MAJOR
Partners on the Ground

NEWS RELEASE

Major Drilling Reports First Quarter Results and Declares Dividend

MONCTON, New Brunswick (September 3, 2014) – Major Drilling Group International Inc. (TSX: MDI) today reported results for its first quarter of fiscal year 2015, ended July 31, 2014.

Highlights

In millions of Canadian dollars (except earnings per share)	Q1-15	Q1-14
Revenue	$67.6	$108.2
Gross profit	16.7	35.1
As percentage of sales	24.7%	32.5%
EBITDA(1)	4.8	19.6
As percentage of revenue	7.0%	18.1%
Net (loss) earnings	(7.3)	1.5
(Loss) earnings per share	(0.09)	0.02

(1) Earnings before interest, taxes, depreciation and amortization, excluding restructuring charges (see "non-gaap financial measures")

- Cash on hand at quarter-end was $65.5 million while total debt was $22.6 million, for a net cash position of $42.8 million.
- Major Drilling posted quarterly revenue of $67.6 million, down 38% from the $108.2 million recorded for the same quarter last year.
- Gross margin percentage for the quarter was 24.7%, compared to 32.5% for the corresponding period last year.
- General and Administrative costs are down 16% from the same quarter last year and 13% from the previous quarter three months ago.
- Net loss was $7.3 million or $0.09 per share for the quarter, compared to net earnings of $1.5 million or $0.02 per share for the prior year quarter.
- Completed acquisition of Taurus Drilling effective August 1st, 2014
- Employees worldwide have worked over 12 months and 6 million hours without a lost time injury.
- The Board of Directors has declared a semi-annual dividend of $0.10 per share to be paid on November 3, 2014.

"In the quarter, revenue and margins reflected the impact of the lowest pricing that we have seen in 15 years. As senior mining houses focus on cutting costs, they are more likely to defer specialized drilling projects, which are more expensive by nature. The Company, therefore, finds itself competing more often on a pure price basis, and management has to find the optimum balance between price and volume. Additionally, in a number of jurisdictions, uncertainty as to the policies of host governments or issues around land tenure continues to have an impact on activity levels," said Francis McGuire, President and CEO of Major Drilling. "With decreasing prices, our margins continue to be affected as we struggle to improve productivity beyond all the gains we have been able to make over the last 18 months. These levels of pricing are not sustainable beyond the medium term as it will affect the capacity of the industry to maintain the quality of its equipment. We should note that this quarter our margins were affected by higher than normal repair costs, as we continued to prepare rigs in order to be able to respond rapidly to any customer requests."

"Despite the difficult environment, Major Drilling remains debt free, with a net cash position of \$42.8 million at the end of the quarter. During the quarter our net cash decreased by \$3.7 million, as we paid our semi-annual dividend of \$7.9 million, which was offset by the sale of \$9.7 million in equipment in Australia as the Company exited that country. Capital expenditures for the quarter were \$7.1 million, as we purchased 2 rigs and added support equipment, while retiring 20 rigs, which included 15 rigs sold in Australia. This amount of capital expenditures is higher than usual, as the Company continued to diversify in energy, grade control and our new operation in Brazil. These initiatives should generate revenue in coming quarters. Subsequent to the end of the quarter the Company spent \$15 million in cash as part of the purchase price in relation to the Taurus acquisition. With this acquisition, which closed on August 1st, the Company added a new line of activity as well. We can now provide an even wider range of complimentary services, offering both underground production drilling as well as our existing underground core drilling."

"Due to the uncertainty around economic matters impacting the mining market, it is very difficult to predict customer behavior over the next twelve months, as senior customers are still very cautious about investing in future projects. In the immediate future, however, we will be adding revenue from the Taurus acquisition, and we are in a unique position to react quickly when the industry begins to recover as the Company's financial strength has allowed it to invest in safety and to maintain its equipment in excellent condition. For now the Company will continue to focus on cash generation by limiting capital expenditures as necessary, by reducing inventory and by closely managing costs. The Company continues to have a variable cost structure whereby most of its direct costs, including field staff, go up or down with contract revenue, and a large part of the Company's other expenses relates to variable incentive compensation based on the Company's profitability. Also, during the quarter, we have been able to reduce our general and administrative costs by \$1.7 million of which \$0.7 million relates to the closure of our Australian operations. As we did with Australia, we continually review the long-term viability of all our operations," said Mr. McGuire.

