

Major Drilling Announces Annual and Fourth Quarter Results for Fiscal 2013

MONCTON, New Brunswick (June 5, 2013) – Major Drilling Group International Inc. (TSX: MDI) today reported results for the year and fourth quarter ended April 30, 2013.

Highlights

In millions of Canadian dollars (except earnings per share)	Q4-13	Q4-12	Fiscal 2013	Fiscal 2012
Revenue	\$135.5	\$237.2	\$695.9	\$797.4
Gross profit	43.1	78.5	220.3	251.1
As percentage of revenue	31.8%	33.1%	31.7%	31.5%
EBITDA ⁽¹⁾	23.5	57.0	142.8	174.4
As percentage of revenue	17.3%	24.0%	20.5%	21.9%
Net earnings	2.2	30.7	52.1	89.7
Earnings per share - Basic	\$0.03	\$0.39	\$0.66	\$1.18

(1) Earnings before interest, taxes, depreciation and amortization, excluding restructuring charges, goodwill and intangible impairment and gain on reversal of contingent consideration (see “non-GAAP financial measures”)

- Excluding restructuring charges, impairment charges and gain on reversal of contingent consideration, earnings before taxes for the quarter were \$10.1 million.
- Major Drilling posted quarterly revenue of \$135.5 million, down 43% from the \$237.2 million record for the same quarter last year.
- Gross margin percentage for the quarter was 31.8%, compared to 33.1% for the corresponding period last year.
- The Company posted a restructuring charge of \$5.4 million accounting for retrenchment costs, scale down of operations, and write down of assets, and also posted a goodwill and intangible impairment charge of \$3.3 million during the quarter, offset by a gain on reversal of contingent consideration of \$2.0 million. Combined, these charges represent a negative impact to fourth quarter 2013 earnings before taxes of \$6.8 million.
- Net earnings (including restructuring and impairment charge) were \$2.2 million or \$0.03 per share for the quarter, compared to earnings of \$30.7 million or 0.39 per share for the prior year quarter.
- Our total net cash position (net of debt) improved by \$8.6 million in the quarter to \$38.7 million. For the year, the Company improved its net cash position by \$52 million as compared to last year.

“In February, due to the uncertainty around economic matters impacting the mining market, some customers delayed or cancelled their exploration drilling plans. In a number of jurisdictions, uncertainty as to the policies of host governments or issues of land tenure also had an impact on this quarter’s results. These factors, combined with the fact that sources of funding for junior mining companies remain limited, have led to significantly decreased activity in certain regions. As a result, fourth quarter revenue was significantly impacted as compared to the record revenue that the Company realized in the same period last year. Lower levels of demand have significantly increased competitive pressures and will likely continue to have an impact for the rest of calendar 2013. Despite lower pricing levels, we maintained good margin performance thanks to the improved productivity of our crews, and despite current conditions, we are pleased that Major Drilling was able to improve its net cash position by \$8.6 million as well as show a profit before tax of \$10.1 million for the quarter, excluding restructuring charges, impairment charges and gain on reversal of contingent consideration,” said Francis McGuire, President and CEO of Major Drilling.

“In light of the slowdown in activity, we have undertaken a review and restructuring of certain operations. During the quarter, we implemented reductions of salaried employees as we target a reduction of 20% in our general and administrative costs from our peak level incurred in the first quarter of this year. As part of this, we decided to significantly scale down our Tanzanian operation and our U.S. environmental division. The costs relating to these initiatives have been recorded as part of the \$5.4 million restructuring charge. Due to the continuing governmental budgetary constraints in the U.S. affecting its environmental division, we also recorded a goodwill and intangible impairment charge of \$3.3 million, but also recorded a gain from reversal of contingent consideration of \$2.0 million, related to the acquisition costs of the environmental business, which will no longer be paid. Finally, as part of these actions, senior management’s salaries and directors’ fees are being reduced.”

“The Company continues to have a variable cost structure whereby most of its direct costs, including field staff, go up or down with contract revenue and a large part of the Company’s other expenses relates to variable incentive compensation based on the Company’s profitability. Despite the difficult environment, we expect operations to generate positive cash flow in fiscal 2014. The Company will continue to focus on cash management by limiting capital expenditures, by reducing inventory and by closely monitoring costs.”

