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# ANNUAL REPORT

A year of growth & innovation

**MAJOR**  
*Drilling*

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## CORPORATE PROFILE

Major Drilling Group International Inc. (“the Company”) is the world’s leading provider of specialized drilling services primarily serving the mining industry. Established in 1980, Major Drilling has over 1,000 years of combined experience and expertise within its management team.

Major Drilling maintains field operations and offices in Canada, the United States, Mexico, South America, Asia, Africa, and Australia. Major Drilling provides a complete suite of drilling services including surface and underground coring, directional, reverse circulation, sonic, geotechnical, environmental, water-well, coal-bed methane, shallow gas, underground percussive/longhole drilling, surface drill and blast, and a variety of mine services.

Over the years, the Company has become the largest, and one of the most innovative specialized drilling operators in the world by leveraging its main competitive advantages: skilled personnel, specialized equipment, robust safety systems, long-standing relationships with the world’s largest mining companies and access to capital. This positioning is strengthened by the Company’s senior management having experienced several economic and mining industry cycles.

Our corporate strategy remains to:

- be the world leader in specialized drilling;
- diversify our services within the drilling field;
- maintain a strong balance sheet;
- be the best in class in safety and human resources;
- modernize our fleet with innovation and expand our footprint in strategic areas; and
- ensure that ESG (Environmental, Social and Governance) commitments are embedded in our culture and core business practices.

Major Drilling’s common shares trade on the Toronto Stock Exchange under the symbol MDI.

*Note: The statements in this annual report relating to matters that are not historical facts are forward-looking statements. Forward-looking statements are necessarily based upon various estimates and assumptions including, but not limited to: the level of activity in the mining industry and the demand for the Company’s services, competitive pressures, global and local political and economic environments and conditions and other factors beyond the control of the Company that could cause actual results to differ materially from such statements. More information about the risks and uncertainties associated with the Company’s business can be found in the Management’s Discussion & Analysis section of this Annual Report and the Annual Information Form for the fiscal year ended April 30, 2024, both of which will be filed with the Canadian Securities Administrators and available on [www.sedarplus.ca](http://www.sedarplus.ca).*

## MESSAGE TO SHAREHOLDERS

Dear Shareholders,

As we close fiscal year 2024, we are pleased to present a comprehensive overview of Major Drilling's performance, our strategic advancements, and our outlook for the future.

This year, we achieved revenue of \$706.7 million, marking the third highest in our history despite challenging market conditions. Our net income stood at \$53.1 million, or \$0.64 per share, reflecting our resilience and strategic leadership amid financing challenges for junior and intermediate mining companies.

We continued to prioritize investment in our people, equipment, and innovation in anticipation of increased drilling activity to address the supply shortfall currently affecting commodity prices. Industry efforts in mineral exploration have been at less than 60% of the peak levels seen in 2012, even as gold and copper prices have recently soared to record highs due to concerns of supply constraints.

Safety continues to be our number one priority. Our Company's safety standards lead the industry as evidenced by achieving a Total Recordable Incident Rate of 1.14 for fiscal 2024, a new record in the Company's history.

Innovation has been at the forefront of our operations. We have commenced digitizing our rigs to capture valuable drilling data, introduced analytics to optimize operations, and are now leveraging this data to aid in the development of our customers' models. These advancements represent significant progress as we further integrate our skills, data, and processes into the services we provide.

Looking ahead, the demand for copper and gold, which account for approximately 70% of our drilling activity, is projected to rise. Anticipated infrastructure investments for the green energy transition and the artificial intelligence revolution are expected to create significant copper supply deficits. Also, the recent 35% surge in prices, hitting a record high of \$5.00 per pound, is a testament to the urgent need to replenish reserves. Since 2012, the gold market has faced depleting mineral reserves. The increasing demand across various sectors has put upward pressure on prices, prompting senior gold customers to prioritize grassroots exploration and development to meet future demand.

As the leader in specialized drilling, we maintain one of the industry's largest and most modern fleets, attracting business from senior companies. To further strengthen our market position, we plan to invest approximately \$65 million in capital expenditures in fiscal 2025, adding to and upgrading our rigs, and equipping our rigs with support equipment and the latest technology.

In conclusion, given the early stages of the exploration cycle and the pressing need to replenish mineral reserves, Major Drilling is well positioned to capitalize on the growing demand for our specialized services. Our commitment to innovation, strategic partnerships, and operational excellence continues to drive our success.

We would like to thank our more than 3,500 employees for their enthusiasm, great ideas, amazing dedication, and unquestionable loyalty. We are always impressed by the passion and commitment of our crews and staff to safely getting the job done. This is one of the things that makes Major Drilling a great company.

We also extend our appreciation to our loyal customers and valued investors for their continued support. We look forward to a promising future and the opportunities that lie ahead.

Sincerely,



Kim Keating  
Chair of the Board



Denis Larocque  
President & Chief Executive Officer

# ENVIRONMENTAL, SOCIAL & GOVERNANCE CONSIDERATIONS

Major Drilling remains well positioned to play a critical role in helping to discover the minerals required for the green energy transition and for building a better future. Sustainability is at the core of our corporate purpose and values, and we believe there is a direct relationship between our ESG performance and the success of our business and that of our clients. We are committed to lead on ESG in the mineral drilling industry and to carry out business through high ethical standards.

The following elements serve as the bedrock of our ESG approach, informed by our ESG Policy:



## ***Environmental Stewardship***

It is our responsibility to continuously monitor and improve our drilling operations to minimize our environmental impact and to proactively manage the environmental risks and effects of our operations. We will use energy and other resources efficiently in our operations. Outstanding environmental management will be regarded as a core business activity alongside outstanding operational productivity.



## ***Social Responsibility***

Respecting the fundamental freedoms and human rights of our workers and the communities that could be impacted by our activities is the primary pillar of Major Drilling's social responsibility efforts. Health and safety is at the heart of our business culture, and the well-being of our employees is our top priority and central to our long-term business resilience.



## ***Leadership & Governance***

Major Drilling's [Board of Directors](#) is responsible for the stewardship of the Company and all of its subsidiaries and controlled entities. The Board provides independent, effective leadership to supervise the management of the Company's business and affairs to grow value responsibly, in a profitable and sustainable manner, and with due regard for the interests of its shareholders generally and other stakeholders. Major Drilling's Board of Directors is committed to exercising its powers and discharging its duties through acting honestly and in good faith with a view to the best interests of the corporation, and exercising the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

## **ESG HIGHLIGHTS (FOR CALENDAR YEAR 2023)**

- Major Drilling is pleased to announce that we **set an initial target to reduce Scope 1 and Scope 2 GHG emissions intensity (t CO<sub>2</sub>e / thousand work hours) by 5% by 2030**, relative to 2022 levels.
- Developed a decarbonization roadmap, which led to the **launching of the Decarbonization Action Plan and establishment of a diverse and cross functional Decarbonization Action Plan Working Group.**
- **Deployed the Trailblazer Aqualink Remote Water Pump system** at drilling projects that will reduce the amount of water taken from the water source during low demand times.
- **56% of Major Drilling's Board of Directors was represented by women.**
- Continued broader efforts to ingrain an ESG-minded culture across our workforce through delivery of **dedicated training sessions and the corporate-wide dissemination of an ESG 101 video** that was developed in-house.



# OUR COMMITMENT TO SAFETY

At Major Drilling, our steady commitment to safety and risk management is the cornerstone of our operational philosophy. Over the past year, we have implemented key processes and strategies to mitigate risks and enhance safety across all our operations, ensuring the safety and well-being of our employees, and maintaining our commitment to sustainable and responsible actions.

## RISK REDUCTION PROCESSES

### 1. Enhanced Safety Protocols:

- **10 Lifesaving Rules Campaign:** Our campaign focused on reinforcing our 10 Lifesaving Rules has significantly improved awareness and adherence to critical safety protocols. Each month, team members share personal safety stories related to these rules, fostering a safety-conscious culture and shared responsibility across the company.
- **Pre-Operation Inspections:** With over 208,000 pre-operation inspections conducted, we ensure that all equipment and processes are thoroughly checked for safety compliance before any operation begins.

### 2. Advanced Safety Training:

- We have focused on continuous safety training, emphasizing hazard identification, risk assessment, and emergency response to ensure our workforce enhances its expertise in recognizing and mitigating potential risks.

### 3. Technology Integration:

- **Customized Safety Technology:** Our 8-year partnership with Intelx has allowed us to develop a customized safety application that allows us to identify and mitigate risks.

### 4. Regular Safety Audits and Reviews:

- We conducted safety audits and reviews to identify potential risks and implement corrective actions promptly. These audits are essential in maintaining our high safety standards and continuous improvement.



# OUR COMMITMENT TO SAFETY

## RECOGNITION AND AWARDS

Our commitment to safety has earned recognition and awards from both clients and industry organizations, including (among others):

- The Canadian Diamond Drilling Association. These accolades underscore our dedication to maintaining a safe working environment:
  - Safety Group Achievement Award for 3rd Quarter Surface Over 100,000 hours; and
  - Safety Award Class A over 100,000 hours Underground.
- Collaboration with clients and stakeholders has been pivotal in our safety achievements. Our Brazilian branch received recognition from Vale for outstanding application of Critical Activities Requirements, showcasing our comprehensive approach to critical risk management:



- "Best evolution in the application of Critical Activities Requirements-RAC"

This is one of the most complex requirements for Critical Risk Analysis and Management that involves all branch areas: Safety, Operations, Maintenance, Logistics, and Administration.

## LOST TIME INJURY-FREE ACHIEVEMENTS

- The Canada Percussive branch reached **9 years LTI-free** since their acquisition in 2014.
- Our Brazilian branch, which began operations in 2013, achieved **10 years LTI-free**.



# MANAGEMENT'S DISCUSSION & ANALYSIS

*The following management's discussion and analysis ("MD&A"), prepared as of June 11, 2024, should be read together with the Company's audited financial statements for the year ended April 30, 2024 and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards. All amounts are stated in Canadian dollars unless otherwise indicated.*

## FORWARD-LOOKING STATEMENTS

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

Forward-looking information is necessarily based upon various estimates and assumptions including, without limitation, the expectations and beliefs of management related to the factors set forth 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; competitive pressures; global and local political and economic environments and conditions; the level of funding for the Company's clients (particularly for junior mining companies); exposure to currency movements (which can affect the Company's revenue in Canadian dollars); the integration of business acquisitions and the realization of the intended benefits of such acquisitions; efficient management of the Company's growth; currency restrictions; safety of the Company's workforce; risks and uncertainties relating to climate change and natural disaster; the Company's dependence on key customers; the geographic distribution of the Company's operations; the impact of operational changes; changes in jurisdictions in which the Company operates (including changes in regulation); failure by counterparties to fulfill contractual obligations; disease outbreak; as well as other risk factors described under "General Risks and Uncertainties" herein. Should one or more risk, uncertainty, contingency, or other factor materialize or should any factor or assumption prove incorrect, actual results could vary materially from those expressed or implied in the forward-looking information.

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

## CORPORATE OVERVIEW

Major Drilling Group International Inc. is the world's leading provider of specialized drilling services primarily serving the mining industry. Established in 1980, Major Drilling has over 1,000 years of combined experience and expertise within its management team. The Company maintains field operations and offices in Canada, the United States, Mexico, South America, Asia, Africa, and Australia. Major Drilling provides a complete suite of drilling services including surface and underground coring, directional, reverse circulation, sonic, geotechnical, environmental, water-well, coal-bed methane, shallow gas, underground percussive/longhole drilling, surface drill and blast, and a variety of mine services.

The Company has two categories of customers: junior exploration companies and a diversified portfolio of senior/intermediate companies, for which the Company provides greenfield exploration drilling and/or drilling at operating mines.

At Major Drilling, safety is a core value. The Company promotes a proactive approach to health and safety as keeping people safe is of the utmost importance. The Company's safety standards lead the industry with well-trained, dedicated crews who know safety excellence occurs when every employee understands their right and responsibility to work safely every day. These crews quickly assess and manage risk, leading to better results for the Company's clients. The Company has partnered with industry leaders to develop a safety system in order to meet or exceed all applicable government and client standards.



## MANAGEMENT'S DISCUSSION & ANALYSIS

In today's world of rapidly changing technology, Major Drilling is dedicated to finding new and innovative solutions to support its specialized services. The Company has invested in a fleet of digitized mobile underground drills that allow less dependence on client resources, as well as increased ability for automation and versatility. Major Drilling is developing cutting-edge technologies, such as digitizing its rigs to capture drilling data and introducing analytics to optimize drilling operations. The Company is working towards modernizing its fleet with hands-free rod handling to create a safer, more productive work environment, while reducing maintenance costs and minimizing downtime.

The Company leverages its collective experience to continuously improve its equipment and processes to meet current and future industry demands, and to offer value-added services to its customers. By incorporating impactful technologies, paired with a commitment to environmental and social responsibility, Major Drilling is positioned to remain a leader in the drilling services field as mine discovery and development evolve.

### BUSINESS STRATEGY

Over the years, Major Drilling has become the largest specialized drilling operator in the world by leveraging its main competitive advantages: skilled personnel, specialized equipment, robust safety systems, long-standing relationships with the world's largest mining companies, and access to capital.