"As a result of the Taurus acquisition the Company has invested some of its cash in building for the future. We will continue to look to take advantage of the current market conditions by using our strong balance sheet to seek out strategic opportunities to further build our business. Based on our continuing strong balance sheet the Board of Directors has declared a semi-annual dividend of \$0.10 per common share, which will be paid on November 3, 2014 to shareholders of record as of October 10, 2014. This dividend is designated as an "eligible dividend" for Canadian tax purposes. The Board will continue to closely monitor the Company's balance sheet, and the market in general, in determining the optimal use of its cash resources between acquisitions, capital expenditures and dividends."

First quarter ended July 31, 2014

Total revenue for the quarter was $67.6 million, down 38% from revenue of $108.2 million recorded in the same quarter last year. Uncertainty around economic matters impacting the mining market caused some customers to delay or cancel their exploration drilling plans, which impacted the quarter's results compared to last year. In a number of jurisdictions, uncertainty as to the policies of host governments or issues of land tenure also had an impact on quarter results. Also, many junior customers have scaled back or suspended drilling activities as compared to last year.

Revenue for the quarter from Canada-U.S. drilling operations decreased by 32% to $36.4 million compared to the same period last year. All of the decrease came from Canada, as our U.S. operation was able to maintain its activity at the same levels as the corresponding quarter last year.

South and Central American revenue was down 35% to $14.1 million for the quarter, compared to the prior year quarter. All of the countries in this region, particularly Mexico, Chile and Argentina, were affected by a reduction in work by juniors and the cancellation or reduction of projects. Additionally, in Colombia, geopolitical factors have slowed exploration efforts of many mining companies. In Brazil, the Company had its first month of operations, although it is expected that it will take a few months to attain an adequate volume to become profitable.

Australian, Asian and African operations reported revenue of $17.0 million, down 49% from the same period last year. Three main factors affected the region's revenue: 1) Australia, where the Company has shut down operations, 2) Mongolia, which is affected by political uncertainty around mining laws, and 3) Mozambique, where the cancellation of one large project had a significant impact on that operation.

The overall gross margin percentage for the quarter was 24.7%, down from 32.5% for the same period last year. Margins continue to be affected by reduced pricing due to increased competitive pressures. As well, margins were affected by higher than normal repair costs this quarter, as the Company continued to prepare rigs in order to be able to respond rapidly to any customer requests.

General and administrative costs were down 16% from last year at $11.0 million for the quarter compared to $13.0 million in the same period last year. With the decrease in activity, the Company has reduced its general and administrative costs by implementing reductions of salaried employees, restructuring certain branches, and reducing management salaries. The Company continues to review the viability of all its operations.

Other expenses for the quarter were $0.9 million, down from $1.1 million in the prior year quarter, due primarily to lower incentive compensation expenses given the Company's decreased profitability, which was somewhat offset by higher bad debt provisions.

The Annual General Meeting of the shareholders of Major Drilling Group International Inc. will be held at The TMX Broadcast Centre, Gallery, The Exchange Tower, 130 King St. W., Toronto, Ontario, on Thursday, September 4, 2014 at 11:00 am EDT.

Non-GAAP Financial Measures

In this news release, the Company uses the non-GAAP financial measure, EBITDA excluding restructuring charges, goodwill and intangible impairment and gain on reversal of contingent consideration. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance of the Company. These measures do not have a standardized meaning prescribed by GAAP and therefore they 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.

Forward-Looking Statements

Some of the statements contained in this press release may be forward-looking statements, such as, but not limited to, those relating to worldwide demand for gold and base metals and overall commodity prices, the level of activity in the minerals and metals industry and the demand for the Company's services, the Canadian and international economic environments, the Company's ability to attract and retain customers and to manage its assets and operating costs, sources of funding for its clients, particularly for junior mining companies, competitive pressures, currency movements, which can affect the Company's revenue in Canadian dollars, the geographic distribution of the Company's operations, the impact of operational changes, changes in jurisdictions in which the Company operates (including changes in regulation), failure by counterparties to fulfill contractual obligations, and other factors as may be set forth, as well as objectives or goals, and including words to the effect that the Company or management expects a stated condition to exist or occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements by reason of factors such as, but not limited to, the factors set out in the discussion on pages 15 to 18 of the 2014 Annual Report entitled "General Risks and Uncertainties", and such other documents as available on SEDAR at www.sedar.com. All such factors should be considered carefully when making decisions with respect to the Company. The Company does not undertake to update any forward-looking statements, including those statements that are incorporated by reference herein, whether written or oral, that may be made from time to time by or on its behalf, except in accordance with applicable securities laws.

