

Consolidated Statements of Operations

For the years ended April 30, 2023 and 2022

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

	<u>2023</u>	<u>2022</u>
TOTAL REVENUE	\$ 735,742	\$ 650,415
DIRECT COSTS (note 11)	558,841	510,642
GROSS PROFIT	<u>176,901</u>	<u>139,773</u>
OPERATING EXPENSES		
General and administrative (note 11)	64,957	57,043
Other expenses	13,358	11,767
(Gain) loss on disposal of property, plant and equipment	(912)	(546)
Foreign exchange (gain) loss	2,758	1,396
Finance (revenues) costs	<u>(832)</u>	<u>1,629</u>
	<u>79,329</u>	<u>71,289</u>
EARNINGS BEFORE INCOME TAX	<u>97,572</u>	<u>68,484</u>
INCOME TAX EXPENSE (RECOVERY) (note 12)		
Current	22,788	13,285
Deferred	<u>(138)</u>	<u>1,740</u>
	<u>22,650</u>	<u>15,025</u>
NET EARNINGS	<u><u>\$ 74,922</u></u>	<u><u>\$ 53,459</u></u>
EARNINGS PER SHARE (note 14)		
Basic	<u><u>\$ 0.90</u></u>	<u><u>\$ 0.65</u></u>
Diluted	<u><u>\$ 0.90</u></u>	<u><u>\$ 0.65</u></u>

Consolidated Statements of Comprehensive Earnings

For the years ended April 30, 2023 and 2022
(in thousands of Canadian dollars)

	<u>2023</u>	<u>2022</u>
NET EARNINGS	\$ 74,922	\$ 53,459
OTHER COMPREHENSIVE EARNINGS		
Items that may be reclassified subsequently to profit or loss		
Unrealized gain (loss) on foreign currency translations	16,882	7,407
Unrealized gain (loss) on derivatives (net of tax)	<u>(1,573)</u>	<u>469</u>
COMPREHENSIVE EARNINGS	<u>\$ 90,231</u>	<u>\$ 61,335</u>

Consolidated Statements of Changes in Equity

For the years ended April 30, 2023 and 2022
(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, 2021	\$ 243,379	\$ (22,456)	\$ 1,067	\$ 5,559	\$ 52,614	\$ 280,163
Share issue (note 17)	12,911	-	-	-	-	12,911
Exercise of stock options (note 13)	6,893	-	-	(1,913)	-	4,980
Share-based compensation (note 13)	-	-	-	369	-	369
Stock options expired/forfeited (note 13)	-	19	-	(19)	-	-
	<u>263,183</u>	<u>(22,437)</u>	<u>1,067</u>	<u>3,996</u>	<u>52,614</u>	<u>298,423</u>
Comprehensive earnings:						
Net earnings	-	53,459	-	-	-	53,459
Unrealized gain (loss) on foreign currency translations	-	-	-	-	7,407	7,407
Unrealized gain (loss) on derivatives	-	-	469	-	-	469
Total comprehensive earnings	<u>-</u>	<u>53,459</u>	<u>469</u>	<u>-</u>	<u>7,407</u>	<u>61,335</u>
BALANCE AS AT APRIL 30, 2022	263,183	31,022	1,536	3,996	60,021	359,758
Exercise of stock options (note 13)	2,888	-	-	(808)	-	2,080
Share-based compensation (note 13)	-	-	-	508	-	508
	<u>266,071</u>	<u>31,022</u>	<u>1,536</u>	<u>3,696</u>	<u>60,021</u>	<u>362,346</u>
Comprehensive earnings:						
Net earnings	-	74,922	-	-	-	74,922
Unrealized gain (loss) on foreign currency translations	-	-	-	-	16,882	16,882
Unrealized gain (loss) on derivatives	-	-	(1,573)	-	-	(1,573)
Total comprehensive earnings	<u>-</u>	<u>74,922</u>	<u>(1,573)</u>	<u>-</u>	<u>16,882</u>	<u>90,231</u>
BALANCE AS AT APRIL 30, 2023	\$ 266,071	\$105,944	\$ (37)	\$ 3,696	\$ 76,903	\$452,577

