Management's Discussion and Analysis

Second Quarter Fiscal 2023

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") relates to the results of operations, financial condition and cash flows of Major Drilling Group International Inc. ("Major Drilling" or the "Company") as at and for the three and six-month periods ended October 31, 2022. All amounts in this MD&A are in Canadian dollars, except where otherwise noted.

This MD&A is a review of activities and results for the three and six-month periods ended October 31, 2022 as compared to the corresponding periods in the previous year. Comments relate to, and should be read in conjunction with, the comparative unaudited Interim Condensed Consolidated Financial Statements as at and for the three and six-month periods ended October 31, 2022, prepared in accordance with IAS 34 Interim Financial Reporting, and also in conjunction with the audited Consolidated Financial Statements and Management's Discussion and Analysis contained in the Company's Annual Report for the fiscal year ended April 30, 2022.

This MD&A is dated December 8, 2022. Disclosure contained in this document is current to that date, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

This MD&A includes certain information that may constitute "forward-looking information" under applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this MD&A that address future events, developments, or performance that the Company expects to occur (including management's expectations regarding the Company's objectives, strategies, financial condition, results of operations, cash flows and businesses) are forward-looking statements. Forward-looking statements are typically identified by future or conditional verbs such as "outlook", "believe", "anticipate", "estimate", "project", "expect", "intend", "plan", and terms and expressions of similar import. All forward-looking information in this MD&A is qualified by this cautionary note.

Forward-looking information is necessarily based upon various estimates and assumptions including, without limitation, the expectations and beliefs of management related to the factors set forth below. While these factors and assumptions are considered reasonable by the Company as at the date of this document in light of management's experience and perception of current conditions and expected developments, these statements are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements and undue reliance should not be placed on such statements and information.

Such forward-looking statements are subject to a number of risks and uncertainties that include, but are not limited to: the level of activity in the mining industry and the demand for the Company's services; the level of funding for the Company's clients (particularly for junior mining companies); competitive pressures; global political and economic environments; the integration of business acquisitions and the realization of the intended benefits of such acquisitions; the Company's dependence on key customers; exposure to currency movements (which can affect the Company's revenue in Canadian dollars); currency restrictions; implications of the COVID-19 pandemic; the geographic distribution of the Company's operations; the impact of operational changes; changes in jurisdictions in which the Company operates (including changes in regulation); failure by counterparties to fulfill contractual obligations; as well as other risk factors described under "General Risks and Uncertainties" in the Company's Annual Information Form for the year ended April 30, 2022, available on the SEDAR website at www.sedar.com. Should one or more risk, uncertainty, contingency, or other factor materialize or should any factor or assumption prove incorrect, actual results could vary materially from those expressed or implied in the forward-looking information.

Forward-looking statements made in this document are made as of the date of this document and the Company disclaims any intention and assumes no obligation to update any forward-looking statement, even if new information becomes available, as a result of future events, or for any other reasons, except as required by applicable securities laws.

COVID-19

Activity levels have returned to pre-pandemic levels in most regions the Company operates in. As the long-term impacts of the COVID-19 pandemic evolve, the Company closely monitors any developments in each of the regions in which it operates, in order to continue assessing any possible impact on the Company's business, with a focus on the appropriate action to take, if warranted.

Due to the cyclical nature of the business, Major Drilling is well versed in successfully managing operations during typical cyclical industry downturns, which has also enabled the Company to manage successfully during the COVID-19 pandemic. The Company has a global, diversified, and durable business model that serves well during these challenging times. The Company strictly enforces enhanced safety protocols, while working with its customers to encompass their safety protocols, to make every effort to ensure all employees remain safe and healthy. The Company's experienced management team has been proactive from the onset of the COVID-19 pandemic and will continue to act quickly to appropriately accommodate any changes in this operating environment, as necessary.

CORPORATE OVERVIEW

Major Drilling Group International Inc. is one of the world's largest drilling services companies primarily serving the mining industry. Established in 1980, Major Drilling has over 1,000 years of combined experience and expertise within its management team alone. The Company maintains field operations and offices in Canada, the United States, Mexico, South America, Asia, Africa, and Australia. Major Drilling provides a complete suite of drilling services including surface and underground coring, directional, reverse circulation, sonic, geotechnical, environmental, water-well, coal-bed methane, shallow gas, underground percussive/longhole drilling, surface drill and blast, and a variety of mine services.

The Company has two categories of customers: junior exploration companies and a diversified portfolio of senior/intermediate companies, for which the Company provides greenfield exploration drilling and/or drilling at operating mines.

At Major Drilling, safety is a core value. The Company promotes a proactive approach to health and safety as keeping people safe is of the utmost importance. The Company's safety standards lead the industry with well-trained, dedicated crews who know safety excellence occurs when every employee understands their right and responsibility to work safely every day. These crews quickly assess and manage risk, leading to better results for the Company's clients. The Company has partnered with industry leaders to develop a safety system that meets or exceeds all applicable government and client standards.

In today's world of rapidly changing technology, Major Drilling is dedicated to finding new and innovative solutions to problems. The Company has invested in a fleet of digitized mobile underground drills that allow less dependence on client resources, as well as increased ability for automation and versatility. Major Drilling is also working towards modernizing its surface rigs through digitization and rod handling to create a safer, more productive work environment, while reducing maintenance costs and preventing downtime.

The Company leverages its collective experience to continuously improve its equipment and processes to meet current and future industry demands, and to offer value-added services to its customers. By incorporating impactful technologies, paired with a commitment to environmental and social responsibility, Major Drilling is positioned to remain a leader in the drilling services field as mine discovery and development evolve.

BUSINESS STRATEGY

Over the years, Major Drilling has positioned itself as one of the largest specialized drilling operators in the world by leveraging its main competitive advantages: skilled personnel, specialized equipment, robust safety systems, long-standing relationships with the world's largest mining companies, and access to capital.

As gold reserves continue to decline due to minimal exploration within the last decade, and the push for a green economy increases demand for copper and other minerals, mining companies continue to deplete the more easily accessible mineral reserves around the world. While gold's average mine life has fallen to a low of nearly 10 years, many of the new mineral deposits are located in areas challenging to access, requiring complex drilling solutions that heightens the demand for Major Drilling's specialized services. Major Drilling's core strategy is to focus its services on these specialized drilling projects and remain the world's leading provider of specialized drilling services by providing top quality service through safe and productive drill programs, with expert crews that use specialty equipment and techniques in areas that are difficult to access.

Diversification within the drilling field, while maintaining high safety standards that help lead the drilling industry, continues to be an integral part of the Company's business strategy. Major Drilling has globally diversified operations with a wide variety of equipment available to meet its clients' needs for all phases of their projects. The Company intends to continue modernizing and innovating its fleet and expanding its footprint in strategic areas.

Major Drilling delivers quality, high safety standards and results on even the toughest sites through the Company's extensive knowledge and experience, focus on safety, and commitment to meeting the local needs of every customer. With the best people on the ground and a well-maintained fleet, the Company partners with its customers and local communities for outstanding results.

