MAJOR Drilling

2019
ANNUAL REPORT

Corporate Profile

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

Major Drilling maintains field operations and offices in Canada, the United States, Mexico, South America, Asia, Africa and Europe. Major Drilling provides a complete suite of drilling services including surface and underground coring, directional, reverse circulation, sonic, geotechnical, environmental, water-well, coal-bed methane, shallow gas, underground percussive/longhole drilling, surface drill and blast, and a variety of mine services.

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. 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 fleet with innovation and expand our footprint in strategic areas.

Major Drilling's common shares trade on the Toronto Stock Exchange under the symbol MDI.

Index

Message to Shareholders 2
Management's Discussion and Analysis 3
Management's Responsibility 20
Independent Auditor's Report 21
Consolidated Statements of Operations 23
Consolidated Statements of Comprehensive Loss 23
Consolidated Statements of Changes in Equity 24
Consolidated Statements of Cash Flows 25
Consolidated Balance Sheets 26
Notes to Consolidated Financial Statements 27
Historical Summary 49
Shareholder Information 50

Message to Shareholders

Fiscal 2019 was a year of continuous improvement at Major Drilling as we recorded our highest revenue since fiscal 2013 and a 60% increase in EBITDA, evidencing the turnaround in mineral exploration. We continue to have one of the most robust balance sheets in the industry, with net cash remaining strong at $10 million.

As the industry enters the early stages of recovery, there has been renewed activity with mergers and acquisitions among senior mining companies. Financing for junior mining companies continues to be challenging, although there has been an increase in activity during the past few months. Depleting reserves and projected commodity deficits should result in an increase in mineral drilling going forward.

As we search for drilling solutions for a better future, innovation has moved to the forefront at Major Drilling. We are particularly pleased with our progression during the year with innovation towards increased productivity, safety, and meeting customers' demands. We combine our collective experience to seek solutions for complex drilling problems. By incorporating impactful technologies, paired with a commitment to environmental and social responsibility, Major Drilling is positioned to remain a leader in the drilling services field as mine discovery and development evolve.

Major Drilling has remained strong and stable during this latest prolonged downturn. Our business strategy remains unchanged and we are focused on the fundamentals needed to achieve our vision. As the industry moves forward into a more promising future, we will continue to focus on dominating specialized drilling, by leveraging our main competitive advantages: skilled personnel, specialized equipment, robust safety systems, long-standing relationships with the world's largest mining companies and access to capital.

We extend our sincere appreciation to our 3,000 dedicated employees, as they are why Major Drilling is the leader in our field. We also take this opportunity to acknowledge our customers' trust and support.

Finally, we would like to express our appreciation to our shareholders, for your continued support as we move out of the industry down cycle and we look forward to the coming year.

"David Tennant"	*"Denis Larocque"*
David Tennant	Denis Larocque
Chair of the Board	President & Chief Executive Officer

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A"), prepared as of June 6, 2019, should be read together with the audited financial statements for the year ended April 30, 2019 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

Securities laws encourage companies to disclose forward-looking information in order for investors to have a better understanding of the Company's future prospects and make informed investment decisions.

This MD&A contains statements that may constitute 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 risks; corruption, bribery or fraud by employees or agents; climate change risk; shortage of specialized skills and cost of labour increases; equipment and parts availability; reputational risk; cybersecurity risk; market price and dilution of common shares; and environmental, health and safety regulations and considerations. These factors and other risk factors, as described under "General Risks and Uncertainties" in this MD&A, 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. Established in 1980, Major Drilling has over 1,000 years of combined experience within its management team alone. The Company maintains field operations and offices in Canada, the United States, Mexico, South America, Asia, Africa and Europe. Major Drilling provides a complete suite of drilling services including surface and underground coring, directional, reverse circulation, sonic, geotechnical, environmental, water-well, coal-bed methane, shallow gas, underground percussive/longhole drilling, surface drill and blast, and a variety of mine services.

At Major Drilling, safety is a core value. Keeping people safe is of the utmost importance. The Company's safety standards lead the industry with well-trained crews who can quickly assess and manage risk, leading to better results for the Company's clients. The Company's safety system has been developed to meet or exceed all applicable government and client standards.

Innovation has moved to the forefront at Major Drilling as the Company searches for drilling solutions for a better future. The Company leverages its collective experience to seek solutions for complex drilling problems. By incorporating impactful technologies, paired with a commitment to environmental and social responsibility, Major Drilling is positioned to remain a leader in the drilling services field as mine discovery and development evolve.

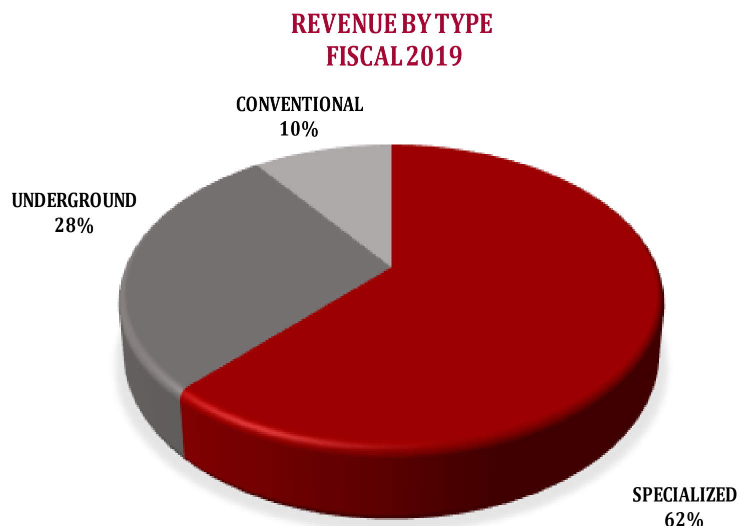
BUSINESS STRATEGY

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, and become the world leader in these "specialized drilling" projects. 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 modernizing and innovating its fleet and expanding 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 continue its diversification strategy within the drilling field by investing in underground and mine services that are complementary to its existing skill set.

Major Drilling categorizes its mineral drilling services into three types: specialized drilling, conventional drilling and underground drilling.

Specialized drilling can be defined as any drilling project that, by virtue of its scope, technical complexity or location, creates significant barriers to entry for smaller drilling companies. This 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 the Company believes these skills will be in greater and greater demand over the next two decades.



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.

Management's Discussion and Analysis

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

Major Drilling delivers quality, safety and results on even the toughest sites through the Company's extensive knowledge and experience, focus on safety, and commitment to meeting the local needs of every customer. With the best people on the ground and a diversified drilling fleet, the Company partners with its customers and local communities for outstanding results.

The Company operates on 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.

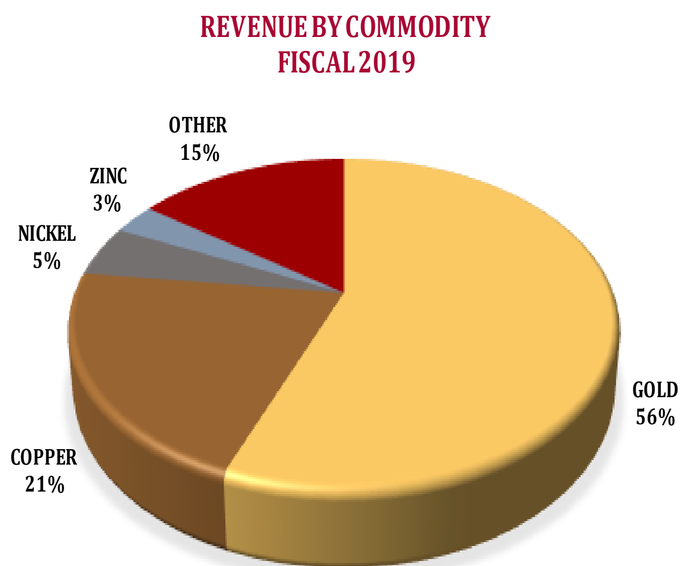
A key part of the Company's strategy is to maintain a strong balance sheet. As the industry appears to be in the early stages of the cyclical recovery, the Company is in a unique position to react quickly to meet its customer's needs. Its financial strength allows the Company to invest in safety and continuous improvement initiatives, to retain key employees and to maintain its equipment in good condition.

