FORACO INTERNATIONAL S.A.

MANAGEMENT'S DISCUSSION & ANALYSIS

Three-month and six-month periods ended June 30, 2018

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 and six-month periods ended June 30, 2018, 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, 2017. 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 August 2, 2018.

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 April 3, 2018, which is filed with Canadian regulators on SEDAR (www.sedar.com). The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements and information whether as a result of new information, future events or otherwise. All written and oral forward-looking statements and information attributable to Foraco or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements.

This MD&A is presented in the following sections:

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Business Overview

Headquartered in Marseille, France, Foraco is a worldwide drilling service provider with presence in 22 countries and 5 continents. On June 30, 2018, the Company had 1,646 employees and operated 302 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 June 30,		Six-month period ended June 30,	
	2018	**2017**	**2018**	**2017**
Revenue	**45,694**	**36,567**	**85,701**	**66,891**
Gross profit / (loss) (1)	**6,182**	**4,050**	**9,153**	**5,555**
As a percentage of sales	*13.5%*	*11.1%*	*10.7%*	*8.3%*
EBITDA	**5,193**	**3,610**	**7,451**	**4,912**
As a percentage of sales	*11.4%*	*9.9%*	*8.7%*	*7.3%*
Operating profit / (loss)	**1,044**	**(1,088)**	**(1,156)**	**(4,548)**
As a percentage of sales	*2.3%*	*-3.0%*	*-1.3%*	*-6.8%*
Profit / (loss) for the period	**(1,466)**	**(2,206)**	**(6,140)**	**(5,992)**
Attributable to:				
Equity holders of the Company	(1,782)	(2,068)	(5,946)	(3,380)
Non-controlling interests	316	(138)	(194)	(544)
EPS (in US cents)				
Basic	(1.99)	(2.31)	(6.63)	(6.08)
Diluted	(1.99)	(2.31)	(6.63)	(6.08)

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

<u>Three-month period ended June 30, 2018 – Q2 2018</u>

Revenue

- Q2 2018 revenue amounted to US$ 45.7 million compared to US$ 36.6 million in Q2 2017, an increase of 25%.
- The utilization rate was 43% in Q2 2018 (40% in Q1 2018) compared to 39% in Q2 2017.

Profitability

- The Q2 2018 gross margin including depreciation within cost of sales was US$ 6.2 million (or 13.5% of revenue) compared to US$ 4.1 million (or 11.1% of revenue) in Q2 2017, this improvement is mainly due to increased revenue and performance on contracts, as well as a better absorption of fixed operational costs.
- During the quarter, EBITDA amounted to US$ 5.2 million compared to US$ 3.6 million for the same quarter last year.

<u>Six-month period ended June 30, 2018 – H1 2018</u>

Revenue

- H1 2018 revenue amounted to US$ 85.7 million compared to US$ 66.9 million in H1 2017, an increase of 28%.

Profitability

- H1 2018 gross margin including depreciation within cost of sales was US$ 9.1 million (or 10.7% of revenue) compared to US$ 5.6 million (or 8.3% of revenue) in H1 2017. This improvement is mainly due to performance on contracts and a better absorption of fixed operational costs linked to the revenue increase.

- During the semester, EBITDA amounted to US$ 7.5 million compared to US$ 4.9 million for the same period last year.

Net debt

- The net debt was US$ 127.2 million as at June 30, 2018 compared to US$ 122.7 million as at December 31, 2017. The increase is mainly attributable to higher working capital requirements linked to the increased activity.

Results of Operations

Comparison of the three-month periods ended June 30, 2018 and June 30, 2017

Revenue

The following table provides a breakdown of the Company's revenue for Q2 2018 and Q2 2017 by reporting segment and geographic region:

(In thousands of US$) - *(unaudited)*	**Q2 2018**	**% change**	**Q2 2017**
Reporting segment			
Mining	44,696	31%	34,097
Water	998	-60%	2,470
Total revenue	***45,694***	***25%***	***36,567***
Geographic region			
Europe, Middle East and Africa	13,157	-3%	13,615
South America	8,104	0%	8,071
North America	15,804	64%	9,661
Asia Pacific	8,629	65%	5,220
Total revenue	***45,694***	***25%***	***36,567***

Q2 2018 revenue amounted to US$ 45.7 million compared to US$ 36.6 million in Q2 2017, an increase of 25%.