A key part of the Company's strategy is to maintain a strong balance sheet. Its financial strength allows the Company to invest in safety and continuous improvement initiatives, to retain key employees, to invest in training and innovation, to maintain its equipment in good condition, and maintain sufficient inventory to meet increased customer demands. The Company has the liquidity required to meet customer demands and its financial strength allows it to adapt and manage effectively through challenging periods, such as the current global supply chain issues.

Major Drilling categorizes its mineral drilling services into three types: specialized drilling, conventional drilling, and underground drilling.

Specialized drilling can be defined as any drilling project that, by virtue of its scope, technical complexity, or location, creates significant barriers to entry for smaller drilling companies. This would include, for example, deep-hole drilling, directional drilling, and mobilizations to remote locations or high altitudes. Because significant ore bodies are getting more difficult to find, the Company expects specialized drilling services to progressively fuel future growth and the Company believes these skills will be in greater demand over time.

Conventional drilling tends to be more affected by the industry cycle, as the barriers to entry are not as significant as with specialized drilling. This part of the industry is highly fragmented and has numerous competitors. Because the Company offers only limited differentiation in this sector, it is not its priority for investment.

The Company's underground services include both underground exploration drilling and underground percussive/longhole drilling. Underground exploration drilling takes on greater importance in the latter stages of the mining cycle as clients develop underground mines. Underground percussive/longhole drilling, which relates more to the production function of a mine, provides relatively more stable work during the mining cycles. By offering both underground production drilling and underground exploration drilling, the Company provides a wide range of complementary services to its clients.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Major Drilling believes its long-term sustainability depends on the Company serving as: stewards of the environment where we work; valued contributors to the communities where we operate; and responsible corporate citizens in the eyes of the Company's workforce, clients, local communities, shareholders, and other external stakeholders. While the Board of Directors and management have long had responsibility and oversight over ESG practices of the Company, in fiscal 2020, it began the process of consolidating its ESG efforts under an ESG Framework for the purpose of formalizing its risk management structure and mitigation strategies. The Company's ESG Policy was adopted in fiscal 2021, complementing other corporate policies such as its Code of Ethics and Business Conduct, Diversity Policy, Anti-Corruption Policy, and Human Rights Policy; its critical governance mechanisms such as the global Whistleblower Program; and its industry-leading workforce Health and Safety Program. In 2022, Major Drilling published its inaugural 2021 Sustainability Report.

Major Drilling remains committed to delivering impactful contributions to the communities where it operates around the world, such as through its longstanding Indigenous partnerships in Canada, and frequent community initiatives by its teams worldwide.

INDUSTRY OVERVIEW

The metals and minerals drilling industry is reliant primarily on demand from two metal groups: gold and base metals. Each commodity group is influenced by distinct market forces. The latest market downturn was marked by a lack of exploration and depleting reserves.

Gold has historically been a significant driver in the mining industry, accounting for 40 to 50% of the global exploration spend. Exploration activity generally varies up or down with the trend in gold prices, however, despite the fact that there has been a decline in commodity prices in the last few months, metal prices have remained at levels well above what is needed to support exploration. The Company's activity levels currently remain stable as the slight slowdown in junior activity has been offset by an increased demand from copper and battery metal customers.

The demand for base metals is dependent on economic activity. While the supply shortfall for both gold and copper reserves continues to grow, the demand for electrification continues to grow as well, which will increase the need for copper and other battery metals. As well, governments across the world are upgrading their electric grids, which will require enormous volumes of copper. This is expected to lead to substantial additional investments in copper and other base metal exploration projects, as the Company helps its customers discover the metals that will allow the world to accelerate its efforts toward a green economy.

As resources in some areas are becoming depleted, future mineral deposits will have to come from areas difficult to access, either in remote or politically challenging areas, deeper in the ground or at higher altitudes. Meanwhile, on average it takes 10 to 15 years to bring a mine into production. These factors should result in improved demand for specialized services in the future.

BUSINESS ACQUISITION

On June 1, 2021, the Company completed the purchase of the issued and outstanding shares of McKay Drilling PTY Limited, a leading specialty drilling contractor based in Perth, Australia, providing Major Drilling with a strong established presence in an important growth market.

Founded in 1990, McKay is a leader in reverse circulation drilling and operates a state-of-the-art fleet of high-capacity reverse circulation rigs and deep-hole diamond rigs, with advanced hands-free remote operation and monitoring technology. McKay's fleet is at the very high end of specialized drilling equipment and includes support equipment and inventories necessary for its operation. The company is widely regarded as an innovator in the Australian mining industry and has long-standing relationships with Australia's largest mining companies.

The results of the McKay operations are included in the Consolidated Statements of Operations from June 1, 2021. The purchase price for the acquisition was valued at an amount up to AUD$80 million, or approximately CAD$75 million, consisting of: (i) a cash payment (funded from Major Drilling's cash and existing debt facilities) of AUD$40 million; (ii) AUD$15 million paid through the issuance of 1,318,101 common shares of Major Drilling, valued based on the volume weighted average price of the common shares prior to closing; and (iii) an earn-out of up to AUD$25 million with a payout period extending over three years from the effective date of June 1, 2021, based on the achievement of certain EBITDA (earnings before interest, taxes, depreciation and amortization, see Non-IFRS financial measures) milestones. During the quarter, the Company made the first payment on the contingent consideration arising out of the McKay Drilling PTY Limited acquisition for $6,289 (AUD$7 million).

OVERALL PERFORMANCE

The Company continues to yield positive results from its strategic efforts deployed over the last few years, in terms of recruiting and holding rigs and inventory available for immediate deployment to customers. In the previous year, the Company was impacted by the COVID-19 pandemic, while in the current year the industry is dealing with a shortage of qualified crews and supply chain disruptions, and global economies are dealing with significant inflation and volatility in foreign exchange markets. The Company's financial strength and readiness has allowed it to grow quickly and navigate successfully through these challenging times, taking full advantage of the industry upturn.

With stable demand for its complex specialized drilling services during the quarter, the Company recorded its highest quarterly revenue in 10 years at $201.7 million, up 18.2% from revenue of $170.7 million recorded in the same quarter last year, when the mining industry was in the early stages of the market upcycle. The favourable foreign exchange impact on revenue, when comparing to the same quarter last year, was approximately $6 million, therefore the revenue increase related to activity increase was approximately 15%.

Enhanced productivity and price adjustments have more than offset inflation pressures, resulting in gross margin percentage for the quarter at 26.3%, compared to 22.0% for the same quarter last year. Adjusted gross margin, which excludes depreciation expense (see "Non-IFRS financial measures"), was 31.8% for the current quarter, compared to 28.3% for the prior year quarter.

With strong revenue and good margin performance, the Company generated $43.0 million of EBITDA, a 40% increase from the $30.7 million generated in the prior year quarter.

Net earnings were $23.6 million or $0.29 per share ($0.28 per share diluted), more than 65% growth from the previous year at $14.3 million or $0.17 per share ($0.17 per share diluted).

The Company continues to maintain its strong financial position with net cash position (cash net of debt, excluding lease liabilities reported under IFRS 16 Leases - see "Non-IFRS financial measures") at $51.3 million, compared to July 2022 at $8.5 million.

