FORACO INTERNATIONAL S.A.

MANAGEMENT'S DISCUSSION & ANALYSIS

Three-month period and year ended December 31, 2012

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 and the year ended December 31, 2012, 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, 2011. 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 March 4, 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 March 9, 2012, 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 December 31, 2012, the Company had 3,349 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

(In thousands of US$) *(unaudited)*	Three-month period ended December 31,		Year ended December, 31	
	2012	**2011**	**2012**	**2011**
Revenue	**69,511**	**75,142**	**367,519**	**301,139**
Gross profit (1)	**178**	**16,878**	**67,933**	**69,425**
As a percentage of sales	*0.3%*	*22.5%*	*18.5%*	*23.1%*
EBITDA	**14,041**	**17,924**	**83,097**	**73,306**
As a percentage of sales	*20.2%*	*23.9%*	*22.6%*	*24.3%*
Operating profit	**3,576**	**10,080**	**44,989**	**43,419**
As a percentage of sales	*5.1%*	*13.4%*	*12.2%*	*14.4%*
Profit for the period	**5,159**	**7,251**	**32,617**	**31,414**
EPS (in US cents)				
Basic	6.31	8.79	33.15	34.51
Diluted	6.23	8.72	32.69	34.25
EPS (in US cents) including the impact of the considered acquisition of the non-controlling interest of Servitec				
Basic	6.31	8.79	35.67	34.51
Diluted	6.23	8.72	35.18	34.25

(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 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. The maximum amount payable for this tranche is capped at US$ 75 million. 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 over the year, the Company has revised this estimate and now considers that the present value of the amount payable should approximate US$ 43.7 million. The adjustment amounting to US$ 13.3 million has been accounted for within other operating income and expense in accordance with IFRS 3.

Servitec has been consolidated into the Foraco International financial statements since April 20, 2012. The financial statements as at December 31, 2012 include eight months of Servitec activity.

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. The earn out payable was based on the calendar year 2012 EBITDA of JND. As a result of the change in market conditions over the year, the Company has assessed that JND will not achieve the EBITDA threshold which would generate a payment and therefore, no earn out payable is expected.

Fourth quarter ended December 31, 2012 – Q4 2012

Revenue

- Q4 2012 revenue amounted to US$ 69.5 million compared to US$ 75.1 million in Q4 2011, a decrease of 7%. Excluding the impact of acquisitions performed during fiscal year 2012, revenue decreased by 33% due to the sharp fall of the exploration budgets of mining companies recorded in all regions which significantly impacted the activity of Q4 2012.

Profitability

- Q4 2012 gross profit including depreciation within cost of sales was nil compared to US$ 16.9 million (22.5% of revenue) in Q4 2011.

- All contracts performed well as expected excluding certain contracts in Chile which strongly impacted the gross margin. The level of activity did not allow the equipment cost and other fixed operating expenses to be covered.

- Despite the corrective actions taken by the Company, two key contracts in Chile incurred losses during the quarter. The Q4 2012 gross profit was negatively affected by US$ 4 million. Negotiations are in progress to recognize contractual compensations and better conditions for the renewal of these long term contracts.

- Q4 2012 EBIT amounted to US$ 3.6 million compared to US$10.1 million in Q4 2011. During the quarter, the Company reestimated at US$ 43.7 million the present value of the amount payable related to the second phase of the Servitec acquisition, compared to US$57.0 million at the acquisition date. The adjustment amounting to US$ 13.3 million has been recorded in other operating income and expense within operating profit in accordance with IFRS 3.

- Q4 2012 EBITDA amounted to US$ 14.0 million (or 20.2% of revenue) compared to US$ 17.9 million (or 23.9% of revenue) in Q4 2011. Q4 2012 EBITDA includes US$ 1.0 million one-off transaction costs related to JND (nil in Q4 2011).

- Q4 2012 net profit after tax amounted to US$ 5.2 million (6.2% of revenue) compared to Q4 2011 which amounted to US$ 7.3 million (9.6% of revenue).

- Q4 2012 earnings per share attributable to the equity holders of the Company during the period amounted to 6.31 US cents (basic) and 6.23 US cents (diluted), compared to 8.79 US cents (basic) and 8.72 US cents (diluted) in Q4 2011.

