

# ***MAJOR*** ***Drilling***

## **Investor Presentation**

*December 2021*

**QUALITY - SAFETY - RESULTS**



**TSX: MDI**  
**majordrilling.com**

# Forward-Looking Statements



This presentation includes certain information that may constitute “forward-looking information” under applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this presentation that address future events, developments or performance that the Company expects to occur (including management’s expectations regarding the Company’s objectives, strategies, financial condition, results of operations, cash flows and businesses) are forward-looking statements. Forward-looking statements are typically identified by future or conditional verbs such as “outlook”, “believe”, “anticipate”, “estimate”, “project”, “expect”, “intend”, “plan”, and terms and expressions of similar import. All forward-looking information in this presentation is qualified by this cautionary note.

Forward-looking information is necessarily based upon various estimates and assumptions including, without limitation, the expectations and beliefs of management related to the factors set forth below. While these factors and assumptions are considered reasonable by the Company as at the date of this document in light of management’s experience and perception of current conditions and expected developments, these statements are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements and undue reliance should not be placed on such statements and information.

Such forward-looking statements are subject to a number of risks and uncertainties that include, but are not limited to: the level of activity in the mining industry and the demand for the Company’s services; the integration of business acquisitions and the realization of the intended benefits of such acquisitions; the level of funding for the Company’s clients (particularly for junior mining companies); global economic environments; implications of the COVID-19 pandemic; the Company’s dependence on key customers; competitive pressures; exposure to currency movements (which can affect the Company’s revenue in Canadian dollars); the geographic distribution of the Company’s operations; the impact of operational changes; changes in jurisdictions in which the Company operates (including changes in regulation); failure by counterparties to fulfill contractual obligations; as well as other risk factors described under “General Risks and Uncertainties” in the Company’s Annual Information Form for the most recently completed fiscal year, available on the SEDAR website at [www.sedar.com](http://www.sedar.com). Should one or more risk, uncertainty, contingency or other factor materialize or should any factor or assumption prove incorrect, actual results could vary materially from those expressed or implied in the forward-looking information.

Forward-looking statements made in this document are made as of the date of this document and the Company disclaims any intention and assumes no obligation to update any forward-looking statement, even if new information becomes available, as a result of future events or for any other reasons, except as required by applicable securities laws.

# Major Drilling: Company Overview



- Leading provider of specialized drilling services to the mining industry, registered in over 20 countries, with a fleet of approx. 600 drills.
- Diversified portfolio of senior customers across North and South America, Asia, Africa and Australia.
- Extremely well positioned for expected multi-year drilling upcycle led by high gold prices and depleted copper inventories.

## FUNDAMENTALS<sup>1</sup>

TSX: MDI

52 Week Range: \$6.03 - \$10.97

Market Cap: ~\$793M

Shares Outstanding: 82.4M

90 Day Avg. Trading Vol.: 300K

REGISTERED IN OVER

20

COUNTRIES

ACROSS

5

CONTINENTS

>3,700

EMPLOYEES

~600

DRILLS

## Q2 2022 HIGHLIGHTS

\$171

GROSS REVENUE (M)

\$30.7

EBITDA<sup>2</sup> (M)

\$14.3

NET EARNINGS (M)

28.3%

ADJUSTED GROSS MARGINS<sup>3</sup>

\$30.0

NET DEBT (M)

\$0.17

EPS



1 - All values in \$CAD unless otherwise indicated, as of November 25, 2021.

2 - Earnings before interest, taxes, depreciation, and amortization.

3- Adjusted gross margin excludes depreciation expense.



# Investment Proposition

➤ *Ideally positioned to capture the precious metal upswing*



## Specialized Operations

- Significant barriers to entry met with **right experience & modern fleet**
- Operating in **challenging environments** where largest new discoveries likely found



## Aligned To Market

- Leverage to multi-year exploration cycle, Au/Cu supply **deficit provides opportunity**
- Highly **correlated to gold and copper**; 72% revenue derived from those activities



## Diversified, Quality Customer Base

- **Contractor of choice**, 76% of customers are senior/intermediate producers
- **Strong relationships** with largest mining companies worldwide



## Balance Sheet Sustainability

- **Best capitalized** drilling company in the mining sector
- **Healthy balance sheet** ensures flexibility & resilience



## Experienced Management

- Management holds **>1,000 years of combined experience** & expertise
- History of **successful growth through M&A** and international diversification

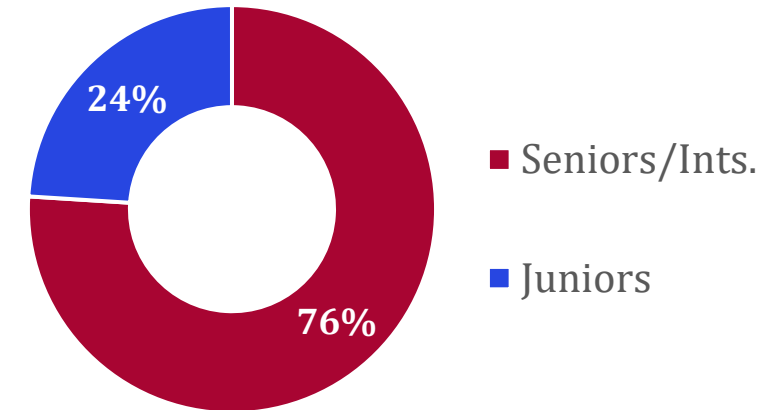
# Diversified, Sustainable Revenue Sources