RESULTS OF OPERATIONS - SECOND QUARTER ENDED OCTOBER 31, 2022

With all geographic regions contributing to the growth, total revenue for the quarter was $201.7 million, up 18.2% from revenue of $170.7 million recorded in the same quarter last year. The favourable foreign exchange translation impact on revenue and net earnings for the quarter, when comparing to the effective rates for the same period last year, was approximately $6 million and $1 million, respectively.

Revenue for the quarter from Canada - U.S. drilling operations increased by 19.8% to $113.1 million, compared to the same period last year. Senior and intermediate activity levels more than offset a slowdown in junior activity in this region.

South and Central American revenue increased by 13.3% to $41.7 million for the quarter, compared to the same quarter last year. The growth from the prior year is mainly attributable to a resumption of activity levels in jurisdictions that were previously impacted by COVID-19 shutdowns.

Australasian and African revenue increased by 18.7% to $46.9 million, compared to the same period last year. The Asian region was responsible for most of the growth in the quarter, with new projects and contract renewals with improved pricing.

Gross margin percentage for the quarter was 26.3%, compared to 22.0% for the same period last year. Depreciation expense totaling $11.2 million is included in direct costs for the current quarter, versus $10.7 million in the same quarter last year. Adjusted gross margin, which excludes depreciation expense, was 31.8% for the quarter, compared to 28.3% for the same period last year. Margins improved from the prior year, mainly from enhanced productivity and price adjustments, which more than offset inflation pressures.

General and administrative costs were $16.1 million, an increase of $2.0 million compared to the same quarter last year, primarily due to increased employee compensation and increased travel costs with the ease of COVID-19 restrictions.

Other expenses were $4.7 million, up from $3.4 million in the prior year quarter, due primarily to higher incentive compensation expenses throughout the Company given the increased profitability.

Foreign exchange loss was $1.1 million compared to $0.9 million for the same quarter last year. While the Company's reporting currency is the Canadian dollar, various jurisdictions have net monetary assets or liabilities exposed to other currencies, including the U.S. dollar, which strengthened with the foreign exchange volatility experienced during the quarter.

The income tax provision for the quarter was an expense of $7.5 million, compared to an expense of $4.5 million for the prior year period. The increase from the prior year was due to an overall increase in profitability.

Net earnings were $23.6 million or $0.29 per share ($0.28 per share diluted) for the quarter, compared to net earnings of $14.3 million or $0.17 per share ($0.17 per share diluted) for the prior year quarter.

RESULTS OF OPERATIONS - YEAR TO DATE ENDED OCTOBER 31, 2022

Total revenue for the year was $401.6 million, up 25% from revenue of $321.7 million recorded in the previous year, which was impacted by COVID-19. The favourable foreign exchange translation impact, when comparing to the effective rates for the previous year, was approximately $11 million on revenue, while net earnings were less impacted at approximately $2 million as expenditures in foreign jurisdictions tend to be in the same currency as revenue.

Revenue for the year from Canada – U.S. increased by 26% to $225.7 million, compared to the previous year, with the continued strong demand for specialized drilling services and increased activity levels from senior and intermediate customers.

South and Central American revenue increased by 24% to $89.2 million for the year, compared to the previous year. The increase from the prior year was driven by improved pricing environments and the recovery from pandemic-related shutdowns.

Australasian and African revenue increased by 23% to $86.7 million, compared to the previous year. Growth in the region is attributed to having six months of the McKay acquisition revenue compared to only five months in the prior year, and new contracts and contract renewals with improved pricing in Asia.

Gross margin percentage for the year was 25.9%, compared to 21.1% for the previous year. Depreciation expense totaling $21.6 million is included in direct costs for the current quarter, versus $20.0 million in the prior year. Adjusted gross margin, which excludes depreciation expense, was 31.3% for the year, compared to 27.3% for the prior year. Despite global inflationary headwinds, margins improved from the prior year due to overall pricing improvements negotiated earlier in the year and enhanced productivity.

General and administrative costs were $32.2 million, an increase of $4.5 million, compared to the previous year. The increase is driven by increased employee compensation and increased travel costs with the ease of COVID-19 restrictions.

Other expenses were $7.7 million, up from $6.0 million in the prior year, due primarily to higher incentive compensation expenses throughout the Company, given the increased profitability.

Foreign exchange loss was $1.8 million compared to $1.1 million for last year. While the Company's reporting currency is the Canadian dollar, various jurisdictions have net monetary assets or liabilities exposed to other currencies, including the U.S. dollar, and the U.S. dollar strengthened during the year.

The income tax provision for the year was an expense of $14.8 million, compared to an expense of $7.2 million for the prior year. The increase in the tax expense was related to an increase in overall profitability from the prior year.

Net earnings were $47.9 million or $0.58 per share ($0.58 per share diluted) for the year, compared to $25.4 million or $0.31 per share ($0.31 per share diluted) for the prior year.

SUMMARY OF QUARTERLY RESULTS

(in $000s CAD, except per share)	*Fiscal 2023*		*Fiscal 2022*				*Fiscal 2021*	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	**$ 201,716**	$ 199,835	$ 189,975	$ 138,752	$ 170,693	$ 150,995	$ 128,117	$ 100,387
Gross profit	**53,003**	51,174	48,448	23,427	37,538	30,360	15,053	11,058
Gross margin	**26.3%**	25.6%	25.5%	16.9%	22.0%	20.1%	11.7%	11.0%
Adjusted gross margin	**31.8%**	30.8%	31.0%	24.2%	28.3%	26.3%	18.4%	20.3%
Net earnings (loss)	**23,611**	24,248	22,433	5,676	14,290	11,060	2,344	(1,467)
Per share - basic	**0.29**	0.29	0.27	0.07	0.17	0.14	0.03	(0.02)
Per share - diluted	**0.28**	0.29	0.27	0.07	0.17	0.13	0.03	(0.02)

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

The change in non-cash operating working capital items was an inflow of $13.3 million for the quarter, compared to an outflow of $4.0 million for the same quarter last year. The inflow of non-cash operating working capital was primarily comprised of:

- an increase in accounts payable of $8.8 million;
- a decrease in prepaids of $0.7 million;
- an increase in inventory of $4.2 million; and
- a decrease in accounts receivable of $7.9 million.

Cash flow from operating activities for the quarter ended October 31, 2022 was an inflow of $52.1 million compared to an inflow of $25.2 million in the previous year.

Investing activities

Capital expenditures were $13.3 million for the quarter ended October 31, 2022, compared to $11.1 million for the prior year.

The drill rig count was 603 at October 31, 2022, as the Company added 14 new rigs to its fleet through capital expenditures, while disposing of 11 older and inefficient rigs.

Financing activities

Under the terms of certain of the Company's debt agreements, the Company must satisfy specific financial covenants. Such agreements also limit, among other things, the Company's ability to incur additional indebtedness, create liens, engage in mergers or acquisitions, or make dividend and other payments. During the period, the Company was, and continues to be, in compliance with all covenants and other conditions imposed by its debt agreements.