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 historically been a significant driver in the mining industry, accounting for 40 to 50% of the global exploration spend. Exploration activity generally varies up or down with the trend in gold prices. The price of gold hit its peak in 2011, and has stabilized following its five-year low in 2015. The recent mergers and acquisitions in the industry have generated a renewed interest in the mining sector.

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. As these markets continue to urbanize, the requirement for base metals will continue to increase at the same time as 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, however at this point in time, the industry appears to be in the early stages of recovery. With the challenging financing environment for juniors, and seniors focused on merger and acquisition activity, mineral reserves for gold and base metals continue to be depleted. Management believes that the current level of drilling budgets for senior and intermediate companies are not sustainable in the long-term, given depleting reserves and projected commodity deficits.

OVERALL PERFORMANCE

Revenue for the fiscal year ended April 30, 2019 was $384.8 million, up 12% from revenue of $342.3 million recorded in the prior year. Despite the volatility in commodity prices during the year, activity levels continued to grow resulting in the Company's highest annual revenue since 2013.

Gross margin percentage for the year was 23.6%, up from 21.7% for the previous year. As the industry moves into the early stages of recovery and faces a shortage of skilled drill crews, the Company has focused on maximizing its skilled labour force by concentrating on specialized services.

During the year, the Company recorded a restructuring charge of $7.9 million, primarily relating to the decision to close its operations in Burkina Faso, based on the fact that this branch required significant additional investment to reach an acceptable return on investment, at a time when political and security risks were increasing in that country. Additional restructuring charges were incurred as the Company rationalized operations and adjusted staffing levels to local market conditions in various countries. Also, the Company wrote down $1.2 million in deferred tax assets (recorded in its deferred tax expense) related to Burkina Faso.

Net loss was $18.1 million or $0.23 per share compared to a net loss of $22.5 million or $0.28 per share for the previous year. Earnings before interest, taxes, depreciation and amortization, excluding restructuring charge ("EBITDA" - see "Non-GAAP financial measure") increased by almost 60% to $39.2 million in the current year versus $24.7 million for the previous year.

Demand for the Company's services continued to grow in all regions during the year as most senior mining companies continued working to replace their mineral reserves. The Company's strong operational leverage was evidenced as revenue growth of 12%, combined with improved margins and reduced general and administrative expenses, translated into an almost 60% increase in EBITDA.

SELECTED ANNUAL INFORMATION

Years ended April 30 (in millions of Canadian dollars, except per share information)		**2019**		2018		2017
Revenue by region						
Canada - U.S.	**$**	**196**	$	185	$	180
South and Central America		**108**		94		71
Asia and Africa		**81**		63		50
		385		342		301
Gross profit		**91**		74		60
as a percentage of revenue		**23.6%**		21.7%		20.0%
Net loss		**(18)**		(22)		(42)
per share (basic and diluted)	**$**	**(0.23)**	$	(0.28)	$	(0.52)
Total assets		**461**		467		495
Total long-term debt		**17**		19		8

Management's Discussion and Analysis

RESULTS OF OPERATIONS

FISCAL 2019 COMPARED TO FISCAL 2018

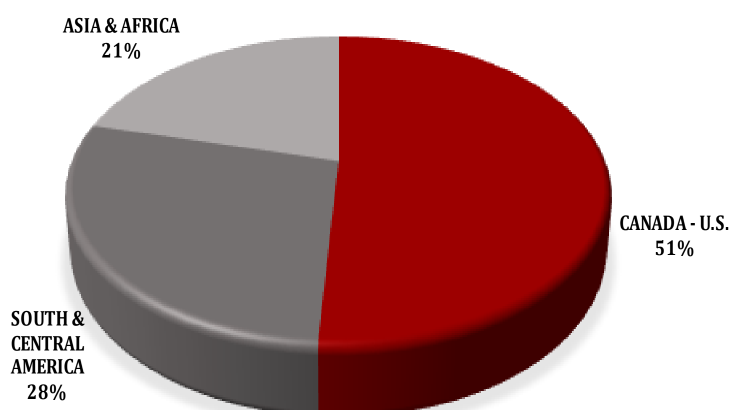
Revenue for the fiscal year ended April 30, 2019 was up 12% at $385 million, compared to revenue of $342 million recorded in the prior year. Activity levels continued to grow across all regions resulting in the Company's highest annual revenue since 2013.

Gross margin percentage for the year was 23.6%, up from 21.7% for the previous year. As the industry moves into the early stages of recovery and faces a shortage of skilled drill crews, the Company has focused on maximizing its skilled labour force by concentrating on specialized services.

Canada - U.S.

Canada - U.S. revenue increased by 5% to $196 million, compared to $185 million last year. The increase in activity came from both coring and percussive operations in the region.

Gross margins in Canada - U.S. were up compared to last year, as the focus on specialized work in the Canadian operations led to increases in the last quarter.



South and Central America

Revenue in South and Central America increased by 15% to $108 million, compared to $94 million for the prior year. Increased activity levels in Mexico, the Guiana Shield, and Brazil were offset by reductions in Argentina.

Gross margins in the region were down slightly compared to last year as the Company dealt with the challenging and competitive environment in Chile.

Asia and Africa

Revenue in Asia and Africa increased 29% to $81 million from $63 million in the prior year. Increased activity levels came predominantly from Indonesia, South Africa and the Philippines, offset by the closure of the Burkina Faso operations.

Gross margins for the region were up slightly year-over-year, led by strong performance in Indonesia.

Operating expenses

General and administrative costs were down at $46.6 million (12.1% of revenue), compared to $47.7 million (13.9% of revenue) in the prior year, resulting from on-going efforts to control costs in the early phase of the upturn.

Other expenses were $4.2 million for the year, compared to $3.5 million for the prior year.

Depreciation and amortization expense was $40.9 million for the year, compared to $48.2 million in the previous year, as the result of reduced capital expenditures during the recent industry downturn.

The Company recorded a restructuring charge during the current year of $7.9 million, primarily relating to the decision to close its operations in Burkina Faso. Additional restructuring charges were incurred as the Company rationalized operations and adjusted staffing levels to local market conditions in various countries. The restructuring charges consist of a non-cash write-down of assets of $7.3 million related to VAT receivable write-off and impairment charges relating to property, plant and equipment and inventory, as well as net cash charges of $0.6 million for severance, moving costs and lease termination.

Income tax expense for the year was $7.7 million, compared to a recovery of $1.8 million for the prior year. The tax expense for the current year included a write-down of $1.2 million in deferred tax assets related to Burkina Faso. Also, the tax expense for the current year was impacted by non-deductible expenses and non-tax affected losses in certain regions, while incurring taxes in profitable branches. In the previous year, tax recovery benefitted from a one-time favourable adjustment of $1.6 million due to a reduction of the U.S. federal corporate tax rate.

Net loss for the year was $18.1 million or $0.23 per share ($0.23 per share diluted), compared to a net loss of $22.5 million or $0.28 per share ($0.28 per share diluted) for the prior year.

SUMMARY ANALYSIS FISCAL 2018 COMPARED TO FISCAL 2017

Revenue for the fiscal year ended April 30, 2018 increased for the first time since fiscal 2012, at $342 million, an increase of 14% from revenue of $301 million recorded in the prior year. The Company experienced growth across most regions, with activity levels gradually increasing month-to-month, as gold producers increased exploration budgets from the prior year. South and Central America led the growth, followed by Asia and Africa.

Gross margin percentage for the year was 21.7%, up from 20.0% for the previous year. Prices for drilling services improved, although these improvements were offset somewhat by increased labour, mobilization and repair costs, typical in a ramp-up environment.

The increase in both revenue and margins resulted in a net loss of $22 million or $0.28 per share compared to a net loss of $42 million or $0.52 per share for the previous year. EBITDA more than doubled to $25 million from $11 million for the previous year.

