

## Major Drilling Reports First Quarter Results and Declares Dividend

MONCTON, New Brunswick (September 10, 2015) – Major Drilling Group International Inc. (TSX: MDI) today reported results for its first quarter of fiscal year 2016, ended July 31, 2015.

### Highlights

In millions of Canadian dollars (except loss per share)	<u>Q1-16</u>	<u>Q1-15</u>
Revenue	\$ 83.9	\$ 67.6
Gross profit	21.6	16.7
As percentage of revenue	25.8%	24.7%
EBITDA <sup>(1)</sup>	11.4	4.8
As percentage of revenue	13.5%	7.0%
Net loss	(11.2)	(7.3)
Loss per share - basic	(0.14)	(0.09)

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

- Major Drilling posted quarterly revenue of \$83.9 million, up 24% from the \$67.6 million recorded for the same quarter last year.
- Gross margin percentage for the quarter was 25.8%, compared to 24.7% for the corresponding period last year.
- General and administrative costs were down 3% despite a 24% increase in revenue.
- Net cash increased \$3.3 million during the quarter, to \$32.9 million.
- The Company has determined to close its South African and Namibian operations. During the quarter, the Company posted a restructuring charge of \$6.4 million, \$5.0 million of which is non-cash, mostly related to the closure of these operations.
- Net loss was \$11.2 million or \$0.14 per share for the quarter, compared to a net loss of \$7.3 million or \$0.09 per share for the prior year quarter.
- The Board of Directors has declared a semi-annual dividend of \$0.02 per share to be paid on November 2, 2015.

“Although demand for drilling services continues to be weak and pricing very competitive, we were able to increase our revenue and margins over the last three months,” said Francis McGuire, President and CEO of Major Drilling. “We continue to grow our services around existing mines, including underground core and percussive drilling, which should help to provide greater revenue stability, provided senior and intermediate miners continue with their production plans. Our efforts to reduce costs have had a positive impact on margins and have allowed us to grow our EBITDA to \$11.4 million, more than double our EBITDA in the first quarter of last year.”

“We are still unsure as to the impact that the latest reductions in commodity prices will have on our industry and our operations, as it is very difficult to predict customer plans over the next twelve months. During the quarter, we made the difficult decision to close our operations in South Africa and Namibia, recording a restructuring charge of \$6.1 million. This includes a non-cash charge of \$5.0 million in write-down of assets and a \$1.1 million net cash charge for severance and lease termination. As well, we will incur additional moving costs over the next few months. Also, during the quarter, the Company incurred additional restructuring charges of \$0.3 million relating to severance as it continues to reduce costs across the organization.”

“Net cash is up \$3.3 million from three months ago, with net cash, net of debt, at \$33 million at the end of the quarter. Capital expenditures for the quarter were at \$5.3 million as we purchased 5 rigs, including 3 rigs for our percussive division, and also added support equipment, while retiring 11 rigs. We also paid a semi-annual dividend of \$1.6 million during the quarter.”

“Through our efforts on diversification, we have been growing our mine services, including our percussive division, which provides services related more to the production function of a mine. 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.”

“Based on our continuing strong balance sheet, the Board of Directors has declared a semi-annual dividend of \$0.02 per common share, which will be paid on November 2, 2015 to shareholders of record as of October 9, 2015. This dividend is designated as an “eligible dividend” for Canadian tax purposes.”

“This will be the last quarter in which I will be reporting for the Company. I take great personal pride in the incredible team of people that will continue to serve our customers and you, our shareholders. I have all the confidence that with Denis Larocque and everyone at Major Drilling, our Company’s future is in good hands,” noted Mr. McGuire.

“For more than 15 years, Francis has provided invaluable leadership for Major Drilling and for our industry, at times through challenging market conditions. On behalf of our shareholders, Board and employees, I want to thank Francis for his contributions to Major Drilling, building it into a globally recognized contract drilling company,” said David Tennant, Board Chair.

## **First quarter ended July 31, 2015**

Total revenue for the quarter was \$83.9 million, up 24% from revenue of \$67.6 million recorded in the same quarter last year. Most of the increase relates to the addition of our percussive division, increased activity in South and Central America and better foreign exchange conversion rates, which offset revenue reduction from our energy division and the closure of our operation in the Democratic Republic of Congo (“DRC”). The favourable foreign exchange translation impact for the quarter is estimated at \$5.6 million on revenue but negligible on net earnings, when comparing to the effective rates for the same period last year.

Revenue for the quarter from Canada-U.S. drilling operations increased by 40% to \$51.0 million compared to the same period last year. Most of the increase came from the addition of our percussive division.

South and Central American revenue was up 45% to \$20.5 million for the quarter, compared to the prior year quarter. Most of the increase came from Mexico and Chile, while other regions were relatively flat.

Asian and African operations reported revenue of \$12.4 million, down 27% from the same period last year. Most of the decrease came from the closure of operations in the DRC, and a slowdown in Southern Africa.

The overall gross margin percentage for the quarter was 25.8%, up from 24.7% for the same period last year. This margin is an indication that pricing appears to have now stabilized, but is also a result of the Company’s discipline on pricing.

General and administrative costs decreased 3% from last year to \$10.6 million for the quarter, despite an increase due to foreign exchange translation, and the Taurus acquisition. With the decrease in activity during the current industry downturn, the Company has reduced its general and administrative costs across its operations.

