

Groupe Forage

MAJOR

Drilling Group International Inc.

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ANNUAL
REPORT



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, Africa and Europe. 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, underground percussive/longhole drilling, surface drill and blast, and a variety of mine services.

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, robust safety systems, long-standing relationships with the world’s largest mining companies and access to capital. This positioning is strengthened by the Company’s senior management having experienced several economic and mining industry cycles.

Our corporate strategy remains to:

- be the world leader in specialized drilling;
- diversify our services within the drilling field;
- maintain a strong balance sheet;
- be the best in class in safety and human resources; 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.

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Message to Shareholders

Calendar 2016 marked the fourth year of declining exploration expenditures worldwide, a decrease of 20% from 2015 and down 65% from the peak in 2012. This affected both our revenue and margins for the year ended April 30, 2017.

However, the mineral reserves of most senior and intermediate companies have been depleting over the last few years and they recognize the need to address supply shortages looming in most commodities. Going into calendar 2017, gold customers increased their exploration budgets by an average of 30%. This has resulted in an increase in demand for our services over the past few months as most of our senior gold customers have added rigs to their existing projects. Base metal companies remain cautious in their exploration spending as supply continues to be in balance with demand. However, according to industry experts, starting in 2018, the situation should change for most base metals, and move into a supply deficit until reserves are replaced, which can typically take over 10 years from early exploration.

Our management team continued to focus on preparing for a recovery by refurbishing drill rigs and support equipment in order to respond quickly to customer demands, and increasing and strategically deploying consumables inventory to offset an anticipated shortage of product supply. As well, the Company improved its safety systems by adding a competency-based training process, which contributed to improved safety performance and, going forward, will accelerate training of new recruits.

We have also made progress on several fronts during the year in terms of diversification beyond pure exploration work: (i) we continued to grow our underground percussive division; and (ii) we have broadened services offered to our customers, including dewatering, surface drill and blast, ground monitoring and paste-fill holes.

We continue to focus and invest in safety, which has produced continuous improvements over the last few years. We have enhanced our recruiting and training systems, allowing us to efficiently bring competent employees to the field while at the same time, in our quest for zero harm, reducing the number of injuries sustained by new recruits as compared to previous cycles.

We are very pleased with where the Company is positioned. Coming out of one of the longest downturns in the industry with net cash on hand allows us to improve our fleet and meet our customers' demands in terms of rigs, rod handling, mobile equipment and deep-hole capacity, which has always been key to our success as the leader in specialized drilling.

We would like to extend our sincere appreciation to our more than 2,000 employees for their continuing hard work and dedication, particularly during this past year. We have an enthusiastic workforce and it is crucial that the Company supply them with the best machinery, tools and consumables to deliver safe, productive results to our customers. Major Drilling's leading position in the mineral drilling industry is without a doubt the result of our employees' tremendous commitment to quality and service.

We want to thank our customers and shareholders for their ongoing support.

"David Tennant"
David Tennant
Chair of the Board

"Denis Larocque"
Denis Larocque
President & Chief Executive Officer

The following management's discussion and analysis ("MD&A"), prepared as of June 5, 2017, should be read together with the audited financial statements for the year ended April 30, 2017 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 funds or 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; regulatory and legal risk; corruption, bribery or fraud by employees or agents; extreme weather conditions and the impact of natural or other disasters; specialized skills and cost of labour increases; equipment and parts availability, reputational risk and cybersecurity risk. These factors and other risk factors, as described under "General Risks and Uncertainties" in 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. ("Major Drilling" or "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, Africa and Europe. 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, underground percussive/longhole drilling, surface drill and blast, and a variety of drilling-related mine services.

Management's Discussion and Analysis

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

The Company intends to continue to modernize and innovate its fleet and expand its footprint in strategic areas while maintaining a strong balance sheet and remaining best in class in safety and human resources. The Company also seeks to diversify by investing in underground and drilling-related mine services that are complementary to its skill set.

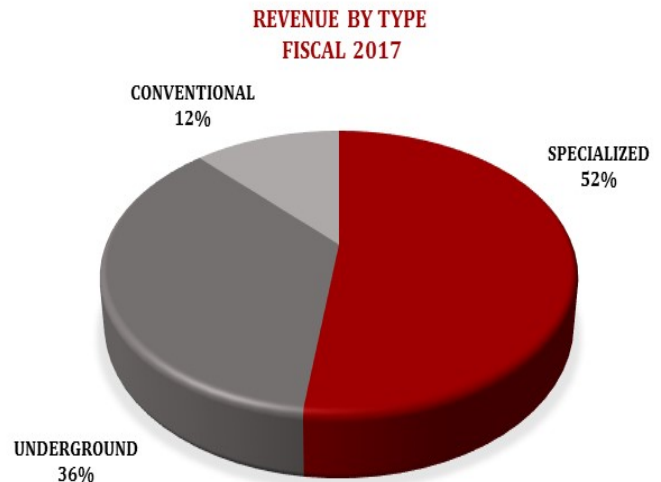
The Company categorizes its mineral drilling services into three types: specialized drilling, conventional drilling and underground drilling.

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.

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

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 continuous improvement initiatives, to retain key employees and to maintain its equipment in good 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 and base metals. Each commodity group is influenced by distinct market forces.

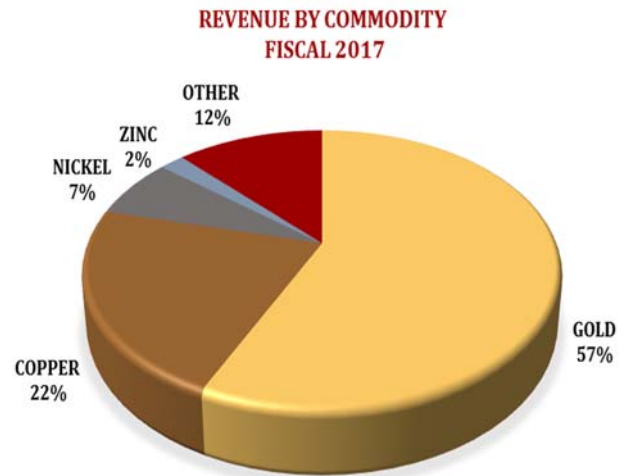
Gold has always been a significant driver in the mining industry accounting for 40 to 50% of the exploration spend carried on around the world. Exploration activity generally varies up or down with the trend in gold prices.

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 of most metals expected to tighten and higher demand coming from the emerging markets over the last few years. As these markets 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/intermediate companies, for which the Company provides greenfield exploration drilling and/or drilling at operating mines, and junior exploration companies.

The industry has experienced a cyclical downturn over the past several years. At this point in time, most senior and intermediate mining companies have increased their exploration budgets for calendar 2017, although exploration levels are still lower than at the peak in 2012. Many junior mining companies have been able to access capital markets and obtain financing for their mining projects. 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.



