

Consolidated Statements of Operations

For the years ended April 30, 2021 and 2020

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

	2021	2020
TOTAL REVENUE	\$ 432,076	\$ 409,144
DIRECT COSTS (note 11)	367,988	348,501
GROSS PROFIT	64,088	60,643
OPERATING EXPENSES		
General and administrative (note 11)	47,083	48,042
Other expenses	4,110	2,846
(Gain) loss on disposal of property, plant and equipment	(394)	(44)
Foreign exchange (gain) loss	(1,465)	949
Finance costs	1,168	1,108
Impairment of goodwill (note 7)	-	58,743
Restructuring charge (note 18)	-	4,553
	50,502	116,197
PROFIT (LOSS) BEFORE INCOME TAX	13,586	(55,554)
INCOME TAX - PROVISION (note 12)		
Current	3,822	5,617
Deferred	(270)	9,791
	3,552	15,408
NET EARNINGS (LOSS)	\$ 10,034	\$ (70,962)
EARNINGS (LOSS) PER SHARE (note 14)		
Basic	\$ 0.12	\$ (0.88)
Diluted	\$ 0.12	\$ (0.88)

Consolidated Statements of Comprehensive Earnings (Loss)

For the years ended April 30, 2021 and 2020
(in thousands of Canadian dollars)

	<u>2021</u>	<u>2020</u>
NET EARNINGS (LOSS)	\$ 10,034	\$ (70,962)
OTHER COMPREHENSIVE EARNING (LOSS)		
Items that may be reclassified subsequently to profit or loss		
Unrealized gain (loss) on foreign currency translations	(29,026)	2,857
Unrealized gain (loss) on derivatives (net of tax)	<u>1,678</u>	<u>(41)</u>
COMPREHENSIVE EARNINGS (LOSS)	<u>\$ (17,314)</u>	<u>\$ (68,146)</u>

Consolidated Statements of Changes in Equity

For the years ended April 30, 2021 and 2020
(in thousands of Canadian dollars)

	Share capital	Retained earnings (deficit)	Other reserves	Share-based payments reserve	Foreign currency translation reserve	Total
BALANCE AS AT MAY 1, 2019	\$ 241,264	\$ 29,020	\$ (570)	\$ 14,503	\$ 78,783	\$ 363,000
Share issue (note 17)	1,925	-	-	-	-	1,925
Share-based compensation (note 13)	-	-	-	267	-	267
Stock options expired (note 13)	-	6,251	-	(6,251)	-	-
	<u>243,189</u>	<u>35,271</u>	<u>(570)</u>	<u>8,519</u>	<u>78,783</u>	<u>365,192</u>
Comprehensive earnings:						
Net loss	-	(70,962)	-	-	-	(70,962)
Unrealized gain (loss) on foreign currency translations	-	-	-	-	2,857	2,857
Unrealized gain (loss) on derivatives	-	-	(41)	-	-	(41)
Total comprehensive earnings (loss)	<u>-</u>	<u>(70,962)</u>	<u>(41)</u>	<u>-</u>	<u>2,857</u>	<u>(68,146)</u>
BALANCE AS AT APRIL 30, 2020	243,189	(35,691)	(611)	8,519	81,640	297,046
Exercise of stock options (note 13)	190	-	-	(55)	-	135
Share-based compensation (note 13)	-	-	-	296	-	296
Stock options expired (note 13)	-	3,201	-	(3,201)	-	-
	<u>243,379</u>	<u>(32,490)</u>	<u>(611)</u>	<u>5,559</u>	<u>81,640</u>	<u>297,477</u>
Comprehensive earnings:						
Net earnings	-	10,034	-	-	-	10,034
Unrealized gain (loss) on foreign currency translations	-	-	-	-	(29,026)	(29,026)
Unrealized gain (loss) on derivatives	-	-	1,678	-	-	1,678
Total comprehensive earnings (loss)	<u>-</u>	<u>10,034</u>	<u>1,678</u>	<u>-</u>	<u>(29,026)</u>	<u>(17,314)</u>
BALANCE AS AT APRIL 30, 2021	<u>\$ 243,379</u>	<u>\$(22,456)</u>	<u>\$ 1,067</u>	<u>\$ 5,559</u>	<u>\$ 52,614</u>	<u>\$280,163</u>

Consolidated Statements of Cash Flows

For the years ended April 30, 2021 and 2020
(in thousands of Canadian dollars)

	2021	2020
OPERATING ACTIVITIES		
Earnings (loss) before income tax	\$ 13,586	\$ (55,554)
Operating items not involving cash		
Depreciation and amortization (note 11)	39,160	39,542
(Gain) loss on disposal of property, plant and equipment	(394)	(44)
Share-based compensation (note 13)	296	267
Restructuring charge (note 18)	-	3,469
Impairment of goodwill (note 7)	-	58,743
Finance costs recognized in earnings (loss) before income tax	1,168	1,108
	53,816	47,531
Changes in non-cash operating working capital items (note 16)	(13,138)	1,692
Finance costs paid	(1,168)	(1,108)
Income taxes paid	(5,062)	(6,004)
Cash flow from (used in) operating activities	34,448	42,111
FINANCING ACTIVITIES		
Repayment of lease liabilities	(1,362)	(1,300)
Repayment of long-term debt	(36,004)	(1,057)
Issuance of common shares due to exercise of stock options	135	-
Proceeds from draw on long-term debt	-	35,000
Cash flow from (used in) financing activities	(37,231)	32,643
INVESTING ACTIVITIES		
Business acquisitions (net of cash acquired) (note 17)	-	(13,945)
Acquisition of property, plant and equipment (note 6)	(31,303)	(32,041)
Proceeds from disposal of property, plant and equipment	1,925	1,256
Cash flow from (used in) investing activities	(29,378)	(44,730)
Effect of exchange rate changes	(3,913)	1,043
INCREASE (DECREASE) IN CASH	(36,074)	31,067
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	58,433	27,366
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 22,359	\$ 58,433

Consolidated Balance Sheets

As at April 30, 2021 and 2020
(in thousands of Canadian dollars)