In EMEA, revenue decreased by 3%, to US$ 13.2 million in Q2 2018 from US$ 13.6 million in Q2 2017, as a result of the decreased activity in France and in Africa, partially compensated by a higher level of activity in Russia.

Revenue in South America remained flat at US$ 8.1 million in Q2 2018 (US$ 8.1 million in Q2 2017). In Chile, the increased activity was generated with new contracts for major clients. This increase was compensated by a slowdown in activity with our major clients in Brazil.

Revenue in North America strongly increased by 64% to US$ 15.8 million in Q2 2018 from US$ 9.7 million in Q2 2017. Compared to last year, the Company continued to benefit from new contracts with major companies and junior companies and increased activity on ongoing contracts in an overall growing market.

In Asia Pacific, Q2 2018 revenue amounted to US$ 8.6 million, an increase of 65% mainly due to new contracts initiated in the second half of 2017 in Australia.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for Q2 2018 and Q2 2017:

(In thousands of US$) - *(unaudited)*	Q2 2018	% change	Q2 2017
Reporting segment			
Mining	6,440	64%	3,928
Water..	(258)	*n/s*	122
Total gross profit / (loss)	***6,182***	***53%***	***4,050***

The Q2 2018 gross margin including depreciation within cost of sales was US$ 6.2 million (or 13.5% of revenue) compared to US$ 4.1 million (or 11.1% of revenue) in Q2 2017. This improvement is mainly due to increased revenue and performance of contracts, as well as a better absorption of fixed operational 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)*	Q2 2018	% change	Q2 2017
Selling, general and administrative expenses	5,138	5%	4,882

SG&A increased by US$ 0.2 million compared to the same quarter last year. As a percentage of revenue, SG&A decreased from 13.4% in Q2 2017 to 11.2% in Q2 2018.

Operating result

The following table provides a breakdown of the Company's operating result for Q2 2018 and Q2 2017 by reporting segment:

(In thousands of US$) - *(unaudited)*	Q2 2018	% change	Q2 2017
Reporting segment			
Mining	1,414	n/a	(880)
Water	(370)	n/a	(208)
Total operating profit / (loss)	**1,044**	***n/a***	**(1,088)**

The operating profit was US$ 1.0 million, a US$ 2.1 million improvement as a result of increased gross margin.

Finance costs

Net financial expenses increased to US$ 2.1 million in Q2 2018 from US$ 1.3 million in Q2 2017.

Income tax

In Q2 2018, the corporate income tax was a charge of US$ 0.4 million compared to a profit of US$ 0.2 million in the same period for the previous year. This income tax charge corresponds to taxable income in profitable jurisdictions.

Comparison of the six-month periods ended June 30, 2017 and June 30, 2018

Revenue

The following table provides a breakdown of the Company's revenue for H1 2018 and H1 2017 by reporting segment and geographic region:

(In thousands of US$) - *(unaudited)*	H1 2018	% change	H1 2017
Reporting segment			
Mining	83,089	34%	62,105
Water	2,612	-45%	4,786
Total revenue	***85,701***	***28%***	***66,891***
Geographic region			
Europe, Middle East and Africa	23,423	-6%	24,976
South America	16,043	4%	15,475
North America	31,640	75%	18,129
Asia Pacific	14,595	76%	8,311
Total revenue	***85,701***	***28%***	***66,891***

H1 2018 revenue amounted to US$ 85.7 million compared to US$ 66.9 million in H1 2017, an increase of 28%.

In EMEA, revenue decreased by 6%, to US$ 23.4 million in H1 2018 from US$ 25.0 million in H1 2017, as a result of the decreased activity in France and in Africa, partially compensated by a higher level of activity in Russia.

Revenue in South America slightly increased to US$ 16.0 million in H1 2018 (US$ 15.5 million in H1 2017). The increase of activity in Chile was compensated by the decrease of activity in Brazil.

Revenue in North America strongly increased by 75% to US$ 31.6 million in H1 2018 from US$ 18.1 million in H1 2017. Compared to last year, the Company benefited from new contracts with major and junior companies and increased activity on ongoing contracts in an overall growing market.

