



Management's Discussion and Analysis

July 31, 2022

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") relates to the results of operations, financial condition and cash flows of Major Drilling Group International Inc. ("Major Drilling" or the "Company") as at and for the three-month period ended July 31, 2022. All amounts in this MD&A are in Canadian dollars, except where otherwise noted.

This MD&A is a review of activities and results for the three-month period ended July 31, 2022 as compared to the corresponding period in the previous year. Comments relate to, and should be read in conjunction with, the comparative unaudited Interim Condensed Consolidated Financial Statements as at and for the three-month period ended July 31, 2022, prepared in accordance with IAS 34 Interim Financial Reporting, and also in conjunction with the audited Consolidated Financial Statements and Management's Discussion and Analysis contained in the Company's Annual Report for the fiscal year ended April 30, 2022.

This MD&A is dated September 6, 2022. Disclosure contained in this document is current to that date, unless otherwise stated.

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; the level of funding for the Company's clients (particularly for junior mining companies); competitive pressures; global political and economic environments; the integration of business acquisitions and the realization of the intended benefits of such acquisitions; the Company's dependence on key customers; exposure to currency movements (which can affect the Company's revenue in Canadian dollars); implications of the COVID-19 pandemic; currency restrictions; 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; as well as other risk factors described under "General Risks and Uncertainties" in the Company's Annual Information Form for the year ended April 30, 2022, available on the SEDAR website at www.sedar.com. 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.

COVID-19

Activity levels have returned to pre-pandemic levels in most regions the Company operates in. As the long-term impacts of the COVID-19 pandemic evolve, the Company closely monitors any developments in each of the regions in which it operates, in order to continue assessing any possible impact on the Company's business, with a focus on the appropriate action to take, if warranted.

Due to the cyclical nature of the business, Major Drilling is well versed in successfully managing operations during typical cyclical industry downturns, which has also enabled the Company to manage successfully during the COVID-19 pandemic. The Company has a global, diversified, and durable business model that serves well during these challenging times. The Company strictly enforces enhanced safety protocols, while working with its customers to encompass their safety protocols, to make every effort to ensure all employees remain safe and healthy. The Company's experienced management team has been proactive from the onset of the COVID-19 pandemic and will continue to act quickly to appropriately accommodate any changes in this operating environment, as necessary.

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.

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 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 gold's average mine life has fallen to a low of nearly 10 years, many of the new mineral deposits are located in areas challenging to access, requiring complex drilling solutions, and continuing the demand for Major Drilling's specialized services. Major Drilling's strategy is to focus its services on these specialized drilling projects and remain the world's leading provider of specialized drilling services by providing quality, safety and results every day, 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 has the liquidity required to meet customer demands and its financial strength allows it to adapt and manage effectively through challenging periods.

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 would include, 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 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 frequent community initiatives 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 was marked by a lack of exploration and depleting reserves.

Gold has historically been a significant driver in the mining industry, accounting for 40 to 50% of the global exploration spend. Exploration activity generally varies up or down with the trend in gold prices, however, despite the fact that there has been a decline in commodity prices in the last few months, the Company's activity levels currently remain stable as the slowdown in junior financing has been offset by a desire from senior customers to continue to grow their reserves, both in precious and base metals.

The demand for base metals is dependent on economic activity. While the supply shortfall for both gold and copper reserves continues to grow, the demand for electrification continues to grow as well, which will increase the need for metals such as copper, battery metals and uranium. As well, governments across the world are unleashing significant stimulus programs targeting non-carbon emitting energy and upgrading their electric grids, which will require enormous volumes of copper and uranium. This is expected to lead to substantial investment in copper and other base metal exploration projects as the Company helps discover the metals that allow the world to accelerate its efforts toward a green economy.

As resources in some areas are becoming depleted, future mineral deposits will have to come from areas difficult to access, either in remote or politically challenging areas, deeper in the ground or at higher altitudes. Meanwhile, on average it takes 10 to 15 years to bring a mine into production. These factors should result in improved demand for specialized services in the future.

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.