Based in Moncton, New Brunswick, Major Drilling Group International Inc. is one of the world's largest metals and minerals contract drilling services companies. To support its customers' mining operations, mineral exploration and environmental activities, Major Drilling maintains field operations and offices in Canada, the United States, Mexico, South America, Asia, and Africa.

Financial statements are attached.

Major Drilling will provide a simultaneous webcast of its quarterly conference call on ***Thursday, September 4, 2014 at 9:00 AM (EDT).*** *To access the webcast please go to the investors/webcast section of Major Drilling's website at www.majordrilling.com and click the attached link, or go directly to the CNW Group website at www.newswire.ca for directions. Participants will require*

Windows MediaPlayer, which can be downloaded prior to accessing the call. Please note that this is listen only mode.

-- 30 --

For further information:
Denis Larocque, Chief Financial Officer
Tel: (506) 857-8636
Fax: (506) 857-9211
ir@majordrilling.com

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

	Three months ended July 31 (unaudited)	
	2014	2013
TOTAL REVENUE	**$ 67,551**	$ 108,211
DIRECT COSTS	**50,884**	73,089
GROSS PROFIT	**16,667**	35,122
OPERATING EXPENSES		
General and administrative	**10,979**	13,047
Other expenses	**871**	1,065
(Gain) loss on disposal of property, plant and equipment	**(15)**	170
Foreign exchange loss	**73**	1,224
Finance costs	**204**	314
Depreciation of property, plant and equipment	**13,353**	13,175
Amortization of intangible assets	**321**	342
Restructuring charge	**591**	2,034
	26,377	31,371
(LOSS) EARNINGS BEFORE INCOME TAX	**(9,710)**	3,751
INCOME TAX - PROVISION (RECOVERY) (note 7)		
Current	**328**	3,791
Deferred	**(2,707)**	(1,562)
	(2,379)	2,229
NET (LOSS) EARNINGS	**$ (7,331)**	$ 1,522
(LOSS) EARNINGS PER SHARE (note 8)		
Basic	**$ (0.09)**	$ 0.02
Diluted	**$ (0.09)**	$ 0.02

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Comprehensive (Loss) Earnings

(in thousands of Canadian dollars)

	Three months ended July 31 (unaudited)	
	2014	2013
NET (LOSS) EARNINGS	**$ (7,331)**	$ 1,522
OTHER COMPREHENSIVE LOSS		
Items that may be reclassified subsequently to profit or loss		
Unrealized loss on foreign currency translations (net of tax)	**(2,500)**	(5,097)
COMPREHENSIVE LOSS	**$ (9,831)**	$ (3,575)

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Changes in Equity
For the three months ended July 31, 2013 and 2014
(in thousands of Canadian dollars)
(unaudited)

	Share capital	Share-based payments reserve	Retained earnings	Foreign currency translation reserve	Total
BALANCE AS AT MAY 1, 2013	$ 230,985	$ 14,204	$ 283,088	$ 10,052	$ 538,329
Share-based payments reserve	-	530	-	-	530
	230,985	14,734	283,088	10,052	538,859
Comprehensive loss:					
Net earnings	-	-	1,522	-	1,522
Unrealized loss on foreign currency translations	-	-	-	(5,097)	(5,097)
Total comprehensive loss	-	-	1,522	(5,097)	(3,575)
BALANCE AS AT JULY 31, 2013	$ 230,985	$ 14,734	$ 284,610	$ 4,955	$ 535,284
BALANCE AS AT MAY 1, 2014	**$ 230,985**	**$ 15,937**	**$ 211,945**	**$ 25,480**	**$ 484,347**
Exercise of stock options	**12**	**(3)**	**-**	**-**	**9**
Share-based payments reserve	**-**	**355**	**-**	**-**	**355**
	230,997	**16,289**	**211,945**	**25,480**	**484,711**
Comprehensive loss:					
Net loss	**-**	**-**	**(7,331)**	**-**	**(7,331)**
Unrealized loss on foreign currency translations	**-**	**-**	**-**	**(2,500)**	**(2,500)**
Total comprehensive loss	**-**	**-**	**(7,331)**	**(2,500)**	**(9,831)**
BALANCE AS AT JULY 31, 2014	**$ 230,997**	**$ 16,289**	**$ 204,614**	**$ 22,980**	**$ 474,880**

