FORACO INTERNATIONAL S.A.

MANAGEMENT'S DISCUSSION & ANALYSIS

Year ended December 31, 2023

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 audited consolidated financial statements for year ended December 31, 2023, including the notes thereto. The audited financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS" as issued by IASB). 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 , all amounts presented in this MD&A are denominated in US Dollars ("US$"). The discussion and analysis within this MD&A are as at March 7, 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 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 7, 2024, which is filed with the Canadian regulators on SEDAR (www.sedarplus.ca). The Company expressly disclaims any intention or obligation to update except as required by securities regulations 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 global provider of drilling services, maintaining a presence in 22 countries across five continents. As of December 31, 2023, the Company had close to 2,800 employees and had a fleet of 302 drill rigs worldwide, offering a broad range of drilling services to its clients. The Company has developed and acquired significant expertise including proprietary drill rig design capabilities. Its global operations cater to a variety of industries, with an emphasis on long-term valuable commodities and water.

Foraco's strategy involves assisting its clients in exploring or managing their deposits throughout the entire life cycle, with particular emphasis on activities extending the lifespan of mines. The Company plans to persist in expanding its services worldwide, prioritizing stable jurisdictions, high-tech drilling services, and sectors of energy transition and gold. Foraco maintains a substantial presence in water-related drilling services. It is also gradually implementing advanced digital applications. The company anticipates achieving its strategic goals primarily through organic growth and targeted acquisitions.

Foraco is attentive to environmental, social, and governance (ESG) requirements. It has implemented a pragmatic and measurable approach to ESG, using quantitative KPIs to ensure maximum improvements and efficiencies.

Consolidated Financial Highlights

Income Statement

(In thousands of US$)	Year ended December 31, 2023	2022
Revenue	**370,093**	**330,555**
Gross profit (1)	**93,862**	**71,272**
As a percentage of sales	*25.4%*	*21.6%*
EBITDA	**86,671**	**66,544**
As a percentage of sales	*23.4%*	*20.1%*
Operating profit	**66,708**	**46,384**
As a percentage of sales	*18.0%*	*14.0%*
Net profit for the period before one-off refinancing costs	**38,652**	**25,780**
Net profit for the period	**33,916**	**25,780**
Attributable to:		
Equity holders of the Company	28,714	19,761
Non-controlling interests	5,202	6,019
EPS (in US cents)		
Basic	29.07	20.01
Diluted	28.57	19.59

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

<u>Year ended December 31, 2023 – FY 2023</u>

Revenue

- For the year ending December 31, 2023, the revenue amounted to US$ 370.1 million, representing a 12% increase over the US$330.6 million recorded in FY 2022. This rise in revenue can be attributed to the solid performance of main contracts and the delivery of more-added drilling services.

Profitability

- In FY 2023, the gross margin, inclusive of depreciation within cost of sales, was US$ 93.9 million (or 25.4% of revenue), a significant 32% increase from US$ 71.3 million (or 21.6% of revenue) in FY 2022. This increase resulted from good contract performance, improved selling prices, and the delivery of more value-added drilling services.

- During FY 2023, EBITDA amounted to US$ 86.7 million (or 23.4% of revenue), a 30% increase from US$ 66.5 million (or 20.1% of revenue) for FY 2022.

- The Free Cash Flow of the year was US$29.1 million compared to US$ 17.4 million in FY 2022.

Balance Sheet

- On November 8, 2023, the Company undertook an early redemption of its US-dollar-denominated senior bonds. They were originally issued in 2021 with a maturity date set for December 2025. In line with this redemption, the Company entered into two separate financing agreements: Desjardins in Canada, providing C$76 million with a 10% annual repayment and a maturity of 3.5 years reschedulable over 6 further years. Caisse d'Epargne (Natixis Group) in France, offering €30 million with €22.5 million to be amortized over the next four years and a final payment of

€7.5 million in 2028. This refinancing reduces the Company's interest expense, modify the debt maturity profile, and implement a back-ended amortization schedule. Concurrently, an additional liquidity line of C$15 million has been secured with Desjardins.

