FORACO INTERNATIONAL S.A.

MANAGEMENT'S DISCUSSION & ANALYSIS

Three-month period and year ended December 31, 2014

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 and twelve-month periods ended December 31, 2014, 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, 2013. Except when otherwise stated, all amounts presented in this MD&A are denominated in US Dollars (“US$”). The discussion and analysis within this MD&A are as of March 2, 2015.

Caution concerning forward-looking statements

This document may contain “forward-looking statements” and “forward-looking information” within the meaning of applicable securities laws. These statements and information include estimates, forecasts, information and statements as to Management's expectations with respect to, among other things, the future financial or operating performance of the Company and capital and operating expenditures. Often, but not always, forward-looking statements and information can be identified by the use of words such as “may”, “will”, “should”, “plans”, “expects”, “intends”, “anticipates”, “believes”, “budget”, and “scheduled” or the negative thereof or variations thereon or similar terminology. Forward-looking statements and information are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Readers are cautioned that any such forward-looking statements and information are not guarantees and there can be no assurance that such statements and information will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company’s expectations are disclosed under the heading “Risk Factors” in the Company's Annual Information Form dated March 31, 2014, which is filed with Canadian regulators on SEDAR (www.sedar.com). The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements and information whether as a result of new information, future events or otherwise. All written and oral forward-looking statements and information attributable to Foraco or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements.

This MD&A is presented in the following sections:

- **Business Overview**
- **Interim Consolidated Financial Highlights**
- **Results of Operations**
- **Seasonality**
- **Effect of Exchange Rates**
- **Liquidity and Capital Resources**
- **Related-Party Transactions**
- **Capital Stock**
- **Critical Accounting Estimates**
- **Non-IFRS Measures**
- **Litigation and claims**
- **Subsequent Events**
- **Outlook**
- **Risk Factors**

Business Overview

Headquartered in Marseille, France, Foraco is a worldwide drilling service provider with presence in 23 countries and 5 continents. On December 31, 2014, the Company had 1,683 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 December 31, 2014	Three-month period ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Revenue	**40,094**	**47,122**	**185,525**	**247,757**
Gross profit (1)	**285**	**1,729**	**7,093**	**2,005**
As a percentage of sales	*0.7%*	*3.7%*	*3.8%*	*0.8%*
EBITDA	**1,688**	**12,200**	**14,408**	**37,791**
As a percentage of sales	*4.2%*	*25.9%*	*7.8%*	*15.3%*
Adjusted EBITDA	**1,839**	**4,005**	**14,559**	**10,771**
As a percentage of sales	*4.6%*	*8.5%*	*7.8%*	*4.3%*
Operating profit / (loss)	**(5,209)**	**3,333**	**(17,516)**	**(2,215)**
As a percentage of sales	*-13.0%*	*7.1%*	*-9.4%*	*-0.9%*
Profit / (loss) for the period	**(5,895)**	**4,910**	**(19,412)**	**488**
Attributable to:				
Equity holders of the Company	(2,653)	5,573	(16,155)	(1,508)
Non-controlling interests	(3,242)	(663)	(3,257)	1,996
EPS (in US cents)				
Basic	(3.00)	6.31	(18.28)	(1.71)
Diluted	(3.00)	6.32	(18.28)	(1.71)

(1) includes amortization and depreciation expenses related to operations

Three-month period ended December 31, 2014 – Q4 2014

Revenue

- Q4 2014 revenue amounted to US$ 40.1 million compared to US$ 47.1 million in Q4 2013. This 15% decrease is mainly linked to the US$ foreign exchange vs functional currency in each region. Excluding this impact, revenue decreased by 5% only.

- The utilization rate was 33% in Q4 2014 compared to 26% in Q4 2013.

