



Management's Discussion and Analysis

April 30, 2023

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A"), prepared as of June 13, 2023, should be read together with the Company's audited financial statements for the year ended April 30, 2023 and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards. All amounts are stated in Canadian dollars unless otherwise indicated.

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; competitive pressures; global and local political and economic environments and conditions; the level of funding for the Company's clients (particularly for junior mining companies); exposure to currency movements (which can affect the Company's revenue in Canadian dollars); the integration of business acquisitions and the realization of the intended benefits of such acquisitions; efficient management of the Company's growth; currency restrictions; safety of the Company's workforce; risks and uncertainties relating to climate change and natural disaster; the Company's dependence on key customers; 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; disease outbreak; as well as other risk factors described under "General Risks and Uncertainties" herein. 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.

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. During the year, the Company achieved a new milestone of 9.4 million Lost Time Injury ("LTI") free hours and an LTI Rate of 0.05, a new low in the Company's history.

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 hands-free 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 the average gold mine life has decreased, 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's liquidity and financial strength allow it to adapt and manage effectively through challenging periods, such as the current global supply chain issues, and to respond to rapid increases in demand as the need arises.

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 includes, 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. Major Drilling is slated to publish its 2022 Sustainability Report in June 2023.

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 numerous community initiatives led 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 (fiscal 2013 to fiscal 2021) was marked by a lack of exploration and depleting reserves, with mineral exploration expenditure levels currently at 60% of the amount spent at the peak in 2012.

Despite the urgent need to replenish mineral reserves, both for gold and base metals, the industry is still very early in the exploration cycle. According to S&P Global Market Intelligence, global non-ferrous exploration budgets increased to \$13 billion in 2022, which falls short of the \$21.5 billion spent in 2012 at the peak of the cycle. The mining industry is still in the discovery phase and will have to go through an intense multi-year infill drilling period to develop new mines in order to fill the projected supply gap in the different commodities.

Gold has historically been a significant driver in the mining industry and continues to lead exploration efforts globally. The average gold mine life has decreased due to the lack of exploration over the last several years, and on average, it takes 10 to 15 years to bring a mine into production.

At the same time, most industry experts believe there is an urgent need to replenish copper reserves given the anticipated supply deficit. The Company continues to see governments targeting renewable energy and upgrading their electric grids, which will require an enormous volume of copper, and possibly uranium, increasing pressure on the existing supply/demand dynamic. The growing global demand for electric vehicles will only increase the need for metals like copper, nickel and lithium. These factors are 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 decarbonization.

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 year, the Company made the first payment on the contingent consideration arising out of the McKay Drilling PTY Limited acquisition for \$6.3 million (AUD\$7 million) and the Company paid \$2.5 million, the maximum payable on the contingent consideration arising out of the November 2019 Norex Drilling Limited acquisition, as EBITDA milestones were met.

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 impact of the COVID-19 pandemic was diminishing, while in the current year, the industry continues to deal with 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.

As a result, the Company recorded its highest annual revenue since fiscal 2012, at \$735.7 million, up 13% from revenue of \$650.4 million recorded in the previous year as the industry moves forward in this upturn. While all regions contributed to the growth, Australasia and Africa saw the biggest revenue increase with strong demand for the Company's specialized services in Australia and new energy work in Mongolia.

Adjusted gross margin, which excludes depreciation expense, was 30.0% for the year, compared to 27.7% for the prior year. This growth was driven by enhanced productivity and price adjustments, which have more than offset inflation pressures.

With the growth in revenue and improved margin performance explained above, the Company generated \$144.2 million of EBITDA, a 26% increase from the \$114.1 million generated in the prior year. The operational leverage inherent in the business model delivered strong EBITDA results as top line growth and margin expansion outpaced the small increase in general and administrative costs.

With continued strong demand for its complex specialized drilling services during the year, the Company recorded its highest annual net earnings since fiscal 2012, at \$74.9 million or \$0.90 per share for the year, compared to \$53.5 million or \$0.65 per share for the prior year.

As the Company continued to maintain its strong balance sheet during the year, discretionary payments totaling \$30 million were paid on its revolving-term facility. Also, the Company made its first payment on the contingent consideration arising out of the McKay Drilling PTY Limited acquisition for \$6.3 million (AUD\$7 million) and paid \$2.5 million, the maximum payable on the contingent consideration arising out of the November 2019 Norex Drilling Limited acquisition, as EBITDA milestones were met.

As the Company continues to modernize and innovate its fleet, capital expenditures for the year were \$58.7 million. The Company bought 35 drills and support equipment in order to respond to the growing demands of its customers.

Despite the above payments and investments in its equipment made during the year, net cash position (cash net of debt, excluding lease liabilities reported under IFRS 16 Leases - see "Non-IFRS financial measures") showed an impressive improvement to \$59.3 million, compared to the previous year with net debt at \$1.6 million.

SELECTED ANNUAL INFORMATION

Years ended April 30

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

	<u>2023</u>		<u>2022</u>		<u>2021</u>
Revenue by region					
Canada - U.S.	\$ 405	\$	367	\$	248
South and Central America	167		151		95
Australasia and Africa	164		132		89
	<u>736</u>		<u>650</u>		<u>432</u>
Gross profit	177		140		64
as a percentage of revenue	24.0%		21.5%		14.8%
Adjusted gross profit *	221		180		101
as a percentage of revenue	30.0%		27.7%		23.4%
Net earnings	75		53		10
per share (basic and diluted)	\$ 0.90	\$	0.65	\$	0.12
Total assets	612		557		389
Total cash	94		71		22
Total long-term financial liabilities**	35		73		17

* see "Non-IFRS financial measures"

** amounts in prior years have been allocated consistent with current year

RESULTS OF OPERATIONS

FISCAL 2023 COMPARED TO FISCAL 2022

Total revenue for the year was \$735.7 million, up 13% from revenue of \$650.4 million recorded in the previous year. The favourable foreign exchange translation impact, when comparing to the effective rates for the previous year, was approximately \$23 million on revenue, while net earnings were less impacted at approximately \$3 million, as expenditures in foreign jurisdictions tend to be in the same currency as revenue.