As the world accelerates its efforts toward decarbonization and a more sustainable future, the growing global demand for electrification continues to increase the need for copper and other base metals, increasing pressure on the existing supply/demand dynamic, as supply is currently not keeping pace with demand. This requires complex drilling solutions that heighten the demand for Major Drilling's specialized services. Major Drilling's core strategy is to focus on these specialized drilling projects and remain the world's leading provider of specialized drilling services by providing top quality service through safe and productive drill programs, with expert crews that use specialty equipment and techniques in areas that are difficult to access.

Diversification within the drilling field, while maintaining high safety standards that help lead the drilling industry, continues to be an integral part of the Company's business strategy. Driven by a diversified commodity mix, the Company focuses operations on strategic mining geographies and stable jurisdictions, providing shareholders, and potential new investors, an opportunity to invest in the mining industry with growing exposure to precious metals, battery metals and critical minerals, while limiting mine or country exposure.

Major Drilling's globally diversified operations provide a wide variety of equipment available to meet its clients' needs for all phases of their projects. The Company's investments and advancements in strategic innovation allow it to develop cutting-edge technologies, such as digitizing rigs to capture drilling data, and introducing analytics to optimize drilling operations. In partnership with certain key customers, the Company is leveraging drilling data to help in the development of customer models, and intends to continue modernizing and innovating its fleet and expanding its footprint in strategic areas.

Major Drilling delivers quality, high safety standards, and results on even the toughest sites through the Company's extensive knowledge and experience, focus on safety, and commitment to meeting the local needs of every customer. With the best people on the ground and a well-maintained fleet, the Company partners with its customers and local communities for outstanding results.

A key part of the Company's strategy is to maintain a strong balance sheet. Its financial strength allows the Company to invest in safety and continuous improvement initiatives, to retain key employees, to invest in training and innovation, to maintain its equipment in good condition, and maintain sufficient inventory to meet increased customer demands. The Company has the liquidity required to adapt and manage effectively through challenging periods, and to respond to rapid increases in demand as the need arises.

Major Drilling categorizes its mineral drilling services into three types: specialized drilling, conventional drilling, and underground drilling.

Specialized drilling can be defined as any drilling project that, by virtue of its scope, technical complexity, or location, creates significant barriers to entry for smaller drilling companies. This includes, for example, deep-hole drilling, directional drilling, and mobilizations to remote locations or high altitudes. Because significant ore bodies are getting more difficult to find, the Company expects specialized drilling services to progressively fuel future growth and the Company believes these skills will be in greater demand over time.

Conventional drilling tends to be more affected by the industry cycle, as the barriers to entry are not as significant as with specialized drilling. This part of the industry is highly fragmented and has numerous competitors. Because the Company offers only limited differentiation in this sector, it is not its priority for investment.

## MANAGEMENT'S DISCUSSION & ANALYSIS

The Company's underground services include both underground exploration drilling and underground percussive/longhole drilling. Underground exploration drilling takes on greater importance in the latter stages of the mining cycle as clients develop underground mines. Underground percussive/longhole drilling, which relates more to the production function of a mine, provides relatively more stable work during the mining cycles. By offering both underground production drilling and underground exploration drilling, the Company provides a wide range of complementary services to its clients.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Major Drilling believes its long-term sustainability depends on the Company serving as: stewards of the environment where we work; valued contributors to the communities where we operate; and responsible corporate citizens in the eyes of the Company's workforce, clients, local communities, shareholders, and other external stakeholders. To achieve this, the Company is committed to continuously improving and strengthening its ESG Framework for its global operations, which is underpinned by Major Drilling's ESG Policy, complimenting other corporate policies, such as its Code of Ethics and Business Conduct, Diversity Policy, Biodiversity Policy, Anti-Corruption Policy, and Human Rights Policy; its critical governance mechanisms such as the global Whistleblower Program; and its industry-leading workforce Health and Safety Program. Major Drilling will be publishing its 2023 Sustainability Report early in fiscal 2025.

Major Drilling remains committed to delivering impactful contributions to the communities where it operates around the world, as underscored in the Company's Communities Policy, such as through its longstanding Indigenous partnerships in Canada, and frequent community initiatives undertaken by its teams worldwide.

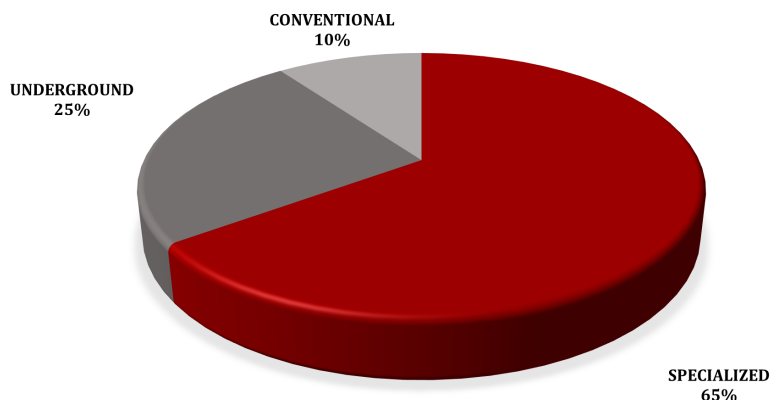
### INDUSTRY OVERVIEW

The metals and minerals drilling industry is reliant primarily on demand from two metal groups: gold and base metals. Each commodity group is influenced by distinct market forces. The latest market downturn (fiscal 2013 to fiscal 2021) was marked by a lack of exploration and depleting reserves.

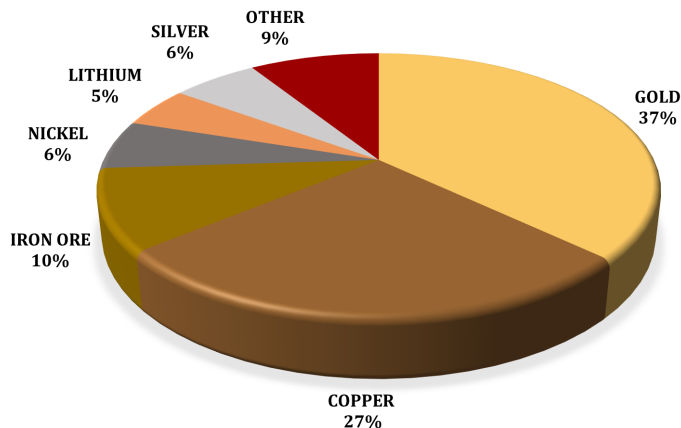
The industry appears to be early in the exploration cycle and the pressing need to replenish mineral reserves for both gold and battery metals remains. According to S&P Global Market Intelligence, global non-ferrous exploration budgets were at \$12.8 billion in 2023, which is only 60% of the \$21.5 billion spent at the peak of the cycle in 2012. The mining industry remains in the discovery phase, and based on historical experience, will have to go through an intense multi-year infill drilling period to develop new mines in order to fill the projected supply gap in the different commodities. With commodity reserves diminishing, the need to replenish supply shortfalls for most metals remains a priority for mining companies. On average, it takes 10 to 15 years to bring a mine into production, and future deposits will have to come from areas difficult to access.

The strength in demand from copper and battery metal customers continues, and the Company continues to see the growing global demand for electrification increasing the need for various base metals. This will require an enormous volume of copper, battery metals, and likely uranium, increasing pressure on the existing supply/demand dynamic. These factors are expected to lead to substantial additional investments in copper and other base metal exploration projects, thus resulting in an increased demand for drilling services. The Company is well positioned to capitalize on this growth opportunity.

REVENUE BY TYPE  
FISCAL 2024



REVENUE BY COMMODITY  
FISCAL 2024



# MANAGEMENT'S DISCUSSION & ANALYSIS

## OVERALL PERFORMANCE

Despite the challenging financing conditions for junior and intermediate mining companies through calendar 2023, and declining commodity prices earlier in the fiscal year, the Company had a successful year, ranking as the third highest revenue in its history. Revenue was \$706.7 million, down 4% from revenue of \$735.7 million recorded in the previous year.

With reduced activity levels, adjusted gross margin (see "Non-IFRS financial measures"), which excludes depreciation expense, was 28.4% for the year, compared to 30.0% for the prior year.

EBITDA (see "Non-IFRS financial measures") for fiscal 2024 was \$120.5 million compared to \$144.2 million the previous year. The Company recorded net earnings of \$53.1 million or \$0.64 per share for the year, compared to \$74.9 million or \$0.90 per share for the prior year.

As the Company continued to maintain its strong balance sheet during the year, a discretionary payment of \$20 million was paid on its revolving-term facility, leaving the Company with a debt-free balance sheet. During the year, the Company made use of its Normal Course Issuer Bid ("NCIB"), repurchasing and retiring 1,337,968 common shares at a cost of \$11.2 million.

In its efforts to maintain its industry leading fleet and support gear, the Company continued to modernize and innovate the fleet, spending \$73.5 million on capital expenditures for the year. The Company bought 24 drills and support equipment to meet the rigorous standards of its growing senior mining customer base. The Company prioritized investing in the latest technologies and innovative solutions, including hands-free rod handling.

The Company finished the year in a very strong financial position, despite the above payments and investments in its equipment made during the year. The net cash position (cash net of debt, excluding lease liabilities reported under IFRS 16 Leases - see "Non-IFRS financial measures") showed an impressive improvement to \$87.4 million, compared to the previous year with net cash at \$59.3 million.

## SELECTED ANNUAL INFORMATION

### Years ended April 30

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

	2024	2023	2022
<b>Revenue by region</b>			
Canada - U.S.	\$ 345	\$ 405	\$ 367
South and Central America	188	167	151
Australasia and Africa	174	164	132
	<u>707</u>	<u>736</u>	<u>650</u>
<b>Gross profit</b>	153	177	140
as a percentage of revenue	21.6%	24.0%	21.5%
<b>Adjusted gross profit *</b>	201	221	180
as a percentage of revenue	28.4%	30.0%	27.7%
<b>Net earnings</b>	53	75	53
per share (basic and diluted)	\$ 0.64	\$ 0.90	\$ 0.65
<b>Total assets</b>	612	612	557
<b>Total cash</b>	96	94	71
<b>Total long-term financial liabilities**</b>	9	35	73

\* see "Non-IFRS financial measures"

\*\* amounts in prior years have been allocated consistent with current year

# MANAGEMENT'S DISCUSSION & ANALYSIS

## RESULTS OF OPERATIONS

### FISCAL 2024 COMPARED TO FISCAL 2023

Total revenue for the year was \$706.7 million, down 4% from revenue of \$735.7 million recorded in the previous year. The favourable foreign exchange translation impact, when comparing to the effective rates for the previous year, was approximately \$6 million on revenue, while net earnings were less impacted at approximately \$1 million, as expenditures in foreign jurisdictions tend to be in the same currency as revenue.

#### Canada - U.S.

Revenue for the year from Canada – U.S. decreased by 15% to \$344.9 million, compared to the previous year. This region continues to be negatively impacted by financing constraints for the junior and intermediate miners, causing a decrease in activity from the prior year.

#### South and Central America

South and Central American revenue increased by 12% to \$187.4 million for the year, compared to the previous year. This increase was driven by busy markets in Chile as the demand for battery metals is having a positive impact, and the Guiana Shield region, which is benefiting from historically high gold prices throughout the fiscal year. The growth in these regions more than offset reduced activity levels in Mexico and Argentina due to a subdued investment sentiment for mining.

#### Australasia and Africa

Australasian and African revenue increased by 6% to \$174.4 million, compared to the previous year. Strong demand for the Company's specialized services in Australia and energy work in Mongolia were responsible for the year-over-year growth.

#### Gross Margin

Gross margin percentage for the year was 21.6%, compared to 24.0% for the previous year. Depreciation expense totaling \$47.8 million is included in direct costs for the current year, versus \$43.7 million in the prior year. Adjusted gross margin, which excludes depreciation expense, was 28.4% for the year, compared to 30.0% for the prior year. The decrease in margins from the prior year was mainly attributable to reduced activity levels and a competitive environment in the Company's North American markets.

#### Operating expenses

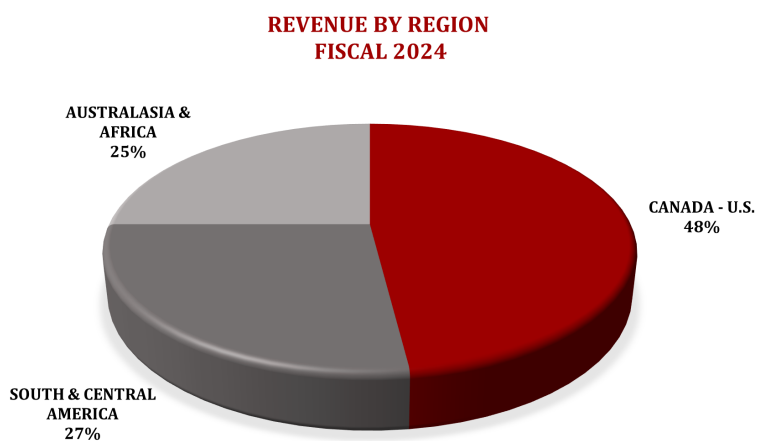
General and administrative costs were \$68.9 million, an increase of \$3.9 million, compared to the previous year. The majority of this increase was due to inflationary wage adjustments.

