

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Operations
(in thousands of Canadian dollars, except per share information)
(unaudited)

	Three months ended July 31 (unaudited)	
	2020	2019
TOTAL REVENUE	\$ 89,420	\$ 117,459
DIRECT COSTS	74,295	96,090
GROSS PROFIT	<u>15,125</u>	<u>21,369</u>
OPERATING EXPENSES		
General and administrative	11,226	12,165
Other expenses	895	1,158
(Gain) loss on disposal of property, plant and equipment	(56)	(125)
Foreign exchange (gain) loss	(607)	(75)
Finance costs	288	219
	<u>11,746</u>	<u>13,342</u>
EARNINGS BEFORE INCOME TAX	<u>3,379</u>	<u>8,027</u>
INCOME TAX PROVISION (RECOVERY) (note 6)		
Current	1,801	1,894
Deferred	(570)	100
	<u>1,231</u>	<u>1,994</u>
NET EARNINGS	<u>\$ 2,148</u>	<u>\$ 6,033</u>
EARNINGS PER SHARE (note 7)		
Basic	<u>\$ 0.03</u>	<u>\$ 0.08</u>
Diluted	<u>\$ 0.03</u>	<u>\$ 0.08</u>

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Comprehensive Earnings (Loss)
(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2020	2019
NET EARNINGS	\$ 2,148	\$ 6,033
OTHER COMPREHENSIVE EARNINGS		
Items that may be reclassified subsequently to profit or loss		
Unrealized gain (loss) on foreign currency translations (net of tax)	(8,090)	(5,756)
Unrealized gain (loss) on derivatives (net of tax)	1,670	168
COMPREHENSIVE EARNINGS (LOSS)	\$ (4,272)	\$ 445

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Changes in Equity
For the three months ended July 31, 2020 and 2019
(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, 2019*	\$ 241,264	\$ 29,020	\$ (570)	\$ 14,503	\$ 78,783	\$ 363,000
Share-based compensation	-	-	-	90	-	90
Stock options expired	-	2,067	-	(2,067)	-	-
	<u>241,264</u>	<u>31,087</u>	<u>(570)</u>	<u>12,526</u>	<u>78,783</u>	<u>363,090</u>
Comprehensive earnings:						
Net earnings	-	6,033	-	-	-	6,033
Unrealized gain (loss) on foreign currency translations	-	-	-	-	(5,756)	(5,756)
Unrealized gain (loss) on derivatives	-	-	168	-	-	168
Total comprehensive earnings (loss)	<u>-</u>	<u>6,033</u>	<u>168</u>	<u>-</u>	<u>(5,756)</u>	<u>445</u>
BALANCE AS AT JULY 31, 2019	<u>\$ 241,264</u>	<u>\$ 37,120</u>	<u>\$ (402)</u>	<u>\$ 12,526</u>	<u>\$ 73,027</u>	<u>\$ 363,535</u>
BALANCE AS AT MAY 1, 2020	\$ 243,189	\$ (35,691)	\$ (611)	\$ 8,519	\$ 81,640	\$ 297,046
Share-based compensation	-	-	-	76	-	76
Stock options expired	-	3,371	-	(3,371)	-	-
	<u>243,189</u>	<u>(32,320)</u>	<u>(611)</u>	<u>5,224</u>	<u>81,640</u>	<u>297,122</u>
Comprehensive earnings:						
Net earnings	-	2,148	-	-	-	2,148
Unrealized gain (loss) on foreign currency translations	-	-	-	-	(8,090)	(8,090)
Unrealized gain (loss) on derivatives	-	-	1,670	-	-	1,670
Total comprehensive earnings (loss)	<u>-</u>	<u>2,148</u>	<u>1,670</u>	<u>-</u>	<u>(8,090)</u>	<u>(4,272)</u>
BALANCE AS AT JULY 31, 2020	<u>\$ 243,189</u>	<u>\$ (30,172)</u>	<u>\$ 1,059</u>	<u>\$ 5,224</u>	<u>\$ 73,550</u>	<u>\$ 292,850</u>

**Opening balances have been allocated to include expired or forfeited stock options of \$5,744, previously recorded in share-based payments reserve, in retained earnings (deficit), consistent with current year presentation.*

