

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	
	2021	2020	2021	2020
TOTAL REVENUE	\$ 170,693	\$ 114,152	\$ 321,688	\$ 203,572
DIRECT COSTS (note 6)	133,155	91,300	253,790	165,595
GROSS PROFIT	37,538	22,852	67,898	37,977
OPERATING EXPENSES				
General and administrative (note 6)	14,130	11,568	27,738	22,794
Other expenses	3,415	1,584	6,022	2,479
(Gain) loss on disposal of property, plant and equipment	(85)	67	(409)	11
Foreign exchange (gain) loss	888	282	1,110	(325)
Finance costs	399	336	871	624
	18,747	13,837	35,332	25,583
EARNINGS BEFORE INCOME TAX	18,791	9,015	32,566	12,394
INCOME TAX EXPENSE (RECOVERY) (note7)				
Current	2,912	2,063	5,344	3,864
Deferred	1,589	(57)	1,872	(627)
	4,501	2,006	7,216	3,237
NET EARNINGS	\$ 14,290	\$ 7,009	\$ 25,350	\$ 9,157
EARNINGS PER SHARE (note 8)				
Basic	\$ 0.17	\$ 0.09	\$ 0.31	\$ 0.11
Diluted	\$ 0.17	\$ 0.09	\$ 0.31	\$ 0.11

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	
	2021	2020	2021	2020
NET EARNINGS	\$ 14,290	\$ 7,009	\$ 25,350	\$ 9,157
OTHER COMPREHENSIVE EARNINGS				
Items that may be reclassified subsequently to profit or loss				
Unrealized gain (loss) on foreign currency translations	(2,518)	(2,715)	(513)	(10,805)
Unrealized gain (loss) on derivatives (net of tax)	<u>5</u>	<u>43</u>	<u>182</u>	<u>1,713</u>
COMPREHENSIVE EARNINGS	<u>\$ 11,777</u>	<u>\$ 4,337</u>	<u>\$ 25,019</u>	<u>\$ 65</u>

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Changes in Equity
For the six months ended October 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
Exercise of stock options	41	-	-	(17)	-	24
Share-based compensation	-	-	-	149	-	149
Stock options expired/forfeited	-	3,525	-	(3,525)	-	-
	<u>243,230</u>	<u>(32,166)</u>	<u>(611)</u>	<u>5,126</u>	<u>81,640</u>	<u>297,219</u>
Comprehensive earnings:						
Net earnings	-	9,157	-	-	-	9,157
Unrealized gain (loss) on foreign currency translations	-	-	-	-	(10,805)	(10,805)
Unrealized gain (loss) on derivatives	-	-	1,713	-	-	1,713
Total comprehensive earnings	<u>-</u>	<u>9,157</u>	<u>1,713</u>	<u>-</u>	<u>(10,805)</u>	<u>65</u>
BALANCE AS AT OCTOBER 31, 2020	<u>\$ 243,230</u>	<u>\$ (23,009)</u>	<u>\$ 1,102</u>	<u>\$ 5,126</u>	<u>\$ 70,835</u>	<u>\$ 297,284</u>
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	3,957	-	-	(1,090)	-	2,867
Share-based compensation	-	-	-	175	-	175
Stock options expired/forfeited	-	23	-	(23)	-	-
	<u>260,247</u>	<u>(22,433)</u>	<u>1,067</u>	<u>4,621</u>	<u>52,614</u>	<u>296,116</u>
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	<u>-</u>	<u>25,350</u>	<u>182</u>	<u>-</u>	<u>(513)</u>	<u>25,019</u>
BALANCE AS AT OCTOBER 31, 2021	<u>\$ 260,247</u>	<u>\$ 2,917</u>	<u>\$ 1,249</u>	<u>\$ 4,621</u>	<u>\$ 52,101</u>	<u>\$ 321,135</u>