OVERALL PERFORMANCE

Revenue for the fiscal year ended April 30, 2017 was \$300.6 million, down 1% from revenue of \$304.6 million recorded in the prior year. Although the year-over-year revenue remained relatively flat, the Company has seen an increase in activities over the latter part of the year, due to both the junior mining companies' ability to access capital and senior mining companies increasing their exploration budgets from the prior year.

Gross margin for the year was 20.0%, down from 23.0% for the previous year. Pricing continued to be challenging during the year due to competitive pressure, but the Company has seen a slight increase over the past quarter as there has been more activity in the fourth quarter and the industry is experiencing labour shortages in some areas.

The combination of relatively flat revenue and lower margins resulted in a loss for the year of \$42.1 million or \$0.52 per share, compared to a net loss of \$45.3 million or \$0.57 per share for the prior year, which included an \$8.4 million restructuring charge on the shutdown of operations in South Africa and Namibia.

Management's Discussion and Analysis

SELECTED ANNUAL INFORMATION

Years ended April 30

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

	2017	2016	2015
Revenue by region			
Canada - U.S.	\$ 180	\$ 195	\$ 177
South and Central America	71	66	76
Asia and Africa	50	44	53
	301	305	306
Gross profit	60	70	66
as a percentage of revenue	20.0%	23.0%	21.6%
Net loss	(42)	(45)	(50)
per share (basic and diluted)	\$ (0.52)	\$ (0.57)	\$ (0.62)
Total assets	495	503	543
Total long-term financial liabilities	8	13	16
Dividends paid	-	3	16

RESULTS OF OPERATIONS

FISCAL 2017 COMPARED TO FISCAL 2016

Revenue for the fiscal year ended April 30, 2017 was \$300.6 million, down 1% from revenue of \$304.6 million recorded in the prior year. Although the Company ended the year virtually flat from the prior year, there were many more positive signs. Fiscal 2016 started off with relatively good revenue but fell off dramatically during the year and ended with a very soft fourth quarter. The fiscal year ended April 30, 2017 started slow but improved progressively due to junior funding and a slight increase in exploration work from seniors, particularly in gold. Pricing remained soft throughout the year but has seen improvements in certain areas given the shortage of experienced drill crews.

Canada - U.S.

Canada - U.S. revenue decreased by 7.6% to \$179.8 million, compared to \$194.6 million last year. This decrease came from the Canadian operation due to continued competition and competitive pricing pressure.

Gross margins in Canada - U.S. were down compared to last year, mainly as a result of the competitive environment putting pressure on pricing.

South and Central America

Revenue in South and Central America increased by 8.7% to \$71.4 million, compared to \$65.7 million for the prior year. Increased activity levels in Suriname and Brazil were offset slightly by reductions in Chile and Mexico.

Gross margins in the region were down compared to last year, as margins continued to be affected by low pricing as a result of increased competitive pressures in some jurisdictions.



Asia and Africa

Revenue in Asia and Africa increased 11.3% to \$49.4 million from \$44.4 million in the prior year. Increased activity levels in both Indonesia and Burkina Faso were offset somewhat by the closure of operations in South Africa and Namibia during fiscal 2016, and the reduction of work in Mozambique related to the drop in activity in coal exploration.

Gross margins for the region were down year-over-year, mainly as a result of pricing pressures.

Operating expenses

General and administrative costs were up 1.1% to \$44.6 million, compared to \$44.1 million in the prior year. More than half of the increase was related to an increase in foreign exchange translation. The Company has been able to keep general and administrative costs in line with activity, and still retain many of its skilled employees, strategically positioning it to react quickly when the industry recovers.

Other expenses were \$5.2 million for the year, compared to \$4.1 million for the prior year. The increase is due primarily to severance costs incurred during the year and a true-up of \$0.7 million on the contingent consideration due to better than expected results arising from the Taurus acquisition.

Income tax expense for the year was \$0.1 million, compared to \$3.7 million for the prior year. The effective tax rate for the year was impacted by several factors, including: non-tax affected losses, temporary differences driven by foreign exchange variances, and non-deductible expenses.

Net loss for the year was \$42.1 million or \$0.52 per share (\$0.52 per share diluted), compared to a net loss of \$45.3 million or \$0.57 per share (\$0.57 per share diluted) for the prior year.

SUMMARY ANALYSIS FISCAL 2016 COMPARED TO FISCAL 2015

Revenue for the fiscal year ended April 30, 2016 was relatively flat at \$304.6 million from \$305.7 million in fiscal 2015. The Company continued to see a decline in exploration revenue compared to fiscal 2015 due to a lack of funding for junior exploration companies and a reduction of exploration spending by senior companies due to low commodity prices. This reduction in revenue was partially offset by an increase in revenue from the percussive division.

Gross margin for 2016 increased to 23.0% from 21.6% in 2015. Pricing continued to be challenging as a result of increased competitive pressures. As well, the Company's customers were focused on mine site drilling, especially underground drilling, which tends to have lower margins. The Company continued to be disciplined on pricing and cost controls.

During 2016, the Company recorded a restructuring charge of \$8.4 million primarily relating to the decision to shut down operations in South Africa and Namibia. This charge consisted mainly of a non-cash write-down of assets and close-down costs relating to severance and movement of equipment, material and personnel. Also, the Company incurred additional restructuring charges as it continued to reduce costs across the organization.

The combination of flat revenue and only a slight increase in margins, along with the aforementioned restructuring charges, produced a net loss of \$45.3 million (\$0.57 per share) in 2016, compared to a net loss of \$49.6 million (\$0.62 per share) for 2015.

Management's Discussion and Analysis

SUMMARY OF QUARTERLY RESULTS

(in \$000 CAD, except per share)	Fiscal 2016				Fiscal 2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	\$ 83,934	\$84,667	\$ 71,887	\$ 64,133	\$69,089	\$79,913	\$ 70,117	\$81,469
Gross profit	21,617	23,311	12,982	12,051	15,141	16,088	9,380	19,609
Gross margin	25.8%	27.5%	18.1%	18.8%	21.9%	20.1%	13.4%	24.1%
Net loss	(11,180)	(5,349)	(15,897)	(12,859)	(9,782)	(9,757)	(14,294)	(8,231)
Per share - basic	(0.14)	(0.07)	(0.20)	(0.16)	(0.12)	(0.12)	(0.18)	(0.10)
Per share - diluted	(0.14)	(0.07)	(0.20)	(0.16)	(0.12)	(0.12)	(0.18)	(0.10)

With the exception of the third quarter, the Company exhibits comparatively less seasonality in quarterly revenue than in the past. 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, 2017

Total revenue for the quarter was \$81.5 million, up 27.1% from revenue of \$64.1 million recorded in the same quarter last year. The favourable foreign exchange translation impact for the quarter, when comparing to the effective rates for the same period last year, is estimated at \$0.3 million on revenue, with a negligible impact on net earnings.

Revenue for the quarter from Canada - U.S. drilling operations increased by 19.0% to \$47.5 million, compared to the same period last year. The increase came from all operations as the Company saw increased activity from both seniors and juniors over the same period last year.