During the quarter, the Company renewed its existing credit facility agreement for a five-year term, with the same terms and conditions as the previous agreement.

<u>Operating credit facilities</u>

The credit facilities related to operations total $31.4 million ($30.0 million from a Canadian chartered bank and $1.4 million from an American chartered bank) and are primarily secured by corporate guarantees of companies within the group, bearing interest at either the bank's prime rate plus 0.5% or the bankers' acceptance rate plus 2.0% for Canadian dollar draws, and the bank's Secured Overnight Financing Rate ("SOFR") plus 2.0% for U.S. dollar draws. The U.S. facility bears interest at the bank's 30-day Bloomberg Short-term Bank Yield plus 2.05%. At October 31, 2022, the Company had utilized $1.4 million of these facilities for outstanding stand-by letters of credit.

The Company also has a credit facility of $2.4 million for credit cards for which interest rate and repayment are as per cardholder agreements.

<u>Long-term debt</u>

Total long-term debt was flat compared to the previous quarter at $29.7 million as of October 31, 2022.

As of October 31, 2022, the Company had the following long-term debt facility:

- $75.0 million revolving-term facility for financing the cost of equipment purchases or acquisition costs of related businesses. At October 31, 2022, $30.0 million had been drawn on this facility, bearing interest at either the bank's prime rate plus 0.5% or the bankers' acceptance rate plus 2.0% for Canadian dollar draws, and the bank's SOFR plus 2.0% for U.S. dollar draws, interest only payable in monthly installments, secured by corporate guarantees of companies within the group, maturing in October 2027.

To manage its exposure to interest rate risks, in the previous quarter the Company entered into an interest rate swap with a notional value of $20 million, swapping the Canadian-Bankers' Acceptance – Canadian Dealer Offered Rate for an annual fixed rate of 3.32%, maturing in May of 2023.

As at October 31, 2022, there were no scheduled debt repayments on the revolving-term facility, however the Company may choose to make discretionary payments, depending on available funds. The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital and capital expenditure obligations.

As at October 31, 2022, the Company had unused borrowing capacity under its credit facilities of $75.1 million and cash of $97.7 million, for a total of $172.8 million in available funds.

OUTLOOK

Customer demand for calendar 2023 looks to remain strong as the Company enters its seasonally slower third quarter. Discussions with several senior customers have already begun.

Despite economic headwinds experienced since the beginning of 2022, metal prices remain at levels well above what is needed to support exploration. Combined with the growing supply shortfall in most mineral commodities, this continues to drive demand for the Company's services. As the global demand for electrification continues to grow, the world will require an enormous volume of copper and battery metals, which is significant for the Company's outlook and the future of its business. It is expected that this will increase pressure on the existing supply/demand dynamic, and lead to substantial additional investments in copper and other base metal exploration projects, as the Company helps its customers discover the metals that will allow the world to accelerate its efforts toward a green economy. This increase in both activity levels and diversification of commodities continues to drive demand for the Company's services. The Company's growing fleet ensures utilization capacity is retained to meet this growing demand, and its capital availability ensures the Company has the flexibility to increase its fleet count when and where needed to consistently meet the needs of its customers across the globe.

As the Company continues to move through the current cycle, Major Drilling's core strategy is to remain the leader in specialized drilling as new mineral deposits will increasingly be located in areas more challenging to access or requiring complex drilling solutions. The Company is committed to providing top-quality service to its valued customers through safe and productive drill programs, as evidenced by its industry-recognized hole completion rates. The Company leverages its worldwide expertise and utilizes its strong financial position to ensure it has the equipment and inventory required to be a best-in-class service provider. With the additional rigs purchased in the quarter, the Company offers a modern and productive fleet to meet the growing demand in this industry.

NON-IFRS FINANCIAL MEASURES

The Company's financial data has been prepared in accordance with IFRS, with the exception of certain financial measures detailed below. The measures below have been used consistently by the Company's management team in assessing operational performance on both segmented and consolidated levels, and in assessing the Company's financial strength. The Company believes these non-IFRS financial measures are key, for both management and investors, in evaluating performance at a consolidated level and are commonly reported and widely used by investors and lending institutions as indicators of a company's operating performance and ability to incur and service debt, and as a valuation metric. These measures do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS.

EBITDA - earnings before interest, taxes, depreciation and amortization:

(in $000s CAD)	**Q2 2023**	Q2 2022	**YTD 2023**	YTD 2022
Net earnings	**$ 23,611**	$ 14,290	**$ 47,859**	$ 25,350
Finance costs	**26**	399	**456**	871
Income tax provision	**7,541**	4,501	**14,826**	7,216
Depreciation and amortization	**11,829**	11,539	**23,370**	21,528
EBITDA	**$ 43,007**	$ 30,729	**$ 86,511**	$ 54,965

Adjusted gross profit/margin - excludes depreciation expense:

(in $000s CAD)	**Q2 2023**	Q2 2022	**YTD 2023**	YTD 2022
Total revenue	**$ 201,716**	$ 170,693	**$ 401,551**	$ 321,688
Less: direct costs	**148,713**	133,155	**297,374**	253,790
Gross profit	**53,003**	37,538	**104,177**	67,898
Add: depreciation	**11,177**	10,709	**21,591**	20,018
Adjusted gross profit	**64,180**	48,247	**125,768**	87,916
Adjusted gross margin	**31.8%**	28.3%	**31.3%**	27.3%

Net cash (debt) – cash net of debt, excluding lease liabilities reported under IFRS 16 Leases:

(in $000s CAD)	**October 31, 2022**	April 30, 2022
Cash	**$ 97,698**	$ 71,260
Contingent consideration	**(16,746)**	(22,907)
Long-term debt	**(29,666)**	(50,000)
Net cash (debt)	**$ 51,286**	$ (1,647)

FOREIGN EXCHANGE

The Company's reporting currency is the Canadian dollar, however a significant portion of the Company's revenue and operating expenses outside of Canada are denominated in U.S. dollars, with some exposure to other currencies. The year-over-year comparisons in the growth of revenue and operating expenses have been impacted by the performance of the Canadian dollar in relationship to the U.S. dollar as well as these other currencies.

During the quarter, approximately 21% of revenue generated was in Canadian dollars with most of the balance being in U.S. dollars. Since most of the input costs related to revenue are denominated in the same currency as the revenue, the impact on earnings is somewhat muted.

The favourable foreign exchange translation impact on revenue for the quarter, when comparing to the effective rates for the same period last year, was approximately $6 million. The favourable impact on net earnings was $1 million as expenditures in foreign jurisdictions tend to be in the same currency as revenue.

Currency controls and government policies in foreign jurisdictions, where a portion of the Company's business is conducted, can restrict the Company's ability to exchange such foreign currency for other currencies, such as the U.S. dollar. To mitigate this risk, the Company has adopted a policy of carrying limited foreign currencies in local bank accounts.