OVERALL PERFORMANCE

During the quarter, the Company continued to see increased demand for its complex specialized drilling services and recorded its highest quarterly revenue and net earnings in 10 years, with revenue at \$199.8 million, up 32% from revenue of \$151.0 million recorded in the prior year.

Gross margin percentage for the year was 25.6% compared to 20.1% for the previous year. Adjusted gross margin, which excludes depreciation expense (see "Non-IFRS financial measures"), was 30.8% for the current year compared to 26.3% for the prior year.

The Company generated \$43.5 million of EBITDA, an 80% increase from the \$24.2 million generated in the previous year.

Net earnings were \$24.2 million or \$0.29 per share (\$0.29 per share diluted), more than 100% growth from the previous year at \$11.1 million or \$0.14 per share (\$0.13 per share diluted).

The Company continues to maintain its strong financial position with net cash position (cash net of debt, excluding lease liabilities reported under IFRS 16 Leases - see "Non-IFRS financial measures") at \$8.5 million, an increase of \$10.1 million, compared to April 2022. During the quarter, the Company used cash to make a discretionary payment of \$20.0 million on its revolving-term facility.

RESULTS OF OPERATIONS - FIRST QUARTER RESULTS ENDED JULY 31, 2022

Total revenue for the quarter was \$199.8 million, up 32.3% from revenue of \$151.0 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 \$4 million and \$1 million, respectively.

Revenue for the quarter from Canada - U.S. drilling operations increased by 32.6% to \$112.6 million, compared to the same period last year. Demand for specialized drilling services remained elevated during the quarter while operations ran smoothly due to sound inventory management and successful labour recruitment and training.

South and Central American revenue increased by 34.9% to \$47.5 million for the quarter, compared to the same quarter last year. The increase from the prior year was driven by improved pricing environments, as well as improved performance in Chile and Argentina as they recovered from pandemic-related shutdowns, despite the usual seasonal slowdown.

Australasian and African revenue increased by 28.8% to \$39.8 million, compared to the same period last year. The regional growth is mainly attributed to having three months of the McKay acquisition revenue included in the quarterly results compared to only two months in the prior year.

Gross margin percentage for the quarter was 25.6%, compared to 20.1% for the same period last year. Depreciation expense totaling \$10.4 million is included in direct costs for the current quarter, versus \$9.3 million in the same quarter last year. Adjusted gross margin, which excludes depreciation expense, was 30.8% for the quarter, compared to 26.3% for the same period last year. Despite the negative impact of COVID-19 in the Company's Australasian region, and global inflationary headwinds, margins improved from the prior year quarter due to overall pricing improvements and enhanced productivity.

General and administrative costs were \$16.2 million, an increase of \$2.6 million compared to the same quarter last year, primarily due to increased employee compensation and increased travel costs with the ease of COVID-19 restrictions.

Other expenses were \$3.0 million, up from \$2.6 million in the prior year quarter, due primarily to higher incentive compensation expenses throughout the Company given the increased profitability.

The income tax provision for the quarter was an expense of \$7.3 million, compared to an expense of \$2.7 million for the prior year period. The increase from the prior year was due to an overall increase in profitability.

Net earnings were \$24.2 million or \$0.29 per share (\$0.29 per share diluted) for the quarter, compared to net earnings of \$11.1 million or \$0.14 per share (\$0.13 per share diluted) for the prior year quarter.

SUMMARY OF QUARTERLY RESULTS

(in \$000s CAD, except per share)	<i>Fiscal 2023</i>	<i>Fiscal 2022</i>				<i>Fiscal 2021</i>		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	\$199,835	\$189,975	\$138,752	\$170,693	\$150,995	\$128,117	\$100,387	\$114,152
Gross profit	51,174	48,448	23,427	37,538	30,360	15,053	11,058	22,852
Gross margin	25.6%	25.5%	16.9%	22.0%	20.1%	11.7%	11.0%	20.0%
Adjusted gross margin	30.8%	31.0%	24.2%	28.3%	26.3%	18.4%	20.3%	28.3%
Net earnings (loss)	24,248	22,433	5,676	14,290	11,060	2,344	(1,467)	7,009
Per share - basic	0.29	0.27	0.07	0.17	0.14	0.03	(0.02)	0.09
Per share - diluted	0.29	0.27	0.07	0.17	0.13	0.03	(0.02)	0.09