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 22,359	\$ 58,433
Trade and other receivables	102,571	71,641
Income tax receivable	5,973	4,350
Inventories (note 5)	85,585	99,823
Prepaid expenses	6,710	4,497
	<u>223,198</u>	<u>238,744</u>
PROPERTY, PLANT AND EQUIPMENT (note 6)	144,382	165,103
RIGHT-OF-USE ASSETS (note 6)	3,773	3,803
DEFERRED INCOME TAX ASSETS (note 12)	8,903	9,613
GOODWILL (note 7)	7,708	7,708
INTANGIBLE ASSETS (note 8)	568	946
	<u>\$ 388,532</u>	<u>\$ 425,917</u>
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	\$ 73,083	\$ 55,858
Income tax payable	1,639	926
Current portion of lease liabilities	803	1,121
Current portion of long-term debt (note 10)	356	1,024
	<u>75,881</u>	<u>58,929</u>
LEASE LIABILITIES	2,943	2,701
CONTINGENT CONSIDERATION (note 17)	1,907	1,807
LONG-TERM DEBT (note 10)	15,106	50,333
DEFERRED INCOME TAX LIABILITIES (note 12)	12,532	15,101
	<u>108,369</u>	<u>128,871</u>
SHAREHOLDERS' EQUITY		
Share capital (note 13)	243,379	243,189
Retained earnings (deficit)	(22,456)	(35,691)
Other reserves	1,067	(611)
Share-based payments reserve	5,559	8,519
Foreign currency translation reserve	52,614	81,640
	<u>280,163</u>	<u>297,046</u>
	<u>\$ 388,532</u>	<u>\$ 425,917</u>

Contingencies and commitments (notes 19 and 20)

Approved by the Board of Directors

"David Tennant"
David Tennant
Chair of the Board

"Janice Rennie"
Janice Rennie
Chair of the Audit Committee

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2021 AND 2020
(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, Suite 100, 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 and Africa.

2. BASIS OF PRESENTATION

Statement of compliance

These Consolidated Financial Statements present the Company's and its subsidiaries' financial results of operations and financial position in accordance with International Financial Reporting Standards ("IFRS") using the accounting policies described herein.

On June 14, 2021, the Board of Directors authorized these Consolidated Financial Statements for issue.

Basis of consolidation

These 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

The Consolidated Financial Statements have been prepared based on the historical cost basis, except for certain financial instruments that are measured at fair value, and certain assets re-measured at their recoverable or realizable amounts as disclosed, using the accounting policies and methods of computation as presented in note 3.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and demand deposits in banks.

Financial instruments

Financial assets and financial liabilities are recognized in the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), financial assets at fair value through other comprehensive income ("FVTOCI"), and financial assets at amortized cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in the Consolidated Statement of Operations.

MAJOR DRILLING GROUP INTERNATIONAL INC.
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FOR THE YEARS ENDED APRIL 30, 2021 AND 2020
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent to initial recognition, the treatment of financial assets depends on their classification. Those recognized as FVTPL and FVTOCI are carried on the balance sheet at fair value with changes in fair value recognized in the Consolidated Statement of Operations, and Consolidated Statement of Other Comprehensive Earnings, respectively. Financial assets at amortized cost are measured at amortized cost using the effective interest method, less impairment.

Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. Subsequent to initial recognition, the treatment of financial liabilities depends on their classification. Those recognized as FVTPL are carried on the balance sheet at fair value with changes in fair value recognized in the Consolidated Statement of Operations. Financial liabilities at amortized cost are measured at amortized cost using the effective interest method.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or the Company transfers the rights to receive the contractual cash flows or the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. On de-recognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the Consolidated Statement of Operations.

Financial liabilities are derecognized when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the Consolidated Statement of Operations.

The Company classifies cash and cash equivalents, trade and other receivables, trade and other payables, lease liabilities, and long-term debt at amortized cost.

The Company has entered into certain derivative financial instruments to manage its exposure to interest rate and market risks, including an interest rate swap, and a share price forward contract. Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. Given these derivatives have been designated as effective hedging instruments, the timing of the recognition in profit or loss depends on the nature of the hedge relationship, as described in the hedge accounting policy below.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses ("ECL") on financial assets measured at amortized cost or at FVTOCI. At each reporting date, the amount of expected credit losses is updated to reflect changes in credit risk since initial recognition of the respective financial instrument.

Lifetime ECL represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represent the portion of lifetime ECL that are expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to each customer, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time-value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Revenue recognition

The Company performs various types of drilling services within the mining and minerals industry. Contracts entered into cover services that involve different processes and continuous drilling services activities in a sequential set of mobilization, drilling, and demobilization activities, which are invoiced to the customer as those activities progress. These activities and processes are accounted for as separate performance obligations.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from services rendered is recognized in the Consolidated Statement of Operations over time. The Company has a contractual right to consideration from a customer for an amount that corresponds directly with the value to the customer of the performance completed to date. As a result, the Company recognizes revenue based on the actual activities performed at the related contract rate.

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and value-added taxes.

Customers are generally invoiced on a semi-monthly or monthly basis. Payment is received according to standard payment terms, which are generally between 30 to 60 days. There are no significant financing components.

Contract prepayments are recorded as deferred revenue until performance is achieved and are credited against contract billings in accordance with the contract terms.

Inventories

The Company maintains an inventory of operating supplies, drill rods and drill bits. Inventories are valued at the lower of cost and net realizable value, determined on a first in, first out ("FIFO") basis. The value of used inventory items is considered minimal therefore they are not valued, except for drill rods, which, if still considered usable, are valued at 50% of cost.

Property, plant and equipment

Property, plant and equipment ("PP&E") are measured at cost, less accumulated depreciation and impairment losses. Depreciation, calculated using the straight-line method, is charged to operations at rates based upon the estimated useful life of each depreciable asset. When significant components of an item of PP&E have different useful lives, they are accounted for as separate assets. The following rates apply to those assets being depreciated using the straight-line method:

	<u>Residual value (%)</u>	<u>Useful life (years)</u>
Buildings	0-15	15-20
Drilling equipment	0-15	5-15
Automotive and off-road equipment	0-10	5-10
Other (office, computer, and shop equipment)	0	5-15
Right-of-use assets	0	Lease term

Land and assets under construction not available for use are not depreciated. Costs for repairs and maintenance are charged to operations as incurred. Subsequent costs are included in the asset's carrying value when it is probable that future economic benefits associated with such costs will flow to the Company. Depreciation begins when the asset is ready for its intended use. Subsequent costs are depreciated over the useful life of the asset and replaced components are de-recognized. An item of PP&E is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit or loss. Depreciation methods, residual values and useful lives are re-assessed, at minimum, on an annual basis.