Other expenses were \$10.3 million, down from \$13.4 million in the prior year, due primarily to lower incentive compensation expenses throughout the Company, given the decreased profitability.

Foreign exchange loss was \$5.5 million, compared to \$2.8 million for last year. While the Company's reporting currency is the Canadian dollar, various jurisdictions have net monetary assets or liabilities exposed to other currencies. Despite the Company's best efforts to minimize exposure, the loss from Argentina was \$4.1 million as they experienced a significant devaluation of the Peso as part of economic reforms implemented by the new Argentinian government.

The income tax provision for the year was an expense of \$17.9 million, compared to an expense of \$22.7 million for the prior year. The decrease was driven by an overall decrease in profitability compared to the prior year.

Net earnings were \$53.1 million or \$0.64 per share (\$0.64 per share diluted) for the year, compared to \$74.9 million or \$0.90 per share (\$0.90 per share diluted) for the prior year.



# MANAGEMENT'S DISCUSSION & ANALYSIS

## SUMMARY ANALYSIS FISCAL 2023 COMPARED TO FISCAL 2022

Total revenue for the year ended April 30, 2023 was \$735.7 million, up 13% from revenue of \$650.4 million recorded in the prior year. The favourable foreign exchange translation impact, when comparing to the effective rates for the previous year, was approximately \$23 million on revenue, while net earnings were less impacted at approximately \$3 million, as expenditures in foreign jurisdictions tend to be in the same currency as revenue.

Revenue for the year from Canada – U.S. increased by 10% to \$405.0 million for fiscal 2023, compared to the previous year. The growth in this region was mainly attributable to increased revenue from the Company's U.S. operations as its Canadian operations were negatively impacted by a decrease in junior activity in relation to the challenging financing environment they faced.

South and Central American revenue increased by 10% to \$166.8 million for fiscal 2023, compared to the previous year. This increase was related to Chile and Argentina resuming operations after COVID-19 disruptions in the previous year, which was muted by a slowdown in Mexico caused by a reduction in junior activity and uncertainty over new mining legislation.

Australasian and African revenue increased by 24% to \$163.9 million for fiscal 2023, compared to the previous year. Strong demand for the Company's specialized services in Australia and new energy work in Mongolia were responsible for the year-over-year growth.

Gross margin percentage for the year ended April 30, 2023 was 24.0%, compared to 21.5% for the previous year. Depreciation expense totaling \$43.7 million is included in direct costs for fiscal 2023, versus \$40.6 million in the prior year. Adjusted gross margin, which excludes depreciation expense, was 30.0% for fiscal 2023, compared to 27.7% for the prior year. This growth was driven by enhanced productivity and price adjustments, which more than offset inflation pressures.

General and administrative costs were \$65.0 million (8.8% of revenue) for fiscal 2023, an increase of \$8.0 million, compared to the previous year (8.8% of revenue). The majority of this increase was due to inflationary wage adjustments, increased travel, and increased insurance costs.

Other expenses were \$13.4 million for fiscal 2023, up from \$11.8 million in the prior year, due primarily to higher incentive compensation expenses throughout the Company, given the increased profitability.

Foreign exchange loss was \$2.8 million for fiscal 2023, compared to \$1.4 million for the prior year. While the Company's reporting currency is the Canadian dollar, various jurisdictions have net monetary assets or liabilities exposed to other currencies. In fiscal 2023, various market drivers, such as high inflation and the war in Ukraine, stimulated foreign exchange market volatility.

The income tax provision for the year ended April 30, 2023 was an expense of \$22.7 million, compared to an expense of \$15.0 million for the prior year. The increase was driven by an overall increase in profitability compared to the prior year.

Net earnings for fiscal 2023 were \$74.9 million or \$0.90 per share (\$0.90 per share diluted), compared to \$53.5 million or \$0.65 per share (\$0.65 per share diluted) for the prior year.

## SUMMARY OF QUARTERLY RESULTS

(in \$000s CAD, except per share)	Fiscal 2024				Fiscal 2023			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$ 168,035	\$ 132,824	\$ 206,951	\$ 198,884	\$ 184,966	\$ 149,225	\$ 201,716	\$ 199,835
Gross profit	32,468	18,886	52,361	49,009	46,286	26,438	53,003	51,174
Gross margin	19.3%	14.2%	25.3%	24.6%	25.0%	17.7%	26.3%	25.6%
Adjusted gross margin	26.9%	23.4%	31.0%	30.1%	30.8%	25.3%	31.8%	30.8%
Net earnings (loss)	9,930	(2,312)	23,694	21,773	20,790	6,273	23,611	24,248
Per share - basic	0.12	(0.03)	0.29	0.26	0.25	0.08	0.29	0.29
Per share - diluted	0.12	(0.03)	0.29	0.26	0.25	0.08	0.28	0.29

The third quarter (November to January) is normally the Company's weakest quarter due to the pause of mining and exploration activities, often for extended periods over the holiday season.

# MANAGEMENT'S DISCUSSION & ANALYSIS

## SUMMARY ANALYSIS FOURTH QUARTER ENDED APRIL 30, 2024

Total revenue for the quarter was \$168.0 million, down 9.2% from revenue of \$185.0 million recorded in the same quarter last year. The unfavourable foreign exchange translation impact on revenue for the quarter, when comparing to the effective rates for the same period last year, was approximately \$2 million, with minimal impact on net earnings as expenditures in foreign jurisdictions tend to be in the same currency as revenue.

Revenue for the quarter from Canada - U.S. drilling operations decreased by 25.4% to \$74.5 million, compared to the same period last year, as a lack of junior and intermediate funding and program delays continue to negatively impact this region.

South and Central American revenue increased by 9.3% to \$49.3 million for the quarter, compared to the same quarter last year, as increased copper activity continues to drive the growth in this region.

Australasian and African revenue increased by 10.2% to \$44.2 million, compared to the same period last year, as this region has also been positively impacted by the increased activity levels for copper.

Gross margin percentage for the quarter was 19.3%, compared to 25.0% for the same period last year. Depreciation expense, totaling \$12.8 million, is included in direct costs for the current quarter, versus \$10.8 million in the same quarter last year. Adjusted gross margin, which excludes depreciation expense, was 26.9% for the quarter, compared to 30.8% for the same period last year. Program delays in North America were the main driver of reduced margins in the quarter as the Company strategically retained extra drilling labour to prepare for heightened activity levels in the coming months.

General and administrative costs were \$17.6 million, an increase of \$1.3 million compared to the same quarter last year. Increased inflationary wage adjustments make up the majority of the increase compared to the prior year.

Other expenses were \$3.0 million, down from \$4.0 million in the prior year quarter, due to a decrease in the annual allowance for doubtful accounts as well as lower incentive compensation expenses given the decreased profitability as compared to the prior year quarter.

The income tax provision for the quarter was an expense of \$2.4 million, compared to an expense of \$5.3 million for the prior year period. The decrease in the income tax provision was related to an overall reduction in profitability.

Net earnings were \$9.9 million or \$0.12 per share (\$0.12 per share diluted) for the quarter, compared to net earnings of \$20.8 million or \$0.25 per share (\$0.25 per share diluted) for the prior year quarter.

## LIQUIDITY AND CAPITAL RESOURCES

### *Operating activities*

The change in non-cash operating working capital items was an inflow of \$4.7 million for the year, compared to an outflow of \$6.9 million for the prior year. The inflow of non-cash operating working capital was primarily comprised of:

- a decrease in accounts receivable of \$15.5 million;
- a decrease in inventory of \$3.8 million;
- a decrease in prepaids of \$1.3 million; and
- a decrease in accounts payable of \$15.9 million.

Cash flow from operating activities for the year ended April 30, 2024 was an inflow of \$112.0 million, compared to an inflow of \$113.2 million in the previous year.

### *Investing activities*

Capital expenditures were \$73.5 million for the year ended April 30, 2024, compared to \$58.7 million for the prior year.

The drill rig count was 606 at April 30, 2024, as the Company added 24 new rigs to its fleet through capital expenditures, while disposing of 18 older and inefficient rigs.

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

# MANAGEMENT'S DISCUSSION & ANALYSIS

## Financing activities

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

During the year, the Company made use of its NCIB, repurchasing and retiring 1,337,968 common shares at a cost of \$11.2 million and an average price of \$8.41 per share.

## Operating credit facilities

The credit facility related to operations totals \$30.0 million and is from a Canadian chartered bank, primarily secured by corporate guarantees of companies within the group, bearing interest at either the bank's prime rate plus 0.5% or the bankers' acceptance rate plus 2.0% for Canadian dollar draws, and the bank's Secured Overnight Financing Rate ("SOFR") plus 2.0% for U.S. dollar draws. At April 30, 2024, the Company had utilized \$1.4 million of this facility for outstanding stand-by letters of credit.

The Company also has credit facilities of \$4.0 million for credit cards for which interest rate and repayment are as per cardholder agreements.

## Long-term debt

Early in fiscal 2024, the Company made a discretionary \$20 million payment on its revolving term facility bringing the long-term debt balance to nil.

As of April 30, 2024, the Company had the following long-term debt facility:

- \$75.0 million revolving-term facility for financing the cost of equipment purchases or acquisition costs of related businesses, bearing interest at either the bank's prime rate plus 0.5% or the bankers' acceptance rate plus 2.0% for Canadian dollar draws, and the bank's SOFR plus 2.0% for U.S. dollar draws, interest only payable in monthly installments, secured by corporate guarantees of companies within the group, maturing in September 2027.

Contractual obligations	Payments due by period (in \$000s CAD)				
	Total	Less than 1 year	2 - 3 years	4 - 5 years	Thereafter
Purchasing commitments	\$ 18,948	\$ 18,948	\$ -	\$ -	\$ -
Contingent consideration (undiscounted)	8,949	8,949	-	-	-
Lease liabilities (interest included)	5,234	1,568	2,379	1,143	144
Operating leases	1,058	903	151	4	-
Total contractual obligations	<u>\$ 34,189</u>	<u>\$ 30,368</u>	<u>\$ 2,530</u>	<u>\$ 1,147</u>	<u>\$ 144</u>

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital and capital expenditure obligations.

As at April 30, 2024, the Company had unused borrowing capacity under its credit facilities of \$103.6 million and cash of \$96.2 million, for a total of \$199.8 million in available funds.

## FINANCIAL INSTRUMENTS

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. Contingent consideration is held at fair value.

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).

## MANAGEMENT'S DISCUSSION & ANALYSIS

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 million that matured in May of 2023, and share-price forward contracts with a combined notional amount of \$7.3 million, maturing at varying dates through June 2026.

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

The Company's derivatives, with fair values as follows (in \$000s CAD), are classified as level 2 financial instruments and recorded in trade and other receivables (payables) 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, 2024.

	<u>April 30, 2024</u>	<u>April 30, 2023</u>
Interest rate swap	\$ -	\$ 28
Share-price forward contracts	\$ (595)	\$ 2,189

### RELATED PARTY TRANSACTIONS

	<u>2024</u>	<u>2023</u>
Salaries, bonuses and fees	\$ 4,434	\$ 3,725
Other long-term benefits	138	136
Share-based payments benefits	2,224	1,650
	<u>\$ 6,796</u>	<u>\$ 5,511</u>

Increases during the year relate to inflationary wage increases and higher incentive compensation for key management personnel.

### OUTLOOK

As the Company moves into its first quarter of fiscal 2025, drilling activity is returning to last year's levels, while looking ahead to fiscal 2025 and beyond, the outlook for Major Drilling remains positive amidst current market dynamics. Historically, copper and gold have accounted for 65 to 75% of the Company's activity. Demand for copper is projected to rise rapidly as substantial infrastructure investments are required for the green transition, and the anticipated artificial intelligence revolution. Industry experts predict this will result in significant supply deficits in the coming years, creating an urgent need to replenish reserves. Over the past three months, copper prices have surged by 35%, recently hitting record highs of \$5.00 per pound due to concerns over supply shortages.

The decline in gold reserves among most senior mining companies highlights the urgent need for increased exploration to discover new gold deposits. Mineral reserves are down 35% from 2012 and supply is limited. Coupled with heightened demand from various sectors such as investment, technology, and jewelry, this has exerted upward pressure on gold prices as investors seek safe-haven assets amid economic uncertainties and geopolitical tensions. Consequently, senior gold customers are increasingly prioritizing value-adding grassroots exploration and development in order to replenish their reserves to meet future demand.

The Company expects the demand for other battery metals such as nickel, zinc, lithium, and even silver, which comprise the majority of the remaining activity in the industry, to continue to grow as the prominence of electric vehicles, solar panels, and the general electrification of the global infrastructure grows.

