

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Operations
(in thousands of Canadian dollars, except per share information)
(unaudited)

	Three months ended July 31	
	<u>2023</u>	<u>2022</u>
TOTAL REVENUE	\$ 198,884	\$ 199,835
DIRECT COSTS (note 8)	149,875	148,661
GROSS PROFIT	<u>49,009</u>	<u>51,174</u>
OPERATING EXPENSES		
General and administrative (note 8)	16,510	16,174
Other (revenue) expenses	2,871	3,020
(Gain) loss on disposal of property, plant and equipment	(237)	(698)
Foreign exchange (gain) loss	1,598	715
Finance (revenues) costs	<u>(682)</u>	<u>430</u>
	<u>20,060</u>	<u>19,641</u>
EARNINGS BEFORE INCOME TAX	<u>28,949</u>	<u>31,533</u>
INCOME TAX EXPENSE (RECOVERY) (note 9)		
Current	6,643	7,701
Deferred	<u>533</u>	<u>(416)</u>
	<u>7,176</u>	<u>7,285</u>
NET EARNINGS	<u>\$ 21,773</u>	<u>\$ 24,248</u>
EARNINGS PER SHARE (note 10)		
Basic	<u>\$ 0.26</u>	<u>\$ 0.29</u>
Diluted	<u>\$ 0.26</u>	<u>\$ 0.29</u>

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Comprehensive Earnings
(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	<u>2023</u>	<u>2022</u>
NET EARNINGS	\$ 21,773	\$ 24,248
OTHER COMPREHENSIVE EARNINGS		
Items that may be reclassified subsequently to profit or loss		
Unrealized gain (loss) on foreign currency translations	(8,299)	(3,092)
Unrealized gain (loss) on derivatives (net of tax)	<u>22</u>	<u>(1,632)</u>
COMPREHENSIVE EARNINGS	<u>\$ 13,496</u>	<u>\$ 19,524</u>

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Changes in Equity
For the three months ended July 31, 2023 and 2022
(in thousands of Canadian dollars)
(unaudited)

	Share capital	Retained earnings (deficit)	Other reserves	Share-based payments reserve	Foreign currency translation reserve	Total
BALANCE AS AT MAY 1, 2022	\$ 263,183	\$ 31,022	\$ 1,536	\$ 3,996	\$ 60,021	\$ 359,758
Exercise of stock options	761	-	-	(267)	-	494
Share-based compensation	-	-	-	112	-	112
	<u>263,944</u>	<u>31,022</u>	<u>1,536</u>	<u>3,841</u>	<u>60,021</u>	<u>360,364</u>
Comprehensive earnings:						
Net earnings	-	24,248	-	-	-	24,248
Unrealized gain (loss) on foreign currency translations	-	-	-	-	(3,092)	(3,092)
Unrealized gain (loss) on derivatives	-	-	(1,632)	-	-	(1,632)
Total comprehensive earnings	<u>-</u>	<u>24,248</u>	<u>(1,632)</u>	<u>-</u>	<u>(3,092)</u>	<u>19,524</u>
BALANCE AS AT JULY 31, 2022	<u><u>263,944</u></u>	<u><u>55,270</u></u>	<u><u>(96)</u></u>	<u><u>3,841</u></u>	<u><u>56,929</u></u>	<u><u>379,888</u></u>
BALANCE AS AT MAY 1, 2023	\$ 266,071	\$105,944	\$ (37)	\$ 3,696	\$ 76,903	\$ 452,577
Exercise of stock options	529	-	-	(146)	-	383
Share-based compensation	-	-	-	101	-	101
Share buyback (note 7)	(451)	(840)	-	-	-	(1,291)
Stock options expired/forfeited	-	1	-	(1)	-	-
	<u>266,149</u>	<u>105,105</u>	<u>(37)</u>	<u>3,650</u>	<u>76,903</u>	<u>451,770</u>
Comprehensive earnings:						
Net earnings	-	21,773	-	-	-	21,773
Unrealized gain (loss) on foreign currency translations	-	-	-	-	(8,299)	(8,299)
Unrealized gain (loss) on derivatives	-	-	22	-	-	22
Total comprehensive earnings	<u>-</u>	<u>21,773</u>	<u>22</u>	<u>-</u>	<u>(8,299)</u>	<u>13,496</u>
BALANCE AS AT JULY 31, 2023	<u><u>\$ 266,149</u></u>	<u><u>\$126,878</u></u>	<u><u>\$ (15)</u></u>	<u><u>\$ 3,650</u></u>	<u><u>\$ 68,604</u></u>	<u><u>\$ 465,266</u></u>

