FORACO INTERNATIONAL S.A.

MANAGEMENT'S DISCUSSION & ANALYSIS

Year ended December 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 audited consolidated financial statements for year ended December 31, 2024, including the notes thereto. The audited financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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 2, 2025.

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 2, 2025, 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 17 countries across five continents. As of December 31, 2024, the company had close to 1,850 employees and had a fleet of 265 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 an optimal mix of commodities, including battery metals 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$) *(Audited)*	Year ended December 31, 2024	2023
Revenue	**293,453**	**370,093**
Gross profit (1)	**63,056**	**93,862**
As a percentage of sales	*21.5%*	*25.4%*
EBITDA (2)	**60,481**	**86,671**
As a percentage of sales	*20.6%*	*23.4%*
Operating profit	**42,546**	**66,708**
As a percentage of sales	*14.5%*	*18.0%*
Net profit for the period	**26,085**	**33,916**
Attributable to:		
Equity holders of the Company	27,811	28,714
Non-controlling interests	(1,726)	5,202
EPS (in US cents)		
Basic	28.18	29.07
Diluted	27.76	28.57

(1) includes amortization and depreciation expenses related to operations.
(2) See Note Non-IFRS measures

Year ended December 31, 2024 – FY 2024

Revenue

- For the year ended December 31, 2024, the revenue amounted to US$293.5 million, representing a 21% decrease from a record US$370.1 million in FY 2023. While the two main regions, North America and Australia delivered record performances, the slowdown is primarily driven by (i) a drop in demand from junior customers (US$ 39.6 million), (ii) the effect of the strategic exit from Russia and other non-stable jurisdictions (US$ 22.9 million), and (iii) adverse foreign exchange rates for US$ 9.2 million.

Profitability

- In FY 2024 gross profit, including depreciation within cost of sales, was US$ 63.1 million (or 21.5% of revenue) compared to US$ 93.9 million (or 25.4% of revenue) in FY 2023. The Company proactively adjusted its cost structure to align with market conditions representing a one off cost of US$ 6.1 million.

- During FY 2024, EBITDA amounted to US$ 60.5 million (or 20.6% of revenue) or US$ 66.6 million (or 22.7% of revenue) excluding one off costs compared to US$ 86.7 million (or 23.4% of revenue) last year.

- Net profit for FY 2024 amounted to US$ 26.1 million (9% of the revenue) compared to US$ 33.9 million (9% of revenue) in FY 2023.

Net debt

- As of December 31, 2024, the net debt, including the impact of IFRS 16 (see note Non-IFRS measures), stood at US$ 60.9 million, reflecting a reduction from US$ 65.2 million as of December 31, 2023.

Results of Operations

Comparison of the year ended December 31, 2024 and December 31, 2023

Revenue

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

(In thousands of US$) - *(audited)*	FY 2024	% change	FY 2023
Reporting segment			
Mining	255,306	-21%	321,697
Water	38,147	-21%	48,395
Total revenue	***293,453***	***-21%***	***370,093***
Geographic region			
North America	118,445	-1%	119,188
Asia Pacific	83,964	23%	68,439
South America	66,788	-49%	131,884
Europe, Middle East and Africa	24,256	-52%	50,582
Total revenue	***293,453***	***-21%***	***370,093***

FY 2024 revenue totaled US$293.5 million, down from a record US$370.1 million in FY 2023. While the two main regions, North America and Australia delivered record performances, the slowdown is primarily driven by (i) a drop in demand from junior customers (US$ 39.5 million), (ii) the effect of the strategic exit from Russia and other non-stable jurisdictions (US$ 22.9 million), and (iii) adverse foreign exchange rates for US$ 9.2 million.

North America, the Company's largest region, delivered its best year ever, with a 1% increase in functional currency (a slight decline of 1% in USD). This growth reflects sustained strong operational performance on long-term contracts currently in progress.

In Asia Pacific, the Company's second-largest revenue contributor, FY 2024 revenue amounted to US$ 84.0 million, marking the best year ever with a 23% increase compared to FY 2023. This growth is primarily attributable to successful operations and the commissioning of new proprietary rigs.

Revenue in South America totaled US$66.8 million in FY 2024, down 49% from US$131.9 million in FY 2023. This decline was due to several clients delaying the issuance of orders to remobilize long-term contracts, the impact of the withdrawal of junior companies due to financing challenges and an early winter season affecting high-altitude projects.

In the EMEA region, revenue declined to US$24.3 million, reflecting the Company's strategic decision to exit unstable jurisdictions, including Russia and certain West African countries.

Gross Profit

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

(In thousands of US$) - *(audited)*	FY 2024	% change	FY 2023
Reporting segment			
Mining	52,564	-35%	81,221
Water	10,492	-17%	12,642
Total gross profit	63,056	***-33%***	***93,863***

The FY 2024 gross margin including depreciation within cost of sales was US$ 63.1 million (or 21% of revenue) compared to US$ 93.9million (or 25% of revenue) in FY 2023. The Company proactively adjusted its costs structure to align with market conditions representing a one off cost of US$ 6.1 million.

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 2024**	**% change**	**FY 2023**
Selling, general and administrative expenses	22,621	-17%	27,154

SG&A decreased 17% compared to last year. As a percentage of revenue, SG&A remained stable at approximately 7.5% of revenue.

