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	
	2021	2020
TOTAL REVENUE	**$ 150,995**	$ 89,420
DIRECT COSTS (note 6)	**120,635**	74,295
GROSS PROFIT	**30,360**	15,125
OPERATING EXPENSES		
General and administrative (note 6)	**13,608**	11,226
Other expenses	**2,607**	895
(Gain) loss on disposal of property, plant and equipment	**(324)**	(56)
Foreign exchange (gain) loss	**222**	(607)
Finance costs	**472**	288
	16,585	11,746
EARNINGS BEFORE INCOME TAX	**13,775**	3,379
INCOME TAX EXPENSE (RECOVERY) (note7)		
Current	**2,432**	1,801
Deferred	**283**	(570)
	2,715	1,231
NET EARNINGS	**$ 11,060**	$ 2,148
EARNINGS PER SHARE (note 8)		
Basic	**$ 0.14**	$ 0.03
Diluted	**$ 0.13**	$ 0.03

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

(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2021	2020
NET EARNINGS	**$ 11,060**	$ 2,148
OTHER COMPREHENSIVE EARNINGS (LOSS)		
Items that may be reclassified subsequently to profit or loss		
Unrealized gain (loss) on foreign currency translations	**2,005**	(8,090)
Unrealized gain (loss) on derivatives (net of tax)	**177**	1,670
COMPREHENSIVE EARNINGS (LOSS)	**$ 13,242**	$ (4,272)

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Changes in Equity
For the three months ended July 31, 2021 and 2020
(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, 2020	$ 243,189	$ (35,691)	$ (611)	$ 8,519	$ 81,640	$ 297,046
Share-based compensation	-	-	-	76	-	76
Stock options expired/forfeited	-	3,371	-	(3,371)	-	-
	243,189	(32,320)	(611)	5,224	81,640	297,122
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)	-	2,148	1,670	-	(8,090)	(4,272)
BALANCE AS AT JULY 31, 2020	$ 243,189	$ (30,172)	$ 1,059	$ 5,224	$ 73,550	$ 292,850
BALANCE AS AT MAY 1, 2021	**$ 243,379**	**$ (22,456)**	**$ 1,067**	**$ 5,559**	**$ 52,614**	**$280,163**
Share issue (note 10)	**12,911**	**-**	**-**	**-**	**-**	**12,911**
Exercise of stock options	**3,280**	**-**	**-**	**(920)**	**-**	**2,360**
Share-based compensation	**-**	**-**	**-**	**78**	**-**	**78**
Stock options expired/forfeited	**-**	**20**	**-**	**(20)**	**-**	**-**
	259,570	**(22,436)**	**1,067**	**4,697**	**52,614**	**295,512**
Comprehensive earnings:						
Net earnings	**-**	**11,060**	**-**	**-**	**-**	**11,060**
Unrealized gain (loss) on foreign currency translations	**-**	**-**	**-**	**-**	**2,005**	**2,005**
Unrealized gain (loss) on derivatives	**-**	**-**	**177**	**-**	**-**	**177**
Total comprehensive earnings (loss)	**-**	**11,060**	**177**	**-**	**2,005**	**13,242**
BALANCE AS AT JULY 31, 2021	**$ 259,570**	**$ (11,376)**	**$ 1,244**	**$ 4,697**	**$ 54,619**	**$308,754**

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2021	2020
OPERATING ACTIVITIES		
Earnings before income tax	**$ 13,775**	$ 3,379
Operating items not involving cash		
Depreciation and amortization	**9,989**	10,220
(Gain) loss on disposal of property, plant and equipment	**(324)**	(56)
Share-based compensation	**78**	76
Finance costs recognized in earnings before income tax	**472**	288
	23,990	13,907
Changes in non-cash operating working capital items	**(5,386)**	(12,907)
Finance costs paid	**(472)**	(288)
Income taxes (paid) recovered	**(1,300)**	(1,324)
Cash flow from (used in) operating activities	**16,832**	(612)
FINANCING ACTIVITIES		
Repayment of lease liabilities	**(442)**	(310)
Repayment of long-term debt	**(272)**	(20,251)
Issuance of common shares due to exercise of stock options	**2,360**	-
Proceeds from draw on long-term debt	**35,000**	-
Cash flow from (used in) financing activities	**36,646**	(20,561)
INVESTING ACTIVITIES		
Business acquisitions (net of cash acquired) (note 10)	**(37,869)**	-
Acquisition of property, plant and equipment	**(11,653)**	(7,499)
Proceeds from disposal of property, plant and equipment	**1,363**	301
Cash flow from (used in) investing activities	**(48,159)**	(7,198)
Effect of exchange rate changes	**(208)**	(991)
INCREASE (DECREASE) IN CASH	**5,111**	(29,362)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	**22,359**	58,433
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**$ 27,470**	$ 29,071