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

	Three months ended July 31	
	2020	2019
OPERATING ACTIVITIES		
Earnings before income tax	\$ 3,379	\$ 8,027
Operating items not involving cash		
Depreciation and amortization	10,220	9,717
(Gain) loss on disposal of property, plant and equipment	(56)	(125)
Share-based compensation	76	90
Finance costs recognized in earnings before income tax	288	219
	13,907	17,928
Changes in non-cash operating working capital items	(12,907)	(5,614)
Finance costs paid	(288)	(219)
Income taxes paid	(1,324)	(1,854)
Cash flow from (used in) operating activities	(612)	10,241
FINANCING ACTIVITIES		
Repayment of lease liabilities	(310)	(300)
Repayment of long-term debt	(20,251)	(265)
Cash flow from (used in) used in financing activities	(20,561)	(565)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (net of unpaid) (note 5)	(7,499)	(10,565)
Proceeds from disposal of property, plant and equipment	301	266
Cash flow from (used in) investing activities	(7,198)	(10,299)
Effect of exchange rate changes	(991)	98
DECREASE IN CASH	(29,362)	(525)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	58,433	27,366
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$ 29,071	\$ 26,841

Major Drilling Group International Inc.

Interim Condensed Consolidated Balance Sheets

As at July 31, 2020 and April 30, 2020

(in thousands of Canadian dollars)

(unaudited)

	July 31, 2020	April 30, 2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 29,071	\$ 58,433
Trade and other receivables	84,469	71,641
Income tax receivable	3,913	4,350
Inventories	94,934	99,823
Prepaid expenses	6,880	4,497
	219,267	238,744
PROPERTY, PLANT AND EQUIPMENT (note 5)	164,106	168,906
DEFERRED INCOME TAX ASSETS	9,782	9,613
GOODWILL	7,708	7,708
INTANGIBLE ASSETS	852	946
	\$ 401,715	\$ 425,917
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	\$ 57,257	\$ 55,858
Income tax payable	1,095	926
Current portion of lease liabilities	1,115	1,121
Current portion of long-term debt	1,028	1,024
	60,495	58,929
LEASE LIABILITIES	2,388	2,701
CONTINGENT CONSIDERATION	1,807	1,807
LONG-TERM DEBT	30,079	50,333
DEFERRED INCOME TAX LIABILITIES	14,096	15,101
	108,865	128,871
SHAREHOLDERS' EQUITY		
Share capital	243,189	243,189
Retained earnings (deficit)	(30,172)	(35,691)
Other reserves	1,059	(611)
Share-based payments reserve	5,224	8,519
Foreign currency translation reserve	73,550	81,640
	292,850	297,046
	\$ 401,715	\$ 425,917

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JULY 31, 2020 AND 2019 (UNAUDITED)
(in thousands of Canadian dollars, except per share information)

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, Suite 100, 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 Europe.

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, 2020.

On September 8, 2020, 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, 2020.

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 share-based payments, fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities, contingent consideration and allowance for doubtful accounts, and impairment testing of goodwill and intangible assets.

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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 months ended July 31, 2020 were \$9,168 (2019 - \$10,565). The unpaid portion of capital expenditures for the three months ended July 31, 2020 was \$1,669 (2019 - nil).

Depreciation expense recorded in the Interim Condensed Consolidated Statements of Operations in direct costs was \$9,707 (2019 - \$9,321) and in general and administrative was \$513 (2019 - \$396).

6. INCOME TAXES

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

	<u>Q1 2021</u>	<u>Q1 2020</u>
Earnings before income tax	\$ 3,379	\$ 8,027
Statutory Canadian corporate income tax rate	27%	27%
Expected income tax provision based on statutory rate	912	2,167
Non-recognition of tax benefits related to losses	842	95
Utilization of previously unrecognized losses	(177)	(345)
Other foreign taxes paid	121	168
Rate variances in foreign jurisdictions	(163)	(18)
Permanent differences and other	(304)	(73)
Income tax provision recognized in net earnings	<u>\$ 1,231</u>	<u>\$ 1,994</u>

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.

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7. EARNINGS PER SHARE

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

	<u>Q1 2021</u>	<u>Q1 2020</u>
Net earnings	\$ 2,148	\$ 6,033
Weighted average number of shares:		
Basic (000s)	80,634	80,300
Diluted (000s)	<u>80,634</u>	<u>80,300</u>
Earnings per share		
Basic	\$ 0.03	\$ 0.08
Diluted	\$ 0.03	\$ 0.08

The calculation of diluted earnings per share for the three months ended July 31, 2020 excludes the effect of 2,035,919 options (2019 - 3,230,195) as they were anti-dilutive.