➤ *Broad range of services, customers and leverage to premium commodities ensures sustainable revenue sources*

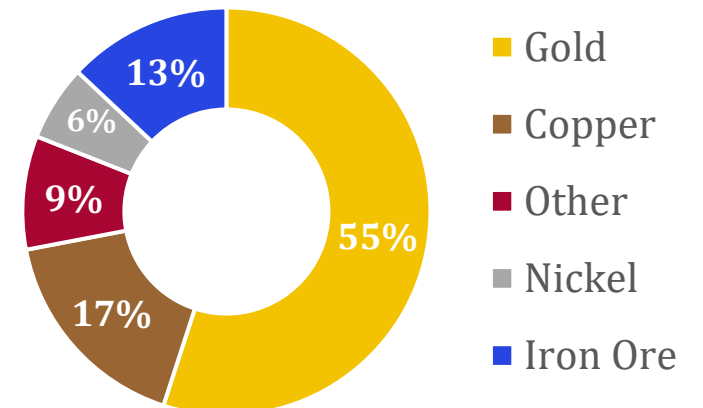
- Major Drilling currently has a focus on projects linked to gold revenue, but recognizes the importance of exposure to a suite of commodities.
- Similarly, MDI's broad range of capabilities ensure diversity of operations and revenue streams from across project types.
- Customers are primarily well-funded senior & intermediate mining companies.
- Balance of operational revenue sources provides:
  - Stability of revenue through cycles.
  - Focus in markets with enhanced earnings potential.



Drilling Revenue by Customer



Drilling Revenue by Commodity



# Contractor of Choice

➤ *Providing repeat services to the highest quality, investment grade customers*

- Diversified repeat customer base with low turnover.
- Many larger customers consist of multiple 'independent' regional subsidiaries/projects.
- 76% of Major Drilling revenue is sourced from operations for senior and intermediate mining companies.