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Cash Flows
(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Earnings before income tax	\$ 28,949	\$ 31,533
Operating items not involving cash		
Depreciation and amortization (note 8)	11,989	11,541
(Gain) loss on disposal of property, plant and equipment	(237)	(698)
Share-based compensation	101	112
Finance (revenues) costs recognized in earnings before income tax	<u>(682)</u>	<u>430</u>
	40,120	42,918
Changes in non-cash operating working capital items	(16,124)	(16,468)
Finance revenues received (costs paid)	682	(430)
Income taxes paid	<u>(4,965)</u>	<u>(5,350)</u>
Cash flow from (used in) operating activities	<u>19,713</u>	<u>20,670</u>
FINANCING ACTIVITIES		
Repayment of lease liabilities	(319)	(444)
Repayment of long-term debt (note 6)	(20,000)	(20,000)
Issuance of common shares due to exercise of stock options	383	494
Repurchase of common shares (note 7)	<u>(1,291)</u>	<u>-</u>
Cash flow from (used in) financing activities	<u>(21,227)</u>	<u>(19,950)</u>
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (note 5)	(16,274)	(13,154)
Proceeds from disposal of property, plant and equipment	293	2,291
Cash flow from (used in) investing activities	<u>(15,981)</u>	<u>(10,863)</u>
Effect of exchange rate changes	<u>(1,020)</u>	<u>1</u>
INCREASE (DECREASE) IN CASH	(18,515)	(10,142)
CASH, BEGINNING OF THE PERIOD	<u>94,432</u>	<u>71,260</u>
CASH, END OF THE PERIOD	<u><u>\$ 75,917</u></u>	<u><u>\$ 61,118</u></u>

Major Drilling Group International Inc.

Interim Condensed Consolidated Balance Sheets

As at July 31, 2023 and April 30, 2023

(in thousands of Canadian dollars)

(unaudited)

	<u>July 31, 2023</u>	<u>April 30, 2023</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 75,917	\$ 94,432
Trade and other receivables (note 12)	133,986	137,633
Income tax receivable	2,027	2,336
Inventories	116,063	115,128
Prepaid expenses	13,066	10,996
	<u>341,059</u>	<u>360,525</u>
PROPERTY, PLANT AND EQUIPMENT (note 5)	217,450	215,085
RIGHT-OF-USE ASSETS	4,633	5,637
DEFERRED INCOME TAX ASSETS	3,602	4,444
GOODWILL	22,403	22,690
INTANGIBLE ASSETS	<u>2,978</u>	<u>3,304</u>
	<u><u>\$ 592,125</u></u>	<u><u>\$ 611,685</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	\$ 88,741	\$ 102,144
Income tax payable	5,085	3,674
Current portion of lease liabilities	1,556	1,617
Current portion of contingent consideration	7,066	7,138
	<u>102,448</u>	<u>114,573</u>
LEASE LIABILITIES	4,241	3,965
CONTINGENT CONSIDERATION	8,066	7,975
LONG-TERM DEBT	-	19,972
DEFERRED INCOME TAX LIABILITIES	<u>12,104</u>	<u>12,623</u>
	<u>126,859</u>	<u>159,108</u>
SHAREHOLDERS' EQUITY		
Share capital	266,149	266,071
Retained earnings	126,878	105,944
Other reserves	(15)	(37)
Share-based payments reserve	3,650	3,696
Foreign currency translation reserve	68,604	76,903
	<u>465,266</u>	<u>452,577</u>
	<u><u>\$ 592,125</u></u>	<u><u>\$ 611,685</u></u>

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JULY 31, 2023 AND 2022 (UNAUDITED)

(in thousands of Canadian dollars, except per share information)

1. NATURE OF ACTIVITIES

Major Drilling Group International Inc. (the “Company”) is incorporated under the Canada Business Corporations Act and has its head office at 111 St. George Street, Moncton, NB, Canada. The Company’s common shares are listed on the Toronto Stock Exchange (“TSX”). The principal source of revenue consists of contract drilling for companies primarily involved in mining and mineral exploration. The Company has operations in Canada, the United States, Mexico, South America, Asia, Africa, and Australia.

2. BASIS OF PRESENTATION

Statement of compliance

These Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies as outlined in the Company’s annual Consolidated Financial Statements for the year ended April 30, 2023.

On September 5, 2023, the Board of Directors authorized the financial statements for issue.

Basis of consolidation

These Interim Condensed Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statements of Operations from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Intercompany transactions, balances, income and expenses are eliminated on consolidation, where appropriate.

Basis of preparation

These Interim Condensed Consolidated Financial Statements have been prepared based on the historical cost basis, except for certain financial instruments that are measured at fair value, using the same accounting policies and methods of computation as presented in the Company’s annual Consolidated Financial Statements for the year ended April 30, 2023.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The preparation of financial statements, in conformity with International Financial Reporting Standards (“IFRS”), requires management to make judgments, estimates and assumptions that are not readily apparent from other sources, which affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Significant areas requiring the use of management estimates relate to the useful lives of property, plant and equipment for depreciation purposes, property, plant and equipment and inventory valuation, determination of income and other taxes, assumptions used in the compilation of fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities, contingent consideration, allowance for impairment of trade receivables, and impairment testing of goodwill and intangible assets.