Canada - U.S.

Revenue for the year from Canada – U.S. increased by 10% to \$405.0 million, compared to the previous year. The growth in this region was mainly attributable to increased revenue from the Company's U.S. operations as its Canadian operations were negatively impacted by a decrease in junior activity in relation to the challenging financing environment they faced.

South and Central America

South and Central American revenue increased by 10% to \$166.8 million for the year, compared to the previous year. This increase was related to Chile and Argentina resuming operations after COVID-19 disruptions in the previous year, which was muted by a slowdown in Mexico caused by a reduction in junior activity and uncertainty over new mining legislation.

Australasia and Africa

Australasian and African revenue increased by 24% to \$163.9 million, compared to the previous year. Strong demand for the Company's specialized services in Australia and new energy work in Mongolia were responsible for the year-over-year growth.

Gross Margin

Gross margin percentage for the year was 24.0%, compared to 21.5% for the previous year. Depreciation expense totaling \$43.7 million is included in direct costs for the current year, versus \$40.6 million in the prior year. Adjusted gross margin, which excludes depreciation expense, was 30.0% for the year, compared to 27.7% for the prior year. This growth was driven by enhanced productivity and price adjustments, which have more than offset inflation pressures.

Operating expenses

General and administrative costs were \$65.0 million (8.8% of revenue), an increase of \$8.0 million, compared to the previous year (8.8% of revenue). The majority of this increase was due to inflationary wage adjustments, increased travel, and increased insurance costs.

Other expenses were \$13.4 million, up from \$11.8 million in the prior year, due primarily to higher incentive compensation expenses throughout the Company, given the increased profitability.

Foreign exchange loss was \$2.8 million, compared to \$1.4 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. In the current fiscal year, various market drivers, such as high inflation and the war in Ukraine, stimulated foreign exchange market volatility.

The income tax provision for the year was an expense of \$22.7 million, compared to an expense of \$15.0 million for the prior year. The increase was driven by an overall increase in profitability compared to the prior year.

Net earnings were \$74.9 million or \$0.90 per share (\$0.90 per share diluted) for the year, compared to \$53.5 million or \$0.65 per share (\$0.65 per share diluted) for the prior year.

SUMMARY ANALYSIS FISCAL 2022 COMPARED TO FISCAL 2021

Total revenue for the year ended April 30, 2022 was \$650.4 million, up from revenue of \$432.1 million recorded in the previous year. The unfavourable foreign exchange translation impact on revenue for fiscal 2022, when comparing to the effective rates for the previous year, was approximately \$17 million. The impact on net earnings was minimal as expenditures in foreign jurisdictions tend to be in the same currency as revenue.

Revenue for the year from Canada - U.S. drilling operations increased by 48% in fiscal 2022 to \$366.7 million, compared to the prior year, with growth attributed to the Company's positioning in a busy market, accompanied by a favourable pricing environment.

South and Central American revenue increased in fiscal 2022 by 59% to \$151.6 million for the year, compared to the previous year. This region was heavily impacted by COVID-19 in fiscal 2021 and showed signs of recovery throughout fiscal 2022.

Australasian and African revenue increased by 49% to \$132.1 million in fiscal 2022, compared to the prior year. The McKay acquisition was the main driver of the growth in the region.

Gross margin percentage for fiscal 2022 was 21.5%, compared to 14.8% for the previous year. Depreciation expense totaling \$40.6 million was included in direct costs versus \$37.1 million in the previous year. Adjusted gross margin, which excludes depreciation expense, was 27.7% for fiscal 2022, compared to 23.4% for the previous year. Contract renewals that covered inflation, and productivity improvements due to enhanced training programs, enabled margins to improve, while prior year margins were impacted by ramp-up costs due to rapid growth.

General and administrative costs were \$57.0 million in fiscal 2022, up \$9.9 million compared to the previous year. The McKay acquisition represented the majority of the increase, while increased travel and inflationary wage adjustments represented the remainder.

Other expenses were \$11.8 million, up from \$4.1 million in fiscal 2021, due primarily to higher incentive compensation expenses throughout the Company given the increased profitability in fiscal 2022.

The income tax provision for fiscal 2022 was an expense of \$15.0 million compared to an expense of \$3.6 million for the prior year. The increase from the prior year was due to an overall increase in profitability.

Net earnings were \$53.5 million or \$0.65 per share (\$0.65 per share diluted) for fiscal 2022, compared to \$10.0 million or \$0.12 per share (\$0.12 per share diluted) for the prior year.