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	
	2021	2020	2021	2020
OPERATING ACTIVITIES				
Earnings before income tax	\$ 18,791	\$ 9,015	\$ 32,566	\$ 12,394
Operating items not involving cash				
Depreciation and amortization	11,539	9,975	21,528	20,195
(Gain) loss on disposal of property, plant and equipment	(85)	67	(409)	11
Share-based compensation	97	73	175	149
Finance costs recognized in earnings before income tax	399	336	871	624
	<u>30,741</u>	<u>19,466</u>	<u>54,731</u>	<u>33,373</u>
Changes in non-cash operating working capital items	(4,035)	365	(9,421)	(12,542)
Finance costs paid	(399)	(336)	(871)	(624)
Income taxes (paid) recovered	(1,139)	(1,541)	(2,439)	(2,865)
Cash flow from (used in) operating activities	<u>25,168</u>	<u>17,954</u>	<u>42,000</u>	<u>17,342</u>
FINANCING ACTIVITIES				
Repayment of lease liabilities	(228)	(488)	(670)	(798)
Repayment of long-term debt	(83)	(15,250)	(355)	(35,501)
Issuance of common shares due to exercise of stock options	507	24	2,867	24
Proceeds from draw on long-term debt	-	-	35,000	-
Cash flow from (used in) financing activities	<u>196</u>	<u>(15,714)</u>	<u>36,842</u>	<u>(36,275)</u>
INVESTING ACTIVITIES				
Business acquisitions (net of cash acquired) (note 10)	(181)	-	(38,050)	-
Acquisition of property, plant and equipment (note 5)	(11,125)	(8,045)	(22,778)	(15,544)
Proceeds from disposal of property, plant and equipment	418	191	1,781	492
Cash flow from (used in) investing activities	<u>(10,888)</u>	<u>(7,854)</u>	<u>(59,047)</u>	<u>(15,052)</u>
Effect of exchange rate changes	727	108	519	(883)
INCREASE (DECREASE) IN CASH	15,203	(5,506)	20,314	(34,868)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	27,470	29,071	22,359	58,433
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$ 42,673	\$ 23,565	\$ 42,673	\$ 23,565

Major Drilling Group International Inc.
Interim Condensed Consolidated Balance Sheets

As at October 31, 2021 and April 30, 2021

(in thousands of Canadian dollars)

(unaudited)

	October 31, 2021	April 30, 2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 42,673	\$ 22,359
Trade and other receivables	134,417	102,571
Income tax receivable	3,465	5,973
Inventories	88,973	85,585
Prepaid expenses	7,774	6,710
	277,302	223,198
PROPERTY, PLANT AND EQUIPMENT (note 5 and note 10)	189,772	144,382
RIGHT-OF-USE ASSETS	6,201	3,773
DEFERRED INCOME TAX ASSETS	3,988	8,903
GOODWILL (note 10)	23,207	7,708
INTANGIBLE ASSETS (note 10)	5,459	568
	\$ 505,929	\$ 388,532
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	\$ 92,702	\$ 73,083
Income tax payable	1,869	1,639
Current portion of lease liabilities	1,513	803
Current portion of contingent consideration (note 10)	6,253	-
Current portion of long-term debt	-	356
	102,337	75,881
LEASE LIABILITIES	4,680	2,943
CONTINGENT CONSIDERATION (note 10)	16,387	1,907
LONG-TERM DEBT (note 11)	50,039	15,106
DEFERRED INCOME TAX LIABILITIES	11,351	12,532
	184,794	108,369
SHAREHOLDERS' EQUITY		
Share capital	260,247	243,379
Retained earnings (deficit)	2,917	(22,456)
Other reserves	1,249	1,067
Share-based payments reserve	4,621	5,559
Foreign currency translation reserve	52,101	52,614
	321,135	280,163
	\$ 505,929	\$ 388,532

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2021 AND 2020 (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 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 December 2, 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 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.

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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 and six months ended October 31, 2021 were \$11,125 (2020 - \$6,376) and \$22,778 (2020 - \$15,544), respectively. Cash payments for assets previously acquired for the three and six months ended October 31, 2021 were nil (2020 - \$1,669 and nil, respectively).

6. EXPENSES BY NATURE

Direct costs by nature are as follows:

	<u>Q2 2022</u>	<u>Q2 2021</u>	<u>YTD 2022</u>	<u>YTD 2021</u>
Depreciation	\$ 10,709	\$ 9,468	\$ 20,018	\$ 19,175
Employee salaries and benefit expenses	61,465	41,013	117,655	71,706
Cost of material	23,871	16,297	46,624	31,452
Other	37,110	24,522	69,493	43,262
	<u>\$ 133,155</u>	<u>\$ 91,300</u>	<u>\$ 253,790</u>	<u>\$ 165,595</u>

General and administrative expenses by nature are as follows:

	<u>Q2 2022</u>	<u>Q2 2021</u>	<u>YTD 2022</u>	<u>YTD 2021</u>
Amortization of intangible assets	\$ 369	\$ 94	\$ 648	\$ 189
Depreciation of right-of-use assets	299	285	613	585
Depreciation other	162	128	249	246
Employee salaries and benefit expenses	7,605	6,683	15,468	13,049
Other general and administrative expenses	5,695	4,378	10,760	8,725
	<u>\$ 14,130</u>	<u>\$ 11,568</u>	<u>\$ 27,738</u>	<u>\$ 22,794</u>

