

Major Drilling Reports Strong Results - Revenue up 50%, Net Earnings Double

MONCTON, New Brunswick (December 2, 2021) – 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 the second quarter of fiscal 2022, ended October 31, 2021.

Highlights

- Revenue of \$170.7 million, up 50% compared to same period last year, and up 13% from last quarter.
- EBITDA⁽¹⁾ for the quarter was \$30.7 million, an increase of ~60% compared to same period last year.
- Net earnings of \$14.3 million or \$0.17 per share, highest in 9 years and up ~100% from same period last year.
- Net debt⁽¹⁾ reduced in the quarter by \$14.5 million to \$30.0 million.

“Our second quarter of fiscal 2022 was very encouraging as activity levels continued to increase in most regions. I am particularly pleased with the progress our teams have made in developing our labour force, enabling us to grow in high-demand regions while maintaining our dedication to safety, productivity, and quality. Competition for skilled drilling crews continues to be a challenge facing our industry in the most operationally intense markets, putting pressure on costs and productivity. However, Major Drilling’s proactive training and retention efforts have allowed us to support our rapid growth and deliver value to our customers. Our strategy of holding rigs and inventory ready for immediate deployment to customers continues to deliver results,” said Denis Larocque, President and CEO of Major Drilling.

“During the quarter, we secured a number of North American contract renewals with incrementally favourable terms, although this was offset slightly by the cost inflation for supplies and labour we’re seeing across the industry. In South America, the lingering effects of the pandemic continued to cause some operational disruption, though we are seeing a gradual return to normal activity levels. In Australasia, our recently acquired McKay Drilling operations continued to perform very well and contributed to a marked improvement in the region. Finally, we have seen an increase in specialized drilling demand and activity across all of our operating regions. We attribute this to our increased market share, and a resurgence of specialized projects as our customers turn to more challenging targets as the upcycle progresses.”

“I’m pleased to report that the Company achieved remarkable financial performance in the quarter, generating \$30.7 million in EBITDA, an increase of almost 60% from the same period last year. This allowed us to make significant progress in reducing our net debt position by \$14.5 million to \$30.0 million,” said Ian Ross, CFO of Major Drilling. “We spent \$11.1 million on capital expenditures during the quarter, adding 7 new drill rigs and support equipment for existing rigs being deployed to the field. We also disposed of 9 older, less efficient rigs, bringing the total rig count to 603.”

“Given the history of mining cycles and the projected near-term supply deficit for many mining commodities, I believe we are in the early stages of a significant mining industry upcycle,” noted Mr. Larocque. “We are encouraged that some of our senior gold customers are indicating higher levels of drilling activity for calendar 2022 and that junior mining companies continue to raise capital to fund exploration programs. While most base metal companies have yet to finalize their 2022 budgets, copper prices have remained at historical highs for most of calendar 2021. We expect this to lead to substantial investment in copper and other base metal exploration projects as we help discover the metals that allow the world to accelerate its efforts toward decarbonization.”

“Looking forward to calendar 2022, as we enter our seasonally slower third quarter, Major Drilling is in a unique position to react to this market dynamic. Our financial strength has allowed us to focus investment on safety, equipment, inventory and innovation in order to meet the high standards of our customers. It is crucial that we continue to aggressively and successfully invest in the recruitment and training of new drillers, to ensure Major Drilling remains both the operator and employer of choice in our industry,” said Denis Larocque.

In millions of Canadian dollars (except earnings per share)	Q2 2022	Q2 2021	YTD 2022	YTD 2021
Revenue	\$ 170.7	\$ 114.2	\$ 321.7	\$ 203.6
Gross margin	22.0%	20.0%	21.1%	18.7%
Adjusted gross margin ⁽¹⁾	28.3%	28.3%	27.3%	28.1%
EBITDA ⁽¹⁾	30.7	19.3	55.0	33.2
As percentage of revenue	18.0%	16.9%	17.1%	16.3%
Net earnings	14.3	7.0	25.4	9.2
Earnings per share	0.17	0.09	0.31	0.11

(1) See "Non-IFRS Financial Measures"

Second Quarter Ended October 31, 2021

Total revenue for the quarter was \$170.7 million, the Company's highest quarterly revenue since the second quarter of 2013, up 50% from revenue of \$114.2 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 \$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 33.7% to \$94.4 million, compared to the same period last year. The region saw continued growth on strong demand despite headwinds from the industry-wide labour challenges. The growth was driven by an increase in junior exploration as well as surging demand for specialized services.