Profitability

- Q4 2014 gross profit including depreciation within cost of sales was US$ 0.3 million (or 1% of revenue) compared to US$ 1.7 million in Q4 2013 (or 4% of revenue). This decrease resulted from continued pressure on selling prices, extra costs mainly linked to mobilizations and early demobilizations on some projects. On a positive side, the effect of the fixed operational cost savings resulted in a reduced under absorption of fixed costs compared to the same quarter last year.

- SG&A costs excluding one non-recurring item decreased by 19% between Q4 2013 and Q4 2014, mainly as a result of the continued implementation of the company-wide cost cutting action plans.

- Adjusted EBITDA was US$ 1.8 million in Q4 2014 compared to US$ 4.0 million in Q4 2013.

- EBIT was US$ (5.2) million in Q4 2014 compared to US$ 3.3 million in Q4 2013. Adjusted EBIT was US$ (5.1) million in Q4 2014 compared to US$ (4.9) million in Q4 2013.

- Capital expenditure was US$ 3.2 million in Q4 2014 compared to US$ 2.7 million in Q4 2013. These Capex are primarily related to new projects started in Q4 2014 and continuing into 2015.

Year ended December 31, 2014 – FY 2014

Revenue

- FY 2014 revenue amounted to US$ 185.5 million compared to US$ 247.8 million in FY 2013, a decrease of 25% (19% excluding the effect of foreign exchange). Revenue decreased as a result of the continued market contraction and pressure on prices.

- The average utilization rate was 34% for FY 2014 compared to 36% for FY 2013.

Profitability

- FY 2014 gross profit including depreciation within cost of sales was US$ 7.1 million (or 4% of revenue) compared to US$ 2.0 million in FY 2013. The Company fully benefited from the positive effect of the fixed operational costs reduction which compensated some under absorption of fixed costs.

- SG&A costs excluding one non-recurring item decreased by 22% between FY 2013 and FY 2014, mainly as a result of the continued implementation of the company-wide cost cutting action plans.

- The FY 2014 adjusted EBITDA was US$ 14.6 million compared to a US$ 10.8 million adjusted EBITDA[1] in FY 2013, an increase of 35%. EBIT was US$ (17.5) million in FY 2014 compared to US$ (2.2) million in FY 2013. Adjusted EBIT was US$ (17.4) million in FY 2014 compared to US$ (29.2) million in FY 2013. Capital expenditures were US$ 10.2 million in FY 2014 compared to US$ 11.0 million in FY 2013.

Cash flow and net debt

- Free cash flow positive by US$ 4.4 million after US$ 10.1 million Capex.

- Total reduction of net debt was US$ 25.2 million during 2014, from US$ 121.9 million as at December 31, 2013 to US$ 96.7 million as at December 31, 2014.

- On February 12, 2015 the Company signed an agreement with a group of eight French Banks this primarily consisted of securing the roll-over of short-term credit facilities, securing bank guarantee lines, and postponing installments due in connection with long term debts by 24 months through increasing the duration of these debts.

[1] *The definition of the adjusted EBITDA and adjusted EBIT, non IFRS measures, is provided on page 15.*

Results of Operations

Comparison of the three-month periods ended December 31, 2014 and December 31, 2013

Revenue

The following table provides a breakdown of the Company's revenue for Q4 2014 and Q4 2013 by reporting segment and geographic region:

(In thousands of US$) - *(unaudited)*	Q4 2014	% change	Q4 2013
Reporting segment			
Mining	35,704	-19%	43,883
Water	4,390	36%	3,239
Total revenue	***40,094***	***-15%***	***47,122***
Geographic region			
South America	9,894	-24%	13,067
Asia Pacific	12,519	-15%	14,770
Europe, Middle East and Africa	9,611	-8%	10,401
North America	8,070	-9%	8,884
Total revenue	***40,094***	***-15%***	***47,122***

Q4 2014 revenue amounted to US$ 40.1 million compared to US$ 47.1 million in Q4 2013, a decrease of 15% or 5% excluding the foreign exchange impact.