As at October 31, 2022, the most significant carrying amounts of net monetary assets and/or liabilities (which may include intercompany balances with other subsidiaries) that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; and (ii) cause foreign exchange rate exposure, including the impact on earnings before income taxes ("EBIT"), if the corresponding rate changes by 10%, are as follows (in $000s CAD):

	Rate variance	USD/CAD	MNT/USD	MXN/USD	IDR/USD	USD/AUD	ARS/USD	USD/CLP	Other
Net exposure on monetary assets (liabilities)		22,990	10,463	4,832	4,095	2,961	2,762	(3,739)	1,132
EBIT impact	+/-10%	2,554	1,163	537	455	329	307	415	126

Argentina currency status

As inflation rates continue to rise across the globe, Argentina is experiencing hyper-inflation with the rate rising to 65% annually and the Argentine peso ("ARS") continues to depreciate. During the previous fiscal year, in an effort to bring inflation down and stabilize markets as the financial crisis continues in Argentina, the Argentine government imposed tighter currency controls. In an effort to prevent the flow of U.S. dollars ("USD") out of Argentina's struggling economy, the Argentine Central Bank ("ACB") made it more difficult for investors to buy USD, and tightened controls to prevent investors from buying assets in ARS and then selling abroad in USD to obtain foreign currency. While the International Monetary Fund has recommended the country gradually loosen all restrictions on foreign currency exchange, the ACB continues to impose limitations on transactions in USD denominated securities. The Company continues to be vigilant in managing assets held in ARS.

Indonesia currency status

Early in the previous fiscal year, the Bank of Indonesia enhanced its existing policies, directed at maintaining exchange rate stability, and strengthened the monitoring of foreign exchange transactions against the Indonesian rupiah ("IDR"). The need to manage inflation and maintain exchange rate stability amidst escalating global inflation remains, however, with COVID-19 impacts dissipating and the volume of cross-border transactions rising, the Bank of Indonesia has relaxed the underlying transaction requirements for access to foreign exchange. As these policies could still delay and eventually restrict the ability to exchange the IDR to USD, the Company continues to monitor this situation closely.

Mongolia currency status

Due to the temporary shortage of U.S. cash, late in fiscal 2022, the Mongolian State Great Khural (the unicameral parliament of Mongolia) implemented certain temporary currency control measures that could last until January 1, 2023. These control measures could impact the Company's ability to exchange excess Mongolian Tugriks for USD. The Company is monitoring this situation closely.

COMPREHENSIVE EARNINGS

The Interim Condensed Consolidated Statements of Comprehensive Earnings for the quarter includes a $15.1 million unrealized gain on translating the financial statements of the Company's foreign operations compared to a loss of $2.5 million for the previous year. The change relates to translating the net assets of the Company's foreign operations, which have a functional currency other than the Canadian dollar, to the Company's Canadian dollar currency presentation.

The gain during the current quarter was primarily generated from the 6% gain in the strength of the U.S. dollar against the Canadian dollar, as a significant portion of the Company's net assets are held in U.S. dollars. During the same quarter last year, the U.S. dollar lost 0.7% against the Canadian dollar.

OFF BALANCE SHEET ARRANGEMENTS

Except for commitments exempt from balance sheet treatment under IFRS 16 Leases, the Company does not have any off balance sheet arrangements.

GENERAL RISKS AND UNCERTAINTIES

A complete discussion of general risks and uncertainties may be found in the Company's Annual Information Form for the most recently completed fiscal year, which can be found on the SEDAR website at www.sedar.com. The Company is not aware of any significant changes to risk factors from those disclosed at that time.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's CEO and CFO are responsible for designing disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") or causing them to be designed under their supervision. The Company's DC&P and ICFR are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with International Financial Reporting Standards.

For the three and six-month periods ended October 31, 2022, there have been no changes in the Company's DC&P or ICFR that have materially affected, or are reasonably likely to materially affect, the Company's DC&P or ICFR. Accordingly, the CEO and CFO have concluded that the design and operation were effective at a reasonable level for the period covered by this report.

Limitations of controls and procedures

The inherent limitations in all control systems are 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. Therefore, DC&P and ICFR have inherent limitations, regardless of how well designed, and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

OUTSTANDING SHARE DATA

As of December 8, 2022, there were 82,866,254 common shares issued and outstanding in the Company. This represents an increase of 19,000 issued and outstanding shares, due to the exercise of stock options, as compared to the number reported in the Company's first quarter MD&A (reported as of September 6, 2022).

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's Annual Information Form, is available on the SEDAR website at www.sedar.com.

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Operations

(in thousands of Canadian dollars, except per share information)
(unaudited)

	Three months ended October 31		Six months ended October 31	
	2022	2021	**2022**	2021
TOTAL REVENUE	**$ 201,716**	$ 170,693	**$ 401,551**	$ 321,688
DIRECT COSTS (note 7)	**148,713**	133,155	**297,374**	253,790
GROSS PROFIT	**53,003**	37,538	**104,177**	67,898
OPERATING EXPENSES				
General and administrative (note 7)	**16,068**	14,130	**32,242**	27,738
Other expenses	**4,723**	3,415	**7,743**	6,022
(Gain) loss on disposal of property, plant and equipment	**(22)**	(85)	**(720)**	(409)
Foreign exchange (gain) loss	**1,056**	888	**1,771**	1,110
Finance costs	**26**	399	**456**	871
	21,851	18,747	**41,492**	**35,332**
EARNINGS BEFORE INCOME TAX	**31,152**	18,791	**62,685**	32,566
INCOME TAX EXPENSE (note 8)				
Current	**6,564**	2,912	**14,265**	5,344
Deferred	**977**	1,589	**561**	1,872
	7,541	4,501	**14,826**	7,216
NET EARNINGS	**$ 23,611**	$ 14,290	**$ 47,859**	$ 25,350
EARNINGS PER SHARE (note 9)				
Basic	**$ 0.29**	$ 0.17	**$ 0.58**	$ 0.31
Diluted	**$ 0.28**	$ 0.17	**$ 0.58**	$ 0.31

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Comprehensive Earnings

(in thousands of Canadian dollars)
(unaudited)

	Three months ended October 31		Six months ended October 31	
	2022	2021	**2022**	2021
NET EARNINGS	**$ 23,611**	$ 14,290	**$ 47,859**	$ 25,350
OTHER COMPREHENSIVE EARNINGS				
Items that may be reclassified subsequently to profit or loss				
Unrealized gain (loss) on foreign currency translations	**15,079**	(2,518)	**11,987**	(513)
Unrealized gain (loss) on derivatives (net of tax)	**54**	5	**(1,578)**	182
COMPREHENSIVE EARNINGS	**$ 38,744**	$ 11,777	**$ 58,268**	$ 25,019

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Changes in Equity
For the six months ended October 31, 2022 and 2021
(in thousands of Canadian dollars)
(unaudited)