South and Central American revenue increased by 70.4% to \$36.8 million for the quarter, compared to the same quarter last year. The growth in the region from the prior year was mainly attributed to operations in most countries recovering from the impacts of COVID-19.

Australasian and African revenue increased by 79.5% to \$39.5 million, compared to the same period last year. The growth in the region from the prior year was mainly attributed to the McKay acquisition in Australia, which continues to have robust demand for drilling services.

Gross margin percentage for the quarter was 22.0%, compared to 20.0% for the same period last year. Depreciation expense totaling \$10.7 million is included in direct costs for the current quarter, versus \$9.5 million in the same quarter last year. Adjusted gross margin, which excludes depreciation expense, was flat year-over-year at 28.3%. A stronger pricing environment, offset by increased labour and supply costs, aided margins in the quarter.

General and administrative costs were \$14.1 million, an increase of \$2.5 million compared to the same quarter last year. The increase was driven by the addition of the Australian operations and inflationary wage adjustments. The prior year was reduced by funds received from government assistance programs, related to the pandemic, that are no longer in place in the current quarter.

The income tax provision for the quarter was an expense of \$4.5 million compared to an expense of \$2.0 million for the prior year period. The increase in the tax expense was related to an increase in overall profitability from the prior year.

Net earnings were \$14.3 million or \$0.17 per share (\$0.17 per share diluted) for the quarter, compared to \$7.0 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 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.

Adjusted gross profit/margin - excludes depreciation expense:

(in \$000s CAD)	<u>Q2 2022</u>	<u>Q2 2021</u>	<u>YTD 2022</u>	<u>YTD 2021</u>
Total revenue	\$ 170,693	\$ 114,152	\$ 321,688	\$ 203,572
Less: direct costs	<u>133,155</u>	<u>91,300</u>	<u>253,790</u>	<u>165,595</u>
Gross profit	37,538	22,852	67,898	37,977
Add: depreciation	<u>10,709</u>	<u>9,468</u>	<u>20,018</u>	<u>19,175</u>
Adjusted gross profit	<u>48,247</u>	<u>32,320</u>	<u>87,916</u>	<u>57,152</u>
Adjusted gross margin	28.3%	28.3%	27.3%	28.1%

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

(in \$000s CAD)	<u>Q2 2022</u>	<u>Q2 2021</u>	<u>YTD 2022</u>	<u>YTD 2021</u>
Net earnings	\$ 14,290	\$ 7,009	\$ 25,350	\$ 9,157
Finance costs	399	336	871	624
Income tax provision	4,501	2,006	7,216	3,237
Depreciation and amortization	<u>11,539</u>	<u>9,975</u>	<u>21,528</u>	<u>20,195</u>
EBITDA	<u>\$ 30,729</u>	<u>\$ 19,326</u>	<u>\$ 54,965</u>	<u>\$ 33,213</u>

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

(in \$000s CAD)	<u>Current quarter ended October 31, 2021</u>	<u>Previous quarter ended July 31, 2021</u>	<u>April 30, 2021</u>
Cash	\$ 42,673	\$ 27,470	\$ 22,359
Contingent consideration	(22,640)	(21,742)	(1,907)
Current portion of long-term debt	-	(83)	(356)
Long-term debt	<u>(50,039)</u>	<u>(50,159)</u>	<u>(15,106)</u>
Net cash (debt)	<u>\$ (30,006)</u>	<u>\$ (44,514)</u>	<u>\$ 4,990</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 integration of business acquisitions and the realization of the intended benefits of such acquisitions; the level of funding for the Company's clients (particularly for junior mining companies); global economic environments; implications of the COVID-19 pandemic; the Company's dependence on key customers; 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 most recently completed fiscal year, 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.

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 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.

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 3, 2021 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 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 1876299# 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 Monday, January 3, 2022. To access the rebroadcast, dial 905-694-9451 and enter the passcode 5573823#. The webcast will also be archived for one year and can be accessed on the Major Drilling website at www.majordrilling.com.

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