

Groupe Forage

MAJOR

Drilling Group International Inc.

2015
ANNUAL REPORT

CORPORATE PROFILE

Major Drilling Group International Inc., (“the Company”) is one of the world’s largest drilling services companies primarily serving the mining industry. To support its customers’ varied exploration drilling requirements, Major Drilling maintains field operations and offices in Canada, the United States, Mexico, South America, Asia and Africa. Major Drilling provides all types of drilling services including surface and underground coring, directional, reverse circulation, sonic, geotechnical, environmental, water-well, coal-bed methane, shallow gas and underground percussive/longhole drilling.

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

During the last several years, the Company has achieved strong growth while remaining focused on the long-term objective of building a solid company for the future.

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; and
- modernize our conventional fleet and expand our footprint in strategic areas.

Major Drilling’s common shares trade on the Toronto Stock Exchange under the symbol MDI and are included in the TSX Composite Index.

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MESSAGE TO SHAREHOLDERS

The fiscal year ending April 30, 2015 was another very challenging year for mining and for the drilling industry. Large mining companies focused on cost reductions. Drilling budgets were reduced to bare minimums. Junior exploration companies continued to be unable to access financing. The drop in oil prices reduced our energy activities from some 10% of our revenue at the end of last year, to almost zero by this year-end. In this environment, price competition was very pronounced. Our biggest challenge for the year was to find the right balance between generating revenue and securing contracts at prices that allowed us to continue to generate positive cash. Indeed, our primary objective in this kind of market is to maintain our strong balance sheet while retaining our core capacity to respond to the up-cycle when it comes.

As a result of these conditions, revenue in fiscal year 2015 fell to \$306 million from \$355 million the year before. Adding to the challenge of severe price competition was the change in mix of our business. Specialized drilling, which is the hallmark of our Company and produces higher margins, represented only 59% of our revenue at the end of the year; down from 75% two years ago. Specialized drilling is more expensive and tends to be deferred when possible. This, plus the pricing environment, saw our gross margins reduce from 29.4% last year to 21.6% during the 2015 fiscal year.

Nevertheless, the Company was able to maintain the strongest balance sheet in the industry. Net cash balance (cash less debt) at the beginning of the year was \$46 million. In fiscal 2015, we invested \$15 million in capex, distributed \$16 million in dividend payments, and paid out \$21 million in cash for the purchase of the assets of Taurus Drilling, which was an important strategic move for the Company. Despite this \$52 million of expenditures, our year-end cash balance only dropped \$16 million to \$30 million.

With the acquisition of the assets of Taurus Drilling, our Company entered a new type of underground service as a provider of underground percussive/longhole drilling. Percussive/longhole drilling relates more to the production function of a mine. Offering both underground production drilling and our existing underground core drilling, the Company now provides an even wider range of complementary services, which will allow us to grow our client base.

Responding to this challenging environment, our general and administrative expenses have been reduced by 30% over the last two years to \$44.9 million. The Company has a variable cost structure whereby most of its direct costs, including field staff, go up or down with contract revenue, and a large part of the Company's other expenses relate to variable incentive compensation, which is based on the Company's profitability.

Our expectation, as fiscal year 2015 came to an end, was that fiscal 2016 would not be very different. Therefore, in March 2015 we announced, as a measure of financial prudence, that we will be reducing our dividend in fiscal year 2016 from \$0.10 per share semi-annually (\$16 million in fiscal 2014), to \$0.02 per share semi-annually (\$3.2 million in fiscal 2016).

Over the medium-term, we believe that most commodities will face an imbalance between supply and demand as mining reserves continue to decrease due to the lack of exploration, while worldwide consumption continues to increase. At some point, the need to develop resources in areas that are increasingly difficult to access will significantly increase, at which time we expect to see a resurgence in demand for specialized drilling.

MESSAGE TO SHAREHOLDERS

Our strong balance sheet puts us in a unique position to react quickly when the industry begins to recover as our resources have allowed us to continue to invest in safety and to maintain our equipment in excellent condition.

Despite the very challenging environment, we did have a number of very positive milestones during the year. We have already mentioned the addition of Taurus' percussive/longhole drilling. On safety, in 2015 we crossed the threshold of over 7 million hours worked without having any lost-time injuries. Everyone in the Company has worked hard and takes great pride in this significant achievement. A strong culture of safety not only keeps our employees from being injured but increases productivity and job satisfaction.

We have also remained faithful to our social and environmental responsibilities. We train and hire locally at every opportunity and we strive to ingrain our culture of safety in all those whom we work with. We train employees to conserve and recycle, we work with universities to support student activities, and we continue to support schools, orphanages and health centres in communities where we work. Major Drilling is intent on making a positive difference wherever our business touches the world.

The Company still holds to the five elements of its business strategy, which are:

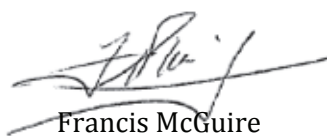
- to be the world leader in specialized drilling;
- to diversify our services within the drilling field;
- to maintain a strong balance sheet;
- to be the best in class in safety and human resources; and
- to modernize our conventional fleet and expand our footprint in strategic areas.

The business environment may be tough for drilling companies at the moment but we believe that we will emerge as a stronger and more profitable company, and one that is truly the world leader in contract drilling for the mining industry.

Finally, we want to take this opportunity to thank you, our customers, employees, and shareholders, for your ongoing support, and we look forward to the time when the mining cycle picks up. We will be ready.



David Tennant
Chairman of the Board



Francis McGuire
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A"), prepared as of June 4, 2015, should be read together with the audited financial statements for the year ended April 30, 2015 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 contains forward-looking statements about the Company's objectives, strategies, financial condition, results of operations, cash flows and businesses. These statements are "forward-looking" because they are based on current expectations, estimates, assumptions, risks and uncertainties. These 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.

Such forward-looking statements are subject to a number of risks and uncertainties that include, but are not limited to: cyclical downturn, competitive pressures, dealing with business and political systems in a variety of jurisdictions, repatriation of property in other jurisdictions, payment of taxes in various jurisdictions, exposure to currency movements, inadequate or failed internal processes, people or systems or from external events, dependence on key customers, safety performance, expansion and acquisition strategy, legal and regulatory risk, corruption, bribery and fraud by employees and agents, extreme weather conditions and the impact of natural or other disasters, specialized skills and cost of labour increases, equipment and parts availability and reputational risk. These factors and other risk factors, as described under "General Risks and Uncertainties" of the Company's Annual Information Form, represent risks the Company believes are material. Actual results could be materially different from expectations if known or unknown risks affect the business, or if estimates or assumptions turn out to be inaccurate. The Company does not guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place reliance on these forward-looking statements.

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 in accordance with applicable securities laws. Risks that could cause the Company's actual results to materially differ from its current expectations are also discussed in the Company's Annual Information Form.

Additional information relating to the Company, including the Company's Annual Information Form for the previous year and the most recently completed financial year, are or will be available on the SEDAR website at www.sedar.com.

CORPORATE OVERVIEW

Major Drilling Group International Inc. is one of the world's largest drilling services companies primarily serving the mining industry. To support its customers' varied exploration drilling requirements, Major Drilling maintains field operations and offices in Canada, the United States, Mexico, South America, Asia, and Africa. Major Drilling provides all types of drilling services including surface and underground coring, directional, reverse circulation, sonic, geotechnical, environmental, water-well, coal-bed methane, shallow gas and underground percussive/longhole drilling.

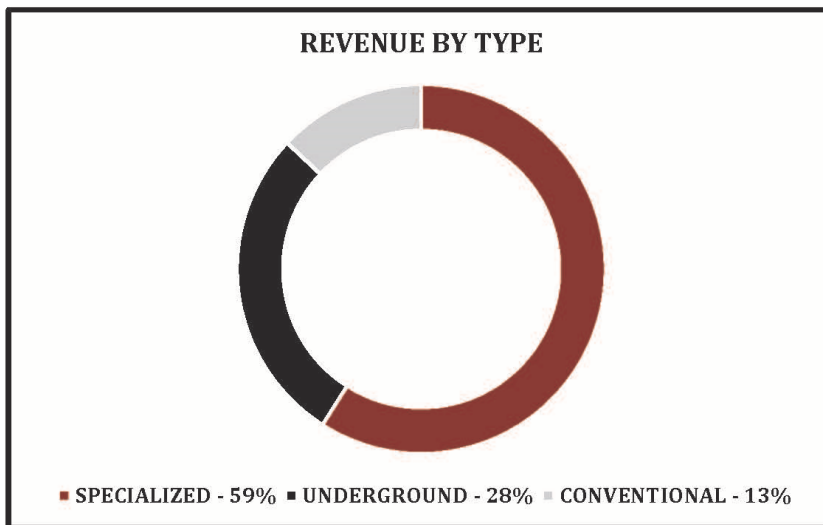
BUSINESS STRATEGY

Major Drilling continues to base its business premise on the following: mining companies continue to deplete the more easily accessible mineral reserves around the world and attractive deposits will be in increasingly remote locations, areas difficult to access and/or deep in the ground. For this reason, Major Drilling's strategy is to focus its services on projects that have these characteristics, calling these services "specialized drilling". Over the years, the Company has positioned itself as one of the largest specialized operators in the world by leveraging its main competitive advantages: skilled personnel, specialized equipment, long-standing relationships with the world's largest mining companies and access to capital.

Although the Company's main focus remains specialized services, it also intends to continue to modernize its conventional fleet and expand its footprint in strategic areas while maintaining prudent debt levels and remaining best in class in safety and human resources. The Company will also seek to diversify by investing in energy and underground drilling services that are complementary to its skill set.

The Company 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 would include, 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 continue to fuel future growth, and over the next two decades, the Company believes these skills will be in greater and greater demand.



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.

Underground drilling takes on greater importance in the latter stages of the mining cycle as clients develop underground mines. During the year, the Company entered a new type of underground service with the acquisition of the assets of Taurus Drilling Services, a provider of underground percussive/longhole drilling to mining companies. Percussive/longhole drilling relates more to the production function of a mine. Offering both underground production drilling and its existing underground core drilling, the Company now provides an even wider range of complementary services to its clients.

MANAGEMENT'S DISCUSSION AND ANALYSIS

A key part of the Company's strategy is to maintain a strong balance sheet. The Company is in a unique position to react quickly when the industry begins to recover as its financial strength allows it to invest in safety and to maintain its equipment in excellent condition. The Company also has a variable cost structure whereby most of its direct costs, including field staff, go up or down with contract revenue, and a large part of the Company's other expenses relate to variable incentive compensation based on the Company's profitability.

INDUSTRY OVERVIEW

The metals and minerals drilling industry is reliant primarily on demand from two metal groups, gold on the one hand and base metals on the other. Each commodity group is influenced by distinct market forces.