Year ended December 31, 2012 – FY 2012

Revenue

- FY 2012 revenue amounted to US$ 367.5 million compared to US$ 301.1 million in FY 2011, an increase of 22% or US$ 66.4 million including US$ 53.9 million generated by the acquisitions.

Profitability

- FY 2012 gross profit, including depreciation within cost of sales, decreased to US$ 67.9 million (18.5% of revenue) compared to US$ 69.4 million (23.1% of revenue) in FY 2011, a decrease of 2%.

- FY 2012 EBIT amounted to US$ 45.0 million, a 3.6% increase compared to FY 2011 (US$ 43.4 million). During the quarter, the Company reestimated at US$ 43.7 million the present value of the amount payable related to the second phase of the Servitec acquisition, compared to US$57.0 million at the acquisition date. The adjustment amounting to US$ 13.3 million has been recorded in other operating income and expense within operating profit in accordance with IFRS 3.

- FY 2012 EBITDA amounted to US$ 83.1 million (22.6% of revenue) compared to US$ 73.43 million in FY 2011 (24.3% of revenue). FY 2012 EBITDA includes US$ 2.2 million one-off transaction costs related to Servitec and JND (nil in FY 2011).

- FY 2012 net profit after tax amounted to US$ 32.6 million (8.9% of revenue), an increase of 7% compared to US$ 30.4 million (10.1% of revenue) in FY 2011.

- FY 2012 earnings per share attributable to the equity holders of the Company during the period including the non-controlling interests corresponding to Servitec which the Company is in the process of acquiring amounted to 35.67 US cents (basic) and 35.18 US cents (diluted), compared to 34.51 US cents (basic) and 34.25 US cents (diluted) for FY 2011.

Results of Operations

Comparison of the three-month periods ended December 31, 2012 and December 31, 2011

Revenue

The following table provides a breakdown of the Company's revenue for Q4 2012 and Q4 2011 by reporting segment and geographic region:

(In thousands of US$) *(unaudited)*	Q4 2012	% change	Q4 2011
Reporting segment			
Mining	68,232	-6%	72,381
Water	1,279	- 54%	2,761
Total revenue	***69,511***	***-8%***	***75,142***
Geographic region			
South America	37,462	19%	31,574
Europe, Middle East and Africa	12,890	-43%	22,629
North America	9,241	-23%	12,056
Asia Pacific	9,918	12%	8,884
Total revenue	***69,511***	***-8%***	***75,142***

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.

Q4 2012 revenue amounted to US$ 69.5 million compared to US$ 75.1 million in Q4 2012, a decrease of 7%. Excluding the impact of acquisitions performed during fiscal year 2012, revenue decreased by 33% due to the sharp fall of the exploration budgets of mining companies recorded in all regions which significantly impacted the activity of Q4 2012.

Revenue in South America amounted to US$ 37.5 million in Q4 2012 (US$ 31.5 million in Q4 2011), an increase of 19%. This growth is mainly generated by the addition of Brazilian operations enabled by the Servitec acquisition in Q2 2012. Excluding this acquisition, revenue decreased by 29%.

In EMEA, revenue decreased by 43%, from US$ 22.6 in Q4 2011 to US$ 12.9 million in Q4 2012. This is mainly due to reduced activity levels in Africa while Russia remained stable.

Revenue in North America decreased by 23%, from US$ 12.1 million in Q4 2011 to US$ 9.2 million in Q4 2012. This decrease was mainly due to earlier than expected year end suspensions of long term contracts, as well as reallocation of assets in the region to mobilize new contracts.

In Asia-Pacific, Q4 2012 revenue amounted to US$ 9.9 million, an increase of US$ 1.0 million compared to Q4 2011 as a result of integration of JND activity since November 19, 2012. Excluding this acquisition, revenue decreased by 35% compared to Q4 2011.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for Q4 2012 and Q4 2011:

(In thousands of US$) *(unaudited)*	Q4 2012	% change	Q4 2011
Gross profit			
Reporting segment			
Mining	(136)	*-101%*	16,299
Water	314	*-46%*	579
Total gross profit	***178***	***-99%***	***16,878***

Overall, Q4 2012 gross profit amounted to US$ 0.2 million compared to US$ 16.3 million in Q4 2011.