Net debt

- As of December 31, 2023, the net debt, including the impact of IFRS 16, stood at US$ 65.2 million, reflecting a notable reduction from US$ 76.2 million as of December 31, 2022.

- Our Net debt to EBITDA ratio at year-end 2023 is 0.75 versus 1.15 at year-end 2022.

Results of Operations

Comparison of the year ended December 31, 2023 and December 31, 2022

Revenue

The following table provides a breakdown of the Company's revenue for FY 2023 and FY 2022 by reporting segment and geographic region:

(In thousands of US$) - *(audited)*	FY 2023	% change	FY 2022
Reporting segment			
Mining	321,697	13%	286,065
Water	48,395	9%	44,490
Total revenue	***370,093***	***12%***	***330,555***
Geographic region			
South America	131,884	26%	104,640
North America	119,188	14%	104,345
Asia Pacific	68,439	28%	53,295
Europe, Middle East and Africa	50,582	-26%	68,275
Total revenue	***370,093***	***12%***	***330,555***

The uptick in revenue for the Mining and Water segments can be attributed to favorable market dynamics, with the Company having renegotiated and extended its long-term rolling contracts since the previous year. Coupled with the Company's proven capacity to deliver, this has generated significant growth.

North American operations saw a 14% surge in activity, with revenues climbing to US$ 119.2 million in FY 2023, up from US$ 104.3 million in FY 2022. This increase primarily resulted from the early remobilization of long-term contracts with senior clients, renewed in the previous year.

In South America, revenues spiked by 26% to reach US$ 131.9 million in FY 2023, a notable increase from US$ 104.6 million in FY 2022. This was driven by all countries ramping up their activity levels, supported by new long-term contracts with senior companies.

In the Asia Pacific region, FY 2023 revenues rose to US$ 68.4 million, a 28% increase, reflecting the period-over-period market growth and the capacity of the Company to meet demand.

In the EMEA region, revenue for FY 2023 amounted to US$50.6 million, representing a 26% decrease compared to the US$68.3 million recorded in FY 2022. Although revenues in Southern Europe and Africa experienced a slight increase compared to FY 2022, operations in the CIS countries witnessed a 42% decline, primarily attributable to the unstable situation in the region.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for FY 2023 and FY 2022:

(In thousands of US$) - *(audited)*	FY 2023	% change	FY 2022
Reporting segment			
Mining	81,221	36%	59,963
Water	12,642	12%	11,309
Total gross profit	***93,863***	***32%***	***71,272***

In FY 2023, the gross margin, inclusive of depreciation within the cost of sales, rose to US$ 93.9 million (or 25.4% of the total revenue). This marked a significant surge compared to the US$ 71.3 million (or 21.6% of revenue) in FY 2022. The substantial increase underscores the robust performance of contracts.

Selling, General and Administrative Expenses

The following table provides an analysis of the selling, general and administrative expenses (SG&A):

(In thousands of US$) - *(audited)*	FY 2023	% change	FY 2022
Selling, general and administrative expenses	27,154	9%	24,888

SG&A increased compared to the same period last year mainly due to the level of activity. As a percentage of revenue, SG&A decreased from 7.5% in FY 2022 to 7.3% in FY 2023.

Operating result

The following table provides a breakdown of the Company's operating result for FY 2023 and FY 2022 by reporting segment:

(In thousands of US$) - *(audited)*	FY 2023	% change	FY 2022
Reporting segment			
Mining	57,830	51%	38,409
Water	8,879	11%	7,975
Total operating profit	***66,709***	***44%***	***46,384***

The operating profit reached US$ 66.7 million, resulting in a US$ 20.3 million increase driven by heightened activity levels and enhanced operational margins.