	Share capital	Retained earnings (deficit)	Other reserves	Share-based payments reserve	Foreign currency translation reserve	Total
BALANCE AS AT MAY 1, 2021	$ 243,379	$ (22,456)	$ 1,067	$ 5,559	$ 52,614	$ 280,163
Share issue (note 11)	12,911	-	-	-	-	12,911
Exercise of stock options	3,957	-	-	(1,090)	-	2,867
Share-based compensation	-	-	-	175	-	175
Stock options expired/forfeited	-	23	-	(23)	-	-
	260,247	(22,433)	1,067	4,621	52,614	296,116
Comprehensive earnings:						
Net earnings	-	25,350	-	-	-	25,350
Unrealized gain (loss) on foreign currency translations	-	-	-	-	(513)	(513)
Unrealized gain (loss) on derivatives	-	-	182	-	-	182
Total comprehensive earnings (loss)	-	25,350	182	-	(513)	25,019
BALANCE AS AT OCTOBER 31, 2021	$ 260,247	$ 2,917	$ 1,249	$ 4,621	$ 52,101	$ 321,135
BALANCE AS AT MAY 1, 2022	**$ 263,183**	**$ 31,022**	**$ 1,536**	**$ 3,996**	**$ 60,021**	**$ 359,758**
Exercise of stock options	**1,467**		**-**	**(403)**	**-**	**1,064**
Share-based compensation	**-**	**-**	**-**	**243**	**-**	**243**
	264,650	**31,022**	**1,536**	**3,836**	**60,021**	**361,065**
Comprehensive earnings:						
Net earnings	**-**	**47,859**	**-**	**-**	**-**	**47,859**
Unrealized gain (loss) on foreign currency translations	**-**	**-**	**-**	**-**	**11,987**	**11,987**
Unrealized gain (loss) on derivatives	**-**	**-**	**(1,578)**	**-**	**-**	**(1,578)**
Total comprehensive earnings (loss)	**-**	**47,859**	**(1,578)**	**-**	**11,987**	**58,268**
BALANCE AS AT OCTOBER 31, 2022	**$ 264,650**	**$ 78,881**	**$ (42)**	**$ 3,836**	**$ 72,008**	**$ 419,333**

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Cash Flows
(in thousands of Canadian dollars)
(unaudited)

	Three months ended October 31		Six months ended October 31	
	2022	2021	**2022**	2021
OPERATING ACTIVITIES				
Earnings before income tax	**$ 31,152**	$ 18,791	**$ 62,685**	$ 32,566
Operating items not involving cash				
Depreciation and amortization (note 7)	**11,829**	11,539	**23,370**	21,528
(Gain) loss on disposal of property, plant and equipment	**(22)**	(85)	**(720)**	(409)
Share-based compensation	**131**	97	**243**	175
Finance costs recognized in earnings before income tax	**26**	399	**456**	871
	43,116	30,741	**86,034**	54,731
Changes in non-cash operating working capital items	**13,316**	(4,035)	**(3,152)**	(9,421)
Finance costs paid	**(26)**	(399)	**(456)**	(871)
Income taxes paid	**(4,321)**	(1,139)	**(9,671)**	(2,439)
Cash flow from (used in) operating activities	**52,085**	25,168	**72,755**	42,000
FINANCING ACTIVITIES				
Repayment of lease liabilities	**(392)**	(228)	**(836)**	(670)
Repayment of long-term debt (note 6)	**-**	(83)	**(20,000)**	(355)
Issuance of common shares due to exercise of stock options	**570**	507	**1,064**	2,867
Proceeds from draw on long-term debt	**-**	-	**-**	35,000
Cash flow from (used in) financing activities	**178**	196	**(19,772)**	36,842
INVESTING ACTIVITIES				
Business acquisitions (net of cash acquired) (note 11)	**(6,289)**	(181)	**(6,289)**	(38,050)
Acquisition of property, plant and equipment (note 5)	**(13,334)**	(11,125)	**(26,488)**	(22,778)
Proceeds from disposal of property, plant and equipment	**548**	418	**2,839**	1,781
Cash flow from (used in) investing activities	**(19,075)**	(10,888)	**(29,938)**	(59,047)
Effect of exchange rate changes	**3,392**	727	**3,393**	519
INCREASE IN CASH	**36,580**	15,203	**26,438**	20,314
CASH, BEGINNING OF THE PERIOD	**61,118**	27,470	**71,260**	22,359
CASH, END OF THE PERIOD	**$ 97,698**	$ 42,673	**$ 97,698**	$ 42,673

Major Drilling Group International Inc.
Interim Condensed Consolidated Balance Sheets
As at October 31, 2022 and April 30, 2022
(in thousands of Canadian dollars)
(unaudited)

	October 31, 2022	April 30, 2022
ASSETS		
CURRENT ASSETS		
Cash	$ **97,698**	$ 71,260
Trade and other receivables (note 12)	**139,886**	142,621
Income tax receivable	**2,270**	2,037
Inventories	**106,990**	96,782
Prepaid expenses	**12,769**	8,960
	359,613	321,660
PROPERTY, PLANT AND EQUIPMENT (note 5 and note 11)	**203,766**	198,196
RIGHT-OF-USE ASSETS	**4,746**	5,479
DEFERRED INCOME TAX ASSETS	**3,565**	4,351
GOODWILL (note 11)	**22,248**	22,798
INTANGIBLE ASSETS (note 11)	**3,726**	4,596
	$ **597,664**	$ 557,080
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	$ **104,229**	$ 102,596
Income tax payable	**10,032**	5,022
Current portion of lease liabilities	**1,564**	1,502
Current portion of contingent consideration	**9,137**	8,619
	124,962	117,739
LEASE LIABILITIES	**3,111**	3,885
CONTINGENT CONSIDERATION (note 11)	**7,609**	14,288
LONG-TERM DEBT (note 6)	**29,666**	50,000
DEFERRED INCOME TAX LIABILITIES	**12,983**	11,410
	178,331	197,322
SHAREHOLDERS' EQUITY		
Share capital	**264,650**	263,183
Retained earnings	**78,881**	31,022
Other reserves	**(42)**	1,536
Share-based payments reserve	**3,836**	3,996
Foreign currency translation reserve	**72,008**	60,021
	419,333	359,758
	$ **597,664**	$ 557,080

1. NATURE OF ACTIVITIES

Major Drilling Group International Inc. (the "Company") is incorporated under the Canada Business Corporations Act and has its head office at 111 St. George Street, Moncton, NB, Canada. The Company's common shares are listed on the Toronto Stock Exchange ("TSX"). The principal source of revenue consists of contract drilling for companies primarily involved in mining and mineral exploration. The Company has operations in Canada, the United States, Mexico, South America, Asia, Africa, and Australia.

2. BASIS OF PRESENTATION

Statement of compliance
These Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies as outlined in the Company's annual Consolidated Financial Statements for the year ended April 30, 2022.

On December 8, 2022, the Board of Directors authorized the financial statements for issue.

Basis of consolidation
These Interim Condensed Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statements of Operations from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Intra-group transactions, balances, income and expenses are eliminated on consolidation, where appropriate.