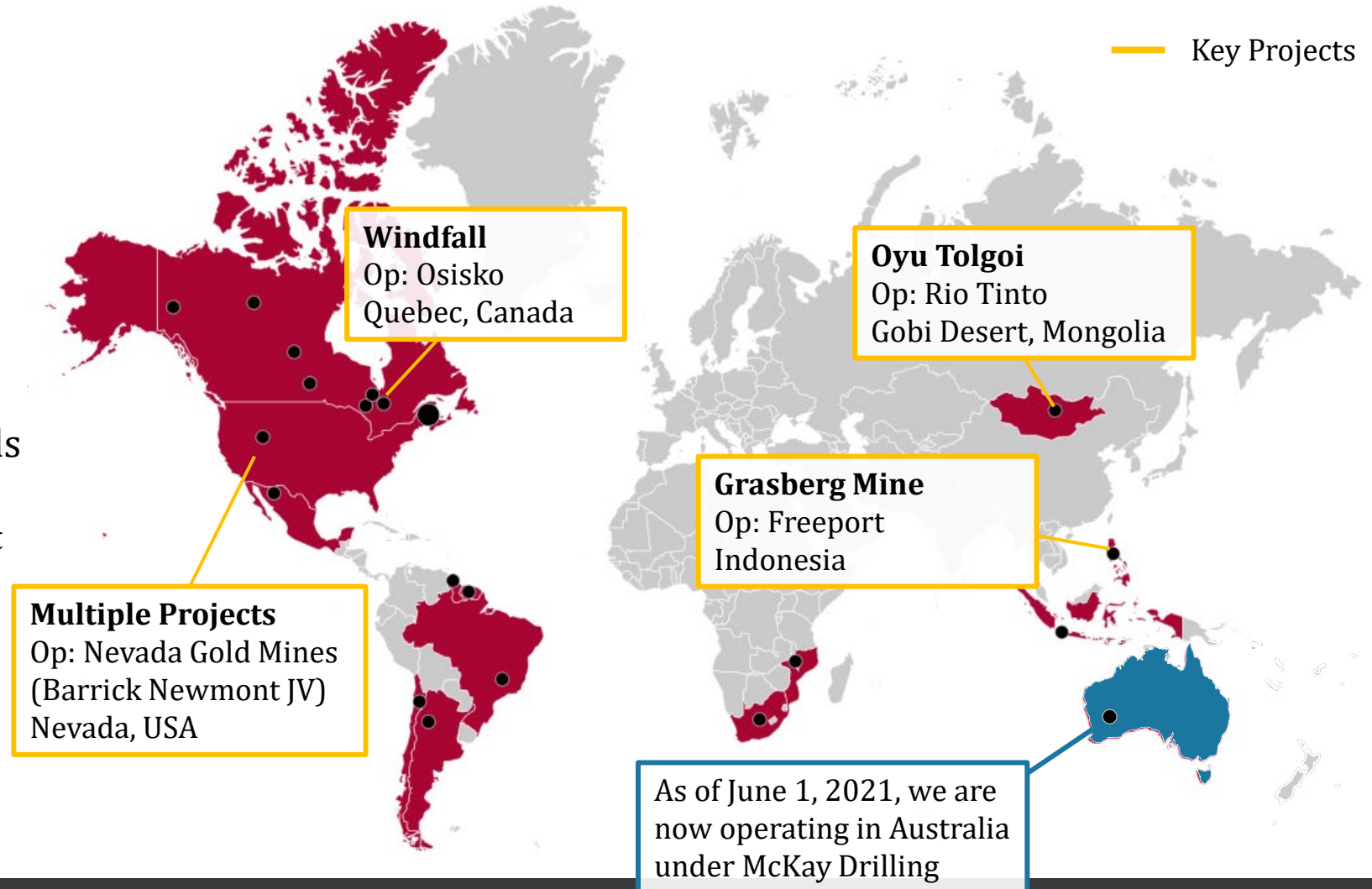
## TOP CUSTOMERS



# Operational Diversification

## ➤ *Diversified operations spread globally in highest-return regions*

- Registered in over **20** countries across **5** continents.
- MDI's operations and customers provide protection against market volatility through diversification.
- **~60%** of revenue from NAM operations.
- Global diversification provides opportunity to adjust exposure levels as markets change:
  - Ability to quickly mobilize a project for our top customers.
  - Decrease risk from single region issues.

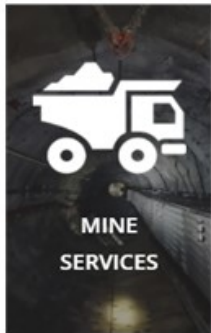




# Specialized Drilling

➤ *Surpassing customer expectations, industry leader in operational excellence and on-site safety*

- Specialized drilling services have significant barriers to entry, focus on areas more difficult to access.
- Examples of those include:
  - Deep hole drilling
  - Arctic drilling
  - Helicopter portability
  - High altitude drilling
  - Remote locations
  - Top safety requirements



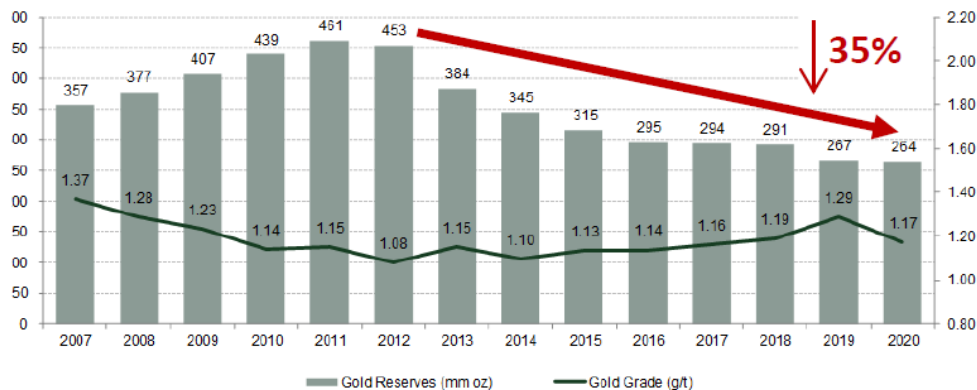


# Pricing at Record Highs, Driving Deficits & Demands

## **GOLD RESERVES DECLINING FAST...**

- Senior gold companies generating strong cash flows, however, gold reserves declining due to lack of material exploration.
- Exploration spend up for calendar 2021, both from junior and senior mining companies.
- Drill programs started earlier this year, particularly in Canada.

### **LARGE CAP TOTAL GOLD RESERVES & AVERAGE GRADE**

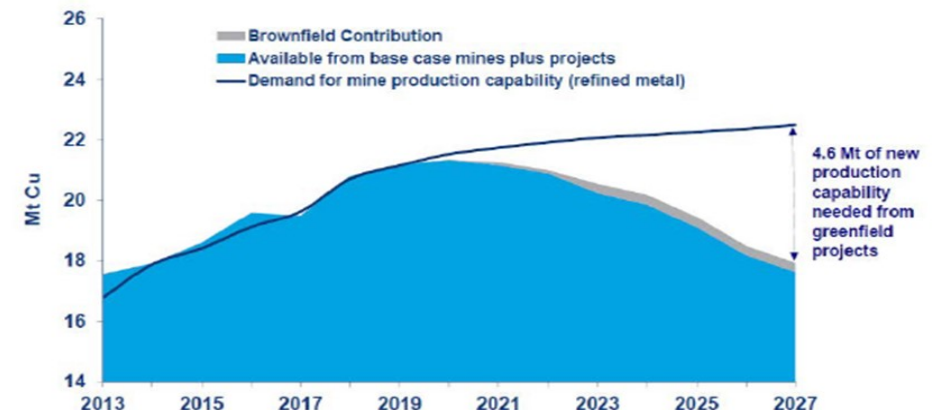


Source – Company reports, TD Securities, Inc.