Gold has always been a significant driver in the mining industry accounting for 40 to 50% of the exploration spend carried on around the world. Exploration activity generally varies up or down with the trend in gold prices.

The demand for base metals is dependent on economic activity. In the longer-term, the fundamental drivers of

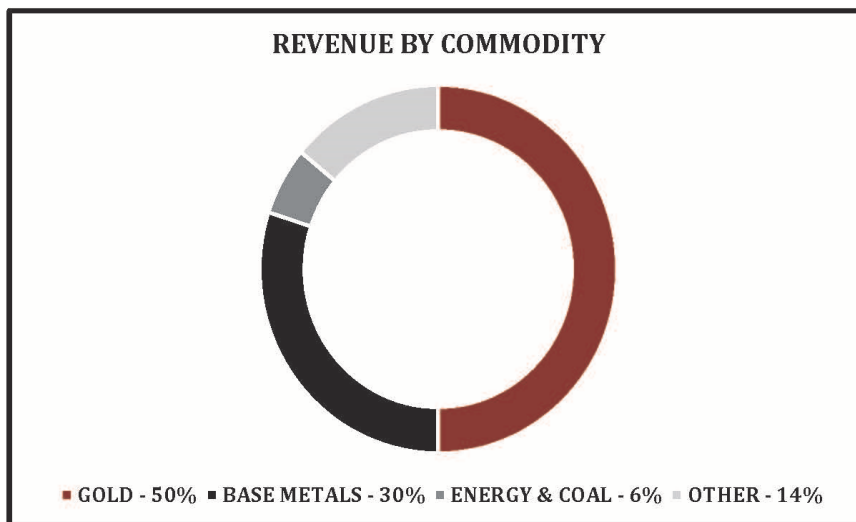
base metals remain positive, with worldwide supply for most metals expected to tighten and higher demand coming from the emerging markets over the last few years. As these countries continue to urbanize, the requirement for base metals will continue to increase at the same time as the easily accessible reserves are being depleted.

One of the realities of the mining industry is that future mineral deposits will have to come from areas difficult to access, either in remote or politically sensitive areas, deeper in the ground or at higher altitudes. This should improve demand for specialized services in the future.

In terms of customer base, the Company has two categories of customers: senior and intermediate companies with operating mines, and junior exploration companies.

The industry is currently in a cyclical downturn. At this point in time, most senior and intermediate mining companies are more cautious with their investments in exploration. Large base metal producers will eventually need to expand existing mines and develop new ones to meet the world's growth, especially in emerging markets. Activity from senior gold producers is likely to show greater volatility as gold prices vary, which will impact their exploration budgets.

Many junior mining companies continue to experience financing difficulties thus have slowed down their exploration efforts. Junior mining companies can account for some 50% of the market in cyclical upturns. While it is expected that some of the more advanced projects will be able to obtain financing as needed, it will be necessary for investors to once again support exploration projects in order for drilling activities to regain the momentum that they had at their peak.



BUSINESS ACQUISITION

Acquisition of Taurus Drilling Services

Effective August 1, 2014, the Company entered into the underground percussive/longhole drilling sector with its purchase of the assets of Taurus Drilling Services ("Taurus"), based in Canada and the United States. The acquisition has been accounted for using the acquisition method and the results of the new underground percussive/longhole drilling division has been included in the Consolidated Statements of Operations from the closing date. Through this purchase, which fits with the Company's strategic focus on specialized drilling, the Company acquired 39 underground drill rigs, support equipment and inventory, existing contracts and receivables, and took on the operation's management team, and other employees, including experienced drillers.

The purchase price for the transaction was \$29.5 million (consisting of \$20.7 million in cash, \$8.7 million in Major Drilling shares, and \$0.1 million in assumption of debt), and an additional maximum amount of \$11.5 million (undiscounted) tied to performance. The estimated fair value of the contingent consideration was \$10.1 million at April 30, 2015. The additional payout period extends for three years, commencing on August 1, 2014, and payments are contingent on growing EBITDA (earnings before interest, taxes, depreciation and amortization) run rates above levels at the date of acquisition.

OVERALL PERFORMANCE

Revenue for the fiscal year ended April 30, 2015 decreased 14% to \$305.7 million from \$354.9 million for the corresponding period last year. The Company continued to see a decline in revenue throughout the year due to a lack of funding for junior exploration companies and a reduction of exploration spending by senior companies.

Gross margin for the year was down to 21.6% compared to 29.4% last year due mainly to reduced pricing as a result of increased competitive pressures. As well, the Company's customers are focusing on mine site drilling, especially underground drilling, which tends to have lower margins.

During the year, the Company recorded a restructuring charge of \$4.6 million primarily relating to the decision to shut down operations in the Democratic Republic of Congo ("DRC"). This consists primarily of a non-cash write-down of assets and close-down costs relating to severance and moving costs. Also, the Company incurred additional restructuring charges as it continues to reduce costs across the organization.

The combination of reduced revenue and margins, along with the restructuring and impairment charges produced a net loss of \$49.6 million (\$0.62 per share) compared to a net loss of \$55.3 million (\$0.70 per share) for the previous year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SELECTED ANNUAL INFORMATION

Years ended April 30 (In millions of CAD dollars, except per share information)	2015	2014	2013
Revenue by region			
Canada-U.S.	\$ 177	\$ 176	\$ 317
South and Central America	76	74	203
Australia, Asia and Africa	53	105	176
	306	355	696
Gross profit	66	104	220
as a percentage of revenue	21.6%	29.4%	31.7%
Net (loss) earnings	(50)	(55)	52
Per share (basic)	\$ (0.62)	\$ (0.70)	\$ 0.66
Per share (diluted)	\$ (0.62)	\$ (0.70)	\$ 0.65
Total assets	543	592	686
Total long-term financial liabilities	16	14	34
Dividend paid	16	16	15

RESULTS OF OPERATIONS

FISCAL 2015 COMPARED TO FISCAL 2014

Revenue for the fiscal year ended April 30, 2015 decreased 14% to \$305.7 million from \$354.9 million for the corresponding period last year. Due to the uncertainty around economic matters impacting the mining market, some customers delayed or cancelled their exploration drilling plans this year. In a number of jurisdictions, uncertainty as to the policies of host governments or issues of land tenure also had an impact on this year's results.

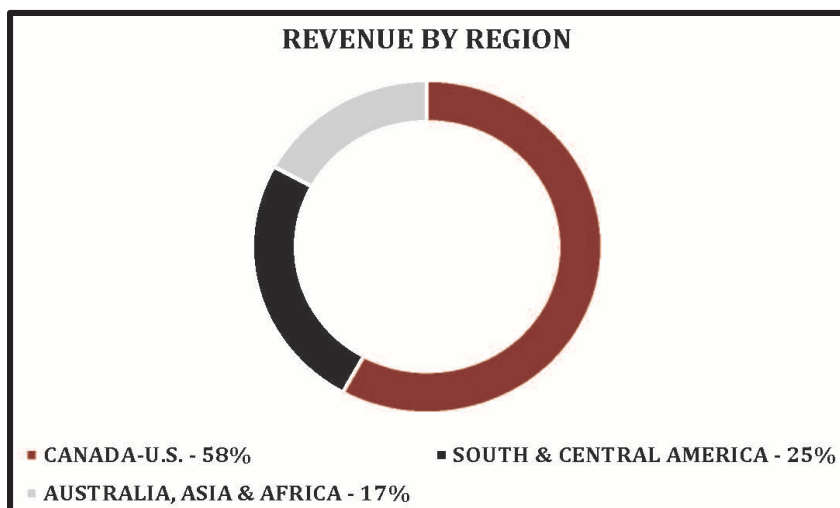
Canada-U.S.

Canada-U.S. revenue increased by 1% to \$177.1 million compared to \$175.9 million last year. The increase, related to the Taurus acquisition, was offset by the slowdown in the energy sector in the U.S.

Gross margins in Canada-U.S. decreased as competitive pressures in the mining sector affected pricing. As well, the slowdown in the energy sector affected margins.

South and Central America

Revenue in South and Central America increased by 3% to \$75.6 million, compared to \$73.6 million for the prior year, as the Company saw



MANAGEMENT'S DISCUSSION AND ANALYSIS

increased activity levels in Mexico combined with a new operation in Brazil. This revenue increase was offset by a reduction in work by juniors and the cancellation of certain projects in Argentina and Chile.

Gross margins in the region decreased year-over-year, affected by reduced pricing as a result of increased competitive pressures and start-up costs in Brazil.

Australia, Asia and Africa

Revenue in Australia, Asia and Africa decreased 50% to \$52.9 million from \$105.5 million in the prior year. The Company closed its operations in Australia at the end of last year, and also closed its operations in the DRC during the year due to ongoing administrative difficulties associated with operating in that country. Also, Mongolia continued to be affected by political uncertainty around mining laws.

Gross margins in the region decreased year-over-year, affected by reduced pricing as a result of increased competitive pressures.

Operating expenses

General and administrative costs were down 10% to \$44.9 million compared to \$50.1 million in the same period last year. With the decrease in activity, the Company has reduced its general and administrative costs by implementing reductions of salaried employees and restructuring certain branches.

Other expenses were \$5.9 million for the year compared to \$3.6 million for the same period last year due primarily to acquisition expenses relating to the Taurus asset acquisition and higher bad debt provisions.

During the year, the Company recorded a restructuring charge of \$4.6 million primarily relating to the decision to shut down operations in the DRC. This consists primarily of a non-cash write-down of assets and close-down costs relating to severance and moving costs. Also, the Company incurred additional restructuring charges as it continues to reduce costs across the organization.

Income tax expense for the year was \$3.4 million compared to \$10.6 million for the prior year. The effective tax rate for the year was significantly impacted by several factors. The Company wrote down recognized tax losses for a total of \$4.0 million on its South African and Brazilian deferred tax assets related to carry-forward losses, given the uncertainty in the near-term outlook for adequate taxable income in those countries. The tax expense for the year was also impacted by non-tax affected losses and non-deductible expenses.

Net loss for the year was \$49.6 million or \$0.62 per share (\$0.62 per share diluted) compared to a net loss of \$55.3 million or \$0.70 per share (\$0.70 per share diluted) in the previous year.

SUMMARY ANALYSIS FISCAL 2014 COMPARED TO FISCAL 2013

Revenue for the fiscal year ended April 30, 2014 decreased 49% to \$354.9 million from \$695.9 million for the corresponding period the previous year. The Company continued to see a decline in revenue throughout the year due to a lack of funding for junior exploration companies and a reduction of exploration spending by senior companies.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gross margin for the year was down to 29.4% compared to 31.7% the previous year due mainly to reduced pricing as a result of increased competitive pressures and delays, particularly in the second half of the year.