Leases

Contractual arrangements, which signify a right to control the use of an identified asset for a period of time, are considered leases. Each contractual arrangement is assessed to determine if the Company obtains substantially all the economic benefit from use of the identified asset. Leases for which the Company is a lessee are capitalized at the earlier of commencement of the lease term or when the asset becomes available for use, at the present value of the lease payments applying the implicit interest rate, if readily determined, or the Company's incremental borrowing rate. Generally, lease components are considered in the present value calculation, with non-lease components expensed as incurred. Right-of-use assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. The lease liability is re-measured when there is a change in future lease payments arising from a change in rate or if there are changes in the assessment for exercising a purchase, termination or extension option. If this occurs, a corresponding adjustment to the carrying value of the right-of-use asset is completed. The Company applies the recognition exemption for short-term leases 12 months or less in length, and leases for which the underlying asset is of low value. The expenses for these leases are recognized systematically over the lease term in the Consolidated Statement of Operations.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination, in exchange for control of the acquiree, is measured at fair value. At acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair values. Results of operations of a business acquired are included in the Company's Consolidated Financial Statements from the date of the business acquisition. Business acquisition and integration costs are expensed in profit or loss as incurred.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments applied against goodwill. Other changes in the fair value of contingent consideration that is classified as an asset or a liability, are re-measured at subsequent reporting dates with the corresponding gain or loss being recognized in profit or loss.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed.

Goodwill

The value of goodwill is tested for impairment at least annually, or sooner when indications of impairment exist. Any impairment loss identified by this test would be reported in profit or loss for the period during which the loss occurred.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units ("CGUs") or groups of cash-generating units that are expected to benefit from the synergies of the combination. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

Intangible assets

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value (which is regarded as their cost) at the acquisition date. Subsequent to initial recognition, finite life intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses. Intangible assets include customer relationships/contracts, which are amortized on a straight-line basis over a three-year period.

Impairment of long-lived assets

At the end of each reporting period, the Company assesses whether there are any indicators that the carrying values of its long-lived assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount of an asset is first tested on an individual basis, if determinable, or otherwise at the CGU level. A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Corporate level assets are allocated to the respective CGUs where an allocation can be made on a reasonable and consistent basis.

The recoverable amount is the higher of the fair value less costs of disposal and the value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

At the end of each reporting period, the Company assesses whether there is any indication that an impairment loss recognized in prior periods for a long-lived asset, other than goodwill, may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that asset.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Government assistance

Government grants are recognized when there is reasonable assurance that the grant will be received and all ascribed conditions will be met. If a grant is received, but reasonable assurance and compliance with conditions is not achieved, the grant is recognized as a deferred liability until such conditions are fulfilled. When the grant relates to an expensed item, it is recognized as a reduction of the related expense in the period in which the costs are incurred. Where the grant relates to an asset, it is recognized as a reduction to the net book value of the related asset and recognized over the expected useful life of the related asset through lower depreciation.

Income taxes

Current - The tax currently receivable or payable is based on taxable profit for the year and any adjustments resulting from prior years. Taxable profit differs from profit as reported in the Consolidated Statement of Operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred - The Company follows the asset and liability method of accounting for deferred taxes. This method takes a balance sheet approach and focuses on the amount of income taxes payable or receivable that will arise if an asset is realized or a liability is settled for its carrying amount. These resulting assets and liabilities, referred to as "deferred income tax assets and liabilities", are computed and recognized based on carry forwards of unused tax losses, unused tax credits and the differences between the carrying amount of balance sheet items and their corresponding tax values using the enacted, or substantively enacted, income tax rates in effect when the assets are expected to be realized or the liabilities are expected to be settled.

The Company's primary temporary differences arise between the tax carrying value and net book value of PP&E. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Translation of foreign currencies

The Consolidated Financial Statements are presented in Canadian dollars, which is the Company's presentation currency, and the functional currency of the parent company.

Financial statements of foreign operations are translated using the rate in effect at the balance sheet date for assets and liabilities, and using the average exchange rates during the period for revenue and expenses. Adjustments arising from foreign currency translation are recorded in other comprehensive income and foreign currency translation reserve.

Foreign currency transactions are transactions in a currency other than the Company's functional currency. Foreign currency transactions are translated to the functional currency by applying the exchange rate prevailing at the date of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Translation gains and losses on assets and liabilities denominated in a foreign currency are included in the Consolidated Statement of Operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in other comprehensive income and foreign currency translation reserve.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The Company uses the fair value method to measure compensation expense at the date of grant of stock options to employees and Directors. The fair value of each tranche for all option grants is determined using the Black-Scholes option-pricing model, which considers estimated forfeitures at time of grant, and each tranche is amortized separately to earnings over the vesting period of the tranche with an offset to the share-based payments reserve. When options are exercised, the corresponding share-based payments reserve and the proceeds received by the Company are credited to share capital.

The Company records the fair value of cash-settled deferred share units and restricted share units as compensation expense, with offset to trade and other payables. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognized in the Consolidated Statement of Operations for the year.

Provisions

Provisions are recognized when there is a present (legal or constructive) obligation as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the present value of the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties specific to the obligation.

Restructurings - A restructuring provision is recognized when the Company has developed a detailed formal plan for restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Hedge accounting

The Company designates certain derivatives, relating to interest rate risk and share price risk as hedging instruments.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking the hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges - The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges, is limited to the cumulative change in fair value of the hedged item from inception of the hedge and is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the Consolidated Statement of Operations.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to the Consolidated Statement of Operations in the same period that the hedged item affects the Consolidated Statement of Operations, in the same line as the recognized hedged item. The Company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs.

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4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that are not readily apparent from other sources, which affect the reported amounts of assets and liabilities at the dates of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reported periods. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results could 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 PP&E for depreciation purposes, PP&E, inventory valuation, and determination of income and other taxes and recoverability of deferred income tax assets, assumptions used in compilation of share-based payments, fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities, provisions, contingent considerations, impairment testing of goodwill and intangible assets and long-lived assets.

Management determines the estimated useful lives of its PP&E based on historical experience of the actual lives of PP&E of similar nature and functions, and reviews these estimates at the end of each reporting period.