Revenue in South America amounted to US$ 9.9 million in Q4 2014 (US$ 13.1 million in Q4 2013), a decrease of 24%. In Brazil, the decrease was 38% mainly due to the early demobilization of some contracts. Activity in Chile was stable and the Company mobilized a new contract in Argentina.

In Asia Pacific, Q4 2014 revenue amounted to US$ 12.5 million, a decrease of 15% (8% at constant foreign exchange) mainly due to pressure on selling prices.

In EMEA, revenue decreased by 8%, from US$ 10.4 million in Q4 2013 to US$ 9.6 million in Q4 2014. Excluding the foreign exchange impact, revenue increased by 10% compared to the same quarter last year.

Revenue in North America decreased by 9% in US$ but only 2% in Canadian dollars. Junior activity remains bleak.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for Q4 2014 and Q4 2013:

(In thousands of US$) - *(unaudited)*	Q4 2014	% change	Q4 2013
Reporting segment			
Mining	104	n/a	2,157
Water	181	*n/a*	(428)
Total gross profit	***285***	***n/a***	***1,729***

Q4 2014 gross profit including depreciation within cost of sales was US$ 0.3 million (or 1% of revenue) compared to US$ 1.7 million in Q4 2013 (or 4% of revenue). This decrease resulted from continued pressure on selling prices, extra costs mainly linked to mobilizations and early demobilizations on some projects. On a positive side, the effect of the fixed operational cost savings resulted in a reduced under absorption of fixed costs compared to the same quarter last year.

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)*	**Q4 2014**	**% change**	**Q4 2013**
Selling, general and administrative expenses	6,033	-8%	6,591

SG&A costs decreased by US$ 0.6 million between Q4 2013 and Q4 2014. Excluding a one-off provision concerning a junior mining company located in Africa, SG&A decreased by US$ 1.2 million (or 19%). These savings are mainly the result of the continued implementation of the company-wide cost cutting action plans.

Operating Profit

The following table provides a breakdown of the Company's operating profit for Q4 2014 and Q4 2013 by reporting segment:

(In thousands of US$) - *(unaudited)*	**Q4 2014**	**% change**	**Q4 2013**
Reporting segment			
Mining	(4,805)	n/a	4,214
Water..	(404)	n/a	(881)
Total operating profit / (loss)	***(5,209)***	***n/a***	***3,333***
Total operating profit / (loss) adjusted	***(5,058)***	***4%***	***(4,882)***

During the quarter the Company recorded certain provisions for claims and doubtful debt amounting to US$ (3.1) million partially offset by the impact of the remeasurement of the second tranche of Servitec amounting to US$ 2.9 million (US$ 8.2 million in Q4 2013).

Adjusted Operating profit / (loss) decreased by US$ (0.2) million and can be explained as follows:

- (i) Net impact of reduced activity and pricing:	US$	(4.5) million
- (ii) Fixed operational costs reduction:	US$	3.1 million
- (iii) Reduction in SG&A costs:	US$	1.2 million
- Total variance:	US$	(0.2) million

Finance Costs

Net financial expenses amounted to US$ 1.2 million in Q4 2014, compared to US$ 1.1 million for the corresponding 2013 period.

Income Tax

In the fourth quarter of 2014, the effective corporate income tax was a US$ 0.5 million profit compared to US$ 2.7 million in the same period last year.

Comparison of the years ended December 31, 2014 and December 31, 2013

Revenue

The following table provides a breakdown of the Company's revenue for FY 2014 and FY 2013 by reporting segment and geographic region:

(In thousands of US$) - *(unaudited)*	FY 2014	% change	FY 2013
Reporting segment			
Mining	163,660	-31%	237,720
Water	21,865	118%	10,037
Total revenue	***185,525***	***-25%***	***247,757***
Geographic region			
South America	54,074	-33%	80,397
Asia Pacific	48,022	-19%	59,189
Europe, Middle East and Africa	46,989	-29%	66,417
North America	36,440	-13%	41,754
Total revenue	***185,525***	***-25%***	***247,757***

FY 2014 revenue amounted to US$ 185.5 million compared to US$ 247.8 million in FY 2013, a decrease of 25% (19% excluding the effect of foreign exchange). This revenue decrease which was a result of the continued market contraction, foreign exchange impact and pressure on selling prices, was mainly recorded in Q2 and Q3.