SUMMARY OF QUARTERLY RESULTS

(in \$000s CAD, except per share)	Fiscal 2023				Fiscal 2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$ 184,966	\$ 149,225	\$ 201,716	\$ 199,835	\$ 189,975	\$ 138,752	\$ 170,693	\$ 150,995
Gross profit	46,286	26,438	53,003	51,174	48,448	23,427	37,538	30,360
Gross margin	25.0%	17.7%	26.3%	25.6%	25.5%	16.9%	22.0%	20.1%
Adjusted gross margin	30.8%	25.3%	31.8%	30.8%	31.0%	24.2%	28.3%	26.3%
Net earnings	20,790	6,273	23,611	24,248	22,433	5,676	14,290	11,060
Per share - basic	0.25	0.08	0.29	0.29	0.27	0.07	0.17	0.14
Per share - diluted	0.25	0.08	0.28	0.29	0.27	0.07	0.17	0.13

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.

SUMMARY ANALYSIS FOURTH QUARTER ENDED APRIL 30, 2023

Total revenue for the quarter was \$185.0 million, down 2.6% from revenue of \$190.0 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 \$7 million and \$1 million, respectively.

Revenue for the quarter from Canada - U.S. drilling operations decreased by 8.5% to \$99.8 million, compared to the same period last year. Weather negatively impacted activity levels in Nevada and Northern Canada during the early stages of the quarter, which drove the majority of the decrease compared to the prior year.

South and Central American revenue decreased by 5.5% to \$45.1 million for the quarter, compared to the same quarter last year. Mexico has seen a significant slowdown in junior activity due to lack of available financing and uncertainty over new mining legislation that has reduced the Company's revenue in the region.

Australasian and African revenue increased by 20.8% to \$40.1 million, compared to the same period last year. Strong demand for the Company's specialized services in Australia and new energy work in Mongolia were responsible for the year-over-year growth.

Gross margin percentage for the quarter was 25.0%, compared to 25.5% for the same period last year. Depreciation expense, totaling \$10.8 million, is included in direct costs for the current quarter, versus \$10.4 million in the same quarter last year. Adjusted gross margin, which excludes depreciation expense, was 30.8% for the quarter, compared to 31.0% for the same period last year. Inflationary headwinds have largely been covered through price increases as margins remained consistent from the prior year.

General and administrative costs were \$16.3 million, an increase of \$1.1 million compared to the same quarter last year. Increased travel and insurance costs, coupled with annual inflationary wage adjustments, make up the majority of the increase compared to the prior year.

Other expenses were \$4.0 million, up from \$3.4 million in the prior year quarter, due to an increase in the annual allowance for doubtful accounts offset somewhat by lower incentive compensation expenses throughout the Company given the decreased profitability as compared to the prior year quarter.

The income tax provision for the quarter was an expense of \$5.3 million, compared to an expense of \$6.5 million for the prior year period. The decrease in the income tax provision was related to an overall reduction in profitability.

Net earnings were \$20.8 million or \$0.25 per share (\$0.25 per share diluted) for the quarter, compared to net earnings of \$22.4 million or \$0.27 per share (\$0.27 per share diluted) for the prior year quarter.

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

The change in non-cash operating working capital items was an outflow of \$6.9 million for the year, compared to an outflow of \$11.6 million for the prior year. The outflow of non-cash operating working capital was primarily comprised of:

- an increase in inventory of \$13.3 million;
- a decrease in accounts receivable of \$11.1 million;
- a decrease in accounts payable of \$3.1 million; and
- an increase in prepaids of \$1.6 million.

Cash flow from operating activities for the year ended April 30, 2023 was an inflow of \$113.2 million, compared to an inflow of \$94.9 million in the previous year.

Investing activities

Capital expenditures were \$58.7 million for the year ended April 30, 2023, compared to \$49.9 million for the prior year.

The drill rig count was 600 at April 30, 2023, as the Company added 35 new rigs to its fleet through capital expenditures, while disposing of 38 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 year, the Company renewed its existing credit facility agreement for a five-year term, with the same terms and conditions as the previous agreement. Also, during the fourth quarter the Company announced a Normal Course Issuer Bid to provide additional flexibility to maximize shareholder value as it continues through the industry upcycle.

Operating credit facilities

The credit facilities related to operations total \$31.7 million (\$30.0 million from a Canadian chartered bank with the remainder 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 Index plus 2.05%. At April 30, 2023, 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 \$4.0 million for credit cards for which interest rate and repayment are as per cardholder agreements.

Long-term debt

Total long-term debt was \$20.0 million as of April 30, 2023, a decrease of \$30.0 million during the year as the Company made discretionary payments on its revolving-term facility.

As of April 30, 2023, 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 April 30, 2023, \$20.0 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 September 2027.

Contractual obligations	Payments due by period (in \$000s CAD)				
	Total	Less than 1 year	2 - 3 years	4 - 5 years	Thereafter
Long-term debt (interest included)	\$ 22,905	\$ 636	\$ 1,328	\$ 20,941	\$ -
Purchasing commitments	11,003	11,003	-	-	-
Contingent consideration (undiscounted)	16,209	7,204	9,005	-	-
Lease liabilities (interest included)	6,208	1,656	2,682	1,384	486
Operating leases	1,559	1,047	493	19	-
Total contractual obligations	\$ 57,884	\$ 21,546	\$ 13,508	\$ 22,344	\$ 486

As at April 30, 2023, 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 April 30, 2023, the Company had unused borrowing capacity under its credit facilities of \$85.3 million and cash of \$94.4 million, for a total of \$179.7 million in available funds.

FINANCIAL INSTRUMENTS

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, maturing in May of 2023, with a notional value of \$20 million, swapping the Canadian-Bankers' Acceptance - Canadian Dealer Offered Rate for an annual fixed rate of 3.32%. The Company has also entered into share-price forward contracts with a combined notional amount of \$6.0 million, 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 (in \$000s CAD), 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 year ended April 30, 2023.