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

	Three months ended July 31 (unaudited)	
	2014	2013
OPERATING ACTIVITIES		
(Loss) earnings before income tax	**$ (9,710)**	$ 3,751
Operating items not involving cash		
Depreciation and amortization	**13,674**	13,517
(Gain) loss on disposal of property, plant and equipment	**(15)**	170
Share-based payments reserve	**355**	530
Restructuring charge	**-**	665
Finance costs recognized in (loss) earnings before income tax	**204**	314
	4,508	18,947
Changes in non-cash operating working capital items	**(1,195)**	(9,576)
Finance costs paid	**(201)**	(310)
Income taxes paid	**(2,200)**	(6,351)
Cash flow from operating activities	**912**	2,710
FINANCING ACTIVITIES		
Repayment of demand loan	**(3,354)**	-
Repayment of long-term debt	**(1,739)**	(13,066)
Issuance of common shares	**9**	-
Dividends paid	**(7,916)**	(7,916)
Cash flow used in financing activities	**(13,000)**	(20,982)
INVESTING ACTIVITIES		
Payment of consideration for previous business acquisition	**-**	(205)
Acquisition of property, plant and equipment (note 6)	**(7,145)**	(5,204)
Proceeds from disposal of property, plant and equipment	**10,634**	1,816
Cash flow from (used in) investing activities	**3,489**	(3,593)
Effect of exchange rate changes	**(170)**	613
DECREASE IN CASH	**(8,769)**	(21,252)
CASH, BEGINNING OF THE PERIOD	**74,244**	82,311
CASH, END OF THE PERIOD	**$ 65,475**	$ 61,059

Major Drilling Group International Inc.
Interim Condensed Consolidated Balance Sheets
As at July 31, 2014 and April 30, 2014
(in thousands of Canadian dollars)
(unaudited)

	July 31, 2014	April 30, 2014
ASSETS		
CURRENT ASSETS		
Cash	$ 65,475	$ 74,244
Trade and other receivables	58,207	66,211
Income tax receivable	11,613	12,179
Inventories	79,979	81,308
Prepaid expenses	5,892	4,690
	221,166	238,632
PROPERTY, PLANT AND EQUIPMENT	288,944	307,288
DEFERRED INCOME TAX ASSETS	6,491	5,825
GOODWILL	38,056	38,056
INTANGIBLE ASSETS	1,603	1,923
	$ 556,260	$ 591,724
LIABILITIES		
CURRENT LIABILITIES		
Demand loan	$ 535	$ 3,909
Trade and other payables	35,883	52,155
Income tax payable	972	3,416
Current portion of long-term debt	9,294	9,655
	46,684	69,135
LONG-TERM DEBT	12,811	14,187
DEFERRED INCOME TAX LIABILITIES	21,885	24,055
	81,380	107,377
SHAREHOLDERS' EQUITY		
Share capital	230,997	230,985
Share-based payments reserve	16,289	15,937
Retained earnings	204,614	211,945
Foreign currency translation reserve	22,980	25,480
	474,880	484,347
	$ 556,260	$ 591,724

1. NATURE OF ACTIVITIES

Major Drilling Group International Inc. (the "Company") is incorporated under the Canada Business Corporations Act and has its head office at 111 St. George Street, Suite 100, Moncton, NB, Canada. The Company's common shares are listed on the Toronto Stock Exchange ("TSX"). The principal source of revenue consists of contract drilling for companies primarily involved in mining and mineral exploration. The Company has operations in Canada, the United States, Mexico, South America, Asia and Africa.

2. BASIS OF PRESENTATION

Statement of compliance

These Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies as outlined in the Company's annual Consolidated Financial Statements for the year ended April 30, 2014.

On August 29, 2014 the Board of Directors authorized the financial statements for issue.