All contracts performed well as expected excluding certain contracts in Chile which strongly impacted the gross margin. The level of activity (-33% on a comparable basis) did not allow the equipment cost and other fixed operating expenses to be covered, despite the cost cutting actions taken to better align fixed costs to the reduced activity.

Despite the corrective actions taken by the Company, two key contracts in Chile incurred losses during the quarter. The Q4 2012 gross profit was negatively affected by US$ 4 million. Negotiations are in progress to recognize contractual compensations and better conditions for the renewal of these long term contracts.

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 Q4 2012 and Q4 2011:

(In thousands of US$) *(unaudited)*	Q4 2012	% change	Q4 2011
Selling, general and administrative expenses	9,905	46%	6,798

During the quarter, SG&A expenses included US$ 2.8 million for (i) the one-off costs associated with the acquisition of JND and (ii) the integration of Servitec and JND. In addition, the Company reinforced its corporate structure.

Operating Profit

The following table provides a breakdown of the Company's operating profit for Q4 2012 and Q4 2011 by reporting segment:

(In thousands of US$) *(unaudited)*	Q4 2012	% change	Q4 2011
Operating profit			
Reporting segment			
Mining	3,444	*-65%*	9,751
Water	132	-60%	329
Total operating profit	***3,576***	***-65%***	***10,080***

Operating profit decreased to US$ 3.6 million in Q4 2012 compared to US$ 10.1 million in Q4 2011. During the quarter, the Company reestimated at US$ 43.7 million the present value of the amount payable related to the second phase of the Servitec acquisition, compared to US$57.0 million at the acquisition date. The adjustment amounting to US$ 13.3 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$ 1.4 million in Q4 2012, compared to US$ 1.0 million for the corresponding 2011 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 fourth quarter of 2012, the effective corporate income tax was a US$ 3.0 million profit compared to an expense of US$ 1.8 million in the same period last year.

Comparison of the year ended December 31, 2012 and December 31, 2011

Revenue

The following table provides a breakdown of the Company's revenue for FY 2012 and FY 2011 by reporting segment and geographic region:

(In thousands of US$) *(unaudited)*	FY 2012	% change	FY 2011
Reporting segment			
Mining	357,375	25%	286,444
Water	10,144	-31%	14,695
Total revenue	***367,519***	***22%***	***301,139***
Geographic region			
South America	180,034	53%	117,779
Europe, Middle East and Africa	92,228	-3%	95,135
North America	61,568	10%	55,754
Asia Pacific	33,688	4%	32,472
Total revenue	***367,519***	***22%***	***301,139***

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.

FY 2012 revenue amounted to US$ 367.5 million, an increase of 22% compared to FY 2011 (US$ 301.1 million). Excluding the impact of acquisitions performed during fiscal year 2012, revenue increased by 4% as a result of a strong activity during the first half of 2012 followed by the reduction of activity due to the sharp fall of the exploration budgets of mining companies in the last quarter of 2012.

Revenue in South America amounted to US$ 180.0 million in FY 2012 (US$ 117.8 million in FY 2011), an increase of 53%. This growth is mainly generated by the addition of Brazilian operations enabled by the Servitec acquisition in Q2 2012. Excluding this acquisition, revenue increased by 11%.

In EMEA, revenue decreased by 3%, from US$ 95.1 in FY 2011 to US$ 92.2 million in FY 2012. This is mainly due to reduced activity levels in Africa during the last quarter which has only partially been offset by a 7% increased activity in Russia.

Revenue in North America increased by 10%, from US$ 55.8 million in FY 2011 to US$ 61.6 million in FY 2012. This increase has been realized through increased activity in long term contracts with major companies.