The mining industry is cyclical in nature and demand for the Company's services can vary with the cycle. With a pressing need to replenish mineral reserves for both gold and battery metals, the industry appears to be in the early stages of the exploration cycle. According to S&P Global Market Intelligence, global non-ferrous exploration budgets were at \$12.8 billion in 2023, which is only 60% of the \$21.5 billion spent at the peak of the last cycle in 2012. The mining industry remains in the discovery phase and will need to undergo an intensive, multi-year infill drilling period to develop new mines and address the projected supply gaps in various commodities. Many of these new mineral deposits will be in challenging, hard-to-reach areas, necessitating complex drilling solutions and increasing the demand for Major Drilling's specialized services.



## MANAGEMENT'S DISCUSSION & ANALYSIS

The Company's position as the leader in specialized drilling continues to be a factor in attracting business from senior companies, and the Company is proud to maintain the industry's largest, most modern fleet. To strengthen its leadership position in the industry, the Company expects to spend approximately \$65 million in capital expenditures in fiscal 2025, including more investments to equip its rigs with the latest technology.

### NON-IFRS FINANCIAL MEASURES

The Company's financial data has been prepared in accordance with IFRS, with the exception of certain financial measures detailed below. The measures below have been used consistently by the Company's management team in assessing operational performance on both segmented and consolidated levels, and in assessing the Company's financial strength. The Company believes these non-IFRS financial measures are key, for both management and investors, in evaluating performance at a consolidated level and are commonly reported and widely used by investors and lending institutions as indicators of a company's operating performance and ability to incur and service debt, and as a valuation metric. These measures do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS.

#### EBITDA – earnings before interest, taxes, depreciation, and amortization:

(in \$000s CAD)	YTD 2024	YTD 2023
Net earnings	\$ 53,085	\$ 74,922
Finance (revenues) costs	(2,204)	(832)
Income tax provision	17,928	22,650
Depreciation and amortization	51,718	47,478
EBITDA	<u>\$ 120,527</u>	<u>\$ 144,218</u>

#### Adjusted gross profit/margin – excludes depreciation expense:

(in \$000s CAD)	YTD 2024	YTD 2023
Total revenue	\$ 706,694	\$ 735,742
Less: direct costs	<u>553,970</u>	<u>558,841</u>
Gross profit	152,724	176,901
Add: depreciation	47,814	43,651
Adjusted gross profit	<u>200,538</u>	<u>220,552</u>
Adjusted gross margin	28.4%	30.0%

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

(in \$000s CAD)	April 30, 2024	April 30, 2023
Cash and cash equivalents	\$ 96,218	\$ 94,432
Contingent consideration	(8,863)	(15,113)
Long-term debt	-	(19,972)
Net cash (debt)	<u>\$ 87,355</u>	<u>\$ 59,347</u>

# MANAGEMENT'S DISCUSSION & ANALYSIS

## FOREIGN EXCHANGE

The Company's reporting currency is the Canadian dollar, however a significant portion of the Company's revenue and operating expenses outside of Canada are denominated in U.S. dollars, with some exposure to other currencies. The year-over-year comparisons in the growth of revenue and operating expenses have been impacted by the performance of the Canadian dollar in relationship to the U.S. dollar as well as these other currencies.

During the year, approximately 18% of revenue generated was in Canadian dollars with most of the balance being in U.S. dollars. Since most of the input costs related to revenue are denominated in the same currency as the revenue, the impact on earnings is somewhat muted.

The favourable foreign exchange translation impact on revenue for the year, when comparing to the effective rates for the prior year, was approximately \$6 million. The impact on net earnings was approximately \$1 million as expenditures in foreign jurisdictions tend to be in the same currency as revenue.

Currency controls and government policies in foreign jurisdictions, where a portion of the Company's business is conducted, can restrict the Company's ability to exchange such foreign currency for other currencies, such as the U.S. dollar. To mitigate this risk, the Company has adopted a policy of carrying limited foreign currencies in local bank accounts.

As at April 30, 2024, the most significant carrying amounts of net monetary assets and/or liabilities (which may include intercompany balances with other subsidiaries) that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; and (ii) cause foreign exchange rate exposure, including the impact on earnings before income taxes ("EBIT"), if the corresponding rate changes by 10%, are as follows (in \$000s CAD):

	<u>Rate variance</u>	<u>IDR/USD</u>	<u>MNT/USD</u>	<u>MXN/USD</u>	<u>USD/CAD</u>	<u>ARS/USD</u>	<u>USD/ZAR</u>	<u>USD/CLP</u>	<u>Other</u>
Net exposure on monetary assets (liabilities)		10,041	9,261	6,000	3,207	1,729	(4,451)	(14,210)	(1,289)
EBIT impact	+/-10%	1,116	1,029	667	356	192	495	1,579	143

### **Argentina currency status**

Argentina is experiencing hyper-inflation with the rate rising to 289% annually and the Argentine peso ("ARS") continues to depreciate. During fiscal 2022, in an effort to bring inflation down and stabilize markets as the financial crisis continued in Argentina, the Argentine government imposed tighter currency controls. In an effort to prevent the flow of U.S. dollars ("USD") out of Argentina's struggling economy, the Argentine Central Bank ("ACB") made it more difficult for investors to buy USD, and tightened controls to prevent investors from buying assets in ARS and then selling abroad in USD to obtain foreign currency. While the International Monetary Fund has recommended the country gradually loosen all restrictions on foreign currency exchange, the ACB continues to impose limitations on transactions in USD denominated securities. In an effort to stabilize the economy, on August 14, 2023 the ACB announced they would devalue the currency to 350 ARS per USD, and keep it fixed at this rate until after the elections in November 2023. Following the elections, while trying to address one of Argentina's worst economic crises, the new government implemented a more aggressive fiscal policy, which included a devaluation of the ARS by over 50% to 801 ARS per USD on December 13, 2023, with a target devaluation of 2% per month after that date. With the conversion restrictions imposed by the ACB and the devaluation of the ARS by the new government, this created a significant foreign exchange loss on the Company's ARS assets during the year. While the Company's operating entity in Argentina has a USD functional currency, the Company continues to monitor and leverage all available options in managing the ARS exposure.

### **Indonesia currency status**

Early in fiscal 2022, the Bank of Indonesia enhanced its existing policies, directed at maintaining exchange rate stability, and strengthened the monitoring of foreign exchange transactions against the Indonesian rupiah ("IDR"). The need to manage inflation and maintain exchange rate stability amidst escalating global inflation remains, however, with the volume of cross-border transactions rising, the Bank of Indonesia has relaxed the underlying transaction requirements for access to foreign exchange. As these policies could still delay and eventually restrict the ability to exchange the IDR to USD, the Company continues to monitor this situation closely.

# MANAGEMENT'S DISCUSSION & ANALYSIS

## COMPREHENSIVE EARNINGS

The Consolidated Statements of Comprehensive Earnings for the year include a \$1.1 million unrealized loss on translating the financial statements of the Company's foreign operations, compared to a gain of \$16.9 million for the previous year. The change relates to translating the net assets of the Company's foreign operations, which have a functional currency other than the Canadian dollar, to the Company's Canadian dollar currency presentation.

The loss during the current year was generated primarily from the Chilean peso losing close to 14% against the Canadian dollar as inflation reached a three-decade record high, offset slightly by a small gain in the USD against the Canadian dollar. During the previous year, the gain was generated from the volatility of various currencies against the Canadian dollar, as various market drivers, such as high inflation, stimulated foreign exchange market volatility during the year. Various currencies gained against the Canadian dollar, with most of the impact generated by the USD gaining close to 6%.

## FUTURE ACCOUNTING CHANGES

The Company has not applied the following IASB standard amendment that has been issued, but is not yet effective:

- IAS 21 (as amended in 2023) - The Effect of Changes in Foreign Exchange Rates - effective for periods beginning on or after January 1, 2025, with earlier application permitted. The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

The Company is currently in the process of assessing the impact the adoption of the above amendment will have on the Consolidated Financial Statements.

## 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, inventory valuation, and determination of income and other taxes and recoverability of deferred income tax assets, assumptions used in compilation of share-based payments, 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.

## MANAGEMENT'S DISCUSSION & ANALYSIS

The amount recognized as 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.

### *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, 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.

## OFF BALANCE SHEET ARRANGEMENTS

Except for commitments exempt from balance sheet treatment under IFRS 16 Leases, detailed in note 20 "Commitments" of the Notes to Consolidated Financial Statements and presented as contractual obligations in the liquidity and capital resources section herein, the Company does not have any off balance sheet arrangements.

## GENERAL RISKS AND UNCERTAINTIES

The Company is subject to a variety of risk factors and uncertainties in carrying out its activities. The Company's revenue, cash flow and profitability may be adversely affected by the risks and uncertainties discussed below. Additional risks not currently known to the Company, or that the Company currently deems immaterial, may also impair its revenue, cash flow and profitability.

### *General economic conditions*

Uncertainty and volatility surrounding global economic conditions could impact demand for the Company's services or have an impact on clients' ability to pay their suppliers, such as the Company, in the event they are unable to access equity or debt financing on terms that are acceptable to fund their existing or new projects. These conditions could influence the level of activity in the mining industry, thereby causing clients to slow spending on the Company's services or seek contract terms more favourable to them. Any of these disruptions could adversely affect the Company's business, revenue, results of operations, cash flow and profitability.

In addition, general inflationary pressures and interest rate fluctuation may result in higher costs for some key inputs required for its operations, including fuel and energy. The Company's operating costs can materially increase in an inflationary environment, which may erode operating margins and adversely affect the Company's business, revenue, results of operations, capital expenditures, cash flow and profitability.

### *Cyclical downturn*

A significant operating risk affecting the Company is a downturn in demand for its services, which can be due to, among other things, a decrease in activity in the mining industry. In attempting to mitigate this risk, the Company is exploiting

## MANAGEMENT'S DISCUSSION & ANALYSIS

its competitive advantage in specialized drilling and continues to explore opportunities to diversify and to rationalize its regional infrastructures. A prolonged downturn in the mining industry could result in a decrease in demand for the Company's services, which could adversely affect the Company's revenue, cash flow and profitability.

Moreover, levels of inventory typically increase as a result of increased activity levels. In addition to direct volume related increases however, inventory levels also increase due to an expansion of activity in remote locations at the end of long supply chains, where it is necessary to increase inventory to ensure an acceptable level of continuing service, which is part of the Company's competitive advantage. In the event of a sudden downturn of activities related either to a specific project or to the sector as a whole, it is more difficult and costly to redeploy this remote inventory to other regions where it can be consumed, which could adversely affect the Company's revenue, cash flow and profitability.

### ***Safety***

The Company's health, safety and wellbeing systems, processes and policies are focused on reducing risks to employees at worksites. The Company's activities and services may involve hazards that increase risks to health and safety and may result in personal injury, loss of life and/or damage to property (including environmental damage). While the Company has implemented extensive health and safety initiatives and procedures at worksites to protect the health and safety of its employees and contractors, and continues to invest in training to improve skills, abilities, and safety awareness, there can be no assurance that such measures will eliminate the occurrence of such accidents, personal injuries, loss of life and/or damage to property, which could give rise to regulatory fines and/or civil liability. The Company may be held liable if it is proven to be at fault and to have caused a worksite accident. In such circumstances, the Company's operations at the affected site may be impacted and the Company's inability to effectively deal with these consequences in a timely fashion, along with any potential negative publicity related to the event, could adversely affect the Company's revenue, cash flow and profitability. Failure to maintain a record of safety performance may have an adverse impact on the Company's ability to attract and retain customers and personnel and therefore on the Company's revenue, cash flow and profitability.

### ***Managing growth effectively***

The current industry upturn has resulted in the Company experiencing rapid growth, placing additional demands on the Company's operational, safety and financial processes, measures and systems. As its business grows, the Company must effectively address and manage these demands. The Company may not be able to do so effectively and in a timely fashion, which may have an adverse impact on the Company's revenue, cash flow and profitability.

### ***Competitive pressures***

The Company competes with many small regional or local companies as well as larger companies, and the intensity of competition may vary significantly from region to region at any particular time. Increased demand in a region where the Company operates may attract new competitors and impact the degree of work in such region. Pressure from competitors in a region may also result in an oversupply of drilling services in such region, which in turn may result in decreased contract prices and adversely affect the Company's revenues. Furthermore, the Company may lose business to its competitors if it is unable to demonstrate competence, competitive pricing, adequate equipment, or reliable performance to its customers. There can be no assurance that the Company's competitors will not be successful in capturing a share of the Company's present or potential customer base, which could adversely affect the Company's revenue, cash flow and profitability.

In light of the recent market upturn, the Company is experiencing an increase in demand for its services, which in turn increases the need for expenditures on maintenance, refurbishment and replacement of equipment. In the midst of rapid technological development, the Company must continue to anticipate changes in its clients' needs and to adapt its equipment to maintain its competitive advantage. If the Company does not continue to innovate and leverage technology advancements through equipment modernization, its ability to retain existing clients and attract new clients may be adversely affected, which could adversely affect the Company's revenue, cash flow and profitability. The Company must also effectively manage cost increases that increase margin pressure, or delays in service that may reduce the Company's ability to win bids for future projects, resulting in loss of revenue, profitability and market share, all of which could adversely affect the Company's revenue, cash flow and profitability.