Consolidated Statements of Cash Flows

For the years ended April 30, 2023 and 2022
(in thousands of Canadian dollars)

	2023	2022
OPERATING ACTIVITIES		
Earnings before income tax	\$ 97,572	\$ 68,484
Operating items not involving cash		
Depreciation and amortization (note 11)	47,478	43,981
(Gain) loss on disposal of property, plant and equipment	(912)	(546)
Share-based compensation (note 13)	508	369
Finance (revenues) costs recognized in earnings before income tax	(832)	1,629
	<u>143,814</u>	<u>113,917</u>
Changes in non-cash operating working capital items (note 16)	(6,911)	(11,601)
Finance revenues received (costs paid)	832	(1,629)
Income taxes paid	(24,549)	(5,814)
Cash flow from (used in) operating activities	<u>113,186</u>	<u>94,873</u>
FINANCING ACTIVITIES		
Repayment of lease liabilities	(1,688)	(1,371)
Repayment of long-term debt (note 10)	(30,000)	(355)
Issuance of common shares due to exercise of stock options (note 13)	2,080	4,980
Proceeds from draw on long-term debt (note 10)	-	35,000
Cash flow from (used in) financing activities	<u>(29,608)</u>	<u>38,254</u>
INVESTING ACTIVITIES		
Business acquisitions (net of cash acquired) (note 17)	(8,789)	(38,050)
Acquisition of property, plant and equipment (note 6)	(58,690)	(49,939)
Proceeds from disposal of property, plant and equipment	3,501	2,144
Cash flow from (used in) investing activities	<u>(63,978)</u>	<u>(85,845)</u>
Effect of exchange rate changes	<u>3,572</u>	<u>1,619</u>
INCREASE IN CASH	<u>23,172</u>	<u>48,901</u>
CASH, BEGINNING OF THE YEAR	<u>71,260</u>	<u>22,359</u>
CASH, END OF THE YEAR	<u><u>\$ 94,432</u></u>	<u><u>\$ 71,260</u></u>

Consolidated Balance Sheets

As at April 30, 2023 and 2022
(in thousands of Canadian dollars)

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 94,432	\$ 71,260
Trade and other receivables (note 22)	137,633	142,621
Income tax receivable	2,336	2,037
Inventories (note 5)	115,128	96,782
Prepaid expenses	10,996	8,960
	<u>360,525</u>	<u>321,660</u>
PROPERTY, PLANT AND EQUIPMENT (note 6)	215,085	198,196
RIGHT-OF-USE ASSETS (note 6)	5,637	5,479
DEFERRED INCOME TAX ASSETS (note 12)	4,444	4,351
GOODWILL (note 7 and 17)	22,690	22,798
INTANGIBLE ASSETS (note 8 and 17)	3,304	4,596
	<u><u>\$ 611,685</u></u>	<u><u>\$ 557,080</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	\$ 102,144	\$ 102,596
Income tax payable	3,674	5,022
Current portion of lease liabilities	1,617	1,502
Current portion of contingent consideration (note 17)	7,138	8,619
	<u>114,573</u>	<u>117,739</u>
LEASE LIABILITIES	3,965	3,885
CONTINGENT CONSIDERATION (note 17)	7,975	14,288
LONG-TERM DEBT (note 10)	19,972	50,000
DEFERRED INCOME TAX LIABILITIES (note 12)	12,623	11,410
	<u>159,108</u>	<u>197,322</u>
SHAREHOLDERS' EQUITY		
Share capital (note 13)	266,071	263,183
Retained earnings	105,944	31,022
Other reserves	(37)	1,536
Share-based payments reserve	3,696	3,996
Foreign currency translation reserve	76,903	60,021
	<u>452,577</u>	<u>359,758</u>
	<u><u>\$ 611,685</u></u>	<u><u>\$ 557,080</u></u>

Contingencies and commitments (notes 18 and 19)

Approved by the Board of Directors
"Kim Keating"
Kim Keating
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, 2023 AND 2022
(in thousands of Canadian dollars, except per share information)

1. NATURE OF ACTIVITIES

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

2. BASIS OF PRESENTATION

Statement of compliance

These 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”), as issued by the International Accounting Standards Board, using the accounting policies described herein.

