Major Drilling Reports Third Quarter Profit, Net Earnings Seasonally Strong as Commodity Mix Shifts to Meet Growing Energy Transition Demands

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MONCTON, March 02, 2023 - Major Drilling Group International Inc. ("Major Drilling" or the "Company") (TSX: MDI), a leading provider of specialized drilling services to the mining sector, today reported results for the third quarter of fiscal 2023, ended January 31, 2023.

Quarterly Highlights

- Revenue of $149.2 million, an increase of 7.5% over the same period last year.
- EBITDA(1) of $20.5 million (or $0.25 per share), up from $18.4 million over the same period last year.
- Net earnings of $6.3 million (or $0.08 per share), up 11% over the same period last year.
- Discretionary repayment of $10 million on long-term debt.
- Net cash(1) grew by $22.8 million during the quarter to $74.1 million.

"Once again, we are pleased to report that Major Drilling continued to see strong levels of activity, despite the usual seasonal slowdown," said Denis Larocque, President and CEO of Major Drilling. "This quarter, we were encouraged to see the beginnings of a widely anticipated shift to copper and battery metals in our operational commodity mix as our specialized drilling expertise allowed us to meet the increasing demand from customers levered to the energy transition."

"The Company's seasonally solid financial performance in the quarter allowed us to generate $20.5 million in EBITDA, increasing our net cash position (net of debt) to $74 million. As this cash generation continues to further strengthen the Company's balance sheet, we elected to pay down $10 million of the revolving-term facility in the quarter in order to minimize exposure to the current rising interest rate environment," said Ian Ross, CFO of Major Drilling. "With $195 million in available liquidity, we are well positioned to execute on our growth strategy and remain committed to investing in the business. This quarter, we spent $15.6 million on capital expenditures, including the purchase of 9 new drill rigs and support equipment for existing rigs being deployed to the field. To continue our fleet modernization, we also disposed of 10 older, less efficient rigs, bringing the total rig count to 602."

"Going forward, the outlook for calendar 2023 remains strong, although weather was somewhat challenging throughout February and operations got off to a slow start in a few regions. Major Drilling's emerging role in the energy transition continues to grow in importance, and over the last six months, we have seen the electric vehicle and electrification markets in particular drive increased demand from our copper and battery metals customers. Additionally, most of our senior gold customers have committed to elevated exploration efforts in calendar 2023. We expect these drivers to maintain our strong activity levels going into fiscal 2024, and in hand with the Company's robust financial position, will ensure we have the equipment and inventory required to be a best-in-class service provider as we move forward in this upturn," noted Mr Larocque.

"As new mineral deposits will be increasingly located in areas more challenging to access or requiring complex drilling solutions, our strategy to remain the leader in specialized drilling has been key to providing top-quality service to our valued customers through safe and productive drill programs, as evidenced by our industry-recognized hole completion rates," concluded Mr. Larocque.

In millions of Canadian dollars (except earnings per share)	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Revenue	$ 149.2	$ 138.8	$ 550.8	$ 460.4
Gross margin	17.7 %	16.9 %	23.7 %	19.8 %

Adjusted gross margin(1)	25.3	%	24.2	%	29.7	%	26.4	%
EBITDA(1)	20.5		18.4		107.0		73.4	
As percentage of revenue	13.7	%	13.3	%	19.4	%	15.9	%
Net earnings	6.3		5.7		54.1		31.0	
Earnings per share	0.08		0.07		0.65		0.38	

(1) See "Non-IFRS Financial Measures"

Third Quarter Ended January 31, 2023

Total revenue for the quarter was $149.2 million, up 7.5% from revenue of $138.8 million recorded in the same quarter last year. The favourable foreign exchange translation impact on revenue for the quarter, when comparing to the effective rates for the same period last year, was approximately $6 million.

Revenue for the quarter from Canada - U.S. drilling operations increased by 1.7% to $79.6 million, compared to the same period last year. The region incurred marginal growth in the quarter as seniors and intermediates continued to offset the impact of a reduction in junior activity.