SUMMARY OF QUARTERLY RESULTS

(in $000s CAD, except per share)	*Fiscal 2018*				***Fiscal 2019***			
	Q1	Q2	Q3	Q4	**Q1**	**Q2**	**Q3**	**Q4**
Revenue	$ 83,952	$ 87,992	$ 74,970	$ 95,412	**$ 98,485**	**$105,501**	**$ 80,439**	**$100,397**
Gross profit	16,767	21,177	13,193	23,146	**23,400**	**28,931**	**15,625**	**23,042**
Gross margin	20.0%	24.1%	17.6%	24.3%	**23.8%**	**27.4%**	**19.4%**	**23.0%**
Net (loss) earnings	(6,890)	(2,722)	(8,494)	(4,346)	**(2,482)**	**3,261**	**(15,906)**	**(2,957)**
Per share - basic	(0.09)	(0.03)	(0.11)	(0.05)	**(0.03)**	**0.04**	**(0.20)**	**(0.04)**
Per share - diluted	(0.09)	(0.03)	(0.11)	(0.05)	**(0.03)**	**0.04**	**(0.20)**	**(0.04)**

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, 2019

Total revenue for the quarter was $100.4 million, up 5% from revenue of $95.4 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 $2 million on revenue, with a negligible impact on net earnings.

Revenue for the quarter from Canada - U.S. drilling operations increased by 12% to $51.0 million, compared to the same period last year, with all of the increase coming from the U.S. operations. During the quarter the Company incurred a one-time charge of $2.7 million related to a difficult project in Canada, however, the Company's increased focus on specialized projects yielded improved margins compared to the same period last year.

South and Central American revenue decreased by 14% to $28.0 million for the quarter, compared to the same quarter last year. Modest activity increases in Mexico, the Guiana Shield and Brazil were offset by decreases in Argentina, Chile and Colombia.

Asian and African operations reported revenue of $21.4 million, up 23% from the same period last year. Despite the shutdown of operations in Burkina Faso, the region saw substantial growth driven by Indonesia and South Africa.

The overall gross margin percentage for the quarter was 23.0%, compared to 24.3% for the same period last year. The quarter started off slowly in February with delayed startups and weather issues, however rebounded near the end of the quarter.

General and administrative costs were $11.1 million, a decrease of $1.1 million compared to the same quarter last year, despite a higher volume of activity. The decrease was driven by the shutdown of operations in Burkina Faso as well as other restructuring initiatives in various countries.

Depreciation and amortization decreased by $2.0 million to $9.8 million, the result of reduced capital expenditures during the recent industry downturn.

The Company recorded a restructuring charge of $1.0 million in the quarter as operations were rationalized and staffing levels were adjusted to local market conditions in various countries.

The income tax provision for the quarter was an expense of $2.7 million compared to an expense of $2.5 million for the prior year period. The tax expense for the quarter was mainly impacted by non-tax affected losses in certain regions, non-deductible expenses, as well as an increase in activity levels in taxable jurisdictions.

Net loss was $3.0 million or $0.04 per share ($0.04 per share diluted) for the quarter, compared to a net loss of $4.3 million or $0.05 per share ($0.05 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, 2019 was an inflow of $38.8 million compared to an inflow of $25.2 million in the previous year.

The change in non-cash operating working capital items was an outflow of $7.3 million for the year, compared to an outflow of $8.4 million for the prior year. The outflow of non-cash operating working capital was primarily impacted by:

- an increase in inventory of $8.1 million;
- an increase in prepaids of $2.1 million;
- an increase in accounts receivable of $0.9 million; offset by
- an increase in accounts payable of $4.3 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.

During the year, the Company renewed and expanded its main credit facility for an aggregate of $80 million for a five-year term, consisting of: (i) an extension and increase to $30 million of an existing $25 million operating credit facility, and (ii) an extension of an existing $50 million revolving term facility. These facilities were renewed with the same terms and conditions with the exception of a slight reduction in interest rates.

Operating credit facilities

The credit facilities related to operations total $31.3 million ($30.0 million from a Canadian chartered bank and $1.3 million from an American chartered bank) and are primarily secured by corporate guarantees of companies within the group. At April 30, 2019, the Company had utilized $2.0 million of these facilities for stand-by letters of credit. 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 $2.0 million during the year to $17.4 million at April 30, 2019. The decrease is due primarily to debt repayments.

As of April 30, 2019, 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, 2019, $15.0 million had been drawn on this facility, bearing interest at 3.76%, maturing in October 2023.
- $2.3 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 $0.1 million at April 30, 2019, which were fully drawn and mature through 2021.

	Payments due by period (in $000s CAD)			
Contractual obligations	**Total**	**Less than 1 year**	**2 - 3 years**	**4 - 5 years**
Long-term debt (interest included)	$ 20,384	$ 1,685	$ 2,571	$ 16,128
Purchasing commitments	4,494	4,494	-	-
Operating leases	4,147	1,903	1,967	277
Total contractual obligations	$ 29,025	$ 8,082	$ 4,538	$ 16,405

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, 2019, the Company had unused borrowing capacity under its credit facilities of $64.3 million and cash of $27.4 million, for a total of $91.7 million in available funds.

Investing activities

Capital expenditures were $25.5 million for the year ended April 30, 2019, compared to $22.5 million (net of nil and $0.1 million, respectively, of equipment financing) for the prior year.

The drill rig count was at 601 at year-end as the Company added 24 rigs to its fleet as part of the Company's specialized and diversification strategies, while retiring or disposing of 51 older, inefficient and more costly rigs.

RELATED PARTY TRANSACTIONS

There were no related party transactions during the year, other than those disclosed in note 22 "Related Party Transactions" of the Notes to Consolidated Financial Statements for the year ended April 30, 2019.

OUTLOOK

The fundamentals driving the business continue to be encouraging as the Company moves into fiscal 2020. Exploration activity generally varies up or down with the trend in gold prices, and while exploration spending has gradually increased year-over-year from the depressed levels seen in 2016, reserves have continued to decline. Therefore, at some point in the future, there will need to be a resurgence in exploration spending.

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. As these markets continue to urbanize, the requirement for base metals will continue to increase at the same time as easily accessible reserves are being depleted.

The easily accessible mineral reserves around the world are diminishing, and given depleting reserves and projected commodity deficits, attractive deposits will be in areas increasingly difficult to access and deeper in the ground, which will bring a resurgence in demand for specialized drilling services. The Company has positioned itself as one of the largest specialized drilling operators in the world, and expects to benefit from this trend as it incorporates its innovation strategies with specialized drilling services to provide solutions for complex drilling situations.

Prices for drilling services continue to improve, although these improvements are presently offset somewhat by an increase in labour, mobilization and repair costs, typical in a ramp-up environment. One of the challenges facing the industry in the early stages of the recovery is the shortage of experienced drill crews, a factor that will put some pressure on cost and productivity as the Company moves forward. However, with safety and training in mind, the Company's financial strength allows it to continue to deploy technologies that will aid in the continued development of safe, competent employees.

The Company expects to spend approximately $30 million in capital expenditures in fiscal 2020 to meet customers' demands, improve rig reliability, productivity and utilization, as well as to 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 (earnings before interest, taxes, depreciation and amortization, excluding restructuring charge). The Company believes this non-GAAP financial measure is key, for both management and investors, in evaluating performance at a consolidated level. EBITDA is commonly reported and widely used by investors and lending institutions as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. 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 $000s CAD)	**2019**	2018
Net loss	**$ (18,084)**	$ (22,452)
Finance costs	**775**	782
Income tax provision (recovery)	**7,748**	(1,824)
Depreciation and amortization	**40,909**	48,153
Restructuring charge	**7,874**	-
EBITDA	**$ 39,222**	$ 24,659

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 relative strength of the Canadian dollar against the U.S. dollar.

During fiscal 2019, approximately 25% 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 unfavourable foreign exchange translation impact for the year, when comparing to the effective rates for the prior year, is estimated at approximately $5 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 foreign exchange impact on net earnings for the year was negligible.

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

As at April 30, 2019, the most significant carrying amounts of net monetary assets (which may include intercompany balances with other subsidiaries) that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; and (ii) cause foreign exchange rate exposure, including the impact on earnings before income taxes ("EBIT"), if the corresponding rate changes by 10%, are as follows:

	Rate variance	MNT/USD	USD/AUD	IDR/USD	USD/CLP	COP/USD	MZN/USD
Net exposure on monetary assets		$ 3,542	$ 2,602	$ 1,798	$ 1,417	$ 1,378	$ 1,317
EBIT impact	+/-10%	394	289	200	157	153	146

	Rate variance	MXP/USD	USD/ZAR	Other
Net exposure on monetary assets		$ (1,763)	$ (4,117)	$ 2,861
EBIT impact	+/-10%	196	457	318

COMPREHENSIVE EARNINGS

The Consolidated Statements of Comprehensive Loss for the year includes an $8.8 million unrealized gain on translating the financial statements of the Company's foreign operations compared to a loss of $16.8 million for the previous year. The change relates to translating the net assets of the Company's foreign operations, which have a functional currency other than the Canadian dollar, to the Company's Canadian dollar currency presentation.