Management reviews the condition of inventories at the end of each reporting period and recognizes a provision for slow-moving and obsolete items of inventory when they are no longer suitable for use. Management's estimate of the net realizable value of such inventories is based primarily on sales prices and current market conditions.

Amounts used for impairment calculations are based on estimates of future cash flows of the Company. By their nature, the estimates of cash flows, including the estimates of future revenue, operating expenses, utilization, discount rates and market pricing, are subject to measurement uncertainty.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the probability that they will be realized from future taxable earnings.

Compensation costs accrued for long-term share-based payment plans are subject to the estimation of what the ultimate payout will be using the Black-Scholes pricing model, which is based on significant assumptions such as volatility, dividend yield and expected term.

The amount recognized as accrued liabilities, provisions, and contingent considerations, including legal, restructuring, contractual, constructive and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Company assesses its liabilities, contingencies and contingent considerations based upon the best information available, relevant tax laws and other appropriate requirements.

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

Judgments

The Company applied judgment in determining the functional currency of the Company and its subsidiaries. Functional currency was determined based on the currency that mainly influences sales prices, labour, materials and other costs of providing services.

PP&E and goodwill are aggregated into CGUs based on their ability to generate largely independent cash inflows and are used for impairment testing. The determination of the Company's CGUs is subject to management's judgment with respect to the lowest level at which independent cash inflows are generated.

The Company has applied judgment in determining the degree of componentization of PP&E. Each part of an item of PP&E with a cost that is significant in relation to the total cost of the item and has a separate useful life has been identified as a separate component and is depreciated separately.

The Company has applied judgment in recognizing provisions and accrued liabilities, including judgment as to whether the Company has a present obligation (legal or constructive) as a result of a past event, whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and whether a reliable estimate can be made of the amount of the obligation.

Deferred income tax assets are assessed by management at the end of the reporting period to determine the probability that they will be realized from future taxable earnings. This determination is subject to management judgment.

5. INVENTORIES

The cost of inventory recognized as an expense and included in cost of materials in note 11 for the year ended April 30, 2021 was \$64,433 (2020-\$59,521). During the years ended April 30, 2021 and 2020, there were no significant write-downs of inventory, except as detailed in note 18, as a result of net realizable value being lower than cost. No inventory write-downs recognized in previous years were reversed.

The following is a breakdown of inventory by category:

	<u>2021</u>	<u>2020</u>
Rods and casings	\$ 27,276	\$ 29,413
Consumables	7,295	13,362
Machine parts	33,092	31,879
Wireline and downhole tools	6,149	7,395
Diamond bits	6,893	7,943
Other	4,880	9,831
	<u>\$ 85,585</u>	<u>\$ 99,823</u>

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6. PROPERTY, PLANT AND EQUIPMENT

Changes in the PP&E balances were as follows:

		Land	Buildings	Drills	Auto	Other	ROU assets	Total
Cost:								
Balance as at April 30, 2019	\$	3,366	\$ 10,412	\$ 374,353	\$ 106,999	\$ 14,356	\$ -	\$ 509,486
Additions		2,897	3,367	19,016	6,373	388	5,115	37,156
Disposals		-	(41)	(13,042)	(5,446)	(4,044)	(69)	(22,642)
Business acquisition (note 17)		-	-	6,032	2,185	-	-	8,217
Effect of exchange rate changes and other		92	(190)	1,336	652	(136)	(71)	1,683
Balance as at April 30, 2020	\$	6,355	\$ 13,548	\$387,695	\$110,763	\$ 10,564	\$ 4,975	\$533,900
Additions		-	4,630	19,334	7,254	85	1,478	32,781
Disposals		-	-	(20,984)	(6,308)	(197)	(116)	(27,605)
Effect of exchange rate changes and other		(325)	(438)	(27,026)	(7,195)	(703)	(335)	(36,022)
Balance as at April 30, 2021	\$	6,030	\$ 17,740	\$359,019	\$104,514	\$ 9,749	\$ 6,002	\$503,054

		Land	Buildings	Drills	Auto	Other	ROU assets	Total
Accumulated Depreciation:								
Balance as at April 30, 2019	\$	-	\$ (6,152)	\$ (243,221)	\$ (84,560)	\$ (11,287)	\$ -	\$ (345,220)
Disposals		-	11	12,222	5,187	4,010	-	21,430
Impairment (note 18)		-	-	(1,128)	-	-	-	(1,128)
Depreciation		-	(453)	(30,618)	(6,254)	(785)	(1,243)	(39,353)
Effect of exchange rate changes and other		-	106	(306)	(522)	(72)	71	(723)
Balance as at April 30, 2020	\$	-	\$ (6,488)	\$ (263,051)	\$ (86,149)	\$ (8,134)	\$ (1,172)	\$ (364,994)
Disposals		-	-	19,471	6,364	123	130	26,088
Depreciation		-	(799)	(29,371)	(7,380)	(26)	(1,206)	(38,782)
Effect of exchange rate changes and other		-	260	16,334	5,739	437	19	22,789
Balance as at April 30, 2021	\$	-	\$ (7,027)	\$ (256,617)	\$ (81,426)	\$ (7,600)	\$ (2,229)	\$ (354,899)
Carrying value April 30, 2020	\$	6,355	\$ 7,060	\$ 124,644	\$ 24,614	\$ 2,430	\$ 3,803	\$ 168,906
Carrying value April 30, 2021	\$	6,030	\$ 10,713	\$ 102,402	\$ 23,088	\$ 2,149	\$ 3,773	\$ 148,155

The Company has assessed whether there is any indication that an impairment loss recognized in prior periods for PP&E may no longer exist or may have decreased. There were no impairments requiring reversal as at April 30, 2021 or 2020.

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7. GOODWILL

Changes in the goodwill balance were as follows:

	<u>2021</u>	<u>2020</u>
Opening balance	\$ 7,708	\$ 58,300
Impairment charge	-	(58,743)
Goodwill on acquisition (note 18)	-	7,708
Effect of movement in exchange rates	-	443
Ending balance	<u>\$ 7,708</u>	<u>\$ 7,708</u>

As of April 30, 2021 all of the Company's goodwill is allocated to the Canadian CGU.

The recoverable amount of the Canadian and U.S. branches as CGUs is determined based on a value-in-use calculation, which uses cash flow projections based on forward projections approved by management, covering a five-year period, discounted to April 30, 2021. Cash flows beyond that period have been extrapolated using a steady 2% per annum growth rate.