Finance costs

The net financial expenses for FY 2023 stood at US$ 20.1 million, which is a rise from the US$ 11.8 million recorded in FY 2022. This uptick is primarily attributable to the US$ 6.4 million one-off costs linked to the early repayment of the bonds and the refinancing costs.

Income tax

In FY 2023, the corporate income tax expense was US$ 12.7 million an effective income tax rate of 27% compared to US$ 8.8 million for the same period last year, an effective income tax rate of 25%. This income tax profit corresponds to taxable income in profitable jurisdictions and the recognition of deferred tax assets when they can be used against taxable profit within a reasonable timeframe (generally five years).

Seasonality

The worldwide presence of the Company reduces its overall exposure to seasonality and the influence this can have on 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's operations span across a vast array of countries, each with their own functional currencies such as, Canadian Dollars, Brazilian Reals, Australian Dollars, Chilean Pesos, and Euros. The US Dollar has been adopted as the presentation currency for group reporting purposes. Over recent quarters, the US Dollar has experienced significant fluctuations in its value. This volatility has an impact on the Company's financial statements, due to the currency conversion required for financial reporting purposes. The adjustments made to the company's equity, due to changes in exchange rates when translating foreign subsidiaries' financial statements into the reporting currency, are reported in the Currency Translation Adjustment, a component of the company's equity section in the consolidated financial statements. It amounted to US$ 7,9 million at December 31,2023. The impact on the consolidated income statement due to the conversion of foreign currencies into the functional currency of the consolidated companies is not significant.

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.

In February 2024, the Company entered into a Euro-Australian Dollar currency swap, applying a fixed interest and exchange rate to 60% of its recently negotiated Euro-denominated debt. This hedging contract enables the exchange of Euro debt for Australian Dollar equivalents at a specified rate, effectively mitigating exchange rate risks and stabilizing interest cost.

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

	Average FY 2023	Average FY 2022	Closing Q4 2023	Closing Q4 2022
€	0.92	0.95	0.91	0.94
CAD	1.35	1.30	1.32	1.35
AUD	1.51	1.44	1.47	1.47
CLP	839	873	879	853
BRL	4.99	5.16	4.85	5.28

Liquidity and Capital Resources

The following table provides a summary of the Company's cash flows for FY 2023 and FY 2022:

(In thousands of US$)	FY 2023	FY 2022
Cash generated by operations before working capital requirements	**86,671**	**66,543**
Working capital requirements	(5,038)	(9,745)
Income tax paid	(12,194)	(9,302)
Purchase of equipment in cash	(26,135)	(20,042)
Free Cash Flow before debt servicing	**43,304**	**27,454**
Proceeds from / (repayment of) debt net of issuance costs	(20,434)	(7,932)
Interests paid	(14,224)	(10,068)
Acquisition of treasury shares	(1,475)	(1,032)
Dividends paid to non-controlling interests	(2,035)	(1,714)
Net cash generated / (used in) financing activities	**(38,168)**	**(20,746)**
Net cash variation	**5,136**	**(6,709)**
Foreign exchange differences	(256)	(1,224)
Variation in cash and cash equivalents	**4,880**	**5,485**
Cash and cash equivalents at the end of the period	**34,289**	**29,409**

In FY 2023, the cash generated from operations before working capital requirements amounted to US$ 86.7 million compared to US$ 66.5 million in FY 2022, a 30% increase.

During the same period, the working capital requirements was US$ 5.0 million, down from US$ 9.7 million in the previous year.

During the period, Capex totaled US$ 26.1 million in cash compared to US$ 20.0 million in FY 2022. Capex relates essentially to the acquisition of rigs, major rig overhauls, ancillary equipment and rods. Seven rigs were added to the fleet during the period.

As at December 31, 2023, cash and cash equivalents totaled US$ 34.3 million compared to US$ 29.4 million as at December 31, 2022. Cash and cash equivalents are mainly held at or invested within top tier financial institutions.