On June 13, 2023, 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 on a going-concern basis under the historical cost method, 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

Cash is 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, 2023 AND 2022
(in thousands of Canadian dollars, except per share information)

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 derecognition 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 classified and measured cash, 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	10-20
Drilling equipment	0-15	3-15
Automotive and off-road equipment	0-10	3-10
Other (office, computer, and shop equipment)	0	3-15
Right-of-use assets	0	Lease term

Land and assets 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 derecognized. An item of PP&E is derecognized 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 CGUs 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 to five-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, however 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.

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.

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 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 materials, consumables and external costs in note 11 for the year ended April 30, 2023 was \$104,738 (2022 - \$94,113). During the years ended April 30, 2023 and 2022, there were no material write-downs of inventory 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>2023</u>	<u>2022</u>
Rods and casings	\$ 32,873	\$ 29,468
Machine parts	48,728	36,676
Consumables	9,069	10,355
Wireline and downhole tools	7,792	6,716
Diamond bits	8,315	7,192
Other	8,351	6,375
	<u>\$ 115,128</u>	<u>\$ 96,782</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, 2021	\$	6,030	\$ 17,740	\$ 359,019	\$ 104,514	\$ 9,749	\$ 6,002	\$ 503,054
Additions		-	479	33,337	13,009	3,114	2,991	52,930
Disposals		-	(363)	(13,393)	(7,954)	(785)	(54)	(22,549)
Business acquisition (note 17)		-	-	27,504	10,549	6,413	-	44,466
Effect of exchange rate changes and other		112	(135)	9,128	3,706	(3,580)	203	9,434
Balance as at April 30, 2022	\$	6,142	\$ 17,721	\$ 415,595	\$ 123,824	\$ 14,911	\$ 9,142	\$ 587,335
Additions		-	917	36,841	18,707	2,225	1,894	60,584
Disposals		-	-	(20,910)	(5,170)	(526)	-	(26,606)
Effect of exchange rate changes and other		150	444	18,574	4,805	(4,754)	8	19,227
Balance as at April 30, 2023	\$	6,292	\$ 19,082	\$ 450,100	\$ 142,166	\$ 11,856	\$ 11,044	\$ 640,540
Accumulated Depreciation:								
Balance as at April 30, 2021	\$	-	\$ (7,027)	\$ (256,617)	\$ (81,426)	\$ (7,600)	\$ (2,229)	\$ (354,899)
Disposals		-	217	12,744	5,942	1,994	54	20,951
Depreciation		-	(906)	(30,250)	(8,138)	(1,624)	(1,679)	(42,597)
Effect of exchange rate changes and other		-	48	(6,053)	(1,524)	223	191	(7,115)
Balance as at April 30, 2022	\$	-	\$ (7,668)	\$ (280,176)	\$ (85,146)	\$ (7,007)	\$ (3,663)	\$ (383,660)
Disposals		-	-	18,986	4,505	526	-	24,017
Depreciation		-	(961)	(31,007)	(11,219)	(1,324)	(1,703)	(46,214)
Effect of exchange rate changes and other		-	(289)	(11,223)	(3,172)	764	(41)	(13,961)
Balance as at April 30, 2023	\$	-	\$ (8,918)	\$ (303,420)	\$ (95,032)	\$ (7,041)	\$ (5,407)	\$ (419,818)
Carrying value April 30, 2022	\$	6,142	\$ 10,053	\$ 135,419	\$ 38,678	\$ 7,904	\$ 5,479	\$ 203,675
Carrying value April 30, 2023	\$	6,292	\$ 10,164	\$ 146,680	\$ 47,134	\$ 4,815	\$ 5,637	\$ 220,722

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, 2023 or 2022.