The goodwill impairment in the previous year reflected the impact COVID-19 was having on the Canadian and U.S. CGUs. The uncertainty surrounding the pandemic also caused significant volatility in equity markets, resulting in a systematic increase in the cost of equity capital utilized in the determination of the appropriate discount rate. The impairment was primarily caused by near-term cash flow impacts caused by COVID-19, as management believed the longer-term cash flows would be consistent with those forecasted prior to the pandemic.

While the mining services market in Canada and the U.S. is cyclical in nature, historical growth rates determined by management as fair and conservative were used.

Key assumptions

The key assumptions in cash flow projections used in the value-in-use calculations are as follows:

Revenue – While latter year projections reflect past experience, the impacts of COVID-19 were included in the short-term projections based on impacts of the pandemic on the current fiscal year's revenue.

The values assigned to the assumptions reflect past experience. The effect of the incorporation of the acquired drill fleets and levels of capital expenditure since 2007, that have been on average higher than the sustaining level, have provided the basis on which to grow. The subsequent growth expected is consistent with management's plans for focusing operations and growing share in the specialized drilling market.

Gross margin – As the Company has a variable direct cost structure, management expects that gross margins will remain in a range in line with historically achieved levels based on the stage of the mining cycle.

Discount rate – The Company used the weighted average cost of capital as the discount rate, which was 13.24% (2020-13.47%). In order to determine the discount rate, the Company used the risk-free market return, adjusted for the equity premium, volatility and Company specific factors. The decrease in the discount rate used for the April 30, 2021 calculation of the recoverable amount was caused by the decrease in volatility in the equity markets as the impact of the COVID-19 pandemic lessened.

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7. GOODWILL (Continued)

The Company has performed a sensitivity analysis that quantifies the impact on the value-in-use calculations if key assumptions used in the model were to differ. If the forecasted improvements to the key assumptions do not materialize as projected, due to lower than expected price and or volume recovery (and the Company is unable to adjust its cost structure), additional impairment of goodwill could be required.

8. INTANGIBLE ASSETS

Intangible assets consist of customer relationships/contracts. Changes in the balance were as follows:

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Total</u>
Balance as at April 30, 2019	\$ -	\$ -	\$ -
Intangibles on acquisition (note 17)	1,135	-	1,135
Amortization		(189)	(189)
Balance as at April 30, 2020	\$ 1,135	\$ (189)	\$ 946
Amortization	-	(378)	(378)
Balance as at April 30, 2021	\$ 1,135	\$ (567)	\$ 568

9. DEMAND CREDIT FACILITIES

The Company has credit facilities available in Canada and the U.S. totaling \$31,227. The Canadian facility bears interest at the bank's prime lending rate plus 0.5% or the bankers' acceptance rate plus 2.0% for Canadian dollar draws, and either the bank's U.S. dollar base rate in Canada plus 0.5% or the bank's London interbank offer rate ("LIBOR") plus 2.0% for U.S. dollar draws. The U.S. facility bears interest at the bank's LIBOR plus 2.25%. The demand credit facilities are primarily secured by corporate guarantees of companies within the group. As at April 30, 2021, the Company had utilized \$1,043 (2020 - \$10,228) of these facilities with stand-by letters of credit outstanding for \$1,043 (2020 - \$4,003). The Company also has credit facilities of \$2,252 for credit cards, with interest rates and repayments as per cardholder agreements.

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10. LONG-TERM DEBT

	<u>2021</u>	<u>2020</u>
Revolving term loan, maximum available \$50,000, 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 either the bank's U.S. dollar base rate in Canada plus 0.5% or the bank's LIBOR 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 2023.	\$ 15,000	\$ 50,000
Term loan bearing interest at 5.9%, payable in monthly installments of \$83, unsecured, maturing in August 2021.	333	1,333
Term loan bearing interest at 1.99%, payable in monthly installments of \$1, secured by certain equipment, maturing through 2021.	23	30
Derivative financial instrument with a notional principal amount of \$15,000, swapping Canadian-Bankers' Acceptance - Canadian Dealer Offered Rate for an annual fixed rate of 3.12%, maturing in May 2022.	106	(6)
	<u>15,462</u>	<u>51,357</u>
Current Portion	356	1,024
	<u>\$ 15,106</u>	<u>\$ 50,333</u>

Changes in the long-term debt balance were as follows:

	<u>2021</u>	<u>2020</u>
Opening balance	\$ 51,357	\$ 17,358
Repayment of long-term debt	(36,004)	(1,057)
Proceeds from draw on long-term debt	-	35,000
Net fair value variance on derivatives and other	109	56
Ending balance	<u>\$ 15,462</u>	<u>\$ 51,357</u>

The required annual principal repayments on long-term debt are as follows:

Fiscal 2022	\$ 356
Fiscal 2023	106
Fiscal 2024	15,000
	<u>\$ 15,462</u>

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11. EXPENSES BY NATURE

Direct costs by nature are as follows:

	<u>YTD 2021</u>	<u>YTD 2020</u>
Depreciation	\$ 37,051	\$ 37,605
Employee salaries and benefit expenses	157,717	140,738
Cost of material	70,740	61,983
Other	102,480	108,175
	<u>\$ 367,988</u>	<u>\$ 348,501</u>

General and administrative expenses by nature are as follows:

Amortization of intangible assets	\$ 378	\$ 189
Depreciation of right-of-use assets	1,206	1,243
Depreciation other	525	505
Employee salaries and benefit expenses	30,083	26,657
Other	14,891	19,448
	<u>\$ 47,083</u>	<u>\$ 48,042</u>

Other expenses include share-based compensation for employees for the year ended April 30, 2021 of \$296 (2020 - \$267).

12. INCOME TAXES

Income taxes vary from amounts that would be determined by applying the combined statutory Canadian corporate income tax rate to earnings before income tax with details as follows:

	<u>2021</u>	<u>2020</u>
Earnings (loss) before income tax	\$ 13,586	\$ (55,554)
Statutory Canadian corporate income tax rate	27%	27%
Expected income tax provision based on statutory rate	3,668	(15,000)
Non-recognition of tax benefits related to losses	1,718	2,481
Utilization of previously unrecognized losses	(1,653)	(45)
Other foreign taxes paid	592	458
Rate variances in foreign jurisdictions	180	(412)
Permanent differences and other	(635)	11,938
De-recognition of previously recognized losses	-	16,190
	<u>3,870</u>	<u>15,610</u>
Adjustments recognized in the current year in relation to the current tax in prior years	(318)	(202)
Income tax provision recognized in net earnings (loss)	<u>\$ 3,552</u>	<u>\$ 15,408</u>

The tax rate used for the 2021 and 2020 reconciliations herein is the effective federal and provincial Canadian corporate tax rate of 27%.