South and Central American revenue increased by 52.0% to \$22.8 million for the quarter, compared to the same quarter last year. The increase was driven primarily by Mexico and the Guiana Shield, with other countries showing slight improvements.

Asian and African operations reported revenue of \$11.2 million, up 21.7% from the same period last year. Burkina Faso and the Philippines make up most of this increase, offset by a slight decrease in Indonesia as a result of ongoing political issues in the country.

The overall gross margin percentage for the quarter was 24.1%, up from 18.8% for the same period last year. The increased margins resulted from increased activity, along with some price adjustments and better production.

General and administrative costs were up 3.5% from the same quarter last year at \$11.7 million. General and administrative expenses have increased slightly in the quarter as the Company continues to prepare for increased activity in the industry.

Other expenses were \$2.6 million compared to \$0.6 million for the same quarter last year. This increase was impacted primarily by an increase in bad debt expense, severance paid in the quarter and a true-up of \$0.7 million on the contingent consideration due to better than expected results arising from the Taurus acquisition.

Foreign exchange loss was \$0.8 million compared to a loss of \$0.5 million in the same quarter last year. This loss was due to exchange rate variations on monetary working capital items.

The income tax provision for the quarter was an expense of \$0.2 million compared to a recovery of \$0.8 million for the prior year period. The tax expense for the quarter was impacted by non-tax affected losses and non-deductible expenses.

Net loss was \$8.2 million or \$0.10 per share (\$0.10 per share diluted) for the quarter, compared to a net loss of \$12.9 million or \$0.16 per share (\$0.16 per share diluted) for the prior year quarter.

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

Cash flow from operations (before changes in non-cash operating working capital items, interest and income taxes) for the year ended April 30, 2017, was an inflow of \$10.9 million compared to an inflow of \$17.4 million in the previous year.

The change in non-cash operating working capital items was an outflow of \$8.0 million compared to an inflow of \$9.3 million for the prior year. The outflow of non-cash operating working capital in fiscal 2017 was primarily impacted by:

- an increase in accounts receivable of \$12.5 million;
- an increase in inventory of \$7.9 million;
- an increase in prepaids of \$0.7 million; and
- an increase in accounts payable of \$13.3 million.

Financing activities

Under the terms of certain of the Company's debt agreements, the Company must satisfy specific financial covenants. Such agreements also limit, among other things, the Company's ability to incur additional indebtedness, create liens, engage in mergers or acquisitions and make dividend and other payments. During the year, the Company was, and continues to be, in compliance with all covenants and other conditions imposed by its debt agreements. The \$25 million operating facility and the \$50 million revolving facility were renewed on September 21, 2016 for three years to September 30, 2019, on the same terms as the previous agreement.

Operating credit facilities

The credit facilities related to operations total \$29.1 million, (\$25.0 million from a Canadian chartered bank and \$4.1 million from an American chartered bank) and are primarily secured by corporate guarantees of companies within the group. At April 30, 2017, the Company had utilized \$0.5 million of these lines. The Company also has a credit facility of \$2.6 million for credit cards for which interest rate and repayment are as per cardholder agreements.

Long-term debt

Total long-term debt decreased by \$4.4 million during the year to \$7.8 million at April 30, 2017. The decrease is due to debt repayments of \$5.4 million, additional debt of \$0.9 million and \$0.1 million in exchange rate variations during the year.

As of April 30, 2017, the Company had the following long-term debt facilities:

- \$50.0 million revolving facility for financing the cost of equipment purchases or acquisition costs of related businesses. At April 30, 2017, this facility had not been utilized.
- \$4.3 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 \$3.5 million at April 30, 2017, which were fully drawn and mature through 2022.

Management's Discussion and Analysis

	Payments due by period (in \$000 CAD)				
	Total	Less than 1 year	2 - 3 years	4 - 5 years	6+ years
Contractual obligations					
Contingent consideration	\$ 5,135	\$ 5,135	\$ -	\$ -	\$ -
Long-term debt (interest included)	8,190	3,428	3,333	1,429	-
Purchasing commitments	372	372	-	-	-
Operating leases	3,570	1,481	1,181	724	184
Total contractual obligations	\$ 17,267	\$ 10,416	\$ 4,514	\$ 2,153	\$ 184

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital, capital expenditure and debt obligations. As at April 30, 2017, the Company had unused borrowing capacity under its credit facilities of \$78.6 million and cash of \$26.0 million, for a total of \$104.6 million in available funds.

Investing Activities

Capital Expenditures

Capital expenditures were \$17.7 million (net of \$0.9 million of equipment financing) for the year ended April 30, 2017, compared to \$12.1 million (net of \$ 4.7 million of equipment financing) for the prior year.

During the year, the Company added 10 drill rigs, while retiring or disposing of 54 older, inefficient and more costly drill rigs. This brings the total drill rig count to 646 at year-end.

OUTLOOK

The Company has a positive but cautious view looking ahead to fiscal 2018. Most senior and intermediate companies have seen their mineral reserves deplete over the last few years and recognize the need to address supply shortages looming in most commodities. One of the challenges that is re-emerging in the sector is the shortage of experienced drill crews in the industry, a factor that will put some pressure on cost and productivity as the Company moves forward. The Company continues to focus and invest in safety, which has produced continuous improvements over the last few years. The Company has enhanced its recruiting and training systems, allowing it to efficiently bring competent employees to the field while at the same time, in the Company's quest for zero harm, reducing the number of injuries sustained by new recruits as compared to previous cycles. The Company's partnership with the Bathurst campus of the Collège Communautaire du Nouveau-Brunswick for their new driller training program will help with the initiatives the Company is deploying to recruit and train new employees, and is part of the efforts to get prepared for a potential upturn in the industry.

Due to tremendous efforts from its dedicated employees, the Company is well positioned with net cash of \$18.1 million on hand coming out of one of the longest downturns in the industry. This will allow the Company to improve its fleet and meet customers' demands in terms of rod handling, mobile equipment and deep-hole capacity, which has been key to the Company's success as the leader in specialized drilling.

The Company expects to spend approximately \$25 million in capital expenditures in fiscal 2018 to meet customers' demands, improve rig reliability, productivity and utilization, as well as invest in its continuous improvement initiatives. However, the Company will remain vigilant and flexible in order to react and adjust to unforeseen market conditions.

NON-GAAP FINANCIAL MEASURE

The Company uses the non-GAAP financial measure, EBITDA, excluding restructuring charge and contingent consideration true-up. The Company believes this non-GAAP financial measure provides useful information to both management and investors in measuring the financial performance of the Company. This measure does not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

(in \$000 CAD)	2017	2016
Net loss	\$ (42,064)	\$ (45,285)
Finance costs	331	554
Income tax provision	100	3,699
Depreciation and amortization	51,580	52,967
Restructuring charge	-	8,377
Contingent consideration true-up	669	-
EBITDA	<u>\$ 10,616</u>	<u>\$ 20,312</u>

FOREIGN EXCHANGE

The Company's reporting currency is the Canadian dollar, however a significant portion of the Company's revenue and operating expenses outside of Canada are denominated in U.S. dollars. 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 2017, approximately 28% of revenue generated was in Canadian dollars with most of the balance being in U.S. dollars. Since most of the input costs related to 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 prior year, is estimated at approximately \$1 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 total FX impact on net earnings for the year was negligible.

