**NEWS RELEASE**

# Major Drilling Reports Profitable Second Quarter Results for Fiscal 2019

**MONCTON, New Brunswick (December 4, 2018)** – Major Drilling Group International Inc. (TSX: MDI) today reported results for its second quarter of fiscal year 2019, ended October 31, 2018.

**Highlights**

| In millions of Canadian dollars (except earnings (loss) per share) | Q2 2019 | Q2 2018 | YTD 2019 | YTD 2018 |
|---|---|---|---|---|
| Revenue | $105.5 | $88.0 | $204.0 | $171.9 |
| Gross profit | 28.9 | 21.2 | 52.3 | 37.9 |
| As percentage of revenue | 27.4% | 24.1% | 25.7% | 22.1% |
| EBITDA(1) | 15.6 | 9.1 | 25.7 | 14.4 |
| As percentage of revenue | 14.8% | 10.3% | 12.6% | 8.4% |
| Net earnings (loss) | 3.3 | (2.7) | 0.8 | (9.6) |
| Earnings (loss) per share | 0.04 | (0.03) | 0.01 | (0.12) |

(1) Earnings before interest, taxes, depreciation and amortization (see "non-GAAP financial measure")

- Quarterly revenue was $105.5 million, up 20% from the $88.0 million recorded for the same quarter last year.
- Gross margin percentage for the quarter was 27.4%, compared to 24.1% for the corresponding period last year.
- EBITDA increased by 71% to $15.6 million.
- Net earnings were $3.3 million or $0.04 per share for the quarter, compared to a net loss of $2.7 million or $0.03 per share for the prior year quarter.
- Net cash increased $12.8 million during the quarter to $14.9 million.

"Demand for our services continued to grow in all of our regions this quarter. Despite the recent drop in commodity prices, most senior mining companies are continuing with their original plans as they work to replace their mineral reserves," said Denis Larocque, President and CEO of Major Drilling Group International Inc. "The Company's strong operational leverage was evidenced as revenue growth of 20%, combined with improved margins and flat general and administrative expenses, translated into a 71% increase in EBITDA."

"The revenue increase was led by our international operations as South and Central American revenue was up 51% and Asian and African revenue was up 25% compared to the same quarter last year. In Canada - U.S., our revenue grew modestly at 7%, as we continued to focus on specialized drilling due to the high level of labour utilization experienced in these operations. Through this strategy, we have been able to triple this region's earnings this quarter as compared to the same period last year," stated Mr. Larocque.

"The Company's net cash position (net of debt) improved by $12.8 million over the last three months, to end the quarter at $14.9 million. Capital expenditures were $7.0 million this quarter, as we added seven rigs that fit both our specialized and diversification strategies. Two of the additional rigs are suited for surface drill and blast/grade control work, while we added three others to our computerized underground fleet of rigs. We disposed of nine older, inefficient rigs, bringing the fleet total to 625 rigs. We also sold a building and other assets for $7.1 million during the quarter," added Mr. Larocque.

"With copper reserves depleting at an accelerated rate, and grades declining, many industry experts expect the copper market will face a significant deficit position in the next few years, due to the continued production and high grading of mines, combined with the lack of exploration work conducted to replace reserves. The same dynamic can be seen in most mining commodities, including gold, and we believe that most commodities will face an imbalance between supply and demand as mining reserves continue to decrease due to the lack of exploration. Therefore, it is expected that at some point in the near future, the need to develop resources in areas that are increasingly difficult to access will significantly increase, at which time we expect to see a resurgence in demand for specialized drilling."

"As part of our ongoing efforts to prepare for future increases in activity, we are continuing to make investments in innovation directed towards increased productivity, safety, and meeting customers' demands. We keep growing our fleet of computerized rigs, as well as retrofitting some of our newer rigs with computerized consoles. This falls in line with the enhancement of our recruiting and training systems as we bring in a new generation of employees, while strengthening our customer service," said Mr. Larocque.