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7. GOODWILL

Changes in the goodwill balance were as follows:

	<u>2023</u>	<u>2022</u>
Opening balance	\$ 22,798	\$ 7,708
Goodwill on acquisition (note 17)	-	15,543
Effect of movement in exchange rates	(108)	(453)
Ending balance	<u>\$ 22,690</u>	<u>\$ 22,798</u>

Allocation of goodwill to CGUs

The carrying amount of goodwill was allocated to CGUs as follows:

	<u>2023</u>	<u>2022</u>
Canada	\$ 7,708	\$ 7,708
Australia	14,982	15,090
	<u>\$ 22,690</u>	<u>\$ 22,798</u>

The recoverable amount of the Canadian and Australian 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, 2023. Cash flows beyond that period have been extrapolated using a steady 2% per annum growth rate.

Key assumptions

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

Revenue – The revenue for both CGUs is based on forecasted values, which are in line with market conditions and reflect past experience. The existing drilling fleet, combined with the sustained capital expenditures, further supports the Company's position for future growth in both regions.

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 11.70% (2022 - 13.40%). In order to determine the discount rate, the Company used prevailing market interest rates, the risk-free market return, adjusted for the equity premium, volatility and Company specific factors.

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 by a reasonably possible change, with no resulting impairment required.

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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, 2021	\$ 1,135	\$ (567)	\$ 568
Intangibles on acquisition (note 17)	5,558	-	5,558
Amortization	-	(1,384)	(1,384)
Effect of movement in exchange rates	(146)	-	(146)
Balance as at April 30, 2022	\$ 6,547	\$ (1,951)	\$ 4,596
Amortization	-	(1,264)	(1,264)
Effect of movement in exchange rates	-	(28)	(28)
Balance as at April 30, 2023	<u>\$ 6,547</u>	<u>\$ (3,243)</u>	<u>\$ 3,304</u>

9. DEMAND CREDIT FACILITIES

The Company has credit facilities available totaling \$31,665 with \$30,000 from a Canadian chartered bank and the remainder from an American chartered bank. The Canadian facility bears interest at 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%. The demand credit facilities are primarily secured by corporate guarantees of companies within the group. As at April 30, 2023, the Company had utilized \$1,361 (2022 - \$1,061) of these facilities for outstanding stand-by letters of credit. The Company also has credit facilities of \$3,976 for credit cards, with interest rates and repayments as per cardholder agreements.

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10. LONG-TERM DEBT

	<u>2023</u>	<u>2022</u>
Revolving term loan, maximum available \$75,000, 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 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.	\$ 20,000	\$ 50,000
Derivative financial instrument with a notional principal amount of \$20,000, swapping Canadian-Bankers' Acceptance - Canadian Dealer Offered Rate for an annual fixed rate of 3.32%, maturing in May 2023.	(28)	-
	<u>19,972</u>	<u>50,000</u>
Current portion	-	-
Long-term portion	<u>\$ 19,972</u>	<u>\$ 50,000</u>

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

	<u>2023</u>	<u>2022</u>
Opening balance	\$ 50,000	\$ 15,462
Repayment of long-term debt	(30,000)	(355)
Proceeds from draw on long-term debt	-	35,000
Net fair value variance on derivatives and other	(28)	(107)
Ending balance	<u>\$ 19,972</u>	<u>\$ 50,000</u>

The principal repayment on the long-term debt is due in fiscal 2028.

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.

