Management's Discussion and Analysis

Third Quarter Fiscal 2023

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 months ended January 31, 2023 . 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 month periods ended January 31, 2023 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 month periods ended January 31, 2023, 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 March 2, 2023. 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; competitive pressures; global political and economic environments; the level of funding for the Company's clients (particularly for junior mining companies); the integration of business acquisitions and the realization of the intended benefits of such acquisitions; exposure to currency movements (which can affect the Company's revenue in Canadian dollars); currency restrictions; the Company's dependence on key customers; implications of the COVID-19 pandemic; 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.

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 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 has the liquidity required to meet customer demands and its financial strength allows it to adapt and manage effectively through challenging periods, such as the current global supply chain issues.

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. In 2022, Major Drilling published its inaugural 2021 Sustainability Report.

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. Commodity prices have rebounded in the last few months and metal prices have remained at levels well above what is needed to support exploration. The Company's activity levels currently remain stable while experiencing a shift in commodity mix in its operations during the current quarter. As activity from junior gold customers slowed, the Company's specialized drilling expertise allowed it to respond to increased demand from copper and battery metals customers.

The growing importance of the electric vehicle and electrification market is having a positive impact on the drilling industry, as evidenced by increased demand from copper and battery metal customers over the last six months. As well, governments across the world are upgrading their electric grids, which will require enormous volumes of copper. This is 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 a green economy.

As the easily accessible 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.

During the previous quarter, 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). During the current quarter, 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 third quarter is normally the Company's weakest quarter due to the shutdown of mining and exploration activities over the holiday season and annual maintenance costs incurred during that time. However, 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.

With stable demand for its complex specialized drilling services during the quarter, the Company recorded seasonally strong earnings of $6.3 million or $0.08 per share, growth of 11% from the previous year at $5.7 million or $0.07 per share. Total revenue for the quarter was $149.2 million, up 7.5% from revenue of $138.8 million recorded in the same quarter last year. The favourable foreign exchange impact on revenue, when comparing to the same quarter last year, was approximately $6 million, therefore the revenue increase related to activity increase was approximately 3%.

Enhanced productivity and price adjustments, which have more than offset inflation pressures and the annual equipment maintenance costs in the third quarter, have driven the growth in gross margin percentage for the quarter at 17.7%, compared to 16.9% for the same quarter last year. Adjusted gross margin, which excludes depreciation expense (see "Non-IFRS financial measures"), was 25.3% for the current quarter, compared to 24.2% for the prior year quarter.

With the growth in revenue and improved margin performance explained above, the Company generated $20.5 million of EBITDA, an 11% increase from the $18.4 million generated in the prior year quarter.

The Company continues to maintain its strong balance sheet and made a $10.0 million discretionary payment on its revolving-term facility during the quarter and paid the Norex Drilling Limited earn-out of $2.5 million. Net cash position (cash net of debt, excluding lease liabilities reported under IFRS 16 Leases - see "Non-IFRS financial measures") was at $74.1 million, compared to October 31, 2022 at $51.3 million, an improvement of more than 40%.

RESULTS OF OPERATIONS - THIRD QUARTER ENDED JANUARY 31, 2023

Total revenue for the quarter was $149.2 million, up 7.5% from revenue of $138.8 million recorded in the same quarter last year. 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 $6 million.

Revenue for the quarter from Canada - U.S. drilling operations increased by 1.7% to $79.6 million, compared to the same period last year. The region incurred marginal growth in the quarter as seniors and intermediates continued to offset the impact of a reduction in junior activity.

South and Central American revenue increased by 1.6% to $32.5 million for the quarter, compared to the same quarter last year. Strong growth in Argentina was muted by longer seasonal shutdowns in Brazil and Suriname.

Australasian and African revenue increased by 30.2% to $37.1 million, compared to the same period last year. The Asian region growth is attributed to new contracts signed in the second quarter as well as renegotiated contracts with favourable terms.

Gross margin percentage for the quarter was 17.7%, compared to 16.9% for the same period last year. Depreciation expense totaling $11.3 million is included in direct costs for the current quarter, versus $10.1 million in the same quarter last year. Adjusted gross margin, which excludes depreciation expense, was 25.3% for the quarter, compared to 24.2% for the same period last year. While margins in the third quarter are negatively impacted by seasonal shutdowns and annual maintenance of the equipment, there was improvement from the same period last year, attributed to the improved pricing environment and enhanced productivity of existing jobs.

General and administrative costs were $16.4 million, an increase of $2.3 million compared to the same quarter last year, primarily due to increased employee compensation in keeping with rising inflation, increased insurance costs and increased travel costs with the easing of COVID-19 restrictions.

Foreign exchange loss was $0.3 million compared to a gain of $0.4 million for the same quarter last year. While the Company's reporting currency is the Canadian dollar, various jurisdictions have net monetary assets or liabilities exposed to various other currencies.