During the year, the Company recorded a restructuring charge of \$20.5 million consisting primarily of a non-cash write-down of assets in Australia of \$9.7 million, close-down costs of \$7.1 million in Australia relating to severance, lease termination and moving costs, and \$3.7 million in additional restructuring charges as it continued to reduce costs across the organization.

Goodwill impairments of \$14.3 million were recognized during the year attributable to reduced cash flow expectations in Chile and Mozambique. The goodwill write-offs were non-cash in nature and did not affect liquidity or cash flows from operating activities.

The combination of reduced revenue along with the restructuring and impairment charges produced a net loss of \$55.3 million (\$0.70 per share) compared to net earnings of \$52.1 million (\$0.66 per share) for the previous year.

SUMMARY OF QUARTERLY RESULTS

(in \$000 CAD, except per share)	Fiscal 2014				Fiscal 2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	\$108,211	\$92,268	\$71,830	\$82,637	\$67,551	\$87,192	\$69,784	\$81,191
Gross profit	35,122	30,011	17,770	21,524	16,667	20,736	7,786	20,707
Gross margin	32.5%	32.5%	24.7%	26.0%	24.7%	23.8%	11.2%	25.5%
Net earnings (loss)	1,522	(19,100)	(12,797)	(24,935)	(7,331)	(10,148)	(18,999)	(13,087)
Per share - basic	0.02	(0.24)	(0.16)	(0.31)	(0.09)	(0.13)	(0.24)	(0.16)
Per share - diluted	0.02	(0.24)	(0.16)	(0.31)	(0.09)	(0.13)	(0.24)	(0.16)

With the exception of the third quarter, the Company exhibits very little seasonality in quarterly revenue. 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.

SUMMARY ANALYSIS FOURTH QUARTER RESULTS ENDED APRIL 30, 2015

Total revenue for the quarter was \$81.2 million, down 2% from the \$82.6 million recorded in the same quarter last year. Uncertainty around economic matters impacting the mining market continues to cause delays in customers' exploration drilling plans. Also, many junior customers have scaled back or suspended drilling activities due to a lack of capital. The favourable foreign exchange translation impact for the quarter is estimated at \$4.4 million on revenue but negligible on net earnings, when comparing to the effective rates for the same period last year.

Revenue for the quarter from Canada-U.S. drilling operations increased by 7% to \$49.9 million compared to the same period last year. The increase relates to the Taurus asset acquisition and is somewhat offset by the slowdown in the energy sector.

South and Central American revenue was up 34% to \$21.0 million for the quarter, compared to the prior year quarter. Most of the increase came from Mexico and the Guiana Shield, while other regions were flat.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Australian, Asian and African operations reported revenue of \$10.3 million, down 50% from the same period last year. The Company closed its operations in Australia and the DRC earlier in the year, and Mongolia continues to be affected by political uncertainty around mining laws.

The overall gross margin percentage for the quarter was 25.5% compared to 26.0% for the same period last year. Given the current market conditions, the Company had a good quarter operationally, and this was the highest quarterly margins in this fiscal year. Margins continue to be affected by reduced pricing due to increased competitive pressures, and customers are often focusing on mine site drilling, especially underground drilling, which tends to have lower margins.

General and administrative costs were \$11.0 million for the quarter, a reduction of 13% compared to \$12.7 million in the same period last year, and a reduction of 20% when excluding higher foreign exchange translation. With the decrease in activity, the Company has reduced its general and administrative costs across the operation.

The income tax provision for the quarter was an expense of \$5.1 million compared to an expense of \$0.2 million for the prior year period. The Company wrote down recognized tax losses for a total of \$4.0 million on its South African and Brazilian deferred tax assets related to carry-forward losses, given the uncertainty in the near-term outlook for adequate taxable income in those countries. The tax expense for the quarter was also impacted by non-tax affected losses and non-deductible expenses.

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

Cash flow from operations (before changes in non-cash operating working capital items, finance costs and income taxes) was \$10.3 million for the fiscal year ended April 30, 2015, compared to \$38.0 million generated last year.

The change in non-cash operating working capital items was an inflow of \$12.7 million in fiscal 2015 compared to an inflow of \$20.5 million for the previous year. The change in non-cash operating working capital in fiscal 2015 was primarily impacted by:

- \$16.8 million related to a decrease in accounts receivable as compared to the same period last year;
- \$7.8 million related to a decrease in inventory; offset by
- \$14.5 million related to a decrease in accounts payable.

Financing activities

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. During the year, the Company amended the current credit agreement with its lenders. As a result, the Company is in compliance with all covenants and other conditions imposed in this credit agreement as at the end of the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating credit facilities

The credit facilities related to operations total \$31.3 million (\$25.0 million from a Canadian chartered bank, \$4.0 million for a Chilean pesos facility and \$2.3 million in various credit facilities) and are primarily secured by corporate guarantees of companies within the group. At April 30, 2015, the Company had utilized \$5.5 million of these lines mainly for stand-by letters of credit. The Company also has a credit facility of \$1.8 million for credit cards for which interest rates and repayment terms are as per cardholder agreements.

Long-term debt

Total long-term debt decreased by \$8.5 million during the year to \$15.3 million at April 30, 2015. The decrease is due to debt repayments of \$9.8 million during the year, offset by additional equipment financing of \$1.3 million.

As of April 30, 2015, the Company had the following long-term debt facilities available:

- \$7.1 million non-revolving facility amortized over five years ending in September 2016.
- \$50.0 million revolving facility for financing the cost of equipment purchases or acquisition costs of related businesses. At April 30, 2015, this facility had not been utilized.
- \$6.3 million non-revolving facility. This facility carries a fixed interest rate of 5.9% and is amortized over ten years ending in August 2021.
- The Company also has various other loans and capital lease facilities related to equipment purchases that totaled \$2.0 million at April 30, 2015, which were fully drawn and mature through 2018.

Contractual obligations	Payments Due by Period (in \$000 CAD)				
	Total	Less than 1 year	2-3 years	4-5 years	6+ years
Contingent consideration	\$ 10,130	\$ 2,735	\$ 7,395	\$ -	\$ -
Long-term debt	16,101	7,119	5,349	2,221	1,412
Purchasing commitments	1,674	1,674	-	-	-
Operating leases	3,505	1,495	1,198	667	145
Total contractual obligations	\$ 31,410	\$ 13,023	\$ 13,942	\$ 2,888	\$ 1,557

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital, capital expenditure, dividend and debt obligations. As at April 30, 2015, the Company had unused borrowing capacity under its credit facilities of \$75.8 million and cash of \$44.9 million, for a total of \$120.7 million in available funds.

Investing activities

Capital expenditures

Capital expenditures were \$14.8 million (net of \$1.3 million of equipment financing) for the year ended April 30, 2015 compared to \$22.6 million (net of \$0.7 million of equipment financing) for the same period last year.

During the year, the Company added 5 drill rigs through its capital expenditure program while retiring or disposing of 48 drill rigs through its modernization program. The Company also added 39 rigs through the Taurus asset acquisition, with the Company's total now standing at 704.

It is expected that capital expenditures will be between \$15 million and \$20 million in fiscal 2016 as the Company focuses on cash flow generation.

OUTLOOK

Due to the uncertainty around economic matters impacting the mining market, it is very difficult to predict customer behavior over the next twelve months. At this moment, although mine reserve issues are starting to come back to the forefront, the Company expects calendar 2015 to continue at the present pace. For this reason, the Company currently expects capital expenditures in fiscal 2016 to be in line with fiscal 2015, although it may invest more to grow its percussive drilling business.

The Company is in a unique position to react quickly when the industry begins to recover as the Company's financial strength has allowed it to invest in safety and to maintain its equipment in excellent condition. However, there is a growing concern that quality people are permanently leaving the industry, and during a recovery, shortages of qualified labour will once again become a critical issue.

The Company will continue to focus on balancing pricing with revenue generation and cash preservation. It continues to have a variable cost structure whereby most of its direct costs, including field staff, go up or down with contract revenue and a large part of the Company's other expenses relates to variable incentive compensation based on the Company's profitability.

In the medium-term, it is believed that most commodities will face an imbalance between supply and demand as mine reserves continue to decrease due to the lack of exploration. At the same time, worldwide consumption continues to increase. At some point in the future, the need to develop resources in areas that are increasingly difficult to access will significantly increase, at which time a resurgence in demand for specialized drilling is expected.

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 and Chilean pesos. The year-over-year comparisons in the growth of revenue and operating expenses have been impacted by the falling Canadian dollar against the U.S. dollar.

During fiscal 2015, approximately 40% of revenue generated was in Canadian dollars and 4% in Chilean pesos with most of the balance being in U.S. dollars. Since most of the input costs related to

MANAGEMENT'S DISCUSSION AND ANALYSIS

this revenue is denominated in the same currency as the revenue, the impact on earnings is somewhat muted.

The favourable foreign exchange translation impact for the year, when comparing to the effective rates for the same period last year, is estimated at approximately \$11 million on revenue. Net earnings however, remained less impacted by currency fluctuations during the year as a large proportion of costs are typically incurred in the same currency as revenue. The estimated total unfavourable FX impact on net earnings for the year was estimated at \$1.1 million.

Argentina currency status

The Argentine government has implemented certain measures that control and restrict the ability of companies and individuals to exchange Argentine pesos for foreign currencies. Those measures include, among other things, the requirement to obtain the prior approval from the Argentine Tax Authorities for the foreign currency transaction (for example and without limitation, for the payment of non-Argentine goods and services, payment of principal and interest of non-Argentine debt and also payment of dividends to parties outside of the country). That approval process could delay, and eventually restrict, the ability to exchange Argentine pesos for other currencies, such as U.S. dollars.

FUTURE ACCOUNTING CHANGES

The Company has not applied the following revised IASB standards that have been issued, but are not yet effective:

IFRS 9 (as amended in 2014) Financial Instruments
IFRS 10 (amended) Consolidated Financial Statements
IFRS 11 (amended) Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations
IFRS 15 Revenue from Contracts with Customers
IAS 1 (amended) Presentation of Financial Statements
IAS 16 (amended) Property, Plant and Equipment
IAS 27 (amended) Separate Financial Statements
IAS 28 (amended) Investments in Associates and Joint Ventures
IAS 38 (amended) Intangible Assets

The adoption of the above standards is not expected to have a significant impact on the Company's 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 ("PP&E") for depreciation purposes, PP&E and inventory valuation, determination of income and other taxes, assumptions used in compilation of share-based payments, fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities and contingent considerations, and impairment testing of goodwill and intangible assets.

Management determines the estimated useful lives of its PP&E based on historical experience of the actual lives of PP&E of similar nature and functions, 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. Accordingly, the impact in the Consolidated Financial Statements of future periods could be material.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the probability that they will be realized from future taxable earnings.