## **...PLUS COPPER DEFICIT CREATES OPPORTUNITY**

- Copper industry supply deficit starting to be recognized.
- Government unleashing significant stimulus programs targeting renewable energy and electric vehicles, requiring huge volume of copper.
- Demand for EVs gaining momentum.
- EVs contain 3.5x more copper than regular vehicles + charging stations.

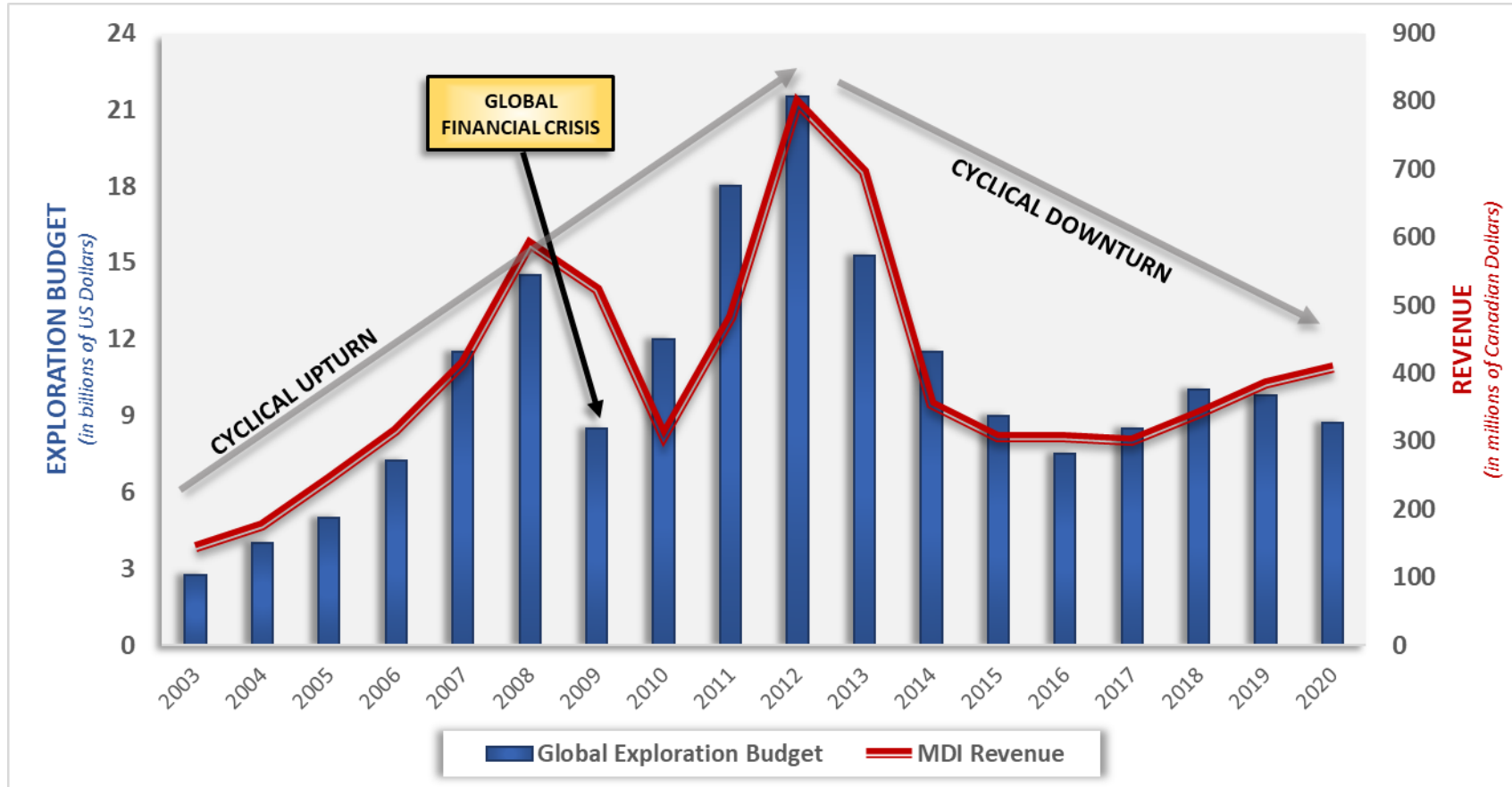
### **COPPER BASE CASE MINE CAPABILITY & REFINED DEMAND (MT)**



4.6 Mt of new production capacity needed from greenfield projects

# History Repeats on the Edge of the Upcycle...

## ➤ *Industry backdrop mirrors early 2000's upcycle*



- MDI revenues closely follow exploration budget cycle.
- Cycle driven by reserve depletion and commodity pricing.
- Same events are visible today mirroring early 2000s.