FUTURE ACCOUNTING CHANGES

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

- IFRS 2 (as amended in 2016) *Share-based Payment*
- IFRS 9 (as amended in 2014) *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 16 *Leases*
- IAS 7 (amended) *Statement of Cash Flows*
- IAS 12 (amended) *Income Taxes*

The Company is currently in the process of assessing the impact of the adoption of the above standards and amendments, however, they are not expected to have a significant impact on the Consolidated Financial Statements.

KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that are not readily apparent from other sources, which affect the reported amounts of assets and liabilities at the dates of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reported periods. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results could differ from these estimates.

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 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 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.

PP&E and goodwill are aggregated into cash-generating 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 20 "Commitments" of the Notes to Consolidated Financial Statements and presented as contractual obligations in the liquidity and capital resources section herein, the Company does not have any other 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 mining 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 mining 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 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 that 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,

Management's Discussion and Analysis

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 additional 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 largely 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, property tax, income tax, withholding tax, commodity tax, social security and other payroll related taxes, which may lead to disagreements with tax authorities regarding the application of tax law.

Tax law and administration is extremely complex and 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. 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 potential 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. The 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.

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

Management's Discussion and Analysis

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.

Cybersecurity risk

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

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, 2017.

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 2017, 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 to time make changes aimed at enhancing their effectiveness and to ensure that its systems evolve with the business.

As of April 30, 2017, 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.

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

(amounts in thousands)	As at June 5, 2017	As at June 7, 2016
Common shares	80,140	80,137
Stock options outstanding	4,083	4,254

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.

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 5, 2017. The MD&A also includes information regarding the estimated impact of current transactions and events, sources of liquidity, operating trends and risks and uncertainties. Actual results in the future may differ materially from management's present assessment of this information because future events may not occur as expected. Financial operating data in the report are consistent, where applicable, with the Consolidated Financial Statements.

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

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

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

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

"Denis Larocque"
Denis Larocque
President & Chief Executive Officer

"David Balser"
David Balser
Chief Financial Officer

June 5, 2017
Moncton, New Brunswick

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, 2017 and April 30, 2016, and the consolidated statements of operations, consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of 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. 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, 2017 and April 30, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP

Chartered Professional Accountants
June 5, 2017
Moncton, New Brunswick

Consolidated Statements of Operations

*For the years ended April 30, 2017 and 2016
(in thousands of Canadian dollars, except per share information)*

	2017	2016
TOTAL REVENUE	\$ 300,588	\$ 304,621
DIRECT COSTS	240,370	234,660
GROSS PROFIT	60,218	69,961
OPERATING EXPENSES		
General and administrative	44,594	44,081
Other expenses	5,239	4,079
Loss (gain) on disposal of property, plant and equipment	48	(2,149)
Foreign exchange loss	390	3,638
Finance costs	331	554
Depreciation of property, plant and equipment (note 7)	48,955	49,702
Amortization of intangible assets (note 9)	2,625	3,265
Restructuring charge (note 18)	-	8,377
	102,182	111,547
LOSS BEFORE INCOME TAX	(41,964)	(41,586)
INCOME TAX - PROVISION (RECOVERY) (note 12)		
Current	8,999	8,652
Deferred	(8,899)	(4,953)
	100	3,699
NET LOSS	\$ (42,064)	\$ (45,285)
LOSS PER SHARE (note 14)		
Basic	\$ (0.52)	\$ (0.57)
Diluted	\$ (0.52)	\$ (0.57)

Consolidated Statements of Comprehensive Loss

*For the years ended April 30, 2017 and 2016
(in thousands of Canadian dollars)*

	2017	2016
NET LOSS	\$ (42,064)	\$ (45,285)
OTHER COMPREHENSIVE LOSS		
Items that may be reclassified subsequently to profit or loss		
Unrealized gain on foreign currency translations (net of tax)	24,891	11,252
Unrealized (loss) gain on derivatives (net of tax)	(163)	302
COMPREHENSIVE LOSS	\$ (17,336)	\$ (33,731)

Consolidated Statements of Changes in Equity

MAJOR

*For the years ended April 30, 2017 and 2016
(in thousands of Canadian dollars)*

	Share capital	Reserves	Share-based payments reserve	Retained earnings	Foreign currency translation reserve	Total
BALANCE AS AT MAY 1, 2015	\$ 239,726	\$ 24	\$ 17,234	\$ 152,764	\$ 50,644	\$ 460,392
Share-based payments reserve (note 13)	-	-	1,083	-	-	1,083
Dividend (note 22)	-	-	-	(1,603)	-	(1,603)
	<u>239,726</u>	<u>24</u>	<u>18,317</u>	<u>151,161</u>	<u>50,644</u>	<u>459,872</u>
Comprehensive loss:						
Net loss	-	-	-	(45,285)	-	(45,285)
Unrealized gain on foreign currency translations	-	-	-	-	11,252	11,252
Unrealized gain on derivatives	-	302	-	-	-	302
Total comprehensive loss	-	<u>302</u>	-	<u>(45,285)</u>	<u>11,252</u>	<u>(33,731)</u>
BALANCE AS AT APRIL 30, 2016	239,726	326	18,317	105,876	61,896	426,141
Exercise of stock options (note 13)	25	-	(4)	-	-	21
Share-based payments reserve (note 13)	-	-	937	-	-	937
	<u>239,751</u>	<u>326</u>	<u>19,250</u>	<u>105,876</u>	<u>61,896</u>	<u>427,099</u>
Comprehensive loss:						
Net loss	-	-	-	(42,064)	-	(42,064)
Unrealized gain on foreign currency translations	-	-	-	-	24,891	24,891
Unrealized loss on derivatives	-	(163)	-	-	-	(163)
Total comprehensive loss	-	<u>(163)</u>	-	<u>(42,064)</u>	<u>24,891</u>	<u>(17,336)</u>
BALANCE AS AT APRIL 30, 2017	\$ 239,751	\$ 163	\$ 19,250	\$ 63,812	\$ 86,787	\$ 409,763

Consolidated Statements of Cash Flows

For the years ended April 30, 2017 and 2016
(in thousands of Canadian dollars)