South and Central American revenue increased by 1.6% to $32.5 million for the quarter, compared to the same quarter last year. Strong growth in Argentina was muted by longer seasonal shutdowns in Brazil and Suriname.

Australasian and African revenue increased by 30.2% to $37.1 million, compared to the same period last year. The Asian region growth is attributed to new contracts signed in the second quarter as well as renegotiated contracts with favourable terms.

Gross margin percentage for the quarter was 17.7%, compared to 16.9% for the same period last year. Depreciation expense totaling $11.3 million is included in direct costs for the current quarter, versus $10.1 million in the same quarter last year. Adjusted gross margin, which excludes depreciation expense, was 25.3% for the quarter, compared to 24.2% for the same period last year. While margins in the third quarter are negatively impacted by seasonal shutdowns and annual maintenance of the equipment, there was improvement from the same period last year, attributed to the improved pricing environment and enhanced productivity of existing jobs.

General and administrative costs were $16.4 million, an increase of $2.3 million compared to the same quarter last year, primarily due to increased employee compensation in keeping with rising inflation, increased insurance costs and increased travel costs with the easing of COVID-19 restrictions.

Foreign exchange loss was $0.3 million compared to a gain of $0.4 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 $2.5 million, compared to an expense of $1.3 million for the prior year period. The increase in the tax expense was related to an increase in overall profitability and reduction in utilization of previously unrecognized losses compared to the prior year period.

Net earnings were $6.3 million or $0.08 per share ($0.08 per share diluted) for the quarter, compared to net earnings of $5.7 million or $0.07 per share ($0.07 per share diluted) for the prior year quarter.

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.

Adjusted gross profit/margin - excludes depreciation expense:

(in $000s CAD)	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Total revenue	$ 149,225	$ 138,752	$ 550,776	$ 460,440
Less: direct costs	122,787	115,325	420,161	369,115
Gross profit	26,438	23,427	130,615	91,325
Add: depreciation	11,300	10,145	32,891	30,163
Adjusted gross profit	37,738	33,572	163,506	121,488
Adjusted gross margin	25.3 %	24.2 %	29.7 %	26.4 %

EBITDA - earnings before interest, taxes, depreciation, and amortization:

(in $000s CAD)	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Net earnings	$ 6,273	$ 5,676	$ 54,132	$ 31,026
Finance (revenue) costs	(620)	373	(164)	1,244
Income tax provision	2,507	1,338	17,333	8,554
Depreciation and amortization	12,330	11,013	35,700	32,541
EBITDA	$ 20,490	$ 18,400	$ 107,001	$ 73,365

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

(in $000s CAD)	January 31, 2023	April 30, 2022
Cash	$ 109,564	$ 71,260
Contingent consideration	(15,662)	(22,907)
Long-term debt	(19,802)	(50,000)
Net cash (debt)	$ 74,100	$ (1,647)

Forward-Looking Statements

This news release 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 news release 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 news release 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 political and economic environments; the level of funding for the Company's clients (particularly for junior mining companies); the integration of business acquisitions and the realization of the intended benefits of such acquisitions; exposure to currency movements (which can affect the Company's revenue in Canadian dollars); currency restrictions; the Company's dependence on key customers; implications of the COVID-19 pandemic; the geographic distribution of the Company's operations; the impact of operational changes; changes in jurisdictions in which the Company operates (including changes in regulation); failure by counterparties to fulfill contractual obligations; as well as other risk factors described under "General Risks and Uncertainties" in the Company's Annual Information Form for the year ended April 30, 2022, available on the SEDAR website at www.sedar.com. Should one or more risk, uncertainty, contingency, or other factor materialize or should any factor or assumption prove incorrect, actual results could vary materially from those expressed or implied in the forward-looking information.