# History Repeats on the Edge of the Upcycle...

## Last cycle escalation

1998-2004	2004	2005	2006	2007-2012
6-year lack of exploration	Senior gold companies increase exploration to address dwindling reserves	Junior gold financing available; increased drilling campaigns	Increased copper and base metal budgets to respond to China demand	Extensive definition drilling campaigns to build reserves by both gold and base metal companies

## Where we are today

2013-2019	2020	2021	2022??	2023-??
6-year lack of exploration	Senior gold companies increase exploration to address dwindling reserves	Junior gold financing available; increased drilling campaigns	Increased copper and base metal budgets to respond to electrification to replace fossil fuels?	Extensive definition drilling campaigns to build reserves by both gold and base metal companies?



# ...and MDI is Optimally Positioned

## ➤ *What's different for Major Drilling this time?*

### **2002**

- \$28M net debt, \$2M EBITDA and \$0 to invest.
- Minimal capex spent through downturn and fleet not maintained due to cash restraints.
- Minimal inventory levels on hand and subject to supplier constraints.



### **Today -**

- ✓ Entered downturn net cash on hand. Current liquidity of \$98M.
- ✓ Invested in fleet during downturn, kept infrastructure in place.
- ✓ Diversified revenue sources from seniors & juniors as well as surface and underground.
- ✓ Stable G&A provides increased operational leverage to drive solid EBITDA growth.
- ✓ Healthy balance sheet to respond to growth opportunities.

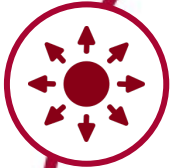
# Acquisition Delivers Immediate Value

## ➤ A 'best-fit' acquisition, merging two truly complementary businesses



### **IMMEDIATELY ACCRETIVE**

- Directly bolt-on business, McKay delivers immediate, incremental, revenue stream.
- LTM ending 3/31/21, McKay generated revenue of A\$60M and EBITDA of A\$17M.



### **FOOTPRINT EXPANSION**

- Provides strong, established presence in an important growth market to MDI.
- Eliminates barriers to entry to one of the world's most competitive mining regions.



### **BLUE CHIP CUSTOMER BASE**

- Long-standing relationships with Australia's largest mining companies.
- Well-established brand in-country, particularly among mining majors.



### **QUALITY EQUIPMENT**

- Fleet of 20 specialized rigs is among the highest quality in the world.
- Technologically advanced, well-maintained fleet.



### **STRONG PLATFORM**

- Local team and knowledge base with an exceptional market understanding.
- Reputation built on decades of innovation and high-quality service to clients.

# Responding to Labour Challenges

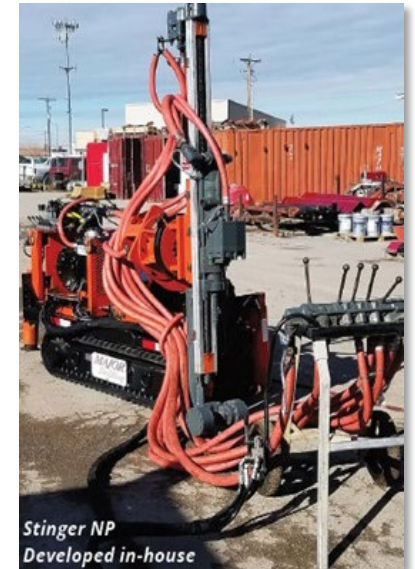
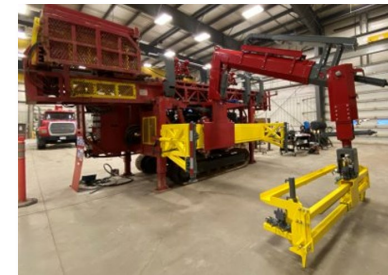
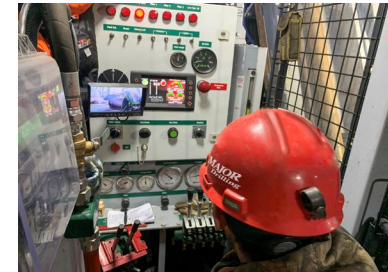
- Increased activity bringing shortage of skilled labour, particularly in North America.
- We are addressing this challenge by:
  - Increased training efforts at our training centres.
  - Reinstating retention programs successful in previous upcycle.
  - Additional trainees assigned to rigs.
  - Wage increases will be needed in certain regions to attract and retain experienced crews.





# Investing in Training & Innovation

- *Allocating capital to data-led initiatives to boost productivity, operational efficiency, and enhance customer information*
- Rapid changes in technology leading drilling contractors to find *new solutions to old problems*.
- *Data-led innovation* initiatives boost productivity and enhanced customer information, including computerized rigs that will cater to the next generation of employees:
  - *Computerized rigs* will help greatly reduce training time at a time where labour will be a challenge for the industry.
  - Fleet of *digitized mobile underground drills* allows for less dependence on client resources and increased ability for automation and versatility.
- Through the McKay acquisition, we gain access to additional innovations, particularly around *automation of the reverse circulation process*.