	2017	2016
OPERATING ACTIVITIES		
Loss before income tax	\$ (41,964)	\$ (41,586)
Operating items not involving cash		
Depreciation and amortization	51,580	52,967
Loss (gain) on disposal of property, plant and equipment	48	(2,149)
Share-based payments reserve (note 13)	937	1,083
Restructuring charge (note 18)	-	6,554
Finance costs recognized in loss before income tax	331	554
	10,932	17,423
Changes in non-cash operating working capital items (note 16)	(8,036)	9,277
Finance costs paid	(331)	(554)
Income taxes paid	(5,810)	(3,816)
Cash flow (used in) from operating activities	(3,245)	22,330
FINANCING ACTIVITIES		
Repayment of long-term debt	(5,445)	(7,858)
Issuance of common shares	21	-
Dividends paid (note 22)	-	(3,206)
Cash flow used in financing activities	(5,424)	(11,064)
INVESTING ACTIVITIES		
Business acquisition (note 17)	(3,881)	(1,783)
Acquisition of property, plant and equipment (net of direct financing) (note 7)	(17,652)	(12,125)
Proceeds from disposal of property, plant and equipment	3,223	6,997
Cash flow used in investing activities	(18,310)	(6,911)
Effect of exchange rate changes	2,726	976
(DECREASE) INCREASE IN CASH	(24,253)	5,331
CASH, BEGINNING OF THE YEAR	50,228	44,897
CASH, END OF THE YEAR	\$ 25,975	\$ 50,228

Consolidated Balance Sheets



As at April 30, 2017 and 2016
(in thousands of Canadian dollars)

	2017		2016
ASSETS			
CURRENT ASSETS			
Cash	\$ 25,975	\$	50,228
Trade and other receivables	72,385		55,829
Note receivable	476		457
Income tax receivable	5,771		7,513
Inventories (note 6)	88,047		74,144
Prepaid expenses	3,210		2,498
	<u>195,864</u>		<u>190,669</u>
NOTE RECEIVABLE	1,055		1,531
PROPERTY, PLANT AND EQUIPMENT (note 7)	221,524		240,703
DEFERRED INCOME TAX ASSETS (note 12)	17,026		9,564
GOODWILL (note 8)	58,432		57,641
INTANGIBLE ASSETS (note 9)	669		3,193
	<u>\$ 494,570</u>	\$	<u>503,301</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	\$ 48,359	\$	34,068
Income tax payable	3,036		1,859
Current portion of contingent consideration	5,135		3,000
Current portion of long-term debt (note 11)	3,291		5,288
	59,821		44,215
CONTINGENT CONSIDERATION	-		5,347
LONG-TERM DEBT (note 11)	4,544		6,936
DEFERRED INCOME TAX LIABILITIES (note 12)	20,442		20,662
	<u>84,807</u>		<u>77,160</u>
SHAREHOLDERS' EQUITY			
Share capital (note 13)	239,751		239,726
Reserves	163		326
Share-based payments reserve	19,250		18,317
Retained earnings	63,812		105,876
Foreign currency translation reserve	86,787		61,896
	409,763		426,141
	<u>\$ 494,570</u>	\$	<u>503,301</u>

Contingencies and commitments (notes 19 and 20)

Approved by the Board of Directors

"David Tennant"

David Tennant
Chairman of the Board

"Jo Mark Zurel"

Jo Mark Zurel
Chairman of the Audit Committee

Notes to Consolidated Financial Statements

For the years ended April 30, 2017 and 2016
(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, Africa and Europe.

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”) and using the accounting policies described herein.

On June 5, 2017, 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.

3. APPLICATION OF NEW AND REVISED IFRS

The following IASB standards, now in effect, have had no significant impact on the Company’s Consolidated Financial Statements:

IFRS 10 (*amended*) Consolidated Financial Statements
IFRS 11 (*amended*) Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations
IAS 1 (*amended*) Presentation of Financial Statements
IAS 16 (*amended*) Property, Plant and Equipment
IAS 28 (*amended*) Investments in Associates and Joint Ventures
IAS 38 (*amended*) Intangible Assets

Notes to Consolidated Financial Statements

MAJOR

For the years ended April 30, 2017 and 2016
(in thousands of Canadian dollars, except per share information)

3. APPLICATION OF NEW AND REVISED IFRS (Continued)

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

IFRS 2 (as amended in 2016) Share-based Payment*
IFRS 9 (as amended in 2014) Financial Instruments*
IFRS 15 Revenue from Contracts with Customers*
IFRS 16 Leases**
IAS 7 (amended) Statement of Cash Flows***
IAS 12 (amended) Income Taxes***

*Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted

**Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted

***Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted

The Company is currently in the process of assessing the impact of the adoption of the above standards and amendments, however, they are not expected to have a significant impact on the Consolidated Financial Statements, with the exception of IFRS 16 Leases. The Company is in the process of quantifying the impact IFRS 16 will have on the 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
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.

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.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 such costs will flow to the Company when the asset is ready for its 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 de-recognized 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.

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 Financial Instruments: Recognition and Measurement, 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.

Notes to Consolidated Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 profit or loss for the period during which the loss occurred.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units ("CGUs") or groups of cash-generating units that are 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.

Impairment of long-lived assets

At the end of each reporting period, the Company assesses whether there are any indicators that the carrying values of its long-lived assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount of an asset is first tested on an individual basis, if determinable, or otherwise at the CGU level. A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Corporate level assets are allocated to the respective CGUs where an allocation can be 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.

Notes to Consolidated Financial Statements

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4. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The Company’s primary temporary differences arise between the tax carrying value and net book value of PP&E. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Translation of foreign currencies

The Consolidated Financial Statements are presented in Canadian dollars, which is the Company’s presentation currency, and the functional currency of the parent company.

Financial statements of foreign operations are translated using the rate in effect at the balance sheet date for assets and liabilities, and using the average exchange rates during the period for revenue and expenses. Adjustments arising from foreign currency translation are recorded in other comprehensive 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 cash-settled 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.

Derivative financial instruments

The Company enters into derivative financial instruments, from time to time, to manage exposure and risk. The derivatives are initially recognized at fair value at the date the derivative contract is executed and are subsequently re-measured to fair value at each reporting date. The resulting gain or loss is recognized in other comprehensive earnings unless the derivative is considered to be ineffective, in which event it is recognized in profit or loss.

Hedge accounting

The Company's current derivatives are designated as cash flow hedges. At the inception of the hedges, and on an ongoing basis, the Company documents whether the hedging instruments used in the hedging relationships are highly effective in offsetting changes in cash flows of the hedged items.

Cash flow hedge

The effective portion of changes in the fair value of the derivatives are recognized in other comprehensive earnings and accumulated in shareholders' equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is terminated, or when the hedging relationship no longer qualifies for hedge accounting. Any cumulative gain or loss accumulated in shareholders' equity at that time is recognized immediately in profit or loss.

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.

Notes to Consolidated Financial Statements

*For the years ended April 30, 2017 and 2016
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5. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS (Continued)

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.

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

MAJOR

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6. INVENTORIES

The cost of inventory recognized as an expense and included in direct costs for the year ended April 30, 2017 is \$39,852 (2016 - \$36,288). During the current year, there were no significant write-downs of inventory as a result of net realizable value being lower than cost. During the previous year, write-downs of inventory as a result of net realizable value being lower than cost, are detailed in note 18. No inventory write-downs recognized in previous years were reversed.