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

About Major Drilling

Major Drilling Group International Inc. is one of the world's largest drilling services companies primarily serving the mining industry. Established in 1980, Major Drilling has over 1,000 years of combined experience and expertise within its management team alone. 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.

Webcast/Conference Call Information

Major Drilling Group International Inc. will provide a simultaneous webcast and conference call to discuss its quarterly results on Friday, March 3, 2023 at 9:00 AM (EST). To access the webcast, which includes a slide presentation, please go to the investors/webcasts section of Major Drilling's website at www.majordrilling.com and click on the link. Please note that this is listen-only mode.

To participate in the conference call, please dial 416-340-2217, participant passcode 7199282# and ask for Major Drilling's Third Quarter Results Conference Call. To ensure your participation, please call in approximately five minutes prior to the scheduled start of the call.

For those unable to participate, a taped rebroadcast will be available approximately one hour after the completion of the call until Monday, April 3, 2023. To access the rebroadcast, dial 905-694-9451 and enter the passcode 7128946#. The webcast will also be archived for one year and can be accessed on the Major Drilling website at www.majordrilling.com.

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Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Operations
(in thousands of Canadian dollars, except per share information)
(unaudited)

	Three months ended January 31		Nine months ended January 31	
	2023	2022	2023	2022

TOTAL REVENUE	$ 149,225	$ 138,752	$ 550,776	$ 460,440
DIRECT COSTS (note 7)	122,787	115,325	420,161	369,115
GROSS PROFIT	26,438	23,427	130,615	91,325
OPERATING EXPENSES				
General and administrative (note 7)	16,425	14,086	48,667	41,824
Other expenses	1,637	2,326	9,380	8,348
(Gain) loss on disposal of property, plant and equipment	(49)	(2)	(769)	(411)
Foreign exchange (gain) loss	265	(370)	2,036	740
Finance (revenue) costs	(620)	373	(164)	1,244
	17,658	16,413	59,150	51,745
EARNINGS BEFORE INCOME TAX	8,780	7,014	71,465	39,580
INCOME TAX EXPENSE (RECOVERY) (note 8)				
Current	3,065	2,108	17,330	7,452
Deferred	(558)	(770)	3	1,102
	2,507	1,338	17,333	8,554
NET EARNINGS	$ 6,273	$ 5,676	$ 54,132	$ 31,026
EARNINGS PER SHARE (note 9)				
Basic	$ 0.08	$ 0.07	$ 0.65	$ 0.38
Diluted	$ 0.08	$ 0.07	$ 0.65	$ 0.38

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Comprehensive Earnings
(in thousands of Canadian dollars)
(unaudited)

	Three months ended January 31		Nine months ended January 31	
	2023	2022	2023	2022
NET EARNINGS	$ 6,273	$ 5,676	$ 54,132	$ 31,026
OTHER COMPREHENSIVE EARNINGS				
Items that may be reclassified subsequently to profit or loss				
Unrealized gain (loss) on foreign currency translations	3,082	4,397	15,069	3,884
Unrealized gain (loss) on derivatives (net of tax)	1,849	(567)	271	(385)
COMPREHENSIVE EARNINGS	$ 11,204	$ 9,506	$ 69,472	$ 34,525

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Changes in Equity
For the nine months ended January 31, 2023 and 2022
(in thousands of Canadian dollars)
(unaudited)

	Share capital	Retained earnings (deficit)	Other reserves	Share-based payments reserve	Foreign currency translation reserve
BALANCE AS AT MAY 1, 2021	$ 243,379	$ (22,456)	$ 1,067	$ 5,559	$ 52,614
Share issue (note 11)	12,911	-	-	-	-

