



Management's Discussion and Analysis

Second Quarter Fiscal 2024

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 six-month periods ended October 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 six-month periods ended October 31, 2023, as compared to the corresponding period 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 six-month periods ended October 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, 2023.

This MD&A is dated December 7, 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 herein. 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 and local political and economic environments and conditions; the level of funding for the Company's clients (particularly for junior mining companies); exposure to currency movements (which can affect the Company's revenue in Canadian dollars); currency restrictions; efficient management of the Company's growth; the integration of business acquisitions and the realization of the intended benefits of such acquisitions; safety of the Company's workforce; risks and uncertainties relating to climate change and natural disaster; the Company's dependence on key customers; 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; disease outbreak; as well as other risk factors described under "General Risks and Uncertainties" in the Company's MD&A for the year ended April 30, 2023, available on the SEDAR+ website at www.sedarplus.ca. 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.

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. 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 in order to meet or exceed all applicable government and client standards. During the previous fiscal year, the Company achieved a new milestone of 9.4 million Lost Time Injury ("LTI") free hours and an LTI Rate of 0.05, a new record in the Company's history.

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 hands-free 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 the world accelerates its efforts toward decarbonization and a more sustainable future, the growing global demand for electrification continues to increase the need for metals like copper, nickel and lithium, increasing pressure on the existing supply/demand dynamic. This requires complex drilling solutions that heighten the demand for Major Drilling's specialized services. Major Drilling's core strategy is to focus 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. Driven by a diversified commodity mix, the Company focuses operations on strategic mining geographies and stable jurisdictions, providing shareholders, and potential new investors, an opportunity to invest in the mining industry with growing exposure to precious metals, battery metals and critical minerals, while limiting mine or country exposure.

Major Drilling's globally diversified operations provide 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 adapt and manage effectively through challenging periods, such as the continuing global supply chain issues, and to respond to rapid increases in demand as the need arises.

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. To achieve this, the Company is committed to continuously improving and strengthening its ESG Framework for its global operations, which is underpinned by Major Drilling's ESG Policy, complimenting 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. Major Drilling published its 2022 Sustainability Report in June 2023.

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 undertaken 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 (fiscal 2013 to fiscal 2021) was marked by a lack of exploration and depleting reserves.

The industry is still early in the exploration cycle and prices remain above levels needed to support exploration. Based on historical experience, the mining industry will have to go through an intense multi-year infill drilling period to develop new mines in order to fill the projected supply gap in the different commodities. With commodity reserves diminishing, the need to replenish supply shortfalls for most metals remains a priority for mining companies, and on average, it takes 10 to 15 years to bring a mine into production.

The Company continues to see the growing global demand for electrification increasing the need for metals like copper, nickel and lithium. This will require an enormous volume of copper, battery metals, and likely uranium, increasing pressure on the existing supply/demand dynamic. These factors are expected to lead to substantial additional investments in copper and other base metal exploration projects, thus resulting in an increased demand for drilling services. In this context, the Company will be well positioned to continue to help its customers discover the metals that will allow the world to accelerate its efforts toward decarbonization.

OVERALL PERFORMANCE

With a debt-free balance sheet, the Company continued to generate cash during the quarter, with net cash increasing by \$23.4 million to \$84.2 million by the end of the quarter. During the quarter, as challenging capital markets negatively impacted company valuations across the mining sector, the Company continued to make use of its Normal Course Issuer Bid ("NCIB") program and acquired and cancelled 875,268 of its shares at a weighted average price of \$8.31.

The Company generated revenue of \$207.0 million, up 2.6% from revenue of \$201.7 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 \$3 million.

The Company continued to see strength in its business as the increased demand from copper and battery metal customers more than offset the slowdown in exploration from junior gold companies. During the quarter, combined revenue from copper and lithium increased by 40% compared to the same period last year. In addition, a rise in South American operations outweighed a decline in North American revenue, showcasing the effectiveness of the Company's global diversification strategy.

Gross margin was relatively steady for the current quarter at 25.3%, compared to 26.3% for the same quarter last year. Adjusted gross margin, which excludes depreciation expense (see "Non-IFRS financial measures"), was 31.0% for the current quarter, compared to 31.8% for the prior year quarter.