"On December 3, 2018, the Company made the decision to close its operations in Burkina Faso. This decision is based on the fact that this branch requires significant additional investment to reach an acceptable return on investment, at a time when competition is growing in the country, while we see growth opportunities in other regions. Preliminary estimates indicate cash close-down costs of approximately $1.5 million with additional non-cash expenses of approximately $6.5 to $7.5 million related to deferred tax assets impairment, VAT receivable write-off and impairment charges relating to property, plant and equipment and inventory. The Burkina Faso operation represented approximately 1% of the total Company revenue for the quarter."

"It is important to note that we are now in our third quarter, traditionally the weakest quarter of our fiscal year, as mining and exploration companies shut down, often for extended periods over the holiday season. At this time, most senior and intermediate companies are still working through their budget process and have yet to decide on post-holiday start-up dates. As usual, due to the time it takes to mobilize once new contracts are awarded, a slow pace of start-ups is expected in January and February. Additionally, the Company schedules substantial overhaul and maintenance work on its equipment during this slower period. These factors result in reduced revenue, increased costs, and reduced margins in the third quarter, and as we have experienced in previous years, we expect to generate a seasonal loss in the upcoming third quarter," said Mr. Larocque.

**Second quarter ended October 31, 2018**

Total revenue for the quarter was $105.5 million, up 20% from revenue of $88.0 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 7% to $56.5 million, compared to the same period last year.

South and Central American revenue increased by 51% to $29.2 million for the quarter, compared to the same quarter last year, due to increased activity levels in most regions, led by Mexico, the Guiana Shield, and Chile.

Asian and African operations reported revenue of $19.8 million, up 25% from the same period last year. This growth in revenue was driven by stronger activity in all areas, led by Indonesia and the Philippines.

The overall gross margin percentage for the quarter was 27.4%, up from 24.1% for the same period last year. While pricing continues to improve in all regions, operational efficiencies also contributed to the improvement in margins. As well, margins benefitted from the Company's increased focus on specialized drilling in Canada and the U.S.

General and administrative costs were flat compared to the same quarter last year at $11.2 million, while general and administrative expenses, as a percentage of revenue, decreased to 10.7% for the current quarter, compared to 12.9% for the same period last year.

Net earnings were $3.3 million or $0.04 per share ($0.04 per share diluted) for the quarter, compared to a net loss of $2.7 million or $0.03 per share ($0.03 per share diluted) for the prior year quarter.

## Non-GAAP Financial Measure

The Company uses the non-GAAP financial measure, EBITDA. 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.

## Forward-Looking Statements

Some of the statements contained in this news release may be forward-looking statements, such as, but not limited to, those relating to: worldwide demand for gold and base metals and overall commodity prices; the level of activity in the mining industry and the demand for the Company's services; the Canadian and international economic environments; the Company's ability to attract and retain customers and to manage its assets and operating costs; sources of funding for its clients (particularly for junior mining companies); competitive pressures; currency movements (which can affect the Company's revenue in Canadian dollars); the geographic distribution of the Company's operations; the impact of operational changes; changes in jurisdictions in which the Company operates (including changes in regulation); failure by counterparties to fulfill contractual obligations; and other factors as may be set forth as well as objectives or goals including words to the effect that the Company or management expects a stated condition to exist or occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements by reason of factors such as, but not limited to, the factors set out in the discussion on pages 13 to 16 of the 2018 Annual Report entitled "General Risks and Uncertainties", and such other documents as available on SEDAR at www.sedar.com. All such factors should be considered carefully when making decisions with respect to the Company. The Company does not undertake to update any forward-looking statements, including those statements that are incorporated by reference herein, whether written or oral, that may be made from time to time by or on its behalf, except in accordance with applicable securities laws.

## About Major Drilling

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

## Webcast/Conference Call Information

Major Drilling Group International Inc. will provide a simultaneous webcast and conference call to discuss its quarterly results on Wednesday, December 5, 2018 at 9:00 AM (EST). To access the webcast, which includes a slide presentation, please go to the investors/webcast section of Major Drilling's website at www.majordrilling.com and click on the link. Please note that this is listen-only mode.

To participate in the conference call, please dial 416-340-2216 and ask for Major Drilling's Second Quarter Results Conference Call. To ensure your participation, please call in approximately five minutes prior to the scheduled start of the call.