	April 30, 2023	April 30, 2022
Interest rate swap	\$ 28	\$ -
Share-price forward contracts	\$ 2,189	\$ 5,468

RELATED PARTY TRANSACTIONS

	<u>2023</u>	<u>2022</u>
Salaries, bonuses and fees	\$ 3,725	\$ 2,815
Other long-term benefits	136	121
Share-based payments benefits	1,650	1,658
	<u>\$ 5,511</u>	<u>\$ 4,594</u>

Increases during the year relate to inflationary wage increases and higher incentive compensation expenses (given the increased profitability) for key management personnel.

OUTLOOK

Looking ahead to fiscal 2024, the outlook for Major Drilling remains extremely positive as most industry experts believe there is an urgent need to replenish copper reserves given the anticipated supply deficit. As well, gold continues to lead exploration efforts globally with the average gold mine life decreasing due to the lack of exploration over the last several years. With this growing supply shortfall, several of the Company's senior gold customers have committed to prioritizing value-adding grassroots exploration and development.

The Company continues to see governments targeting renewable energy and upgrading their electric grids, which will require an enormous volume of copper, and possibly uranium, increasing pressure on the existing supply/demand dynamic. The mining industry is still in the discovery phase and will have to go through an intense multi-year infill drilling period to develop new mines in order to fill the projected supply gap in the different commodities. The growing global demand for electric vehicles will only increase the need for metals like copper, nickel and lithium. It is expected these factors will 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 decarbonization.

With \$180 million in available liquidity, the Company is well positioned to execute on its growth strategy and remains committed to investing in the business. Capital expenditures of \$58.7 million for the year demonstrate the Company's commitment to providing both customers and employees with modern, innovative and safe equipment, as it continues to fortify its position as the industry leader in specialized drilling, which continues to be a factor in attracting business from senior companies, at a time where juniors are facing difficulty in financing projects.

Many new mineral deposits are located in areas challenging to access, requiring complex drilling solutions, increasing the demand for Major Drilling's specialized services. The Company continues to enhance its recruiting and training systems, strengthening customer service as it brings in a new generation of employees. Investment in the modernization and innovation of its fleet continues in order to meet and exceed the rigorous standards of the Company's customers, as it moves forward in the upturn.

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)	<u>YTD 2023</u>	<u>YTD 2022</u>
Net earnings	\$ 74,922	\$ 53,459
Finance (revenues) costs	(832)	1,629
Income tax provision	22,650	15,025
Depreciation and amortization	47,478	43,981
EBITDA	<u>\$ 144,218</u>	<u>\$ 114,094</u>

Adjusted gross profit/margin - excludes depreciation expense:

(in \$000s CAD)	<u>YTD 2023</u>	<u>YTD 2022</u>
Total revenue	\$ 735,742	\$ 650,415
Less: direct costs	558,841	510,642
Gross profit	176,901	139,773
Add: depreciation	43,651	40,579
Adjusted gross profit	<u>220,552</u>	<u>180,352</u>
Adjusted gross margin	30.0%	27.7%

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

(in \$000s CAD)	<u>April 30, 2023</u>	<u>April 30, 2022</u>
Cash	\$ 94,432	\$ 71,260
Contingent consideration	(15,113)	(22,907)
Long-term debt	(19,972)	(50,000)
Net cash (debt)	<u>\$ 59,347</u>	<u>\$ (1,647)</u>

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 year, approximately 23% of revenue generated was in Canadian dollars with the balance primarily 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 year, when comparing to the effective rates for the prior year, was approximately \$23 million. The impact on net earnings was approximately \$3 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 April 30, 2023, 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):

	<u>Rate variance</u>	<u>USD/CAD</u>	<u>IDR/USD</u>	<u>MNT/USD</u>	<u>EUR/USD</u>	<u>USD/AUD</u>	<u>ARS/USD</u>	<u>USD/CLP</u>	<u>Other</u>
Net exposure on monetary assets (liabilities)		11,180	7,409	6,603	2,548	1,843	(2,402)	(5,133)	1,053
EBIT impact	+/-10%	1,242	823	734	283	205	267	570	117

Argentina currency status

As inflation rates continue to rise across the globe, Argentina is experiencing hyper-inflation with the annual inflation rate reaching 104% 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 on imports and exports 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.

COMPREHENSIVE EARNINGS

The Consolidated Statements of Comprehensive Earnings for the year includes a \$16.9 million unrealized gain on translating the financial statements of the Company's foreign operations, compared to a gain of \$7.4 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 year was generated from the volatility of various currencies against the Canadian dollar, as various market drivers, such as high inflation, stimulated foreign exchange market volatility during the year. Various currencies gained against the Canadian dollar, with most of the impact generated by the U.S. dollar gaining close to 6%. During the previous year, the gain was generated primarily by the U.S. dollar gaining close to 5%, offset by losses from various other currencies against the Canadian dollar.

KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that are not readily apparent from other sources, which affect the reported amounts of assets and liabilities at the dates of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reported periods. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results could differ from these estimates.

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 ("PP&E") for depreciation purposes, PP&E, inventory valuation, and determination of income and other taxes and recoverability of deferred income tax assets, assumptions used in compilation of share-based payments, fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities, provisions, contingent considerations, impairment testing of goodwill and intangible assets and long-lived assets.

Management determines the estimated useful lives of its PP&E based on historical experience and reviews these estimates at the end of each reporting period.