The income tax provision for the quarter was an expense of $2.5 million, compared to an expense of $1.3 million for the prior year period. The increase in the tax expense was related to an increase in overall profitability and reduction in utilization of previously unrecognized losses compared to the prior year period.

Net earnings were $6.3 million or $0.08 per share ($0.08 per share diluted) for the quarter, compared to net earnings of $5.7 million or $0.07 per share ($0.07 per share diluted) for the prior year quarter.

RESULTS OF OPERATIONS - YEAR TO DATE ENDED JANUARY 31, 2023

Total revenue for the year was $550.8 million, up 20% from revenue of $460.4 million recorded in the previous year, which was impacted by COVID-19. The favourable foreign exchange translation impact, when comparing to the effective rates for the previous year, was approximately $16 million on revenue, while net earnings were less impacted at approximately $2 million, as expenditures in foreign jurisdictions tend to be in the same currency as revenue.

Revenue for the year from Canada – U.S. increased by 19% to $305.3 million, compared to the previous year, with the continued strong demand for specialized drilling services and increased activity levels from senior and intermediate customers offsetting the reduction in junior activity.

South and Central American revenue increased by 17% to $121.7 million for the year, compared to the previous year. While Brazil and Suriname experienced longer seasonal shutdowns in the third quarter, the increase from the prior year was driven by the improved pricing environments and the recovery from pandemic-related shutdowns with the Company's readiness to react.

Australasian and African revenue increased by 25% to $123.8 million, compared to the previous year. Growth in the region is attributed to having nine months of the McKay acquisition revenue compared to only eight months in the prior year, and the Asian region had new contracts and contract renewals with favourable terms.

Gross margin percentage for the year was 23.7%, compared to 19.8% for the previous year. Depreciation expense totaling $32.9 million is included in direct costs for the current year, versus $30.2 million in the prior year. Adjusted gross margin, which excludes depreciation expense, was 29.7% for the year, compared to 26.4% for the prior year. Despite global inflationary headwinds, margins improved from the prior year due to the improved pricing environment and productivity gains as a result of enhanced training programs.

General and administrative costs were $48.7 million, an increase of $6.9 million, compared to the previous year. The increase is driven by increased employee compensation in keeping with rising inflation, increased insurance costs and increased travel costs with the easing of COVID-19 restrictions.

Other expenses were $9.4 million, up from $8.3 million in the prior year, due primarily to higher incentive compensation expenses throughout the Company, given the increased profitability.

Foreign exchange loss was $2.0 million compared to $0.7 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 the Ukraine, stimulated foreign exchange market volatility.

The income tax provision for the year was an expense of $17.3 million, compared to an expense of $8.6 million for the prior year. The increase in the tax expense was related primarily to the increase in overall profitability from the prior year.

Net earnings were $54.1 million or $0.65 per share ($0.65 per share diluted) for the year, compared to $31.0 million or $0.38 per share ($0.38 per share diluted) for the prior year.

SUMMARY OF QUARTERLY RESULTS

(in $000s CAD, except per share)	*Fiscal 2023*			*Fiscal 2022*				*Fiscal 2021*
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	**$ 149,225**	$ 201,716	$ 199,835	$ 189,975	$ 138,752	$ 170,693	$ 150,995	$ 128,117
Gross profit	**26,438**	53,003	51,174	48,448	23,427	37,538	30,360	15,053
Gross margin	**17.7%**	26.3%	25.6%	25.5%	16.9%	22.0%	20.1%	11.7%
Adjusted gross margin	**25.3%**	31.8%	30.8%	31.0%	24.2%	28.3%	26.3%	18.4%
Net earnings	**6,273**	23,611	24,248	22,433	5,676	14,290	11,060	2,344
Per share - basic	**0.08**	0.29	0.29	0.27	0.07	0.17	0.14	0.03
Per share - diluted	**0.08**	0.28	0.29	0.27	0.07	0.17	0.13	0.03

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

The change in non-cash operating working capital items was an inflow of $26.0 million for the quarter, compared to an inflow of $31.0 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 $45.3 million;
- a decrease in prepaids of $2.2 million;
- an increase in inventory of $4.5 million; and
- a decrease in accounts payable of $17.0 million.

Cash flow from operating activities for the quarter ended January 31, 2023 was an inflow of $39.9 million compared to an inflow of $47.9 million in the previous year.

Investing activities

Capital expenditures were $15.6 million for the quarter ended January 31, 2023, compared to $12.2 million for the prior year.

The drill rig count was 602 at January 31, 2023, as the Company added 9 new rigs to its fleet through capital expenditures, while disposing of 10 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 previous quarter, the Company renewed its existing credit facility agreement for a five-year term, with the same terms and conditions as the previous agreement.