FUTURE ACCOUNTING CHANGES

The Company has not applied the following IASB standard that has been issued, but is not yet effective:

IFRS 16 Leases ("IFRS 16")

IFRS 16, issued in January 2016, replaces IAS 17, Leases. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize right-of-use assets and lease liabilities for all leases. For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company will opt to recognize a lease expense on a straight-line basis as permitted by IFRS 16. Lessor accounting remains substantially unchanged as they continue to classify leases as operating or finance. IFRS 16 is effective for periods beginning on or after January 1, 2019.

The Company has undertaken and completed a detailed review of existing contracts against the IFRS 16 criteria and has completed the calculation of lease liabilities for contracts that have been identified as containing right-of-use assets. The Company has elected to apply the modified transition approach whereby no restatement of comparative periods is required. Right-of-use assets will be recognized at the amount of the lease liability on transition. The Company will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before May 1, 2019. Leases with terms that end within 12 months of the mandatory transition date will be accounted for by the Company as short-term leases with payments made under the lease recognized as operating expenses.

It is expected that the transition to IFRS 16 on May 1, 2019 will result in increases to assets and liabilities of approximately $3 million, as well as increases of approximately $0.8 million to depreciation expense and $0.2 million to finance costs and a reduction of operating costs of approximately $1 million.

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, goodwill 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 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 21 "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, all of which may adversely affect the Company's business.

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

The Company competes with many small regional or local companies as well as with larger companies. The Company may lose business to its competitors if it is unable to demonstrate competence, competitive pricing, adequate equipment or reliable performance to its customers. Pressures from competitors can also 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; 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 (such as the Company) to the mining industry.

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 proportion 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 (including, among other things, IT 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 risks

The drilling industry is highly regulated by laws and regulations, including environmental, which are not consistent across the jurisdictions in which the Company operates. The Company is unable to predict what legislation, revisions or regulatory directives may be proposed that might affect its operations or when such proposals may be effective. While the Company strives to achieve full compliance with all laws and regulations, the Company can provide no assurance that it will be in full compliance at all times with such laws and regulations. To the extent that the Company fails to comply, or is alleged to fail to comply, with applicable legislation, regulatory directives and permits, it could be subject to monetary fines, suspension of operations or other penalties.

Corruption, bribery and 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.

Climate change risk

The Company operates in various regions and jurisdictions where environmental laws are evolving and are not consistent. A number of governments or governmental bodies have introduced or are contemplating regulatory changes in response to the potential impact of climate change, such as regulation relating to emission levels. If the current regulatory trend continues, this may result in increased cost at some of the Company's operations. In addition, the physical effect of climate change, such as extreme weather conditions, natural disasters, resource shortages, changing sea levels and changing temperatures, 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 on the Company's global 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.

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.

Market price and dilution of common shares

Securities of mining companies, and consequently, drilling companies, have experienced volatility in the past, at times unrelated to the financial performance of the companies involved. These factors include macroeconomic developments in North America and internationally and market perceptions of the attractiveness of particular industries. As a result of this volatility, the market price of the Company's common shares at any given point in time may not accurately reflect the Company's long-term value. In the event that the Company increases the number of common shares issued, this may have a dilutive effect on the price of the common shares.

Environmental, health and safety regulations and considerations

The Company's operations involving contract drilling, exploration, and development activities require permits and other approvals from various federal, provincial, state, and local governmental authorities. Such operations are, and will be, governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. While the Company strives to obtain and maintain full compliance with all of its required permits and approvals and all applicable regulations, there can be no assurance that it will obtain and/or maintain full compliance at all times. Failure to obtain and/or maintain full compliance with such permits, approvals and/or regulations could have adverse effects on the Company's business, operations or financial results.

The activities at clients' worksites may also involve hazards that can result in personal injury and loss of life and/or damage to property. While the Company has implemented extensive health and safety initiatives at clients' worksites to protect the health and safety of its employees and contractors, there can be no assurance that such measures will eliminate the occurrence of such accidents or incidents, which could give rise to regulatory fines and/or civil liability. There can be no assurance that the Company's insurance policies will be sufficient or effective under all circumstances or against all claims or hazards to which it may be subject or that it will be able to continue to obtain adequate insurance protection. A successful claim or damage resulting from a hazard for which it is not fully insured could adversely affect the Company's business and financial results.

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, 2019.

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 2019, 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, 2019, 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 data was composed of the following:

(amounts in thousands)	**As at June 6, 2019**	As at June 7, 2018
Common shares	**80,300**	80,300
Stock options outstanding	**3,375**	3,604

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 6, 2019. 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"	*"Ian Ross"*
Denis Larocque	Ian Ross
President & Chief Executive Officer	Chief Financial Officer

June 6, 2019
Moncton, New Brunswick, Canada

Independent Auditor's Report

To the Shareholders of Major Drilling Group International Inc.

Opinion

We have audited the consolidated financial statements of Major Drilling Group International Inc. (the "Company"), which comprise the consolidated balance sheets as at April 30, 2019 and 2018, and the consolidated statements of operations, comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jacklyn Mercer.

/s/ Deloitte LLP

Chartered Professional Accountants
Moncton, New Brunswick
June 6, 2019

Consolidated Statements of Operations

For the years ended April 30, 2019 and 2018
(in thousands of Canadian dollars, except per share information)

	2019	2018
TOTAL REVENUE	**$ 384,822**	$ 342,326
DIRECT COSTS	**293,824**	268,043
GROSS PROFIT	**90,998**	74,283
OPERATING EXPENSES		
General and administrative	**46,595**	47,716
Other expenses	**4,228**	3,504
Gain on disposal of property, plant and equipment	**(342)**	(206)
Foreign exchange loss (gain)	**1,295**	(1,390)
Finance costs	**775**	782
Depreciation of property, plant and equipment (note 7)	**40,909**	47,496
Amortization of intangible assets (note 9)	**-**	657
Restructuring charge (note 19)	**7,874**	-
	101,334	98,559
LOSS BEFORE INCOME TAX	**(10,336)**	(24,276)
INCOME TAX - PROVISION (RECOVERY) (note 12)		
Current	**7,761**	7,824
Deferred	**(13)**	(9,648)
	7,748	(1,824)
NET LOSS	**$ (18,084)**	$ (22,452)
LOSS PER SHARE (note 14)		
Basic	**$ (0.23)**	$ (0.28)
Diluted	**$ (0.23)**	$ (0.28)

Consolidated Statements of Comprehensive Loss

For the years ended April 30, 2019 and 2018
(in thousands of Canadian dollars)

	2019	2018
NET LOSS	**$ (18,084)**	$ (22,452)
OTHER COMPREHENSIVE LOSS		
Items that may be reclassified subsequently to profit or loss		
Unrealized gain (loss) on foreign currency translations (net of tax)	**8,762**	(16,766)
Unrealized loss on derivatives (net of tax)	**(606)**	(127)
COMPREHENSIVE LOSS	**$ (9,928)**	$ (39,345)

Consolidated Statements of Changes in Equity

For the years ended April 30, 2019 and 2018
(in thousands of Canadian dollars)

	Share capital	Reserves	Share-based payments reserve	Retained earnings	Foreign currency translation reserve	Total
BALANCE AS AT MAY 1, 2017	$ 239,751	$ 163	$ 19,250	$ 63,812	$ 86,787	$ 409,763
Exercise of stock options (note 13)	1,513	-	(310)	-	-	1,203
Share-based compensation (note 13)	-	-	781	-	-	781
	241,264	163	19,721	63,812	86,787	411,747
Comprehensive earnings:						
Net loss	-	-	-	(22,452)	-	(22,452)
Unrealized loss on foreign currency translations	-	-	-	-	(16,766)	(16,766)
Unrealized loss on derivatives	-	(127)	-	-	-	(127)
Total comprehensive loss	-	(127)	-	(22,452)	(16,766)	(39,345)
BALANCE AS AT APRIL 30, 2018	**241,264**	**36**	**19,721**	**41,360**	**70,021**	**372,402**
Share-based compensation (note 13)	**-**	**-**	**526**	**-**	**-**	**526**
	241,264	**36**	**20,247**	**41,360**	**70,021**	**372,928**
Comprehensive earnings:						
Net loss	**-**	**-**	**-**	**(18,084)**	**-**	**(18,084)**
Unrealized gain on foreign currency translations	**-**	**-**	**-**	**-**	**8,762**	**8,762**
Unrealized loss on derivatives	**-**	**(606)**	**-**	**-**	**-**	**(606)**
Total comprehensive loss	**-**	**(606)**	**-**	**(18,084)**	**8,762**	**(9,928)**
BALANCE AS AT APRIL 30, 2019	**$ 241,264**	**$ (570)**	**$ 20,247**	**$ 23,276**	**$ 78,783**	**$363,000**