Basis of consolidation

These Interim Condensed Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statements of Operations from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

Basis of preparation

These Interim Condensed Consolidated Financial Statements have been prepared based on the historical cost basis except for certain financial instruments that are measured at fair value, using the same accounting policies and methods of computation as presented in the Company's annual Consolidated Financial Statements for the year ended April 30, 2014, with the exception of the impact of certain amendments to accounting standards or new interpretations issued by the IASB, which were applicable for fiscal years beginning on or after January 1, 2014.

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:

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

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

IFRS 9 *(as amended in 2010) Financial Instruments*
IFRS 11 *(amended) Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
IFRS 15 *Revenue from Contracts with Customers*
IAS 16 *(amended) Property, Plant and Equipment*
IAS 38 *(amended) Intangible Assets*

The Company is currently in the process of assessing the impact of the adoption of these standards on the Consolidated Financial Statements.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The preparation of financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may 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 property, plant and equipment for amortization purposes, property, plant and equipment 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 impairment testing of goodwill and intangible assets.

The Company applied judgment in determining the functional currency of the Company and its subsidiaries, the determination of cash generating units ("CGUs"), the degree of componentization of property, plant and equipment, and the recognition of provisions and accrued liabilities.

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

5. SEASONALITY OF OPERATIONS

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

6. PROPERTY PLANT & EQUIPMENT

Capital expenditures for the three months ended July 31, 2014 were $7,145 (2013 - $5,204). The Company did not obtain direct financing in either quarter.

7. INCOME TAXES

The income tax expense for the period can be reconciled to accounting profit as follows:

	Q1 2015	Q1 2014
(Loss) earnings before income tax	**$ (9,710)**	$ 3,751
Statutory Canadian corporate income tax rate	**27%**	28%
Expected income tax expense based on statutory rate	**$ (2,622)**	$ 1,050
Non-recognition of tax benefits related to losses	**750**	76
Other foreign taxes paid	**94**	125
Rate variances in foreign jurisdictions	**(257)**	454
Other	**(344)**	524
	$ (2,379)	$ 2,229

The Company periodically assesses its liabilities and contingencies for all tax years open to audit based upon the latest information available. For those matters where it is probable that an adjustment will be made, the Company records its best estimate of these tax liabilities, including related interest charges. Inherent uncertainties exist in estimates of tax contingencies due to changes in tax laws. While management believes they have adequately provided for the probable outcome of these matters, future results may include favorable or unfavorable adjustments to these estimated tax liabilities in the period the assessments are made, or resolved, or when the statutes of limitations lapse.

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

8. (LOSS) EARNINGS PER SHARE

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

	Q1 2015	Q1 2014
Net (loss) earnings for the period	**$ (7,331)**	$ 1,522
Weighted average common shares outstanding – basic (000's)	**79,162**	79,161
Net effect of dilutive securities:		
Stock options (000's)	**-**	31
Weighted average common shares – diluted (000's)	**79,162**	79,192
(Loss) earnings per share:		
Basic	**$ (0.09)**	$ 0.02
Diluted	**$ (0.09)**	$ 0.02

The calculation of the diluted (loss) earnings per share for the three months ended July 31, 2014 excludes the effect of 1,956,271 options (2013 - 2,815,212) as they were anti-dilutive.

The total number of shares outstanding on July 31, 2014 was 79,163,388 (2013 – 79,161,378).

9. SEGMENTED INFORMATION

The Company's operations are divided into three geographic segments corresponding to its management structure, Canada - U.S., South and Central America, and Australia, Asia and Africa. The services provided in each of the reportable segments are essentially the same. The accounting policies of the segments are the same as those described in the Company's annual Consolidated Financial Statements for the year ended April 30, 2014. Management evaluates performance based on (loss) earnings from operations in these three geographic segments before finance costs, general corporate expenses and income taxes. Data relating to each of the Company's reportable segments is presented as follows:

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

9. SEGMENTED INFORMATION (Continued)

	Q1 2015	Q1 2014
Revenue		
Canada – U.S.	**$ 36,419**	$ 53,367
South and Central America	**14,105**	21,738
Australia, Asia and Africa	**17,027**	33,106
	$ 67,551	$ 108,211
(Loss) earnings from operations		
Canada – U.S.	**$ (613)**	$ 7,363
South and Central America	**(4,718)**	(2,087)
Australia, Asia and Africa	**(2,282)**	1,447
	(7,613)	6,723
Eliminations	**-**	(152)
	(7,613)	6,571
Finance costs	**204**	314
General corporate expenses*	**1,893**	2,506
Income tax	**(2,379)**	2,229
Net (loss) earnings	**$ (7,331)**	$ 1,522

*General and corporate expenses include expenses for corporate offices and stock options.

