



Management's Discussion and Analysis

First Quarter Fiscal 2025

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") relates to the results of operations, financial condition and cash flows of Major Drilling Group International Inc. ("Major Drilling" or the "Company") as at and for the three-month period ended July 31, 2024. All amounts in this MD&A are in Canadian dollars, except where otherwise noted.

This MD&A is a review of activities and results for the three-month period ended July 31, 2024, as compared to the corresponding period in the previous year. Comments relate to, and should be read in conjunction with, the comparative unaudited Interim Condensed Consolidated Financial Statements as at and for the three-month period ended July 31, 2024, prepared in accordance with IAS 34 Interim Financial Reporting, and also in conjunction with the audited Consolidated Financial Statements and Management's Discussion and Analysis contained in the Company's Annual Report for the fiscal year ended April 30, 2024.

This MD&A is dated September 4, 2024. Disclosure contained in this document is current to that date, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

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

Forward-looking information is necessarily based upon various estimates and assumptions including, without limitation, the expectations and beliefs of management related to the factors set forth 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" in the Company's MD&A for the year ended April 30, 2024, available on the SEDAR+ website at www.sedarplus.ca. Should one or more risk, uncertainty, contingency, or other factor materialize or should any factor or assumption prove incorrect, actual results could vary materially from those expressed or implied in the forward-looking information.

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

CORPORATE OVERVIEW

Major Drilling Group International Inc. is 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, a variety of mine services, and ongoing development of data-driven, high-tech drillsite solutions.

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.

In today's world of rapidly changing technology, Major Drilling is dedicated to finding new and innovative solutions to support its specialized services. Major Drilling is developing cutting-edge technologies, investing in a fleet of digitized drills that capture drilling data as well as mobile underground drills that reduce dependence on client resources. These rigs increase the ability for automation and versatility as the Company is 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 entering into strategic partnerships with companies providing cutting-edge technologies, paired with a commitment to safety and 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 intends to continue modernizing and innovating its fleet and expanding its footprint in strategic areas. The Company'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 allows it to develop cutting-edge technologies, such as digitizing rigs to capture drilling data, and introducing analytics to optimize drilling

operations. With the Company's strategic partnership with DGI Geoscience Inc. ("DGI") (detailed in the Investment in Associate section herein), the Company can now offer KORE GeoSystems Inc.'s ("KORE") digital rock analysis platform as part of its offering, complemented by the borehole data acquisition services offered by DGI, providing the opportunity to deliver valuable data to customers.

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.

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, complementing 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's 2023 Sustainability Report is available here: [Sustainability Report 2023](#).

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, resulting in an increased demand for drilling services. The Company is well positioned to capitalize on this growth opportunity.

INVESTMENT IN ASSOCIATE

On July 22, 2024, the Company purchased shares in DGI Geoscience Inc. for \$15 million in cash consideration, a 39.8% equity interest (that provides the Company with 42.3% of the voting rights). DGI and its subsidiaries are privately held entities, headquartered in Canada, focused on downhole survey and imaging services as well as using artificial intelligence for logging scanned rock samples.

This new partnership with premier downhole technology company DGI, and its affiliate company, artificial intelligence-powered core logging tech innovator, KORE GeoSystems Inc., positions Major Drilling at the forefront of AI advancements in the drilling industry. This investment supports the Company's efforts to position itself as the contractor of choice to the drilling industry by providing a unique service offering in the industry with solutions to help accelerate its customers' projects with timely and quality data contributing to their geological model.

OVERALL PERFORMANCE

Revenue for the quarter was \$190.0 million, down 4.5% from the same quarter last year. Revenue increased in Australia and Mongolia, driven by demand for the Company's specialized services, and in Chile, driven by growth in copper exploration. These increases were muted by decreases in the other regions during the quarter due to junior financing constraints, seasonal slowdowns and project delays. The favourable foreign exchange impact on revenue, when comparing to the same quarter last year, was approximately \$1 million.

With a more competitive environment in the Canada - U.S. region, gross margin for the current quarter was 22.1%, compared to 24.6% for the same quarter last year. Adjusted gross margin, which excludes depreciation expense (see "Non-IFRS financial measures"), was 28.9% for the current quarter, compared to 30.1% for the prior year quarter.