Compensation costs accrued for long-term share-based payment plans are subject to the estimation of what the ultimate payout will be using the Black-Scholes pricing model, which is based on significant assumptions such as volatility, dividend yield and expected term.

The amount recognized as accrued liabilities 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PP&E and goodwill are aggregated into Cash Generated Units ("CGUs") based on their ability to generate largely independent cash inflows and are used for impairment testing. The determination of the Company's CGUs is subject to management's judgment with respect to the lowest level at which independent cash inflows are generated.

The Company has applied judgment in determining the degree of componentization of PP&E. Each part of an item of PP&E with a cost that is significant in relation to the total cost of the item and has a separate useful life has been identified as a separate component and is depreciated separately.

The Company has applied judgment in recognizing provisions and accrued liabilities, including judgment as to whether the Company has a present obligation (legal or constructive) as a result of a past event; whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and whether a reliable estimate can be made of the amount of the obligation.

Deferred income tax assets are assessed by management at the end of the reporting period to determine the probability that they will be realized from future taxable earnings. This determination is subject to management judgment.

OFF BALANCE SHEET ARRANGEMENTS

Except for operating leases disclosed in Note 23 "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 other material off balance sheet arrangements.

GENERAL RISKS AND UNCERTAINTIES

The risks described below and elsewhere in this MD&A do not include all possible risks, and there may be other risks of which management is currently not aware.

Cyclical downturn

The most significant operating risk affecting the Company is a downturn in demand for its services due to a decrease in activity in the minerals and metals industry. In attempting to mitigate this risk, the Company is exploiting its competitive advantage in specialized drilling and continues to explore opportunities to diversify and to rationalize its regional infrastructures. In previous cyclical market downturns, the Company realized that its specialized services were not as affected by decreases in metal and mineral prices, compared to its traditional services. Consequently, the Company's addition of rigs and acquisition of businesses have generally been focused on specialized drilling services. The impact on the Company of a severe and persistent downturn in the minerals and metals industry is not fully mitigated by the foregoing measures.

In many cases, capital markets are the only source of funds available to junior mining companies and any change in the outlook for the sector or the lack of success of a specific exploration program can quickly impair the ability of these juniors to raise capital to pay for their drilling programs.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

Competitive pressures

Pressures from competitors can result in decreased contract prices and negatively impact revenue. 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.

Country risk

The Company is committed to utilizing its expertise and technology in exploration areas around the world. With this comes the risk of dealing with business and political systems in a variety of jurisdictions. Unanticipated events in a country (precipitated by developments within or external to the country), such as economic, political, tax related, regulatory or legal changes (or changes in interpretation), could, directly or indirectly, have a material negative impact on operations and assets. The risks include, but are not limited to, military repression, extreme fluctuations in currency exchange rates, high rates of inflation, changes in mining or investment policies, 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 or other non-governmental organizations or shifts in political attitude that may adversely affect the business. 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. Such events could result in reductions in revenue and transition costs as equipment is shifted to other locations. Nationalization/expropriation of mining projects has a direct impact on suppliers to the mining industry, like the Company.

While the Company works to mitigate its exposures to potential country risk events, the impact of any such event is not under 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.

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.

Taxes

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Tax law and administration is extremely complex and often requires the Company to make subjective determinations. 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 tax rates in various jurisdictions, the effect of tax treaties between jurisdictions and taxable income projections. To the extent that such assumptions differ from actual results, the Company may have to record additional tax expenses and liabilities, including interest and penalties.

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 and Chilean pesos. In order to reduce its exposure to foreign exchange risks associated with currencies of developing countries, where a substantial 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.

Foreign exchange translations can have a significant impact on year-to-year comparisons because of the geographic distribution of the Company's activities. 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 or from external events. Operational risk is present in all of the Company's business activities, and incorporates exposure relating to fiduciary breaches, regulatory compliance failures, legal disputes, business disruption, pandemics, technology 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.

Safety

Failure to maintain a record of acceptable safety performance may have an adverse impact on the Company's ability to attract and retain customers. Most of the Company's customers consider safety and reliability two primary attributes when selecting a provider of drilling services. The Company continues to invest in training to improve skills, abilities and safety awareness.

Expansion and acquisition strategy

The Company intends to remain vigilant with regards to potentially strategic future acquisitions and internal expansion. 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. Additionally, the Company cannot give assurances that it will be able to secure the necessary financing on acceptable terms to pursue this strategy.

Regulatory and legal risk

Regulatory risk incorporates exposure relating to the risk of non-compliance with applicable legislation and regulatory directives. Legal risk incorporates non-compliance with legal requirements, including the effectiveness of preventing or handling litigation. Local management is responsible for managing day-to-day regulatory risk. In meeting this responsibility, local management receives advice and assistance from such corporate oversight functions as legal, compliance and internal audit. Compliance and internal audit test the extent to which operations meet regulatory requirements, as well as the effectiveness of internal controls.

Corruption, bribery, 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 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 and operations.

Extreme weather conditions and the impact of natural or other disasters

The Company operates in a variety of locations, some of which are prone to extreme weather conditions. From time to time these conditions, as well as natural or other disasters, could have an adverse financial impact on operations located in the regions where these conditions occur.

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. Development of local drillers has had a positive impact in South American, African, Mongolian and Indonesian operations, and is expected to continue to play an important role.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

A material increase in the cost of labour can materially affect gross margins and therefore the Company's financial performance.

Equipment 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.

Reputational risk

Negative publicity, whether true or not, regarding practices, actions or inactions, could cause a decline in the Company's value, liquidity, or customer base.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures 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.

Management, including the CEO and the CFO, does not expect that the Company's disclosure controls 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.

The Company's CEO and CFO have evaluated the effectiveness of the Company's disclosure controls and concluded that, subject to the inherent limitations and restrictions noted above, those disclosure controls were effective for the year ended April 30, 2015.

The Company's CEO and CFO are responsible for designing internal controls over financial reporting ("ICFR") or causing them to be designed under their supervision. The Company's 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.

As discussed above, 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, no matter how well designed, ICFR has inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

During fiscal 2015, 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 disclosure controls and its ICFR, and may from time

MANAGEMENT'S DISCUSSION AND ANALYSIS

to time make changes aimed at enhancing their effectiveness and to ensure that its systems evolve with the business.

As of April 30, 2015, an evaluation was carried out, under the supervision of the CEO and CFO, of the effectiveness of the Company's ICFR as defined in NI 52-109. Based on this evaluation, the CEO and the CFO concluded that the design and operation of these ICFR were effective.

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.

OUTSTANDING SHARE DATA

The authorized capital of the Company consists of an unlimited number of common shares, which is 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.

As at June, the Company's share capital was composed of the following:

<u>(amounts in thousands)</u>	<u>As at June 4, 2015</u>	<u>As at June 5, 2014</u>
Common shares	80,137	79,161
Stock options outstanding	3,842	3,429

MANAGEMENT'S RESPONSIBILITY

Management is responsible for 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 and summarized in the consolidated financial statements.

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.

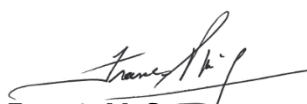
Since a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements and the MD&A necessarily involves the use of estimates and approximations. These have been made using careful judgment and with all information available up to June 4, 2015. 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.

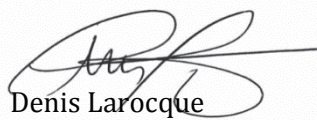
The consolidated financial statements have been examined by Deloitte LLP, independent chartered accountants. The independent auditors' responsibility is to express a professional opinion on the fairness of management's consolidated financial statements. The auditor's report outlines the scope of their 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.



Francis McGuire
President & Chief Executive Officer



Denis Larocque
Chief Financial Officer

June 4, 2015 - Moncton, New Brunswick, Canada

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Major Drilling Group International Inc.

We have audited the accompanying consolidated financial statements of Major Drilling Group International Inc., which comprise the consolidated balance sheets as at April 30, 2015 and April 30, 2014, and the consolidated statements of operations, comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Major Drilling Group International Inc. as at April 30, 2015 and April 30, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants

June 4, 2015 – Saint John, New Brunswick

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended April 30, 2015 and 2014

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

	2015	2014
TOTAL REVENUE	\$ 305,718	\$ 354,946
DIRECT COSTS	239,822	250,519
GROSS PROFIT	65,896	104,427
OPERATING EXPENSES		
General and administrative	44,913	50,087
Other expenses	5,872	3,624
(Gain) loss on disposal of property, plant and equipment	(1,740)	1,617
Loss on short-term investments	-	368
Foreign exchange loss	3,479	4,377
Finance costs	686	1,002
Depreciation of property, plant and equipment (note 7)	51,080	51,947
Amortization of intangible assets (note 9)	3,158	1,359
Impairment of goodwill (note 19)	-	14,326
Restructuring charge (note 20)	4,610	20,454
	112,058	149,161
LOSS BEFORE INCOME TAX	(46,162)	(44,734)
INCOME TAX - PROVISION (RECOVERY) (note 12)		
Current	7,297	12,849
Deferred	(3,894)	(2,273)
	3,403	10,576
NET LOSS	\$ (49,565)	\$ (55,310)
LOSS PER SHARE (note 14)		
Basic	\$ (0.62)	\$ (0.70)
Diluted	\$ (0.62)	\$ (0.70)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the years ended April 30, 2015 and 2014

(in thousands of Canadian dollars)

	2015	2014
NET LOSS	\$ (49,565)	\$ (55,310)
OTHER COMPREHENSIVE LOSS		
Items that may be reclassified subsequently to profit or loss		
Unrealized gains on foreign currency translations (net of tax)	25,188	15,428
COMPREHENSIVE LOSS	\$ (24,377)	\$ (39,882)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended April 30, 2015 and 2014
(in thousands of Canadian dollars)

	Share capital	Share-based payments reserve	Retained earnings	Foreign currency translation reserve	Total
BALANCE AS AT MAY 1, 2013	\$ 230,985	\$ 14,204	\$ 283,088	\$ 10,052	\$ 538,329
Share-based payments reserve (note 13)	-	1,733	-	-	1,733
Dividends (note 25)	-	-	(15,833)	-	(15,833)
	230,985	15,937	267,255	10,052	524,229
Comprehensive loss:					
Net loss	-	-	(55,310)	-	(55,310)
Unrealized gains on foreign currency translations	-	-	-	15,428	15,428
Total comprehensive loss	-	-	(55,310)	15,428	(39,882)
BALANCE AS AT APRIL 30, 2014	\$ 230,985	\$ 15,937	\$ 211,945	\$ 25,480	\$ 484,347
BALANCE AS AT MAY 1, 2014	\$ 230,985	\$ 15,937	\$ 211,945	\$ 25,480	\$ 484,347
Exercise of stock options (note 13)	52	(13)	-	-	39
Share issue (note 18)	8,689	-	-	-	8,689
Share-based payments reserve (note 13)	-	1,310	-	-	1,310
Dividends (note 25)	-	-	(9,616)	-	(9,616)
	239,726	17,234	202,329	25,480	484,769
Comprehensive loss:					
Net loss	-	-	(49,565)	-	(49,565)
Unrealized gains on foreign currency translations	-	-	-	25,188	25,188
Total comprehensive loss	-	-	(49,565)	25,188	(24,377)
BALANCE AS AT APRIL 30, 2015	\$ 239,726	\$ 17,234	\$ 152,764	\$ 50,668	\$ 460,392

