FORACO INTERNATIONAL S.A.

MANAGEMENT'S DISCUSSION & ANALYSIS

Three-month period ended March 31, 2024

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 ended March 31, 2024, 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, 2023. 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 at April 30, 2024.

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 using words such as "may", "will", "should", "plans", "expects", "intends", "anticipates", "believes", "budget", and "scheduled" or the negative thereof or variations thereof or similar terminology. Forward-looking statements and information are necessarily based upon several 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 7, 2024, which is filed with the 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**
- **Risk Factors**

Business Overview

Headquartered in Marseille, France, Foraco is a worldwide drilling service provider and is present in 21 countries and 5 continents. On March 31, 2024, following the deconsolidation of EDC Russia, the Company had 2,359 employees and operated 290 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. Through its global operations the Company services a range of industries focusing on mining and water.

The Company's strategy is to assist its customers in exploring or managing their deposits throughout the entire cycle, with a special focus on the life of mines extension activity. The Company intends to continue developing and growing its services across the world with a focus on stable jurisdictions, high tech drilling services, an optimal commodities mix including battery metals and gold - with a significant presence in water related drilling services - and a gradual implementation of advanced digital applications. The Company expects to execute its strategy primarily through organic growth and targeted acquisitions.

The Company addressed the environmental, social and governance (ESG) requirements, and implements a pragmatic and measurable approach to ESG with quantitative KPIs to maximize improvement and efficiencies.

Interim Consolidated Financial Highlights

Income Statement

(In thousands of US$) *(unaudited)*	Three-month period ended March 31, 2024	2023
Revenue	**77,089**	**88,378**
Gross profit (1)	**16,812**	**21,118**
As a percentage of sales	*21.8%*	*23.9%*
EBITDA	**17,574**	**19,130**
As a percentage of sales	*22.8%*	*21.6%*
Operating profit	**12,624**	**14,214**
As a percentage of sales	*16.4%*	*16.1%*
Net profit for the period	**8,464**	**8,001**
Attributable to:		
Equity holders of the Company	8,846	6,635
Non-controlling interests	(382)	1,366
EPS (in US cents)		
Basic	8.96	6.70
Diluted	8.78	6.56

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

Three-month period ended March 31, 2024 – Q1 2024

Revenue

- Q1 2024 revenue amounted to US$ 77.1 million compared to US$ 88.4 million in Q1 2023, a decrease of 13%.
- Q1 2024 revenue remains the second-best first quarter of the last decade (+14% vs Q1 2022).
- In Q1 2023, most contracts were remobilized particularly early. Delays noted in the first part of Q1 2024 were partially compensated by a robust rebound in activity towards the end of the quarter.

Profitability

- Q1 2024 gross margin including depreciation within cost of sales was US$ 16.8 million (or 21.8% of revenue) compared to US$ 21.1 million (or 23.9% of revenue) in Q1 2023, the temporary revenue dip, leading to some under-absorption of fixed costs.
- During the quarter, EBITDA amounted to US$ 17.6 million (or 22.8% of revenue) compared to US$ 19.1 million (or 21.6% of revenue) for the same quarter last year.
- The Free Cash Flow for the period was US$ (19.0) million mainly explained by the working capital requirements resulting from the higher activity in the second part of the quarter and the capex required in the first quarter to support the upcoming activity.

Results of Operations

Comparison of the three-month periods ended March 31, 2024 and March 31, 2023

Revenue

The following table provides a breakdown of the Company's revenue for Q1 2024 and Q1 2023 by reporting segment and geographic region:

(In thousands of US$) - *(unaudited)*	Q1 2024	% change	Q1 2023
Reporting segment			
Mining	69,046	-7%	74,519
Water	8,043	-42%	13,859
Total revenue	***77,089***	***-13%***	***88,378***
Geographic region			
North America	27,023	-9%	29,726
South America	25,575	-18%	31,142
Asia Pacific	14,671	-8%	16,008
Europe, Middle East and Africa	9,820	-15%	11,502
Total revenue	***77,089***	***-13%***	***88,378***

Revenue for the quarter amounted to US$ 77.1 million in Q1 2024 compared to US$ 88.4 million in Q1 2023 and to US$67.7 million in Q1 2022

During Q1 2024, several customers delayed the resumption of activities in January compared to 2023 which was partially recovered in the second part of the quarter. Rigs utilization rate was 42% in Q1 2024 compared to 53% in Q1 2023.