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11. EXPENSES BY NATURE

Direct costs by nature are as follows:

	<u>2023</u>	<u>2022</u>
Depreciation	\$ 43,651	\$ 40,579
Employee salaries and benefit expenses	254,979	232,141
Materials, consumables and external costs	221,980	194,637
Other	38,231	43,285
	<u>\$ 558,841</u>	<u>\$ 510,642</u>

General and administrative expenses by nature are as follows:

	<u>2023</u>	<u>2022</u>
Amortization of intangible assets	\$ 1,264	\$ 1,384
Depreciation	2,563	2,018
Employee salaries and benefit expenses	33,199	31,260
Other general and administrative expenses	27,931	22,381
	<u>\$ 64,957</u>	<u>\$ 57,043</u>

Share-based compensation for employees, included in the other expenses line on the Consolidated Statements of Operations, for the year ended April 30, 2023 was \$508 (2022 - \$369).

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>2023</u>	<u>2022</u>
Earnings before income tax	\$ 97,572	\$ 68,484
Statutory Canadian corporate income tax rate	27%	27%
Expected income tax provision based on statutory rate	26,344	18,491
Non-recognition of tax benefits related to losses	1,047	876
Utilization of previously unrecognized losses	(7,321)	(8,397)
Other foreign taxes paid	2,889	1,819
Rate variances in foreign jurisdictions	(562)	125
Permanent differences and other	274	1,119
Derecognition of previously recognized losses	-	861
	<u>22,671</u>	<u>14,894</u>
Adjustments recognized in the current year in relation to the current tax in prior years	(21)	131
Income tax provision recognized in net earnings	<u>\$ 22,650</u>	<u>\$ 15,025</u>

The tax rate used for the 2023 and 2022 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>2022</u>	<u>Tax provision</u>	<u>Exchange</u>	<u>2023</u>
Deferred tax assets related to non-capital losses	\$ 4,351	\$ 556	\$ (463)	\$ 4,444
Deferred tax liabilities related to difference in tax and book basis	(11,410)	(418)	(795)	(12,623)
Net deferred tax assets (liabilities)	<u>\$ (7,059)</u>	<u>\$ 138</u>	<u>\$ (1,258)</u>	<u>\$ (8,179)</u>

Income tax provision recognized in net earnings:

	<u>2023</u>	<u>2022</u>
<u>Current tax</u>		
Current tax expense in respect to the current year	\$ 22,809	\$ 13,154
Adjustments recognized in the current year in relation to the current tax of prior years	(21)	131
<u>Deferred tax</u>		
Deferred tax expense (recovery) recognized in the current year	(138)	1,740
Income tax provision	<u>\$ 22,650</u>	<u>\$ 15,025</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 \$100,338 in non-capital losses of which \$3,344 is recognized to reduce future income taxes otherwise payable in foreign jurisdictions. These losses, if unused, will expire in the following calendar years: 2023 - \$2,538; 2024 - \$2,266; 2025 - \$467; 2026 - \$4,982; 2027 - \$12,927; 2028 - \$1,573; 2030 - \$1,451; 2037 - \$16,265; 2038 - \$10,653; 2040 - \$2,180; and indefinite - \$45,036.

In the current year, the Company derecognized \$0 (2022 - \$861) of its deferred income tax assets related to non-expiring losses. The Company continues to recognize a deferred income tax asset of \$2,001 (2022 - \$1,820) in a jurisdiction that has had a recent 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 \$21,321 of capital losses that are available to reduce income taxes otherwise payable on capital gains realized in Australia and Canada. The benefit of these losses has not been recognized in the Consolidated Financial Statements.

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12. INCOME TAXES (Continued)

The Company has approximately \$228,780 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.

