

## Major Drilling Announces Strong Results for Q2 2021

**MONCTON, New Brunswick (December 10, 2020)** – Major Drilling Group International Inc. (TSX: MDI), a leading provider of specialized drilling services to the mining sector (“Major Drilling” or the “Company”), today reported results for its second quarter of fiscal year 2021, ended October 31, 2020.

### Highlights

- Generated revenue of \$114.2 million, an increase of 28% from Q1 2021, driven by increasing momentum in gold drilling activity.
- Increased revenue from junior miners.
- Recorded net earnings of \$7.0 million or \$0.09 per share.
- Repaid \$15.0 million of debt; well capitalized with \$87 million of total liquidity and a net cash position <sup>(1)</sup> of \$7.6 million, an increase of \$9.6 million compared to Q1 2021.
- Achieved new drilling record with completion of 2,000-meter hole of PQ size, the largest size of core sample in the industry.

“Although the COVID-19 pandemic continues to impact operations in certain regions, many projects resumed operations during the quarter on the back of stronger metal prices and a positive long-term outlook,” said Denis Larocque, President and CEO of Major Drilling. “Notably, junior mining companies increased their activity levels, particularly in Canada, which is behavior typically seen in an upcycle. We are encouraged that some of our senior gold customers have already forecasted higher budgets for 2021 and that junior mining companies are continuing to raise capital to fund exploration programs. Copper prices have also increased by more than 50% over the last eight months, as infrastructure plans are commencing globally. Industry experts expect the global refined copper market to hit a deficit this year, which should lead to significant investments in copper exploration projects. Looking forward to calendar 2021, as we enter our seasonally slower third quarter, we are in a unique position to react to this market dynamic as our financial strength has allowed us to invest in safety, equipment and innovation in order to meet the high standards of our customers.”

“I would like to salute our crews at the Oyu Tolgoi copper project in Mongolia for their incredible accomplishment. They achieved a new drilling record by completing a 2,000-meter hole of PQ size, which is the largest size of core sample in our industry. This is an extremely deep hole for PQ that required highly specialized expertise and equipment. Calendar 2020 has been a banner year for us in terms of specialized drilling, given we also achieved the longest drill hole ever drilled in Canada at the Windfall project for Osisko Mining, at 3,467 meters, reaffirming our reputation as the leader in specialized drilling in the industry.”

“The Company had a strong financial performance in the quarter, generating \$19.3 million in EBITDA <sup>(2)</sup> while spending \$8.0 million on capital expenditures,” said Ian Ross, CFO of Major Drilling. “The bulk of the capital expenditures related to ancillary equipment needed to support the jurisdictions where we are seeing increased demand for our drill rigs. We also added one rig this quarter and disposed of 13 older, inefficient rigs bringing the total rig count to 601. We finished the quarter with net cash of \$7.6 million, reflecting our continued strategy of maintaining a balance sheet that ensures flexibility and resilience through the cycle.”

In millions of Canadian dollars (except earnings per share)	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Revenue	\$ 114.2	\$ 121.2	\$ 203.6	\$ 238.6
Gross margin	20.0%	20.4%	18.7%	19.3%
Adjusted gross margin <sup>(2)</sup>	28.3%	28.1%	28.1%	27.1%
EBITDA <sup>(2)</sup>	19.3	20.5	33.2	38.4
As percentage of revenue	16.9%	16.9%	16.3%	16.1%
Net earnings	7.0	7.3	9.2	13.3
Earnings per share	0.09	0.09	0.11	0.17

(1) Net cash position (net of debt, excluding lease liabilities reported under IFRS16 Leases)

(2) See “Non-IFRS Financial Measures”

## Second Quarter Ended October 31, 2020

Total revenue for the quarter was \$114.2 million, down 6% from revenue of \$121.2 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 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 8.1% to \$70.6 million, compared to the same period last year. The region saw activity levels resume to pre-COVID-19 levels and part of the growth was related to an influx of junior activity as a result of the increased junior equity financings that occurred over the past six months.

South and Central American revenue decreased by 27.5% to \$21.6 million for the quarter, compared to the same quarter last year. Government or customer-imposed restrictions regarding COVID-19 remained in place during the quarter in certain regions, impacting activity levels.

Asian and African revenue decreased by 15.7% to \$22.0 million, compared to the same period last year as the region continues to deal with COVID-19 related impacts.

Gross margin percentage for the quarter was 20.0%, compared to 20.4% for the same period last year. Depreciation expense totaling \$9.5 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 28.3% for the quarter, compared to 28.1% for the same period last year. Gross margins were strong despite some COVID-19 logistical challenges that resulted in some additional direct costs. Margins were positively impacted by approximately 1%, as the Company was able to take advantage of government assistance programs available in the hardest hit regions, however as activity is now returning to pre-COVID-19 levels, these programs will have minimal impact in the coming quarter. Pricing in certain jurisdictions has been increased to reflect the demand growth and some of the COVID-19 related additional costs.

General and administrative costs were \$11.6 million, a decrease of \$0.5 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 and 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 an expense of \$2.0 million compared to an expense of \$3.0 million for the prior year period. The income tax expense for the quarter was positively impacted by the utilization of previously unrecognized losses.

Net earnings were \$7.0 million or \$0.09 per share (\$0.09 per share diluted) for the quarter, compared to net earnings of \$7.3 million or \$0.09 per share (\$0.09 per share diluted) for the prior year quarter.

## 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.

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

(in \$000s CAD)	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Total revenue	\$ 114,152	\$ 121,182	\$ 203,572	\$ 238,641
Direct costs	91,300	96,475	165,595	192,565
Less: depreciation	(9,468)	(9,311)	(19,175)	(18,632)
Adjusted gross profit	32,320	34,018	57,152	64,708
Adjusted gross margin	28.3%	28.1%	28.1%	27.1%

## EBITDA - earnings before interest, taxes, depreciation and amortization:

(in \$000s CAD)	<u>Q2 2021</u>	<u>Q2 2020</u>	<u>YTD 2021</u>	<u>YTD 2020</u>
Net earnings	\$ 7,009	\$ 7,259	\$ 9,157	\$ 13,292
Finance costs	336	204	624	423
Income tax provision	2,006	3,020	3,237	5,014
Depreciation and amortization	9,975	9,972	20,195	19,689
EBITDA	<u>\$ 19,326</u>	<u>\$ 20,455</u>	<u>\$ 33,213</u>	<u>\$ 38,418</u>

## Forward-Looking Statements

This news release 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 news release 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 news release 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](http://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.

## About Major Drilling

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 Europe. 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.

## **Webcast/Conference Call Information**

Major Drilling Group International Inc. will provide a simultaneous webcast and conference call to discuss its quarterly results on Friday, December 11, 2020 at 9:00 AM (EST). To access the webcast, which includes a slide presentation, please go to the investors/webcast section of Major Drilling's website at [www.majordrilling.com](http://www.majordrilling.com) and click on the link. Please note that this is listen-only mode.

To participate in the conference call, please dial 416-340-2217, participant passcode 7929520# and ask for Major Drilling's Second Quarter Results Conference Call. To ensure your participation, please call in approximately five minutes prior to the scheduled start of the call.

For those unable to participate, a taped rebroadcast will be available approximately one hour after the completion of the call until midnight, Saturday, December 26, 2020. To access the rebroadcast, dial 905-694-9451 and enter the passcode 6371337#. The webcast will also be archived for one year and can be accessed on the Major Drilling website at [www.majordrilling.com](http://www.majordrilling.com).

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