# Management's Discussion and Analysis

# Third Quarter Fiscal 2021

# 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 and nine-month periods ended January 31, 2021. 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 and nine months ended January 31, 2021 as compared to the corresponding periods 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 and nine months ended January 31, 2021, 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, 2020.

This MD&A is dated March 4, 2021. Disclosure contained in this document is current to that date, unless otherwise stated.

*Amounts presented in comparative periods for certain items may have been allocated consistent with current year presentation.*

## 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 Canadian and international economic environments; the Company's dependence on key customers; the level of funding for the Company's clients (particularly for junior mining companies); implications of the COVID-19 pandemic; competitive pressures; exposure to currency movements (which can affect the Company's revenue in Canadian dollars); 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, 2020, 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

Due to the cyclical nature of the business, Major Drilling is a company well versed in managing successfully during typical cyclical industry downturns, which also enables 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 times. The Company's experienced management team has been proactive from the onset of the COVID-19 pandemic, and will continue to react quickly to any changes in this environment, as necessary.

In the fourth quarter of the previous year, the Company formally implemented its business continuity plan, which focused on having employees who can work remotely do so. In the first quarter of the current year, the Company cautiously implemented a plan to have employees return to their place of work with strict enforcement of safety protocols to ensure they remain safe and healthy. This plan includes, among other things, health screening, enhanced cleaning arrangements, travel bans, revised work schedules and the reorganization of processes and procedures to limit contact with other employees, customers and contractors on-site.

While activity levels during the current quarter have increased, the Company is closely monitoring developments in each of the regions in which it operates in order to react quickly and take actions if warranted. While the longer-term impacts of COVID-19 continue to evolve, management continues to assess any possible impact on the Company's business. As clients, suppliers and employees have adapted well to the enhanced safety measures and protocols, which have become a normal part of operations, management continues to believe the impact on its business will be temporary.

## 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, and Africa. 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.

In terms of customer base, the Company has two categories of customers: senior/intermediate companies, for which the Company provides greenfield exploration drilling and/or drilling at operating mines, and junior exploration companies.

At Major Drilling, safety is a core value. Keeping people safe is of the utmost importance. The Company's safety standards lead the industry with well-trained crews who can quickly assess and manage risk, leading to better results for the Company's clients. The Company's safety system has been developed to meet or exceed all applicable government and client standards.

Innovation continues to be at the forefront at Major Drilling. The Company leverages its collective experience to continuously improve its equipment and processes to meet current and future industry demands. 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

Major Drilling continues to base its business premise on the following: mining companies continue to deplete the more easily accessible mineral reserves around the world and attractive deposits will be in increasingly remote locations, areas difficult to access and/or deep in the ground. For this reason, 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. Over the years, the Company 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.

Diversification within the drilling field continues to be an integral part of the Company's business strategy. Major Drilling provides services complementary to its existing skill set, with a wide variety of equipment available to meet its clients' needs for all phases of their projects, including directional drilling, definition or infield drilling, mine development, dewatering, grade control, and percussive drilling for producing mines. Of the 17 rigs acquired during the year, 14 were underground rigs.

The Company intends to continue modernizing and innovating its fleet and expanding its footprint in strategic areas, while maintaining a strong balance sheet and remaining best in class in safety and human resources.

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 continue to fuel future growth and the Company believes these skills will be in greater and greater demand over the next two decades.

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.

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 diversified drilling 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 maintain its equipment in good condition and maintain sufficient inventory to meet increased customer demands. The Company's financial strength allows it to manage effectively through challenging environments such as the COVID-19 pandemic the world continues to deal with.

## 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 it operates; and responsible corporate citizens in the eyes of the Company's workforce, clients, 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 in order to formalize its risk management structure and mitigation strategies. The Company's ESG Policy was adopted in fiscal 2021, complementing other pre-existing corporate policies such as its Code of Ethics and Business Conduct, Diversity Policy, and Anti-Corruption 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 First Nations and Inuit partnerships in Canada, and frequent community initiatives by its teams worldwide, including multiple donations to aid in the fight against COVID-19.

## 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.

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. The coronavirus outbreak has created economic uncertainty, and as gold is a safe-haven asset, prices reached historic highs in the first half of the fiscal year, rising above US$2,000 per ounce, while copper prices have recently increased, which should translate into more exploration in the near future as mining companies need to replenish depleting reserves.