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12. INCOME TAXES (Continued)

The movements in deferred income tax balances are as follows:

	<u>2020</u>	<u>Tax provision</u>	<u>Exchange</u>	<u>2021</u>
Deferred tax assets related to non-capital losses	\$ 9,613	\$ (653)	\$ (57)	\$ 8,903
Deferred tax liabilities related to difference in tax and book basis	(15,101)	923	1,646	(12,532)
Net deferred tax assets (liabilities)	<u>\$ (5,488)</u>	<u>\$ 270</u>	<u>\$ 1,589</u>	<u>\$ (3,629)</u>

Income tax provision (recovery) recognized in net loss:

	<u>2021</u>	<u>2020</u>
<u>Current tax</u>		
Current tax expense in respect to the current year	\$ 4,140	\$ 5,819
Adjustments recognized in the current year in relation to the current tax of prior years	(318)	(202)

Deferred tax

Deferred tax expense (recovery) recognized in the current year	<u>(270)</u>	<u>9,791</u>
Income tax provision	<u>\$ 3,552</u>	<u>\$ 15,408</u>

The recognition and measurement of the current and deferred tax assets and liabilities involves dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions and in the assessment of the recoverability of deferred tax assets. Potential liabilities are recognized for anticipated tax audit issues in various tax jurisdictions based on the Company's estimate of whether, and the extent to which, additional taxes will be due.

If payment of the accrued amounts ultimately proves to be unnecessary, the elimination of the liabilities would result in tax benefits being recognized in the period when the Company determines the liabilities no longer exist. If the estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to expense will result.

The Company has accumulated approximately \$164,372 in non-capital losses of which \$36,566 is recognized to reduce future income taxes otherwise payable in foreign jurisdictions. These losses, if unused, will expire in the following calendar years: 2021 - \$2,970; 2022 - \$1,589; 2023 - \$2,622; 2024 - \$2,558; 2025 - \$911; 2026 - \$8,076; 2027 - \$7,841; 2028 - \$1,437; 2034 - \$3,549; 2035 - \$20,868; 2036 - \$13,098; 2037 - \$16,536; 2038 - \$10,653; 2040 - \$2,180; and indefinite - \$69,484.

In the current year the Company did not de-recognize any previously recognized losses (2020 - \$16,190). The Company has recognized deferred income tax assets in Canada and Chile that have had a history of losses for tax purposes. In evaluating whether it is probable that sufficient taxable income will be generated to realize the benefit of these deferred income tax assets, the Company considered all available evidence, including forecasts, business plans and appropriate available tax planning measures.

The Company has accumulated approximately \$6,284 (AUD - \$6,569) of capital losses that are available to reduce income taxes otherwise payable on capital gains realized in Australia. The benefit of these losses has not been recognized in the Consolidated Financial Statements.

The Company has approximately \$184,101 of temporary differences associated with its investments in foreign subsidiaries for which no deferred taxes have been provided on the basis that the Company is able to control the timing of the reversal of such temporary differences and such reversal is not probable in the foreseeable future.

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12. INCOME TAXES (Continued)

The repatriation of cash through dividends, from certain jurisdictions, may cause withholding tax expense for which no liability has been provided on the basis that the Company is able to control the timing of repatriation.

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 has recorded 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 statute of limitation lapses.

13. SHARE CAPITAL

Authorized

Unlimited number of fully paid common shares, without nominal or par value, with each share carrying one vote and a right to dividends if declared.

The movement in the Company's issued and outstanding share capital during the year was as follows:

	2021		2020	
	Number of shares	Share capital	Number of shares	Share capital
Opening balance	80,634,153	\$ 243,189	80,299,984	\$ 241,264
Share issue (note 17)	21,600	190	334,169	1,925
Ending balance	80,655,753	\$ 243,379	80,634,153	\$ 243,189

Stock option plan

Details of the Company's stock option plan (the "Plan") for Directors, Officers and other employees of the Company and its subsidiaries can be found in the Company's 2020 Management Information Circular.

A summary of the status of the Plan, as at April 30, 2021 and April 30, 2020, and of changes during those years, is presented below:

	2021		2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	2,138,700	\$ 7.37	3,375,302	\$ 8.17
Options granted	280,500	3.60	105,000	3.97
Options expired	(577,904)	9.07	(1,341,602)	9.10
Options exercised	(21,600)	6.28	-	-
Outstanding, end of year	1,819,696	6.27	2,138,700	7.37

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13. SHARE CAPITAL (Continued)

The following table summarizes information on stock options outstanding as at April 30, 2021:

Range of exercise prices	Outstanding at April 30, 2021	Weighted average remaining life (years)	Weighted average exercise price	Exercisable at April 30, 2021	Weighted average exercise price
\$3.60 - \$6.28	741,896	4.58	\$ 4.74	400,190	\$ 5.63
\$6.97 - \$7.04	674,000	2.64	6.99	626,400	6.99
\$7.57 - \$8.39	403,800	2.22	7.87	403,800	7.87
	<u>1,819,696</u>			<u>1,430,390</u>	

The Company's calculations of share-based compensation for options granted were made using the Black-Scholes option-pricing model with weighted average assumptions as follows:

	<u>2021</u>	<u>2020</u>
Risk-free interest rate at date of grant	0.38%	1.34%
Expected life	5.4 years	6.2 years
Expected volatility (based on historical volatility)	41.6%	34.8%

The weighted average grant date fair value of options granted during the year ended April 30, 2021 was \$1.21 (2020 - \$1.40). For the year ended April 30, 2021, the amount of compensation cost recognized in earnings and credited to share-based payments reserve was \$296 (2020 - \$267).