In Asia Pacific, H1 2018 revenue amounted to US$ 14.6 million, an increase of 76% mainly due to new contracts initiated in the second half of 2017 in Australia.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for H1 2018 and H1 2017:

(In thousands of US$) - *(unaudited)*	**H1 2018**	**% change**	**H1 2017**
Reporting segment			
Mining	9,114	69%	5,388
Water..	39	*-77%*	167
Total gross profit / (loss)	***9,153***	***65%***	***5,555***

H1 2018 gross margin including depreciation within cost of sales increased by 65% compared to the same period last year. As a percentage of revenue, the gross margin increased from 8,3% to 10.7%. This improvement is mainly due to performance on contracts and a better absorption of fixed operational costs linked to the revenue increase.

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)*	**H1 2018**	**% change**	**H1 2017**
Selling, general and administrative expenses	10,309	5%	9,798

SG&A increased by US$ 0.5 million compared to the same quarter last year. As a percentage of revenue, SG&A decreased from 14.6% in H1 2017 to 12.0% in H1 2018.

Operating result

The following table provides a breakdown of the Company's operating result for H1 2018 and H1 2017 by reporting segment:

(In thousands of US$) - *(unaudited)*	H1 2018	% change	H1 2017
Reporting segment			
Mining	(567)	n/a	(4,010)
Water	(589)	n/a	(538)
Total operating profit / (loss)	**(1,156)**	***n/a***	**(4,548)**

The operating loss was US$ (1.2) million, a US$ 3.4 million improvement compared to H1 2017 as a result of increased gross margin.

Finance costs

Net financial expenses increased to US$ 4.1 million in H1 2018 from US$ 2.4 million in H1 2017.

Income tax

In H1 2018, the corporate income tax was a charge of US$ 0.9 million compared to a profit of US$ 0.9 million in the same period for the previous year. This income tax charge corresponds to taxable income in profitable jurisdictions.

Seasonality

The worldwide presence of the Company reduces its overall exposure to seasonality and its subsequent 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 mining 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 in July and August when the winter season peaks.

Effect of Exchange Rates

The Company operates in a very large number of countries with functional currencies (Euros, Canadian Dollars, Australian Dollars, Chilean Pesos, Brazilian Reals and Russian Rubles) different than the US Dollar, the presentation currency of the Group. The significant variation of the US Dollar over the last quarters has had a substantial impact on the Company's financial statements. The impact of exchange rates on each significant line item of the income statement is reported above.

However, the Company 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$ for the periods under review are as follows:

	Average Q2 2018	Average Q1 2018	Average Q2 2017	Average Q1 2017	Closing Q2 2018	Closing Q4 2017
€	0.86	0.81	0.91	0.94	0.86	0.83
CAD	1.31	1.27	1.35	1.32	1.32	1.26
AUD	1.33	1.27	1.33	1.32	1.35	1.28
CLP	636	603	668	658	650	614
BRL	3.59	3.24	3.21	3.15	3.86	3.31
RUB	62.77	56.92	57.18	58.84	62.75	57.61

Liquidity and Capital Resources

The following table provides a summary of the Company's cash flows for H1 2018 and H1 2017:

(In thousands of US$)	H1 2018	H1 2017
Cash generated by operations before working capital requirements	**7,564**	**4,912**
Working capital requirements	(4,369)	(2,646)
Income tax paid (received)	(536)	(229)
Purchase of equipment in cash	(5,823)	(3,596)
Free Cash Flow before debt servicing	**(3,164)**	**(1,559)**
Debt variance	2,639	14,822
Interests paid	(1,914)	(2,532)
Acquisition of treasury shares	(50)	(27)
Net cash generated / (used in) financing activities	**675**	**12,263**
Net cash variation	**(2,489)**	**10,704**
Foreign exchange differences	(728)	425
Variation in cash and cash equivalents	**(3,217)**	**11,129**

In H1 2018, the cash generated from operations before working capital requirements amounted to US 7.6 million compared to US$ 4.9 million in H1 2017.

Due to seasonality and a strong activity in the first semester of 2018, the level of working capital requirements was US$ 4.4 million (US$ 2.6 million in 2017). This level of capital requirements should progressively reverse going forward.

During the period, Capex amounted to US$ 5.8 million in cash, compared to US$ 3.6 million in cash in H1 2017. The Company acquired five new rigs during the period linked to new contracts signed. Five rigs were retired from service, the total rig count remains at 302.