Revenue in South America amounted to US$ 54.1 million in FY 2014 (US$ 80.4 million in FY 2013), a decrease of 33%. In Chile, the decrease of 16% was mainly linked to the termination of two troubled contracts. The Company mobilized a new contract in Argentina. In Brazil, revenue decreased by 36% due to the evaporation of the junior market in Q2 and Q3 2014, the completion of certain projects in Q3 and Q4 2014, and the early demobilization of some contracts during Q4 2014.

In Asia Pacific, FY 2014 revenue amounted to US$ 48.0 million, a decrease of 19%. In Australia, activity was impacted by pressure on selling prices. After a slow start the Company signed two large multi-year multi-rig contracts. In New Caledonia, the second quarter suffered from local disturbances including the temporary closure of a large nickel mine.

In EMEA, revenue decreased by 29%, from US$ 66.4 million in FY 2013 to US$ 47.0 million in FY 2014. This is mainly due to the reduced activity in the mining segment across West Africa (-60%) which was partly offset by the increased activity in the water segment (+191%).

Revenue in North America decreased by 13% in US$ but only by 6% in Canadian dollars.

Gross Profit

The following table provides a breakdown of the Company's gross profit by reporting segment for FY 2014 and FY 2013:

(In thousands of US$) - *(unaudited)*	FY 2014	% change	FY 2013
Reporting segment			
Mining	5,059	*198%*	1,697
Water	2,034	*n/a*	308
Total gross profit	***7,093***	***254%***	***2,005***

FY 2014 gross profit including depreciation within cost of sales was US$ 7.1 million (or 4% of revenue) compared to US$ 2.0 million in FY 2013. There were no one-off costs during the period and the Company fully benefited from the positive effect of the fixed operational cost reduction which compensated 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)*	**FY 2014**	**% change**	**FY 2013**
Selling, general and administrative expenses	25,148	-20%	31,240

SG&A costs decreased by US$ 6.1 million between FY 2013 and FY 2014 or by US$ 6.8 million excluding certain provisions for claims and doubtful debt recorded in Q4. These savings are mainly the result of the continued implementation of the company-wide cost cutting action plans.

Operating Profit

The following table provides a breakdown of the Company's operating profit for FY 2014 and FY 2013 by reporting segment:

(In thousands of US$) - *(unaudited)*	**FY 2014**	**% change**	**FY 2013**
Reporting segment			
Mining	(16,635)	*n/a*	(1,172)
Water...	(881)	-15%	(1,043)
Total operating profit / (loss)	***(17,516)***	***n/a***	***(2,215)***
Total operating profit / (loss)Adjusted	***(17,365)***	***-41%***	***(29,235)***

Operating loss decreased by US$ (11.6) million, going from an adjusted operating loss of US$ (29.2) million in FY 2013 to US$ (17.7) million in FY 2014. The reduced activity including the impact of exchange rate fluctuations was partially compensated for by the reduction in fixed operational and SG&A costs.

Finance Costs

Net financial expenses amounted to US$ 4.7 million in FY 2014, compared to US$ 4.6 million for the corresponding 2013 period.

Income Tax

For the year ended December 31, 2014, excluding the impact of the non-taxable re-assessment of the Servitec acquisition's second phase, the income tax rate was 11% compared to 22% last year. Certain deferred tax assets have not been recognized during the period given the Company's policy of recognizing deferred tax assets only when they can be used against taxable profit within a timeframe of five years and in countries in which the Company operates.