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:

	<u>2023</u>		<u>2022</u>	
	<u>Number of shares</u>	<u>Share capital</u>	<u>Number of shares</u>	<u>Share capital</u>
Opening balance	82,706,454	\$ 263,183	80,655,753	\$ 243,379
Share issue (note 17)	-	-	1,318,101	12,911
Exercise of stock options	321,675	2,888	732,600	6,893
Ending balance	83,028,129	\$ 266,071	82,706,454	\$ 263,183

Stock option plan

A summary of the status of the Company's stock option plan, as at April 30, 2023 and April 30, 2022, and of changes during those years, is presented below:

	<u>2023</u>		<u>2022</u>	
	<u>Number of options</u>	<u>Weighted average exercise price</u>	<u>Number of options</u>	<u>Weighted average exercise price</u>
Outstanding, beginning of year	1,171,600	\$ 6.22	1,819,696	\$ 6.27
Options granted	105,000	10.50	105,000	9.21
Options expired/forfeited	(4,000)	3.60	(20,496)	4.61
Options exercised	(321,675)	6.47	(732,600)	6.80
Outstanding, end of year	950,925	5.47	1,171,600	6.22

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13. SHARE CAPITAL (Continued)

The following table summarizes information on stock options outstanding as at April 30, 2023:

<u>Range of exercise prices</u>	<u>Outstanding at April 30, 2023</u>	<u>Weighted average remaining life (years)</u>	<u>Weighted average exercise price</u>	<u>Exercisable at April 30, 2023</u>	<u>Weighted average exercise price</u>
\$3.60 - \$6.28	373,925	3.36	\$ 4.15	315,788	\$ 4.26
\$6.97 - \$10.50	577,000	3.56	8.23	405,000	7.48
	<u>950,925</u>			<u>720,788</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>2023</u>	<u>2022</u>
Risk-free interest rate at date of grant	3.39%	1.1%
Expected life	6.2 years	6.4 years
Expected volatility (based on historical volatility)	55.1%	54.8%

The weighted average grant date fair value of options granted during the year ended April 30, 2023 was \$5.86 (2022 - \$4.66). For the year ended April 30, 2023, the amount of compensation cost recognized in earnings and credited to share-based payments reserve was \$508 (2022 - \$369).

14. EARNINGS PER SHARE

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

	<u>2023</u>	<u>2022</u>
Net earnings	\$ 74,922	\$ 53,459
Weighted average number of shares:		
Basic (000s)	82,876	82,255
Net effect of dilutive securities:		
Stock options	361	472
Diluted (000s)	<u>83,237</u>	<u>82,727</u>
Earnings per share:		
Basic	\$ 0.90	\$ 0.65
Diluted	\$ 0.90	\$ 0.65

The calculation of diluted earnings per share for the year ended April 30, 2023 and 2022 excludes the effect of 193,577 and 45,164 options, respectively, as they were not in-the-money.

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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 Australasia and Africa. The services provided in each of the reportable segments are essentially the same. The accounting policies of the segments are the same as those described in note 3. Management evaluates performance based on earnings from operations in these three geographic segments before finance costs, general and corporate expenses, and income tax. Data relating to each of the Company's reportable segments is presented as follows:

	<u>2023</u>	<u>2022</u>
Revenue		
Canada - U.S.*	\$ 405,049	\$ 366,662
South and Central America	166,759	151,613
Australasia and Africa	163,934	132,140
	<u>\$ 735,742</u>	<u>\$ 650,415</u>
Earnings from operations		
Canada - U.S.	\$ 66,297	\$ 59,098
South and Central America	23,440	6,353
Australasia and Africa	21,967	18,205
	<u>111,704</u>	<u>83,656</u>
Finance (revenues) costs	(832)	1,629
General and corporate expenses**	14,964	13,543
Income tax	<u>22,650</u>	<u>15,025</u>
	<u>36,782</u>	<u>30,197</u>
Net earnings	<u>\$ 74,922</u>	<u>\$ 53,459</u>

*Canada - U.S. includes revenue in 2023 of \$170,876 (2022 - \$185,919) for Canadian operations.