Consolidated Statements of Cash Flows

For the years ended April 30, 2019 and 2018
(in thousands of Canadian dollars)

	2019	2018
OPERATING ACTIVITIES		
Loss before income tax	**$ (10,336)**	$ (24,276)
Operating items not involving cash		
Depreciation and amortization	**40,909**	48,153
Gain on disposal of property, plant and equipment	**(342)**	(206)
Share-based compensation (note 13)	**526**	781
Restructuring charge (non-cash portion) (note 19)	**7,274**	-
Finance costs recognized in loss before income tax	**775**	782
	38,806	25,234
Changes in non-cash operating working capital items (note 16)	**(7,345)**	(8,397)
Finance costs paid	**(775)**	(782)
Income taxes paid	**(9,724)**	(5,883)
Cash flow from operating activities	**20,962**	10,172
FINANCING ACTIVITIES		
Repayment of long-term debt	**(2,137)**	(3,207)
Proceeds from draw on long-term debt	**-**	15,000
Issuance of common shares due to exercise of stock options	**-**	1,203
Cash flow (used in) from financing activities	**(2,137)**	12,996
INVESTING ACTIVITIES		
Payment of consideration for previous business acquisition (note 18)	**-**	(5,135)
Acquisition of property, plant and equipment (net of direct financing) (note 7)	**(25,487)**	(22,510)
Proceeds from disposal of property, plant and equipment	**11,933**	2,662
Cash flow used in investing activities	**(13,554)**	(24,983)
Effect of exchange rate changes	**839**	(2,904)
INCREASE (DECREASE) IN CASH	**6,110**	(4,719)
CASH, BEGINNING OF THE YEAR	**21,256**	25,975
CASH, END OF THE YEAR	**$ 27,366**	$ 21,256

Consolidated Balance Sheets

As at April 30, 2019 and 2018
(in thousands of Canadian dollars)

		2019		2018
ASSETS				
CURRENT ASSETS				
Cash	**$**	**27,366**	$	21,256
Trade and other receivables		**88,029**		88,372
Note receivable		**516**		495
Income tax receivable		**3,978**		4,517
Inventories (note 6)		**90,325**		82,519
Prepaid expenses		**5,099**		2,924
		215,313		200,083
NOTE RECEIVABLE		**44**		559
PROPERTY, PLANT AND EQUIPMENT (note 7)		**164,266**		185,364
DEFERRED INCOME TAX ASSETS (note 12)		**23,374**		23,196
GOODWILL (note 8)		**58,300**		57,851
	$	**461,297**	$	467,053
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	**$**	**63,376**	$	55,906
Income tax payable		**1,209**		3,794
Current portion of long-term debt (note 11)		**1,060**		1,934
		65,645		61,634
LONG-TERM DEBT (note 11)		**16,298**		17,407
DEFERRED INCOME TAX LIABILITIES (note 12)		**16,354**		15,610
		98,297		94,651
SHAREHOLDERS' EQUITY				
Share capital (note 13)		**241,264**		241,264
Reserves		**(570)**		36
Share-based payments reserve		**20,247**		19,721
Retained earnings		**23,276**		41,360
Foreign currency translation reserve		**78,783**		70,021
		363,000		372,402
	$	**461,297**	$	467,053

Contingencies and commitments (notes 20 and 21)

Approved by the Board of Directors

"David Tennant"	*"Janice Rennie"*
David Tennant	Janice Rennie
Chair of the Board	Chair of the Audit Committee

Notes to Consolidated Financial Statements

For the years ended April 30, 2019 and 2018
(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 6, 2019, 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. All subsidiaries of the Company are wholly owned.

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

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, adopted as of May 1, 2018, have had no material impact on the Company's Consolidated Financial Statements:

- IFRS 2 Share-based Payment
- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The Company has not applied the following IASB standard that has been issued, but is not yet effective:

IFRS 16 Leases ("IFRS 16")
IFRS 16, issued in January 2016, replaces IAS 17, Leases. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize right-of-use assets and lease liabilities for all leases. For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company will opt to recognize a lease expense on a straight-line basis as permitted by IFRS 16. Lessor accounting remains substantially unchanged as they continue to classify leases as operating or finance. IFRS 16 is effective for periods beginning on or after January 1, 2019.

3. APPLICATION OF NEW AND REVISED IFRS (Continued)

The Company has undertaken and completed a detailed review of existing contracts against the IFRS 16 criteria and has completed the calculation of lease liabilities for contracts that have been identified as containing right-of-use assets. The Company has elected to apply the modified transition approach whereby no restatement of comparative periods is required. Right-of-use assets will be recognized at the amount of the lease liability on transition. The Company will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before May 1, 2019. Leases with terms that end within 12 months of the mandatory transition date will be accounted for by the Company as short-term leases with payments made under the lease recognized as operating expenses.

It is expected that the transition to IFRS 16 on May 1, 2019 will result in increases to assets and liabilities of approximately $3 million, as well as increases of approximately $0.8 million to depreciation expense and $0.2 million to finance costs and a reduction of operating costs of approximately $1 million.

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 recognized in the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (“FVTPL”), financial assets at fair value through other comprehensive income (“FVTOCI”), and financial assets at amortized cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in the Statement of Operations.

Subsequent to initial recognition, the treatment of financial assets depends on their classification. Those recognized as FVTPL and FVTOCI are carried on the balance sheet at fair value with changes in fair value recognized in the Statement of Operations, and Statement of Other Comprehensive Income, respectively. Financial assets at amortized cost are measured at amortized cost using the effective interest method, less impairment.

Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. Subsequent to initial recognition, the treatment of financial liabilities depends on their classification. Those recognized as FVTPL are carried on the balance sheet at fair value with changes in fair value recognized in the Statement of Operations. Financial liabilities at amortized cost are measured at amortized cost using the effective interest method.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or the Company transfers the rights to receive the contractual cash flows or the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. On de-recognition of a financial asset measured at amortized cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in the Statement of Operations.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities are derecognized when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the Statement of Operations.

The Company classifies cash, trade and other receivables, trade and other payables, and long-term debt as amortized cost.

The Company has entered into certain derivative financial instruments to manage its exposure to interest rate and market risks, including an interest rate swap, and a share price forward contract. Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. Given these derivatives have been designated as effective hedging instruments, the timing of the recognition in profit or loss depends on the nature of the hedge relationship, as described in the hedge accounting policy below.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses ("ECL") on financial assets measured at amortized cost or at FVTOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Revenue recognition

The Company performs various types of drilling services within the mining and minerals industry. Contracts entered into cover services that involve different processes and continuous drilling services activities in a sequential set of mobilization, drilling, and demobilization activities, which are invoiced to the customer as those activities progress. These activities and processes are accounted for as separate performance obligations.

Revenue from services rendered is recognized in the Statement of Operations over time. The Company has a contractual right to consideration from a customer for an amount that corresponds directly with the value to the customer of the performance completed to date. As a result, the Company recognizes revenue based on the actual activities performed at the related contract rate.

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and value-added taxes.

Customers are generally invoiced on a semi-monthly or monthly basis. Payment is received according to standard payment terms, which are generally between 30 to 60 days. There are no significant financing components.

Contract prepayments are recorded as deferred revenue until performance is achieved and are credited against contract billings in accordance with the contract terms.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories
The Company maintains an inventory of operating supplies, drill rods and drill bits. Inventories are valued at the lower of cost and net realizable value, determined on a first in, first out ("FIFO") basis. The value of used inventory items is considered minimal therefore they are not valued, except for drill rods, which, if still considered usable, are valued at 50% of cost.

