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	
	2022	2021
TOTAL REVENUE	**$ 199,835**	$ 150,995
DIRECT COSTS (note 7)	**148,661**	120,635
GROSS PROFIT	**51,174**	30,360
OPERATING EXPENSES		
General and administrative (note 7)	**16,174**	13,608
Other expenses	**3,020**	2,607
(Gain) loss on disposal of property, plant and equipment	**(698)**	(324)
Foreign exchange (gain) loss	**715**	222
Finance costs	**430**	472
	19,641	16,585
EARNINGS BEFORE INCOME TAX	**31,533**	13,775
INCOME TAX EXPENSE (RECOVERY) (note 8)		
Current	**7,701**	2,432
Deferred	**(416)**	283
	7,285	2,715
NET EARNINGS	**$ 24,248**	$ 11,060
EARNINGS PER SHARE (note 9)		
Basic	**$ 0.29**	$ 0.14
Diluted	**$ 0.29**	$ 0.13

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

(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2022	2021
NET EARNINGS	**$ 24,248**	$ 11,060
OTHER COMPREHENSIVE EARNINGS (LOSS)		
Items that may be reclassified subsequently to profit or loss		
Unrealized gain (loss) on foreign currency translations	**(3,092)**	2,005
Unrealized gain (loss) on derivatives (net of tax)	**(1,632)**	177
COMPREHENSIVE EARNINGS	**$ 19,524**	$ 13,242

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Changes in Equity
For the three months ended July 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	3,280	-	-	(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
BALANCE AS AT MAY 1, 2022	**$ 263,183**	**$ 31,022**	**$ 1,536**	**$ 3,996**	**$ 60,021**	**$359,758**
Exercise of stock options	**761**	**-**	**-**	**(267)**	**-**	**494**
Share-based compensation	**-**	**-**	**-**	**112**	**-**	**112**
	263,944	**31,022**	**1,536**	**3,841**	**60,021**	**360,364**
Comprehensive earnings:						
Net earnings	**-**	**24,248**	**-**	**-**	**-**	**24,248**
Unrealized gain (loss) on foreign currency translations	**-**	**-**	**-**	**-**	**(3,092)**	**(3,092)**
Unrealized gain (loss) on derivatives	**-**	**-**	**(1,632)**	**-**	**-**	**(1,632)**
Total comprehensive earnings (loss)	**-**	**24,248**	**(1,632)**	**-**	**(3,092)**	**19,524**
BALANCE AS AT JULY 31, 2022	**$ 263,944**	**$ 55,270**	**$ (96)**	**$ 3,841**	**$ 56,929**	**$379,888**

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

(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2022	2021
OPERATING ACTIVITIES		
Earnings before income tax	**$ 31,533**	$ 13,775
Operating items not involving cash		
Depreciation and amortization	**11,541**	9,989
(Gain) loss on disposal of property, plant and equipment	**(698)**	(324)
Share-based compensation	**112**	78
Finance costs recognized in earnings before income tax	**430**	472
	42,918	23,990
Changes in non-cash operating working capital items	**(16,468)**	(5,386)
Finance costs paid	**(430)**	(472)
Income taxes paid	**(5,350)**	(1,300)
Cash flow from (used in) operating activities	**20,670**	16,832
FINANCING ACTIVITIES		
Repayment of lease liabilities	**(444)**	(442)
Repayment of long-term debt (note 6)	**(20,000)**	(272)
Issuance of common shares due to exercise of stock options	**494**	2,360
Proceeds from draw on long-term debt	**-**	35,000
Cash flow from (used in) financing activities	**(19,950)**	36,646
INVESTING ACTIVITIES		
Business acquisitions (net of cash acquired) (note 11)	**-**	(37,869)
Acquisition of property, plant and equipment	**(13,154)**	(11,653)
Proceeds from disposal of property, plant and equipment	**2,291**	1,363
Cash flow from (used in) investing activities	**(10,863)**	(48,159)
Effect of exchange rate changes	**1**	(208)
INCREASE (DECREASE) IN CASH	**(10,142)**	5,111
CASH, BEGINNING OF THE PERIOD	**71,260**	22,359
CASH, END OF THE PERIOD	**$ 61,118**	$ 27,470

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

	July 31, 2022	April 30, 2022
ASSETS		
CURRENT ASSETS		
Cash	$ **61,118**	$ 71,260
Trade and other receivables (note 12)	**142,574**	142,621
Income tax receivable	**2,176**	2,037
Inventories	**97,874**	96,782
Prepaid expenses	**13,148**	8,960
	316,890	321,660
PROPERTY, PLANT AND EQUIPMENT (note 5 and note 11)	**197,668**	198,196
RIGHT-OF-USE ASSETS	**5,083**	5,479
DEFERRED INCOME TAX ASSETS	**3,990**	4,351
GOODWILL (note 11)	**22,598**	22,798
INTANGIBLE ASSETS (note 11)	**4,177**	4,596
	$ **550,406**	$ 557,080
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	$ **93,826**	$ 102,596
Income tax payable	**7,453**	5,022
Current portion of lease liabilities	**1,606**	1,502
Current portion of contingent consideration	**8,668**	8,619
	111,553	117,739
LEASE LIABILITIES	**3,369**	3,885
CONTINGENT CONSIDERATION (note 11)	**14,332**	14,288
LONG-TERM DEBT	**29,655**	50,000
DEFERRED INCOME TAX LIABILITIES	**11,609**	11,410
	170,518	197,322
SHAREHOLDERS' EQUITY		
Share capital	**263,944**	263,183
Retained earnings	**55,270**	31,022
Other reserves	**(96)**	1,536
Share-based payments reserve	**3,841**	3,996
Foreign currency translation reserve	**56,929**	60,021
	379,888	359,758
	$ **550,406**	$ 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 September 6, 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 months ended July 31, 2022 were $13,154 (2021 - $11,653). The Company did not obtain direct financing for the three months ended July 31, 2022 or 2021.