The Company generated \$34.3 million of EBITDA (earnings before interest, taxes, depreciation and amortization, see "Non-IFRS financial measures"). Net earnings were \$15.9 million or \$0.19 per share, compared to the same quarter last year with net earnings of \$21.8 million or \$0.26 per share.

As the Company's momentum with strategic innovation continued, during the quarter, the Company purchased shares in DGI for \$15 million in cash consideration. This investment enables the Company to provide complementary services to improve its clients' process regarding developing their geological model.

The Company continued to maintain its strong balance sheet, with net cash, (see "Non-IFRS financial measures"), after the investment in DGI, at \$76.9 million by the end of the quarter, down \$10.5 million from \$87.4 million at April 30, 2024.

RESULTS OF OPERATIONS - FIRST QUARTER ENDED JULY 31, 2024

Total revenue for the quarter was \$190.0 million, down 4.5% from revenue of \$198.9 million recorded in the same quarter last year. The favourable foreign exchange translation impact, when comparing to the effective rates for the previous year, was approximately \$1 million on revenue, 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 14.1% to \$87.2 million, compared to the same period last year. Drilling activity has been reduced as lack of junior financing continues to impact this region.

South and Central American revenue decreased by 3.5% to \$49.8 million for the quarter, compared to the same quarter last year. The region saw growth in Chile, driven by copper exploration, but was offset by seasonal slowdowns and project delays in other countries.

Australasian and African revenue increased by 15.9% to \$53.1 million, compared to the same period last year. Demand for specialized services in Australia and Mongolia has driven the growth in the quarter.

Gross margin percentage for the quarter was 22.1%, compared to 24.6% for the same period last year. Depreciation expense totaling \$12.9 million is included in direct costs for the current quarter, versus \$11.0 million in the same quarter last year. Adjusted gross margin, which excludes depreciation expense, was 28.9% for the quarter, compared to 30.1% for the same period last year. Margins are down slightly from the prior year due to a more competitive environment in Canada - U.S.

General and administrative costs were \$18.5 million, an increase of \$2.0 million compared to the same quarter last year. The increase from the prior year was driven by annual wage adjustments implemented at the start of the fiscal year and increased non-recurring professional fees related to strategic corporate initiatives.

Foreign exchange loss was \$0.8 million, compared to a loss of \$1.6 million for the same quarter last year. While the Company's reporting currency is the Canadian dollar, various jurisdictions have net monetary assets or liabilities exposed to various other currencies.

The income tax provision for the quarter was an expense of \$4.9 million, compared to an expense of \$7.2 million for the prior year period. The decrease from the prior year was driven by reduced profitability.

Net earnings were \$15.9 million or \$0.19 per share (\$0.19 per share diluted) for the quarter, compared to net earnings of \$21.8 million or \$0.26 per share (\$0.26 per share diluted) for the prior year quarter.

SUMMARY OF QUARTERLY RESULTS

| (in \$000s CAD, except per share) | Fiscal 2025 | <i>Fiscal 2024</i> | | | | | <i>Fiscal 2023</i> | | |
|-----------------------------------|--------------------|--------------------|------------|------------|------------|------------|--------------------|------------|--|
| | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | |
| Revenue | \$ 190,042 | \$ 168,035 | \$ 132,824 | \$ 206,951 | \$ 198,884 | \$ 184,966 | \$ 149,225 | \$ 201,716 | |
| Gross profit | 41,980 | 32,468 | 18,886 | 52,361 | 49,009 | 46,286 | 26,438 | 53,003 | |
| Gross margin | 22.1% | 19.3% | 14.2% | 25.3% | 24.6% | 25.0% | 17.7% | 26.3% | |
| Adjusted gross margin | 28.9% | 26.9% | 23.4% | 31.0% | 30.1% | 30.8% | 25.3% | 31.8% | |
| Net earnings | 15,871 | 9,930 | (2,312) | 23,694 | 21,773 | 20,790 | 6,273 | 23,611 | |
| Per share - basic | 0.19 | 0.12 | (0.03) | 0.29 | 0.26 | 0.25 | 0.08 | 0.29 | |
| Per share - diluted | 0.19 | 0.12 | (0.03) | 0.29 | 0.26 | 0.25 | 0.08 | 0.28 | |

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

The change in non-cash operating working capital items was a net outflow of \$4.0 million for the quarter, compared to a net outflow of \$16.1 million for the same quarter last year. The net outflow of non-cash operating working capital was comprised of:

- a decrease in inventory of \$1.0 million;
- a decrease in accounts payable of \$1.3 million;
- an increase in accounts receivable of \$2.2 million; and
- an increase in prepaids of \$1.5 million.