“At the same time, the Company’s financial strength allows it to continue to invest in safety, to maintain its equipment in excellent condition, and to retain skilled employees, all of which are essential to react quickly when the industry recovers. The Company remains in an excellent financial position, remaining debt-free, net of cash, during the quarter. Total cash level, net of long-term debt, stood at \$38.7 million at quarter-end. Capital expenditures for the quarter were \$9.5 million as we purchased 14 rigs, while retiring 39 rigs through our modernization program. At this point, we anticipate continuing to invest at this pace as we see opportunities to expand our capacity in specialized drilling and to expand in other parts of the world, such as Brazil. This will also allow us to continue our strategy of maintaining a sustainable dividend policy.”

“The current economic environment will continue to significantly impact drilling in the short to medium-term, particularly on gold projects where the Company has a significant presence, and

the Company is experiencing further delays and cancellations as compared to the quarter just completed. Also, lower levels of demand have increased competitive pressures, which may impact pricing going forward. The impact of lower pricing should be partially offset by the increased productivity of our experienced drilling crews.”

“Over time, we expect many of the supply issues that face most commodities to come back into focus and that even with moderate growth in the world economy, the need to explore and develop mines will increase. We believe that the need to develop resources in areas that are increasingly difficult to access will continue to increase over time, which should increase demand for specialized drilling,” said Mr. McGuire.

Fourth quarter ended April 30, 2013

Total revenue for the quarter was \$135.5 million, down 43% from the \$237.2 million record in the same quarter last year. Due to the uncertainty around economic matters impacting the mining market, some customers delayed or cancelled their exploration drilling plans, which impacted the quarter’s results compared to last year. In a number of jurisdictions, uncertainty as to the policies of host governments or issues of land tenure also had an impact on quarter results. Also, many junior customers have scaled back or suspended drilling activities as compared to last year.

Revenue for the quarter from Canada-U.S. drilling operations decreased by 42% to \$61.8 million compared to the same period last year. Both countries were affected by delays and the cancellation of projects.

South and Central American revenue was down 41% to \$43.5 million for the quarter, compared to the prior year quarter. All of the countries in this region, particularly Mexico, Chile and Argentina, were affected by a reduction in work by juniors and the cancellation or reduction of projects.

Australian, Asian and African operations reported revenue of \$30.2 million, down 47% from the same period last year. Australia, where projects have been cancelled due to high costs being incurred by mining companies and new mining taxes, was impacted the most. The Company also saw decreases in other regions including Mongolia, which is affected by political uncertainty.

The overall gross margin percentage for the quarter was 31.8% compared to 33.1% for the same period last year. Reduced pricing due to increased competitive pressures and delays impacted margins, however the Company has been able to recapture some of this loss through productivity gains and cost cutting.

General and administrative costs were \$15.3 million for the quarter compared to \$16.0 million in the same period last year. With the decrease in activity, the Company has reduced its general and administrative costs, in part related to the integration of the Bradley operations. At the same time, the Company is opening new branches in Brazil and Calgary. During the quarter, the Company implemented reductions of salaried employees and restructured certain branches as it targets a reduction of 20% in general and administrative costs from the peak levels incurred in the first quarter of this year.

Other expenses for the quarter were \$0.4 million, down from the \$4.0 million reported in the prior year quarter. This quarter's amount consists of incentive compensation expenses and bad debt provisions, offset by a gain on reversal of contingent consideration of \$2.0 million, whereas other expenses for the same quarter last year were mainly composed of incentive compensation expenses given the Company's profitability in that quarter.

The Company recorded a restructuring charge of \$5.4 million consisting primarily of scale down costs of its U.S. environmental division and its Tanzanian operations, as well as retrenchment costs following staff reduction initiatives implemented during the quarter across the Company.

Due to the continuing governmental budgetary constraints in the U.S. affecting its environmental division, the Company recorded a goodwill and intangible impairment charge of \$3.3 million.

Non-GAAP Financial Measures

In this news release, the Company uses the following non-GAAP financial measures: EBITDA and EBITDA as a percentage of revenue. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance of the Company. These measures do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies, and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

Forward-Looking Statements

Some of the statements contained in this press release may be forward-looking statements, such as, but not limited to, those relating to worldwide demand for gold and base metals and overall commodity prices, the level of activity in the minerals and metals industry and the demand for the Company's services, the Canadian and international economic environments, the Company's ability to attract and retain customers and to manage its assets and operating costs, sources of funding for its clients, particularly for junior mining companies, competitive pressures, currency movements, which can affect the Company's revenue in Canadian dollars, the geographic distribution of the Company's operations, the impact of operational changes, changes in jurisdictions in which the Company operates (including changes in regulation), failure by counterparties to fulfill contractual obligations, and other factors as may be set forth, as well as objectives or goals, and including words to the effect that the Company or management expects a stated condition to exist or occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements by reason of factors such as, but not limited to, the factors set out in the discussion on pages 16 to 18 of the 2012 Annual Report entitled "General Risks and Uncertainties", and such other documents as available on SEDAR at www.sedar.com. All such factors should be considered carefully when making decisions with respect to the Company. The Company does not undertake to update any forward-looking statements, including those statements that are incorporated by reference herein, whether written or oral, that may be made from time to time by or on its behalf, except in accordance with applicable securities laws.