For those unable to participate, a taped rebroadcast will be available approximately one hour after the completion of the call until midnight, Wednesday, December 19, 2018. To access the rebroadcast, dial 905-694-9451 and enter the passcode 9521510#. The webcast will also be archived for one year and can be accessed on the Major Drilling website at www.majordrilling.com.

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# Major Drilling Group International Inc.
# Interim Condensed Consolidated Statements of Operations

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

| | Three months ended October 31 | | Six months ended October 31 | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| **TOTAL REVENUE** | **$ 105,501** | $ 87,992 | **$ 203,986** | $ 171,944 |
| **DIRECT COSTS** | **76,570** | 66,815 | **151,655** | 134,000 |
| **GROSS PROFIT** | **28,931** | 21,177 | **52,331** | 37,944 |
| **OPERATING EXPENSES** | | | | |
| General and administrative | **11,244** | 11,343 | **23,642** | 23,324 |
| Other expenses | **1,257** | 833 | **2,296** | 1,263 |
| (Gain) loss on disposal of property, plant and equipment | **(107)** | 33 | **(286)** | (139) |
| Foreign exchange loss (gain) | **918** | (144) | **944** | (940) |
| Finance costs | **208** | 184 | **451** | 365 |
| Depreciation of property, plant and equipment | **10,131** | 11,779 | **21,275** | 23,577 |
| Amortization of intangible assets | **-** | - | **-** | 657 |
| | **23,651** | 24,028 | **48,322** | 48,107 |
| **EARNINGS (LOSS) BEFORE INCOME TAX** | **5,280** | (2,851) | **4,009** | (10,163) |
| **INCOME TAX - PROVISION (RECOVERY) (note 8)** | | | | |
| Current | **2,821** | 2,370 | **5,577** | 4,854 |
| Deferred | **(802)** | (2,499) | **(2,347)** | (5,405) |
| | **2,019** | (129) | **3,230** | (551) |
| **NET EARNINGS (LOSS)** | **$ 3,261** | $ (2,722) | **$ 779** | $ (9,612) |
| **EARNINGS (LOSS) PER SHARE (note 9)** | | | | |
| **Basic** | **$ 0.04** | $ (0.03) | **$ 0.01** | $ (0.12) |
| **Diluted** | **$ 0.04** | $ (0.03) | **$ 0.01** | $ (0.12) |

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

**(in thousands of Canadian dollars)**
**(unaudited)**

| | Three months ended October 31 | | Six months ended October 31 | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| **NET EARNINGS (LOSS)** | **$ 3,261** | $ (2,722) | **$ 779** | $ (9,612) |
| **OTHER COMPREHENSIVE EARNINGS** | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Unrealized (loss) gain on foreign currency translations (net of tax) | **(223)** | 8,198 | **2,304** | (16,687) |
| Unrealized loss on derivatives (net of tax) | **(199)** | (313) | **(341)** | (209) |
| **COMPREHENSIVE EARNINGS (LOSS)** | **$ 2,839** | $ 5,163 | **$ 2,742** | $ (26,508) |

# Major Drilling Group International Inc.
# Interim Condensed Consolidated Statements of Changes in Equity
### For the six months ended October 31, 2018 and 2017
**(in thousands of Canadian dollars)**
**(unaudited)**

| | 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 | 1,513 | - | (310) | - | - | 1,203 |
| Share-based compensation | - | - | 428 | - | - | 428 |
| | 241,264 | 163 | 19,368 | 63,812 | 86,787 | 411,394 |
| **Comprehensive earnings:** | | | | | | |
| Net loss | - | - | - | (9,612) | - | (9,612) |
| Unrealized loss on foreign currency translations | - | - | - | - | (16,687) | (16,687) |
| Unrealized loss on derivatives | - | (209) | - | - | - | (209) |
| Total comprehensive loss | - | (209) | - | (9,612) | (16,687) | (26,508) |
| **BALANCE AS AT OCTOBER 31, 2017** | $ 241,264 | $ (46) | $ 19,368 | $ 54,200 | $ 70,100 | $ 384,886 |
| **BALANCE AS AT MAY 1, 2018** | **$ 241,264** | **$ 36** | **$ 19,721** | **$ 41,360** | **$ 70,021** | **$372,402** |
| Share-based compensation | **-** | **-** | **277** | **-** | **-** | **277** |
| | **241,264** | **36** | **19,998** | **41,360** | **70,021** | **372,679** |
| **Comprehensive earnings:** | | | | | | |
| Net earnings | **-** | **-** | **-** | **779** | **-** | **779** |
| Unrealized gain on foreign currency translations | **-** | **-** | **-** | **-** | **2,304** | **2,304** |
| Unrealized loss on derivatives | **-** | **(341)** | **-** | **-** | **-** | **(341)** |
| Total comprehensive earnings | **-** | **(341)** | **-** | **779** | **2,304** | **2,742** |
| **BALANCE AS AT OCTOBER 31, 2018** | **$ 241,264** | **$ (305)** | **$ 19,998** | **$ 42,139** | **$ 72,325** | **$375,421** |