MAJOR DRILLING GROUP INTERNATIONAL INC.
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7. INCOME TAXES

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

	<u>Q2 2022</u>	<u>Q2 2021</u>	<u>YTD 2022</u>	<u>YTD 2021</u>
Earnings before income tax	\$ 18,791	\$ 9,015	\$ 32,566	\$ 12,394
Statutory Canadian corporate income tax rate	27%	27%	27%	27%
Expected income tax provision based on statutory rate	5,074	2,434	8,793	3,346
Non-recognition of tax benefits related to losses	158	520	647	1,362
Utilization of previously unrecognized losses	(1,909)	(1,376)	(4,243)	(1,553)
Other foreign taxes paid	308	118	524	239
Rate variances in foreign jurisdictions	164	(69)	251	(232)
Derecognition of previously recognized losses	-	-	861	-
Permanent differences and other	706	379	383	75
Income tax provision recognized in net earnings	<u>\$ 4,501</u>	<u>\$ 2,006</u>	<u>\$ 7,216</u>	<u>\$ 3,237</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.

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.

	<u>Q2 2022</u>	<u>Q2 2021</u>	<u>YTD 2022</u>	<u>YTD 2021</u>
Net earnings	\$ 14,290	\$ 7,009	\$ 25,350	\$ 9,157
Weighted average number of shares:				
Basic (000s)	82,349	80,638	82,040	80,636
Diluted (000s)	<u>82,753</u>	<u>80,806</u>	<u>82,485</u>	<u>80,700</u>
Earnings per share				
Basic	\$ 0.17	\$ 0.09	\$ 0.31	\$ 0.11
Diluted	\$ 0.17	\$ 0.09	\$ 0.31	\$ 0.11

The calculation of diluted earnings per share for the three and six months ended October 31, 2021 excludes the effect of 105,000 and 75,897 options, respectively (2020 - 997,774 and 1,469,096, respectively) as they were anti-dilutive.

The total number of shares outstanding on October 31, 2021 was 82,382,554 (2020 - 80,640,753).

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2021 AND 2020 (UNAUDITED)

(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:

	<u>Q2 2022</u>	<u>Q2 2021</u>	<u>YTD 2022</u>	<u>YTD 2021</u>
Revenue				
Canada - U.S.*	\$ 94,390	\$ 70,617	\$ 179,249	\$ 116,662
South and Central America	36,784	21,573	71,974	41,108
Australasia and Africa	39,519	21,962	70,465	45,802
	<u>\$ 170,693</u>	<u>\$ 114,152</u>	<u>\$ 321,688</u>	<u>\$ 203,572</u>

*Canada - U.S. includes revenue of \$51,538 and \$33,642 for Canadian operations for the three months ended October 31, 2021 and 2020, respectively and \$98,537 and \$51,719 for the six months ended October 31, 2021 and 2020, respectively.

	<u>Q2 2022</u>	<u>Q2 2021</u>	<u>YTD 2022</u>	<u>YTD 2021</u>
Earnings (loss) from operations				
Canada - U.S.	\$ 13,546	\$ 8,609	\$ 25,738	\$ 11,410
South and Central America	476	(728)	580	(1,771)
Australasia and Africa	8,212	3,276	13,853	6,277
	<u>22,234</u>	<u>11,157</u>	<u>40,171</u>	<u>15,916</u>
Finance costs	399	336	871	624
General corporate expenses**	3,044	1,806	6,734	2,898
Income tax	4,501	2,006	7,216	3,237
	<u>7,944</u>	<u>4,148</u>	<u>14,821</u>	<u>6,759</u>
Net earnings	<u>\$ 14,290</u>	<u>\$ 7,009</u>	<u>\$ 25,350</u>	<u>\$ 9,157</u>

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

	<u>Q2 2022</u>	<u>Q2 2021</u>	<u>YTD 2022</u>	<u>YTD 2021</u>
Capital expenditures				
Canada - U.S.	\$ 5,952	\$ 4,628	\$ 14,367	\$ 12,649
South and Central America	1,562	584	4,010	784
Australasia and Africa	3,611	1,164	4,401	2,111
Total capital expenditures	<u>\$ 11,125</u>	<u>\$ 6,376</u>	<u>\$ 22,778</u>	<u>\$ 15,544</u>

MAJOR DRILLING GROUP INTERNATIONAL INC.
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FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2021 AND 2020 (UNAUDITED)

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9. SEGMENTED INFORMATION (Continued)