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 mitigates its exposure to foreign currency fluctuations by balancing its costs, revenues and financing in local currencies, resulting in a natural hedge.

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

	Closing Q4 2014	**Average Q4 2014**	**Average Q3 2014**	**Average Q2 2014**	**Average Q1 2014**	**Closing Q4 2013**
€	0.82	0.80	0.75	0.73	0.73	0.73
CAD	1.16	1.14	1.09	1.09	1.10	1.07
AUD	1.23	1.17	1.08	1.07	1.12	1.13
CLP	606	599	577	555	552	525
BRL	2.68	2.55	2.28	2.23	2.37	2.35
RUB	56	48	36	35	35	33

Liquidity and Capital Resources

The following table provides a summary of the Company's cash flows for FY 2014 and FY 2013:

(In thousands of US$)	**FY 2014**	**FY 2013**
Cash generated from operations before working capital requirements	15,047	10,898
Working capital requirements, interest and tax	(22)	(2,383)
Net cash flow generated by operating activities	**15,025**	**13,281**
Purchase of equipment in cash	(10,121)	(11,063)
Consideration payable related to acquisitions	(500)	-
Net cash used in investing activities	**(10,621)**	**(11,063)**
Free cash flow	**4,404**	**2,218**
Debt variance	(16,008)	11,118
Acquisition of treasury shares	-	(1,556)
Dividends paid	(1,086)	(5,983)
Net cash generated by / used in financing activities	**(17,094)**	**3,579**
Net cash variation	**(12,690)**	**5,797**
Foreign exchange differences	(1,611)	(4,168)
Variation in cash and cash equivalents	**(14,301)**	**1,629**

In FY 2014, the net cash flow generated by operating activities amounted to US$ 15.0 million compared to US$ 13.3 million for FY 2013.

During the year, the Company acquired maintenance Capex for US$ 10.1 million in cash and US$ 0.5 million through capital leases compared to a total of US$ 11.1 million in cash purchases during FY 2013.

As at December 31, 2014, cash and cash equivalents totaled US$ 23.2 million compared to US$ 37.5 million as at December 31, 2013. Cash and cash equivalents are held at or invested within top tier financial institutions.

As at December 31, 2014, net debt amounted to US$ 96.7 million (US$ 121.9 million as at December 31, 2013). The ratio of debt (net of cash) to shareholders' equity decreased from 0.69 as at December 31, 2013 to 0.67 as at December 31, 2014.

On December 31, 2014, financial debts and equivalents amounted to US$ 119.9 million (US$ 159 million as at December 31, 2013). The financial debt also includes the present value of the consideration payable in 2015 for the acquisition of the remaining Servitec shares which were reduced to US$ 0.5 million following the remeasurement of the second tranche and payable in March 2015.

On February 12, 2015, an agreement was reached with the lenders representing all of Foraco International's and its French subsidiaries' debts, resulting in the postponement by 24 months of € 24.8 million (US$ 30.1 million) of installments due in connection with long term debts through increasing the duration of these debts. This agreement also resulted in securing the roll-over of short-term credit facilities and bank guarantee lines.

As part of this agreement, a new covenant related to acquisition loans at December 31, 2015 was agreed, the margins on short term loans will increase by 20 bps and an excess cash flow clause was included. Additionally, the Company committed not to pay dividends before October 31, 2016.