Based in Moncton, New Brunswick, Major Drilling Group International Inc. is one of the world's largest metals and minerals contract drilling service companies. To support its customers' mining operations, mineral exploration and environmental activities, Major Drilling maintains operations on every continent.

Financial statements are attached.

*Major Drilling will provide a simultaneous webcast of its quarterly conference call on **Thursday, June 6, 2013 at 9:00 AM (EDT)**. To access the webcast please go to the investors/webcast section of Major Drilling's website at www.majordrilling.com and click the attached link, or go directly to the CNW Group website at www.newswire.ca for directions. Participants will require Windows MediaPlayer, which can be downloaded prior to accessing the call. Please note that this is listen-only mode.*

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Major Drilling Group International Inc.
Condensed Consolidated Statements of Operations

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

	Three months ended April 30 (unaudited)		Twelve months ended April 30	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
TOTAL REVENUE	\$ 135,537	\$ 237,238	\$ 695,928	\$ 797,432
DIRECT COSTS	92,450	158,786	475,589	546,306
GROSS PROFIT	<u>43,087</u>	<u>78,452</u>	<u>220,339</u>	<u>251,126</u>
OPERATING EXPENSES				
General and administrative	15,318	16,024	63,827	57,980
Other expenses	411	4,019	10,585	16,055
Loss on disposal of property, plant and equipment	1,232	54	2,452	1,370
Foreign exchange loss (gain)	699	1,338	(1,311)	1,319
Finance costs	346	707	2,316	3,367
Depreciation of property, plant and equipment	12,575	11,587	49,997	39,975
Amortization of intangible assets	412	1,054	2,840	2,629
Impairment of goodwill and intangible assets	3,324	-	3,324	-
Restructuring charge	5,440	-	5,440	-
	<u>39,757</u>	<u>34,783</u>	<u>139,470</u>	<u>122,695</u>
EARNINGS BEFORE INCOME TAX	<u>3,330</u>	<u>43,669</u>	<u>80,869</u>	<u>128,431</u>
INCOME TAX - PROVISION (RECOVERY)				
Current	3,590	11,215	32,077	24,592
Deferred	(2,434)	1,723	(3,318)	14,090
	<u>1,156</u>	<u>12,938</u>	<u>28,759</u>	<u>38,682</u>
NET EARNINGS	<u>\$ 2,174</u>	<u>\$ 30,731</u>	<u>\$ 52,110</u>	<u>\$ 89,749</u>
<u>EARNINGS PER SHARE</u>				
Basic	<u>\$ 0.03</u>	<u>\$ 0.39</u>	<u>\$ 0.66</u>	<u>\$ 1.18</u>
Diluted	<u>\$ 0.03</u>	<u>\$ 0.38</u>	<u>\$ 0.65</u>	<u>\$ 1.16</u>

Major Drilling Group International Inc.
Condensed Consolidated Statements of Comprehensive Earnings
(in thousands of Canadian dollars)

	Three months ended April 30 (unaudited)		Twelve months ended April 30	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
NET EARNINGS	\$ 2,174	\$ 30,731	\$ 52,110	\$ 89,749
OTHER COMPREHENSIVE EARNINGS				
Unrealized gains (losses) on foreign currency translations (net of tax)	4,362	(7,989)	11,803	1,871
Unrealized gain (loss) on interest swap (net of tax)	47	240	(81)	121
COMPREHENSIVE EARNINGS	\$ 6,583	\$ 22,982	\$ 63,832	\$ 91,741

Major Drilling Group International Inc.
Condensed Consolidated Statements of Changes in Equity
For the twelve months ended April 30, 2012 and 2013
(in thousands of Canadian dollars)