### ***Specialized skills and cost of labour increases***

Generally speaking, drilling activity related to metals and minerals is broadly linked to price trends in the metals and minerals sector. During periods of increased activity, a limiting factor in this industry can be a shortage of qualified drillers. The Company addresses this issue by attempting to become the "employer of choice" for drillers in the industry, as well as hiring and training more locally based drillers. The development of local drillers has had a positive impact on the Company's global operations and is expected to continue to play an important role.

## MANAGEMENT'S DISCUSSION & ANALYSIS

The Company also relies on an experienced management team across the Company to carry on its business. A departure of several members of the management team at one time could have an adverse financial impact on operations.

A material increase in the cost of labour and the inability to attract and retain qualified drillers could result in, among other things, loss of opportunities, cost overruns, failure to perform on projects, breach of contract, and materially affect gross margins, and therefore the Company's financial performance and reputation. The Company may also experience intense competition for personnel and may not be able to retain key employees or successfully attract and retain personnel in the future.

### ***Country risk***

The Company currently operates in many foreign countries and is committed to using its expertise and technology in exploring other areas around the world. The Company's foreign operations are subject to a variety of risks and uncertainties, including, but not limited to: social, political and economic instability, including recession, political changes or disruptions and other economic crises (locally or globally); military repression, acts of war, civil unrest, force majeure and terrorism; fluctuations in currency exchange rates; currency controls and restrictions; high rates of inflation; changes in laws, policies and regulations; changes in duties, taxes and governmental royalties; trade barriers; nationalization/expropriation of projects or assets; corruption; delays in obtaining or inability to obtain necessary permits; nullification of existing mining claims or interests therein; hostage takings; labour unrest; opposition to mining from environmental organizations; and deterioration of Canada's inter-governmental relationships or other non-governmental organizations or shifts in political attitude that may adversely affect the business, results of operations, financial conditions and liquidity. Also, there has been an emergence of a trend by some governments to increase their participation in the industry and thereby their revenues through increased taxation, expropriation, or otherwise. This could negatively impact the level of foreign investment in mining and exploration activities and thus drilling demand in these regions, which in turn may result in reductions of the Company's revenue and additional transition costs as equipment is shifted to other locations.

While the Company works to mitigate its exposures to potential country risk events, the impact of any such event is largely outside the control of the Company, is highly uncertain and unpredictable and will be based on specific facts and circumstances. As a result, the Company can give no assurance that it will not be subject to any country risk event, directly or indirectly, in the jurisdictions in which it operates. Any of the foregoing events may have a material negative impact on the Company's operations and assets.

### ***Repatriation of funds or property***

There is no assurance that any of the countries in which the Company operates, or may operate in the future, will not impose restrictions on the repatriation of funds or property to other jurisdictions or between the Company and its subsidiaries. Any such limitations could have an adverse impact on the Company.

### ***Taxes***

The Company is subject to many different forms of taxation in various jurisdictions throughout the world, including but not limited to, property tax, income tax, withholding tax, commodity tax, social security and other payroll-related taxes, which may lead to disagreements with tax authorities regarding the application of tax law.

Tax law and administration is extremely complex and requires the Company to make certain assumptions about various tax laws and regulations. The computation of income, payroll and other taxes involves many factors, including the interpretation of tax legislation in various jurisdictions in which the Company is subject to ongoing tax assessments. The Company's estimate of tax-related assets, liabilities, recoveries, and expenses incorporates significant assumptions. These assumptions include, but are not limited to, the effect of tax treaties between jurisdictions and taxable income projections. While the Company believes that such assumptions are correct, there can be no assurance that foreign taxation or other authorities will reach the same conclusion. If such assumptions differ from actual results, or if such jurisdictions were to change or modify such laws or the current interpretation thereof, the Company may have to record additional tax expenses and liabilities, including interest and penalties, which may be material.

### ***Foreign currency***

The Company conducts a significant proportion of its business outside of Canada and consequently has exposure to currency movements, principally in U.S. dollars. In order to reduce its exposure to foreign exchange risks associated with currencies of developing countries, where a substantial proportion of the Company's business is conducted, the Company has adopted a policy of contracting in U.S. dollars, where practical and legally permitted.

Foreign exchange translations can have a significant impact on year-to-year comparisons because of the geographic distribution of the Company's activities, which could adversely affect the value of assets and liabilities denominated in

## MANAGEMENT'S DISCUSSION & ANALYSIS

foreign currencies, financial results and could also increase the Company's costs of operations. Year-over-year revenue comparisons have been affected by the fluctuation in the Canadian dollar against the U.S. dollar. Margin performance, however, is less affected by currency fluctuations as a large proportion of costs are typically in the same currency as revenue. In future periods, year-to-year comparisons of revenue could be significantly affected by changes in foreign exchange rates.

### ***Operational risk***

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and/or systems (including, among other things, IT systems) or from external events. Operational risk is present in all aspects of the Company's activities, and incorporates exposure relating to fiduciary breaches, regulatory compliance failures, legal disputes, business disruption, pandemics, technology and cybersecurity failures, processing errors, business integration, theft and fraud, damage to physical assets, employee safety, and insurance coverage.

### ***Dependence on key customers***

From time to time, the Company may be dependent on a small number of customers for a significant portion of overall revenue and net income. Should one or more such customers terminate contracts with the Company, there can be no guarantee that the Company will obtain sufficient replacement contracts to maintain the existing revenue and income levels. Consequently, the Company continues to work to expand its client base and geographic field of operations to mitigate its exposure to any single client, commodity, or mining region.

### ***Expansion and acquisition strategy***

The Company intends to remain vigilant with regards to potential strategic future acquisitions and internal expansion. In addition to potential new or increased geographic, political, operating, financial, legal and currency-related risks that may arise from potential acquisitions, mergers or expansions, the attention of management and other employees could also be diverted from the daily operations of the Company.

The Company may raise capital debt or issue further equity and convertible securities to finance future acquisitions or expansions, which may result in increased leverage for the Company or dilution for existing shareholders. Additionally, the Company cannot give assurances that it will be able to secure the necessary financing on acceptable terms to pursue this strategy.

Furthermore, it is not possible to ensure that future acquisition opportunities will exist on acceptable terms, or that newly acquired or developed entities will be successfully integrated into the Company's operations and culture. In the future, if the Company's acquisitions do not yield the expected returns or the intended synergies (including operational, financial, technological and administrative benefits), or such acquisitions are not realized, it could adversely affect the Company's business, revenue, results of operations, capital expenditures, cash flow, profitability and competitiveness.

### ***Climate change risk***

The Company operates in various regions and jurisdictions where environmental laws are evolving and are not necessarily consistent. As the world is becoming increasingly aware of the impact of climate change, a number of governments or governmental bodies in jurisdictions where the Company operates have introduced or are contemplating regulatory changes in response to the potential impact of climate change, such as policies and regulations relating to greenhouse gas emission levels, energy efficiency and reporting of climate-change related risks, which in turn may result in increased costs for the Company or for clients in respect of their project or, in some cases, prevent a project from going forward. Such increased costs may in turn reduce the need for the Company's services, which in turn could have a material adverse impact on the Company's revenue, cash flow and profitability.

A failure to meet climate strategy commitments and/or societal or investor expectations could also result in damage to the Company's reputation, decreased investor confidence and challenges in maintaining strong community relations, which can pose additional obstacles to the Company's ability to conduct its operations and develop its projects, which may result in a material adverse impact on its business, financial position, results of operations and future growth prospects.

In addition, climate change, such as extreme weather conditions, natural disasters, resource shortages, changing sea levels, changing temperatures, extreme weather events, storm-related flooding or extended drought, or other acute or chronic changes to the climate, represents a physical and financial risk and could affect the Company's operations, including the disruption or delays in the transportation of equipment and employees to its operations, which in turn could have an adverse financial impact on the Company's revenue, cash flow and profitability. Extreme weather events could also hinder the ability of the Company's field employees to perform their work, which may result in delays or loss of revenues.

# MANAGEMENT'S DISCUSSION & ANALYSIS

## **Regulatory and legal risks**

The drilling industry is highly regulated by laws and regulations, including environmental laws and regulations, which are not necessarily consistent across the jurisdictions in which the Company operates. The Company is unable to predict what legislation, revisions or regulatory directives may be proposed that might affect its operations or when such proposals may be effective. While the Company's policies mandate full compliance with all applicable laws and regulations, the Company can provide no assurance that it will be in full compliance at all times with such laws and regulations. To the extent that the Company fails to comply, or is alleged to fail to comply, with applicable legislation, regulatory directives and permits, it could be subject to monetary fines, suspension of operations or other penalties.

## **Corruption, bribery and fraud**

The Company is required to comply with the *Canadian Corruption of Foreign Public Officials Act* ("CFPOA") as well as similar applicable laws in other jurisdictions, which prohibit companies from engaging in bribery or other prohibited payments or gifts to foreign public officials for the purpose of retaining or obtaining business. The Company's policies mandate full compliance with these laws. However, there can be no assurance that the policies and procedures and other safeguards that the Company has implemented in relation to its compliance with these laws will be effective or that Company employees, agents, suppliers, or other industry partners have not engaged or will not engage in such illegal conduct for which the Company may be held responsible. Violations of these laws could disrupt the Company's business and result in a material adverse effect on its business, operations, and reputation.

## **Disease outbreak**

The Company may be impacted by disease outbreaks, including epidemics, pandemics or similar widespread public health emergencies (including those related to the COVID-19 coronavirus). These public health concerns pose the risk that the Company's employees, clients, consultants and other partners may be prevented from, or restricted in, conducting business activities for an indefinite period, due to the transmission of the disease or to emergency measures or restrictions that may be requested or mandated by governmental authorities. The likelihood, magnitude and the full extent of the impact of such events are inherently difficult to predict, are highly uncertain and may depend on factors beyond the Company's knowledge and control. Prolonged economic disruption, as a result of such event or disaster, may have a material and adverse impact on the Company's revenue, cash flow and profitability, including without limitation, through compromised employee health and workplace productivity, disruption to supply chains, and threats to the business continuity of the Company's clients.

In particular, the COVID-19 pandemic has created significant volatility, uncertainty and economic disruption since it was declared a global pandemic in 2020. While the Company's operations are not currently being impacted in any significant manner by COVID-19, the Company recognizes that the situation remains dynamic and continues to monitor developments. The extent to which the COVID-19 pandemic, or other disease outbreaks, impact future business, including the Company's operations and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time.

## **Equipment modernization and parts availability**

The Company's ability to provide reliable service is dependent upon timely delivery of equipment and replacement parts from fabricators and suppliers. Any factor that substantially increases the order time on equipment and increases uncertainty surrounding final delivery dates may constrain future growth, existing operations, and the financial performance of the Company.

The meeting of clients' demands relating to performance and cost in the provision of the Company's services will depend on the ability of the Company to continuously improve the efficiency of its operations and to adopt or invest in new equipment and technologies such as artificial intelligence and robotics. Failure by the Company to do so could result in a loss of market share and a decrease in earnings for the Company due to a potential lack of competitiveness with competitors. Furthermore, potential investments in new technologies may reduce the availability of liquidity for the Company and may not yield significant improvements, efficiency gains or an increased productivity in the delivery of services to clients. There is also no certainty that such investments would prevent competitors to achieve technological advantages over the Company.

## **Reputational risk**

Negative publicity, whether true or not, regarding practices, actions, or inactions, could adversely affect the Company's value, liquidity, or customer base.



# MANAGEMENT'S DISCUSSION & ANALYSIS

## ***Cybersecurity risk***

While information systems are integral to supporting the Company's business, due to the nature of the Company's services, it is not considered to be subject to the same level of cybersecurity risks as companies operating in sectors where sensitive information is at the core of their business. Nevertheless, the Company is potentially exposed to risks ranging from internal human error to uncoordinated individual attempts to gain unauthorized access to its information technology systems, to sophisticated and targeted measures directed at the Company and its systems, clients, or service providers. Any such disruptions in the Company's systems or the failure of the systems to operate as expected could, depending on the magnitude of the problem, result in the loss of client information, a loss of current or future business, the loss of personal identifiable information, reputational harm and/or potential claims against the Company, all of which could have an adverse effect on the Company's business, financial condition, and operating results. The Company continues to enhance its efforts to mitigate these risks. It invests in technology security initiatives to better identify and address any vulnerabilities including periodic third-party vulnerability assessments, testing user knowledge of cybersecurity best practices, and audits of security processes and procedures. In addition, the Company continues to increase its employees' awareness of security policies through ongoing communications.

## ***Market price and dilution of common shares***

Securities of mining companies, and consequently, drilling companies, have experienced volatility in the past, at times unrelated to the financial performance of the companies involved. These factors include macroeconomic developments in North America and internationally and market perceptions of the attractiveness of particular industries. As a result of this volatility, the market price of the Company's common shares at any given point in time may not accurately reflect the Company's long-term value. In the event that the Company increases the number of common shares issued, this may have a dilutive effect on the price of the common shares.