Major Drilling Group International Inc.
Interim Condensed Consolidated Balance Sheets
As at July 31, 2021 and April 30, 2021
(in thousands of Canadian dollars)
(unaudited)

	July 31, 2021	April 30, 2021
ASSETS		
CURRENT ASSETS		
Cash	$ 27,470	$ 22,359
Trade and other receivables	123,148	102,571
Income tax receivable	4,746	5,973
Inventories	88,008	85,585
Prepaid expenses	10,796	6,710
	254,168	223,198
PROPERTY, PLANT AND EQUIPMENT (note 5 and note 10)	190,432	144,382
RIGHT-OF-USE ASSETS	6,298	3,773
DEFERRED INCOME TAX ASSETS	6,450	8,903
GOODWILL (note 10)	22,782	7,708
INTANGIBLE ASSETS (note 10)	5,746	568
	$ 485,876	$ 388,532
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	$ 85,484	$ 73,083
Income tax payable	1,381	1,639
Current portion of lease liabilities	1,651	803
Current portion of long-term debt	83	356
	88,599	75,881
LEASE LIABILITIES	4,588	2,943
CONTINGENT CONSIDERATION (note 10)	21,742	1,907
LONG-TERM DEBT	50,159	15,106
DEFERRED INCOME TAX LIABILITIES	12,034	12,532
	177,122	108,369
SHAREHOLDERS' EQUITY		
Share capital	259,570	243,379
Retained earnings (deficit)	(11,376)	(22,456)
Other reserves	1,244	1,067
Share-based payments reserve	4,697	5,559
Foreign currency translation reserve	54,619	52,614
	308,754	280,163
	$ 485,876	$ 388,532

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 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, 2021, with the exception of intangible assets acquired (see note 10).

On September 1, 2021, 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, 2021.

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 and intangible assets 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, allowance for doubtful accounts, 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 months ended July 31, 2021 were $11,653 (2020 - $9,168). The unpaid portion of capital expenditures for the three months ended July 31, 2021 was nil (2020 - $1,669).

6. EXPENSES BY NATURE

Direct costs by nature are as follows:

	Q1 2022	Q1 2021
Depreciation	**$ 9,309**	$ 9,707
Employee salaries and benefit expenses	**56,190**	30,693
Cost of material	**22,753**	15,155
Other	**32,383**	18,740
	$ 120,635	$ 74,295

General and administrative expenses by nature are as follows:

	Q1 2022	Q1 2021
Amortization of intangible assets	**$ 279**	$ 95
Depreciation of right-of-use assets	**314**	300
Depreciation other	**87**	118
Employee salaries and benefit expenses	**7,863**	6,366
Other general and administrative expenses	**5,065**	4,347
	$ 13,608	$ 11,226

7. INCOME TAXES

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

	Q1 2022	Q1 2021
Earnings before income tax	**$ 13,775**	$ 3,379
Statutory Canadian corporate income tax rate	**27%**	27%
Expected income tax provision based on statutory rate	**3,719**	912
Non-recognition of tax benefits related to losses	**489**	842
Utilization of previously unrecognized losses	**(2,334)**	(177)
Other foreign taxes paid	**216**	121
Rate variances in foreign jurisdictions	**87**	(163)
Derecognition of previously recognized losses	**861**	-
Permanent differences and other	**(323)**	(304)
Income tax provision recognized in net earnings	**$ 2,715**	$ 1,231

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.

8. EARNINGS PER SHARE

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

	Q1 2022	Q1 2021
Net earnings	**$ 11,060**	$ 2,148
Weighted average number of shares:		
Basic (000s)	**81,731**	80,634
Diluted (000s)	**82,221**	80,634
Earnings per share		
Basic	**$ 0.14**	$ 0.03
Diluted	**$ 0.13**	$ 0.03

The calculation of diluted earnings per share for the three months ended July 31, 2021 excludes the effect of 46,793 options, (2020 - 2,035,919) as they were anti-dilutive.

The total number of shares outstanding on July 31, 2021 was 82,310,554 (2020 - 80,634,153).