	<u>Q2 2022</u>	<u>Q2 2021</u>	<u>YTD 2022</u>	<u>YTD 2021</u>
Depreciation and amortization				
Canada - U.S.	\$ 5,510	\$ 5,098	\$ 10,021	\$ 10,122
South and Central America	2,487	3,042	5,024	6,400
Australasia and Africa	3,423	1,774	6,307	3,566
Unallocated and corporate assets	119	61	176	107
Total depreciation and amortization	<u>\$ 11,539</u>	<u>\$ 9,975</u>	<u>\$ 21,528</u>	<u>\$ 20,195</u>

	<u>October 31, 2021</u>	<u>April 30, 2021</u>
Identifiable assets		
Canada - U.S.*	\$ 203,575	\$ 191,320
South and Central America	117,615	99,435
Australasia and Africa	203,249	111,504
Unallocated and corporate liabilities	(18,510)	(13,727)
Total identifiable assets	<u>\$ 505,929</u>	<u>\$ 388,532</u>

*Canada - U.S. includes property, plant and equipment as at October 31, 2021 of \$45,825 (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 \$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 milestones.

As the acquisition occurred early in the first quarter, the Company is in the process of finalizing the valuation of assets and purchase price allocation. As at October 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.

MAJOR DRILLING GROUP INTERNATIONAL INC.
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FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2021 AND 2020 (UNAUDITED)
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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)		15,543
Intangible assets		5,558
Trade and other payables		(7,379)
Deferred income tax liabilities		(958)
Total assets	\$	<u>71,073</u>
 Consideration		
Cash	\$	39,031
Less: cash acquired		(981)
Contingent consideration		20,112
Shares of Major Drilling		12,911
Total consideration	\$	<u>71,073</u>

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).

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 for the three and six months ended October 31, 2021 was approximately \$19 million and \$31 million, respectively and earnings were approximately \$3 million and \$5 million, respectively. Had the business combination been effective as of May 1, 2021, pro-forma revenue and net earnings of the combined entity for the six months ended October 31, 2021, would have been approximately \$327 million and \$26 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.

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2021 AND 2020 (UNAUDITED)

(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 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 \$15,000 maturing in May of 2022, and share-price forward contracts with a combined notional amount of \$6,216, maturing at varying dates through June 2024.

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, 2021.

	<u>October 31, 2021</u>	<u>April 30, 2021</u>
Interest rate swap	\$ (39)	\$ (106)
Share-price forward contracts	\$ 3,978	\$ 2,167

Credit risk

As at October 31, 2021, 90.7% (April 30, 2021 - 93.7%) of the Company's trade receivables were aged as current and 1.2% (April 30, 2021 - 1.8%) 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:

	<u>October 31, 2021</u>	<u>April 30, 2021</u>
Opening balance	\$ 1,638	\$ 1,226
Increase in impairment allowance	482	588
Recovery of amounts previously impaired	(214)	(115)
Write-off charged against allowance	(419)	-
Foreign exchange translation differences	(26)	(61)
Ending balance	\$ 1,461	\$ 1,638

Foreign currency risk

As at October 31, 2021, 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:

	<u>Rate variance</u>	<u>IDR/USD</u>	<u>MNT/USD</u>	<u>USD/AUD</u>	<u>USD/CAD</u>	<u>MZN/USD</u>	<u>USD/ZAR</u>	<u>ARS/USD</u>	<u>USD/CLP</u>	<u>USD/BRL</u>	<u>Other</u>
Net exposure on monetary assets (liabilities)		7,130	6,926	4,375	1,604	1,355	(1,264)	(1,299)	(3,345)	(3,387)	1,032
EBIT impact	+/-10%	792	770	486	178	151	140	144	372	375	115

MAJOR DRILLING GROUP INTERNATIONAL INC.
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FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2021 AND 2020 (UNAUDITED)

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

11. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Early in the current fiscal year, the Company negotiated an expansion of its existing revolving term facility to an aggregate \$75,000 to provide liquidity to fund operations as it made a \$35,000 draw from this facility to fund the cash portion of the McKay acquisition. As of October 31, 2021 the Company has unused capacity of \$25,000 under this facility.

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>Thereafter</u>	<u>Total</u>
Trade and other payables	\$ 92,702	\$ -	\$ -	\$ -	\$ 92,702
Lease liabilities (interest included)	1,814	2,820	1,330	352	6,316
Contingent consideration (undiscounted)	6,521	19,268	-	-	25,789
Long-term debt (interest included)	1,560	51,560	-	-	53,120
	<u>\$ 102,597</u>	<u>\$ 73,648</u>	<u>\$ 1,330</u>	<u>\$ 352</u>	<u>\$ 177,927</u>