The demand for base metals is dependent on economic activity. In the longer-term, the fundamental drivers of base metals remain positive, with worldwide supply of most metals expected to tighten and higher demand coming from the emerging markets. As these markets continue to urbanize, the requirement for base metals will continue to increase at the same time as easily accessible reserves are being depleted. As well, new infrastructure budgets announced around the world will require more copper and other metals, which should accelerate the depletion of those reserves. Also, the growing demand for electric vehicles should increase demand for metals such as copper, lithium and cobalt.

Mineral reserves for gold and base metals continue to be depleted. As resources in some areas are also becoming depleted, future mineral deposits will have to come from areas difficult to access, either in remote or politically sensitive areas, deeper in the ground or at higher altitudes. Along with the recent improvement in the financing environment for juniors, this should improve demand for specialized services in the future as stability returns to the industry.

**OVERALL PERFORMANCE**

Revenue for the quarter ended January 31, 2021 was $100.4 million, up 23% from revenue of $81.7 million recorded for the same quarter last year. This is the highest third-quarter revenue the Company has recorded since the third quarter of 2013.

Gross margin percentage for the quarter was 11.0% compared to 6.3% for the same quarter last year. Adjusted gross margin, which excludes depreciation expense (see "Non-IFRS financial measures"), was 20.3% for the quarter compared to 17.6% for the same quarter last year.

The Company generated $8.7 million of EBITDA (earnings before interest, taxes, depreciation, amortization and restructuring charge - see "Non-IFRS financial measures"), compared to $2.7 million for the same quarter last year.

Net loss was $1.5 million or $0.02 per share compared to $9.9 million or $0.12 per share for the same quarter last year.

Net cash position (net of debt, excluding lease liabilities reported under IFRS 16 Leases) was up by $6.6 million to $14.2 million, compared to net cash of $7.6 million in the second quarter of the current year.

**RESULTS OF OPERATIONS - THIRD QUARTER RESULTS ENDED JANUARY 31, 2021**

Total revenue for the quarter was $100.4 million, up 23% from revenue of $81.7 million recorded in the same quarter last year. The unfavourable foreign exchange translation impact on revenue for the quarter, when comparing to the effective rates for the same period last year, was approximately $2.5 million, with a minimal impact on net earnings as expenditures in foreign jurisdictions tend to be in the same currency as revenue.

Revenue for the quarter from Canada - U.S. drilling operations increased by 48.7% to $56.8 million, compared to the same period last year. This region saw an influx in junior activity as well as extended programs from seniors/intermediates in December and early start-ups in January.

South and Central American revenue increased by 13.0% to $21.8 million for the quarter, compared to the same quarter last year. This region continued its slow recovery from COVID-19 and was also assisted by early start-ups in January.

Asian and African revenue decreased by 9.9% to $21.8 million, compared to the same period last year. Despite a strong performance in Mongolia in the quarter, Southern Africa faced continued challenges from COVID-19 that negatively impacted the region.

Gross margin percentage for the quarter was 11.0%, compared to 6.3% for the same period last year. Depreciation expense totaling $9.3 million is included in direct costs for the current quarter, versus $9.2 million in the same quarter last year. Adjusted gross margin (see "Non-IFRS financial measures"), which excludes depreciation expense, was 20.3% for the quarter, compared to 17.6% for the same period last year. Margins were impacted by increased training costs, seasonal maintenance and ramp-up costs due to quick start-ups in January.

General and administrative costs were $11.7 million, a decrease of $1.0 million compared to the same quarter last year. Reduced travel continues to drive the decrease in general and administrative costs, as compared to the previous year, as well as favorable foreign exchange impacts in certain jurisdictions. Travel restrictions will remain in place until a time when it can be resumed in a safe and responsible manner.

The income tax provision for the quarter was nil compared to an expense of $0.3 million for the prior year period. The income tax for the quarter was impacted by non-deductible expenses and non-tax affected losses in certain regions, while incurring taxes in profitable branches.

Net loss was $1.5 million or $0.02 per share ($0.02 per share diluted) for the quarter, compared to a net loss of $9.9 million or $0.12 per share ($0.12 per share diluted) for the prior year quarter.

**RESULTS OF OPERATIONS – YEAR-TO-DATE ENDED JANUARY 31, 2021**

Total revenue for the year was $304.0 million, down from revenue of $320.4 million recorded last year. The unfavourable foreign exchange translation impact on revenue for the year, when comparing to the effective rates for the same period last year, was approximately $5 million, with a minimal impact on net earnings 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 5% to $173.5 million, compared to the same period last year. Despite COVID-19 related challenges to start the year, this region has performed well with junior activity picking up and seniors/intermediates expanding programs.

