares and warrants of the Company are distributed as follows:

	Number of shares	Warrants	Total	%
Common shares held directly or indirectly by principal shareholders	37,594,498	-	37,594,498	47.33%
Common shares held directly or indirectly by individuals in their capacity as members of the Board of Directors *	1,720,245	500,071	2,220,316	2.79%
Common shares held by the Company**	1,022,800	-	1,022,800	1.29%
Common shares held by the public	34,341,207	4,256,468	38,597,675	48.59%
Total common shares and warrants issued and outstanding	**74,678,750**	**4,756,539**	**79,435,289**	
Common shares held by the Company	(1,022,800)	-	(1,022,800)	
Total common shares and warrants issued and outstanding excluding shares held by the Company	**(73,655,950)**	**-**	**(78,412,489)**	

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

***1,022,800 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.*

Dividends

On March 7, 2011, the Board of Directors proposed a dividend payment of € 0.028 per share to be approved by Shareholders at the Company General Meeting on May 10, 2011.

Critical Accounting Estimates

The unaudited consolidated interim financial statements have been prepared in accordance with IFRS rather than Canadian GAAP and may not be comparable to the financial statements of other Canadian issuers. The Company's significant accounting policies are described in Note 2 to the annual and unaudited consolidated interim financial statements.

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 alternate to Net income or Operating profit or any other financial metric required by such accounting principles.

Litigation

There is no pending litigation. The matter reported in the previous quarter relating to an environmental issue in Australia resulted in a non significant fine which will be assumed by the former shareholders of Mosslake as part of the liability clause in the shares purchase agreement.

Subsequent Events

There are no subsequent events to report.

Outlook

The Company’s business strategy is to continue to grow through the development and optimization of the services it offers across geographical regions and industry segments, as well as through the expansion of its customer base. 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 March 31, 2011, under the heading “Risk Factors”, which has been filed with Canadian regulators on SEDAR (www.sedar.com).