Exercise of stock options	4,030	-	-	(1,129)	-
Share-based compensation	-	-	-	273	-
Stock options expired/forfeited	-	19	-	(19)	-
	260,320	(22,437)	1,067	4,684	52,614
Comprehensive earnings:					
Net earnings	-	31,026	-	-	-
Unrealized gain (loss) on foreign currency translations	-	-	-	-	3,884
Unrealized gain (loss) on derivatives	-	-	(385)	-	-
Total comprehensive earnings (loss)	-	31,026	(385)	-	3,884
BALANCE AS AT JANUARY 31, 2022	$ 260,320	$ 8,589	$ 682	$ 4,684	$ 56,498
BALANCE AS AT MAY 1, 2022	$ 263,183	$ 31,022	$ 1,536	$ 3,996	$ 60,021
Exercise of stock options	2,591	-	-	(723)	-
Share-based compensation	-	-	-	377	-
	265,774	31,022	1,536	3,650	60,021
Comprehensive earnings:					
Net earnings	-	54,132	-	-	-
Unrealized gain (loss) on foreign currency translations	-	-	-	-	15,069
Unrealized gain (loss) on derivatives	-	-	271	-	-
Total comprehensive earnings (loss)	-	54,132	271	-	15,069
BALANCE AS AT JANUARY 31, 2023	$ 265,774	$ 85,154	$ 1,807	$ 3,650	$ 75,090

[Major Drilling Group International Inc.](#)
Interim Condensed Consolidated Statements of Cash Flows
(in thousands of Canadian dollars)
(unaudited)

	Three months ended January 31		Nine months ended January 31	
	2023	2022	2023	2022
OPERATING ACTIVITIES				
Earnings before income tax	$ 8,780	$ 7,014	$ 71,465	$ 39,580
Operating items not involving cash				
Depreciation and amortization (note 7)	12,330	11,013	35,700	32,541
(Gain) loss on disposal of property, plant and equipment	(49)	(2)	(769)	(411)
Share-based compensation	134	98	377	273
Finance (revenue) costs recognized in earnings before income tax	(620)	373	(164)	1,244
	20,575	18,496	106,609	73,227
Changes in non-cash operating working capital items	26,013	31,030	22,861	21,609
Finance revenue received (costs paid)	620	(373)	164	(1,244)
Income taxes paid	(7,319)	(1,229)	(16,990)	(3,668)
Cash flow from (used in) operating activities	39,889	47,924	112,644	89,924
FINANCING ACTIVITIES				
Repayment of lease liabilities	(568)	(338)	(1,404)	(1,008)
Repayment of long-term debt (note 6)	(10,000)	-	(30,000)	(355)
Issuance of common shares due to exercise of stock options	804	34	1,868	2,901
Proceeds from draw on long-term debt	-	-	-	35,000
Cash flow from (used in) financing activities	(9,764)	(304)	(29,536)	36,538

INVESTING ACTIVITIES				
Business acquisitions (net of cash acquired) (note 11)	(2,500)	-	(8,789)	(38,050)
Acquisition of property, plant and equipment (note 5)	(15,592)	(12,203)	(42,080)	(34,981)
Proceeds from disposal of property, plant and equipment	463	121	3,302	1,902
Cash flow from (used in) investing activities	(17,629)	(12,082)	(47,567)	(71,129)
Effect of exchange rate changes	(630)	95	2,763	614
INCREASE (DECREASE) IN CASH	11,866	35,633	38,304	55,947
CASH, BEGINNING OF THE PERIOD	97,698	42,673	71,260	22,359
CASH, END OF THE PERIOD	$ 109,564	$ 78,306	$ 109,564	$ 78,306

Major Drilling Group International Inc.
Interim Condensed Consolidated Balance Sheets
As at January 31, 2023 and April 30, 2022
(in thousands of Canadian dollars)
(unaudited)