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

| | Three months ended October 31 | | Six months ended October 31 | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| **OPERATING ACTIVITIES** | | | | |
| Earnings (loss) before income tax | **$ 5,280** | $ (2,851) | **$ 4,009** | $ (10,163) |
| Operating items not involving cash | | | | |
| Depreciation and amortization | **10,131** | 11,779 | **21,275** | 24,234 |
| (Gain) loss on disposal of property, plant and equipment | **(107)** | 33 | **(286)** | (139) |
| Share-based compensation | **128** | 189 | **277** | 428 |
| Finance costs recognized in earnings (loss) before income tax | **208** | 184 | **451** | 365 |
| | **15,640** | 9,334 | **25,726** | 14,725 |
| Changes in non-cash operating working capital items | **(614)** | (4,285) | **(3,547)** | (2,068) |
| Finance costs paid | **(208)** | (184) | **(451)** | (365) |
| Income taxes paid | **(2,545)** | (1,383) | **(4,557)** | (2,066) |
| Cash flow from operating activities | **12,273** | 3,482 | **17,171** | 10,226 |
| **FINANCING ACTIVITIES** | | | | |
| Repayment of long-term debt | **(538)** | (805) | **(1,273)** | (1,646) |
| Proceeds from draw on long-term debt | **-** | - | **-** | 15,000 |
| Issuance of common shares due to exercise of stock options | **-** | 510 | **-** | 1,203 |
| Cash flow (used in) from financing activities | **(538)** | (295) | **(1,273)** | 14,557 |
| **INVESTING ACTIVITIES** | | | | |
| Payment of consideration for previous business acquisition | **-** | (5,135) | **-** | (5,135) |
| Acquisition of property, plant and equipment (net of direct financing) (note 7) | **(7,025)** | (5,937) | **(12,851)** | (10,193) |
| Proceeds from disposal of property, plant and equipment | **7,075** | 844 | **7,766** | 1,620 |
| Cash flow from (used in) investing activities | **50** | (10,228) | **(5,085)** | (13,708) |
| Effect of exchange rate changes | **427** | 681 | **900** | (2,733) |
| **INCREASE (DECREASE) IN CASH** | **12,212** | (6,360) | **11,713** | 8,342 |
| **CASH, BEGINNING OF THE PERIOD** | **20,757** | 40,677 | **21,256** | 25,975 |
| **CASH, END OF THE PERIOD** | **$ 32,969** | $ 34,317 | **$ 32,969** | $ 34,317 |

# Major Drilling Group International Inc.
# Interim Condensed Consolidated Balance Sheets
### As at October 31, 2018 and April 30, 2018
**(in thousands of Canadian dollars)**
**(unaudited)**