## ***Environmental, health and safety regulations and considerations***

The Company's operations involving contract drilling, exploration, and development activities require permits and other approvals from various federal, provincial, state, and local governmental authorities. Such operations are, and will be, governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety, and other matters. Environmental laws and regulations and their interpretation have changed rapidly in recent years and may continue to do so in the future. Evolving public expectations with respect to the environment and increasingly stringent laws and regulations could result in increased costs of compliance, and failure to recognize and adequately respond to them could result in fines, regulatory scrutiny, or have a significant effect on the Company's reputation and financial results. While the Company's policies mandate full compliance with all of its required permits and approvals and all applicable laws and regulations, there can be no assurance that it will obtain and/or maintain full compliance at all times. Failure to obtain and/or maintain full compliance with such permits, approvals and/or regulations could have adverse effects on the Company's revenue, cash flow and profitability.

## ***Insurance***

The Company maintains insurance coverage for various aspects of its business and operations. The Company's insurance programs have varying coverage limits as well as exclusions for certain matters. Additionally, the Company's customer contracts generally separate the responsibilities of the Company and the customer, and the Company tries to obtain indemnification from its customers by contract for some of these risks even though the Company also has insurance coverage. The Company cannot assure, however, that its liability insurance or indemnification agreements will adequately protect the Company against all liabilities or losses that may arise from the hazards of the Company's operations. The occurrence of a significant event that has not been fully insured or indemnified against, or the failure of a customer to meet its indemnification obligations to the Company, if any, could materially and adversely affect the Company's business and financial results. Moreover, the Company cannot assure that insurance will continue to be available on commercially reasonable terms, that the possible types of liabilities that may be incurred will be covered by insurance, or that the dollar amount of the liabilities will not exceed policy limits. A successful claim resulting from a hazard for which it is not fully insured could adversely affect the Company's revenue, cash flow and profitability.

# MANAGEMENT'S DISCUSSION & ANALYSIS

## DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that all relevant information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized, and reported on a timely basis, and is accumulated and communicated to the Company's management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

The Company's CEO and CFO have evaluated the effectiveness of the Company's DC&P and concluded that, subject to the inherent limitations and restrictions noted below, those DC&Ps were effective for the year ended April 30, 2024.

The Company's CEO and CFO are responsible for designing internal control over financial reporting ("ICFR") or causing them to be designed under their supervision. The Company's DC&P and ICFR are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with International Financial Reporting Standards.

During fiscal 2024, management, including its CEO and CFO, evaluated the existence and design of the Company's ICFR and confirm there were no changes to the ICFR that have occurred during the year that materially affected, or are reasonably likely to materially affect, the Company's ICFR. The Company continues to review and document its DC&P and its ICFR, and may, from time to time, make changes aimed at enhancing their effectiveness and to ensure that its systems evolve with the business.

As of April 30, 2024, an evaluation of the effectiveness of the Company's DC&P and ICFR, as defined in NI 52-109, was carried out under the supervision of the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the design and operation were effective at a reasonable level for the period covered by this report.

The evaluations were conducted in accordance with the framework and criteria established in Internal Control - Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of NI 52-109.

### **Limitations of control and procedures**

Management, including the CEO and the CFO, does not expect that the Company's DC&P and ICFR will prevent or detect all errors and all fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected. Therefore, DC&P and ICFR have inherent limitations, regardless of how well designed, and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

## OUTSTANDING SHARE DATA

The authorized capital of the Company consists of an unlimited number of common shares, currently the only class of voting equity securities. Holders of common shares are entitled to receive notice of, attend and vote at all meetings of the shareholders of the Company. Each common share carries the right to one vote in person or by proxy at all meetings of the shareholders of the Company.

The Company's share data was composed of the following:

<i>(amounts in thousands)</i>	<b>As at June 11, 2024</b>	As at June 13, 2023
Common shares	<b>81,804</b>	83,031
Stock options outstanding	<b>756</b>	947

## MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and presentation of the annual Consolidated Financial Statements, Management's Discussion and Analysis ("MD&A") and all other information in the annual report.

In management's opinion, the accompanying Consolidated Financial Statements have been properly prepared within reasonable limits of materiality in accordance with International Financial Reporting Standards.

The MD&A has been prepared in accordance with the requirements of Canadian securities regulators. Management has designed and evaluated the effectiveness of its disclosure controls and procedures.

Since a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements and the MD&A necessarily involves the use of estimates and approximations. These have been made using careful judgment and with all information available up to June 11, 2024. The MD&A also includes information regarding the estimated impact of current transactions and events, sources of liquidity, operating trends and risks and uncertainties. Actual results in the future may differ materially from management's present assessment of this information because future events may not occur as expected. Financial operating data in the report are consistent, where applicable, with the Consolidated Financial Statements.

To meet its responsibility for reliable and accurate financial statements, management has established systems of internal control, which are designed to provide reasonable assurance that financial information is relevant, reliable and accurate, and that assets are safeguarded and transactions are executed in accordance with management's authorization.

The Consolidated Financial Statements have been examined by Deloitte LLP, independent chartered professional accountants. The independent auditors' responsibility is to express a professional opinion on the fairness of management's Consolidated Financial Statements. The auditor's report outlines the scope of their examination and sets forth their opinion.

The Audit Committee of the Board of Directors is comprised of independent directors. The Audit Committee meets regularly with management and the independent auditors to satisfy itself that each is properly discharging its responsibilities, and to review the Consolidated Financial Statements and the MD&A. The Audit Committee reports its findings to the Board of Directors for consideration when approving the Consolidated Financial Statements and the MD&A for issuance to the shareholders. The Audit Committee also recommends, for review by the Board of Directors and approval of shareholders, the appointment of the independent auditors. The independent auditors have full and free access to the Audit Committee.

Major Drilling Group International Inc.'s Chief Executive Officer and Chief Financial Officer have certified Major Drilling Group International Inc.'s annual disclosure documents as required in Canada by the Canadian securities regulators.



Denis Larocque  
President & Chief Executive Officer



Ian Ross  
Chief Financial Officer

June 11, 2024  
Moncton, New Brunswick, Canada

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Major Drilling Group International Inc.

### OPINION

We have audited the consolidated financial statements of Major Drilling Group International Inc. (the "Company"), which comprise the consolidated balance sheets as at April 30, 2024 and 2023, and the consolidated statements of operations, comprehensive earnings, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended April 30, 2024. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

#### Revenue Recognition – Refer to Notes 1, 4 and 17 to the financial statements

##### *Key Audit Matter Description*

The Company's principal source of revenue consists of contract drilling for companies primarily involved in mining and mineral exploration. Revenue is recognized upon completion of services for its customers rendered at contractually agreed upon contract rates. Revenue is a key audit matter due to the significant audit effort required in performing audit procedures related to the Company's revenue recognition.

##### *How the Key Audit Matter was Addressed in the Audit*

Our audit procedures related to revenue recognition included the following, among others:

For a sample of revenue transactions:

- i. Obtained and inspected a combination of the following audit evidence:
  - (a) contracts evidencing the rates charged to customers,
  - (b) reports evidencing meters drilled and hours worked at drilling sites,
  - (c) invoices sent to customers, and
  - (d) cash payments received for services;
- ii. For transactions which have not been paid, confirmed revenue transactions directly with the Company's customers to confirm the revenue; and
- iii. Performed analytical procedures of expected revenue based on contractual margins.

# INDEPENDENT AUDITOR'S REPORT

## OTHER INFORMATION

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

## RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

## INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tarah Schulz.

*Deloitte LLP*

Chartered Professional Accountants  
Moncton, New Brunswick  
June 11, 2024

## CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended April 30, 2024 and 2023  
(in thousands of Canadian dollars, except per share information)

	<u>2024</u>	<u>2023</u>
<b>TOTAL REVENUE</b>	<b>\$ 706,694</b>	<b>\$ 735,742</b>
<b>DIRECT COSTS (note 13)</b>	<b>553,970</b>	558,841
<b>GROSS PROFIT</b>	<b><u>152,724</u></b>	<u>176,901</u>
<b>OPERATING EXPENSES</b>		
General and administrative (note 13)	68,900	64,957
Other expenses	10,324	13,358
(Gain) loss on disposal of property, plant and equipment	(843)	(912)
Foreign exchange (gain) loss	5,534	2,758
Finance (revenues) costs	<u>(2,204)</u>	<u>(832)</u>
	<b>81,711</b>	79,329
<b>EARNINGS BEFORE INCOME TAX</b>	<b><u>71,013</u></b>	<u>97,572</u>
<b>INCOME TAX EXPENSE (RECOVERY) (note 14)</b>		
Current	14,381	22,788
Deferred	<u>3,547</u>	<u>(138)</u>
	<b>17,928</b>	22,650
<b>NET EARNINGS</b>	<b><u>\$ 53,085</u></b>	<b><u>\$ 74,922</u></b>
<b>EARNINGS PER SHARE (note 16)</b>		
Basic	<b><u>\$ 0.64</u></b>	<b><u>\$ 0.90</u></b>
Diluted	<b><u>\$ 0.64</u></b>	<b><u>\$ 0.90</u></b>

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

For the years ended April 30, 2024 and 2023  
(in thousands of Canadian dollars)

	<u>2024</u>	<u>2023</u>
<b>NET EARNINGS</b>	<b>\$ 53,085</b>	<b>\$ 74,922</b>
<b>OTHER COMPREHENSIVE EARNINGS</b>		
Items that may be reclassified subsequently to profit or loss		
Unrealized gain (loss) on foreign currency translations	(1,102)	16,882
Unrealized gain (loss) on derivatives (net of tax)	<u>19</u>	<u>(1,573)</u>
<b>COMPREHENSIVE EARNINGS</b>	<b><u>\$ 52,002</u></b>	<b><u>\$ 90,231</u></b>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended April 30, 2024 and 2023  
(in thousands of Canadian dollars)

	Share capital	Retained earnings	Other reserves	Share-based payments reserve	Foreign currency translation reserve	Total
<b>BALANCE AS AT MAY 1, 2022</b>	\$ 263,183	\$ 31,022	\$ 1,536	\$ 3,996	\$ 60,021	\$ 359,758
Exercise of stock options (note 15)	2,888	-	-	(808)	-	2,080
Share-based compensation (note 15)	-	-	-	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>
<b>Comprehensive earnings:</b>						
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>
<b>BALANCE AS AT APRIL 30, 2023</b>	<b>266,071</b>	<b>105,944</b>	<b>(37)</b>	<b>3,696</b>	<b>76,903</b>	<b>452,577</b>
Exercise of stock options (note 15)	764	(197)	-	(342)	-	225
Share-based compensation (note 15)	-	-	-	277	-	277
Share buyback (notes 12 and 15)	(4,156)	(7,093)	-	-	-	(11,249)
Stock options expired/forfeited (note 15)	-	1	-	(1)	-	-
	<u>262,679</u>	<u>98,655</u>	<u>(37)</u>	<u>3,630</u>	<u>76,903</u>	<u>441,830</u>
<b>Comprehensive earnings:</b>						
Net earnings	-	53,085	-	-	-	53,085
Unrealized gain (loss) on foreign currency translations	-	-	-	-	(1,102)	(1,102)
Unrealized gain (loss) on derivatives	-	-	19	-	-	19
Total comprehensive earnings	<u>-</u>	<u>53,085</u>	<u>19</u>	<u>-</u>	<u>(1,102)</u>	<u>52,002</u>
<b>BALANCE AS AT APRIL 30, 2024</b>	<b>\$ 262,679</b>	<b>\$ 151,740</b>	<b>\$ (18)</b>	<b>\$ 3,630</b>	<b>\$ 75,801</b>	<b>\$ 493,832</b>



# CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended April 30, 2024 and 2023  
(in thousands of Canadian dollars)

	<u>2024</u>	<u>2023</u>
<b>OPERATING ACTIVITIES</b>		
Earnings before income tax	\$ 71,013	\$ 97,572
Operating items not involving cash		
Depreciation and amortization (note 13)	51,718	47,478
(Gain) loss on disposal of property, plant and equipment	(843)	(912)
Share-based compensation (notes 13 and 15)	277	508
Finance (revenues) costs recognized in earnings before income tax	<u>(2,204)</u>	<u>(832)</u>
	119,961	143,814
Changes in non-cash operating working capital items (note 18)	4,652	(6,911)
Finance revenues received (costs paid)	2,204	832
Income taxes paid	<u>(14,782)</u>	<u>(24,549)</u>
Cash flow from (used in) operating activities	<u>112,035</u>	<u>113,186</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of lease liabilities	(1,495)	(1,688)
Repayment of long-term debt (note 11)	(20,000)	(30,000)
Issuance of common shares due to exercise of stock options (note 15)	551	2,080
Cash-settled stock options	(326)	-
Repurchase of common shares (notes 12 and 15)	<u>(11,249)</u>	<u>-</u>
Cash flow from (used in) financing activities	<u>(32,519)</u>	<u>(29,608)</u>
<b>INVESTING ACTIVITIES</b>		
Payment of consideration for previous business acquisition	(6,991)	(8,789)
Acquisition of property, plant and equipment (note 7)	(73,534)	(58,690)
Proceeds from disposal of property, plant and equipment	<u>2,138</u>	<u>3,501</u>
Cash flow from (used in) investing activities	<u>(78,387)</u>	<u>(63,978)</u>
Effect of exchange rate changes	<u>657</u>	<u>3,572</u>
<b>INCREASE IN CASH</b>	<b>1,786</b>	<b>23,172</b>
<b>CASH, BEGINNING OF THE YEAR</b>	<u>94,432</u>	<u>71,260</u>
<b>CASH, END OF THE YEAR</b>	<u>\$ 96,218</u>	<u>\$ 94,432</u>