Basis of preparation
These Interim Condensed Consolidated Financial Statements have been prepared based on the historical cost basis, except for certain financial instruments that are measured at fair value, using the same accounting policies and methods of computation as presented in the Company's annual Consolidated Financial Statements for the year ended April 30, 2022.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The preparation of financial statements, in conformity with International Financial Reporting Standards ("IFRS"), requires management to make judgments, estimates and assumptions that are not readily apparent from other sources, which affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Depending on the severity and duration of disruptions caused by the COVID-19 pandemic, results could be impacted in future periods. It is not possible at this time to estimate the magnitude of such potential future impacts.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Significant areas requiring the use of management estimates relate to the useful lives of property, plant and equipment for depreciation purposes, property, plant and equipment and inventory valuation, determination of income and other taxes, assumptions used in the compilation of fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities, contingent consideration, allowance for impairment of trade receivables, and impairment testing of goodwill and intangible assets.

(in thousands of Canadian dollars, except per share information)

3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS (Continued)

The Company applied judgment in determining the functional currency of the Company and its subsidiaries, the determination of cash-generating units ("CGUs"), the degree of componentization of property, plant and equipment, the recognition of provisions and accrued liabilities, and the determination of the probability that deferred income tax assets will be realized from future taxable earnings.

4. SEASONALITY OF OPERATIONS

The third quarter (November to January) is normally the Company's weakest quarter due to the shutdown of mining and exploration activities, often for extended periods over the holiday season.

5. PROPERTY, PLANT AND EQUIPMENT

Capital expenditures for the three and six months ended October 31, 2022 were $13,334 (2021 - $11,125) and $26,488 (2021 - $22,778), respectively. The Company did not obtain direct financing for the three and six months ended October 31, 2022 or 2021.

6. LONG-TERM DEBT

During the first quarter of fiscal 2023, the Company made a discretionary payment of $20,000 on its revolving term facility.

During the current quarter, the Company renewed its existing credit facility agreement for a five-year term, with the same terms and conditions as the previous agreement.

7. EXPENSES BY NATURE

Direct costs by nature are as follows:

	Q2 2023	Q2 2022	**YTD 2023**	YTD 2022
Depreciation	**$ 11,177**	$ 10,709	**$ 21,591**	$ 20,018
Employee salaries and benefit expenses	**68,086**	61,465	**134,078**	117,655
Cost of material	**27,795**	23,871	**58,449**	46,624
Other	**41,655**	37,110	**83,256**	69,493
	$ 148,713	$ 133,155	**$ 297,374**	$ 253,790

General and administrative expenses by nature are as follows:

	Q2 2023	Q2 2022	**YTD 2023**	YTD 2022
Amortization of intangible assets	**$ 358**	$ 369	**$ 720**	$ 648
Depreciation	**294**	461	**1,059**	862
Employee salaries and benefit expenses	**8,165**	7,605	**16,830**	15,468
Other general and administrative expenses	**7,251**	5,695	**13,633**	10,760
	$ 16,068	$ 14,130	**$ 32,242**	$ 27,738

8. INCOME TAXES

The income tax provision for the period can be reconciled to accounting earnings before income tax as follows:

	Q2 2023	Q2 2022	**YTD 2023**	YTD 2022
Earnings before income tax	**$ 31,152**	$ 18,791	**$ 62,685**	$ 32,566
Statutory Canadian corporate income tax rate	**27%**	27%	**27%**	27%
Expected income tax provision based on statutory rate	**8,411**	5,074	**16,925**	8,793
Non-recognition of tax benefits related to losses	**491**	158	**647**	647
Utilization of previously unrecognized losses	**(2,903)**	(1,909)	**(4,848)**	(4,243)
Other foreign taxes paid	**949**	308	**1,955**	524
Rate variances in foreign jurisdictions	**(64)**	164	**38**	251
Derecognition of previously recognized losses	**-**	-	**-**	861
Permanent differences and other	**657**	706	**109**	383
Income tax provision recognized in net earnings	**$ 7,541**	$ 4,501	**$ 14,826**	$ 7,216

The Company periodically assesses its liabilities and contingencies for all tax years open to audit based upon the latest information available. For those matters where it is probable that an adjustment will be made, the Company records its best estimate of these tax liabilities, including related interest charges. Inherent uncertainties exist in estimates of tax contingencies due to changes in tax laws. While management believes they have adequately provided for the probable outcome of these matters, future results may include favourable or unfavourable adjustments to these estimated tax liabilities in the period the assessments are made, or resolved, or when the statutes of limitations lapse.

9. EARNINGS PER SHARE

All of the Company's earnings are attributable to common shares, therefore, net earnings are used in determining earnings per share.

	Q2 2023	Q2 2022	**YTD 2023**	YTD 2022
Net earnings	**$ 23,611**	$ 14,290	**$ 47,859**	$ 25,350
Weighted average number of shares:				
Basic (000s)	**82,847**	82,349	**82,793**	82,040
Diluted (000s)	**83,149**	82,753	**83,150**	82,485
Earnings per share				
Basic	**$ 0.29**	$ 0.17	**$ 0.58**	$ 0.31
Diluted	**$ 0.28**	$ 0.17	**$ 0.58**	$ 0.31

The calculation of diluted earnings per share for the three and six months ended October 31, 2022 excludes the effect of 210,000 and 180,897 options, respectively (2021 - 105,000 and 75,897, respectively) as they were not in-the-money.

The total number of shares outstanding on October 31, 2022 was 82,865,254 (2021 - 82,382,554).

(in thousands of Canadian dollars, except per share information)

10. SEGMENTED INFORMATION

The Company's operations are divided into the following three geographic segments, corresponding to its management structure: Canada - U.S.; South and Central America; and Australasia and Africa. The services provided in each of the reportable segments are essentially the same. The accounting policies of the segments are the same as those described in the Company's annual Consolidated Financial Statements for the year ended April 30, 2022. Management evaluates performance based on earnings from operations in these three geographic segments before finance costs, general corporate expenses and income taxes. Data relating to each of the Company's reportable segments is presented as follows:

	Q2 2023	Q2 2022	**YTD 2023**	YTD 2022
Revenue				
Canada - U.S.*	**$ 113,066**	$ 94,390	**$ 225,666**	$ 179,249
South and Central America	**41,725**	36,784	**89,178**	71,974
Australasia and Africa	**46,925**	39,519	**86,707**	70,465
	$ 201,716	$ 170,693	**$ 401,551**	$ 321,688

*Canada - U.S. includes revenue of $42,389 and $51,538 for Canadian operations for the three months ended October 31, 2022 and 2021, respectively and $88,412 and $98,537 for the six months ended October 31, 2022 and 2021, respectively.