As at December 31, 2014, financial debt is as follows (in thousands of US$):

Maturity	**Credit lines**	**January 1, 2015 and December 31, 2015**	**January 1, 2016 and December 31, 2016**	**January 1, 2017 and December 31, 2017**	**January 1, 2018 and December 31, 2018**	**January 1, 2019 and December 31, 2019**	**Total**
Drawn credit lines rolled over on a yearly basis	5,093	-	-	-	-	-	5,093
Long term financing related to:							
- Drawn credit lines rolled over confirmed for at least 12 months	48,452	-	-	-	-	-	48,452
- Brazil acquisition		-	-	3,890	3,890	3,890	11,669
- Australia acquisition		-	6,078	6,078	6,078	6,078	24,310
- Acquisition of fixed assets		3,864	4,966	8,695	6,741	3,976	28,242
- Acquisition of fixed assets through capital leases		1,096	264	180	60	(0)	1,599
Total	**53,545**	**4,960**	**11,307**	**18,842**	**16,768**	**13,943**	**119,365**

(*) The non-current portion of long term debt, i.e. from January 1, 2016 onwards, is US$60,860 thousand

As at December 31, 2014, drawn credit lines can be analyzed as follows:

Credit lines	Authorized amount (in thousand USD)	Used amount (in thousand USD)	Currency	Interest Rate	Guarantee	Covenants	Other
France	41,694	37,662	€	EUR 3M + 100 to 220 bps	No	No	Confirmed until October 31, 2016
Chile	16,140	13,042	CLP	UF + 300 bps	US$ 11 million SBLC from French banks	No	SBLC confirmed until October 31, 2016
Canada	6,881	0	CAD	Prime + 225bps	Partially covered by current Canadian assets	% of current assets	roll over one year
Brazil	2,349	2,346	BRL	CDI + 600 bps	No	No	roll over one year
Australia	1,693	493	AUD	Bank Prime + 60 bps	No	No	roll over one year
Others	102	3					
Total	**68,859**	**53,545**					

As indicated above, the conditions of the French credit lines (overdraft and Standby Letter of Credit (SBLC)) were restated under the terms of the agreement signed on February 12, 2015.

The Company now has used and unused short-term credit facilities amounting to US$ 68.9 million, of which US$ 53.5 million was drawn down as of December 31, 2014.

Other facilities are granted individually by various banks, mainly in Chile, Brazil, Australia and Canada. They are generally granted on a yearly basis and are subject to review at certain dates.

Long term bank financing can be broken down as follows:

Long Term Debt	Amounts (in thousand USD)	Currency	Interest Rates	Guarantee	Covenants
Acquisition Brazil	**11,669**	€	EUR 3M + 235 bps	Servitec Shares	Net Debt / EBITDA
Acquisition Australia	**24,310**	€	EUR 3M + 235 bps	JND Shares	Net Debt / EBITDA
Long term loans	**28,242**				
France	15,107	€	1.8 to 2.1 % Fixed	No	No
Canada	8,079	CAD/USD	From 3 to 4% Fixed	General Security	Net Debt / EBITDA at quarter end
Chile	4,006	USD	Libor + 280 bps	SBLC from French Bank	No
Brazil	942	BRL	From 8 to 14% Fixed	Financed Assets	No
Capital lease obligations	**1,599**				
Russia	128	USD	From 4 to 6% Fixed	Financed Assets	No
Brazil	550	BRL	From 8 to 14% Fixed	Financed Assets	No
Australia	314	AUD	From 6 to 10%	Financed Assets	No
Chile	608	UF	From 2.8 to 5.5% over UF	Financed Assets	No
Total	**65,820**				

Bank guarantees as at December 31, 2014, totaled US$ 30.4 million compared to US$ 28.5 million as at December 31, 2013.

These bank guarantees are confirmed until October 31, 2016 under the terms of the February 12, 2015 agreement signed with the French banks.

Going concern and impairment testing

Current economic conditions make forecasting difficult, and there is the possibility that the Company's actual operating performance during the coming year may be different from expectations. Based on internal forecasts and projections that take into account reasonably possible changes in the Company's operating performance, the Company believes that it has adequate financial resources to continue in operation and meet its financial commitments for a period of at least twelve months provided it continues to benefit from the support of its lenders. The next testing date for the bank covenants is December 31, 2015. The Company's negotiations with its lenders in France successfully came to a close on February 12, 2015. The objective to adapt its debt structure so as to better match its future cash flow generation was obtained. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements.