| | October 31, 2018 | April 30, 2018 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash | $ 32,969 | $ 21,256 |
| Trade and other receivables | 87,248 | 88,372 |
| Note receivable | 505 | 495 |
| Income tax receivable | 2,880 | 4,517 |
| Inventories | 87,584 | 82,519 |
| Prepaid expenses | 6,853 | 2,924 |
| | 218,039 | 200,083 |
| **NOTE RECEIVABLE** | 304 | 559 |
| **PROPERTY, PLANT AND EQUIPMENT (note 7)** | 170,292 | 185,364 |
| **DEFERRED INCOME TAX ASSETS** | 24,532 | 23,196 |
| **GOODWILL** | 58,052 | 57,851 |
| | $ 471,219 | $ 467,053 |
| **LIABILITIES** | | |
| **CURRENT LIABILITIES** | | |
| Trade and other payables | $ 59,640 | $ 55,906 |
| Income tax payable | 3,161 | 3,794 |
| Current portion of long-term debt | 1,394 | 1,934 |
| | 64,195 | 61,634 |
| **LONG-TERM DEBT** | 16,651 | 17,407 |
| **DEFERRED INCOME TAX LIABILITIES** | 14,952 | 15,610 |
| | 95,798 | 94,651 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital | 241,264 | 241,264 |
| Reserves | (305) | 36 |
| Share-based payments reserve | 19,998 | 19,721 |
| Retained earnings | 42,139 | 41,360 |
| Foreign currency translation reserve | 72,325 | 70,021 |
| | 375,421 | 372,402 |
| | $ 471,219 | $ 467,053 |

## 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 Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies as outlined in the Company's annual Consolidated Financial Statements for the year ended April 30, 2018, except as noted in note 4.

On December 4, 2018, the Board of Directors authorized the financial statements for issue.

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

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

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

***Basis of preparation***
These Interim Condensed Consolidated Financial Statements have been prepared based on the historical cost basis except for certain financial instruments that are measured at fair value, using the same accounting policies and methods of computation as presented in the Company's annual Consolidated Financial Statements for the year ended April 30, 2018, except as noted in note 4.

## 3. APPLICATION OF NEW AND REVISED IFRS

The following IASB standards, adopted as of May 1, 2018, have had no significant 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 assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. 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 is in the process of quantifying the impact IFRS 16 will have on the Consolidated Financial Statements.

## 4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

IFRS 9 Financial Instruments ("IFRS 9"), replacing IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"), includes finalized guidance on the classification and measurement of financial assets and liabilities, impairment, and hedge accounting. The Company adopted the new requirements on May 1, 2018 by applying the requirements for classification and measurement, including impairment, retrospectively with no restatement of comparative periods.

***Financial instruments***
Under IFRS 9, financial assets are classified and measured at amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL") and financial liabilities are classified and measured as amortized cost or FVTPL, depending on the business model in which they are held and the characteristics of their contractual cash flows. All of the Company's financial assets and liabilities are measured at amortized cost.

***Impairment***
IFRS 9 replaces the incurred loss model in IAS 39 with a forward-looking expected credit loss ("ECL") model. Since the Company's trade receivables have a maturity of less than one year, the Company utilized a practical expedient available under the standard and estimated lifetime ECL using historical credit loss experiences, resulting in a minimal impact on the Company's financial statements.

***Hedge accounting***
As it was under IAS 39, hedge accounting remains optional under IFRS 9. Under IFRS 9, the effectiveness test has been replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. The Company's interest rate swap and share-forward transaction hedges continue to qualify for hedge accounting under IFRS 9 and as a result, the adoption of IFRS 9 did not have a significant impact on its consolidated financial statements with respect to hedge accounting.

The three types of hedges: cash flow, fair value and net investment, remain the same under IFRS 9. All of the Company's hedges continue to be classified as FVTOCI.

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Significant areas requiring the use of management estimates relate to the useful lives of property, plant and equipment for depreciation purposes, property, plant and equipment and inventory valuation, determination of income and other taxes, assumptions used in the compilation of share-based payments, fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities and allowance for doubtful accounts, and impairment testing of goodwill.

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

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

## 6. SEASONALITY OF OPERATIONS

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

## 7. PROPERTY, PLANT AND EQUIPMENT

Capital expenditures for the three months ended October 31, 2018 were $7,025 (2017 - $5,937) and $12,851 (2017 - $10,244) for the six months ended October 31, 2018. The Company did not obtain direct financing for the three and six months ended October 31, 2018 (2017 - nil and $51 respectively).