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

The change in non-cash operating working capital items was an outflow of \$16.5 million for the year, compared to an outflow of \$5.4 million for the prior year. The outflow of non-cash operating working capital was primarily comprised of:

- a decrease in accounts payable of \$9.2 million;
- an increase in prepaids of \$4.2 million;
- an increase in inventory of \$2.2 million; and
- an increase in accounts receivable of \$0.9 million.

Cash flow from operating activities for the quarter ended July 31, 2022 was an inflow of \$20.7 million compared to an inflow of \$16.8 million in the previous year.

Investing activities

Capital expenditures were \$13.2 million for the quarter ended July 31, 2022, compared to \$11.7 million for the prior year.

The drill rig count was 600 at July 31, 2022, as the Company added 7 new rigs to its fleet through capital expenditures while disposing of 10 older and inefficient rigs.

Financing activities

During the quarter, the Company made a discretionary payment of \$20.0 million on its revolving-term facility to reduce the balance owing on this facility to \$30.0 million.

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.

Operating credit facilities

The credit facilities related to operations total \$31.4 million (\$30.0 million from a Canadian chartered bank and \$1.4 million 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 either the bank's U.S. dollar base rate in Canada plus 0.5% or the bank's London Interbank Offer rate ("LIBOR") plus 2.0% for U.S. dollar draws. The U.S. facility bears interest at the bank's LIBOR plus 2.25%. At July 31, 2022, the Company had utilized \$1.3 million of these facilities for outstanding stand-by letters of credit.

The Company also has a credit facility of \$2.3 million for credit cards for which interest rate and repayment are as per cardholder agreements.

Long-term debt

Total long-term debt was \$29.7 million as of July 31, 2022 a decrease of \$20.3 million during the quarter as the Company made a \$20.0 million discretionary payment on its revolving-term facility.

As of July 31, 2022, 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 July 31, 2022, \$30.0 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 either the bank's U.S. dollar base rate in Canada plus 0.5% or the bank's LIBOR plus 2.0% for U.S. dollar draws (depending on timing of draw), interest only payable in monthly installments, secured by corporate guarantees of companies within the group, maturing in October 2023.

To manage its exposure to interest rate risks, early in the current quarter the Company entered into an interest rate swap with a notional value of \$20 million, swapping the Canadian-Bankers' Acceptance – Canadian Dealer Offered Rate for an annual fixed rate of 3.32%, maturing in May of 2023.

As at July 31, 2022, 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 July 31, 2022, the Company had unused borrowing capacity under its credit facilities of \$75.1 million and cash of \$61.1 million, for a total of \$136.2 million in available funds.

OUTLOOK

Despite a decline in commodity prices since the beginning of 2022, activity levels currently remain stable. The slowdown in junior financing is offset by a desire from senior customers to continue growing their reserves, both in precious and base metals. With the prices of metals remaining at levels well above what is needed to support exploration, the Company is already in discussions with several senior customers for their calendar 2023 programs, with many looking to book their rigs early. With the growing supply shortfall in both gold and copper, several of the Company's senior customers have committed to prioritizing value-adding grassroots exploration and development programs.

Developing skilled crews is crucial in order to maintain dominance in the specialized drilling market. The Company expects to continue reaping the benefits from its training efforts around the world, promoting growth and productivity.

The global demand for electrification continues to grow and will require an enormous volume of copper, battery metals and uranium, which will increase pressure on the existing supply/demand dynamic. It is expected that all of this 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 a green economy.

Backed by the Company's strong financial position, the strong operational leverage in its business model and success in recruiting, training, and inventory management, Major Drilling maintains its position as the operator and employer of choice in the industry and continues to be in a unique position to react to, and benefit from these market dynamics.