Cash flow from operating activities for the quarter ended July 31, 2024 was an inflow of \$24.4 million compared to an inflow of \$19.7 million in the previous year.

Investing activities

Capital expenditures were \$21.3 million for the quarter ended July 31, 2024, compared to \$16.3 million for the prior year.

The drill rig count was 609 at July 31, 2024, as the Company added 7 new rigs and essential support equipment to its fleet, enabling the Company to field more rigs into the busiest markets, while disposing of 4 older and inefficient rigs.

Financing activities

Under the terms of certain of the Company's credit facility 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.

Operating credit facility

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 bank's Canadian Overnight Repo Rate Average ("CORRA") 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 July 31, 2024, the Company had utilized \$5.4 million of these facilities for outstanding stand-by letters of credit.

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

Long-term debt

The Company has the following long-term debt facility, unutilized as of July 31, 2024:

- \$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 bank's CORRA plus 2.0% for Canadian dollar draws, and the bank's SOFR plus 2.0% for U.S. dollar draws, interest only payable in monthly installments, secured by corporate guarantees of companies within the group, maturing in September 2027.

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

As at July 31, 2024, the Company had unused borrowing capacity under its credit facilities of \$99.6 million and cash of \$85.9 million, for a total of \$185.5 million in available funds.

FINANCIAL INSTRUMENTS

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

Financial assets and liabilities measured at fair value are classified and disclosed in one of the following categories:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The Company enters into certain derivative financial instruments to manage its exposure to market risks, comprised of share-price forward contracts with a combined notional amount of \$8.7 million, maturing at varying dates through June 2027.

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 Interim Condensed Consolidated Balance Sheets. There were no transfers of amounts between level 1, level 2 and level 3 financial instruments for the three months ended July 31, 2024.

| | <u>July 31, 2024</u> | <u>April 30, 2024</u> |
|-------------------------------|----------------------|-----------------------|
| Share-price forward contracts | \$ (682) | \$ (595) |

OUTLOOK

As the Company enters the second quarter of fiscal 2025, it anticipates a slight decline in its revenue run rate relative to its first quarter, primarily due to subdued activity levels in North America. Market conditions, particularly for juniors, remain challenging, with a continued lack of funding translating to decreased activity levels. However, the recent strengthening of gold and copper prices has shown signs of improved financing and investor sentiment.

The significant improvement in gold prices has bolstered the financial positions of most senior mining companies. This financial boost is likely to lead to increased exploration budgets over time, given a decade-long decline in gold reserves. Recent improvements in copper pricing and demand, that build on already strong levels, are expected to drive additional exploration efforts.

As global demand for electrification continues to rise, the need for vast quantities of copper and battery metals will intensify around the world, putting pressure on the current supply and demand dynamics. Management anticipates this will result in significant additional funds flowing into copper and other base metal exploration projects to meet the pending deficit. The Company's goal is to assist its customers in discovering the metals essential for advancing a green economy. Many of these new mineral deposits are in challenging-to-access areas, necessitating complex drilling solutions thereby sustaining the demand for Major Drilling's specialized services.

Major Drilling is uniquely positioned to respond to, and benefit from, these market dynamics. Supported by its strong financial position, successful recruitment and training efforts, and technological advancements, the Company continues to be the operator and employer of choice in the industry.