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended April 30, 2015 and 2014
(in thousands of Canadian dollars)

	2015	2014
OPERATING ACTIVITIES		
Loss before income tax	\$ (46,162)	\$ (44,734)
Operating items not involving cash		
Depreciation and amortization	54,238	53,306
(Gain) loss on disposal of property, plant and equipment	(1,740)	1,617
Loss on short-term investments	-	368
Share-based payments reserve (note 13)	1,310	1,733
Impairment of goodwill (note 19)	-	14,326
Restructuring charge (note 20)	1,953	10,381
Finance costs recognized in loss before income tax	686	1,002
	10,285	37,999
Changes in non-cash operating working capital items (note 16)	12,731	20,532
Finance costs paid	(670)	(983)
Income taxes paid	(7,776)	(16,624)
Cash flow from operating activities	14,570	40,924
FINANCING ACTIVITIES		
(Decrease) increase in demand loan (note 10)	(4,038)	4,066
Repayment of long-term debt	(9,837)	(20,457)
Issuance of common shares	39	-
Dividends paid (note 25)	(15,930)	(15,832)
Cash flow used in financing activities	(29,766)	(32,223)
INVESTING ACTIVITIES		
Business acquisition	(20,834)	(205)
Acquisition of short-term investments	-	(3,587)
Proceeds from disposal of short-term investments	-	3,074
Acquisition of property, plant and equipment (net of direct financing) (note 7)	(14,754)	(22,626)
Proceeds from disposal of property, plant and equipment	18,717	5,375
Cash flow used in investing activities	(16,871)	(17,969)
Effect of exchange rate changes	2,720	1,201
DECREASE IN CASH	(29,347)	(8,067)
CASH, BEGINNING OF THE YEAR	74,244	82,311
CASH, END OF THE YEAR	\$ 44,897	\$ 74,244

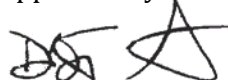
CONSOLIDATED BALANCE SHEETS

As at April 30, 2015 and 2014
(in thousands of Canadian dollars)

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash	\$ 44,897	\$ 74,244
Trade and other receivables	58,559	66,211
Income tax receivable	12,182	12,179
Inventories (note 6)	79,248	81,308
Prepaid expenses	2,968	4,690
	197,854	238,632
PROPERTY, PLANT AND EQUIPMENT (note 7)	276,594	307,288
DEFERRED INCOME TAX ASSETS (note 12)	4,722	5,825
GOODWILL (note 8)	57,274	38,056
INTANGIBLE ASSETS (note 9)	6,260	1,923
	\$ 542,704	\$ 591,724
LIABILITIES		
CURRENT LIABILITIES		
Demand loan (note 10)	\$ -	\$ 3,909
Trade and other payables	33,820	52,155
Income tax payable	2,388	3,416
Current portion of contingent consideration (note 18)	2,735	-
Current portion of long-term debt (note 11)	6,776	9,655
	45,719	69,135
CONTINGENT CONSIDERATION (note 18)	7,395	-
LONG-TERM DEBT (note 11)	8,569	14,187
DEFERRED INCOME TAX LIABILITIES (note 12)	20,629	24,055
	82,312	107,377
SHAREHOLDERS' EQUITY		
Share capital (note 13)	239,726	230,985
Share-based payments reserve	17,234	15,937
Retained earnings	152,764	211,945
Foreign currency translation reserve	50,668	25,480
	460,392	484,347
	\$ 542,704	\$ 591,724

Contingencies and commitments (notes 22 and 23)

Approved by the Board of Directors



David Tennant, Chairman of the Board



Jo Mark Zurel, Chairman of the Audit Committee

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2015 and 2014
(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, Suite 100, 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 and Africa.

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 (“IASB”) and using the accounting policies described herein.

On June 4, 2015, 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.

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

Basis of preparation

The Consolidated Financial Statements have been prepared based on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the related accounting policies presented in Note 4.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. APPLICATION OF NEW AND REVISED IFRS

The following IASB standards that have come into effect during the current fiscal year, have had no significant impact on the Company's Consolidated Financial Statements:

IAS 32 (amended) *Financial Instruments: Presentation*
IAS 36 (amended) *Impairment of Assets*
IAS 39 (amended) *Financial Instruments: Recognition and Measurement*
IFRIC 21 *Levies*

The Company has not applied the following revised IASB standards that have been issued, but are not yet effective:

IFRS 9 (as amended in 2014) *Financial Instruments - effective date January 1, 2018*
IFRS 10 (amended) *Consolidated Financial Statements - effective date January 1, 2016*
IFRS 11 (amended) *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations - effective date January 1, 2016*
IFRS 15 *Revenue from Contracts with Customers - effective date January 1, 2017*
IAS 1 (amended) *Presentation of Financial Statements - effective date January 1, 2016*
IAS 16 (amended) *Property, Plant and Equipment - effective date January 1, 2016*
IAS 28 (amended) *Investments in Associates and Joint Ventures - effective date January 1, 2016*
IAS 38 (amended) *Intangible Assets - effective date January 1, 2016*

The adoption of the above standards is not expected to have a significant impact on the Company's Consolidated Financial Statements.

4. SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash is comprised of cash on hand and demand deposits in banks.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

<u>Asset/Liability</u>	<u>Classification</u>	<u>Measurement</u>
Cash	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Contingent consideration	Other financial liabilities	Fair value
Long-term debt	Other financial liabilities	Amortized cost

Transaction costs are included in the initial carrying value of financial instruments, except those classified as fair value through profit or loss, and are amortized into income using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from drilling contracts is recognized based on the terms of customer contracts that generally provide for revenue recognition on the basis of actual meters drilled at contract rates or fixed monthly charges or a combination of both. Revenue from ancillary services, primarily relating to extra services to the customer, is recorded when the services are rendered. Revenue is recognized when collection is reasonably assured.

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	15-20
Drilling equipment	0-15	5-15
Automotive and off-road equipment	0-10	5-10
Other (office, computer and shop equipment)	0	5-15

Land and assets under construction 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 it will flow to the Company and when they are ready for their intended use. Subsequent costs are depreciated over the useful life of the asset and replaced components are de-recognized. An item of PP&E is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit or loss. Depreciation methods, residual values and useful lives are re-assessed, at minimum, on an annual basis.

Leases

The Company determines the classification of leases as finance or operating based on the risks and rewards of ownership of the underlying assets. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination, in exchange for control of the acquiree, is measured at fair value. At acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair values. Results of operations of a business acquired are included in the Company's consolidated financial statements from the date of the business acquisition. Business acquisition and integration costs are expensed in profit or loss as incurred.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments applied against goodwill. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, 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

Goodwill represents the excess of the purchase price of business acquisitions over the fair value of the identifiable net assets acquired. The value of goodwill is tested for impairment at least annually. Any impairment loss identified by this test would be reported in earnings (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 (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

Intangible assets

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses. Intangible assets include customer relationships/contracts and non-compete agreements, which are amortized on a straight-line basis over a three and five-year period, respectively.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 cash-generating unit (“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 group of assets. Corporate level assets are allocated to the respective CGUs where an allocation can be done 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, but so that 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 Statements of Operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred - The Company follows the asset and liability method of accounting for deferred taxes. This method takes a balance sheet approach and focuses on the amount of income taxes payable or receivable that will arise if an asset is realized or a liability is settled for its carrying amount. These resulting assets and liabilities, referred to as “deferred income tax assets and liabilities”, are computed and recognized based on carry forwards of unused tax losses, unused tax credits and the differences between the carrying amount of balance sheet items and their corresponding tax values using the enacted, or substantively enacted, income tax rates in effect when the assets are expected to be realized or the liabilities are expected to be settled.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 earnings.

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. Translation gains and losses on assets and liabilities denominated in a foreign currency are included in the statement of comprehensive earnings.

Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in other comprehensive earnings 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 deferred share units as compensation expense, with offset to accrued liabilities.

Provisions

Provisions are recognized when there is a present (legal or constructive) obligation as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the present value of the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties specific to the obligation.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restructurings - A restructuring provision is recognized when the Company has developed a detailed formal plan for restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas requiring the use of management estimates relate to the useful lives of PP&E for depreciation purposes, PP&E and inventory valuation, determination of income and other taxes, assumptions used in compilation of share-based payments, fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities and contingent considerations, and 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 of the actual lives of PP&E of similar nature and functions, 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 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. Accordingly, the impact in the Consolidated Financial Statements of future periods could be material.

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

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the probability that they will be realized from future taxable earnings.

Compensation costs accrued for long-term share-based payment plans are subject to the estimation of what the ultimate payout will be using the Black-Scholes pricing model, which is based on significant assumptions such as volatility, dividend yield and expected term.

The amount recognized as accrued liabilities 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 and accrued liabilities, including judgment as to whether the Company has a present obligation (legal or constructive) as a result of a past event; whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and whether a reliable estimate can be made of the amount of the obligation.

Deferred income tax assets are assessed by management at the end of the reporting period to determine the probability that they will be realized from future taxable earnings. This determination is subject to management judgment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. INVENTORIES

The cost of inventory recognized as an expense and included in direct costs for the year ended April 30, 2015 was \$38,681 (2014 - \$47,545). During the year, except for the inventory write-downs as detailed in Note 20, there were no significant write-downs of inventory as a result of net realizable value being lower than cost, and no inventory write-downs recognized in previous years were reversed.

The following is a breakdown of inventory by category:

	<u>2015</u>	<u>2014</u>
Rods and casings	\$ 26,479	\$ 27,313
Consumables	4,912	5,149
Machine parts	26,480	25,038
Wireline and downhole tools	7,445	7,130
Diamond bits	6,524	6,686
Other	7,408	9,992
	<u>\$ 79,248</u>	<u>\$ 81,308</u>

The Company's credit facility related to operations is in part secured by a general assignment of a portion of the Company's inventory in certain regions.