Management reviews the condition of inventories at the end of each reporting period and recognizes a provision for slow-moving and obsolete items of inventory when they are no longer suitable for use. Management's estimate of the net realizable value of such inventories is based primarily on sales prices and current market conditions.

Amounts used for impairment calculations are based on estimates of future cash flows of the Company. By their nature, the estimates of cash flows, including the estimates of future revenue, operating expenses, utilization, discount rates and market pricing, are subject to measurement uncertainty.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the probability that they will be realized from future taxable earnings.

Compensation costs accrued for long-term share-based payment plans are subject to the estimation of what the ultimate payout will be using the Black-Scholes pricing model, which is based on significant assumptions such as volatility, dividend yield and expected term.

The amount recognized as accrued liabilities, provisions, and contingent considerations, including legal, restructuring, contractual, constructive and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Company assesses its liabilities, contingencies and contingent considerations based upon the best information available, relevant tax laws and other appropriate requirements.

Judgments

The Company applied judgment in determining the functional currency of the Company and its subsidiaries. Functional currency was determined based on the currency that mainly influences sales prices, labour, materials and other costs of providing services.

PP&E and goodwill are aggregated into cash-generating units ("CGUs") based on their ability to generate largely independent cash inflows and are used for impairment testing. The determination of the Company's CGUs is subject to management's judgment with respect to the lowest level at which independent cash inflows are generated.

The Company has applied judgment in determining the degree of componentization of PP&E. Each part of an item of PP&E with a cost that is significant in relation to the total cost of the item and has a separate useful life has been identified as a separate component and is depreciated separately.

The Company has applied judgment in recognizing provisions and accrued liabilities, including judgment as to whether the Company has a present obligation (legal or constructive) as a result of a past event, whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and whether a reliable estimate can be made of the amount of the obligation.

Deferred income tax assets are assessed by management at the end of the reporting period to determine the probability that they will be realized from future taxable earnings. This determination is subject to management judgment.

OFF BALANCE SHEET ARRANGEMENTS

Except for commitments exempt from balance sheet treatment under IFRS 16 Leases, detailed in note 19 "Commitments" of the Notes to Consolidated Financial Statements and presented as contractual obligations in the liquidity and capital resources section herein, the Company does not have any off balance sheet arrangements.

GENERAL RISKS AND UNCERTAINTIES

The Company is subject to a variety of risk factors and uncertainties in carrying out its activities. The Company's revenue, cash flow and profitability may be adversely affected by the risks and uncertainties discussed below. Additional risks not currently known to the Company, or that the Company currently deems immaterial, may also impair its revenue, cash flow and profitability.

Cyclical downturn

A significant operating risk affecting the Company is a downturn in demand for its services, which can be due to, among other things, a decrease in activity in the mining industry. In attempting to mitigate this risk, the Company is exploiting its competitive advantage in specialized drilling and continues to explore opportunities to diversify and to rationalize its regional infrastructures. A prolonged downturn in the mining industry could result in a decrease in demand for the Company's services, which could adversely affect the Company's revenue, cash flow and profitability.

The uncertainty and volatility surrounding global economic conditions could impact demand for the Company's services or have an impact on clients' ability to pay their suppliers, such as the Company, in the event they are unable to access the capital markets to fund their existing or new projects. These conditions could make it difficult for clients to accurately forecast and plan future business trends and activities, thereby causing clients to slow spending on the Company's services or seek contract terms more favourable to them. Any of these disruptions could adversely affect the Company's revenue, cash flow and profitability.

In addition, the rising inflation and increased interest rates fluctuation over the course of 2022 has resulted in higher costs for some key inputs required for its operations. The Company has made assumptions around the expected costs of these key inputs, and the Company's actual costs in an inflationary environment may differ materially from those assumptions.

Levels of inventory typically increase as a result of increased activity levels. In addition to direct volume related increases however, inventory levels also increase due to an expansion of activity in remote locations at the end of long supply chains, where it is necessary to increase inventory to ensure an acceptable level of continuing service, which is part of the Company's competitive advantage. In the event of a sudden downturn of activities related either to a specific project or to the sector as a whole, it is more difficult and costly to redeploy this remote inventory to other regions where it can be consumed, which could adversely affect the Company's revenue, cash flow and profitability.

Safety

The Company's health, safety and wellbeing systems, processes and policies are focused on reducing risks to employees at worksites. The Company's activities and services may involve hazards that increase risks to health and safety and may result in personal injury, loss of life and/or damage to property (including environmental damage). While the Company has implemented extensive health and safety initiatives and procedures at worksites to protect the health and safety of its employees and contractors, and continues to invest in training to improve skills, abilities, and safety awareness, there can be no assurance that such measures will eliminate the occurrence of such accidents, personal injuries, loss of life and/or damage to property, which could give rise to regulatory fines and/or civil liability. The Company may be held liable if it is proven to be at fault and to have caused a worksite accident. In such circumstances, the Company's operations at the affected site may be impacted and the Company's inability to effectively deal with these consequences in a timely fashion, along with any potential negative publicity related to the event, could adversely affect the Company's revenue, cash flow and profitability. Failure to maintain a record of safety performance may have an adverse impact on the Company's ability to attract and retain customers and personnel and therefore on the Company's revenue, cash flow and profitability.

Managing growth effectively

The current industry upturn has resulted in the Company experiencing rapid growth, placing additional demands on the Company's operational, safety and financial processes, measures and systems. As its business grows through the upcycle, the Company must effectively address and manage these demands. If the Company is not able to do so effectively and in a timely fashion, this may have an impact on revenue, cash flow and profitability.