Property, plant and equipment
Property, plant and equipment ("PP&E") are measured at cost, less accumulated depreciation and impairment losses. Depreciation, calculated using the straight-line method, is charged to operations at rates based upon the estimated useful life of each depreciable asset. When significant components of an item of PP&E have different useful lives, they are accounted for as separate assets. The following rates apply to those assets being depreciated using the straight-line method:

	Residual value (%)	Useful life (years)
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. Depreciation begins 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 IFRS 9, 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.

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 Statement 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.

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 income and foreign currency translation reserve.

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. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Translation gains and losses on assets and liabilities denominated in a foreign currency are included in the Statement of Operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in other comprehensive income 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 and restricted share units as compensation expense, with offset to trade and other payables. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognized in the Consolidated Statement of Operations for the year.

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.

Hedge accounting
The Company designates certain derivatives, relating to interest rate risk and share price risk as hedging instruments.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking the hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges **-** The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges, is limited to the cumulative change in fair value of the hedged item from inception of the hedge and is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the Consolidated Statement of Operations.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to the Statement of Operations in the same period that the hedged item affects the Statement of Operations, in the same line as the recognized hedged item.

The Company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs.

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, goodwill 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.

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.

6. INVENTORIES

The cost of inventory recognized as an expense and included in direct costs for the year ended April 30, 2019 is $55,922 (2018 - $43,586). During the previous year ended April 30, 2018, there was a reduction of inventory due to a fire in the Company's Mongolian warehouse. All losses suffered during the incident were fully insured and recoverable. During the years ended April 30, 2019 and 2018, there were no significant write-downs of inventory, except as detailed in note 19, as a result of net realizable value being lower than cost. No inventory write-downs recognized in previous years were reversed.

The following is a breakdown of inventory by category:

	2019	2018
Rods and casings	**$ 26,935**	$ 24,179
Consumables	**9,496**	8,249
Machine parts	**28,893**	27,645
Wireline and downhole tools	**6,377**	6,516
Diamond bits	**6,684**	6,834
Other	**11,940**	9,096
	$ 90,325	$ 82,519

7. PROPERTY, PLANT AND EQUIPMENT

Changes in the PP&E balances were as follows:

	Land	Buildings	Drills	Auto	Other	Total
Cost:						
Balance as at April 30, 2017	$ 3,740	$ 19,460	$ 391,630	$ 115,842	$ 22,223	$ 552,895
Additions	-	279	16,618	5,010	654	22,561
Disposals	-	-	(4,821)	(5,584)	(311)	(10,716)
Effect of exchange rate changes and other	(158)	4	(23,900)	(4,640)	(1,017)	(29,711)
Balance as at April 30, 2018	**$ 3,582**	**$ 19,743**	**$ 379,527**	**$ 110,628**	**$ 21,549**	**$ 535,029**
Additions	**-**	**945**	**20,098**	**3,779**	**665**	**25,487**
Disposals	**(337)**	**(10,169)**	**(22,851)**	**(7,702)**	**(2,147)**	**(43,206)**
Effect of exchange rate changes and other	**121**	**(107)**	**(2,421)**	**294**	**(5,711)**	**(7,824)**
Balance as at April 30, 2019	**$ 3,366**	**$ 10,412**	**$ 374,353**	**$ 106,999**	**$ 14,356**	**$ 509,486**

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land	Buildings	Drills	Auto	Other	Total
Accumulated Depreciation:						
Balance as at April 30, 2017	$ -	$ (8,859)	$ (217,227)	$ (86,651)	$ (18,634)	$ (331,371)
Disposals	-	-	3,299	4,684	277	8,260
Depreciation	-	(1,619)	(37,446)	(7,321)	(1,110)	(47,496)
Effect of exchange rate changes and other	-	91	16,270	3,690	891	20,942
Balance as at April 30, 2018	**$ -**	**$ (10,387)**	**$ (235,104)**	**$ (85,598)**	**$ (18,576)**	**$ (349,665)**
Disposals	**-**	**5,473**	**17,342**	**6,797**	**2,003**	**31,615**
Impairment (note 19)	**-**	**(173)**	**(165)**	**-**	**-**	**(338)**
Depreciation	**-**	**(1,205)**	**(32,942)**	**(6,159)**	**(603)**	**(40,909)**
Effect of exchange rate changes and other	**-**	**140**	**7,648**	**400**	**5,889**	**14,077**
Balance as at April 30, 2019	**$ -**	**$ (6,152)**	**$ (243,221)**	**$ (84,560)**	**$ (11,287)**	**$ (345,220)**
Carrying value April 30, 2018	$ 3,582	$ 9,356	$ 144,423	$ 25,030	$ 2,973	$ 185,364
Carrying value April 30, 2019	**$ 3,366**	**$ 4,260**	**$ 131,132**	**$ 22,439**	**$ 3,069**	**$ 164,266**

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, 2019 or 2018.

Capital expenditures were $25,487 and $22,561, respectively, for the years ended April 30, 2019 and 2018. The Company obtained direct financing of nil and $51, respectively, for the years ended April 30, 2019 and 2018.

The carrying value of PP&E under finance leases for the year ended April 30, 2019 was $42 (2018 - $4,421).

8. GOODWILL

Changes in the goodwill balance were as follows:

	2019	2018
Opening balance	**$ 57,851**	$ 58,432
Effect of movement in exchange rates	**449**	(581)
Ending balance	**$ 58,300**	$ 57,851

Allocation of goodwill to CGUs

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

	2019	2018
Canada	**$ 48,323**	$ 48,548
U.S.	**9,977**	9,303
	$ 58,300	$ 57,851

8. GOODWILL (Continued)

The recoverable amount of the Canadian and U.S. branches as CGUs 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 11.43% 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 and 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 possible reasonable change in the discount rate or terminal growth rate would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

Key assumptions

The key assumptions in cash flow projections used 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 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.

The Company has considered various scenarios that quantify the impact on the value-in-use calculations if key assumptions used in the model were to differ. If the forecasted improvements to the key assumptions do not materialize as projected, due to lower than expected price and or volume recovery (and the Company is unable to adjust its cost structure), the analysis resulted in no impairment under these scenarios.

9. INTANGIBLE ASSETS

Changes in the intangible assets balance were as follows:

	Cost	Accumulated amortization	Total
Balance as at April 30, 2017	$ 17,637	$ (16,968)	$ 669
Amortization	-	(657)	(657)
Effect of movement in exchange rates	2	(14)	(12)
Balance as at April 30, 2018	**$ 17,639**	**$ (17,639)**	**$ -**

Intangible assets consisted of customer relationships/contracts.

10. DEMAND CREDIT FACILITIES

The Company has credit facilities available in Canada and the U.S. totaling $31,346. The Canadian facility bears interest at the bank's prime lending rate plus 0.5% or the bankers' acceptance rate plus 2.0% for Canadian dollar draws, and the bank's U.S. dollar base rate in Canada plus 0.5% or the bank's London interbank offer rate ("LIBOR") plus 2.0% for U.S. dollar draws. The U.S. facility bears interest at the bank's LIBOR plus 2.25%. The demand credit facilities are primarily secured by corporate guarantees of companies within the group. As at April 30, 2019, the Company had utilized $2,004 (2018 - $2,355) of these facilities for stand-by letters of credit. The Company also has credit facilities of $2,605 for credit cards, with interest rates and repayments as per cardholder agreements.

During the year, the Company renewed and expanded its main credit facility for an aggregate of $80 million for a five-year term, consisting of: (i) an extension and increase to $30 million of an existing $25 million operating credit facility, and (ii) an extension of an existing $50 million revolving term facility. These facilities were renewed with the same terms and conditions, with the exception of a slight reduction in interest rates.