The Company continued to deliver solid financial performance during the quarter, generating \$43.6 million of EBITDA (earnings before interest, taxes, depreciation and amortization, see "Non-IFRS financial measures"). Net earnings were \$23.7 million or \$0.29 per share, compared to the same quarter last year at \$23.6 million or \$0.29 per share.

RESULTS OF OPERATIONS - SECOND QUARTER ENDED OCTOBER 31, 2023

Total revenue for the quarter was \$207.0 million, up 2.6% from revenue of \$201.7 million recorded in the same quarter last year. The favourable foreign exchange translation impact on revenue and net earnings for the quarter, when comparing to the effective rates for the same period last year, was approximately \$3 million and \$1 million, respectively. Mining companies continued elevated spending on exploration and resource definition as reserves are depleting, and the need for battery metals drives exploration.

Revenue for the quarter from Canada - U.S. drilling operations decreased by 5.7% to \$106.7 million, compared to the same period last year. Canada continues to be negatively impacted by financing constraints for the junior miners, which has caused a slowdown in this region compared to the same quarter last year.

South and Central American revenue increased by 25.9% to \$52.5 million for the quarter, compared to the same quarter last year. The demand for battery metals is driving activity levels in both Chile and Argentina as operations have seen positive impacts from these commodities.

Australasian and African revenue increased by 1.9% to \$47.8 million, compared to the same period last year. Demand for the Company's specialized services in Australia continues to drive growth in this region.

Gross margin percentage for the quarter was 25.3%, compared to 26.3% for the same period last year. Depreciation expense totaling \$11.8 million is included in direct costs for the current quarter, versus \$11.2 million in the same quarter last year. Adjusted gross margin, which excludes depreciation expense, was 31.0% for the quarter, compared to 31.8% for the same period last year. Margins held relatively steady year-over-year as inflationary headwinds have been mainly offset by modest price improvements.

General and administrative costs were \$17.6 million, an increase of \$1.5 million compared to the same quarter last year. The increase from the prior year was driven by annual inflationary wage increases and higher travel costs associated with elevated business activity levels.

Other expenses were \$3.2 million, down from \$4.7 million in the prior year quarter, primarily due to a decrease in the annual allowance for doubtful accounts as compared to the prior year quarter.

Foreign exchange loss was \$0.9 million, compared to a loss of \$1.1 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 \$7.4 million, compared to an expense of \$7.5 million for the prior year period. The tax provision was flat compared to the prior year as profit levels were consistent year-over-year.

Net earnings were \$23.7 million or \$0.29 per share (\$0.29 per share diluted) for the quarter, compared to net earnings of \$23.6 million or \$0.29 per share (\$0.28 per share diluted) for the prior year quarter.

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

Total revenue for the year was \$405.8 million, up from revenue of \$401.6 million recorded in the previous year. The favourable foreign exchange translation impact on revenue and net earnings for the year, when comparing to the effective rates for the previous year, was approximately \$9 million and \$1 million, respectively.

Revenue for the year from Canada - U.S. drilling operation decreased by 8% to \$208.1 million, compared to the prior year. As the region recovered from delays relating to permitting early in the fiscal year, Canada continues to be negatively impacted by financing constraints for the junior miners, causing a slowdown in this region.

South and Central American revenue increased by 17% to \$104.1 million for the year, compared to the prior year. All regions except Mexico contributed to this growth as the demand for battery metals is having a positive impact on both Chile and Argentina operations.

Australasian and African revenue increased by 8% to \$93.6 million, compared to the prior year. Demand for the Company's specialized services in Australia and additional energy work in Mongolia early in the fiscal year continue to drive growth in this region.

Gross margin percentage for the year was 25.0%, compared to 25.9% for the previous year. Depreciation expense totaling \$22.8 million is included in direct costs for the current year, versus \$21.6 million in the prior year. Adjusted gross margin, which excludes depreciation expense, was 30.6% for the year, compared to 31.3% for the previous year. Margins held relatively steady year-over-year as inflationary headwinds have been mainly offset by modest price improvements in most markets.

General and administrative costs were \$34.1 million, an increase of \$1.9 million compared to the prior year. The increase from the prior year was driven by annual inflationary wage increases and higher travel costs associated with elevated business activity levels.