As a result of the working capital requirements and the Capex, free cash flow before debt servicing was US$ (3.2) million in H1 2018 compared to US$ (1.6) million in H1 2017.

As at June 30, 2018, cash and cash equivalents totaled US$ 11.4 million compared to US$ 14.6 million as at

December 31, 2017. Cash and cash equivalents are mainly held at or invested within top tier financial institutions.

As at June 30, 2018, net debt amounted to US$ 127.2 million (US$ 135.3 million as at March 31, 2018 and US$ 122.7 million as at December 31, 2017).

Bank guarantees as at June 30, 2018 totaled US$ 1.9 million compared to US$ 4.0 million as at December 31, 2017. The Company benefits from a confirmed contract guarantee line of € 12.7 million (US$ 14.7 million).

Going concern

Going concern is assessed based on internal forecasts and projections that take into account the trend in the business in which the Company operates and its capacity to address the market and deliver its services. On the basis of the above, the Company believes that it will have adequate financial resources to continue in operation for a period of at least twelve months. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements.

On May 11, 2017, the Company completed its debt reorganization consisting (i) in a new money injection of €23 million (US$ 25 million) in the form of bonds with a 5-year term, including €18 million (US$ 19.8 million) available at closing, and (ii) in the postponing of the instalment of most of the Company's existing long-term financing which takes the form of 5-year term subordinated bonds. On April 26, 2018, the Company drew an additional € 2.5 million, corresponding to a portion of the second tranche of the bonds amounting to € 5.0 million. € 2.5 million remains available for drawdown until the end of 2018.

As part of the debt reorganization, certain key financial covenants were set including; minimum cash, leverage ratio and limitation to capital expenditure. A waiver was obtained in March to offset the negative impact of the exchange rates and of the working capital requirements linked to the increased activity. As at June 30, 2018, the Company met its covenants. Nothing indicates that the Company will not respect its covenants going forward within the next 12 month period.

Impairment testing

The Company performed impairment tests at the level of each geographic region using the carrying value of the Company's long lived assets based on expected discounted cash flows as at December 31, 2017. Based on the internal forecasts and projections made, the expected discounted future cash flows exceeded each of the long lived asset's carrying amount for each geographic region and accordingly no impairment was recognized as at December 31, 2017.

Based on the last information available, the Company considers that there is no triggering event which would justify an impairment testing as at June 30, 2018.

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 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 of related-party transactions, please refer to Note 15 of the unaudited condensed interim consolidated financial statements.

Capital Stock

As at June 30, 2018, the capital stock of the Company amounted to US$ 1,772 thousand, divided into 89,951,798 common shares. The common shares of the Company are distributed as follows:

	Number of shares	%
Common shares held directly or indirectly by principal shareholders	37,594,498	41.79%
Common shares held directly or indirectly by individuals in their capacity as members of the Board of Directors *	1,161,754	1.29%
Common shares held by the Company**	326,269	0.36%
Common shares held by the public	50,869,277	56.56%
Total common shares issued and outstanding	**89,951,798**	
Common shares held by the Company	(326,269)	
Total common shares issued and outstanding excluding shares held by the Company	**89,625,529**	

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

***326,269 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 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 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.

Net debt corresponds to the current and non-current portions of borrowings and the consideration payable related to acquisitions, net of cash and cash equivalents.

Reconciliation of EBITDA is as follows:

(In thousands of US$) *(unaudited)*	Q2 2018	Q2 2017	H1 2018	H1 2017
Operating profit / (loss)	1,044	(1,088)	(1,156)	(4,548)
Depreciation expense	4,106	4,669	8,519	9,403
Non-cash employee share-based compensation	44	29	89	58
EBITDA	***5,193***	***3,610***	***7,451***	***4,912***

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 that the ultimate costs to resolve these matters will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Subsequent Events

There are no post balance sheet events to be reported.

Outlook

The Company's business strategy is to actively participate in the current growth phase of the metallic commodities cycle through the development and optimization of its services offered across its range of geographical regions, industry sectors, commodities and customers. The Company expects it will execute its strategy primarily through organic growth in the near future.

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 April 3, 2018, under the heading "Risk Factors", which has been filed with Canadian regulators on SEDAR (www.sedar.com).