South and Central American revenue decreased by 23% to $62.9 million for the year, compared to the previous year. COVID-19 restrictions, predominantly in Argentina, Chile and Mexico, have negatively impacted the performance of this region during the fiscal year,

Asian and African revenue decreased by 9% to $67.6 million compared to the same period last year. COVID-19 related shutdowns in the early part of the year have been the main cause of the decrease in revenue compared to prior year.

Gross margin percentage for the year was 16.1%, compared to 16.0% for the previous year. Depreciation expense totaling $28.5 million is included in direct costs for the current year, versus $27.9 million in the previous year. Adjusted gross margin, which excludes depreciation expense, was 25.5% for the year, compared to 24.7% for the previous year.

General and administrative costs were $34.5 million, down $2.5 million compared to the previous year. The decrease is mainly related to various temporary government assistance programs for employee costs during the first half of the year, and reduced travel related to COVID-19 restrictions.

The income tax provision for the year was an expense of $3.3 million compared to an expense of $5.3 million for the prior year.

Net earnings were $7.7 million or $0.10 per share ($0.10 per share diluted) for the year, compared to net earnings of $3.3 million or $0.04 per share ($0.04 per share diluted) for the prior year.

**SUMMARY OF QUARTERLY RESULTS**

| (in $000s CAD, except per share) | *Fiscal 2019* | *Fiscal 2020* | | | | ***Fiscal 2021*** | | |
|---|---|---|---|---|---|---|---|---|
| | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| Revenue | $100,397 | $117,459 | $121,182 | $81,719 | $ 88,784 | $ 89,420 | $114,152 | $100,387 |
| Gross profit | 13,381 | 21,369 | 24,707 | 5,166 | 9,401 | 15,125 | 22,852 | 11,058 |
| Gross margin | 13.3% | 18.2% | 20.4% | 6.3% | 10.6% | 16.9% | 20.0% | 11.0% |
| Adjusted gross margin | 23.0% | 26.1% | 28.1% | 17.6% | 21.5% | 27.8% | 28.3% | 20.3% |
| Net earnings (loss) | (2,957) | 6,033 | 7,259 | (9,947) | (74,307) | 2,148 | 7,009 | (1,467) |
| Per share - basic | (0.04) | 0.08 | 0.09 | (0.12) | (0.92) | 0.03 | 0.09 | (0.02) |
| Per share - diluted | (0.04) | 0.08 | 0.09 | (0.12) | (0.92) | 0.03 | 0.09 | (0.02) |

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.

**LIQUIDITY AND CAPITAL RESOURCES**

***Operating activities***

Cash flow from operating activities for the quarter was an inflow of $12.9 million compared to an inflow of $10.9 million in the same quarter last year.

The change in non-cash operating working capital items was an inflow of $5.7 million for the quarter, compared to an inflow of $10.7 million for the same quarter last year. The inflow of non-cash operating working capital was primarily comprised of:

- a decrease in accounts receivable of $14.8 million;
- a decrease in accounts payable of $5.8 million;
- an increase in prepaids of $1.9 million; and
- an increase in inventory of $1.6 million.

***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.

Operating credit facilities

The credit facilities related to operations total $31.3 million ($30.0 million from a Canadian chartered bank and $1.3 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 LIBOR plus 2.0% for U.S. dollar draws. At January 31, 2021, the Company had utilized $3.4 million of these facilities for stand-by letters of credit.

The Company also has a credit facility of $2.6 million for credit cards for which interest rate and repayment are as per cardholder agreements.

Long-term debt

Total long-term debt decreased by $0.3 million during the quarter to $15.7 million at January 31, 2021. The decrease is due to regular debt repayments.

As of January 31, 2021, the Company had the following long-term debt facilities:

- $50.0 million revolving facility for financing the cost of equipment purchases or acquisition costs of related businesses. At January 31, 2021, $15.0 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.

- $0.6 million non-revolving facility. This facility carries a fixed interest rate of 5.9% and is amortized over ten years ending in August 2021.

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital, capital expenditure and debt obligations. As at January 31, 2021, the Company had unused borrowing capacity under its credit facilities of $62.9 million and cash of $30.0 million, for a total of $92.9 million in available funds.

***Investing activities***
Capital expenditures were $5.1 million for the quarter ended January 31, 2021, compared to $8.8 million for the same quarter last year.

The drill rig count was 590 at January 31, 2021, as the Company added 3 rigs to its fleet, in line with its diversification strategy, while disposing of 14 older and inefficient rigs.