The current economic conditions in mining services are seen as an indicator of potential impairment of the carrying value of the Company's long lived assets. Accordingly, an impairment test was performed at the level of each reporting segment and geographic region. The assumptions used involve a considerable degree of estimation on the part of management. The most significant assumptions include revenue per rig, EBITDA margin, discount rate and long term growth. The assumptions for 2015, 2016 and 2017 are based on management's business plan. From 2018 onwards, the Company used the 8-year actual historical performance in order to determine its revenue per rig and EBITDA margin. Management considers that this provides a reasonable factual basis for the purpose of impairment testing. On this basis, no impairment was deemed necessary.

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 on related-party transactions, please refer to Note 16 of the unaudited condensed interim consolidated financial statements.

Capital Stock

As at December 31, 2014, 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	41.80%
Common shares held directly or indirectly by individuals in their capacity as members of the Board of Directors *	1,096,754	1.22%
Common shares held by the Company**	677,499	0.75%
Common shares held by the public	50,583,047	56.23%
Total common shares issued and outstanding	**89,951,798**	
Common shares held by the Company	(677,499)	
Total common shares issued and outstanding excluding shares held by the Company	**89,274,299**	

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

***677,499 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.

Adjusted EBITDA and adjusted EBIT exclude the impact resulting from (i) the remeasurement of the contribution payable for Servitec, (ii) a non-recurring provision corresponding to a claim in Brazil, and (iii) a one-off bad debt in Africa.

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.

Reconciliations of the various non IFRS measures are as follows:

EBITDA, adjusted EBITDA and adjusted EBIT

(In thousands of US$) *(unaudited)*	Q4 2014	Q4 2013	FY 2014	FY 2013
Operating profit / (loss)	(5,209)	3,333	(17,516)	(2,215)
Depreciation expense	6,712	8,553	30,810	38,303
Non-cash employee share-based compensation	185	314	1,114	1,703
EBITDA	***1,688***	***12,200***	***14,408***	***37,791***
Impact resulting from the remeasurement of the contribution payable for Servitec	(2,902)	(8,195)	(2,902)	(27,020)
Non-recurring provision for claim and doubtful debt	3,053	-	3,053	-
Adjusted EBITDA	***1,839***	***4,005***	***14,559***	***10,771***
Adjusted EBIT	***(5,058)***	***(4,862)***	***(17,365)***	***(29,235)***

Net debt:

	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Cash and cash equivalents	23,225	26,163	29,154	28,853	37,526
Borrowings - Non-current portion	(109,312)	(55,107)	(62,256)	(65,761)	(68,556)
Borrowings - Current portion	(10,053)	(72,775)	(71,493)	(79,278)	(74,194)
Consideration payable related to acquisitions	(528)	(3,430)	(3,430)	(3,430)	(16,670)
Total Net Debt	***(96,667)***	***(105,149)***	***(108,025)***	***(119,616)***	***(121,894)***

Litigation and claims

In late 2013, the JND's former shareholders filed a claim against the Company as their assessment of the earn-out clause differed from that of the Company. Based on their assessment, the former shareholders of JND are claiming an amount of AU$ 4 million (US$ 3.3 million). The Company is confident in its position that no earn-out is due and accordingly, no provision has been recorded. The defense was filed with the Supreme Court of South Australia on April 22, 2014. The outcome of this claim is expected in 2015.

Subsequent Events

On February 12, 2015, negotiations with lenders in France successfully came to a close.

Outlook

As at December 31, 2014 the Company's order backlog for continuing operations was US$ 226.7 million, of which US$ 118.6 million is expected to be executed during the FY 2015.

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.

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 31, 2014, under the heading "Risk Factors", which has been filed with Canadian regulators on SEDAR (www.sedar.com).