Stinger NP  
Developed in-house

# Balance Sheet Strength

## ➤ *Clean balance sheet and no near-term maturities*

### Robust Liquidity Position

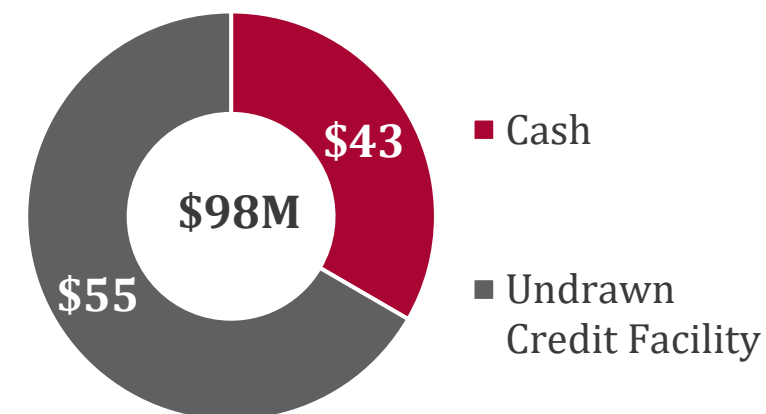
- Strong liquidity position plus peer leading low debt levels ensure balance sheet provides sustainability and flexibility through cycle.

**\$98M**  
LIQUIDITY

**\$30.0M**  
NET DEBT POSITION

BALANCE SHEET	Q2 2022	Q1 2022
Cash (\$M)	42.7	27.5
Total Liquidity (\$M)	97.9	82.4
Net Cash (Net Debt) (\$M)	(30.0)	(44.5)
Shares Outstanding (Diluted, M)	82.5	82.2

### CASH & TOTAL LIQUIDITY





# Outlook Provides Unique Opportunity



➤ *Major Drilling is ideally positioned to capture the imminent increase in demand*

## ***CYCLE UPSWING SHIFTS DEMAND...***

- Precious metal reserves in sharp decline due to declining exploration activity.
- Supply deficit expected within five years, has driven record pricing for gold and copper.
- Pricing sparks new financing in the sector.
- Well capitalized producers, with strong cash flows, are turning attention back to exploration.
- New deposits require increasingly specialized services to access.

*“Beyond 2020, we forecast that copper consumption will outstrip production over the period to 2024, resulting in a growing refined market deficit and increasing copper prices, unless there is significant investment in the copper project pipeline.”*

*Thomas Rutland– S&P Global Market Intelligence commodity analyst*

## ***...CAPTURED BY THE MAJOR DRILLING STRATEGY***

### **World leader in specialized drilling**

- 50% active fleet utilization, with room to grow.
- Providing specialized project execution, primed for whatever mineral drilling operations our customers need.

### **Diversified services within the drilling field**

- High leverage to gold and copper projects internationally, strong alignment of commodity pricing to company revenue.
- Services aligned with exploration and production cycles.
- Globally diversified operations ensures ability to focus exposure to projects in highest return markets.

### **Strong operational and financial position**

- Recently refurbished, well-maintained, modern fleet with flexibility to relocate to highest return projects.
- Liquidity required for the industry ramp-up.
- Able to invest in innovation and training, key to future of drilling.



# ESG: Culture of Safety in Action

*"Our long-term sustainability depends on us serving as stewards of the environment where we work; valued contributors to the communities where we operate; and responsible corporate citizens in the eyes of our workforce, our clients, our shareholders and other external stakeholders."*

- Major Drilling President & CEO, Denis Larocque

## Environmental



*"Minimize, mitigate and remediate our environmental impact."*

- Exercising responsible operational water management.
- Continually seeking opportunities to reduce emissions globally.
- Committed to being good stewards of the environment where we work.

## Social



*"Act in a socially responsible manner that benefits the communities where we operate."*

- Put the health and safety of our people first.
- Actively pursue diversity and inclusivity in our leadership roles.
- Act in a socially responsible manner that benefits the communities where we operate.
- Actively seek Indigenous or local subcontractors and suppliers.

## Governance

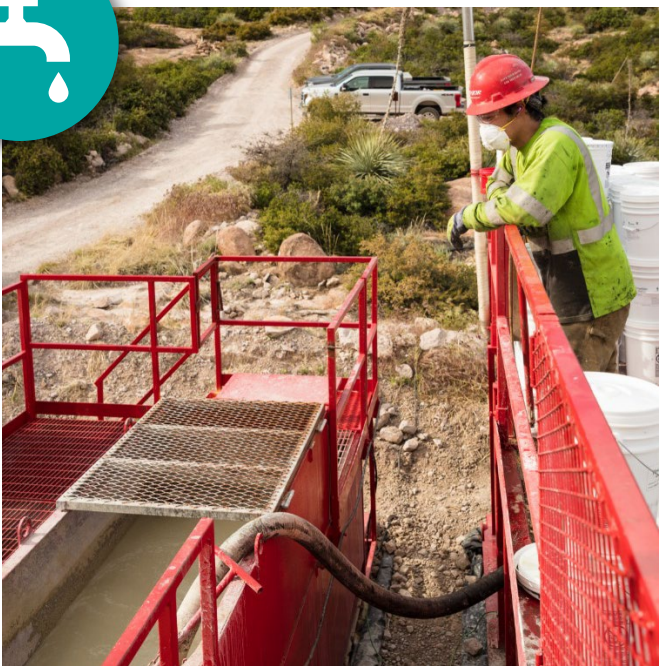


*"Conduct our work with the highest standards of ethics and transparency."*

- Ensure that the rights and responsibilities set out in our Code of Ethics and Business Conduct are upheld across all aspects of our global operations.
- Maintain strong corporate governance structures and systems at all levels of the organization, supported by experienced leadership and oversight at the Board of Directors level.