# CONSOLIDATED BALANCE SHEETS

As at April 30, 2024 and 2023  
(in thousands of Canadian dollars)

	2024	2023
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 96,218	\$ 94,432
Trade and other receivables (note 23)	122,251	137,633
Income tax receivable	3,803	2,336
Inventories (note 6)	110,805	115,128
Prepaid expenses	9,532	10,996
	<u>342,609</u>	<u>360,525</u>
<b>PROPERTY, PLANT AND EQUIPMENT (note 7)</b>	237,291	215,085
<b>RIGHT-OF-USE ASSETS (note 7)</b>	4,595	5,637
<b>DEFERRED INCOME TAX ASSETS (note 14)</b>	2,872	4,444
<b>GOODWILL (note 8)</b>	22,597	22,690
<b>INTANGIBLE ASSETS (note 9)</b>	2,219	3,304
	<u>\$ 612,183</u>	<u>\$ 611,685</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	\$ 86,226	\$ 102,144
Income tax payable	4,367	3,674
Current portion of lease liabilities	1,395	1,617
Current portion of contingent consideration	8,863	7,138
	<u>100,851</u>	<u>114,573</u>
<b>LEASE LIABILITIES</b>	3,321	3,965
<b>CONTINGENT CONSIDERATION</b>	-	7,975
<b>LONG-TERM DEBT (note 11)</b>	-	19,972
<b>DEFERRED INCOME TAX LIABILITIES (note 14)</b>	14,179	12,623
	<u>118,351</u>	<u>159,108</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 15)	262,679	266,071
Retained earnings	151,740	105,944
Other reserves	(18)	(37)
Share-based payments reserve	3,630	3,696
Foreign currency translation reserve	75,801	76,903
	<u>493,832</u>	<u>452,577</u>
	<u>\$ 612,183</u>	<u>\$ 611,685</u>

Contingencies and commitments (notes 19 and 20)

Approved by the Board of Directors



Kim Keating  
Chair of the Board



Janice Rennie  
Chair of the Audit Committee

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2024 and 2023  
(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 11, 2024, 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 4.

## 3. APPLICATION OF NEW AND REVISED IFRS

The following International Accounting Standards Board ("IASB") standard amendments, now in effect, have had no significant impact on the Company's Consolidated Financial Statements:

- IAS 1 (amended) – Presentation of Financial Statements – (amendment – disclosure of material versus significant policies)
- IAS 8 (amended) – Accounting Policies, Changes in Accounting Estimates and Errors – (amendment – definition of accounting estimates)
- IAS 12 (amended) – Income Taxes - (amendment – deferred tax related to assets and liabilities arising from a single transaction)

The Company has not applied the following IASB standard amendment that has been issued, but is not yet effective:

- IAS 21 (as amended in 2023) - The Effect of Changes in Foreign Exchange Rates - effective for periods beginning on or after January 1, 2025, with earlier application permitted. The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

The Company is currently in the process of assessing the impact the adoption of the above amendment will have on the Consolidated Financial Statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2024 and 2023  
(in thousands of Canadian dollars, except per share information)

## 4. MATERIAL ACCOUNTING POLICIES

### **Cash and cash equivalents**

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.

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 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.

### **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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2024 and 2023

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

## 4. MATERIAL 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.

### ***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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2024 and 2023  
(in thousands of Canadian dollars, except per share information)

## 4. MATERIAL ACCOUNTING POLICIES (Continued)

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.

### **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.

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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2024 and 2023

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

## 4. MATERIAL ACCOUNTING POLICIES (Continued)

**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.

### **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.

## 5. 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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2024 and 2023

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

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

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, inventory valuation, and determination of income and other taxes and recoverability of deferred income tax assets, assumptions used in compilation of share-based payments, 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 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.

### **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, 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.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2024 and 2023

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

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

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.

## 6. INVENTORIES

The cost of inventory recognized as an expense and included in materials, consumables and external costs in note 13 for the year ended April 30, 2024 was \$102,076 (2023 - \$104,738). During the years ended April 30, 2024 and 2023, 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>2024</u>	<u>2023</u>
Rods and casings	\$ 29,478	\$ 32,529
Machine parts	52,999	52,704
Consumables	3,981	3,967
Wireline and downhole tools	8,394	9,029
Diamond bits	7,371	8,305
Other	8,582	8,594
	<u>\$ 110,805</u>	<u>\$ 115,128</u>

Amounts presented in comparative period have been allocated consistent with current year presentation.

## 7. PROPERTY, PLANT AND EQUIPMENT

Changes in the PP&E balances were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Drills</u>	<u>Auto</u>	<u>Other</u>	<u>ROU assets</u>	<u>Total</u>
<b>Net book value as at April 30, 2022</b>	\$6,142	\$10,053	\$135,419	\$38,678	\$7,904	\$5,479	\$203,675
Additions	-	917	36,841	18,707	2,225	1,894	60,584
Disposals	-	-	(1,924)	(665)	-	-	(2,589)
Depreciation	-	(961)	(31,007)	(11,219)	(1,324)	(1,703)	(46,214)
Effect of exchange rate changes and other	150	155	7,351	1,633	(3,990)	(33)	5,266
<b>Net book value as at April 30, 2023</b>	<b>\$6,292</b>	<b>\$10,164</b>	<b>\$146,680</b>	<b>\$47,134</b>	<b>\$4,815</b>	<b>\$5,637</b>	<b>\$220,722</b>
Additions	400	1,874	43,108	25,090	3,062	631	74,165
Disposals	-	-	(785)	(472)	(38)	-	(1,295)
Depreciation	-	(1,015)	(31,065)	(15,345)	(1,464)	(1,775)	(50,664)
Effect of exchange rate changes and other	13	(56)	1,504	(2,607)	2	102	(1,042)
<b>Net book value as at April 30, 2024</b>	<b>\$6,705</b>	<b>\$10,967</b>	<b>\$159,442</b>	<b>\$53,800</b>	<b>\$6,377</b>	<b>\$4,595</b>	<b>\$241,886</b>

There were no prior-period impairment losses requiring reversal as at April 30, 2024 or 2023.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2024 and 2023

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

## 8. GOODWILL

Changes in the goodwill balance were as follows:

	<u>2024</u>	<u>2023</u>
<b>Opening balance</b>	\$ 22,690	\$ 22,798
Effect of movement in exchange rates	(93)	(108)
<b>Ending balance</b>	<u>\$ 22,597</u>	<u>\$ 22,690</u>

### **Allocation of goodwill to CGUs**

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

	<u>2024</u>	<u>2023</u>
Canada	\$ 7,708	\$ 7,708
Australia	14,889	14,982
	<u>\$ 22,597</u>	<u>\$ 22,690</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, 2024. 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 11.84% (2023 - 11.70%). 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 CGU 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 subject to reasonable fluctuations, and no resulting impairment is required.

## 9. 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>
<b>Balance as at April 30, 2022</b>	\$ 6,547	\$ (1,951)	\$ 4,596
Amortization	-	(1,264)	(1,264)
Effect of movement in exchange rates	-	(28)	(28)
<b>Balance as at April 30, 2023</b>	<u>\$ 6,547</u>	<u>\$ (3,243)</u>	<u>\$ 3,304</u>
Amortization	-	(1,054)	(1,054)
Effect of movement in exchange rates	-	(31)	(31)
<b>Balance as at April 30, 2024</b>	<u>\$ 6,547</u>	<u>\$ (4,328)</u>	<u>\$ 2,219</u>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2024 and 2023

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

## 10. DEMAND CREDIT FACILITIES

The Company has a credit facility available totaling \$30,000 from a Canadian chartered bank, bearing 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 demand credit facility is primarily secured by corporate guarantees of companies within the group. As at April 30, 2024, the Company had utilized \$1,367 (2023 - \$1,361) of this facility for outstanding stand-by letters of credit. The Company also has credit facilities of \$3,990 for credit cards, with interest rates and repayments as per cardholder agreements.

## 11. LONG-TERM DEBT

	<u>2024</u>	<u>2023</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
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%, matured in May 2023.	-	(28)
	<u>-</u>	<u>19,972</u>
Long-term portion	<u>\$ -</u>	<u>\$ 19,972</u>

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

	<u>2024</u>	<u>2023</u>
<b>Opening balance</b>	<b>\$ 19,972</b>	<b>\$ 50,000</b>
Repayment of long-term debt	<b>(20,000)</b>	<b>(30,000)</b>
Net fair value variance on derivatives and other	<b>28</b>	<b>(28)</b>
<b>Ending balance</b>	<b><u>\$ -</u></b>	<b><u>\$ 19,972</u></b>

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.

## 12. SHARE BUYBACK

Early in the current fiscal year, the Company initiated its Normal Course Issuer Bid ("NCIB"), ended March 26, 2024. During the year, the Company repurchased and cancelled 1,337,968 common shares at a cost of \$11,249 and an average price of \$8.41 per share.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2024 and 2023

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

## 13. EXPENSES BY NATURE

Direct costs by nature are as follows:

	<u>2024</u>	<u>2023</u>
Depreciation	\$ 47,814	\$ 43,651
Employee salaries and benefit expenses	252,129	254,979
Materials, consumables and external costs	219,090	221,980
Other	34,937	38,231
	<u>\$ 553,970</u>	<u>\$ 558,841</u>

General and administrative expenses by nature are as follows:

	<u>2024</u>	<u>2023</u>
Amortization of intangible assets	\$ 1,054	\$ 1,264
Depreciation	2,850	2,563
Employee salaries and benefit expenses	36,198	33,199
Other general and administrative expenses	28,798	27,931
	<u>\$ 68,900</u>	<u>\$ 64,957</u>

Share-based compensation for employees, included in the other expenses line on the Consolidated Statements of Operations, for the year ended April 30, 2024 was \$277 (2023 - \$508).

## 14. 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>2024</u>	<u>2023</u>
Earnings before income tax	\$ 71,013	\$ 97,572
Statutory Canadian corporate income tax rate	27%	27%
Expected income tax provision based on statutory rate	19,174	26,344
Non-recognition of tax benefits related to losses	1,139	1,047
Utilization of previously unrecognized losses	(3,998)	(7,321)
Other foreign taxes paid	1,165	2,889
Rate variances in foreign jurisdictions	(410)	(562)
Permanent differences and other	1,353	274
	<u>18,423</u>	<u>22,671</u>
Adjustments recognized in the current year in relation to the current tax in prior years	(495)	(21)
Income tax provision recognized in net earnings	<u>\$ 17,928</u>	<u>\$ 22,650</u>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2024 and 2023

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

## 14. INCOME TAXES (Continued)

The tax rate used for the 2024 and 2023 reconciliations herein is the effective federal and provincial Canadian corporate tax rate of 27%.

The movements in deferred income tax balances are as follows:

	<u>2023</u>	<u>Tax provision</u>	<u>Exchange</u>	<u>2024</u>
Deferred tax assets related to non-capital losses	\$ 4,444	\$ (1,990)	\$ 418	\$ 2,872
Deferred tax liabilities related to difference in tax and book basis	<u>(12,623)</u>	<u>(1,557)</u>	<u>1</u>	<u>(14,179)</u>
Net deferred tax assets (liabilities)	<u>\$ (8,179)</u>	<u>\$ (3,547)</u>	<u>\$ 419</u>	<u>\$ (11,307)</u>

Income tax provision recognized in net earnings:

	<u>2024</u>	<u>2023</u>
<b>Current tax</b>		
Current tax expense in respect to the current year	\$ 14,876	\$ 22,809
Adjustments recognized in the current year in relation to the current tax of prior years	(495)	(21)
<b>Deferred tax</b>		
Deferred tax expense (recovery) recognized in the current year	<u>3,547</u>	<u>(138)</u>
Income tax provision	<u>\$ 17,928</u>	<u>\$ 22,650</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 \$75,267 in non-capital losses of which \$19,589 is recognized to reduce future income taxes otherwise payable. These losses, if unused, will expire in the following calendar years: 2024 - \$1,728; 2025 - \$292; 2026 - \$4,786; 2027 - \$10,824; 2028 - \$4,443; 2029 - \$255; 2037 - \$9,250; 2038 - \$10,653; 2040 - \$2,180; and indefinite - \$30,856.

The Company has accumulated approximately \$19,820 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.

The Company has approximately \$255,964 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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2024 and 2023

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

## 14. INCOME TAXES (Continued)

IAS 12 is amended to add the exception to recognizing and disclosing information about deferred tax assets and liabilities that are related to tax law enacted, or substantively enacted, to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The Company has not yet applied the temporary exception during the current period because the proposed Pillar Two legislation is not expected to apply to the Company as its consolidated revenue is less than EUR 750 million.

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.