	Q2 2023	Q2 2022	**YTD 2023**	YTD 2022
Earnings from operations				
Canada - U.S.	**$ 22,024**	$ 13,546	**$ 45,776**	$ 25,738
South and Central America	**5,235**	476	**14,288**	580
Australasia and Africa	**7,847**	8,212	**11,011**	13,853
	35,106	22,234	**71,075**	40,171
Finance costs	**26**	399	**456**	871
General corporate expenses**	**3,928**	3,044	**7,934**	6,734
Income tax	**7,541**	4,501	**14,826**	7,216
	11,495	7,944	**23,216**	14,821
Net earnings	**$ 23,611**	$ 14,290	**$ 47,859**	$ 25,350

**General corporate expenses include expenses for corporate offices and stock options.

	Q2 2023	Q2 2022	**YTD 2023**	YTD 2022
Capital expenditures				
Canada - U.S.	**$ 9,440**	$ 5,952	**$ 17,846**	$ 14,367
South and Central America	**2,062**	1,562	**5,393**	4,010
Australasia and Africa	**1,832**	3,611	**2,984**	4,401
Unallocated and corporate assets	**-**	-	**265**	-
Total capital expenditures	**$ 13,334**	$ 11,125	**$ 26,488**	$ 22,778

	Q2 2023	Q2 2022	**YTD 2023**	YTD 2022
Depreciation and amortization				
Canada - U.S.	**$ 6,126**	$ 5,510	**$ 11,521**	$ 10,021
South and Central America	**2,650**	2,487	**5,163**	5,024
Australasia and Africa	**2,989**	3,423	**6,402**	6,307
Unallocated and corporate assets	**64**	119	**284**	176
Total depreciation and amortization	**$ 11,829**	$ 11,539	**$ 23,370**	$ 21,528

(in thousands of Canadian dollars, except per share information)

10. SEGMENTED INFORMATION (Continued)

		October 31, 2022		April 30, 2022
Identifiable assets				
Canada - U.S.*	$	**270,842**	$	236,669
South and Central America		**141,103**		128,791
Australasia and Africa		**202,462**		203,370
Unallocated and corporate liabilities		**(16,743)**		(11,750)
Total identifiable assets	$	**597,664**	$	557,080

*Canada - U.S. includes property, plant and equipment as at October 31, 2022 of $63,292 (April 30, 2022 - $56,469) for Canadian operations.

11. BUSINESS ACQUISITION

McKay Drilling PTY Limited

Effective June 1, 2021, the Company acquired all of the issued and outstanding shares of McKay Drilling PTY Limited ("McKay"), a leading specialty drilling contractor based in Western Australia.

The acquisition was accounted for using the acquisition method. The Company acquired 20 drill rigs, support equipment and inventory, existing contracts and receivables, as well as retaining the operation's management team, and other employees, including experienced drillers.

The purchase price for the transaction was $71,073, consisting of $38,050 in cash (net of cash acquired), $12,911 in Major Drilling shares and an additional payout of $20,112 (discounted) tied to performance. The maximum amount of the contingent consideration is $25,000 AUD, with a payout period extending over three years from the effective date of June 1, 2021, contingent upon achievement of certain EBITDA (earnings before interest, taxes, depreciation and amortization) milestones. During the current quarter, the Company made the first payment on the contingent consideration arising out of the McKay Drilling PTY Limited acquisition for $6,289 ($7,000 AUD).

Goodwill arising from this acquisition was equal to the excess of the total consideration paid over the fair value of the net assets acquired and represents the benefit of expected synergies, revenue growth, an experienced labour force and future market development.

The valuation of assets and purchase price allocation have been finalized. The net assets acquired at fair value at acquisition were as follows:

Net assets acquired		
Trade and other receivables	$	10,475
Inventories		1,595
Prepaid expenses		1,773
Property, plant and equipment		44,466
Goodwill (not tax deductible)		15,543
Intangible assets		5,558
Trade and other payables		(7,379)
Deferred income tax liabilities		(958)
Total assets	**$**	**71,073**
Consideration		
Cash	$	39,031
Less: cash acquired		(981)
Contingent consideration		20,112
Shares of Major Drilling		12,911
Total consideration	**$**	**71,073**

(in thousands of Canadian dollars, except per share information)

11. BUSINESS ACQUISITION (Continued)

Subsequent to the date of acquisition, the trade and other receivables included in the above net assets acquired have been fully collected. Intangible assets acquired are amortized over five years.

The above consideration includes non-cash investing activities, which are not reflected in the Interim Condensed Consolidated Statements of Cash Flows, including the issuance of 1,318,101 shares of Major Drilling for a total of $12,911, and contingent consideration of $20,112 (discounted).

In the previous year, the Company incurred acquisition-related costs of $454 relating to external legal fees and due diligence costs. These acquisition costs have been included in the other expenses line of the Interim Condensed Consolidated Statements of Operations.

The results of the McKay operations are included in the Interim Condensed Consolidated Statements of Operations from June 1, 2021.

12. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, trade and other receivables, demand credit facilities and trade and other payables approximate their fair value due to the relatively short period to maturity of the instruments. The carrying value of contingent consideration and long-term debt approximates their fair value as the interest applicable is reflective of fair market rates.

Financial assets and liabilities measured at fair value are classified and disclosed in one of the following categories:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The Company has entered into certain derivative financial instruments to manage its exposure to interest rate and market risks, including an interest rate swap, with a notional value of $20,000 maturing in May of 2023, and share-price forward contracts with a combined notional amount of $5,983, maturing at varying dates through June 2025.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The Company's derivatives, with fair values as follows, are classified as level 2 financial instruments. There were no transfers of amounts between level 1, level 2 and level 3 financial instruments for the quarter ended October 31, 2022.

	October 31, 2022	April 30, 2022
Interest rate swap	**$ 334**	$ -
Share-price forward contracts	**$ 614**	$ 5,468

12. FINANCIAL INSTRUMENTS (Continued)

Credit risk

As at October 31, 2022, 93.5% (April 30, 2022 - 94.0%) of the Company's trade receivables were aged as current and 1.4% (April 30, 2022 - 1.2%) of the trade receivables were impaired.

The movements in the allowance for impairment of trade receivables during the six and twelve-month periods were as follows:

	October 31, 2022	April 30, 2022
Opening balance	**$ 1,517**	$ 1,638
Increase in impairment allowance	**1,148**	744
Recovery of amounts previously impaired	**(25)**	(303)
Write-off charged against allowance	**(729)**	(549)
Foreign exchange translation differences	**23**	(13)
Ending balance	**$ 1,934**	$ 1,517

Foreign currency risk

As at October 31, 2022, the most significant carrying amounts of net monetary assets and/or liabilities (which may include intercompany balances with other subsidiaries) that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; and (ii) cause foreign exchange rate exposure, including the impact on earnings before income taxes ("EBIT"), if the corresponding rate changes by 10%, are as follows (in 000s CAD):

	Rate variance	USD/CAD	MNT/USD	MXN/USD	IDR/USD	USD/AUD	ARS/USD	USD/CLP	Other
Net exposure on monetary assets (liabilities)		22,990	10,463	4,832	4,095	2,961	2,762	(3,739)	1,132
EBIT impact	+/-10%	2,554	1,163	537	455	329	307	415	126

Liquidity risk

The following table details contractual maturities for the Company's financial liabilities:

	1 year	2-3 years	4-5 years	Thereafter	Total
Trade and other payables	$ 104,229	$ -	$ -	$ -	$ 104,229
Lease liabilities (interest included)	1,676	2,026	808	352	4,862
Contingent consideration (undiscounted)	8,617	9,613	-	-	18,230
Long-term debt (interest included)	662	1,992	31,992	-	34,646
	$ 115,184	**$ 13,631**	**$ 32,800**	**$ 352**	**$ 161,967**