	January 31, 2023	April 30, 2022
ASSETS		
CURRENT ASSETS		
Cash	$ 109,564	$ 71,260
Trade and other receivables (note 12)	95,613	142,621
Income tax receivable	3,143	2,037
Inventories	111,231	96,782
Prepaid expenses	10,797	8,960
	330,348	321,660
PROPERTY, PLANT AND EQUIPMENT (note 5 and note 11)	209,394	198,196
RIGHT-OF-USE ASSETS	4,462	5,479
DEFERRED INCOME TAX ASSETS	3,898	4,351
GOODWILL (note 11)	23,417	22,798
INTANGIBLE ASSETS (note 11)	3,651	4,596
	$ 575,170	$ 557,080
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	$ 85,032	$ 102,596
Income tax payable	6,600	5,022
Current portion of lease liabilities	1,437	1,502
Current portion of contingent consideration	7,334	8,619
	100,403	117,739
LEASE LIABILITIES	2,785	3,885
CONTINGENT CONSIDERATION (note 11)	8,328	14,288
LONG-TERM DEBT (note 6)	19,802	50,000
DEFERRED INCOME TAX LIABILITIES	12,377	11,410
	143,695	197,322
SHAREHOLDERS' EQUITY		
Share capital	265,774	263,183
Retained earnings	85,154	31,022

Other reserves	1,807	1,536
Share-based payments reserve	3,650	3,996
Foreign currency translation reserve	75,090	60,021
	431,475	359,758
	$ 575,170	$ 557,080

Major Drilling Group International Inc.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2023 AND 2022 (UNAUDITED)
(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 Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies as outlined in the Company's annual Consolidated Financial Statements for the year ended April 30, 2022.

On March 2, 2023, the Board of Directors authorized the financial statements for issue.

Basis of consolidation
These Interim Condensed 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.

Intra-group transactions, balances, income and expenses are eliminated on consolidation, where appropriate.

Basis of preparation
These Interim Condensed Consolidated Financial Statements have been prepared based on the historical cost basis, except for certain financial instruments that are measured at fair value, using the same accounting policies and methods of computation as presented in the Company's annual Consolidated Financial Statements for the year ended April 30, 2022.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The preparation of financial statements, in conformity with International Financial Reporting Standards ("IFRS"), requires management to make judgments, estimates and assumptions that are not readily apparent from other sources, which affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Depending on the severity and duration of disruptions caused by the COVID-19 pandemic, results could be impacted in future periods. It is not possible at this time to estimate the magnitude of such potential future impacts.

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 property, plant and equipment for depreciation purposes, property, plant and equipment and inventory valuation, determination of income and other taxes, assumptions used in the compilation of fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities, contingent consideration, allowance for impairment of trade receivables, and impairment testing of goodwill and intangible assets.

The Company applied judgment in determining the functional currency of the Company and its subsidiaries, the determination of cash-generating units ("CGUs"), the degree of componentization of property, plant and equipment, the recognition of provisions and accrued liabilities, and the determination of the probability that deferred income tax assets will be realized from future taxable earnings.

4. SEASONALITY OF OPERATIONS

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

5. PROPERTY, PLANT AND EQUIPMENT

Capital expenditures for the three and nine months ended January 31, 2023 were $15,592 (2022 - $12,203) and $42,080 (2022 - $34,981), respectively. The Company did not obtain direct financing for the three and nine months ended January 31, 2023 or 2022.

6. LONG-TERM DEBT

During the quarter, the Company made a discretionary payment of $10,000 on its revolving term facility bringing total payments for the fiscal year to $30,000.

During the previous quarter, the Company renewed its existing credit facility agreement for a five-year term, with the same terms and conditions as the previous agreement.

7. EXPENSES BY NATURE

Direct costs by nature are as follows:

	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Depreciation	$ 11,300	$ 10,145	$ 32,891	$ 30,163
Employee salaries and benefit expenses	56,307	51,893	190,385	169,548
Cost of material	19,946	20,576	78,395	67,200
Other	35,234	32,711	118,490	102,204
	$ 122,787	$ 115,325	$ 420,161	$ 369,115

General and administrative expenses by nature are as follows:

	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Amortization of intangible assets	$ 366	$ 366	$ 1,086	$ 1,014
Depreciation	664	502	1,723	1,364