	Share capital	Reserves	Share-based payments reserve	Retained earnings	Foreign currency translation reserve	Total
BALANCE AS AT MAY 1, 2011	\$ 150,642	\$ -	\$ 10,280	\$170,425	\$ (3,662)	\$327,685
Exercise of stock options	2,932	-	(909)	-	-	2,023
Share issue (net of issue costs)	77,189	-	-	-	-	77,189
Share-based payments reserve	-	-	2,426	-	-	2,426
Dividends	-	-	-	(13,365)	-	(13,365)
	<u>230,763</u>	<u>-</u>	<u>11,797</u>	<u>157,060</u>	<u>(3,662)</u>	<u>395,958</u>
Comprehensive earnings:						
Net earnings	-	-	-	89,749	-	89,749
Unrealized gains on foreign currency translations	-	-	-	-	1,871	1,871
Unrealized gain on interest swap	-	121	-	-	-	121
Total comprehensive earnings	<u>-</u>	<u>121</u>	<u>-</u>	<u>89,749</u>	<u>1,871</u>	<u>91,741</u>
BALANCE AS AT APRIL 30, 2012	<u>\$ 230,763</u>	<u>\$ 121</u>	<u>\$ 11,797</u>	<u>\$246,809</u>	<u>\$ (1,791)</u>	<u>\$487,699</u>
BALANCE AS AT MAY 1, 2012	\$ 230,763	\$ 121	\$ 11,797	\$246,809	\$ (1,791)	\$487,699
Exercise of stock options	222	-	(114)	-	-	108
Share-based payments reserve	-	-	2,521	-	-	2,521
Dividends	-	-	-	(15,831)	-	(15,831)
	<u>230,985</u>	<u>121</u>	<u>14,204</u>	<u>230,978</u>	<u>(1,791)</u>	<u>474,497</u>
Comprehensive earnings:						
Net earnings	-	-	-	52,110	-	52,110
Unrealized gains on foreign currency translations	-	-	-	-	11,803	11,803
Unrealized loss on interest swap	-	(81)	-	-	-	(81)
Total comprehensive earnings	<u>-</u>	<u>(81)</u>	<u>-</u>	<u>52,110</u>	<u>11,803</u>	<u>63,832</u>
BALANCE AS AT APRIL 30, 2013	<u>\$ 230,985</u>	<u>\$ 40</u>	<u>\$ 14,204</u>	<u>\$283,088</u>	<u>\$ 10,012</u>	<u>\$538,329</u>

Major Drilling Group International Inc.
Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

	Three months ended April 30 (unaudited)		Twelve months ended April 30	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
OPERATING ACTIVITIES				
Earnings before income tax	\$ 3,330	\$ 43,669	\$ 80,869	\$ 128,431
Operating items not involving cash				
Depreciation and amortization	12,987	12,641	52,837	42,604
Loss on disposal of property, plant and equipment	1,232	54	2,452	1,370
Share-based payments reserve	444	660	2,521	2,426
Impairment of goodwill and intangible assets	3,324	-	3,324	-
Restructuring charge	1,425	-	1,425	-
Finance costs recognized in earnings before income tax	346	707	2,316	3,367
	<u>23,088</u>	<u>57,731</u>	<u>145,744</u>	<u>178,198</u>
Changes in non-cash operating working capital items	5,305	(28,158)	30,456	(32,787)
Finance costs paid	(345)	(708)	(2,306)	(3,432)
Income taxes paid	(11,081)	(11,262)	(36,962)	(27,502)
Cash flow from operating activities	<u>16,967</u>	<u>17,603</u>	<u>136,932</u>	<u>114,477</u>
FINANCING ACTIVITIES				
Repayment of long-term debt	(1,716)	(1,573)	(9,296)	(17,390)
Proceeds from long-term debt	-	-	-	25,000
Repayment of short-term debt	-	(7,847)	-	(12,988)
Issuance of common shares	108	1,073	108	79,212
Dividends paid	-	-	(15,038)	(11,525)
Cash flow (used in) from financing activities	<u>(1,608)</u>	<u>(8,347)</u>	<u>(24,226)</u>	<u>62,309</u>
INVESTING ACTIVITIES				
Business acquisitions (net of cash acquired)	-	(1,825)	(1,698)	(76,304)
Acquisition of property, plant and equipment (net of direct financing)	(9,487)	(21,097)	(69,005)	(81,129)
Proceeds from disposal of property, plant and equipment	884	517	3,409	2,228
Cash flow used in investing activities	<u>(8,603)</u>	<u>(22,405)</u>	<u>(67,294)</u>	<u>(155,205)</u>
Effect of exchange rate changes	<u>72</u>	<u>269</u>	<u>(338)</u>	<u>(559)</u>
INCREASE (DECREASE) IN CASH	6,828	(12,880)	45,074	21,022
CASH, BEGINNING OF THE PERIOD	75,483	50,117	37,237	16,215
CASH, END OF THE PERIOD	\$ 82,311	\$ 37,237	\$ 82,311	\$ 37,237