# ESG: Culture of Safety in Action







***MAJOR***  
*Drilling*

**Appendix**

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# Q2 2022: Financial Review



	Q2 2022	Q2 2021
Revenue	\$170.7	\$114.2
Gross Margin	22.0%	20.0%
Adjusted Gross Margin <sup>1</sup>	28.3%	28.3%
General & Administrative Costs	\$14.1	\$11.6
EBITDA <sup>2</sup>	\$30.7	\$19.3
Net Earnings	\$14.3	\$7.0
Earnings per Share	\$0.17	\$0.09

*Note - All values in \$CAD unless otherwise indicated.*

*1 - Adjusted gross margin excludes depreciation expense.*

*2- Earnings before interest, taxes, depreciation, and amortization.*

# Utilization Trending Up Despite COVID-19

➤ *Utilization continues to trend higher as market emerges from the bottom of the cycle*

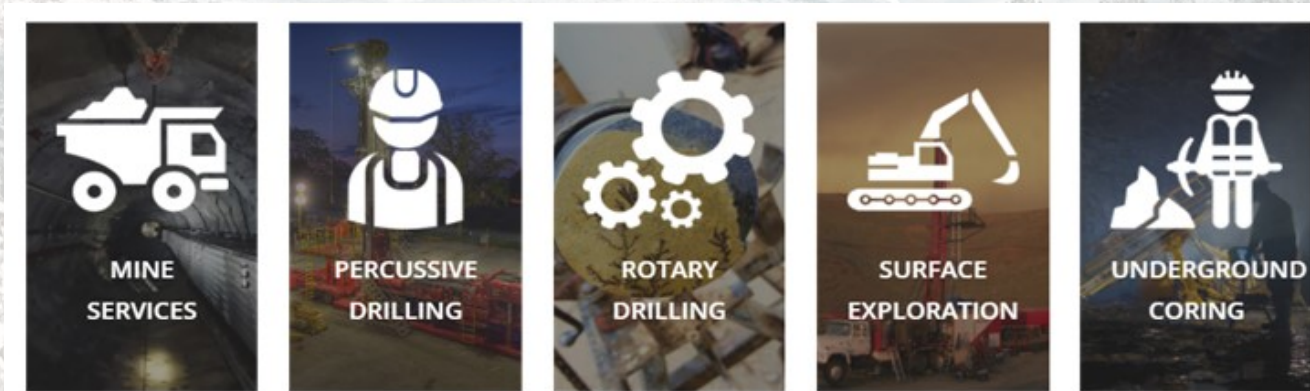
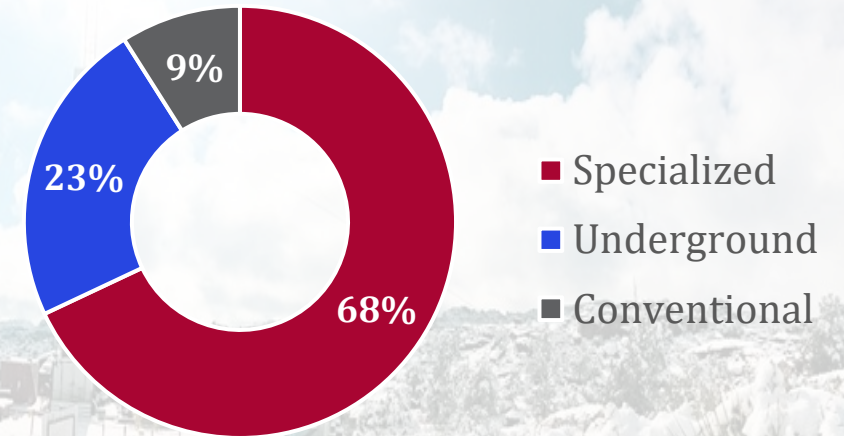
	Q2 2022 # Rigs	Q2 2022 Utilization
Specialized	304	54%
Conventional	118	42%
Underground	181	56%
<b>Total</b>	<b>603</b>	<b>52%</b>

# Majority of Activity Focused on Specialized

➤ *Fleet activity reflects both market dynamics and Major Drilling strategy*

- *With future deposits coming from areas more difficult to access, there will be increased need for specialized services in the future.*
- *Australian operations added to specialized revenue mix.*