Employee salaries and benefit expenses	8,241	7,584	25,071	23,052
Other general and administrative expenses	7,154	5,634	20,787	16,394
	$ 16,425	$ 14,086	$ 48,667	$ 41,824

8. INCOME TAXES

The income tax provision for the period can be reconciled to accounting earnings before income tax as follows:

	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Earnings before income tax	$ 8,780	$ 7,014	$ 71,465	$ 39,580
Statutory Canadian corporate income tax rate	27 %	27 %	27 %	27 %
Expected income tax provision based on statutory rate	2,371	1,894	19,296	10,687
Non-recognition of tax benefits related to losses	303	247	950	894
Utilization of previously unrecognized losses	(601)	(1,244)	(5,449)	(5,487)
Other foreign taxes paid	133	165	2,088	689
Rate variances in foreign jurisdictions	(414)	(156)	(376)	95
Derecognition of previously recognized losses	-	-	-	861
Permanent differences and other	715	432	824	815
Income tax provision recognized in net earnings	$ 2,507	$ 1,338	$ 17,333	$ 8,554

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 records 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 statutes of limitations lapse.

9. EARNINGS PER SHARE

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

	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Net earnings	$ 6,273	$ 5,676	$ 54,132	$ 31,026
Weighted average number of shares:				
Basic (000s)	82,914	82,389	82,834	82,156
Diluted (000s)	83,275	82,793	83,195	82,587
Earnings per share				
Basic	$ 0.08	$ 0.07	$ 0.65	$ 0.38
Diluted	$ 0.08	$ 0.07	$ 0.65	$ 0.38

The calculation of diluted earnings per share for the three and nine months ended January 31, 2023 excludes the effect of 207,391 and 189,728 options, respectively (2022 - 52,500 and 42,799, respectively) as they were not in-the-money.

The total number of shares outstanding on January 31, 2023 was 82,989,929 (2022 - 82,392,054).

10. SEGMENTED INFORMATION

The Company's operations are divided into the following 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 the Company's annual Consolidated Financial Statements for the year ended April 30, 2022. Management evaluates performance based on earnings from operations in these three geographic segments before finance costs, general corporate expenses and income taxes. Data relating to each of the Company's reportable segments is presented as follows:

	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Revenue				
Canada - U.S.*	$ 79,614	$ 78,298	$ 305,280	$ 257,547
South and Central America	32,527	31,976	121,705	103,950
Australasia and Africa	37,084	28,478	123,791	98,943
	$ 149,225	$ 138,752	$ 550,776	$ 460,440

*Canada - U.S. includes revenue of $33,189 and $36,284 for Canadian operations for the three months ended January 31, 2023 and 2022, respectively and $121,601 and $134,821 for the nine months ended January 31, 2023 and 2022, respectively.

	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Earnings (loss) from operations				
Canada - U.S.	$ 6,431	$ 9,177	$ 52,207	$ 34,915
South and Central America	1,274	(1,610)	15,562	(1,030)
Australasia and Africa	3,762	2,154	14,773	16,007
	11,467	9,721	82,542	49,892
Finance (revenue) costs	(620)	373	(164)	1,244
General corporate expenses**	3,307	2,334	11,241	9,068
Income tax	2,507	1,338	17,333	8,554
	5,194	4,045	28,410	18,866
Net earnings	$ 6,273	$ 5,676	$ 54,132	$ 31,026

**General corporate expenses include expenses for corporate offices and stock-based compensation.

	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Capital expenditures				
Canada - U.S.	$ 8,996	$ 7,533	$ 26,842	$ 21,900
South and Central America	4,766	2,288	10,159	6,298
Australasia and Africa	1,830	1,110	4,814	5,511
Unallocated and corporate assets	-	1,272	265	1,272
Total capital expenditures	$ 15,592	$ 12,203	$ 42,080	$ 34,981