As at December 31, 2023, the net debt including operational lease obligations (IFRS 16) amounted to US$ 65.2 million (US$ 76.2 million as at December 31, 2022).

The Net debt to EBITDA ratio as at December 31, 2023 was 0.75 (1.15 at year-end 2022).

Bank guarantees as at December 31, 2023 totaled US$ 7.4 million compared to US$ 9.4 million as at December 31, 2022.

Cash Transfer Restrictions

Foraco operates in a number of different countries where cash transfer restrictions may exist. The Company limits its activities in countries where there are 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 28 of the audited consolidated financial statements.

Capital Stock

As at December 31, 2023, 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 individuals in their capacity as members of the Board of Directors (*)	1,399,863
Common shares held by the Company (**)	626,481
Common shares held by the public	63,070,263
Total shares issued and outstanding	**99,251,798**
Common shares held by the Company	(626,481)
Total common shares issued and outstanding	**98,625,317**

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

***626,481 common shares are held by the Company to meet the Company's obligations under the employee free share plan.*

Critical Accounting Estimates

The audited 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 audited 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

In our MD&A, we reference the non-IFRS financial measures of EBITDA, Free Cash Flow, Free Cash Flow before Debt Servicing, and Net Debt. These measures provide additional insight into our financial health and operational efficiency but are not standardized under IFRS.

EBITDA is derived by adding back interest expense, income taxes, depreciation, amortization and non-cash share based compensation expenses to net income. EBITDA is a quantitative measure used to assist in the assessment of the Company's ability to generate cash from its operations.

Reconciliation of EBITDA is as follows:

(In thousands of US$) *(audited)*	FY 2023	FY 2022
Operating profit / (loss)	66,708	46,384
Depreciation expense	19,591	19,830
Non-cash employee share-based compensation	372	330
EBITDA	***86,671***	***66,544***

Free Cash Flow reflects the cash generated from operations after accounting for interest paid, income tax paid and capital expenditures.

Free Cash Flow before Debt Servicing offers a view of our cash generation before addressing any debt payments, including repayment of principal and interest, indicating our financial flexibility.

Net Debt measures our total debt reduced by any cash and cash equivalents, giving an overview of our net indebtedness and financial stability. The Company's lease obligations are included in the net debt calculation.

These non-IFRS measures are key to understanding our financial position beyond the standard IFRS metrics, providing a clearer picture of our operational cash flow and debt management capabilities.

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

On February 2, 2024, the Company received authorization from the Russian Authorities to proceed with the sale of its shareholding in its subsidiary, EDC Russia. A sale agreement has been finalized with a net cash transaction of US$2.1 million expected in the first half of 2024, which is lower than the entity's carrying amount as of December 31, 2023. In accordance with IAS 36, the Company conducted an impairment review as of December 31, 2023, and determined that no impairment needed to be recorded. The disposal, reflecting the Company's strategy to divest from Russia, is expected to generate no significant impact on net income when completed.

On March 7, 2024, the Board of Directors proposed a dividend payment of CAD $0.06 per common share to be approved by shareholders at the Company's Annual General Meeting scheduled for April 12, 2024.

Backlog

As at December 31, 2023, the Company's order backlog for continuing operations was US$ 316.7 million of which US$ 236.1 million is expected to be executed during FY 2024. Last year at the same period, the order backlog for continuing operations was US$ 334.6 million of which US$ 217.4 million was expected to be executed during FY 2023. The Company's order backlog consists of sales orders. Sales orders are subject to modification by mutual consent and in certain instances orders may be revised by customers. As a result, the order backlog of any particular date may not be indicative of actual operating results for any subsequent period.

Internal control framework

Internal control is a process implemented by management with the objective of ensuring (i) the effectiveness and efficiency of the Company's operations, (ii) the reliability of financial reporting and disclosures, and (iii) compliance with applicable laws and regulations, including those promoted by the Toronto Stock Exchange (TSX).