Canada – U.S. includes revenue for the period ended July 31, 2014 of $22,450 (July 31, 2013 - $38,345) for Canadian operations.

	Q1 2015	Q1 2014
Depreciation and amortization		
Canada – U.S.	**$ 6,043**	$ 5,809
South and Central America	**3,654**	3,014
Australia, Asia and Africa	**3,605**	4,123
Unallocated corporate assets	**372**	571
Total depreciation and amortization	**$ 13,674**	$ 13,517

	July 31, 2014	April 30, 2014
Identifiable assets		
Canada – U.S.	**$ 210,093**	$ 197,673
South and Central America	**163,653**	178,026
Australia, Asia and Africa	**130,627**	148,806
	504,373	524,505
Unallocated and corporate assets	**51,887**	67,219
	$ 556,260	$ 591,724

Canada – U.S. includes property, plant and equipment at July 31, 2014 of $86,995 (April 30, 2014 - $88,347) for Canadian operations.

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

10. FINANCIAL INSTRUMENTS

Fair value

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

	July 31, 2014	April 30, 2014
Long-term debt	**$ 22,105**	$ 23,842

During the period, certain covenants were not met under the debt agreement. Due to the level of EBITDA this quarter the debt service ratio of 1.5 to 1 was not met (actual 1.33 to 1). The debt continues to be presented as long-term, consistent with the debt agreement, as the lenders have provided a waiver and the Company's cash position is three times the amount of its debt.

Credit risk

As at July 31, 2014, 81.1% of the Company's trade receivables were aged as current (April 30, 2014 - 79.8%) and 5.9% of the trade receivables were impaired (April 30, 2014 - 5.1%).

The movement in the allowance for impairment of trade receivables during the three month periods were as follows:

	July 31, 2014	July 31, 2013
Opening balance	**$ 3,016**	$ 2,790
Increase in impairment allowance	**588**	203
Write-off charged against allowance	**(742)**	-
Foreign exchange translation differences	**4**	(41)
Ending balance	**$ 2,866**	$ 2,952

Foreign currency risk

The carrying amounts of net monetary assets that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; (ii) cause foreign exchange rate exposure; and (iii) may include intercompany balances with other subsidiaries, is US $430 as of July 31, 2014.

If the Canadian dollar moved by plus or minus 10% at July 31, 2014, the unrealized foreign exchange gain or loss recognized in net (loss) earnings would move by approximately US $43.

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

10. FINANCIAL INSTRUMENTS (Continued)

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

	1 year	2-3 years	4-5 years	thereafter	Total
Demand loan	$ 535	$ -	$ -	$ -	$ 535
Trade and other payables	35,883	-	-	-	35,883
Long-term debt	9,904	8,956	2,213	2,206	23,279
	$ 46,322	$ 8,956	$ 2,213	$ 2,206	$ 59,697

11. SUBSEQUENT EVENT

On August 1, 2014, the Company entered into the underground percussive/longhole drilling sector with its purchase of the operations of Taurus Drilling Services, based in Canada and the United States.

Through this purchase, which fits with the Company's strategic focus on specialized drilling, the Company acquired 39 underground drill rigs. In addition to the rigs, this acquisition involved support equipment and inventory, existing contracts and receivables, the operation's management team, and other employees, including experienced drillers.

Over the past 12 months the operations of Taurus have produced revenue of approximately $38 million.

Goodwill arising from this acquisition will be the excess of the total consideration paid over the fair market value of the net assets acquired and amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Taurus and Major.

The purchase price for the transaction was $28.9 million (consisting of $15.9 million in cash, $8.7 million in Major Drilling shares, and $4.3 million in assumption of debt), and an additional maximum amount of $11.5 million tied to performance. The additional payout period extends for three years, commencing on August 1, 2014, and payments are contingent on growing EBITDA run rates above current levels.

As the Company's process of valuing the assets acquired is ongoing, valuation of equipment, inventory, receivables, goodwill, intangible assets and the range of possible outcomes of contingent consideration, is currently in the preliminary stages.