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

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15. SEGMENTED INFORMATION (Continued)

	<u>2023</u>	<u>2022</u>
Capital expenditures		
Canada - U.S.	\$ 35,974	\$ 28,146
South and Central America	12,546	8,803
Australasia and Africa	9,651	9,379
Unallocated and corporate assets	519	3,611
Total capital expenditures	<u>\$ 58,690</u>	<u>\$ 49,939</u>

Depreciation and amortization		
Canada - U.S.	\$ 23,205	\$ 20,579
South and Central America	10,612	9,896
Australasia and Africa	13,020	12,953
Unallocated and corporate assets	641	553
Total depreciation and amortization	<u>\$ 47,478</u>	<u>\$ 43,981</u>

	<u>April 30, 2023</u>	<u>April 30, 2022</u>
Identifiable assets		
Canada - U.S.*	\$ 283,895	\$ 236,669
South and Central America	154,384	128,791
Australasia and Africa	193,739	203,370
Unallocated and corporate liabilities	(20,333)	(11,750)
Total identifiable assets	<u>\$ 611,685</u>	<u>\$ 557,080</u>

*Canada - U.S. includes property, plant and equipment in 2023 of \$65,481 (2022 - \$56,469) for Canadian operations.

16. ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in non-cash operating working capital items:

	<u>2023</u>	<u>2022</u>
Trade and other receivables	\$ 11,121	\$ (25,915)
Inventories	(13,280)	(6,493)
Prepaid expenses	(1,577)	(339)
Trade and other payables	(3,175)	21,146
	<u>\$ (6,911)</u>	<u>\$ (11,601)</u>

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17. BUSINESS ACQUISITION

McKay Drilling PTY Limited

Effective June 1, 2021, the Company acquired all of the issued and outstanding shares of McKay Drilling PTY Limited ("McKay"), a leading specialty drilling contractor based in Western Australia.

The acquisition was accounted for using the acquisition method. The Company acquired 20 drill rigs, support equipment and inventory, existing contracts and receivables, as well as retaining the operation's management team, and other employees, including experienced drillers.

The purchase price for the transaction was \$71,073, consisting of \$38,050 in cash (net of cash acquired), \$12,911 in Major Drilling shares and an additional payout of \$20,112 (discounted) tied to performance. The maximum amount of the contingent consideration is \$25,000 AUD, with a payout period extending over three years from the effective date of June 1, 2021, contingent upon achievement of certain EBITDA (earnings before interest, taxes, depreciation and amortization) milestones. During the year, the Company made the first payment on the contingent consideration arising out of the McKay Drilling PTY Limited acquisition for \$6,289 (\$7,000 AUD).

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

The valuation of assets and purchase price allocation have been finalized. The net assets acquired at fair value at acquisition were as follows:

Net assets acquired

Trade and other receivables	\$	10,475
Inventories		1,595
Prepaid expenses		1,773
Property, plant and equipment		44,466
Goodwill (not tax deductible)		15,543
Intangible assets		5,558
Trade and other payables		(7,379)
Deferred income tax liabilities		(958)
Total assets	\$	71,073

Consideration

Cash	\$	39,031
Less: cash acquired		(981)
Contingent consideration		20,112
Shares of Major Drilling		12,911
Total consideration	\$	71,073

Subsequent to the date of acquisition, the trade and other receivables included in the above net assets acquired have been fully collected. Intangible assets acquired are amortized over five years.

The above consideration includes non-cash investing activities, which are not reflected in the Consolidated Statements of Cash Flows for the year ended April 30, 2022, including the issuance of 1,318,101 shares of Major Drilling for a total of \$12,911, and contingent consideration of \$20,112 (discounted).

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17. BUSINESS ACQUISITION (Continued)

In the previous year, the Company incurred acquisition-related costs of \$454 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 the McKay operations are included in the Consolidated Statements of Operations from June 1, 2021.

Norex Drilling Limited

During the year, the Company paid \$2,500, the maximum payable on the contingent consideration arising out of the November 2019 Norex Drilling Limited acquisition, as EBITDA milestones were met.

18. 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.