Operating result

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

(In thousands of US$) - *(audited)*	**FY 2024**	**% change**	**FY 2023**
Reporting segment			
Mining	35,003	-39%	57,830
Water	7,543	-15%	8,879
Total operating profit	***42,546***	***-36%***	***66,709***

The FY 2024 operating profit was US$ 42.5 million compared to US$ 66.7 million in FY 2023. On March 15, 2024, the Company finalized the sale of its 50% stake in Eastern Drilling Company (EDC) Russia. This transaction generated a net gain of US$ 2.1 million recorded in other operating income and expense within operating profit.

Finance costs

Net financial expenses were US$ 7.9 million in FY 2024, compared to US$ 20.1 million in FY 2023. This decrease is primarily attributed to the US$ 6.4 million in one-off costs associated with the early repayment of bonds and refinancing in Q4 2023, as well as the more favorable interest rates secured under the new financing arrangement.

Income tax

In FY 2024, the corporate income tax expense was US$8.6 million, representing an effective tax rate of 26%, compared to US$12.7 million and an effective tax rate of 27% in the previous year. This expense reflects taxable income in profitable jurisdictions and the recognition of deferred tax assets, which are utilized against taxable profits within a reasonable timeframe, typically five years.

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'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$ 24.974 million at December 31, 2024. The impact on the consolidated statement of profit or loss 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 2024	**Average FY 2023**	**Closing Q4 2024**	**Closing Q4 2023**
€	0.92	0.92	0.96	0.91
CAD	1.37	1.35	1.44	1.32
AUD	1.52	1.51	1.61	1.47
CLP	943	839	993	879
BRL	5.39	4.99	6.19	4.85

Liquidity and Capital Resources

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

(In thousands of US$) – *(audited)*	FY 2024	FY 2023
Cash generated by operations before working capital requirements	**60,482**	**86,671**
Working capital requirements	(10,467)	(5,038)
Income tax paid	(13,793)	(12,194)
Purchase of equipment in cash	(18,871)	(26,135)
Free Cash Flow before debt servicing *(1)*	**17,351**	**43,304**
Proceeds from / (repayment of) debt net of issuance costs	(10,574)	(20,434)
Interests paid	(6,993)	(14,224)
Acquisition of treasury shares	(1,231)	(1,475)
Deconsolidation of EDC Russia	(2,076)	-
Dividends paid to Company's shareholders	(4,544)	-
Dividends paid to non-controlling interests	(330)	(2,035)
Net cash generated / (used in) financing activities	**(25,748)**	**(38,168)**
Net cash variation	**(8,397)**	**5,136**
Foreign exchange differences	(1,529)	(256)
Variation in cash and cash equivalents	**(9,926)**	**4,880**
Cash and cash equivalents at the end of the period	**24,363**	**34,289**

(1) See note Non-IFRS measures

In FY 2024, the cash generated from operations before working capital requirements amounted to US$ 60.5 million compared to US$ 86.7 million in FY 2023.

During the same period, the working capital requirements reached US$ 10.5 million increasing compared to the same period last year, primarily due to delays in collection of receivables at closing date representing US$ 10 million.

During the period, Capex totaled US$ 18.9 million in cash compared to US$ 26.1 million in FY 2023. Capex primarily relates to the acquisition of rigs, major rig overhauls, ancillary equipment and rods. Three large rigs were added to the fleet during the period.

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

In thousands US$	**December 31, 2024**
Credit lines	3,364
Long-term debt	
Within one year	12,867
Between 1 and 2 years	12,012
Between 2 and 3 years	11,804
Between 3 and 4 years	40,104
Between 4 and 5 years	220
Total	**80,372**
Lease obligations (IFRS 16)	4,939
Cash	(24,363)
Net Debt	**60,948**

As at December 31, 2024, cash and cash equivalents totaled US$ 24.4 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.

During the period, as anticipated, the Company extended its maturity date of repayment with its Canadian lender from June 2027 to June 2028.

As at December 31, 2024, the net debt including operational lease obligations (IFRS 16) amounted to US$ 60.9 million (US$ 65.2 million as at December 31, 2023).

Cash Transfer Restrictions

Foraco operates in a number of different countries where cash transfer restrictions apply. 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, 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 individuals in their capacity as members of the Board of Directors (*)	1,453,838
Common shares held by the Company (**)	557,897
Common shares held by the public	63,084,872
Total shares issued and outstanding	**99,251,798**
Common shares held by the Company	(557,897)
Total common shares issued and outstanding	**98,693,901**

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

***557,897 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 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

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 2024	FY 2023
Operating profit / (loss)	42,546	66,708
Depreciation expense	17,432	19,591
Non-cash employee share-based compensation	504	372
EBITDA	***60,481***	***86,671***

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

There are no significant post balance sheet events.

Backlog

As at December 31, 2024, the Company's order backlog for continuing operations was US$ 220.5 million of which US$ 200.6 million is expected to be executed during FY 2025. Last year at the same period, the order backlog for continuing operations was US$ 316.7 million of which US$ 236.1 million was expected to be executed during FY 2024. The Company's order backlog consists of confirmed sales orders. During the last period, order confirmations have tended to be delayed and for shorter durations. 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 review of the group risk control matrix by Deloitte,
(ii) the assessment of the Company's risk exposure with a specific focus on CIS and Africa,
(iii) the sale of EDC Russia

During 2024 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 2024 financial year, the Compensation Committee met two times.

Corporate Governance Committee

The Corporate Governance 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 Committee met four times during the 2024 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.

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, 2024 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, 2024.

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 2, 2025, under the heading "Risk Factors", which has been filed with the Canadian regulators on SEDAR (www.sedarplus.ca).