## 15. 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:

	2024		2023	
	Number of shares	Share capital	Number of shares	Share capital
<b>Opening balance</b>	<b>83,028,129</b>	<b>\$266,071</b>	82,706,454	\$263,183
Exercise of stock options	103,325	764	321,675	2,888
Share buyback (note 12)	(1,337,968)	(4,156)	-	-
<b>Ending balance</b>	<b>81,793,486</b>	<b>\$262,679</b>	83,028,129	\$266,071

### *Stock option plan*

A summary of the status of the Company's stock option plan, as at April 30, 2024 and April 30, 2023, and of changes during those years, is presented below:

	2024		2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
<b>Outstanding, beginning of year</b>	<b>950,925</b>	<b>\$6.63</b>	1,171,600	\$6.22
Options granted	-	-	105,000	10.50
Options expired/forfeited	(600)	3.60	(4,000)	3.60
Options exercised	(103,325)	5.33	(321,675)	6.47
Cash-settled options	(80,000)	4.48	-	-
	<b>767,000</b>	<b>7.03</b>	950,925	6.63

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2024 and 2023

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

### 15. SHARE CAPITAL (Continued)

The following table summarizes information on stock options outstanding as at April 30, 2024:

Range of exercise prices	Outstanding at April 30, 2024	Weighted average remaining life (years)	Weighted average exercise price	Exercisable at April 30, 2024	Weighted average exercise price
\$3.60 - \$6.97	475,000	2.09	\$ 5.56	475,000	\$ 5.56
\$8.39 - \$10.50	292,000	4.23	9.42	189,350	9.05
	<u>767,000</u>			<u>664,350</u>	

The Company did not issue stock options during the year ended April 30, 2024. The Company's calculations of share-based compensation for options granted during the previous year were made using the Black-Scholes option-pricing model with weighted average assumptions as follows:

	2023
Risk-free interest rate at date of grant	3.39%
Expected life	6.2 years
Expected volatility (based on historical volatility)	55.1%

The weighted average grant date fair value of options granted during the year ended April 30, 2023 was \$5.86. For the year ended April 30, 2024, the amount of compensation cost recognized in earnings and credited to share-based payments reserve was \$277 (2023 - \$508).

### 16. EARNINGS PER SHARE

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

	2024	2023
Net earnings	<u>\$ 53,085</u>	<u>\$ 74,922</u>
<b>Weighted average number of shares:</b>		
Basic (000s)	82,341	82,876
<b>Net effect of dilutive securities:</b>		
Stock options	198	361
Diluted (000s)	<u>82,539</u>	<u>83,237</u>
<b>Earnings per share:</b>		
Basic	\$ 0.64	\$ 0.90
Diluted	\$ 0.64	\$ 0.90

The calculation of diluted earnings per share for the year ended April 30, 2024 and 2023 excludes the effect of 204,904 and 193,577 options, respectively, as they were not in-the-money.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2024 and 2023

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

### 17. 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 4. 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>2024</u>	<u>2023</u>
<b>Revenue</b>		
Canada - U.S.*	\$ 344,931	\$ 405,049
South and Central America	187,410	166,759
Australasia and Africa	174,353	163,934
	<u>\$ 706,694</u>	<u>\$ 735,742</u>
<b>Earnings from operations</b>		
Canada - U.S.	\$ 32,355	\$ 66,297
South and Central America	24,159	23,440
Australasia and Africa	26,456	21,967
	<u>82,970</u>	<u>111,704</u>
<b>Finance (revenues) costs</b>	(2,204)	(832)
<b>General and corporate expenses**</b>	14,161	14,964
<b>Income tax</b>	17,928	22,650
	<u>29,885</u>	<u>36,782</u>
<b>Net earnings</b>	<u>\$ 53,085</u>	<u>\$ 74,922</u>

\*Canada - U.S. includes revenue in 2024 of \$130,378 (2023 - \$170,876) for Canadian operations.

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

	<u>2024</u>	<u>2023</u>
<b>Capital expenditures</b>		
Canada - U.S.	\$ 30,712	\$ 35,974
South and Central America	24,677	12,546
Australasia and Africa	17,851	9,651
Unallocated and corporate assets	294	519
<b>Total capital expenditures</b>	<u>\$ 73,534</u>	<u>\$ 58,690</u>
<b>Depreciation and amortization</b>		
Canada - U.S.	\$ 24,051	\$ 23,205
South and Central America	11,579	10,612
Australasia and Africa	15,390	13,020
Unallocated and corporate assets	698	641
<b>Total depreciation and amortization</b>	<u>\$ 51,718</u>	<u>\$ 47,478</u>



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2024 and 2023

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

## 17. SEGMENTED INFORMATION (Continued)

	<u>April 30, 2024</u>	<u>April 30, 2023</u>
<b>Identifiable assets</b>		
Canada - U.S.*	\$ 277,092	\$ 283,895
South and Central America	169,773	154,384
Australasia and Africa	208,030	193,739
Unallocated and corporate liabilities	(42,712)	(20,333)
<b>Total identifiable assets</b>	<u>\$ 612,183</u>	<u>\$ 611,685</u>

\*Canada - U.S. includes property, plant and equipment in 2024 of \$62,991 (2023 - \$65,481) for Canadian operations.

## 18. ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in non-cash operating working capital items:

	<u>2024</u>	<u>2023</u>
Trade and other receivables	\$ 15,474	\$ 11,121
Inventories	3,756	(13,280)
Prepaid expenses	1,349	(1,577)
Trade and other payables	(15,927)	(3,175)
	<u>\$ 4,652</u>	<u>\$ (6,911)</u>

## 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 \$18,948 with delivery dates throughout fiscal 2025, as well as various commitments, primarily for rental of premises, with arms-length parties as follows: 2025 - \$903; 2026 - \$132; 2027 - \$19; 2028 - \$4.

## 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>2024</u>	<u>2023</u>
Salaries, bonuses and fees	\$ 4,434	\$ 3,725
Other long-term benefits	138	136
Share-based payments benefits	2,224	1,650
	<u>\$ 6,796</u>	<u>\$ 5,511</u>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2024 and 2023

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

## 22. 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>2024</u>	<u>2023</u>
Long-term debt	\$ -	\$ 19,972
Share capital	262,679	266,071
Share-based payments reserve	3,630	3,696
Retained earnings	151,740	105,944
Cash	(96,218)	(94,432)
	<u>\$ 321,831</u>	<u>\$ 301,251</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 2023.

## 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.

### ***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. Contingent consideration is held at fair value.

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 that matured in May of 2023, and share-price forward contracts with a combined notional amount of \$7,331, maturing at varying dates through June 2026.

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2024 and 2023

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

## 23. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

The Company's derivatives, with fair values as follows, are classified as level 2 financial instruments and recorded in trade and other receivables (payables) 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, 2024.

	<u>April 30, 2024</u>	<u>April 30, 2023</u>
Interest rate swap	\$ -	\$ 28
Share-price forward contracts	\$ (595)	\$ 2,189

### 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, 2024, one customer represented more than 10% of total revenue, at 13.7% (2023 - one customer at 10.4%). The Company's exposure and the credit ratings of its counterparties are continuously monitored.

As at April 30, 2024, 95.9% (2023 - 97.0%) of the Company's trade receivables were aged as current and 3.5% (2023 - 2.5%) 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>2024</u>	<u>2023</u>
<b>Opening balance</b>	<b>\$ 3,303</b>	<b>\$ 1,517</b>
Increase in impairment allowance	<b>1,607</b>	2,620
Recovery of amounts previously impaired	<b>(552)</b>	(51)
Write-off charged against allowance	<b>(135)</b>	(824)
Foreign exchange translation differences	<b>(74)</b>	41
<b>Ending balance</b>	<b>\$ 4,149</b>	<b>\$ 3,303</b>

### 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, 2024, 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>MXN/USD</u>	<u>USD/CAD</u>	<u>ARS/USD</u>	<u>USD/ZAR</u>	<u>USD/CLP</u>	<u>Other</u>
Net exposure on monetary assets (liabilities)		10,041	9,261	6,000	3,207	1,729	(4,451)	(14,210)	(1,289)
EBIT impact	+/-10%	1,116	1,029	667	356	192	495	1,579	143

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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2024 and 2023

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

## 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 10 and 11 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	\$ 86,226	\$ -	\$ -	\$ -	\$ 86,226
Lease liabilities (interest included)	1,568	2,379	1,143	144	5,234
Contingent consideration (undiscounted)	8,949	-	-	-	8,949
	<u>\$ 96,743</u>	<u>\$ 2,379</u>	<u>\$ 1,143</u>	<u>\$ 144</u>	<u>\$ 100,409</u>

# HISTORICAL SUMMARY

2024   2023   2022   2021   2020   2019   2018   2017   2016   2015   2014   2013

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

## OPERATING SUMMARY

### Revenue by region

Canada - U.S.	<b>\$ 345</b>	\$ 405	\$ 367	\$ 248	\$ 205	\$ 196	\$ 185	\$ 180	\$ 195	\$ 177	\$ 176	\$ 317
South and Central America	<b>188</b>	167	151	95	104	108	94	71	66	76	74	203
Australia, Asia and Africa	<b>174</b>	164	132	89	100	81	63	50	44	53	105	176
	<b>707</b>	736	650	432	409	385	342	301	305	306	355	696

### Adjusted gross profit <sup>(1)</sup>

	<b>201</b>	221	180	101	99	91	74	60	70	66	104	220
as a percentage of revenue	<b>28.4%</b>	30.0%	27.7%	23.4%	24.0%	23.6%	21.7%	20.0%	23.0%	21.6%	29.4%	31.7%

### General and administrative expenses

	<b>69</b>	65	57	47	48	47	48	45	44	45	50	64
as a percentage of revenue	<b>9.8%</b>	8.8%	8.8%	11.1%	11.7%	12.2%	14.0%	15.0%	14.4%	14.7%	14.1%	9.2%

### Net earnings (loss)

	<b>53</b>	75	53	10	(71)	(18)	(22)	(42)	(45)	(50)	(55)	52
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### Earnings (loss) per share

Basic	<b>0.64</b>	0.90	0.65	0.12	(0.88)	(0.23)	(0.28)	(0.52)	(0.57)	(0.62)	(0.70)	0.66
Diluted	<b>0.64</b>	0.90	0.65	0.12	(0.88)	(0.23)	(0.28)	(0.52)	(0.57)	(0.62)	(0.70)	0.65

### EBITDA <sup>(1)</sup>

	<b>121</b>	144	114	54	48	39	25	11	20	13	44	143
per share	<b>1.46</b>	1.74	1.39	0.67	0.60	0.49	0.31	0.13	0.25	0.17	0.56	1.80

### Dividends paid

	-	-	-	-	-	-	-	-	3	16	16	15
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### Net cash (debt) <sup>(1)</sup>

	<b>87</b>	59	(2)	5	7	10	2	18	38	30	46	39
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## BALANCE SHEET SUMMARY

<b>Cash and cash equivalents</b>	<b>96</b>	94	71	22	58	27	21	26	50	45	70	82
<b>Property, plant and equipment</b>	<b>242</b>	221	204	148	169	164	185	222	241	277	307	340
<b>Debt</b>	<b>-</b>	20	50	15	51	17	19	8	12	15	24	44
<b>Shareholders' equity</b>	<b>494</b>	453	360	280	297	363	372	410	426	460	484	538

<sup>(1)</sup> Non-IFRS financial measures:

Adjusted gross profit/margin - excludes depreciation expense.

EBITDA - earnings before interest, taxes, depreciation, amortization, impairment and restructuring charge.

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

# SHAREHOLDER INFORMATION

## DIRECTORS

Kim Keating (Chair)  
Caroline Donally  
Louis-Pierre Gignac  
Rob Krmarov  
Juliana Lam  
Denis Larocque  
Janice Rennie  
Sybil Veenman  
Jo Mark Zurel

## OFFICERS

Denis Larocque  
*President & Chief Executive Officer*

Ian Ross  
*Chief Financial Officer*

Barry Zerbin  
*VP Canadian Operations*

Kevin Slemko  
*VP US Operations*

Ashley Martin  
*VP Latin American Operations*

John Ross Davies  
*VP Australasian & African Operations*

Ben Graham  
*VP HR & Safety*

Marc Landry  
*VP Technology & Logistics*

Andrew McLaughlin  
*VP Legal Affairs & General Counsel*

## TRANSFER AGENT

TSX Trust Company

## AUDITORS

Deloitte LLP

## STOCK EXCHANGE LISTING

Toronto Stock Exchange  
Trading Symbol: MDI

## CORPORATE OFFICE

Major Drilling Group International Inc.  
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Toll-free: 866-264-3986  
Fax: 506-857-9211  
Website: [www.majordrilling.com](http://www.majordrilling.com)  
Email: [info@majordrilling.com](mailto:info@majordrilling.com)  
Investor Relations: [ir@majordrilling.com](mailto:ir@majordrilling.com)

## ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders of Major Drilling Group International Inc. will be held on Thursday, September 5, 2024 at 3:30pm ET in person, and virtually as follows:

McCarthy Tétrault  
66 Wellington St West (TD Bank Tower)  
53<sup>rd</sup> Floor - Clarkson Room  
Toronto, ON M5K 1E6

[www.virtualshareholdermeeting.com/MDI2024](http://www.virtualshareholdermeeting.com/MDI2024)





***MAJOR***  
***Drilling***