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

9. 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, 2021. 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:

	Q1 2022	Q1 2021
Revenue		
Canada - U.S.*	**$ 84,859**	$ 46,045
South and Central America	**35,190**	19,535
Australasia and Africa	**30,946**	23,840
	$ 150,995	$ 89,420

*Canada - U.S. includes revenue of $46,999 and $18,078 for Canadian operations for the three months ended July 31, 2021 and 2020, respectively.

	Q1 2022	Q1 2021
Earnings (loss) from operations		
Canada - U.S.	**$ 12,192**	$ 2,801
South and Central America	**104**	(1,043)
Australasia and Africa	**5,641**	3,001
	17,937	4,759
Finance costs	**472**	288
General corporate expenses**	**3,690**	1,092
Income tax	**2,715**	1,231
	6,877	2,611
Net earnings	**$ 11,060**	$ 2,148

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

	Q1 2022	Q1 2021
Capital expenditures		
Canada - U.S.	**$ 8,415**	$ 8,021
South and Central America	**2,448**	200
Australasia and Africa	**790**	947
Total capital expenditures	**$ 11,653**	$ 9,168

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

9. SEGMENTED INFORMATION (Continued)

		Q1 2022		Q1 2021
Depreciation and amortization				
Canada - U.S.	$	**4,235**	$	5,024
South and Central America		**2,537**		3,358
Australasia and Africa		**2,884**		1,792
Unallocated and corporate assets		**333**		46
Total depreciation and amortization	**$**	**9,989**	$	10,220

		July 31, 2021		April 30, 2021
Identifiable assets				
Canada - U.S.*	**$**	**199,827**	$	191,320
South and Central America		**111,519**		99,435
Australasia and Africa		**197,609**		111,504
Unallocated and corporate liabilities		**(23,079)**		(13,727)
Total identifiable assets	**$**	**485,876**	$	388,532

*Canada - U.S. includes property, plant and equipment as at July 31, 2021 of $44,497 (April 30, 2021 - $43,409) for Canadian operations.

10. 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 $70,892, consisting of $37,869 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 milestones.

As the acquisition occurred early in the current quarter, the Company is in the process of finalizing the valuation of assets and purchase price allocation. As at July 31, 2021, the values allocated to net tangible and intangible assets are preliminary and are subject to adjustments as additional information is obtained.

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.

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

10. BUSINESS ACQUISITION (Continued)

The estimated 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)		15,362
Intangible assets		5,558
Trade and other payables		(7,379)
Deferred income tax liabilities		(958)
Total assets	**$**	**70,892**

Consideration		
Cash	$	38,850
Less: cash acquired		(981)
Contingent consideration		20,112
Shares of Major Drilling		12,911
Total consideration	**$**	**70,892**

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 5 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).

The Company incurred acquisition-related costs of $396 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 operations of McKay are included in the Interim Condensed Consolidated Statements of Operations from June 1, 2021. Since the date of acquisition, revenue attributable to the McKay operations was approximately $12 million and earnings were approximately $2 million. Had the business combination been effective as of May 1, 2021, pro-forma revenue and net earnings of the Company for the three months ended July 31, 2021, would have been approximately $156.5 million and $12 million, respectively.

11. 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.

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

11. FINANCIAL INSTRUMENTS (Continued)

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, 2021.

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, 2021, 96.3% (April 30, 2021 - 93.7%) of the Company's trade receivables were aged as current and 1.6% (April 30, 2021 - 1.8%) 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:

	July 31, 2021	April 30, 2021
Opening balance	**$ 1,638**	$ 1,226
Increase in impairment allowance	**313**	588
Recovery of amounts previously impaired	**(180)**	(115)
Foreign exchange translation differences	**(16)**	(61)
Ending balance	**$ 1,755**	$ 1,638

Foreign currency risk

As at July 31, 2021, the most significant carrying amounts of net monetary assets 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:

	Rate variance	**MNT/USD**	**IDR/USD**	**USD/AUD**	**MZN/USD**	**USD/CAD**	**USD/ZAR**	**USD/BRL**	**USD/CLP**	**Other**
Net exposure on monetary assets (liabilities)		5,338	4,924	4,831	1,782	1,652	(2,246)	(3,097)	(6,304)	127
EBIT impact	+/-10%	593	547	537	198	184	250	344	700	14

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	$ 85,484	$ -	$ -	$ -	$ 85,484
Lease liabilities (interest included)	2,083	3,141	1,137	646	7,007
Contingent consideration (undiscounted)	-	25,415	-	-	25,415
Long-term debt (interest included)	1,802	53,510	-	-	55,312
	$ 89,369	**$ 82,066**	**$ 1,137**	**$ 646**	**$ 173,218**