The organization of the internal control environment of the Company is based upon the Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The inherent limitation in all control systems is such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

Responsibilities over internal control

The Company's Board of Directors is the primary sponsor of the internal control environment. The Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee are the specific bodies acting in the field of internal control and reporting to the Board of Directors. These committees comprise a majority of independent members.

Audit Committee

The Audit Committee meets at least every quarter before the Board of Directors meeting authorizing for issuance the quarterly and annual consolidated financial statements. The main responsibilities of the Audit Committee are the examination of the quarterly and annual financial statements including related disclosures, the internal control environment and the oversight of the work performed by the external auditors on the Company's financial statements. The Audit Committee also assessed the Company's risk exposure, paying special attention to (i) the early redemption of the previously issued US-dollar-denominated senior bonds, the goal being to extend the maturity dates and reduce the interest rates (ii) the strategies for exiting Russia and (iii) the allocation of the cash generated by the Company. During 2023 financial year, the Audit Committee met five times.

Compensation Committee

The principal responsibilities of the Compensation Committee are the examination of the Company's remuneration policy, in particular changes in the global payroll, the review of the collective and individual objectives and the succession planning. The Compensation Committee meets at least once a year. During 2023 financial year, the Compensation Committee met two times.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee meets at least every quarter before the Board of Directors. It reports to the Board of Directors and is in charge of the supervision of the governance of the Company and its relationship with senior management.. The Corporate Governance and Nominating Committee met four times during the 2023 financial year.

Internal control organization within the Company

The Company operates in various different countries worldwide and has organized its internal reporting process into a monthly centralized system which allows the flows of relevant operating and financial data upstream to management. The subsidiaries report under standardized forms which are prepared in accordance with IFRS. These forms include financial information such as detailed income statement data, cash flow and working capital data, capital expenditures and other relevant operational data. This reporting, combined with a comprehensive budgeting process and systematic reforecasting, reflects the latest operating conditions and market trends and allows management to perform thorough variance analysis. Management considers that this monthly reporting process provides a reasonable assurance over the monitoring of its operating and financial activities and an effective tool for the operating decision makers.

The financial controlling function is organized by region, internal control being a significant part of the regional controllers' duties. Timely on site reviews are performed by operating and financial representatives from corporate. Considering this organization, there is no dedicated internal control department.

The Company has a presence in Russia through its 50% shareholding in EDC Russia. The Company strictly complies with the imposed sanctions and applies all regulations to its facilities and operations in Russia. Management continues to examine all options that may further reduce its exposure in the country including a potential disposal of its shares in its Russian subsidiary. The Company will take the necessary time to proceed with the next steps considering the legal environment. The contribution of EDC Russia to the 2023 consolidated revenue was US$ 17.4 million. The contribution to the net consolidated result was US$ 0.9 million. The contribution to the 2023 consolidated net asset amounted to US$ 0.3 m.

Approach implemented by the Company

The Company implements an approach consisting of (i) evaluating the design of its control environment over financial reporting and (ii) documenting the related control activities and key controls in a risk control matrix. This approach is implemented at every significant location of the Company. Management also focuses on the integration of newly acquired businesses over which the Company's two step approach on internal control is implemented within a reasonable time period.

The Company views its internal control procedure as a process of continuous improvement and will make changes aimed at enhancing the effectiveness of its internal control and to ensure that processes evolve with the business. There were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company regularly reviews its main risks and threats. A specific attention was paid in 2023 on the impact of the internal control processes. The conclusions were used to assess the adequacy of the Company's risk control matrix. The assessment did not reveal any significant deficiencies in the design and effectiveness of the Company's controls.

The Company has evaluated the effectiveness of the internal control procedures over financial reporting as at December 31, 2023 and has concluded that, subject to its inherent limitations, these were effective at a reasonable assurance level. The Company has evaluated the effectiveness of the Company's disclosure controls and concluded that, subject to its inherent limitations, the disclosure controls were effective for the year ended December 31, 2023.

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.sedarplus.ca).