In Asia-Pacific, FY 2012 revenue amounted to US$ 33.7 million, an increase of 4% compared to FY 2011, including the integration of JND activity since November 19, 2012. Excluding this acquisition, revenue decreased by 9% compared to FY 2011.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for FY 2012 and FY 2011:

(In thousands of US$) *(unaudited)*	FY 2012	% change	FY 2011
Gross profit			
Reporting segment			
Mining	65,145	*-2%*	66,165
Water	2,788	-14%	3,260
Total gross profit	***67,933***	***-2%***	***69,425***

Overall, FY 2012 gross profit amounted to US$ 67.9 million compared to US$ 69.4 million in FY 2011.

All contracts performed well as expected excluding certain contracts in Chile which strongly impacted the gross margin in Q3 and Q4 2012.

In Chile two key contracts had a negative impact on gross profit estimated at US$ 6.7 million in FY 2012, caused by the combination of a significant number of rigs being shut down at the client's request, preexisting unfavorable contract conditions aggravated by the significant downsizing of the allocated fleet, and lower production rates during the winter season. These two contracts are due to expire in mid 2013 and are being re tendered. Negotiations are in progress to recognize contractual compensations and better conditions for the renewal of these long term contracts.

The Company remains focused to adapting its structure and fixed costs to the market conditions, to the integration of newly acquired businesses, and to risk management.

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 FY 2012 and FY 2011:

(In thousands of US$) *(unaudited)*	FY 2012	% change	FY 2011
Selling, general and administrative expenses	36,247	40%	25,983
As a percentage of revenue	*9.9%*		*8.6%*

During the period, SG&A expenses included US$ 2.6 million for the one-off costs associated with the business acquisitions in Brazil and Australia. The integration of Servitec and JND contributed US$ 1.4 million to the SG&A expenses. In addition SG&A expenses included costs associated with the relocation and reinforcement of the corporate structure.

Operating Profit

The following table provides a breakdown of the Company's operating profit for FY 2012 and FY 2011 by reporting segment:

(In thousands of US$) *(unaudited)*	FY 2012	% change	FY 2011
Operating profit			
Reporting segment			
Mining	43,161	*4%*	41,441
Water	1,828	-8%	1,978
Total operating profit	***44,989***	***4%***	***43,419***

Operating profit increased to US$ 45.0 million in FY 2012 compared to US$ 43.4 million in FY 2011. During the quarter, the Company reestimated at US$ 43.7 million the present value of the amount payable related to the second phase of the Servitec acquisition, compared to US$57.0 million at the acquisition date. The adjustment amounting to US$ 13.3 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$ 4.6 million in FY 2012, compared to US$ 3.4 million for the corresponding 2011 period. This increase is mainly due to the impact of the bank loan and the discounting of the consideration payable related to the second phase of the Servitec acquisition.

Income Tax

For the year ended December 31, 2012, the effective corporate income tax rate was 19%, compared to 24% last year. Excluding the impact of the re assessment of the Servitec acquisition's second phase the income tax rate was 29% in line with previous estimates.

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 Q4 2012	Average Q4 2012	Closing Q4 2011	Average Q4 2011
€	0.76	0.80	0,77	0.74
CAD	1.00	1.00	1,02	1.02
AUD	0.96	0.96	0,98	0.99
CLP	478	483	519	512
BRL	2.05	2.02		

Liquidity and Capital Resources

The following table provides a summary of the Company's cash flows for FY 2012 and FY 2011:

(In thousands of US$)	FY 2012	FY 2011
Cash generated from operations before working capital requirements	70,119	74,088
Working capital requirements, interest and tax	(28,326)	(6,320)
Net cash flow from operating activities	**41,973**	**67,768**
Purchase of equipment in cash	(39,512)	(35,702)
Consideration payable related to acquisitions	(49,435)	(7,600)
Net cash used in investing activities	**(88,947)**	**(43,302)**
Proceeds from credit facilities, net	68,835	(7,981)
Acquisition of treasury shares	(3,667)	(3,272)
Dividends paid	(7,068)	(2,957)
Net cash from financing activities	**58,100**	**(14,210)**
Exchange differences	458	(863)
Variation in cash and cash equivalents	**11,584**	**9,393**

For the year ended December 31, 2012, cash generated from operations before changes in operating assets and liabilities decreased to US$ 70.1 million in FY 2012 compared to US$ 74.1 million in FY 2011.