14. EARNINGS (LOSS) PER SHARE

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

	<u>2021</u>	<u>2020</u>
Net earnings (loss)	\$ 10,034	\$ (70,962)
Weighted average number of shares:		
Basic (000's)	80,639	80,465
Net effect of dilutive securities:		
Stock options	128	7
Diluted (000's)	<u>80,767</u>	<u>80,472</u>
Earnings (loss) per share:		
Basic	\$ 0.12	\$ (0.88)
Diluted	\$ 0.12	\$ (0.88)

The calculation of diluted earnings (loss) per share for the year ended April 30, 2021 and 2020 excludes the effect of 1,441,285 and 2,731,853 options, respectively, as they were anti-dilutive.

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15. SEGMENTED INFORMATION

The Company's operations are divided into three geographic segments corresponding to its management structure: Canada - U.S.; South and Central America; and Asia 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 note 3. Management evaluates performance based on earnings from operations in these three geographic segments before impairment of goodwill, finance costs, general and corporate expenses, restructuring charge and income tax. Data relating to each of the Company's reportable segments is presented as follows:

	<u>2021</u>	<u>2020</u>
Revenue		
Canada - U.S.*	\$ 247,703	\$ 205,551
South and Central America	95,567	104,002
Asia and Africa	88,806	99,591
	<u>\$ 432,076</u>	<u>\$ 409,144</u>
Earnings (loss) from operations		
Canada - U.S.	\$ 10,654	\$ 4,825
South and Central America	(1,623)	(5,738)
Asia and Africa	11,996	16,280
	<u>21,027</u>	<u>15,367</u>
Impairment of goodwill	-	58,743
Finance costs	1,168	1,108
General and corporate expenses**	6,273	6,517
Restructuring charge	-	4,553
Income tax	3,552	15,408
	<u>10,993</u>	<u>86,329</u>
Net earnings (loss)	<u>\$ 10,034</u>	<u>\$ (70,962)</u>

*Canada - U.S. includes revenue in 2021 of \$129,488 (2020 - \$95,603) for Canadian operations.

**General and corporate expenses include expenses for corporate offices, stock options and certain unallocated costs.

	<u>2021</u>	<u>2020</u>
Capital expenditures		
Canada - U.S.	\$ 24,399	\$ 21,522
South and Central America	2,052	4,719
Asia and Africa	3,133	4,427
Unallocated and corporate assets	1,719	1,373
Total capital expenditures	<u>\$ 31,303</u>	<u>\$ 32,041</u>

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15. SEGMENTED INFORMATION (Continued)

Depreciation and amortization

Canada - U.S.	\$ 19,824	\$ 18,434
South and Central America	12,089	14,226
Asia and Africa	6,935	6,744
Unallocated and corporate assets	312	138
Total depreciation and amortization	\$ 39,160	\$ 39,542

	<u>April 30, 2021</u>	<u>April 30, 2020</u>
Identifiable assets		
Canada - U.S.*	\$ 191,320	\$ 180,925
South and Central America	99,435	129,748
Asia and Africa	111,504	121,954
Unallocated and corporate liabilities	(13,727)	(6,710)
Total identifiable assets	\$ 388,532	\$ 425,917

*Canada - U.S. includes property, plant and equipment in 2021 of \$43,409 (2020 - \$44,146) for Canadian operations.

16. ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in non-cash operating working capital items:

	<u>2021</u>	<u>2020</u>
Trade and other payables	\$ 20,468	\$ (10,982)
Inventories	5,153	(9,531)
Other items	-	(421)
Prepaid expenses	(2,611)	622
Trade and other receivables	(36,148)	22,004
	\$ (13,138)	\$ 1,692

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17. BUSINESS ACQUISITION

Norex Drilling Limited

Effective November 1, 2019, the Company acquired all of the issued and outstanding shares of Norex Drilling Limited ("Norex").

The acquisition was accounted for using the acquisition method. Through this purchase, the Company acquired 22 drill rigs, support equipment and inventory, existing contracts and receivables, the operation's management team, and other employees, including experienced drillers.

The purchase price for the transaction was \$18.7 million, consisting of \$14.0 million in cash (net of cash acquired), \$1.9 million in Major Drilling shares, a holdback of \$1.0 million and an additional payout of \$1.8 million (discounted) tied to performance. The maximum amount of the contingent consideration is \$2.5 million, with a payout date three years from the effective date of November 1, 2019. Payment is contingent on achieving EBITDA (earnings before interest, taxes, depreciation and amortization) run rates above levels at the time of acquisition.

Goodwill arising from this acquisition was equal to the excess of the total consideration paid over the fair market value of the net assets acquired and represents the benefit of expected synergies, revenue growth, and future market development.

The net assets acquired at fair value at acquisition were as follows:

Net assets acquired

Trade and other receivables	\$ 4,865
Inventories	1,762
Property, plant and equipment	8,217
Goodwill (not tax deductible)	7,708
Intangible assets	1,135
Trade and other payables	(3,385)
Deferred income tax liabilities	(1,625)
Total assets	\$ 18,677

Consideration

Cash	\$ 14,241
Holdback	1,000
Contingent consideration	1,807
Shares of Major Drilling	1,925
Less: cash acquired	(296)
Total consideration	\$ 18,677

Subsequent to the date of acquisition, the trade and other receivables included in the above net assets acquired have been fully collected.

The above consideration includes non-cash investing activities, which are not reflected in the Consolidated Statements of Cash Flows, including the issuance of 334,169 shares of Major Drilling at \$5.76 for a total of \$1,925, contingent consideration of \$1,807 (discounted) and a holdback of \$1,000.

The Company incurred acquisition-related costs of \$182 relating to external legal fees and due diligence costs. These acquisition costs have been included in the other expenses line of the Consolidated Statements of Operations.

The results of operations of Norex have been included in the Consolidated Statements of Operations from November 1, 2019.

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18. RESTRUCTURING CHARGE

During the previous year, the Company made the decision to close its operations in Colombia.

This restructuring initiative generated impairment losses calculated based on the determination of the fair value of assets less cost of disposal. Fair value was determined through the use of industry knowledge.

The costs related to this initiative, and recorded as part of the restructuring charge, total \$4,553 for the twelve months ended April 30, 2020. This amount consists of non-cash charges totaling \$3,469, including an impairment charge of \$1,128 relating to property, plant and equipment and a write-down of \$2,341 to reduce inventory to net realizable value. Cash charges included \$1,084 to wind down operations, and employee severance costs incurred to rationalize the workforce in various jurisdictions.