Competitive pressures

The Company competes with many small regional or local companies as well as larger companies, and the intensity of competition may vary significantly from region to region at any particular time. Increased demand in a region where the Company operates may attract new competitors and impact the degree of work in such region. Pressure from competitors in a region may also result in an oversupply of drilling services in such region, which in turn may result in decreased contract prices and adversely affect the Company's revenues. Furthermore, the Company may lose business to its competitors if it is unable to demonstrate competence, competitive pricing, adequate equipment, or reliable performance to its customers. There can be no assurance that the Company's competitors will not be successful in capturing a share of the Company's present or potential customer base, which could adversely affect the Company's revenue, cash flow and profitability.

In light of the recent market upturn, the Company is experiencing an increase in demand for its services, which in turn increases the need for expenditures on maintenance, refurbishment and replacement of equipment. In the midst of rapid technological development, the Company must continue to anticipate changes in its clients' needs and to adapt its equipment to maintain its competitive advantage. If the Company does not continue to innovate and leverage technology advancements through equipment modernization, its ability to retain existing clients and attract new clients may be adversely affected, which could adversely affect the Company's revenue, cash flow and profitability. The Company must also effectively manage cost increases that increase margin pressure, or delays in service that may reduce the Company's ability to win bids for future projects, resulting in loss of revenue, profitability and market share, all of which could adversely affect the Company's revenue, cash flow and profitability.

Specialized skills and cost of labour increases

Generally speaking, drilling activity related to metals and minerals is broadly linked to price trends in the metals and minerals sector. During periods of increased activity, a limiting factor in this industry can be a shortage of qualified drillers. The Company addresses this issue by attempting to become the "employer of choice" for drillers in the industry, as well as hiring and training more locally based drillers. The development of local drillers has had a positive impact on the Company's global operations and is expected to continue to play an important role.

The Company also relies on an experienced management team across the Company to carry on its business. A departure of several members of the management team at one time could have an adverse financial impact on operations.

A material increase in the cost of labour and the inability to attract and retain qualified drillers could result in, among other things, loss of opportunities, cost overruns, failure to perform on projects, breach of contract, and materially affect gross margins and therefore the Company's financial performance and reputation. The Company may also experience intense competition for personnel and may not be able to retain key employees or successfully attract and retain personnel in the future.

Country risk

The Company currently operates in many foreign countries and is committed to using its expertise and technology in exploring other areas around the world. The Company's foreign operations are subject to a variety of risks and uncertainties, including, but not limited to: social, political and economic instability, including recession, political changes or disruptions and other economic crises (locally or globally); military repression, acts of war, civil unrest, force majeure and terrorism; fluctuations in currency exchange rates; currency controls and restrictions; high rates of inflation; changes in laws, policies and regulations; changes in duties, taxes and governmental royalties; trade barriers; nationalization/expropriation of projects or assets; corruption; delays in obtaining or inability to obtain necessary permits; nullification of existing mining claims or interests therein; hostage takings; labour unrest; opposition to mining from environmental organizations; and deterioration of Canada's inter-governmental relationships or other non-governmental organizations or shifts in political attitude that may adversely affect the business, results of operations, financial conditions and liquidity. Also, there has been an emergence of a trend by some governments to increase their participation in the industry and thereby their revenues through increased taxation, expropriation, or otherwise. This could negatively impact the level of foreign investment in mining and exploration activities and thus drilling demand in these regions, which in turn may result in reductions of the Company's revenue and additional transition costs as equipment is shifted to other locations.

While the Company works to mitigate its exposures to potential country risk events, the impact of any such event is largely outside the control of the Company, is highly uncertain and unpredictable and will be based on specific facts and circumstances. As a result, the Company can give no assurance that it will not be subject to any country risk event, directly or indirectly, in the jurisdictions in which it operates. Any of the foregoing events may have a material negative impact on the Company's operations and assets.

Repatriation of funds or property

There is no assurance that any of the countries in which the Company operates or may operate in the future will not impose restrictions on the repatriation of funds or property to other jurisdictions or between the Company and its subsidiaries. Any such limitations could have an adverse impact on the Company.

Taxes

The Company is subject to many different forms of taxation in various jurisdictions throughout the world, including but not limited to, property tax, income tax, withholding tax, commodity tax, social security and other payroll-related taxes, which may lead to disagreements with tax authorities regarding the application of tax law.

Tax law and administration is extremely complex and requires the Company to make certain assumptions about various tax laws and regulations. The computation of income, payroll and other taxes involves many factors, including the interpretation of tax legislation in various jurisdictions in which the Company is subject to ongoing tax assessments. The Company's estimate of tax-related assets, liabilities, recoveries, and expenses incorporates significant assumptions. These assumptions include, but are not limited to, the effect of tax treaties between jurisdictions and taxable income projections. While the Company believes that such assumptions are correct, there can be no assurance that foreign taxation or other authorities will reach the same conclusion. If such assumptions differ from actual results, or if such jurisdictions were to change or modify such laws or the current interpretation thereof, the Company may have to record additional tax expenses and liabilities, including interest and penalties, which may be material.

Foreign currency

The Company conducts a significant proportion of its business outside of Canada and consequently has exposure to currency movements, principally in U.S. dollars. In order to reduce its exposure to foreign exchange risks associated with currencies of developing countries, where a substantial proportion of the Company's business is conducted, the Company has adopted a policy of contracting in U.S. dollars, where practical and legally permitted.