The total number of shares outstanding on July 31, 2020 was 80,634,153 (2019 - 80,299,984).

8. 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 Asia 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, 2020. 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:

	<u>Q1 2021</u>	<u>Q1 2020</u>
Revenue		
Canada - U.S.*	\$ 46,045	\$ 60,957
South and Central America	19,535	32,686
Asia and Africa	23,840	23,816
	<u>\$ 89,420</u>	<u>\$ 117,459</u>

*Canada - U.S. includes revenue of \$18,078 and \$26,965 for Canadian operations for the three months ended July 31, 2020 and 2019, respectively.

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8. SEGMENTED INFORMATION (Continued)

	<u>Q1 2021</u>	<u>Q1 2020</u>
Earnings (loss) from operations		
Canada - U.S.	\$ 2,801	\$ 5,338
South and Central America	(1,043)	1,858
Asia and Africa	3,001	3,812
	<u>4,759</u>	<u>11,008</u>
Finance costs	288	219
General corporate expenses**	1,092	2,762
Income tax	1,231	1,994
	<u>2,611</u>	<u>4,975</u>
Net Earnings	<u>\$ 2,148</u>	<u>\$ 6,033</u>
**General corporate expenses include expenses for corporate offices and stock options.		
Capital expenditures		
Canada - U.S.	\$ 8,021	\$ 8,464
South and Central America	200	742
Asia and Africa	947	1,206
Unallocated and corporate assets	-	153
Total capital expenditures	<u>\$ 9,168</u>	<u>\$ 10,565</u>
Depreciation and amortization		
Canada - U.S.	\$ 5,024	\$ 4,318
South and Central America	3,358	3,647
Asia and Africa	1,792	1,473
Unallocated and corporate assets	46	279
Total depreciation and amortization	<u>\$ 10,220</u>	<u>\$ 9,717</u>
	<u>July 31, 2020</u>	<u>April 30, 2020</u>
Identifiable assets		
Canada - U.S.*	\$ 187,325	\$ 180,925
South and Central America	122,963	129,748
Asia and Africa	122,367	121,954
Unallocated and corporate assets (liabilities)	(30,940)	(6,710)
Total identifiable assets	<u>\$ 401,715</u>	<u>\$ 425,917</u>

*Canada - U.S. includes property, plant and equipment at July 31, 2020 of \$44,293 (April 30, 2020 - \$44,146) for Canadian operations.

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FOR THE THREE MONTHS ENDED JULY 31, 2020 AND 2019 (UNAUDITED)
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9. 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 long-term debt approximates its fair value.

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's derivatives 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 July 31, 2020.

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.

Credit risk

As at July 31, 2020, 90.6% (April 30, 2020 - 81.6%) of the Company's trade receivables were aged as current and 1.8% (April 30, 2020 - 2.0%) of the trade receivables were impaired.

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

	<u>July 31, 2020</u>	<u>April 30, 2020</u>
Opening balance	\$ 1,226	\$ 863
Increase in impairment allowance	99	442
Write-off charged against allowance	-	(37)
Foreign exchange translation differences	1	(42)
Ending balance	<u>\$ 1,326</u>	<u>\$ 1,226</u>

Foreign currency risk

As at July 31, 2020, the most significant carrying amounts of net monetary assets (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:

	<u>Rate variance</u>	<u>IDR/USD</u>	<u>MNT/USD</u>	<u>USD/AUD</u>	<u>USD/CLP</u>	<u>USD/CAD</u>	<u>Other</u>
Net exposure on monetary assets		7,083	5,813	4,303	3,183	3,629	927
EBIT impact	+/-10%	787	646	478	354	403	103

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FOR THE THREE MONTHS ENDED JULY 31, 2020 AND 2019 (UNAUDITED)
(in thousands of Canadian dollars, except per share information)

9. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

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

	<u>1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>	<u>Total</u>
Trade and other payables	\$ 57,257	\$ -	\$ -	\$ 57,257
Lease liabilities (interest included)	1,390	2,246	496	4,132
Contingent consideration (undiscounted)	-	2,500	-	2,500
Long-term debt (interest included)	1,685	32,293	-	33,978
	<u>\$ 60,332</u>	<u>\$ 37,039</u>	<u>\$ 496</u>	<u>\$ 97,867</u>