The following is a breakdown of inventory by category:

	2017	2016
Rods and casings	\$ 26,688	\$ 23,315
Consumables	7,128	5,532
Machine parts	31,067	26,634
Wireline and downhole tools	7,628	7,068
Diamond bits	7,641	6,610
Other	7,895	4,985
	<u>\$ 88,047</u>	<u>\$ 74,144</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:

	Land	Buildings	Drills	Auto	Other	Total
Cost:						
Balance as at April 30, 2016	\$ 3,525	\$ 18,946	\$ 369,145	\$ 111,535	\$ 20,844	\$ 523,995
Additions	-	-	14,020	2,804	1,723	18,547
Disposals	-	-	(16,330)	(3,823)	(969)	(21,122)
Effect of exchange rate changes and other	215	514	24,795	5,326	625	31,475
Balance as at April 30, 2017	<u>\$ 3,740</u>	<u>\$ 19,460</u>	<u>\$ 391,630</u>	<u>\$ 115,842</u>	<u>\$ 22,223</u>	<u>\$ 552,895</u>
Accumulated Depreciation:						
Balance as at April 30, 2016	\$ -	\$ (7,145)	\$ (180,876)	\$ (78,284)	\$ (16,987)	\$ (283,292)
Disposals	-	-	13,478	3,465	908	17,851
Depreciation	-	(1,514)	(37,203)	(8,108)	(2,130)	(48,955)
Effect of exchange rate changes and other	-	(200)	(12,626)	(3,724)	(425)	(16,975)
Balance as at April 30, 2017	<u>\$ -</u>	<u>\$ (8,859)</u>	<u>\$ (217,227)</u>	<u>\$ (86,651)</u>	<u>\$ (18,634)</u>	<u>\$ (331,371)</u>
Carrying value April 30, 2016	<u>\$ 3,525</u>	<u>\$ 11,801</u>	<u>\$ 188,269</u>	<u>\$ 33,251</u>	<u>\$ 3,857</u>	<u>\$ 240,703</u>
Carrying value April 30, 2017	<u>\$ 3,740</u>	<u>\$ 10,601</u>	<u>\$ 174,403</u>	<u>\$ 29,191</u>	<u>\$ 3,589</u>	<u>\$ 221,524</u>

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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, 2017 or 2016.

Capital expenditures were \$18,547 and \$16,789, respectively, for the years ended April 30, 2017 and 2016. The Company obtained direct financing of \$895 and \$4,664, respectively, for the years ended April 30, 2017 and 2016.

The carrying value of PP&E under finance leases for the year ended April 30, 2017 was \$5,647 (2016 - \$5,855).

8. GOODWILL

Changes in the goodwill balance were as follows:

	2017	2016
Opening balance	\$ 57,641	\$ 57,274
Effect of movement in exchange rates	791	367
Ending balance	<u>\$ 58,432</u>	<u>\$ 57,641</u>

Allocation of goodwill to CGUs

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

	2017	2016
Canada	\$ 48,548	\$ 48,548
U.S.	9,884	9,093
	<u>\$ 58,432</u>	<u>\$ 57,641</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 12.83% 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.

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 12.83% 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.

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8. GOODWILL (Continued)

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 been on average 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:

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Total</u>
Balance as at May 1, 2015	\$ 17,281	\$ (11,021)	\$ 6,260
Amortization	-	(3,265)	(3,265)
Effect of movement in exchange rates	236	(38)	198
Balance as at April 30, 2016	\$ 17,517	\$ (14,324)	\$ 3,193
Amortization	-	(2,625)	(2,625)
Effect of movement in exchange rates	120	(19)	101
Balance as at April 30, 2017	\$ 17,637	\$ (16,968)	\$ 669

Intangible assets consist of customer relationships/contracts.

10. DEMAND CREDIT FACILITIES

The Company has credit facilities available in Canada and the U.S. of \$29,094 bearing interest at the bank's prime lending rate plus 0.75% or the bankers' acceptance rate 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 credit facilities of \$2,622 for credit cards, with interest rates and repayments as per the cardholder agreement. As at April 30, 2017, the Company had utilized \$478 (2016 - \$439) of these lines for stand-by letters of credit.

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11. LONG-TERM DEBT

	<u>2017</u>	<u>2016</u>
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, secured by corporate guarantees of companies within the group, repaid during the current year.	\$ -	\$ 2,081
Term loan bearing interest at 5.9%, payable in monthly installments of \$83, unsecured, maturing in August 2021.	4,333	5,333
Term loans bearing interest at rates ranging from 0% to 9.50%, payable in monthly installments of \$230, secured by certain equipment, maturing through 2022.	3,502	4,810
	7,835	12,224
Current Portion	<u>3,291</u>	<u>5,288</u>
	<u>\$ 4,544</u>	<u>\$ 6,936</u>

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

2018	\$ 3,291
2019	1,955
2020	1,239
2021	1,009
2022	341
	<u>\$ 7,835</u>

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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:

	2017	2016
Loss before income tax	\$ (41,964)	\$ (41,586)
Statutory Canadian corporate income tax rate	27%	27%
Expected income tax recovery based on statutory rate	(11,330)	(11,228)
Non-recognition of tax benefits related to losses	4,272	7,079
Other foreign taxes paid	510	1,027
Rate variances in foreign jurisdictions	1,223	(452)
Permanent differences and other	4,550	7,095
	(775)	3,521
Adjustments recognized in the current year in relation to the current tax in prior years	875	178
Income tax expense recognized in net loss	<u>\$ 100</u>	<u>\$ 3,699</u>

The tax rate used for the 2017 and 2016 reconciliations herein is the effective federal and provincial Canadian corporate tax rate of 27%.

The movements in deferred income tax balances are as follows:

	2016	Tax Provision	Exchange	Reclassified	2017
Deferred tax assets related to non-capital losses	\$ 9,564	\$ 6,597	\$ 814	\$ 51	\$ 17,026
Deferred tax liabilities related to difference in tax and book basis	(20,662)	2,302	(2,082)	-	(20,442)
Net deferred tax liabilities	<u>\$ (11,098)</u>	<u>\$ 8,899</u>	<u>\$ (1,268)</u>	<u>\$ 51</u>	<u>\$ (3,416)</u>

Income tax expense recognized in net loss:

	2017	2016
Current tax		
Current tax expense in respect to the current year	\$ 8,124	\$ 8,474
Adjustments recognized in the current year in relation to the current tax of prior years	875	178
Deferred tax		
Deferred tax expense recognized in the current year	(8,899)	(4,953)
Income tax provision	<u>\$ 100</u>	<u>\$ 3,699</u>

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12. INCOME TAXES (Continued)

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 \$175,095 in non-capital losses of which \$77,334 is recognized to reduce future income taxes otherwise payable in foreign jurisdictions. These losses, if unused, will expire in the following calendar years: 2017 - \$1,985; 2018 - \$2,757; 2019 - \$3,309; 2020 - \$7,458; 2021 - \$3,272; 2022 - \$1,882; 2034 - \$11,555; 2035 - \$19,607; 2036 - \$14,272; 2037 - \$16,565; indefinite - \$92,433.

The Company has accumulated approximately \$6,810 (A\$6,668) 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 Consolidated Financial Statements.

The Company has approximately \$200,000 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.