Foreign exchange translations can have a significant impact on year-to-year comparisons because of the geographic distribution of the Company's activities. Year-over-year revenue comparisons have been affected by the fluctuation in the Canadian dollar against the U.S. dollar. Margin performance, however, is less affected by currency fluctuations as a large proportion of costs are typically in the same currency as revenue. In future periods, year-to-year comparisons of revenue could be significantly affected by changes in foreign exchange rates.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and/or systems (including, among other things, IT systems) or from external events. Operational risk is present in all aspects of the Company's activities, and incorporates exposure relating to fiduciary breaches, regulatory compliance failures, legal disputes, business disruption, pandemics, technology and cybersecurity failures, processing errors, business integration, theft and fraud, damage to physical assets, employee safety, and insurance coverage.

Dependence on key customers

From time to time, the Company may be dependent on a small number of customers for a significant portion of overall revenue and net income. Should one or more such customers terminate contracts with the Company, there can be no guarantee that the Company will obtain sufficient replacement contracts to maintain the existing revenue and income levels. Consequently, the Company continues to work to expand its client base and geographic field of operations to mitigate its exposure to any single client, commodity, or mining region.

Expansion and acquisition strategy

The Company intends to remain vigilant with regards to potential strategic future acquisitions and internal expansion. It is not possible to ensure that future acquisition opportunities will exist on acceptable terms, or that newly acquired or developed entities will be successfully integrated into the Company's operations and culture. In the future, if the Company's acquisitions do not yield the expected returns or the intended benefits, or such acquisitions are not realized, it could adversely affect the Company's revenue, cash flow and profitability. Additionally, the Company cannot give assurances that it will be able to secure the necessary financing on acceptable terms to pursue this strategy.

Climate change risk

The Company operates in various regions and jurisdictions where environmental laws are evolving and are not necessarily consistent. As the world is becoming increasingly aware of the impact of climate change, a number of governments or governmental bodies in jurisdictions where the Company operates have introduced or are contemplating regulatory

changes in response to the potential impact of climate change, such as policies and regulations relating to greenhouse gas emission levels, energy efficiency and reporting of climate-change related risks, which in turn may result in increased cost for the Company or for clients in respect of their project or, in some cases, prevent a project from going forward. Such increased costs may in turn reduce the need for the Company's services, which in turn could have a material adverse impact on the Company's revenue, cash flow and profitability.

A failure to meet climate strategy commitments and/or societal or investor expectations could also result in damage to the Company's reputation, decreased investor confidence and challenges in maintaining strong community relations, which can pose additional obstacles to the Company's ability to conduct its operations and develop its projects, which may result in a material adverse impact on its business, financial position, results of operations and future growth prospects.

In addition, climate change, such as extreme weather conditions, natural disasters, resource shortages, changing sea levels, changing temperatures, extreme weather events, storm-related flooding or extended drought, or other acute or chronic changes to the climate, represents a physical and financial risk and could affect the Company's operations, including the disruption or delays in the transportation of equipment and employees to its operations, which in turn could have an adverse financial impact on the Company's revenue, cash flow and profitability. Extreme weather events could also hinder the ability of the Company's field employees to perform their work, which may result in delays or loss of revenues.

Regulatory and legal risks

The drilling industry is highly regulated by laws and regulations, including environmental laws and regulations, which are not necessarily consistent across the jurisdictions in which the Company operates. The Company is unable to predict what legislation, revisions or regulatory directives may be proposed that might affect its operations or when such proposals may be effective. While the Company's policies mandate full compliance with all applicable laws and regulations, the Company can provide no assurance that it will be in full compliance at all times with such laws and regulations. To the extent that the Company fails to comply, or is alleged to fail to comply, with applicable legislation, regulatory directives and permits, it could be subject to monetary fines, suspension of operations or other penalties.

Corruption, bribery and fraud

The Company is required to comply with the Canadian *Corruption of Foreign Public Officials Act* ("CFPOA") as well as similar applicable laws in other jurisdictions, which prohibit companies from engaging in bribery or other prohibited payments or gifts to foreign public officials for the purpose of retaining or obtaining business. The Company's policies mandate full compliance with these laws. However, there can be no assurance that the policies and procedures and other safeguards that the Company has implemented in relation to its compliance with these laws will be effective or that Company employees, agents, suppliers, or other industry partners have not engaged or will not engage in such illegal conduct for which the Company may be held responsible. Violations of these laws could disrupt the Company's business and result in a material adverse effect on its business, operations, and reputation.

Disease outbreak

The Company may be impacted by disease outbreaks, including epidemics, pandemics or similar widespread public health emergencies (including those related to the COVID-19 coronavirus). These public health concerns pose the risk that the Company's employees, clients, consultants and other partners may be prevented from, or restricted in, conducting business activities for an indefinite period, due to the transmission of the disease or to emergency measures or restrictions that may be requested or mandated by governmental authorities. The likelihood, magnitude and the full extent of the impact of such events are inherently difficult to predict, are highly uncertain and may depend on factors beyond the Company's knowledge and control. Prolonged economic disruption, as a result of such event or disaster, may have a material and adverse impact on the Company's revenue, cash flow and profitability, including without limitation, through compromised employee health and workplace productivity, disruption to supply chains, and threats to the business continuity of the Company's clients.

In particular, the COVID-19 pandemic has created significant volatility, uncertainty and economic disruption since it was declared a global pandemic in 2020. While the Company's operations are not currently being impacted in any significant manner by COVID-19, the Company recognizes that the situation remains dynamic and continues to monitor developments. The extent to which the COVID-19 pandemic impacts future business, including the Company's operations and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time.