11. LONG-TERM DEBT

	2019	2018
Revolving term loan, bearing interest at either the bank's prime rate plus 0.5% or the bankers' acceptance rate plus 2.0% for Canadian dollar draws, and either the bank's U.S. dollar base rate in Canada plus 0.5% or the bank's LIBOR plus 2.0% for U.S. dollar draws, interest only payable in monthly installments, secured by corporate guarantees of companies within the group, maturing in October 2023.	**$ 15,000**	$ 15,000
Term loan bearing interest at 5.9%, payable in monthly installments of $83, unsecured, maturing in August 2021.	**2,333**	3,333
Term loans bearing interest at rates ranging from 0% to 6.75%, payable in monthly installments of $5, secured by certain equipment, maturing through 2022.	**90**	1,216
Derivative financial instrument with a notional principal amount of $15,000, swapping Canadian-Bankers' Acceptance - Canadian Dealer Offered Rate for an annual fixed rate of 3.76%, maturing in October 2023.	**(65)**	(208)
	17,358	19,341
Current Portion	**1,060**	1,934
	$ 16,298	$ 17,407

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

Fiscal 2020	$ 1,060
Fiscal 2021	1,030
Fiscal 2022	268
Fiscal 2024	15,000
	$ 17,358

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:

	2019	2018
Loss before income tax	**$ (10,336)**	$ (24,276)
Statutory Canadian corporate income tax rate	**27%**	27%
Expected income tax recovery based on statutory rate	**(2,791)**	(6,555)
Non-recognition of tax benefits related to losses	**5,159**	3,779
Utilization of previously unrecognized losses	**-**	(337)
Other foreign taxes paid	**606**	341
Rate variances in foreign jurisdictions	**(17)**	109
Permanent differences and other	**3,197**	1,363
De-recognition of previously recognized losses	**1,613**	-
Effect of change in U.S. tax rate	**-**	(1,587)
	7,767	(2,887)
Adjustments recognized in the current year in relation to the current tax of prior years	**(19)**	1,063
Income tax provision (recovery) recognized in net loss	**$ 7,748**	$ (1,824)

The tax rate used for the 2019 and 2018 reconciliations herein is the effective federal and provincial Canadian corporate tax rate of 27%.

The movements in deferred income tax balances are as follows:

	2018	**Tax provision**	**Exchange**	**2019**
Deferred tax assets related to non-capital losses	$ 23,196	$ 308	$ (130)	**$ 23,374**
Deferred tax liabilities related to difference in tax and book basis	(15,610)	(295)	(449)	**(16,354)**
Net deferred tax assets	$ 7,586	$ 13	$ (579)	**$ 7,020**

Income tax provision (recovery) recognized in net loss:

	2019	2018
Current tax		
Current tax expense in respect to the current year	**$ 7,780**	$ 6,761
Adjustments recognized in the current year in relation to the current tax of prior years	**(19)**	1,063
Deferred tax		
Deferred tax expense recognized in the current year	**(13)**	(9,648)
Income tax provision (recovery)	**$ 7,748**	$ (1,824)

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 $183,027 in non-capital losses of which $92,257 is recognized to reduce future income taxes otherwise payable in foreign jurisdictions. These losses, if unused, will expire in the following calendar years: 2019 - $2,403; 2020 - $5,886; 2021 - $3,660; 2022 - $2,333; 2023 - $2,140; 2024 - $2,273; 2026 - $6,336; 2027 - $9,189; 2028 - $1,948; 2029 - $955; 2034 - $11,105; 2035 - $20,868; 2036 - $14,242; 2037 - $16,536; 2038 - $10,653; indefinite - $72,500.

The Company has accumulated approximately $6,234 (A$6,568) 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 $162,400 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 favourable or unfavourable 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 if declared.

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

	2019		2018	
	Number of shares	**Share capital**	Number of shares	Share capital
Opening balance	**80,299,984**	**$ 241,264**	80,139,884	$ 239,751
Exercise of stock options	**-**	**-**	160,100	1,513
Ending balance	**80,299,984**	**$ 241,264**	80,299,984	$ 241,264

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 2018 Management Proxy Circular. Minor changes made to the Plan during the current year will be detailed in the 2019 Management Proxy Circular.

A summary of the status of the Plan, as at April 30, 2019 and April 30, 2018, and of changes during those years, is presented below:

	2019		2018	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding, beginning of year	**3,603,802**	**$ 8.54**	4,082,705	$ 9.09
Options granted	**160,000**	**6.92**	161,000	8.39
Options expired	**(388,500)**	**11.12**	(479,803)	13.54
Options exercised	**-**	**-**	(160,100)	7.52
Outstanding, end of year	**3,375,302**	**8.17**	3,603,802	8.54

The following table summarizes information on stock options outstanding as at April 30, 2019:

Range of exercise prices	**Outstanding at April 30, 2019**	**Weighted average remaining life (years)**	**Weighted average exercise price**	**Exercisable at April 30, 2019**	**Weighted average exercise price**
$4.48 - $8.63	**2,709,302**	**3.00**	**$ 7.25**	**2,325,766**	**$ 7.23**
$11.26 - $15.42	**666,000**	**0.76**	**11.92**	**666,000**	**11.92**
	3,375,302	**2.55**	**8.17**	**2,991,766**	**8.28**

13. SHARE CAPITAL (Continued)

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:

	2019	2018
Risk-free interest rate	**2.04%**	1.17%
Expected life	**6.1 years**	6.0 years
Expected volatility (based on historical volatility)	**36.9%**	46.3%

The weighted average grant date fair value of options granted during the year ended April 30, 2019 was $2.54 (2018 - $3.65). For the year ended April 30, 2019, the amount of compensation cost recognized in earnings and credited to share-based payments reserve was $526 (2018 - $781).

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.

	2019	2018
Net loss	**$ (18,084)**	$ (22,452)
Weighted average shares outstanding (000s)	**80,300**	80,261
Net effect of dilutive securities:		
Stock options	**13**	71
Weighted average number of shares - diluted (000s)	**80,313**	80,332
Loss per share:		
Basic	**$ (0.23)**	$ (0.28)
Diluted	**$ (0.23)**	$ (0.28)

The calculation of diluted loss per share for the year ended April 30, 2019 and 2018 excludes the effect of 3,414,993 and 3,110,164 options, respectively, as they were anti-dilutive.

15. SEGMENTED INFORMATION

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

	2019	2018
Revenue		
Canada - U.S.*	$ 196,105	$ 185,879
South and Central America	108,139	93,714
Asia and Africa	80,578	62,733
	$ 384,822	$ 342,326
Earnings (loss) from operations		
Canada - U.S.	$ 6,057	$ (10,727)
South and Central America	(4,307)	(4,115)
Asia and Africa	2,970	(1,516)
	4,720	(16,358)
Finance costs	775	782
General and corporate expenses**	6,407	7,136
Restructuring charge	7,874	-
Income tax	7,748	(1,824)
	22,804	6,094
Net loss	$ (18,084)	$ (22,452)

*Canada - U.S. includes revenue in 2019 of $94,561 (2018 - $95,840) for Canadian operations.

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

	2019	2018
Capital expenditures		
Canada - U.S.	$ 15,172	$ 12,758
South and Central America	5,982	5,996
Asia and Africa	4,333	3,807
Total capital expenditures	$ 25,487	$ 22,561
Depreciation and amortization		
Canada - U.S.	$ 19,168	$ 24,694
South and Central America	13,085	13,239
Asia and Africa	8,381	9,914
Unallocated and corporate assets	275	306
Total depreciation and amortization	$ 40,909	$ 48,153

15. SEGMENTED INFORMATION (Continued)

		2019		2018
Identifiable assets				
Canada - U.S.*	**$**	**205,871**	$	188,947
South and Central America		**147,598**		137,153
Asia and Africa		**104,173**		94,005
Unallocated and corporate assets		**3,655**		46,948
Total identifiable assets	**$**	**461,297**	$	467,053

*Canada - U.S. includes property, plant and equipment in 2019 of $31,573 (2018 - $44,891) for Canadian operations.

16. ADDITIONAL INFORMATION TO THE STATEMENTS OF CASH FLOWS

Changes in non-cash operating working capital items:

		2019		2018
Inventories	**$**	**(8,124)**	$	1,317
Prepaid expenses		**(2,062)**		-
Trade and other receivables		**(913)**		(17,999)
Other items		**(498)**		(156)
Trade and other payables		**4,252**		8,441
	$	**(7,345)**	$	(8,397)

17. NET LOSS FOR THE YEAR

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

		2019		2018
Direct costs:				
Salaries and wages	**$**	**111,000**	$	100,517
Other employee benefits		**23,511**		23,319
General and administrative expenses:				
Salaries and wages		**21,279**		21,490
Other employee benefits		**4,338**		4,245
Other expenses:				
Share-based compensation		**506**		715

18. BUSINESS ACQUISITION

During the previous year, the Company made the final payment on the contingent consideration arising out of the Taurus Drilling Services acquisition of $5,135.