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 was as follows:

	2017		2016	
	Number of shares	Share capital	Number of shares	Share capital
Opening balance	80,136,884	\$ 239,726	80,136,884	\$ 239,726
Exercise of stock options	3,000	25	-	-
Ending balance	80,139,884	\$ 239,751	80,136,884	\$ 239,726

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13. SHARE CAPITAL (Continued)

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 2016 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, 2017 and 2016, and of changes during those years, is presented below:

	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	4,253,908	\$ 9.09	3,841,508	\$ 9.49
Options granted	406,000	6.97	460,400	5.90
Options expired	(574,203)	7.55	(48,000)	10.32
Options exercised	(3,000)	6.87	-	-
Outstanding, end of year	<u>4,082,705</u>	9.09	<u>4,253,908</u>	9.09

The following table summarizes information on stock options outstanding as at April 30, 2017:

Range of exercise prices	Outstanding at April 30, 2017	Weighted average remaining life (years)	Weighted average exercise price	Exercisable at April 30, 2017	Weighted average exercise price
\$4.48 - \$9.16	2,668,502	4.34	\$ 7.27	1,908,535	\$ 7.50
\$10.98 - \$14.03	1,270,203	1.91	11.98	1,270,203	11.98
\$15.42 - \$19.72	144,000	1.39	17.52	144,000	17.52
	<u>4,082,705</u>	3.48	9.09	<u>3,322,738</u>	9.65

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:

	2017	2016
Risk-free interest rate	0.67%	0.98%
Expected life	5.8 years	5.7 years
Expected volatility (based on historical volatility)	42.2%	42.7%
Expected dividend yield	0.6%	0.8%

The weighted average grant date fair value of options granted during the year ended April 30, 2017 was \$2.62 (2016 - \$1.99). For the year ended April 30, 2017, the amount of compensation cost recognized in earnings and credited to share-based payments reserve was \$937 (2016 - \$1,083).

Notes to Consolidated Financial Statements

For the years ended April 30, 2017 and 2016
(in thousands of Canadian dollars, except per share information)

13. SHARE CAPITAL (Continued)

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 2016 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, 2017 and 2016:

	2017	2016
	Number of units	Number of units
Outstanding, beginning of year	79,754	71,749
DSUs issued during year	-	8,005
Outstanding, end of year	<u>79,754</u>	<u>79,754</u>

As at April 30, 2017, the total value of DSUs outstanding was \$604 (2016 - \$603).

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.

	2017	2016
Net loss	\$ (42,064)	\$ (45,285)
Weighted average shares outstanding (000's)	80,138	80,137
Net effect of dilutive securities:		
Stock options	44	-
Weighted average number of shares - diluted (000's)	80,182	80,137
Loss per share:		
Basic	\$ (0.52)	\$ (0.57)
Diluted	\$ (0.52)	\$ (0.57)

The calculation of diluted loss per share for the year ended April 30, 2017 and 2016 excludes the effect of 3,339,522 and 4,135,892 options, respectively, as they were anti-dilutive.

Notes to Consolidated Financial Statements

MAJOR

For the years ended April 30, 2017 and 2016

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

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 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, general and corporate expenses and income tax. Data relating to each of the Company's reportable segments is presented as follows:

	<u>2017</u>	<u>2016</u>
Revenue		
Canada - U.S.*	\$ 179,789	\$ 194,552
South and Central America	71,420	65,658
Asia and Africa	49,379	44,411
	<u>\$ 300,588</u>	<u>\$ 304,621</u>
Loss from operations		
Canada - U.S.	\$ (15,529)	\$ (4,306)
South and Central America	(11,375)	(9,675)
Asia and Africa	(7,165)	(17,658)
	<u>(34,069)</u>	<u>(31,639)</u>
Finance costs	331	554
General and corporate expenses**	7,564	9,393
Income tax	100	3,699
Net loss	<u>\$ (42,064)</u>	<u>\$ (45,285)</u>

*Canada - U.S. includes revenue in 2017 of \$83,992 (2016 - \$106,864) for Canadian operations.

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

Restructuring charges for the previous year, as detailed in note 18, are included in above figures as follows: Canada - U.S. \$106; South and Central America \$495; Asia and Africa \$6,844; and general and corporate expenses \$932.

	<u>2017</u>	<u>2016</u>
Capital expenditures		
Canada - U.S.	\$ 9,860	\$ 12,296
South and Central America	5,928	2,501
Asia and Africa	2,663	1,992
Unallocated and corporate assets	96	-
Total capital expenditures	<u>\$ 18,547</u>	<u>\$ 16,789</u>
Depreciation and amortization		
Canada - U.S.	\$ 28,457	\$ 27,975
South and Central America	12,876	12,614
Asia and Africa	8,325	11,299
Unallocated and corporate assets	1,922	1,079
Total depreciation and amortization	<u>\$ 51,580</u>	<u>\$ 52,967</u>

Notes to Consolidated Financial Statements

For the years ended April 30, 2017 and 2016
(in thousands of Canadian dollars, except per share information)

15. SEGMENTED INFORMATION (Continued)

	2017	2016
Identifiable assets		
Canada - U.S.*	\$ 216,391	\$ 223,606
South and Central America	151,894	138,961
Asia and Africa	99,850	95,554
Unallocated and corporate assets	26,435	45,180
Total identifiable assets	<u>\$ 494,570</u>	<u>\$ 503,301</u>

*Canada - U.S. includes property, plant and equipment in 2017 of \$57,689 (2016 - \$70,527) for Canadian operations.

16. ADDITIONAL INFORMATION TO THE STATEMENTS OF CASH FLOWS

Changes in non-cash operating working capital items:

	2017	2016
Trade and other receivables	\$ (12,499)	\$ 2,788
Inventories	(7,857)	5,047
Trade and other payables	13,259	961
Other items	(939)	481
	<u>\$ (8,036)</u>	<u>\$ 9,277</u>

17. BUSINESS ACQUISITION

During the year, the Company made the second payment on the contingent consideration arising out of the Taurus Drilling Services acquisition, for \$3,881 (2016 - \$1,783).

18. RESTRUCTURING CHARGE

During the previous year, due to ongoing market difficulties in the Republic of South Africa and Namibia, the Company decided to close its operations in those countries.

The costs related to these initiatives were recorded as part of the restructuring charge for a total of \$8,377, which included an impairment charge of \$4,379 relating to property, plant and equipment; a write-down of \$1,913 to reduce inventory to net realizable value; employee severance charges of \$823; other non-cash charges of \$262; and a charge of \$1,000 relating to the cost of winding down operations.

19. CONTINGENCIES

The Company is involved in various legal claims and legal notices arising in the ordinary course of business. The outcome of all the proceedings and claims against the Company is subject to future resolution and the uncertainties of litigation. Based on information currently known to the Company and after consultation with outside legal counsel, it is management's opinion that the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations, or cash flows. Any amounts awarded as a result of these actions will be reflected when known.