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) | Q1 2025 | Q1 2024 |
|-------------------------------|------------------|------------------|
| Net earnings | \$ 15,871 | \$ 21,773 |
| Finance (revenues) costs | (664) | (682) |
| Income tax provision | 4,915 | 7,176 |
| Depreciation and amortization | 14,139 | 11,989 |
| EBITDA | <u>\$ 34,261</u> | <u>\$ 40,256</u> |

Adjusted gross profit/margin - excludes depreciation expense:

| (in \$000s CAD) | Q1 2025 | Q1 2024 |
|-----------------------|------------|------------|
| Total revenue | \$ 190,042 | \$ 198,884 |
| Less: direct costs | 148,062 | 149,875 |
| Gross profit | 41,980 | 49,009 |
| Add: depreciation | 12,860 | 10,951 |
| Adjusted gross profit | 54,840 | 59,960 |
| Adjusted gross margin | 28.9% | 30.1% |

Net cash - cash net of debt, excluding lease liabilities reported under IFRS 16 Leases:

| (in \$000s CAD) | July 31, 2024 | April 30, 2024 |
|--------------------------|------------------|------------------|
| Cash | \$ 85,850 | \$ 96,218 |
| Contingent consideration | (8,997) | (8,863) |
| Net cash | <u>\$ 76,853</u> | <u>\$ 87,355</u> |

FOREIGN EXCHANGE

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

During the quarter, approximately 17% of revenue generated was in Canadian dollars with most of the balance being in U.S. dollars. The favourable foreign exchange translation impact on revenue for the quarter, when comparing to the effective rates for the same quarter in the prior year, was approximately \$1 million. The impact on net earnings was minimal 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 July 31, 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>MNT/USD</u> | <u>ARS/USD</u> | <u>IDR/USD</u> | <u>USD/CLP</u> | <u>USD/ZAR</u> | <u>USD/CAD</u> | <u>Other</u> |
|---|----------------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|
| Net exposure on monetary assets (liabilities) | | 11,622 | 7,352 | 6,117 | (19,136) | (4,399) | (3,622) | (422) |
| EBIT impact | +/-10% | 1,291 | 817 | 680 | 2,126 | 489 | 402 | 47 |

Argentina currency status

With the year-over-year inflation rate at 263.4%, Argentina is experiencing hyper-inflation 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. Following the November 2023 election, 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. While the Company’s operating entity in Argentina has a USD functional currency, with the conversion restrictions imposed by the ACB, the Company’s ARS assets continue to be affected by the 2% monthly devaluation. 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, the Bank of Indonesia has relaxed these policies and allowed the IDR to remain freely convertible, subject to submission of evidence of underlying transactions to support the purchase of a foreign currency. As these policies could still delay and eventually restrict the ability to exchange the IDR to USD, the Company continues to monitor this situation closely.

COMPREHENSIVE EARNINGS

The Interim Condensed Consolidated Statements of Comprehensive Earnings for the quarter includes a \$2.8 million unrealized gain on translating the financial statements of the Company’s foreign operations, compared to a loss of \$8.3 million for the previous year. The change relates to translating the net assets of the Company’s foreign operations, which have a functional currency other than the Canadian dollar, to the Company’s Canadian dollar currency presentation.

The gain during the current quarter was generated primarily by the U.S. dollar gaining over 1.25% against the Canadian dollar, somewhat offset by the Brazilian Real losing close to 7.5% against the Canadian dollar. During the same quarter last year, the loss was generated primarily by the U.S. dollar losing close to 3% against the Canadian dollar.

OFF BALANCE SHEET ARRANGEMENTS

Except for commitments exempt from balance sheet treatment under IFRS 16 Leases, the Company does not have any off balance sheet arrangements.

GENERAL RISKS AND UNCERTAINTIES

A complete discussion of general risks and uncertainties may be found in the Company's Annual Information Form for the most recently completed fiscal year, which can be found on the SEDAR+ website at www.sedarplus.ca. The Company is not aware of any significant changes to risk factors from those disclosed at that time.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

For the three-month period ended July 31, 2024, there have been no changes in the Company's DC&P or ICFR that have materially affected, or are reasonably likely to materially affect, the Company's DC&P or ICFR. Accordingly, the CEO and CFO have concluded that the design and operation were effective at a reasonable level for the period covered by this report.

Limitations of controls and procedures

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

OUTSTANDING SHARE DATA

As of September 4, 2024, there were 81,840,586 common shares issued and outstanding in the Company. This represents an increase of 36,100 issued and outstanding shares, due to the exercise of stock options, as compared to the number reported in the Company's fourth quarter MD&A (reported as of June 11, 2024).

ADDITIONAL INFORMATION

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