## OUTLOOK

While the Company experienced the typical holiday shutdowns in the latter part of the current quarter, the momentum in activity experienced in the second quarter has continued into the early part of the third quarter. With January start-ups taking place earlier than in previous years, these are strong indicators that the industry is in the early stages of a mining cycle upturn.

Gold exploration was the main driver of the initial pickup in activity for the current quarter. Copper prices have recently increased, which should lead to more exploration in the near future, as mining companies need to replenish depleting reserves.

As this pickup in activity brings labour issues back to the forefront, particularly in North America, the Company has increased training efforts around the world to meet this labour availability challenge. Many of the initiatives that were successful in the last industry upturn have been re-instated.

The Company's financial strength allows it to continue to deploy technologies that will aid in the ongoing development of safe, competent employees and maintain its fleet to meet customers' demands, improve rig reliability, productivity and utilization, as well as to invest in its continuous improvement initiatives.

## 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 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, amortization and restructuring charge:**

| (in $000s CAD) | **Q3 2021** | Q3 2020 | **YTD 2021** | YTD 2020 |
|---|---|---|---|---|
| Net earnings (loss) | **$ (1,467)** | $ (9,947) | **$ 7,690** | $ 3,345 |
| Finance costs | **337** | 293 | **961** | 716 |
| Income tax provision | **26** | 280 | **3,263** | 5,294 |
| Depreciation and amortization | **9,853** | 9,940 | **30,048** | 29,629 |
| Restructuring charge | **-** | 2,116 | **-** | 2,116 |
| EBITDA | **$ 8,749** | $ 2,682 | **$ 41,962** | $ 41,100 |

**Adjusted gross profit/margin - excludes depreciation expense:**

| (in $000s CAD) | **Q3 2021** | Q3 2020 | **YTD 2021** | YTD 2020 |
|---|---|---|---|---|
| Total revenue | **$ 100,387** | $ 81,719 | **$ 303,959** | $ 320,360 |
| Direct costs | **89,329** | 76,552 | **254,924** | 269,118 |
| Less: depreciation | **(9,306)** | (9,243) | **(28,481)** | (27,876) |
| Adjusted gross profit | **20,364** | 14,410 | **77,516** | 79,118 |
| Adjusted gross margin | **20.3%** | 17.6% | **25.5%** | 24.7% |

**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 relative strength of the Canadian dollar against the U.S. dollar as well as these other currencies.

During the quarter, approximately 33% 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 unfavourable foreign exchange translation impact on revenue for the quarter, when comparing to the effective rates for the same quarter last year, was approximately $2.5 million. The foreign exchange impact on net earnings for the quarter was negligible as net earnings tend to remain less impacted by currency fluctuations as a large proportion of costs are typically incurred 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 January 31, 2021, the most significant carrying amounts of net monetary assets or liabilities (which may include intercompany balances with other subsidiaries) that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; and (ii) cause foreign exchange rate exposure, including the impact on earnings before income taxes ("EBIT"), if the corresponding rate changes by 10%, are as follows:

| | **Rate variance** | **IDR/USD** | **MNT/USD** | **USD/AUD** | **USD/BRL** | **USD/CLP** | **USD/CAD** | **Other** |
|---|---|---|---|---|---|---|---|---|
| Net exposure on monetary assets | | 7,686 | 5,034 | 4,568 | 3,214 | 4,202 | 7,094 | 124 |
| EBIT impact | +/-10% | 854 | 559 | 508 | 357 | 467 | 788 | 14 |

***Argentina currency status***
During the previous quarter, in an effort to bring inflation down and stabilize markets as the financial crisis continues in Argentina, the Argentine government imposed tighter currency controls. As the Argentine peso continues to devalue, the Company continues to be vigilant in managing assets held in Argentine pesos and currently has limited exposure to the Argentine peso.

## COMPREHENSIVE EARNINGS

The Interim Condensed Consolidated Statements of Comprehensive Earnings for the quarter includes a $9.4 million unrealized loss on translating the financial statements of the Company's foreign operations compared to a loss of $0.5 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.

## GENERAL RISKS AND UNCERTAINTIES

A complete discussion of general risks and uncertainties may be found in the Company's Annual Information Form for the fiscal year ended April 30, 2020, 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.

## 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.

## 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.

There have been no changes in the Company's ICFR for the three and nine-month periods ended on January 31, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's 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 control 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 has 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 March 4, 2021, there were 80,640,753 common shares issued and outstanding in the Company. This is the same number as reported in the Company's second quarter MD&A (reported as of December 10, 2020).

## 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.