Equipment modernization and parts availability

The Company's ability to provide reliable service is dependent upon timely delivery of equipment and replacement parts from fabricators and suppliers. Any factor that substantially increases the order time on equipment and increases uncertainty surrounding final delivery dates may constrain future growth, existing operations, and the financial performance of the Company.

Reputational risk

Negative publicity, whether true or not, regarding practices, actions, or inactions, could adversely affect the Company's value, liquidity, or customer base.

Cybersecurity risk

While information systems are integral to supporting the Company's business, due to the nature of the Company's services, it is not considered to be subject to the same level of cybersecurity risks as companies operating in sectors where sensitive information is at the core of their business. Nevertheless, the Company is potentially exposed to risks ranging from internal human error to uncoordinated individual attempts to gain unauthorized access to its information technology systems, to sophisticated and targeted measures directed at the Company and its systems, clients, or service providers. Any such disruptions in the Company's systems or the failure of the systems to operate as expected could, depending on the magnitude of the problem, result in the loss of client information, a loss of current or future business, reputational harm and/or potential claims against the Company, all of which could have an adverse effect on the Company's business, financial condition, and operating results. The Company continues to enhance its efforts to mitigate these risks. It invests in technology security initiatives to better identify and address any vulnerabilities including periodic third-party vulnerability assessments, testing user knowledge of cybersecurity best practices, and audits of security processes and procedures. In addition, the Company continues to increase its employees' awareness of security policies through ongoing communications.

Market price and dilution of common shares

Securities of mining companies, and consequently, drilling companies, have experienced volatility in the past, at times unrelated to the financial performance of the companies involved. These factors include macroeconomic developments in North America and internationally and market perceptions of the attractiveness of particular industries. As a result of this volatility, the market price of the Company's common shares at any given point in time may not accurately reflect the Company's long-term value. In the event that the Company increases the number of common shares issued, this may have a dilutive effect on the price of the common shares.

Environmental, health and safety regulations and considerations

The Company's operations involving contract drilling, exploration, and development activities require permits and other approvals from various federal, provincial, state, and local governmental authorities. Such operations are, and will be, governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety, and other matters. Environmental laws and regulations and their interpretation have changed rapidly in recent years and may continue to do so in the future. Evolving public expectations with respect to the environment and increasingly stringent laws and regulations could result in increased costs of compliance, and failure to recognize and adequately respond to them could result in fines, regulatory scrutiny, or have a significant effect on the Company's reputation and financial results. While the Company's policies mandate full compliance with all of its required permits and approvals and all applicable laws and regulations, there can be no assurance that it will obtain and/or maintain full compliance at all times. Failure to obtain and/or maintain full compliance with such permits, approvals and/or regulations could have adverse effects on the Company's revenue, cash flow and profitability.

Insurance

The Company maintains insurance coverage for various aspects of its business and operations. The Company's insurance programs have varying coverage limits as well as exclusions for certain matters. Additionally, the Company's customer contracts generally separate the responsibilities of the Company and the customer, and the Company tries to obtain indemnification from its customers by contract for some of these risks even though the Company also has insurance coverage. The Company cannot assure, however, that its liability insurance or indemnification agreements will adequately protect the Company against all liabilities or losses that may arise from the hazard of the Company's operations. The occurrence of a significant event that has not been fully insured or indemnified against, or the failure of a customer to meet its indemnification obligations to the Company, if any, could materially and adversely affect the Company's business and financial results. Moreover, the Company cannot assure that insurance will continue to be available on commercially reasonable terms, that the possible types of liabilities that may be incurred will be covered by insurance, or that the dollar

amount of the liabilities will not exceed policy limits. A successful claim resulting from a hazard for which it is not fully insured could adversely affect the Company's revenue, cash flow and profitability.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that all relevant information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized, and reported on a timely basis, and is accumulated and communicated to the Company's management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

The Company's CEO and CFO have evaluated the effectiveness of the Company's DC&P and concluded that, subject to the inherent limitations and restrictions noted below, those DC&Ps were effective for the year ended April 30, 2023.

The Company's CEO and CFO are responsible for designing 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.

During fiscal 2023, management, including its CEO and CFO, evaluated the existence and design of the Company's ICFR and confirm there were no changes to the ICFR that have occurred during the year that materially affected, or are reasonably likely to materially affect, the Company's ICFR. The Company continues to review and document its DC&P and its ICFR, and may, from time to time, make changes aimed at enhancing their effectiveness and to ensure that its systems evolve with the business.

As of April 30, 2023, an evaluation of the effectiveness of the Company's DC&P and ICFR, as defined in NI 52-109, was carried out under the supervision of the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the design and operation were effective at a reasonable level for the period covered by this report.

The evaluations were conducted in accordance with the framework and criteria established in Internal Control - Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of NI 52-109.

Limitations of control and procedures

Management, including the CEO and the CFO, does not expect that the Company's DC&P and ICFR will prevent or detect all errors and all fraud. 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

The authorized capital of the Company consists of an unlimited number of common shares, currently the only class of voting equity securities. Holders of common shares are entitled to receive notice of, attend and vote at all meetings of the shareholders of the Company. Each common share carries the right to one vote in person or by proxy at all meetings of the shareholders of the Company.

The Company's share data was composed of the following:

<i>(amounts in thousands)</i>	As at June 13, 2023	As at June 7, 2022
Common shares	83,031	82,706
Stock options outstanding	947	1,171