6. LONG-TERM DEBT

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

7. EXPENSES BY NATURE

Direct costs by nature are as follows:

		Q1 2023		Q1 2022
Depreciation	**$**	**10,414**	$	9,309
Employee salaries and benefit expenses		**65,992**		56,190
Cost of material		**30,654**		22,753
Other		**41,601**		32,383
	$	**148,661**	$	120,635

General and administrative expenses by nature are as follows:

		Q1 2023		Q1 2022
Amortization of intangible assets	**$**	**362**	$	279
Depreciation		**765**		401
Employee salaries and benefit expenses		**8,665**		7,863
Other general and administrative expenses		**6,382**		5,065
	$	**16,174**	$	13,608

8. INCOME TAXES

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

		Q1 2023		Q1 2022
Earnings before income tax	**$**	**31,533**	$	13,775
Statutory Canadian corporate income tax rate		**27%**		27%
Expected income tax provision based on statutory rate		**8,514**		3,719
Non-recognition of tax benefits related to losses		**156**		489
Utilization of previously unrecognized losses		**(1,945)**		(2,334)
Other foreign taxes paid		**1,006**		216
Rate variances in foreign jurisdictions		**102**		87
Derecognition of previously recognized losses		**-**		861
Permanent differences and other		**(548)**		(323)
Income tax provision recognized in net earnings	**$**	**7,285**	$	2,715

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.

		Q1 2023		Q1 2022
Net earnings	**$**	**24,248**	$	11,060
Weighted average number of shares:				
Basic (000s)		**82,739**		81,731
Diluted (000s)		**83,151**		82,221
Earnings per share				
Basic	**$**	**0.29**	$	0.14
Diluted	**$**	**0.29**	$	0.13

The calculation of diluted earnings per share for the three months ended July 31, 2022 excludes the effect of 128,396 options, (2021 - 46,793) as they were not in-the-money.

The total number of shares outstanding on July 31, 2022 was 82,846,004 (2021 - 82,310,554).

(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:

		Q1 2023		Q1 2022
Revenue				
Canada - U.S.*	**$**	**112,600**	$	84,859
South and Central America		**47,453**		35,190
Australasia and Africa		**39,782**		30,946
	$	**199,835**	$	150,995

*Canada - U.S. includes revenue of $46,024 (2021- $46,999) for Canadian operations.

		Q1 2023		Q1 2022
Earnings from operations				
Canada - U.S.	**$**	**23,752**	$	12,192
South and Central America		**9,053**		104
Australasia and Africa		**3,164**		5,641
		35,969		17,937
Finance costs		**430**		472
General corporate expenses**		**4,006**		3,690
Income tax		**7,285**		2,715
		11,721		6,877
Net earnings	**$**	**24,248**	$	11,060

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

Capital expenditures				
Canada - U.S.	**$**	**8,406**	$	8,415
South and Central America		**3,331**		2,448
Australasia and Africa		**1,152**		790
Unallocated and corporate assets		**265**		-
Total capital expenditures	**$**	**13,154**	$	11,653

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

10. SEGMENTED INFORMATION (Continued)

		Q1 2023		Q1 2022
Depreciation and amortization				
Canada - U.S.	$	**5,395**	$	4,235
South and Central America		**2,513**		2,537
Australasia and Africa		**3,413**		2,884
Unallocated and corporate assets		**220**		333
Total depreciation and amortization	$	**11,541**	$	9,989

		July 31, 2022		April 30, 2022
Identifiable assets				
Canada - U.S.*	$	**255,379**	$	236,669
South and Central America		**138,181**		128,791
Australasia and Africa		**200,285**		203,370
Unallocated and corporate liabilities		**(43,439)**		(11,750)
Total identifiable assets	$	**550,406**	$	557,080

*Canada - U.S. includes property, plant and equipment as at July 31, 2022 of $59,576 (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.

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)

11. BUSINESS ACQUISITION (Continued)

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**

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.

12. 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 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 July 31, 2022.

	July 31, 2022	April 30, 2022
Interest rate swap	**$ 345**	$ -
Share-price forward contracts	**$ 1,617**	$ 5,468

Credit risk

As at July 31, 2022, 94.1% (April 30, 2022 - 94.0%) of the Company's trade receivables were aged as current and 0.7% (April 30, 2022 - 1.2%) 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, 2022	April 30, 2022
Opening balance	**$ 1,517**	$ 1,638
Increase in impairment allowance	**185**	744
Recovery of amounts previously impaired	**(25)**	(303)
Write-off charged against allowance	**(729)**	(549)
Foreign exchange translation differences	**(14)**	(13)
Ending balance	**$ 934**	$ 1,517

Foreign currency risk

As at July 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**	**USD/AUD**	**MXN/USD**	**IDR/USD**	**USD/CLP**	**Other**
Net exposure on monetary assets (liabilities)		13,062	7,245	3,745	2,739	2,499	(4,819)	2,978
EBIT impact	+/-10%	1,451	805	416	304	278	535	331

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

12. FINANCIAL INSTRUMENTS (Continued)

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	$ 93,826	$ -	$ -	$ -	$ 93,826
Lease liabilities (interest included)	1,788	2,151	970	331	5,240
Contingent consideration (undiscounted)	8,765	16,109	-	-	24,874
Long-term debt (interest included)	651	30,249	-	-	30,900
	$ 105,030	**$ 48,509**	**$ 970**	**$ 331**	**$ 154,840**