19. CONTINGENCIES

The Company is involved in various legal claims and legal notices arising in the ordinary course of business. The outcome of all the proceedings and claims against the Company is subject to future resolution and the uncertainties of litigation. Based on information currently known to the Company and after consultation with outside legal counsel, it is management's opinion that the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations, or cash flows. Any amounts awarded as a result of these actions will be reflected when known.

20. COMMITMENTS

The Company has commitments for the purchase of equipment totaling \$11,704 with delivery dates early in fiscal 2022, as well as various commitments, primarily for rental of premises, with arms-length parties as follows: 2022 - \$582; 2023 - \$271; 2024 - \$224; 2025 - \$154; and 2026 - \$59.

21. RELATED PARTY TRANSACTIONS

The remuneration of Directors and other members of key management personnel (which consists of senior executives) during the year was as follows:

	<u>2021</u>	<u>2020</u>
Salaries, bonuses and fees	\$ 2,394	\$ 2,557
Other long-term benefits	124	104
Share-based payments benefits	1,276	1,145
	<u>\$ 3,794</u>	<u>\$ 3,806</u>

Employment agreement termination commitments and entitlements for the above personnel are detailed in the Company's Management Information Circular.

Other than those transactions disclosed above, there were no other material related party transactions during the year ended April 30, 2021 or April 30, 2020.

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22. CAPITAL MANAGEMENT

The Company includes shareholders' equity (excluding foreign currency translation and other reserves), long-term borrowings, cash and cash equivalents in the definition of capital.

Total managed capital was as follows:

	<u>2021</u>	<u>2020</u>
Long-term debt	\$ 15,462	\$ 51,357
Share capital	243,379	243,189
Share-based payments reserve	5,559	8,519
Retained earnings (deficit)	(22,456)	(35,691)
Cash and cash equivalents	(22,359)	(58,433)
	<u>\$ 219,585</u>	<u>\$ 208,941</u>

The Company's objective when managing its capital structure is to maintain financial flexibility in order to: (i) preserve access to capital markets; (ii) meet financial obligations; and (iii) finance internally generated growth and potential new acquisitions. To manage its capital structure, the Company may adjust spending, issue new shares, issue new debt or repay existing debt.

Under the terms of certain of the Company's debt agreements, the Company must satisfy certain financial covenants. Such agreements also limit, among other things, the Company's ability to incur additional indebtedness, create liens, engage in mergers or acquisitions and make dividend and other payments. The Company is in compliance with all covenants and other conditions imposed in its credit agreement.

In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary, dependent on various factors.

The Company's objectives with regards to capital management remain unchanged from 2020.

23. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk management objectives

The Company's corporate treasury function monitors and manages the financial risks relating to the operations of the Company through analysis of the various exposures. When deemed appropriate, the Company uses financial instruments to hedge these risk exposures.

Interest rate risk management

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The Company manages the risk by use of interest rate swap contracts when deemed appropriate. As at April 30, 2021 the Company has estimated that a one percentage point change in interest rates would have a negligible annual impact on net earnings due to the nominal value of debt with variable interest rates.

Fair value

The carrying values of cash and cash equivalents, trade and other receivables, demand credit facilities and trade and other payables approximate their fair values due to the relatively short period to maturity of the instruments. The carrying value of long-term debt approximates its fair value as the interest applicable is reflective of fair market rates.

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23. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

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's derivatives 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 year ended April 30, 2021.

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.

Credit risk

The Company has a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The maximum credit risk the Company was exposed to as at April 30, 2021 was \$124,930 (2020 - \$130,030), representing total cash and cash equivalents and trade and other receivables. As at April 30, 2021 and 2020 one customer represented more than 10% of total revenue. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

As at April 30, 2021, 93.7% (2020 - 81.6%) of the Company's trade receivables were aged as current and 1.8% (2020 - 2.0%) of the trade receivables were impaired.

The movement in the loss allowance for expected credit losses of trade receivables during the year was as follows:

	<u>2021</u>	<u>2020</u>
Opening balance	\$ 1,226	\$ 863
Increase in impairment allowance	588	442
Recovery of amounts previously impaired	(115)	-
Write-off charged against allowance	-	(37)
Foreign exchange translation differences	(61)	(42)
Ending balance	<u>\$ 1,638</u>	<u>\$ 1,226</u>

Foreign currency risk

In order to reduce its exposure to foreign exchange risks associated with currencies of developing countries, where a portion of the Company's business is conducted, the Company has adopted a policy of contracting in U.S. dollars, where practical and legally permitted.

As at April 30, 2021, 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:

	<u>Rate variance</u>	<u>IDR/USD</u>	<u>MNT/USD</u>	<u>USD/AUD</u>	<u>MZN/USD</u>	<u>USD/ZAR</u>	<u>USD/BRL</u>	<u>USD/CLP</u>	<u>USD/CAD</u>	<u>Other</u>
Net exposure on monetary assets (liabilities)		\$ 6,367	\$ 6,336	\$ 4,597	\$ 3,017	\$ (2,146)	\$ (2,699)	\$ (5,347)	\$ (5,630)	\$ (895)
EBIT impact	+/-10%	707	704	511	335	238	300	594	626	99

Currency controls and government policies in foreign jurisdictions 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.

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23. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Notes 9 and 10 set out details of all facilities that the Company has at its disposal to manage liquidity risk.

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

	<u>1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>	<u>Total</u>
Trade and other payables	\$ 73,083	\$ -	\$ -	\$ 73,083
Lease liabilities (interest included)	1,396	2,021	891	4,308
Contingent consideration (undiscounted)	-	2,500	-	2,500
Long-term debt (interest included)	831	16,280	-	17,111
	<u>\$ 75,310</u>	<u>\$ 20,801</u>	<u>\$ 891</u>	<u>\$ 97,002</u>

24. SUBSEQUENT EVENT

On June 1, 2021, the Company completed the purchase of all 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.

The purchase price for the acquisition is valued at an amount up to AUD\$80 million, or approximately CAD\$75 million, consisting of: (i) a cash payment of AUD\$40 million payable on closing, subject to working capital adjustments; (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, subject to TSX approval; and (iii) an earn out of up to AUD\$25 million payable in cash over the next three years, based on the achievement of certain milestones.

The cash portion of the purchase price has been funded from Major Drilling's cash and existing debt facilities. With the \$50 million revolving term facility now fully drawn, as of June 7, 2021, the Company has negotiated an expansion of this facility to an aggregate \$75 million to retain additional liquidity to fund operations.