7. PROPERTY, PLANT AND EQUIPMENT

Changes in the PP&E balance were as follows for the year:

Cost	<u>Land</u>	<u>Buildings</u>	<u>Drills</u>	<u>Auto</u>	<u>Other</u>	<u>Total</u>
Balance as at April 30, 2014	\$ 3,310	\$ 22,021	\$ 364,780	\$ 129,253	\$ 29,960	\$ 549,324
Additions	-	166	15,223	695	5	16,089
Disposals	(75)	(2,496)	(28,892)	(22,003)	(10,664)	(64,130)
Business acquisition	-	-	8,847	421	-	9,268
Effect of exchange rate changes and other	213	338	9,465	5,328	2,180	17,524
Balance as at April 30, 2015	<u>\$ 3,448</u>	<u>\$ 20,029</u>	<u>\$ 369,423</u>	<u>\$ 113,694</u>	<u>\$ 21,481</u>	<u>\$ 528,075</u>
Accumulated Depreciation	<u>Land</u>	<u>Buildings</u>	<u>Drills</u>	<u>Auto</u>	<u>Other</u>	<u>Total</u>
Balance as at April 30, 2014	\$ (47)	\$ (6,966)	\$ (136,076)	\$ (76,920)	\$ (22,027)	\$ (242,036)
Disposals	-	2,220	18,436	17,806	8,691	47,153
Impairment (Note 20)	-	-	(1,511)	(372)	(70)	(1,953)
Depreciation	-	(1,786)	(36,763)	(11,234)	(1,297)	(51,080)
Effect of exchange rate changes and other	47	71	455	(2,388)	(1,750)	(3,565)
Balance as at April 30, 2015	<u>\$ -</u>	<u>\$ (6,461)</u>	<u>\$ (155,459)</u>	<u>\$ (73,108)</u>	<u>\$ (16,453)</u>	<u>\$ (251,481)</u>
Carrying value April 30, 2014	<u>\$ 3,263</u>	<u>\$ 15,055</u>	<u>\$ 228,704</u>	<u>\$ 52,333</u>	<u>\$ 7,933</u>	<u>\$ 307,288</u>
Carrying value April 30, 2015	<u>\$ 3,448</u>	<u>\$ 13,568</u>	<u>\$ 213,964</u>	<u>\$ 40,586</u>	<u>\$ 5,028</u>	<u>\$ 276,594</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company has assessed whether there is any indication that an impairment loss recognized in prior periods for PP&E may no longer exist or may have decreased. There were no impairments requiring reversal as at April 30, 2015 or 2014.

Capital expenditures were \$16,089 and \$23,304, respectively, for the years ended April 30, 2015 and 2014. The Company obtained direct financing of \$1,335 and \$678, respectively, for the years ended April 30, 2015 and 2014.

The carrying value of PP&E under finance leases for the year ended April 30, 2015 was \$2,086 (2014 - \$1,976).

8. GOODWILL

Changes in the goodwill balance were as follows:

	<u>2015</u>	<u>2014</u>
Opening balance	\$ 38,056	\$ 52,736
Goodwill on acquisition (Note 18)	18,367	-
Impairment charge (Note 19)	-	(14,326)
Effect of movement in exchange rates	851	(354)
Ending balance	<u>\$ 57,274</u>	<u>\$ 38,056</u>

Allocation of goodwill to CGUs

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

	<u>2015</u>	<u>2014</u>
Canada	\$ 48,548	\$ 38,056
U.S.	8,726	-
	<u>\$ 57,274</u>	<u>\$ 38,056</u>

Canada

The recoverable amount of the “Canadian Branch” as a CGU is determined based on a value-in-use calculation, which uses cash flow projections based on financial budgets and forward projections approved by management covering a five-year period, and a discount rate of 14.6% per annum. Cash flows beyond that period have been extrapolated using a steady 2% per annum growth rate. While the mining services market in Canada is cyclical in nature, this organic growth rate has been achieved across two business cycles and is seen by management as a fair and conservative long-term average growth rate. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. GOODWILL (Continued)

U.S.

The recoverable amount of the “U.S. Branch” as a CGU is determined based on a value-in-use calculation, which uses cash flow projections based on financial budgets and forward projections approved by management covering a five-year period, and a discount rate of 15.0% per annum. Cash flows beyond that period have been extrapolated using a steady 2% per annum growth rate. While the mining services market in the U.S. is cyclical in nature, this organic growth rate has been achieved across two business cycles and is seen by management as a fair and conservative long-term average growth rate. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

Key assumptions

The key assumptions in the value-in-use calculations are as follows:

Revenue - The values assigned to the assumptions reflect past experience. The effect of the incorporation of the acquired drill fleets and significant levels of capital expenditure since 2007 that have on average been higher than the sustaining level, have provided the basis on which to grow. The growth expected is consistent with management’s plans for focusing operations and growing share in the specialized drilling market.

Gross margin - Management expects that gross margins will remain in a range in line with historically achieved levels.

9. INTANGIBLE ASSETS

Changes in the intangible assets balance were as follows:

	Cost	Accumulated amortization	Total
Balance as at May 1, 2013	\$ 9,710	\$ (6,431)	\$ 3,279
Amortization	-	(1,359)	(1,359)
Effect of movement in exchange rates	-	3	3
Balance as at April 30, 2014	\$ 9,710	\$ (7,787)	\$ 1,923
Amortization	-	(3,158)	(3,158)
Business acquisition (Note 18)	7,095	-	7,095
Effect of movement in exchange rates	476	(76)	400
Balance as at April 30, 2015	\$ 17,281	\$ (11,021)	\$ 6,260

Intangible assets consist of customer relationships/contracts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. DEMAND CREDIT FACILITIES

The Company has credit facilities available in Canada of \$25,000 bearing interest at the bank's prime lending rate plus 0.75% or the bankers' acceptance fee plus 2.25% for Canadian dollar draws and the bank's U.S. dollar base rate in Canada plus 0.75% or the bank's London interbank offer rate ("LIBOR") plus 2.25% for U.S. dollar draws. The demand credit facilities are primarily secured by corporate guarantees of companies within the group. The Company has a credit facility of \$1,825 for credit cards, with interest rates and repayments as per the cardholder agreement. As at April 30, 2015, the Company had utilized \$4,475 (2014 - \$5,157) of these lines for stand-by letters of credit.

The Company also has various credit facilities amounting to \$6,329 (2014 - \$7,851) bearing interest at rates ranging from 2.8% to 6.9% secured by corporate guarantees of companies within the group. As at April 30, 2015 the amount drawn on these lines was \$1,035 (2014 - \$4,749).

11. LONG-TERM DEBT

	2015	2014
Non-revolving term loan, bearing interest at either the bank's prime rate plus 0.75% or the bankers' acceptance rate plus 2.25% for Canadian dollar draws, and either the bank's U.S. dollar base rate in Canada plus 0.75% or the bank's LIBOR plus 2.25% for U.S. dollar draws, payable in monthly installments of \$417, maturing in September 2016, secured by corporate guarantees of companies within the group.	\$ 7,083	\$ 12,083
Term loan bearing interest at 5.9%, payable in monthly installments of \$83, unsecured, maturing in August 2021.	6,333	7,333
Term loans bearing interest at rates ranging from 0% to 6.95%, payable in monthly installments of \$117, secured by certain equipment, maturing through 2018.	1,953	1,439
Note payable bearing interest at 4%, repayable over three years, matured in September 2014.	-	3,000
Derivative financial instrument with a notional principal amount of \$7,083, swapping Canadian-Bankers' Acceptance - Canadian Dealer Offered Rate for an annual fixed rate of 3.665%, maturing in September 2016.	(24)	(13)
	15,345	23,842
Current portion	6,776	9,655
	\$ 8,569	\$ 14,187

The required annual principal repayments on long-term debt are as follows:

2016	\$ 6,776
2017	3,771
2018	1,363
2019	1,102
2020	1,000
thereafter	1,333
	\$15,345

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. LONG-TERM DEBT (Continued)

The Company hedges its exposure to floating rates under the non-revolving term loan via an interest rate swap, exchanging a variable rate interest payment for a fixed rate interest payment. As at April 30, 2015, the swap is deemed effective and is recognized as a cash flow hedge.

12. INCOME TAXES

Income taxes vary from amounts that would be determined by applying the combined statutory Canadian corporate income tax rate to earnings before income tax with details as follows:

	2015	2014
Loss before income tax	\$ (46,162)	\$ (44,734)
Income tax recovery calculated at 27% (2014 - 27%)	(12,464)	(12,078)
Non-recognition of tax benefits related to losses	8,202	9,602
De-recognition of previously recognized tax losses	2,636	3,462
Other foreign taxes paid	635	1,172
Effect of rate variances in foreign jurisdictions	(411)	(70)
Permanent differences and other	4,273	6,393
	2,871	8,481
Adjustments recognized in the current year in relation to the current tax in prior years	532	2,095
Income tax expense recognized in net loss	\$ 3,403	\$ 10,576

The tax rate used for the 2015 and 2014 reconciliations herein is the effective federal and provincial Canadian corporate tax rate of 27% in 2015 (27% in 2014).

The movements in deferred income tax balances are as follows:

	2014	Tax provision	Exchange	Reclassified	2015
Deferred tax assets related to non-capital losses	\$ 5,496	\$ (1,844)	\$ 688	\$ 218	\$ 4,558
Deferred tax asset related to share issuance costs	329	(165)	-	-	164
Deferred tax liabilities related to difference in tax and book basis	(24,055)	5,903	(2,477)	-	(20,629)
Net deferred tax liabilities	\$ (18,230)	\$ 3,894	\$ (1,789)	\$ 218	\$ (15,907)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. INCOME TAXES (Continued)

Income tax expense recognized in net loss:

	2015	2014
<u>Current tax</u>		
Current tax expense in respect of the current year	\$ 6,765	\$ 10,754
Adjustments recognized in the current year in relation to the current tax of prior years	532	2,095
<u>Deferred tax</u>		
Deferred tax expense recognized in the current year	(6,530)	(5,735)
Write-down of previously recorded tax assets	2,636	3,462
Income tax provision	\$ 3,403	\$ 10,576

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 \$86,936 in non-capital losses of which \$34,548 is available to reduce future income taxes otherwise payable in foreign jurisdictions. These losses, if unused, will expire in the following calendar years: 2015 - \$1,381; 2016 - \$3,205; 2019 - \$1,385; 2034 - \$11,555; 2035 - \$15,370; indefinite - \$54,040.

The Company has accumulated approximately \$4,756 (A\$4,967) of capital losses that are available to reduce income taxes otherwise payable on capital gains realized in Australia. The benefit of these losses has not been recognized in the financial statements.

The Company has approximately \$194,000 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

12. INCOME TAXES (Continued)

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 favorable or unfavorable adjustments to these estimated tax liabilities in the period the assessments are made or resolved, or when the statute of limitation lapses.

13. SHARE CAPITAL

Authorized

Unlimited number of fully paid common shares, without nominal or par value, with each share carrying one vote and a right to dividends when declared.