Notes to Consolidated Financial Statements

MAJOR

For the years ended April 30, 2017 and 2016
(in thousands of Canadian dollars, except per share information)

20. COMMITMENTS

The Company has a commitment for the purchase of equipment totaling \$372 with a delivery date early in fiscal 2018, as well as various commitments, primarily for rental of premises, with arms-length parties as follows: 2018 - \$1,481; 2019 - \$619; 2020 - \$562; 2021 - \$389; 2022 - \$335; thereafter \$184.

21. RELATED PARTY TRANSACTIONS

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

	2017	2016
Salaries, bonuses and fees	\$ 2,353	\$ 1,929
Post-employment benefits	-	39
Other long-term benefits	66	38
Share-based payments benefits	686	738
	<u>\$ 3,105</u>	<u>\$ 2,744</u>

22. DIVIDEND

During the previous year, the Company declared a dividend of \$0.02 per common share paid on November 2, 2015 to shareholders of record as of October 9, 2015.

23. CAPITAL MANAGEMENT

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

Total managed capital was as follows:

	2017	2016
Long-term debt	\$ 7,835	\$ 12,224
Share capital	239,751	239,726
Share-based payments reserve	19,250	18,317
Retained earnings	63,812	105,876
Cash	(25,975)	(50,228)
	<u>\$ 304,673</u>	<u>\$ 325,915</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.

Notes to Consolidated Financial Statements

*For the years ended April 30, 2017 and 2016
(in thousands of Canadian dollars, except per share information)*

23. CAPITAL MANAGEMENT (Continued)

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

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 2016.

24. 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.

Fair value

The carrying values of cash, trade and other receivables, demand credit facility and trade and other payables approximate their fair values due to the relatively short period to maturity of the instruments. The carrying value of long-term debt approximates its fair value. Contingent consideration is recorded at fair value and is classified as level 2 in accordance with the fair value hierarchy.

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

There were no transfers of amounts between level 1, level 2 and level 3 financial instruments for the year ended April 30, 2017. Additionally, there are no financial instruments classified as level 3.

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

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, 2017 was \$98,360 (2016 - \$106,057), representing total cash and trade and other receivables. As at April 30, 2017 and 2016, one customer represented more than 10% of total revenue. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

As at April 30, 2017, 87.3% (2016 - 85.9%) of the Company's trade receivables were aged as current and 1.4% (2016 - 7.2%) of the trade receivables were impaired.

Notes to Consolidated Financial Statements

MAJOR

For the years ended April 30, 2017 and 2016
(in thousands of Canadian dollars, except per share information)

24. FINANCIAL INSTRUMENTS (Continued)

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

	2017	2016
Opening balance	\$ 3,554	\$ 4,204
Increase in impairment allowance	668	1,315
Recovery of amounts previously impaired	(92)	(1,833)
Write-off charged against allowance	(3,374)	(206)
Foreign exchange translation differences	91	74
Ending balance	<u>\$ 847</u>	<u>\$ 3,554</u>

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.

As at April 30, 2017, 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, including the impact on earnings before income taxes ("EBIT"), if the corresponding rate changes by 10%, are as follows:

	Rate Variance	CFA/USD	PES/USD	USD/AUD	USD/CAD	Other
Net exposure on monetary assets		\$ 4,441	\$ 1,936	\$ 1,110	\$ (18,027)	\$ 512
EBIT impact	+/-10%	493	215	123	2,003	58

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.

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

	1 year	2-3 years	4-5 years	Total
Trade and other payables	\$ 48,359	\$ -	\$ -	\$ 48,359
Contingent consideration	5,135	-	-	5,135
Long-term debt (interest included)	3,428	3,333	1,429	8,190
	<u>\$ 56,922</u>	<u>\$ 3,333</u>	<u>\$ 1,429</u>	<u>\$ 61,684</u>

Historical Summary

2017 2016 2015 2014 2013 2012 2011 2010
(in millions of Canadian dollars, except per share information)

OPERATING SUMMARY

Revenue by region

Canada - U.S.	\$ 180	\$ 195	\$ 177	\$ 176	\$ 317	\$ 322	\$ 181	\$ 103
South and Central America	71	66	76	74	203	252	169	108
Australia, Asia and Africa	50	44	53	105	176	223	132	97
	301	305	306	355	696	797	482	308

Gross profit	60	70	66	104	220	251	120	74
as a percentage of revenue	20.0%	23.0%	21.6%	29.4%	31.7%	31.5%	25.0%	24.2%

General and administrative expenses

	45	44	45	50	64	58	41	33
as a percentage of revenue	15.0%	14.4%	14.7%	14.1%	9.2%	7.3%	8.5%	10.7%

Net (loss) earnings	(42)	(45)	(50)	(55)	52	90	28	-
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(Loss) earnings per share ⁽¹⁾

Basic	(0.52)	(0.57)	(0.62)	(0.70)	0.66	1.18	0.39	(0.01)
Diluted	(0.52)	(0.57)	(0.62)	(0.70)	0.65	1.16	0.38	(0.01)

EBITDA ⁽²⁾	11	20	13	44	143	174	73	36
per share ⁽¹⁾	0.13	0.25	0.17	0.56	1.80	2.26	1.02	0.51

Dividends paid	-	3	16	16	15	12	10	9
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Total net cash (net of debt)	18	38	30	46	39	(14)	(17)	6
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BALANCE SHEET SUMMARY

Cash, (net of demand loans)	26	50	45	70	82	37	16	30
Property, plant and equipment	222	241	277	307	340	318	235	211
Debt	8	12	15	24	44	51	33	24
Shareholders' equity	410	426	460	484	538	488	328	318

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

(1) All amounts re-stated to reflect 3 for 1 stock split in fiscal 2011.

(2) Non-GAAP measure: Earnings before interest, income taxes, depreciation, amortization. 2017 excludes \$0.7 million of contingent consideration true-up. 2016 excludes \$8.4 million of restructuring charges; 2015 - \$4.6 million; 2014 - \$20.5 million; 2013 - \$5.4 million; 2010 - \$1.2 million. 2014 excludes \$14.3 million of goodwill and intangible assets impairment; 2013 - \$3.3 million; 2010 - \$1.5 million. 2013 excludes \$2.0 million of gain on reversal of contingent consideration.

DIRECTORS

David Tennant (Chair)
Edward Breiner
Jean Desrosiers
Fred Dymont
David Fennell
Denis Larocque
Catherine McLeod-Seltzer
Janice Rennie
Jo Mark Zurel

OFFICERS

Denis Larocque
President & Chief Executive Officer

David Balsler
Chief Financial Officer

Larry Pisto
VP North American Operations

Kelly Johnson
*VP Latin American &
West African Operations*

Ben Graham
VP HR & Safety

Marc Landry
VP IT & Logistics

Andrew McLaughlin
*General Counsel &
Corporate Secretary*

TRANSFER AGENT

CST Trust Company

AUDITORS

Deloitte LLP

CORPORATE OFFICE

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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 8, 2017 at 3:00 pm Eastern

Groupe Forage

MAJOR

Drilling Group International Inc.