After working capital requirements, interest and income tax paid the net cash generated from operations was US$ 41.4 million in FY 2012 compared to US$67.8 million in FY 2011. The significant increase in the working capital requirements is mainly due to the increased year on year activity and to US$12.1 million of income tax paid related to the 2011 profit. The income tax payable may differ from the income tax charge in a given period due to the timing difference between the recognition of the charge and the payment to the tax authorities.

During the year, the Company acquired operating equipment through US$ 41.6 million in cash purchases and financial

lease. This compares to a total of US$ 51.3 million in cash purchases and finance leases during FY 2011.

In 2012 the cash paid for the acquisitions of Servitec and JND net of the cash available in the companies amounted to US$ 48.8 million.

During the year, the Company paid dividends to its minority shareholders in Russia amounting to US$ 2.1 million and dividends to its shareholders amounting to US$ 4.9 million.

As of December 31, 2012, cash and cash equivalents totaled US$ 35.9 million compared to US$ 24.3 million as at December 31, 2011. Cash and cash equivalents are held at or invested within top tier financial institutions.

On December 31, 2012, financial debts and equivalents amounted to US$ 175.0 million (US$ 49.2 million as at December 31, 2011), including two new long term loans amounting to US$ 53 million related to finance the Servitec and JND acquisitions made during the year. 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$ 43.7 million.

As at December 31, 2012, 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	26,115	—	—	**26,115**
Assignment of trade receivables with recourse	13,026	—	—	**13,026**
Bank financing	18,043	56,305	—	**74,348**
Capital lease obligations	10,117	5,428	—	**15,545**
Total financial debt	**67,301**	**61,733**	—	**129,034**

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$ 106 million available as at December 31, 2012 (US$ 82.6 million as at December 31, 2011), corresponding to bank overdrafts and the assignment of trade receivables. US$ 39.1 million has been drawn down as at December 31, 2012.

As at December 31, 2012, the net debt amounted to US$ 139.1 million. The ratio of debt (net of cash) to shareholders’ equity increased to 0.67 from 0.15 as at December 31, 2011 mainly as a result of the Servitec and JND acquisitions.

Bank guarantees as at December 31, 2012, totaled US$ 22.8 million compared to US$ 19.2 million as at December 31, 2011.

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 December 31, 2012, 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 Adviser were converted for no consideration into 4,756,539 common shares in May 2012. 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	41.95%
Common shares held directly or indirectly by individuals in their capacity as members of the Board of Directors *	2,254,322	2.52%
Common shares held by the Company**	724,898	0.81%
Common shares held by the public (including 6,665,620 warrants)	49,041,701	54.72%
Total common shares and warrants issued and outstanding	**89,617,418**	
Common shares held by the Company	(724,898)	
Total common shares and warrants issued and outstanding excluding shares held by the Company	**88, 892,520**	

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

***724,898 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)*	FY 2012	FY 2011
Operating profit	44,989	43,419
Depreciation expense	36,540	28,804
Non-cash employee share-based compensation	1,566	1,083
EBITDA	***83,095***	***73,306***

The 2012 EBITDA includes the US$ 13.3 million change in estimate of the present value of the consideration payable for Servitec.

Litigation

There is no significant pending litigation.

Subsequent Events

On March 4, 2013, the Board of Directors proposed a Dividends payment of Cdn$0.055 per common share to be approved by shareholders at the Company's Annual General Meeting on May 22, 2013.

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.

As at December 31, 2012, the Company's order backlog for continuing operations was US$ 342 million, of which US$ 221 million is expected to be executed during the 2013 fiscal year. This compares to an order backlog as at December 31, 2011 of US$ 418 million of which US$ 294 million was expected to be executed during the 2012 fiscal year. As mentioned above, certain significant contracts in Chile are in the process of being re-tendered. These contracts are not included in the backlog as at December 31, 2012.

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 might not be indicative of actual operating results for any subsequent period.

Risk Factors

For a comprehensive discussion of the important factors that could impact the Company's operating results, please refer to the Company's Annual Information Form dated March 9, 2012, under the heading "Risk Factors", which has been filed with Canadian regulators on SEDAR (www.sedar.com).