The movement in the Company's issued and outstanding share capital during the year is as follows:

	2015		2014	
	Number of shares	Share capital	Number of shares	Share capital
Opening balance	79,161,378	\$ 230,985	79,161,378	\$ 230,985
Exercise of stock options	9,011	52	-	-
Share issue	966,495	8,689	-	-
Ending balance	80,136,884	\$ 239,726	79,161,378	\$ 230,985

Stock option plan

Details of the Company's stock option plan (the "Plan") for Directors, Officers and other employees of the Company and its subsidiaries can be found in the Company's 2014 Management Proxy Circular. There have been no changes to the Plan since that date.

A summary of the status of the Plan, as at April 30, 2015 and 2014, and of changes during those years, is presented below:

	2015		2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	3,428,619	\$ 9.70	3,048,619	\$ 10.04
Options granted	444,400	7.57	410,000	7.04
Options expired	(22,500)	7.04	(30,000)	7.00
Options exercised	(9,011)	4.32	-	-
Outstanding, end of year	<u>3,841,508</u>	<u>9.49</u>	<u>3,428,619</u>	<u>9.70</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. SHARE CAPITAL (Continued)

The following table summarizes information on stock options outstanding as at April 30, 2015:

Range of exercise prices	Outstanding at April 30, 2015	Weighted average remaining life (years)	Weighted average exercise price	Exercisable at April 30, 2015	Weighted average exercise price
\$6.15 - \$9.16	2,337,305	5.95	\$ 7.55	1,634,572	\$ 7.63
\$10.98 - \$14.03	1,360,203	4.97	11.95	1,230,536	12.03
\$15.42 - \$19.72	144,000	4.39	17.52	144,000	17.52
	<u>3,841,508</u>	5.55	9.49	<u>3,009,108</u>	9.90

The Company's calculations of share-based compensation for options granted were made using the Black-Scholes option-pricing model with weighted average assumptions as follows:

	<u>2015</u>	<u>2014</u>
Risk-free interest rate	1.74%	1.64%
Expected life	6.0 years	5.9 years
Expected volatility (based on historical volatility)	44.0%	54.0%
Expected dividend yield	2.5%	2.9%

The weighted average grant date fair value of options granted during the year ended April 30, 2015 was \$2.80 (2014 - \$2.78). For the year ended April 30, 2015, the amount of compensation cost recognized in earnings and credited to share-based payments reserve was \$1,310 (2014 - \$1,733).

Deferred share units

The Company has a Deferred Share Unit Plan (the "DSU Plan") for Directors and certain designated Officers as described in detail in the Company's 2014 Management Proxy Circular. There have been no changes to the DSU Plan since that date.

The following table summarizes information on DSUs earned under the DSU Plan at April 30, 2015 and 2014:

	<u>2015</u>	2014
	Number of units	Number of units
Outstanding, beginning of year	<u>64,713</u>	49,365
DSUs issued during year	<u>7,036</u>	15,348
Outstanding, end of year	<u><u>71,749</u></u>	<u><u>64,713</u></u>

As at April 30, 2015, the total value of DSUs outstanding was \$445 (2014 - \$474).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. LOSS PER SHARE

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

	2015	2014
Net loss	\$ (49,565)	\$ (55,310)
Weighted average shares outstanding (000's)	79,887	79,161
Net effect of dilutive securities:		
Stock options	2	66
Weighted average number of shares - diluted (000's)	79,889	79,227
 Loss per share:		
Basic	\$ (0.62)	\$ (0.70)
Diluted	\$ (0.62)	\$ (0.70)

The calculation of diluted loss per share for the year ended April 30, 2015 and 2014 excludes the effect of 3,809,567 and 2,585,434 options, respectively, as they were anti-dilutive.

15. SEGMENTED INFORMATION

The Company's operations are divided into three geographic segments corresponding to its management structure, Canada - U.S., South and Central America, and Australia, Asia 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 and income tax. Data relating to each of the Company's reportable segments is presented as follows:

	2015	2014
Revenue		
Canada - U.S.*	\$ 177,210	\$ 175,882
South and Central America	75,604	73,583
Australia, Asia and Africa	52,904	105,481
	\$ 305,718	\$ 354,946
 Loss from operations		
Canada - U.S.	\$ (5,250)	\$ 9,315
South and Central America	(10,828)	(25,125)
Australia, Asia and Africa	(18,871)	(19,776)
	(34,949)	(35,586)
Eliminations	-	(554)
	(34,949)	(36,140)
Finance costs	686	1,002
General and corporate expenses**	10,527	7,592
Income tax	3,403	10,576
Net loss	\$ (49,565)	\$ (55,310)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. SEGMENTED INFORMATION (Continued)

*Canada - U.S. includes revenue in 2015 of \$106,081 (2014 - \$112,899) for Canadian operations.

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

Goodwill and intangible asset impairment charges for the year ended April 30, 2014 are included in above figures as follows: South and Central America \$12,057; Australia, Asia and Africa \$2,269. Restructuring charges, as detailed in Note 20, for the current year are included in above figures as follows: Canada - U.S. \$367 (2014 - \$503); South and Central America \$882 (2014 - \$1,665); Australia, Asia and Africa \$3,221 (2014 - \$18,286); General and corporate expenses \$140 (2014 - nil).

Capital expenditures for the year ended April 30, 2015 are as follows: Canada - U.S. \$9,445 (2014 - \$17,254); South and Central America \$3,443 (2014 - \$3,452); Australia, Asia and Africa \$2,514 (2014 - \$2,266) and Corporate \$687 (2014 - \$332).

	2015	2014
Depreciation and amortization		
Canada - U.S.	\$ 26,755	\$ 22,928
South and Central America	12,749	12,072
Australia, Asia and Africa	12,996	16,161
Unallocated and corporate assets	1,738	2,145
Total depreciation and amortization	\$ 54,238	\$ 53,306
Identifiable assets		
Canada - U.S.*	\$ 226,919	\$ 197,673
South and Central America	163,539	178,026
Australia, Asia and Africa	109,791	148,806
Unallocated and corporate assets	42,455	67,219
Total identifiable assets	\$ 542,704	\$ 591,724

*Canada - U.S. includes property, plant and equipment in 2015 of \$84,115 (2014 - \$88,347) for Canadian operations.

16. ADDITIONAL INFORMATION TO THE STATEMENTS OF CASH FLOWS

Changes in non-cash operating working capital items:

	2015	2014
Trade and other receivables	\$ 16,609	\$ 34,864
Inventories	7,801	6,396
Trade and other payables	(14,495)	(21,909)
Other items	2,816	1,181
	\$ 12,731	\$ 20,532

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. NET EARNINGS FOR THE YEAR

Net earnings for the year have been arrived at after charging various employee benefit expenses as follows:

	2015	2014
Direct costs:		
Salaries and wages	\$ 91,737	\$ 99,442
Other employee benefits	21,001	18,771
General and administrative expenses:		
Salaries and wages	20,437	21,824
Other employee benefits	3,523	3,762
Other expenses:		
Share-based payments	1,133	1,419

18. BUSINESS ACQUISITION

Effective August 1, 2014, the Company entered into the underground percussive/longhole drilling sector with its purchase of the assets of Taurus Drilling Services (“Taurus”), based in Canada and the United States.

The acquisition has been accounted for using the acquisition method and the results of the new underground percussive/longhole drilling division have been included in the Consolidated Statements of Operations from the closing date. Through this purchase, the Company acquired 39 underground drill rigs, support equipment and inventory, existing contracts and receivables, and took on the operation’s management team, and other employees, including experienced drillers.

The purchase price for the transaction was \$29.5 million (consisting of \$20.7 million in cash, \$8.7 million in Major Drilling shares, and \$0.1 million in assumption of debt), and an additional maximum amount of \$11.5 million (undiscounted) tied to performance. The estimated fair value of the contingent consideration was \$10.1 million at April 30, 2015. The additional payout period extends for three years, commencing on August 1, 2014, and payments are contingent on growing EBITDA (earnings before interest, taxes, depreciation and amortization) run rates above levels at the date of acquisition.

Trade and other receivables are recorded at fair value. Goodwill arising from this acquisition will represent the excess of the total consideration paid over the fair value of the net assets acquired and the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Taurus and Major Drilling.

18. BUSINESS ACQUISITION (Continued)

The estimated net assets acquired at fair value at acquisition are as follows:

Assets acquired:

Trade and other receivables	\$ 5,500
Inventories	606
Prepaid expenses	40
Property, plant and equipment	9,268
Goodwill (tax deductible)	18,367
Intangible assets	7,095
Trade and other payables	(1,223)
Total assets	\$ 39,653

Consideration:

Cash	\$ 20,683
Trade and other payable	151
Contingent consideration	10,130
Shares of Major Drilling	8,689
Total consideration	\$ 39,653

The above consideration includes non-cash investing activities, which are not reflected in the Consolidated Statements of Cash Flows, including the issuance of 966,495 shares of Major Drilling at \$8.99 for a total of \$8,689 and contingent consideration of \$10,130.

The Company incurred acquisition-related costs of \$356 relating to external legal fees and due diligence costs. These acquisition costs have been included in the other expenses line of the Consolidated Statements of Operations.

Revenue since the date of acquisition attributable to the additional business generated by Taurus was \$34,217. Due to the integration of the Taurus acquisition with existing operations, it is impracticable to estimate the revenue and net income of the combined entity for the year as though the acquisition date was May 1, 2014.

19. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

For the purposes of assessing impairment, the Company's assets are grouped and tested at the CGU level. The Company has operations in Canada, the United States, Mexico, South America, Asia and Africa and management has determined that its CGUs are identifiable at the country level as this is the smallest identifiable group of assets that generate cash inflows that are largely independent of cash inflows from other assets or groups of assets, with internal reporting organized to measure performance of each country.

In the previous year, due to the weakness in the Chilean market caused by the changes in labor laws and the severity of the downturn in that market, the Company recorded an impairment of goodwill of \$12,057 in the South and Central American segment. The Company also recorded an impairment of goodwill in the previous year of \$2,269 in the Australia, Asia and African segment due to the weakness in the Mozambique market as well as the down-sizing of a significant customer in that country.

19. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS (Continued)

Cash flow projections were calculated over a five-year period based on budgeted earnings before interest, taxes, depreciation and amortization, forecasted from historical earnings, using the value-in-use method, with a pre-tax discount rate of 17.4%. The weighted average cost of capital (WACC) was determined to be in the range of 13% to 17% and is based on market capital structure of debt, risk-free rate, equity risk premium, beta adjustment to the equity risk premium based on a review of betas of comparable publicly traded companies, an un-systematic risk premium, and after-tax cost of debt. Maintainable debt-free net cash flow beyond the forecast period is estimated to approximate the average of the five-year forecasted cash flows, increased by a terminal growth rate in the range of 1% to 2% and is based on the industry's expected growth rates, forecast inflation rates, and management's experiences.