Other expenses were \$6.1 million, down from \$7.7 million in the prior year, due to a decrease in the annual allowance for doubtful accounts, combined with lower incentive compensation expenses throughout the Company given the decreased profitability as compared to the prior year.

Foreign exchange loss was \$2.5 million, compared to a loss of \$1.8 million for the previous 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 loss for the current year was generated primarily by Argentina, Chile and Indonesia.

The income tax provision for the year was an expense of \$14.6 million, compared to an expense of \$14.8 million for the prior year. The tax provision was down slightly compared to the prior year, consistent with year-over-year profit.

Net earnings were \$45.5 million or \$0.55 per share (\$0.55 per share diluted) for the year, compared to net earnings of \$47.9 million or \$0.58 per share (\$0.58 per share diluted) for the prior year.

SUMMARY OF QUARTERLY RESULTS

(in \$000s CAD, except per share)	Fiscal 2024		Fiscal 2023				Fiscal 2022	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	\$ 206,951	\$ 198,884	\$ 184,966	\$ 149,225	\$ 201,716	\$ 199,835	\$ 189,975	\$ 138,752
Gross profit	52,361	49,009	46,286	26,438	53,003	51,174	48,448	23,427
Gross margin	25.3%	24.6%	25.0%	17.7%	26.3%	25.6%	25.5%	16.9%
Adjusted gross margin	31.0%	30.1%	30.8%	25.3%	31.8%	30.8%	31.0%	24.2%
Net earnings	23,694	21,773	20,790	6,273	23,611	24,248	22,433	5,676
Per share - basic	0.29	0.26	0.25	0.08	0.29	0.29	0.27	0.07
Per share - diluted	0.29	0.26	0.25	0.08	0.28	0.29	0.27	0.07

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

The change in non-cash operating working capital items was an inflow of \$6.7 million for the quarter, compared to an inflow of \$13.3 million for the same quarter last year. The inflow of non-cash operating working capital was primarily comprised of:

- an increase in inventory of \$0.1 million;
- a decrease in prepaids of \$0.1 million;
- a decrease in accounts receivable of \$2.3 million; and
- an increase in accounts payable of \$4.4 million.

Cash flow from operating activities for the quarter ended October 31, 2023 was an inflow of \$45.4 million compared to an inflow of \$52.1 million in the previous year.

Investing activities

During the quarter, the Company made the second payment on the contingent consideration arising out of the McKay Drilling PTY Limited acquisition for \$7.0 million.

Capital expenditures were \$17.4 million for the quarter ended October 31, 2023, compared to \$13.3 million for the prior year.

The drill rig count was 602 at October 31, 2023, as the Company added 6 new rigs to its fleet, along with essential support equipment, through capital expenditures, while disposing of 5 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 quarter, the Company made use of its NCIB, repurchasing 875,268 common shares at an average price of \$8.31 per share.

Operating credit facilities

The credit facilities related to operations total \$31.7 million (\$30.0 million from a Canadian chartered bank and \$1.7 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 October 31, 2023, the Company had utilized \$1.4 million of these facilities for outstanding stand-by letters of credit.

The Company also has a credit facility of \$2.8 million for credit cards for which interest rate and repayment are as per cardholder agreements.

Long-term debt

During the previous quarter, the Company made a discretionary \$20 million payment on its revolving term facility bringing the long-term debt balance to nil.

As of October 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, 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 September 2027.

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 October 31, 2023, the Company had unused borrowing capacity under its credit facilities of \$105.3 million and cash of \$92.5 million, for a total of \$197.8 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 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 \$7.3 million, 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 (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 October 31, 2023.

	<u>October 31, 2023</u>		<u>April 30, 2023</u>
Interest rate swap	\$	-	\$ 28
Share-price forward contracts	\$	(1,879)	\$ 2,189

OUTLOOK

In the short term, it is important to note that the Company is now in the third quarter, traditionally the weakest quarter of the fiscal year, as mining and exploration companies pause their drilling programs, often for extended periods over the holiday season. While conversations remain encouraging heading into calendar 2024, the Company has started to see several projects slowing down earlier than the previous year.