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>Q1 2023</u>	<u>Q1 2022</u>
Net earnings	\$ 24,248	\$ 11,060
Finance costs	430	472
Income tax provision	7,285	2,715
Depreciation and amortization	11,541	9,989
EBITDA	<u>\$ 43,504</u>	<u>\$ 24,236</u>

Adjusted gross profit/margin - excludes depreciation expense:

(in \$000s CAD)	<u>Q1 2023</u>	<u>Q1 2022</u>
Total revenue	\$ 199,835	\$ 150,995
Less: direct costs	<u>148,661</u>	<u>120,635</u>
Gross profit	51,174	30,360
Add: depreciation	<u>10,414</u>	<u>9,309</u>
Adjusted gross profit	<u>61,588</u>	<u>39,669</u>
Adjusted gross margin	30.8%	26.3%

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

(in \$000s CAD)	<u>July 31, 2022</u>	<u>April 30, 2022</u>
Cash	\$ 61,118	\$ 71,260
Contingent consideration	(23,000)	(22,907)
Long-term debt	<u>(29,655)</u>	<u>(50,000)</u>
Net cash (debt)	<u>\$ 8,463</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 quarter, approximately 23% of revenue generated was in Canadian dollars with most of the balance being 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 quarter, when comparing to the effective rates for the same period last year, was approximately \$4 million. The favourable impact on net earnings was \$1 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 July 31, 2022, the most significant carrying amounts of net monetary assets and/or liabilities (which may include intercompany balances with other subsidiaries) that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; and (ii) cause foreign exchange rate exposure, including the impact on earnings before income taxes ("EBIT"), if the corresponding rate changes by 10%, are as follows (in \$000s CAD):

	<u>Rate variance</u>	<u>USD/CAD</u>	<u>MNT/USD</u>	<u>USD/AUD</u>	<u>MXN/USD</u>	<u>IDR/USD</u>	<u>USD/CLP</u>	<u>Other</u>
Net exposure on monetary assets (liabilities)		13,062	7,245	3,745	2,739	2,499	(4,819)	2,978
EBIT impact	+/-10%	1,451	805	416	304	278	535	331

Argentina currency status

As inflation rates continue to rise across the globe, Argentina is experiencing hyper-inflation with the rate rising to 58% annually 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 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.

Mongolia currency status

Due to the temporary shortage of U.S. cash, late in fiscal 2022 the Mongolian State Great Khural (the unicameral parliament of Mongolia) implemented certain temporary currency control measures that could last until January 1, 2023. These control measures could impact the Company's ability to exchange excess Mongolian Tugriks for USD. The Company is monitoring this situation closely.

COMPREHENSIVE EARNINGS

The Interim Condensed Consolidated Statements of Comprehensive Earnings for the year includes a \$3.1 million unrealized loss on translating the financial statements of the Company's foreign operations compared to a gain of \$2.0 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.

OFF BALANCE SHEET ARRANGEMENTS

Except for commitments exempt from balance sheet treatment under IFRS 16 Leases, the Company does not have any off balance sheet arrangements.

GENERAL RISKS AND UNCERTAINTIES

A complete discussion of general risks and uncertainties may be found in the Company's Annual Information Form for the most recently completed fiscal year, which can be found on the SEDAR website at www.sedar.com. The Company is not aware of any significant changes to risk factors from those disclosed at that time.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's CEO and CFO are responsible for designing disclosure controls and procedures ("DC&P") and 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.

For the three-month period ended July 31, 2022, there have been no changes in the Company's DC&P or ICFR that have materially affected, or are reasonably likely to materially affect, the Company's DC&P or ICFR. Accordingly, the CEO and CFO have concluded that the design and operation were effective at a reasonable level for the period covered by this report.

Limitations of controls and procedures

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

As of September 6, 2022, there were 82,847,254 common shares issued and outstanding in the Company. This represents an increase of 140,800 issued and outstanding shares, due to the exercise of stock options, as compared to the number reported in the Company's annual MD&A (reported as of June 7, 2022).

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's Annual Information Form, is available on the SEDAR website at www.sedar.com.