Major Drilling Group International Inc.
Condensed Consolidated Balance Sheets

As at April 30, 2013 and 2012
(in thousands of Canadian dollars)

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash	\$ 82,311	\$ 37,237
Trade and other receivables	98,079	159,770
Income tax receivable	10,013	3,314
Inventories	88,118	95,905
Prepaid expenses	6,119	7,476
	284,640	303,702
PROPERTY, PLANT AND EQUIPMENT	339,971	318,171
DEFERRED INCOME TAX ASSETS	5,601	2,859
GOODWILL	52,736	54,946
INTANGIBLE ASSETS	3,279	6,295
	\$ 686,227	\$ 685,973
 LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	\$ 73,315	\$ 115,805
Income tax payable	5,020	3,142
Current portion of long-term debt	9,097	8,712
	87,432	127,659
CONTINGENT CONSIDERATION	231	2,760
LONG-TERM DEBT	34,497	42,274
DEFERRED INCOME TAX LIABILITIES	25,738	25,581
	147,898	198,274
SHAREHOLDERS' EQUITY		
Share capital	230,985	230,763
Reserves	40	121
Share-based payments reserve	14,204	11,797
Retained earnings	283,088	246,809
Foreign currency translation reserve	10,012	(1,791)
	538,329	487,699
	\$ 686,227	\$ 685,973

MAJOR DRILLING GROUP INTERNATIONAL INC.
SELECTED FINANCIAL INFORMATION
FOR THE THREE AND TWELVE MONTHS ENDED APRIL 30, 2013 AND 2012
(in thousands of Canadian dollars)

SEGMENTED INFORMATION

The Company's operations are divided into three geographic segments corresponding to its management structure, Canada - U.S., South and Central America, and Australia, Asia and Africa. The services provided in each of the reportable segments are essentially the same. The accounting policies of the segments are the same as those described in Note 4 presented in the Notes to Consolidated Financial Statements for the year ended April 30, 2013. Management evaluates performance based on earnings from operations in these three geographic segments before finance costs and income tax. Data relating to each of the Company's reportable segments is presented as follows:

	Three months ended April 30 (unaudited)		Twelve months ended April 30	
	2013	2012	2013	2012
Revenue				
Canada - U.S.	\$ 61,827	\$ 106,653	\$ 317,091	\$ 322,047
South and Central America	43,489	73,311	203,233	251,833
Australia, Asia and Africa	30,221	57,274	175,604	223,552
	<u>\$ 135,537</u>	<u>\$ 237,238</u>	<u>\$ 695,928</u>	<u>\$ 797,432</u>
Earnings from operations				
Canada - U.S.	\$ 2,874	\$ 23,375	\$ 47,020	\$ 57,629
South and Central America	7,629	19,061	36,114	55,790
Australia, Asia and Africa	(5,112)	6,553	12,945	36,365
	<u>5,391</u>	<u>48,989</u>	<u>96,079</u>	<u>149,784</u>
Eliminations	<u>(13)</u>	<u>(235)</u>	<u>(987)</u>	<u>(939)</u>
	<u>5,378</u>	<u>48,754</u>	<u>95,092</u>	<u>148,845</u>
Finance costs	346	707	2,316	3,367
General corporate expenses *	1,702	4,378	11,907	17,047
Income tax	1,156	12,938	28,759	38,682
Net earnings	<u>\$ 2,174</u>	<u>\$ 30,731</u>	<u>\$ 52,110</u>	<u>\$ 89,749</u>

* General corporate expenses include expenses for corporate offices, stock options and certain un-allocated costs

Depreciation and amortization				
Canada - U.S.	\$ 5,849	\$ 5,448	\$ 22,713	\$ 17,813
South and Central America	2,928	2,406	11,493	9,877
Australia, Asia and Africa	4,003	3,428	15,522	11,672
Unallocated and corporate assets	207	1,359	3,109	3,242
	<u>\$ 12,987</u>	<u>\$ 12,641</u>	<u>\$ 52,837</u>	<u>\$ 42,604</u>