19. RESTRUCTURING CHARGE

During the year, the Company made the decision to close its operations in Burkina Faso, based on the fact that this branch required significant additional investment to reach an acceptable return on investment, at a time when political and security risks were increasing in that country. Additional restructuring charges were incurred as the Company rationalized other operations and adjusted staffing levels to local market conditions in various countries.

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

The costs related to these initiatives, and recorded as part of the restructuring charge, total $7,874. This amount consists of non-cash charges totaling $7,274, including an impairment charge of $338 relating to property, plant and equipment; a write-down of $2,766 to reduce inventory to net realizable value; and other non-cash charges of $4,170. Cash charges of $600 include costs incurred to rationalize the workforce and costs relating to winding down operations.

20. 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.

21. COMMITMENTS

The Company has commitments for the purchase of equipment totaling $4,494 with delivery dates early in fiscal 2020, as well as various commitments, primarily for rental of premises, with arms-length parties as follows: 2020 - $1,903; 2021 - $1,214; 2022 - $753; and 2023 - $277.

22. RELATED PARTY TRANSACTIONS

The remuneration of Directors and other members of key management personnel (which consists of senior executives) during the year was as follows:

	2019	2018
Salaries, bonuses and fees	**$ 2,715**	$ 2,261
Other long-term benefits	**113**	100
Share-based payments benefits	**840**	1,312
	$ 3,668	$ 3,673

Employment agreement termination commitments and entitlements for the above personnel are detailed in the Company's Management Proxy Circular.

Revenue earned during the current year, under the normal course of operations and recorded at arms-length, included $6.2 million from customers related to Directors of the Company.

Other than those transactions disclosed above, there were no other material related party transactions during the year ended April 30, 2019 or April 30, 2018.

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:

	2019	2018
Long-term debt	**$ 17,358**	$ 19,341
Share capital	**241,264**	241,264
Share-based payments reserve	**20,247**	19,721
Retained earnings	**23,276**	41,360
Cash	**(27,366)**	(21,256)
	$ 274,779	$ 300,430

The Company's objective when managing its capital structure is to maintain financial flexibility in order to: (i) preserve access to capital markets; (ii) meet financial obligations; and (iii) finance internally generated growth and potential new acquisitions. To manage its capital structure, the Company may adjust spending, issue new shares, issue new debt or repay existing debt.

Under the terms of certain of the Company's debt agreements, the Company must satisfy certain financial covenants. Such agreements also limit, among other things, the Company's ability to incur additional indebtedness, create liens, engage in mergers or acquisitions and make dividend and other payments. 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 2018.

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 facilities 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.

24. FINANCIAL INSTRUMENTS (Continued)

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

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

The Company's derivatives are classified as level 2 financial instruments. There were no transfers of amounts between level 1, level 2 and level 3 financial instruments for the year ended April 30, 2019.

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, 2019 was $115,395 (2018 - $109,628), representing total cash and trade and other receivables. As at April 30, 2019 and 2018, 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, 2019, 85.6% (2018 - 84.3%) of the Company's trade receivables were aged as current and 1.1% (2018 - 1.3%) of the trade receivables were impaired.

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

	2019	2018
Opening balance	**$ 928**	$ 847
Increase in impairment allowance	**919**	500
Recovery of amounts previously impaired	**(207)**	(281)
Write-off charged against allowance	**(760)**	(69)
Foreign exchange translation differences	**(17)**	(69)
Ending balance	**$ 863**	$ 928

Interest rate risk

As at April 30, 2019, the Company has estimated that a one percentage point change in interest rates would have a negligible annual impact on net earnings due to the nominal value of debt with variable interest rates.

Foreign currency risk

In order to reduce its exposure to foreign exchange risks associated with currencies of developing countries, where a 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, 2019, the most significant carrying amounts of net monetary assets (which may include intercompany balances with other subsidiaries) that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; and (ii) cause foreign exchange rate exposure, including the impact on earnings before income taxes ("EBIT"), if the corresponding rate changes by 10%, are as follows:

24. FINANCIAL INSTRUMENTS (Continued)

	Rate variance	MNT/USD	USD/AUD	IDR/USD	USD/CLP	COP/USD	MZN/USD
Net exposure on monetary assets		$ 3,542	$ 2,602	$ 1,798	$ 1,417	$ 1,378	$ 1,317
EBIT impact	+/-10%	394	289	200	157	153	146

	Rate variance	MXP/USD	USD/ZAR	Other
Net exposure on monetary assets		$ (1,763)	$ (4,117)	$ 2,861
EBIT impact	+/-10%	196	457	318

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	$ 63,376	$ -	$ -	$ 63,376
Long-term debt (interest included)	1,685	2,571	16,128	20,384
	$ 65,061	**$ 2,571**	**$ 16,128**	**$ 83,760**

Historical Summary

	2019	2018	2017	2016	2015	2014	2013	2012
	(in millions of Canadian dollars, except per share information)							
OPERATING SUMMARY								
Revenue by region								
Canada - U.S.	**$ 196**	$ 185	$ 180	$ 195	$ 177	$ 176	$ 317	$ 322
South and Central America	**108**	94	71	66	76	74	203	252
Australia, Asia and Africa	**81**	63	50	44	53	105	176	223
	385	342	301	305	306	355	696	797
Gross profit	**91**	74	60	70	66	104	220	251
as a percentage of revenue	**23.6%**	21.7%	20.0%	23.0%	21.6%	29.4%	31.7%	31.5%
General and administrative expenses	**47**	48	45	44	45	50	64	58
as a percentage of revenue	**12.2%**	14.0%	15.0%	14.4%	14.7%	14.1%	9.2%	7.3%
Net (loss) earnings	**(18)**	(22)	(42)	(45)	(50)	(55)	52	90
(Loss) earnings per share								
Basic	**(0.23)**	(0.28)	(0.52)	(0.57)	(0.62)	(0.70)	0.66	1.18
Diluted	**(0.23)**	(0.28)	(0.52)	(0.57)	(0.62)	(0.70)	0.65	1.16
EBITDA (1)	**39**	25	11	20	13	44	143	174
per share	**0.49**	0.31	0.13	0.25	0.17	0.56	1.80	2.26
Dividends paid	**-**	-	-	3	16	16	15	12
Total net cash (net of debt)	**10**	2	18	38	30	46	39	(14)
BALANCE SHEET SUMMARY								
Cash, net of demand loans	**27**	21	26	50	45	70	82	37
Property, plant and equipment	**164**	185	222	241	277	307	340	318
Debt	**17**	19	8	12	15	24	44	51
Shareholders' equity	**363**	372	410	426	460	484	538	488

(1) Non-GAAP measure: Earnings before interest, income taxes, depreciation, amortization. 2017 excludes $0.7 million of contingent consideration true-up. 2019 excludes $7.9 million of restructuring charges; 2016 excludes $8.4 million; 2015 - $4.6 million; 2014 - $20.5 million; 2013 - $5.4 million. 2014 excludes $14.3 million of goodwill and intangible assets impairment; 2013 - $3.3 million. 2013 excludes $2.0 million of gain on reversal of contingent consideration.

Shareholder Information

DIRECTORS

David Tennant (Chairman)
Edward Breiner
John Burzynski
Jean Desrosiers
Fred Dyment
Louis-Pierre Gignac
Denis Larocque
Janice Rennie
Jo Mark Zurel

TRANSFER AGENT

AST Trust Company (Canada)

AUDITORS

Deloitte LLP

OFFICERS

Denis Larocque
President & Chief Executive Officer

Ian Ross
Chief Financial Officer

Kelly Johnson
Sr. VP Operations - North America & Africa

Ashley Martin
VP Operations - South America

John Ross Davies
VP Operations – Asia

Ben Graham
VP HR & Safety

Marc Landry
VP Technology & Logistics

Andrew McLaughlin
VP Legal Affairs & General Counsel

CORPORATE OFFICE

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

ANNUAL GENERAL MEETING

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

McCarthy Tétrault LLP
66 Wellington Street West, Suite 5300
Toronto Dominion Bank Tower
Toronto, ON, Canada

September 12, 2019 at 3:00 pm Eastern

MAJOR
Drilling