19. COMMITMENTS

The Company has commitments for the purchase of equipment totaling \$11,003 with delivery dates throughout fiscal 2024, as well as various commitments, primarily for rental of premises, with arms-length parties as follows: 2024 - \$1,047; 2025 - \$374; 2026 - \$119; 2027 - \$15; 2028 - \$4.

20. 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>2023</u>	<u>2022</u>
Salaries, bonuses and fees	\$ 3,725	\$ 2,815
Other long-term benefits	136	121
Share-based payments benefits	1,650	1,658
	<u>\$ 5,511</u>	<u>\$ 4,594</u>

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21. CAPITAL MANAGEMENT

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

Total managed capital was as follows:

	<u>2023</u>	<u>2022</u>
Long-term debt	\$ 19,972	\$ 50,000
Share capital	266,071	263,183
Share-based payments reserve	3,696	3,996
Retained earnings	105,944	31,022
Cash	(94,432)	(71,260)
	<u>\$ 301,251</u>	<u>\$ 276,941</u>

The Company's objective when managing its capital structure is to ensure continued access to capital markets to maintain financial flexibility, meet financial obligations, and 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.

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 fiscal 2022.

22. 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, 2023, the Company has estimated that a one percentage point change in interest rates on long-term debt would have a minimal impact on net earnings.

Fair value

The carrying values of cash, 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 contingent consideration and long-term debt approximates their fair value as the interest applicable is reflective of fair market rates.

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22. 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 has entered into certain derivative financial instruments to manage its exposure to interest rate and market risks, including an interest rate swap, with a notional value of \$20,000 maturing in May of 2023, and share-price forward contracts with a combined notional amount of \$5,983, maturing at varying dates through June 2025.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The Company's derivatives, with fair values as follows, are classified as level 2 financial instruments and recorded in trade and other receivables in the Consolidated Balance Sheets. There were no transfers of amounts between level 1, level 2 and level 3 financial instruments for the year ended April 30, 2023.

	<u>April 30, 2023</u>	<u>April 30, 2022</u>
Interest rate swap	\$ 28	\$ -
Share-price forward contracts	\$ 2,189	\$ 5,468

Credit risk

The Company has a policy of dealing only with creditworthy customers and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit risk also arises from cash held in banks and financial institutions. This risk is limited because the counterparties are primarily major financial institutions with high credit ratings.

As at April 30, 2023, one customer (2022 – no customers) 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, 2023, 97.0% (2022 - 94.0%) of the Company's trade receivables were aged as current and 2.5% (2022 - 1.2%) 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>2023</u>	<u>2022</u>
Opening balance	\$ 1,517	\$ 1,638
Increase in impairment allowance	2,620	744
Recovery of amounts previously impaired	(51)	(303)
Write-off charged against allowance	(824)	(549)
Foreign exchange translation differences	41	(13)
Ending balance	<u>\$ 3,303</u>	<u>\$ 1,517</u>

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22. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

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, 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:

	<u>Rate variance</u>	<u>USD/CAD</u>	<u>IDR/USD</u>	<u>MNT/USD</u>	<u>EUR/USD</u>	<u>USD/AUD</u>	<u>ARS/USD</u>	<u>USD/CLP</u>	<u>Other</u>
Net exposure on monetary assets (liabilities)		11,180	7,409	6,603	2,548	1,843	(2,402)	(5,133)	1,053
EBIT impact	+/-10%	1,242	823	734	283	205	267	570	117

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.

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>Thereafter</u>	<u>Total</u>
Trade and other payables	\$ 102,144	\$ -	\$ -	\$ -	\$ 102,144
Lease liabilities (interest included)	1,656	2,682	1,384	486	6,208
Contingent consideration (undiscounted)	7,204	9,005	-	-	16,209
Long-term debt (interest included)	636	1,328	20,941	-	22,905
	<u>\$ 111,640</u>	<u>\$ 13,015</u>	<u>\$ 22,325</u>	<u>\$ 486</u>	<u>\$ 147,466</u>