## 8. INCOME TAXES

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

| | **Q2 2019** | Q2 2018 | **YTD 2019** | YTD 2018 |
|---|---|---|---|---|
| Earnings (loss) before income tax | **$ 5,280** | $ (2,851) | **$ 4,009** | $ (10,163) |
| Statutory Canadian corporate income tax rate | **27%** | 27% | **27%** | 27% |
| Expected income tax expense (recovery) based on statutory rate | **1,426** | (770) | **1,083** | (2,744) |
| Non-recognition of tax benefits related to losses | **489** | 694 | **1,516** | 1,811 |
| Utilization of previously unrecognized losses | **(24)** | (811) | **(72)** | (811) |
| Other foreign taxes paid | **178** | 64 | **294** | 199 |
| Rate variances in foreign jurisdictions | **(9)** | 201 | **(61)** | 253 |
| Permanent differences | **37** | 86 | **548** | 299 |
| Other | **(78)** | 407 | **(78)** | 442 |
| Income tax provision (recovery) recognized in net earnings (loss) | **$ 2,019** | $ (129) | **$ 3,230** | $ (551) |

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

## 9. EARNINGS (LOSS) PER SHARE

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

| | **Q2 2019** | Q2 2018 | **YTD 2019** | YTD 2018 |
|---|---|---|---|---|
| Net earnings (loss) | **$ 3,261** | $ (2,722) | **$ 779** | $ (9,612) |
| Weighted average number of shares: | | | | |
| Basic (000s) | **80,300** | 80,291 | **80,300** | 80,222 |
| Diluted (000s) | **80,311** | 80,291 | **80,323** | 80,222 |
| Earnings (loss) per share | | | | |
| Basic | **$ 0.04** | $ (0.03) | **$ 0.01** | $ (0.12) |
| Diluted | **$ 0.04** | $ (0.03) | **$ 0.01** | $ (0.12) |

The calculation of diluted earnings per share for the three and six months ended October 31, 2018 excludes the effect of 3,495,854 and 3,530,102 options, respectively (2017 - 2,726,606 and 2,385,593) as they were anti-dilutive.

The total number of shares outstanding on October 31, 2018 was 80,299,984 (2017 - 80,229,984).

## 10. SEGMENTED INFORMATION

The Company's operations are divided into the following three geographic segments, corresponding to its management structure: Canada - U.S.; South and Central America; and Asia and Africa. The services provided in each of the reportable segments are essentially the same. The accounting policies of the segments are the same as those described in the Company's annual Consolidated Financial Statements for the year ended April 30, 2018 and in note 4. Management evaluates performance based on earnings from operations in these three geographic segments before finance costs, general corporate expenses and income taxes. Data relating to each of the Company's reportable segments is presented as follows:

| | **Q2 2019** | Q2 2018 | **YTD 2019** | YTD 2018 |
|---|---|---|---|---|
| Revenue | | | | |
| Canada - U.S.* | **$ 56,493** | $ 52,688 | **$ 107,806** | $ 104,870 |
| South and Central America | **29,173** | 19,394 | **55,913** | 38,268 |
| Asia and Africa | **19,835** | 15,910 | **40,267** | 28,806 |
| | **$ 105,501** | $ 87,992 | **$ 203,986** | $ 171,944 |
| Earnings (loss) from operations | | | | |
| Canada - U.S. | **$ 6,732** | $ 2,066 | **$ 8,047** | $ 800 |
| South and Central America | **(620)** | (2,442) | **(1,358)** | (5,530) |
| Asia and Africa | **823** | 249 | **1,694** | (1,917) |
| | **6,935** | (127) | **8,383** | (6,647) |
| Finance costs | **208** | 184 | **451** | 365 |
| General corporate expenses** | **1,447** | 2,540 | **3,923** | 3,151 |
| Income tax | **2,019** | (129) | **3,230** | (551) |
| Net earnings (loss) | **$ 3,261** | $ (2,722) | **$ 779** | $ (9,612) |

*Canada - U.S. includes revenue of $26,349 and $26,314 for Canadian operations for the three months ended October 31, 2018 and 2017, respectively and $51,003 and $51,341 for the six months ended October 31, 2018 and 2017, respectively.