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(in thousands of Canadian dollars, except per share information)

3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS (Continued)

The Company applied judgment in determining the functional currency of the Company and its subsidiaries, the determination of cash-generating units ("CGUs"), the degree of componentization of property, plant and equipment, the recognition of provisions and accrued liabilities, and the determination of the probability that deferred income tax assets will be realized from future taxable earnings.

4. SEASONALITY OF OPERATIONS

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.

5. PROPERTY, PLANT AND EQUIPMENT

Capital expenditures for the three months ended July 31, 2023 were \$16,274 (2022 - \$13,154). The Company did not obtain direct financing for the three months ended July 31, 2023 or 2022.

6. LONG-TERM DEBT

During the quarter, the Company made a discretionary payment of \$20,000 on its revolving term facility, bringing long-term debt to nil at July 31, 2023.

7. SHARE BUYBACK

During the quarter, the Company initiated its Normal Course Issuer Bid ("NCIB") and repurchased 145,300 common shares at an average price of \$8.89.

8. EXPENSES BY NATURE

Direct costs by nature are as follows:

	<u>Q1 2024</u>	<u>Q1 2023</u>
Depreciation	\$ 10,951	\$ 10,414
Employee salaries and benefit expenses	68,353	65,992
Materials, consumables and external costs	61,066	61,156
Other	9,505	11,099
	<u>\$ 149,875</u>	<u>\$ 148,661</u>

General and administrative expenses by nature are as follows:

	<u>Q1 2024</u>	<u>Q1 2023</u>
Amortization of intangible assets	\$ 266	\$ 362
Depreciation	772	765
Employee salaries and benefit expenses	8,923	8,665
Other general and administrative expenses	6,549	6,382
	<u>\$ 16,510</u>	<u>\$ 16,174</u>

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9. INCOME TAXES

The income tax provision for the period can be reconciled to accounting earnings before income tax as follows:

	<u>Q1 2024</u>	<u>Q1 2023</u>
Earnings before income tax	\$ 28,949	\$ 31,533
Statutory Canadian corporate income tax rate	27%	27%
Expected income tax provision based on statutory rate	7,816	8,514
Non-recognition of tax benefits related to losses	638	156
Utilization of previously unrecognized losses	(1,364)	(1,945)
Other foreign taxes paid	146	1,006
Rate variances in foreign jurisdictions	122	102
Permanent differences and other	(182)	(548)
Income tax provision recognized in net earnings	<u>\$ 7,176</u>	<u>\$ 7,285</u>

The Company periodically assesses its liabilities and contingencies for all tax years open to audit based upon the latest information available. For those matters where it is probable that an adjustment will be made, the Company records its best estimate of these tax liabilities, including related interest charges. Inherent uncertainties exist in estimates of tax contingencies due to changes in tax laws. While management believes they have adequately provided for the probable outcome of these matters, future results may include favourable or unfavourable adjustments to these estimated tax liabilities in the period the assessments are made, or resolved, or when the statutes of limitations lapse.

10. EARNINGS PER SHARE

All of the Company's earnings are attributable to common shares, therefore, net earnings are used in determining earnings per share.

	<u>Q1 2024</u>	<u>Q1 2023</u>
Net earnings	\$ 21,773	\$ 24,248
Weighted average number of shares:		
Basic (000s)	83,026	82,739
Diluted (000s)	<u>83,303</u>	<u>83,151</u>
Earnings per share		
Basic	\$ 0.26	\$ 0.29
Diluted	\$ 0.26	\$ 0.29

The calculation of diluted earnings per share for the three months ended July 31, 2023 excludes the effect of 205,000 options, (2022 - 128,396) as they were not in-the-money.

The total number of shares outstanding on July 31, 2023 was 82,958,679 (2022 - 82,846,004).

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JULY 31, 2023 AND 2022 (UNAUDITED)

(in thousands of Canadian dollars, except per share information)

11. SEGMENTED INFORMATION

The Company's operations are divided into the following three geographic segments, corresponding to its management structure: Canada - U.S.; South and Central America; and Australasia and Africa. The services provided in each of the reportable segments are essentially the same. The accounting policies of the segments are the same as those described in the Company's annual Consolidated Financial Statements for the year ended April 30, 2023. Management evaluates performance based on earnings from operations in these three geographic segments before finance costs, general corporate expenses and income taxes. Data relating to each of the Company's reportable segments is presented as follows:

	<u>Q1 2024</u>	<u>Q1 2023</u>
Revenue		
Canada - U.S.*	\$ 101,452	\$ 112,600
South and Central America	51,638	47,453
Australasia and Africa	45,794	39,782
	<u>\$ 198,884</u>	<u>\$ 199,835</u>

*Canada - U.S. includes revenue of \$36,689 (2022- \$46,024) for Canadian operations.