Operating credit facilities

The credit facilities related to operations total $31.5 million ($30.0 million from a Canadian chartered bank and $1.5 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 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 plus 2.05%. At January 31, 2023, 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 $2.4 million for credit cards for which interest rate and repayment are as per cardholder agreements.

Long-term debt

Total long-term debt was $19.8 million as of January 31, 2023, a decrease of $9.9 million during the quarter as the Company made a $10.0 million discretionary payment on its revolving-term facility.

As of January 31, 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 January 31, 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 October 2027.

As at January 31, 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 January 31, 2023, the Company had unused borrowing capacity under its credit facilities of $85.2 million and cash of $109.6 million, for a total of $194.8 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 quarter ended January 31, 2023.

	January 31, 2023	April 30, 2022
Interest rate swap	**$ 198**	$ -
Share-price forward contracts	**$ 2,689**	$ 5,468

OUTLOOK

Going forward, the outlook for calendar 2023 remains strong, although weather was somewhat challenging throughout February and operations got off to a slow start in a few regions. Major Drilling's emerging role in the energy transition continues to grow in importance, and over the last six months, the Company has seen the electric vehicle and electrification markets in particular drive increased demand from its copper and battery metals customers. Additionally, most of the Company's senior gold customers have committed to elevated exploration efforts in calendar 2023.

As the global demand for electrification continues to grow, the world will require an enormous volume of copper and battery metals, which is significant for the Company's outlook and the future of its business. It is expected that this will increase pressure on the existing supply/demand dynamic, and 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.

Major Drilling's core strategy is to remain the leader in specialized drilling as new mineral deposits will increasingly be located in areas more challenging to access or requiring complex drilling solutions. The Company is well positioned to execute on its growth strategy and remains committed to investing in the business by growing its fleet to ensure utilization capacity is retained to meet this growing demand.

The Company expects these drivers to maintain its strong activity levels going into fiscal 2024, and in hand with its robust financial position, will ensure it has the equipment and inventory required to be a best-in-class service provider as it moves forward in this upturn. The Company consistently meets the needs of its valued customers across the globe through safe and productive drill programs, as evidenced by its industry-recognized hole completion rates.

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 $000s CAD)	**Q3 2023**	Q3 2022	**YTD 2023**	YTD 2022
Net earnings	**$ 6,273**	$ 5,676	**$ 54,132**	$ 31,026
Finance (revenue) costs	**(620)**	373	**(164)**	1,244
Income tax provision	**2,507**	1,338	**17,333**	8,554
Depreciation and amortization	**12,330**	11,013	**35,700**	32,541
EBITDA	**$ 20,490**	$ 18,400	**$ 107,001**	$ 73,365

Adjusted gross profit/margin - excludes depreciation expense:

(in $000s CAD)	**Q3 2023**	Q3 2022	**YTD 2023**	YTD 2022
Total revenue	**$ 149,225**	$ 138,752	**$ 550,776**	$ 460,440
Less: direct costs	**122,787**	115,325	**420,161**	369,115
Gross profit	**26,438**	23,427	**130,615**	91,325
Add: depreciation	**11,300**	10,145	**32,891**	30,163
Adjusted gross profit	**37,738**	33,572	**163,506**	121,488
Adjusted gross margin	25.3%	24.2%	29.7%	26.4%

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

(in $000s CAD)	**January 31, 2023**	April 30, 2022
Cash	**$ 109,564**	$ 71,260
Contingent consideration	**(15,662)**	(22,907)
Long-term debt	**(19,802)**	(50,000)
Net cash (debt)	**$ 74,100**	$ (1,647)

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 22% 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 $6 million. The impact on net earnings was nil 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 January 31, 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):

	Rate variance	MNT/USD	IDR/USD	ARS/USD	USD/AUD	EUR/USD	USD/CAD	MXN/USD	USD/CLP	Other
Net exposure on monetary assets (liabilities)		9,719	8,501	3,626	2,573	2,511	(1,299)	(2,925)	(4,640)	1,536
EBIT impact	+/-10%	1,080	945	403	286	279	144	325	516	171

Argentina currency status
As inflation rates continue to rise across the globe, Argentina is experiencing hyper-inflation with the rate rising to 95% 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 with no estimate on when these measures could be lifted. 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 quarter includes a $3.1 million unrealized gain on translating the financial statements of the Company’s foreign operations compared to a gain of $4.4 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 quarter 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 current fiscal year. During the same quarter last year, the gain was generated by the U.S. dollar gaining 2.8% against the Canadian dollar.

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 and nine month periods ended January 31, 2023, 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 March 2, 2023, there were 82,991,929 common shares issued and outstanding in the Company. This represents an increase of 125,675 issued and outstanding shares, due to the exercise of stock options, as compared to the number reported in the Company's second quarter MD&A (reported as of December 8, 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.