20. RESTRUCTURING CHARGE

During the year, the Company continued to rationalize certain operations, and due to ongoing administrative difficulties associated with operating in the Democratic Republic of Congo ("DRC"), the Company decided to close down its operation in that country. During the previous year, due to high costs being incurred by mining companies and new mining taxes, projects in Australia were cancelled, therefore the Company closed its Australian operation.

These restructuring activities generated impairment losses calculated based on the determination of the fair value of assets less cost of disposal. Fair value was determined through the use of industry knowledge and specialists.

The costs related to these initiatives are recorded as part of the restructuring charge for a total of \$4,610 (2014 - \$20,454). This amount consists of an impairment charge of \$1,953 (2014 - \$5,714) relating to property, plant and equipment, employee severance charges of \$1,221 (2014 - \$5,043) incurred to rationalize the workforce, and a write-down of \$1,832 (2014 - \$4,002) to reduce inventory to net realizable value. In the current year, the remainder consists of a recovery of \$396 relating to the cost of winding down operations, and in the previous year the remainder consisted of \$5,695 for the winding down of operations, including an onerous provision of \$2,542 to terminate lease agreements.

21. NON-CASH TRANSACTIONS

During the year, the Company entered into the following non-cash financing and investing activities, which are not reflected in the Statements of Cash Flows:

- The Company declared a dividend during the year for \$1,603 that was unpaid as at April 30, 2015 (2014 - \$7,916).
- The Company financed equipment purchases for \$1,335 (2014 - \$678).
- The consideration for the business acquisition detailed in Note 18 includes non-cash investing activities, including the issuance of 966,495 shares of Major Drilling at \$8.99 for a total of \$8,689 and contingent consideration of \$10,130.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

22. 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.

23. COMMITMENTS

The Company has a commitment for the purchase of equipment totaling \$1,674 with a delivery date early in fiscal 2016 as well as various commitments, primarily for rental of premises, with arms-length parties as follows: 2016 - \$1,495, 2017 - \$713, 2018 - \$485, 2019 - \$383, 2020 - \$284, thereafter \$145.

24. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

The remuneration of Directors and other members of key management personnel during the year is as follows:

	<u>2015</u>	<u>2014</u>
Salaries, bonuses and fees	\$ 2,140	\$ 2,214
Post-employment benefits	41	112
Other long-term benefits	86	139
Share-based payments benefits	795	799
	<u>\$ 3,062</u>	<u>\$ 3,264</u>

25. DIVIDENDS

The Company declared two dividends during the year, \$0.10 per common share paid on November 3, 2014 to shareholders of record as of October 10, 2014, and \$0.02 per common share to be paid on May 1, 2015 to shareholders of record as of April 7, 2015.

The Company declared two dividends during the previous year, \$0.10 per common share paid on November 1, 2013 to shareholders of record as of October 10, 2013, and \$0.10 per common share paid on May 1, 2014 to shareholders of record as of April 7, 2014.

26. CAPITAL MANAGEMENT

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

Total managed capital was as follows:

	<u>2015</u>	<u>2014</u>
Long-term debt	\$ 15,345	\$ 23,842
Share capital	239,726	230,985
Share-based payments reserve	17,234	15,937
Retained earnings	152,764	211,945
Cash	<u>(44,897)</u>	<u>(74,244)</u>
	<u>\$ 380,172</u>	<u>\$ 408,465</u>

The Company's objective when managing its capital structure is to maintain financial flexibility in order to: (i) preserve access to capital markets; (ii) meet financial obligations; and (iii) 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.

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. During the year, the Company entered into an amending agreement amending the current credit agreement with its lenders. As a result, the Company is in compliance with all covenants and other conditions imposed in this credit agreement.

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 2014.

27. 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 risk is managed by the Company by use of interest rate swap contracts when deemed appropriate.

27. FINANCIAL INSTRUMENTS (Continued)

Interest rate swap contract

Under the interest rate swap contract, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. This contract enables the Company to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt held.

As at April 30, 2015 the interest rate swap had a remaining term of 17 months (2014 - 29 months), a notional principal amount of \$7,083 (2014 - \$12,083) and fair value of \$24 (2014 - \$13).

The interest rate swap settles on a monthly basis swapping Canadian-Bankers' Acceptance-Canadian Dealer Offered Rate for an annual fixed rate of 3.665%.

For the year ended April 30, 2015 there is a gain of \$11 recognized in other comprehensive income relating to the hedge (2014 - loss of \$27).

Fair value

The carrying values of cash, trade and other receivables, demand credit facility, demand loan and trade and other payables approximate their fair value due to the relatively short period to maturity of the instruments. The following table shows carrying values of contingent consideration and long-term debt, which approximates their fair value, as most debts carry variable interest rates and the remaining fixed rate debts have been acquired recently and their carrying value continues to reflect fair value. The fair value of the interest rate swap included in long-term debt is measured using quoted interest rates.

	<u>2015</u>	<u>2014</u>
Contingent consideration	\$ 10,130	\$ -
Long-term debt	15,345	23,842

Credit risk

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The maximum credit risk the Company was exposed to as at April 30, 2015 was \$103,456 (2014 - \$140,455), representing total cash, trade and other receivables. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

As at April 30, 2015, 89.0% (2014 - 79.8%) of the Company's trade receivables were aged as current and 8.2% (2014 - 5.1%) of the trade receivables were impaired.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

27. FINANCIAL INSTRUMENTS (Continued)

The movement in the allowance for impairment of trade receivables during the year was as follows:

	2015	2014
Opening balance	\$ 3,016	\$ 2,790
Increase in impairment allowance	2,404	1,144
Write-off charged against allowance	(811)	(873)
Recovery of amounts previously impaired	(186)	(40)
Foreign exchange translation differences	(219)	(5)
Ending balance	\$ 4,204	\$ 3,016

Interest rate risk

The demand credit facility of the Company bears a floating rate of interest, which exposes the Company to interest rate fluctuations. As at April 30, 2015, this facility was unused therefore a one percentage point increase in interest rates would have no impact on the Company's net income.

Foreign currency risk

In order to reduce its exposure to foreign exchange risks associated with currencies of developing countries, where a substantial 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.

The most significant carrying amounts of net monetary assets that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; (ii) cause foreign exchange rate exposure; and (iii) may include intercompany balances with other subsidiaries, is USD \$2,201 as of April 30, 2015.

If the Canadian dollar moved by plus or minus 10% at April 30, 2015, the unrealized foreign exchange gain or loss recognized in net earnings would move by approximately \$220.

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

Liquidity risk

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Note 10 sets out details of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

27. FINANCIAL INSTRUMENTS (Continued)

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	\$ 33,820	\$ -	\$ -	\$ -	\$ 33,820
Contingent consideration	2,735	7,395	-	-	10,130
Long-term debt	<u>7,119</u>	<u>5,349</u>	<u>2,221</u>	<u>1,412</u>	<u>16,101</u>
	<u>\$ 43,674</u>	<u>\$ 12,744</u>	<u>\$ 2,221</u>	<u>\$ 1,412</u>	<u>\$ 60,051</u>

HISTORICAL SUMMARY

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

	2015	2014	2013	2012	2011	2010	2009
OPERATING SUMMARY							
Revenue by region							
Canada-U.S.	\$ 177	\$ 176	\$ 317	\$ 322	\$ 181	\$ 103	\$ 167
South and Central America	76	74	203	252	169	108	155
Australia, Asia and Africa	53	105	176	223	132	97	201
	306	355	696	797	482	308	523
Gross profit	66	104	220	251	120	74	176
as a percentage of revenue	21.6%	29.4%	31.7%	31.5%	25.0%	24.2%	33.6%
General and administrative expenses	45	50	64	58	41	33	47
as a percentage of revenue	14.7%	14.1%	9.2%	7.3%	8.5%	10.7%	9.0%
Net (loss) earnings	(50)	(55)	52	90	28	-	46
(Loss) earnings per share ⁽¹⁾							
Basic	(0.62)	(0.70)	0.66	1.18	0.39	(0.01)	0.65
Diluted	(0.62)	(0.70)	0.65	1.16	0.38	(0.01)	0.64
EBITDA ⁽²⁾	13	44	143	174	73	36	115
per share ⁽¹⁾	0.17	0.56	1.80	2.26	1.02	0.51	1.61
Dividends paid	16	16	15	12	10	9	5
Total net cash (net of debt)	30	46	39	(14)	(17)	6	19
BALANCE SHEET SUMMARY							
Cash, net of demand loans	45	70	82	37	16	30	58
Property, plant and equipment	277	307	340	318	235	211	240
Debt	15	24	44	51	33	24	39
Shareholders' equity	460	484	538	488	328	318	365

The 2009 and 2010 figures above have not been restated for IFRS adoption.

⁽¹⁾ All amounts re-stated to reflect stock split.

⁽²⁾ Non-GAAP measure: Earnings before interest, income taxes, depreciation, amortization. 2015 excludes \$4.6 million of restructuring charges (2014 - \$20.5 million; 2013 - \$5.4 million; 2010 - \$1.2 million; 2009 - \$9.0 million) and 2014 - \$14.3 million of goodwill and intangible assets impairment (2013 - \$3.3 million; 2010 - \$1.5 million; 2009 - \$0.7 million) and 2013 - \$2.0 million of gain on reversal of contingent consideration.

SHAREHOLDER INFORMATION

DIRECTORS

David Tennant (Chairman)
Edward Breiner
Jean Desrosiers
Fred Dymont
David Fennell
Francis McGuire
Catherine McLeod-Seltzer
Janice Rennie
Jo Mark Zurel

OFFICERS

Francis McGuire
President and Chief Executive Officer

Denis Larocque
Chief Financial Officer

Denis Despres
Chief Operating Officer

James Gibson
*VP Legal Affairs, General Counsel
and Corporate Secretary*

David Balser
VP, Finance

Larry Pisto
VP, North American Operations

Kelly Johnson
*VP, Latin American & West African
Operations*

TRANSFER AGENT

CST Trust Company

AUDITORS

Deloitte LLP

CORPORATE OFFICE

Major Drilling Group International Inc.
111 St. George Street, Suite 100
Moncton, New Brunswick, E1C 1T7, Canada
Tel: 506-857-8636
Toll-free: 866-264-3986
Fax: 506-857-9211
Web site: www.majordrilling.com
E-mail: info@majordrilling.com

ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders of
Major Drilling Group International Inc. will be held at:

TMX Broadcast Centre, Gallery
The Exchange Tower
130 King Street West
Toronto, ON, Canada

September 11, 2015 at 11:00am Eastern