	<u>Q1 2024</u>	<u>Q1 2023</u>
Earnings from operations		
Canada - U.S.	\$ 14,885	\$ 23,752
South and Central America	9,990	9,053
Australasia and Africa	7,887	3,164
	<u>32,762</u>	<u>35,969</u>
Finance (revenues) costs	(682)	430
General and corporate expenses**	4,495	4,006
Income tax	7,176	7,285
	<u>10,989</u>	<u>11,721</u>
Net earnings	<u>\$ 21,773</u>	<u>\$ 24,248</u>

**General and corporate expenses include expenses for corporate offices and stock-based compensation.

	<u>Q1 2024</u>	<u>Q1 2023</u>
Capital expenditures		
Canada - U.S.	\$ 9,011	\$ 8,406
South and Central America	4,069	3,331
Australasia and Africa	3,125	1,152
Unallocated and corporate assets	69	265
Total capital expenditures	<u>\$ 16,274</u>	<u>\$ 13,154</u>
Depreciation and amortization		
Canada - U.S.	\$ 5,916	\$ 5,395
South and Central America	2,567	2,513
Australasia and Africa	3,314	3,413
Unallocated and corporate assets	192	220
Total depreciation and amortization	<u>\$ 11,989</u>	<u>\$ 11,541</u>

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JULY 31, 2023 AND 2022 (UNAUDITED)

(in thousands of Canadian dollars, except per share information)

11. SEGMENTED INFORMATION (Continued)

	<u>July 31, 2023</u>	<u>April 30, 2023</u>
Identifiable assets		
Canada - U.S.*	\$ 278,989	\$ 283,895
South and Central America	161,542	154,384
Australasia and Africa	189,134	193,739
Unallocated and corporate liabilities	(37,540)	(20,333)
Total identifiable assets	<u>\$ 592,125</u>	<u>\$ 611,685</u>

*Canada - U.S. includes property, plant and equipment as at July 31, 2023 of \$66,756 (April 30, 2023 - \$65,481) for Canadian operations.

12. FINANCIAL INSTRUMENTS

Fair value

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 enters into certain derivative financial instruments to manage its exposure to interest rate and market risks, comprised of share-price forward contracts with a combined notional amount of \$7,331 maturing at varying dates through June 2026.

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, 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 July 31, 2023.

	<u>July 31, 2023</u>	<u>April 30, 2023</u>
Interest rate swap	\$ -	\$ 28
Share-price forward contracts	\$ (344)	\$ 2,189

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JULY 31, 2023 AND 2022 (UNAUDITED)

(in thousands of Canadian dollars, except per share information)

12. FINANCIAL INSTRUMENTS (Continued)

Credit risk

As at July 31, 2023, 96.2% (April 30, 2023 - 97.0%) of the Company's trade receivables were aged as current and 2.7% (April 30, 2023 - 2.5%) of the trade receivables were impaired.

The movements in the allowance for impairment of trade receivables during the three and twelve-month periods were as follows:

	<u>July 31, 2023</u>	<u>April 30, 2023</u>
Opening balance	\$ 3,303	\$ 1,517
Increase in impairment allowance	282	2,620
Recovery of amounts previously impaired	(115)	(51)
Write-off charged against allowance	-	(824)
Foreign exchange translation differences	(22)	41
Ending balance	<u>\$ 3,448</u>	<u>\$ 3,303</u>

Foreign currency risk

As at July 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):

	<u>Rate variance</u>	<u>USD/CAD</u>	<u>IDR/USD</u>	<u>MNT/USD</u>	<u>ARS/USD</u>	<u>MXN/USD</u>	<u>USD/CLP</u>	<u>Other</u>
Net exposure on monetary assets (liabilities)		8,491	7,954	6,704	1,926	1,831	(5,092)	899
EBIT impact	+/-10%	943	884	745	214	203	566	100

Liquidity risk

The following table details contractual maturities for the Company's financial liabilities:

	<u>1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>	<u>Thereafter</u>	<u>Total</u>
Trade and other payables	\$ 88,741	\$ -	\$ -	\$ -	\$ 88,741
Lease liabilities (interest included)	1,850	2,860	1,650	337	6,697
Contingent consideration (undiscounted)	7,066	8,832	-	-	15,898
	<u>\$ 97,657</u>	<u>\$ 11,692</u>	<u>\$ 1,650</u>	<u>\$ 337</u>	<u>\$ 111,336</u>