Looking at calendar 2024, customer demand is expected to remain strong as the growing supply shortfall in most mineral commodities should continue to drive demand for the Company's services for several years. The growing global demand for electrification will only increase the need for metals like copper, nickel and lithium. This will require an enormous volume of copper, battery metals, and likely uranium, increasing pressure on the existing supply/demand dynamic. This is expected to continue to drive 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 decarbonization. With gold prices recently reaching record highs, this could have a positive impact on funding for junior mining companies.

The Company remains committed to investing in its fleet and support equipment, innovation in the field, and Tier 1 safety standards, differentiating itself in an industry that has seen a lack of investment over the years. Coupled with its industry-leading balance sheet, the Company is extremely well positioned moving forward to support its customers in their efforts to supply the world with the minerals needed to transition to a more sustainable future.

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)	<u>Q2 2024</u>	<u>Q2 2023</u>	<u>YTD 2024</u>	<u>YTD 2023</u>
Net earnings	\$ 23,694	\$ 23,611	\$ 45,467	\$ 47,859
Finance (revenues) costs	(275)	26	(957)	456
Income tax provision	7,434	7,541	14,610	14,826
Depreciation and amortization	12,780	11,829	24,769	23,370
EBITDA	<u>\$ 43,633</u>	<u>\$ 43,007</u>	<u>\$ 83,889</u>	<u>\$ 86,511</u>

Adjusted gross profit/margin - excludes depreciation expense:

(in \$000s CAD)	<u>Q2 2024</u>	<u>Q2 2023</u>	<u>YTD 2024</u>	<u>YTD 2023</u>
Total revenue	\$ 206,951	\$ 201,716	\$ 405,835	\$ 401,551
Less: direct costs	154,590	148,713	304,465	297,374
Gross profit	52,361	53,003	101,370	104,177
Add: depreciation	11,840	11,177	22,791	21,591
Adjusted gross profit	<u>64,201</u>	<u>64,180</u>	<u>124,161</u>	<u>125,768</u>
Adjusted gross margin	31.0%	31.8%	30.6%	31.3%

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

(in \$000s CAD)	<u>October 31, 2023</u>	<u>April 30, 2023</u>
Cash	\$ 92,467	\$ 94,432
Contingent consideration	(8,270)	(15,113)
Long-term debt	-	(19,972)
Net cash (debt)	<u>\$ 84,197</u>	<u>\$ 59,347</u>

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 16% of revenue generated was in Canadian dollars with most of the balance being in Australian and 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 \$3 million. The impact on net earnings was somewhat muted at \$1 million 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 October 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>MNT/USD</u>	<u>IDR/USD</u>	<u>ARS/USD</u>	<u>MXN/USD</u>	<u>USD/CLP</u>	<u>USD/CAD</u>	<u>Other</u>
Net exposure on monetary assets (liabilities)		8,375	7,172	6,386	3,027	(6,789)	(11,473)	(162)
EBIT impact	+/-10%	931	797	710	336	754	1,275	18

Argentina currency status

As inflation rates remain high across the globe, Argentina is experiencing hyper-inflation with the rate rising to 142.7% annually and the Argentine peso ("ARS") continues to depreciate. During fiscal 2022, 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 is closely monitoring the impact the results of the Argentine election will have on the ARS valuation.

The Company continues to monitor and leverage all available options in managing the ARS exposure such as investing local currency in cash equivalents, which counters most of the currency's devaluation.

Indonesia currency status

Early in fiscal 2022, 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.

COMPREHENSIVE EARNINGS

The Interim Condensed Consolidated Statements of Comprehensive Earnings for the quarter includes a \$10.6 million unrealized gain on translating the financial statements of the Company’s foreign operations, compared to a gain of \$15.1 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 primarily by the U.S. dollar gaining over 4% against the Canadian dollar. During the same quarter last year, the U.S. dollar gained over 6% 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.sedarplus.ca. 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 six-month periods ended October 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 December 7, 2023, there were 82,094,486 common shares issued and outstanding in the Company. This represents an increase of 3,175 issued and outstanding shares, due to the exercise of stock options and a decrease of 875,268 due to the repurchase and cancellation of shares under the Company’s NCIB, as compared to the number reported in the Company’s first quarter MD&A (reported as of September 5, 2023).

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's Annual Information Form, is available on the SEDAR+ website at www.sedarplus.ca.