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

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

## 10. SEGMENTED INFORMATION (Continued)

| | **Q2 2019** | Q2 2018 | **YTD 2019** | YTD 2018 |
|---|---|---|---|---|
| Capital expenditures | | | | |
| Canada - U.S. | **$ 3,054** | $ 4,078 | **$ 6,897** | $ 7,102 |
| South and Central America | **1,677** | 464 | **3,451** | 1,096 |
| Asia and Africa | **2,294** | 1,395 | **2,503** | 2,046 |
| Total capital expenditures | **$ 7,025** | $ 5,937 | **$ 12,851** | $ 10,244 |
| | | | | |
| Depreciation and amortization | | | | |
| Canada - U.S. | **$ 4,823** | $ 5,349 | **$ 10,170** | $ 11,795 |
| South and Central America | **3,019** | 3,159 | **6,254** | 6,361 |
| Asia and Africa | **2,200** | 2,446 | **4,697** | 5,150 |
| Unallocated and corporate assets | **89** | 825 | **154** | 928 |
| Total depreciation and amortization | **$ 10,131** | $ 11,779 | **$ 21,275** | $ 24,234 |

| | **October 31, 2018** | April 30, 2018 |
|---|---|---|
| **Identifiable assets** | | |
| Canada - U.S.* | **$ 201,214** | $ 188,947 |
| South and Central America | **145,174** | 137,153 |
| Asia and Africa | **108,522** | 94,005 |
| Unallocated and corporate assets | **16,309** | 46,948 |
| **Total identifiable assets** | **$ 471,219** | $ 467,053 |

*Canada - U.S. includes property, plant and equipment at October 31, 2018 of $35,400 (April 30, 2018 - $44,891) for Canadian operations.

## 11. FINANCIAL INSTRUMENTS

***Fair value***

The carrying values of cash, trade and other receivables, demand credit facility and trade and other payables approximate their fair value due to the relatively short period to maturity of the instruments. The carrying value of long-term debt approximates its fair value. The fair value of the interest rate swap included in long-term debt is measured using quoted interest rates.

The fair value hierarchy, detailed below, 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.

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

There were no transfers of amounts between level 1, level 2 and level 3 financial instruments for the quarter ended October 31, 2018.

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

## 11. FINANCIAL INSTRUMENTS (Continued)

***Credit risk***
As at October 31, 2018, 84.0% (April 30, 2018 - 84.3%) of the Company's trade receivables were aged as current and 1.4% (April 30, 2018 - 1.3%) of the trade receivables were impaired.

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

| | | October 31, 2018 | | April 30, 2018 |
|---|---|---|---|---|
| **Opening balance** | $ | **928** | $ | 847 |
| Increase in impairment allowance | | **309** | | 500 |
| Recovery of amounts previously impaired | | **(44)** | | (281) |
| Write-off charged against allowance | | **(141)** | | (69) |
| Foreign exchange translation differences | | **(47)** | | (69) |
| **Ending balance** | **$** | **1,005** | $ | 928 |

***Foreign currency risk***
As at October 31, 2018, 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 | CFA/USD | COP/USD | USD/AUD | IDR/USD | USD/ZAR | USD/CAD | Other |
|---|---|---|---|---|---|---|---|---|---|
| Net exposure on monetary assets | | $ 4,519 | $ 3,387 | $ 2,452 | $ 2,047 | $ 1,719 | $ (1,154) | $ (3,032) | $ 970 |
| EBIT impact | +/-10% | 502 | 376 | 272 | 227 | 191 | 128 | 337 | 109 |

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

| | 1 year | 2-3 years | 4-5 years | Total |
|---|---|---|---|---|
| Trade and other payables | $ 59,640 | $ - | $ - | $ 59,640 |
| Long-term debt (interest included) | 2,026 | 3,128 | 16,128 | 21,282 |
| | **$ 61,666** | **$ 3,128** | **$ 16,128** | **$ 80,922** |

## 12. SUBSEQUENT EVENT

On December 3, 2018, the Company decided to close its operations in Burkina Faso. This decision is based on the fact that this branch requires significant additional investment to reach an acceptable return on investment, at a time when competition is growing in the country, while the Company sees growth opportunities in other regions.

Based on preliminary estimates, the Company expects that cash close-down costs will be approximately $1.5 million, which includes severance costs, leases, moving equipment, and other close-down costs. Additionally, the Company expects to incur additional non-cash expenses between $6.5 and $7.5 million related to deferred tax assets impairment, VAT receivable write-off and impairment charges relating to property, plant and equipment and inventory.