Activity in North America decreased by 9% with revenue at US$ 27.0 million in Q1 2024 compared to US$ 29.7 million in Q1 2023. This decrease is linked to the late remobilization of long-term contracts at clients' request.

Revenue in South America decreased by 18% to US$ 25.6 million in Q1 2024 (US$ 31.1 million in Q1 2023). Several clients delayed issuing orders to remobilize long-term contracts.

In Asia Pacific, Q1 2024 revenue amounted to US$ 14.7 million, a decrease of 8% compared to Q1 2023. This decrease is mainly linked to adverse foreign exchange rate (4%) and weather issues in Australia.

In the EMEA, revenue for the quarter was US$ 9.8 million compared to US$ 11.5 million in Q1 2023, a decrease of 15% mainly linked to the political and economic uncertainties in some countries.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for Q1 2024 and Q1 2023:

(In thousands of US$) - *(unaudited)*	Q1 2024	% change	Q1 2023
Reporting segment			
Mining	15,446	-12%	17,644
Water	1,366	-60%	3,464
Total gross profit	***16,812***	***-20%***	***21,118***

The Q1 2024 gross margin including depreciation within cost of sales was US$ 16.8 million (or 21.8% of revenue) compared to US$ 21.1 million (or 23.9% of revenue) in Q1 2023. The revenue decrease during the first part of the quarter led to some under-absorption of fixed costs.

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)*	Q1 2024	% change	Q1 2023
Selling, general and administrative expenses	6,299	-9%	6,904

SG&A decreased compared to the same quarter last year. As a percentage of revenue, SG&A was stable at 8%.

Operating result

The following table provides a breakdown of the Company's operating result for Q1 2024 and Q1 2023 by reporting segment:

(In thousands of US$) - *(unaudited)*	Q1 2024	% change	Q1 2023
Reporting segment			
Mining	11,915	1%	11,823
Water	709	-70%	2,391
Total operating profit	***12,624***	***-11%***	***14,214***

The operating profit was US$ 12.6 million compared to US$ 14.2 million in the same quarter last year. On March 15, 2024, the Company finalized the sale of its 50 % stake in Eastern Drilling Company (EDC) Russia. This transaction generated a net profit of US$ 2.1 million recorded in other operating income and expense within operating profit.

Finance costs

Net financial expenses were US$ 1.7 million in Q1 2024 compared to US$ 3.6 million in Q1 2023. This decreased is attributable to the more favorable interest rate of the new financing signed in Q4 2023.

Income tax

Q1 is a quarter that is seasonally lower. The income tax expense being 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 corporate income tax expense for Q1 2024 amounted to US$ 2.4 million compared to US$ 2.6 million in the same period for the previous year.

Seasonality

The worldwide presence of the Company reduces its overall exposure to seasonality and the influence this can have on the business activity. 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. 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 many countries, each with its own functional currency, such as Euros, Canadian Dollars, Australian Dollars, Chilean Pesos, and Brazilian Reals, while the US Dollar is the presentation currency of the Group. The significant fluctuations in the value of the US Dollar over the previous quarters have had a substantial impact on the Company's financial statements.

The Company however, 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 Dollar for the periods under review are as follows:

	Average Q1 2024	Average Q1 2023	Closing Q1 2024	Closing Q4 2023
€	0.92	0.93	0.93	0.91
CAD	1.35	1.35	1.35	1.32
AUD	1.52	1.46	1.53	1.47
CLP	946	810	979	879
BRL	4.95	5.19	5.01	4.85
RUB	90.79	73.22	92.46	89.03

Liquidity and Capital Resources

The following table provides a summary of the Company's cash flows for Q1 2024 and Q1 2023:

(In thousands of US$)	Q1 2024	Q1 2023
Cash generated by operations before working capital requirements	**17,574**	**19,130**
Working capital requirements	(26,716)	(10,541)
Income tax paid	(1,904)	(2,402)
Purchase of equipment in cash	(6,198)	(8,572)
Free Cash Flow before debt servicing	**(17,244)**	**(2,385)**
Proceeds from / (repayment of) debt	6,400	5,250
Interests paid	(1,710)	(3,314)
Acquisition of treasury shares	(269)	(393)
Deconsolidation of EDC Russia	(2,076)	-
Dividends paid to non-controlling interests	(330)	(398)
Net cash generated / (used in) financing activities	**2,015**	**1,145**
Net cash variation	**(15,229)**	**(1,241)**
Foreign exchange differences	(728)	(556)
Variation in cash and cash equivalents	**(15,958)**	**(1,797)**
Cash and cash equivalents at the end of the period	**18,331**	**27,611**

In Q1 2024, the cash generated from operations before working capital requirements amounted to US$ 17.6 million compared to US$ 19.1 million in Q1 2023.

In Q1 2024, the working capital requirement was US$ 26.7 million compared to US$ 10.5 million in the same period last year. The increase in the working capital requirement is a consequence of the higher activity in the second part of the quarter.

During the period, Capex totaled US$ 6.2 million in cash compared to US$ 8.6 million in Q1 2023. Capex relates essentially to the acquisition of rigs, major rig overhauls, ancillary equipment and rods. Two large rigs were added to the fleet during the quarter.

As at March 31, 2024, the maturity of financial debt can be analyzed as presented in the table below:

In thousands of US$	**March 31, 2024**	**March 31, 2023**
Credit lines	9,145	7,072
Long-term debt		
Within one year	12,751	13,553
Between 1 and 2 years	11,880	10,393
Between 2 and 3 years	11,619	74,853
Between 3 and 4 years	43,993	565
Between 4 and 5 years	8,094	-
Total	**97,482**	**106,436**
IFRS 16	**5,886**	**6,428**
Cash	**18,331**	**27,611**
Net Debt	**85,016**	**85,253**

As at March 31, 2024, cash and cash equivalents totaled US$ 18.3 million compared to US$ 34.3 million as at December 31, 2023. Cash and cash equivalents are mainly held at or invested within top tier financial institutions.

As at March 31, 2024, the net debt including operational lease obligations (IFRS 16) amounted to US$ 85.0 million (US$ 65.2 million as at December 31, 2023).

Bank guarantees as at March 31, 2024 totaled US$ 5.2 million compared to US$ 7.4 million as at December 31, 2023.

Cash Transfer Restrictions

Foraco operates in several countries where cash transfer restrictions may exist. The Company organizes its business to ensure that most payments are collected in countries where there are no such restrictions. No excess cash is held in countries where cash transfer restrictions are in force.

Related-Party Transactions

For details of related-party transactions, please refer to Note 14 of the unaudited condensed interim consolidated financial statements.

Capital Stock

As at March 31, 2024, the total common shares of the Company are distributed as follows:

	Number of shares
Common shares held directly or indirectly by principal shareholders	34,155,191
Common shares held directly or indirectly by Officers and individuals in their capacity as members of the Board of Directors	1,453,838
Common shares held by the Company	523,457
Common shares held by the public (*)	63,119,312
Total shares issued and outstanding	**99,251,798**
Common shares held by the Company	(523,457)
Total common shares issued and outstanding	**98,728,341**

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

****523,457 common shares are held by the Company to meet the Company's obligations under the employee free share plan.*

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 as this 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 as 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 of payables related to acquisitions, net of cash and cash equivalents. The Company's lease obligations are included in the net debt calculation.

Reconciliation of EBITDA is as follows:

(In thousands of US$) *(unaudited)*	Q1 2024	Q1 2023
Operating profit / (loss)	12,624	14,214
Depreciation expense	4,847	4,826
Non-cash employee share-based compensation	102	90
EBITDA	***17,574***	***19,130***

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 ensuing costs in resolving these matters to have a material adverse effect on either the Company's consolidated financial position, results of operations or cash flows.

Subsequent Events

There are no significant post balance sheet events.

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 7, 2024, under the heading "Risk Factors", which has been filed with the Canadian regulators on SEDAR (www.sedar.com).