**Drilling Revenue by Project Type**



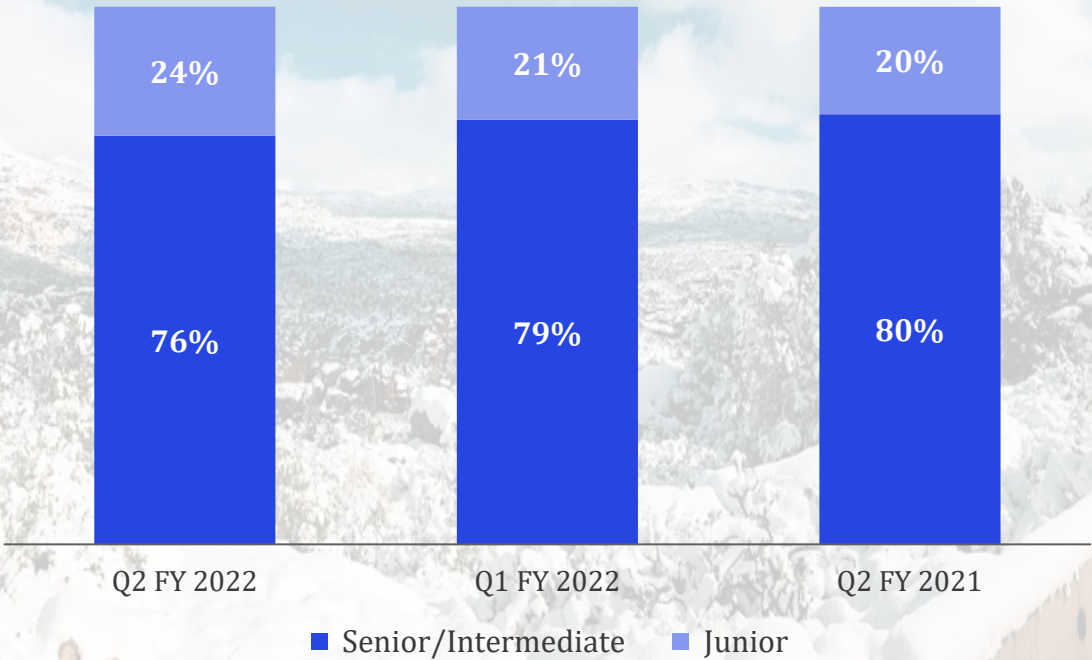


# Revenue Breakdown

➤ *Shift in revenue reflects strength in gold prices and start of mining upcycle*

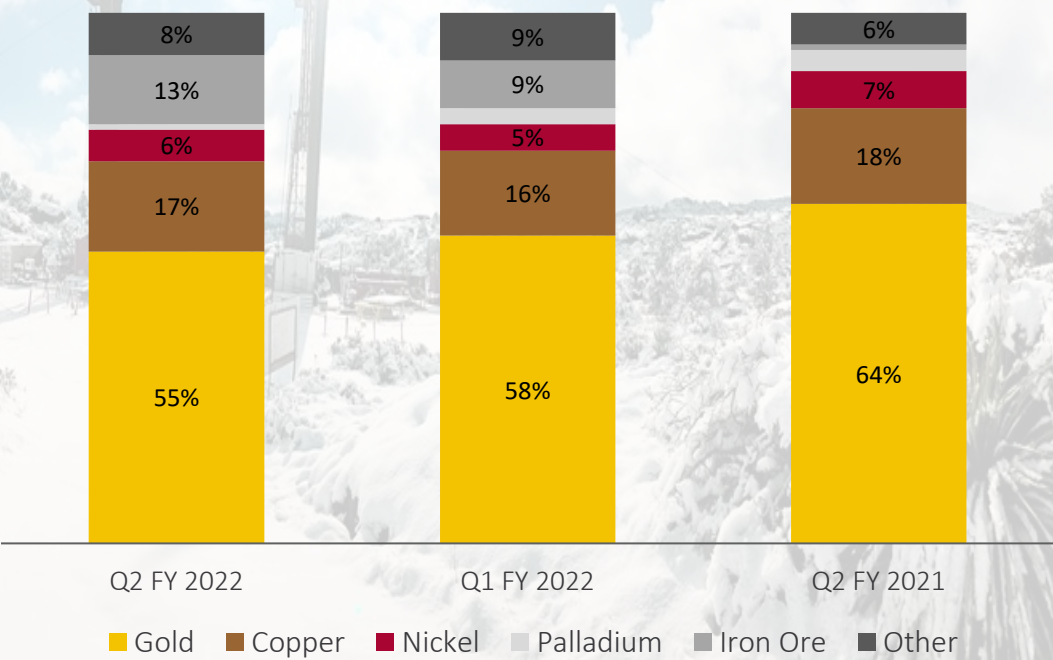
## Drilling Revenue by Customer

Increase in activity from junior mining companies as financing activity has increased.



## Drilling Revenue by Commodity

Diversifying commodity mix through Australia acquisition and exposure to iron ore.





# ***MAJOR Drilling™***



**High Quality  
Customer Base**



**Aligned To  
Market**



**Balance Sheet  
Sustainability**



**Specialized  
Operations**



**Experienced  
Management**