	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Depreciation and amortization				
Canada - U.S.	$ 6,031	$ 4,990	$ 17,552	$ 15,011
South and Central America	2,856	2,422	8,019	7,446
Australasia and Africa	3,232	2,843	9,634	9,150
Unallocated and corporate assets	211	758	495	934
Total depreciation and amortization	$ 12,330	$ 11,013	$ 35,700	$ 32,541

	January 31, 2023	April 30, 2022
Identifiable assets		
Canada - U.S.*	$ 252,076	$ 236,669
South and Central America	142,380	128,791
Australasia and Africa	190,844	203,370

Unallocated and corporate liabilities	(10,130)	(11,750)
Total identifiable assets	$ 575,170	$ 557,080

*Canada - U.S. includes property, plant and equipment as at January 31, 2023 of $62,063 (April 30, 2022 - $56,469) for Canadian operations.

11. BUSINESS ACQUISITION

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

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

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

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

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

Net assets acquired	
Trade and other receivables	$ 10,475
Inventories	1,595
Prepaid expenses	1,773
Property, plant and equipment	44,466
Goodwill (not tax deductible)	15,543
Intangible assets	5,558
Trade and other payables	(7,379)
Deferred income tax liabilities	(958)
Total assets	$ 71,073
Consideration	
Cash	$ 39,031
Less: cash acquired	(981)
Contingent consideration	20,112
Shares of Major Drilling	12,911
Total consideration	$ 71,073

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

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

In the previous year, the Company incurred acquisition-related costs of $454 relating to external legal fees and due diligence costs. These acquisition costs have been included in the other expenses line of the Interim Condensed Consolidated Statements of Operations.

The results of the McKay operations are included in the Interim Condensed Consolidated Statements of Operations from June 1, 2021.

Norex Drilling Limited
During the current quarter, the Company paid $2,500, the maximum payable on the contingent consideration arising out of the November 2019 Norex Drilling Limited acquisition.

12. FINANCIAL INSTRUMENTS

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

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

The Company's derivatives, with fair values as follows, are classified as level 2 financial instruments. There were no transfers of amounts between level 1, level 2 and level 3 financial instruments for the quarter ended January 31, 2023.

	January 31, 2023	April 30, 2022
Interest rate swap	$ 198	$ -
Share-price forward contracts	$ 2,689	$ 5,468

Credit risk
As at January 31, 2023, 92.3% (April 30, 2022 - 94.0%) of the Company's trade receivables were aged as current and 2.3% (April 30, 2022 - 1.2%) of the trade receivables were impaired.

The movements in the allowance for impairment of trade receivables during the nine and twelve-month periods were as follows:

	January 31, 2023	April 30, 2022
Opening balance	$ 1,517	$ 1,638
Increase in impairment allowance	1,277	744
Recovery of amounts previously impaired	(36)	(303)

Write-off charged against allowance		(729)		(549)
Foreign exchange translation differences		35		(13)
Ending balance	$	2,064	$	1,517

Foreign currency risk
As at January 31, 2023, the most significant carrying amounts of net monetary assets and/or liabilities (which may include intercompany balances with other subsidiaries) that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; and (ii) cause foreign exchange rate exposure, including the impact on earnings before income taxes ("EBIT"), if the corresponding rate changes by 10%, are as follows (in 000s CAD):

	Rate variance	MNT/USD	IDR/USD	ARS/USD	USD/AUD	EUR/USD
Net exposure on monetary assets (liabilities)		9,719	8,501	3,626	2,573	2,511
EBIT impact	+/-10%	1,080	945	403	286	279

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

	1 year	2-3 years	4-5 years	Thereafter	Total
Trade and other payables	$ 85,032	$ -	$ -	$ -	$ 85,032
Lease liabilities (interest included)	1,553	1,976	627	328	4,484
Contingent consideration (undiscounted)	7,554	9,442	-	-	16,996
Long-term debt (interest included)	466	1,328	21,107	-	22,901
	$ 94,605	$ 12,746	$ 21,734	$ 328	$ 129,413

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