Gain on disposal of property, plant and equipment was \$2.6 million during the quarter compared to nil last year, as the Company sold a non-operational building in Chile.

The Company recorded a restructuring charge of \$6.4 million consisting primarily of a non-cash write-down of assets of \$5.0 million in South Africa and Namibia, \$1.1 million in closedown costs relating to severance and lease termination, and \$0.3 million in additional restructuring charges across the organization as it continues to reduce costs.

The income tax provision for the quarter was an expense of \$2.8 million compared to a recovery of \$2.4 million for the prior year period. The tax expense for the quarter was impacted by non-tax affected losses and non-deductible expenses, while incurring taxes in profitable branches.

The Annual General Meeting of the shareholders of Major Drilling Group International Inc. will be held at The TMX Broadcast Centre, Gallery, The Exchange Tower, 130 King St. W., Toronto, Ontario, on Friday, September 11, 2015 at 11:00 am EDT.

## **Non-GAAP Financial Measures**

In this news release, the Company uses the non-GAAP financial measure, EBITDA, excluding restructuring charges. 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 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 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 17 to 21 of the 2015 Annual Report entitled "General Risks and Uncertainties", and such other documents as available on SEDAR at [www.sedar.com](http://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.

Major Drilling Group International Inc. is one of the world's largest drilling services companies primarily serving the mining industry. To support its customers' varied exploration drilling requirements, Major Drilling maintains field operations and offices in Canada, the United States, Mexico, South America, Asia, and Africa. Major Drilling provides all types of drilling services including surface and underground coring, directional, reverse circulation, sonic, geotechnical, environmental, water-well, coal-bed methane, shallow gas and underground percussive/longhole drilling.

Financial statements are attached.

## **Webcast/Conference Call Information**

*Major Drilling will provide a simultaneous webcast and conference call to discuss its quarterly results on **Friday, September 11, 2015 at 9:00 AM (EDT)**. 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](http://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 First Quarter 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, Friday September 25, 2015. To access the rebroadcast, dial 905-694-9451 and enter the passcode 5147175. The webcast will also be archived for one year and can be accessed on the Major Drilling website at [www.majordrilling.com](http://www.majordrilling.com).*

-- 30 --

### **For further information:**

*Denis Larocque, Chief Financial Officer*

Tel: (506) 857-8636

Fax: (506) 857-9211

**[ir@majordrilling.com](mailto:ir@majordrilling.com)**

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

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

	Three months ended July 31	
	2015	2014
<b>TOTAL REVENUE</b>	<b>\$ 83,934</b>	<b>\$ 67,551</b>
<b>DIRECT COSTS</b>	<b>62,317</b>	50,884
<b>GROSS PROFIT</b>	<b>21,617</b>	16,667
<b>OPERATING EXPENSES</b>		
General and administrative	10,640	10,979
Other expenses	1,068	871
Gain on disposal of property, plant and equipment	(2,624)	(15)
Foreign exchange loss	1,168	73
Finance costs	70	204
Depreciation of property, plant and equipment	12,258	13,353
Amortization of intangible assets	958	321
Restructuring charge (note 10)	6,432	591
	<b>29,970</b>	26,377
<b>LOSS BEFORE INCOME TAX</b>	<b>(8,353)</b>	(9,710)
<b>INCOME TAX - PROVISION (RECOVERY) (note 7)</b>		
Current	2,884	328
Deferred	(57)	(2,707)
	<b>2,827</b>	(2,379)
<b>NET LOSS</b>	<b>\$ (11,180)</b>	\$ (7,331)
<b><u>LOSS PER SHARE (note 8)</u></b>		
Basic	<b>\$ (0.14)</b>	\$ (0.09)
Diluted	<b>\$ (0.14)</b>	\$ (0.09)

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

(in thousands of Canadian dollars)  
(unaudited)

	Three months ended July 31	
	<u>2015</u>	<u>2014</u>
<b>NET LOSS</b>	<b>\$ (11,180)</b>	<b>\$ (7,331)</b>
<b>OTHER COMPREHENSIVE EARNINGS (LOSS)</b>		
Items that may be reclassified subsequently to profit or loss		
Unrealized gains (loss) on foreign currency translations (net of tax)	<u>20,965</u>	<u>(2,500)</u>
<b>COMPREHENSIVE EARNINGS (LOSS)</b>	<u><b>\$ 9,785</b></u>	<u><b>\$ (9,831)</b></u>

**Major Drilling Group International Inc.**  
**Interim Condensed Consolidated Statements of Changes in Equity**

For the three months ended July 31, 2014 and 2015

(in thousands of Canadian dollars)

(unaudited)

	Share capital	Share-based payments reserve	Retained earnings	Foreign currency translation reserve	Total
<b>BALANCE AS AT MAY 1, 2014</b>	\$ 230,985	\$ 15,937	\$ 211,945	\$ 25,480	\$ 484,347
Exercise of stock options	12	(3)	-	-	9
Share-based payments reserve	-	355	-	-	355
	<u>230,997</u>	<u>16,289</u>	<u>211,945</u>	<u>25,480</u>	<u>484,711</u>
<b>Comprehensive loss:</b>					
Net loss	-	-	(7,331)	-	(7,331)
Unrealized loss on foreign currency translations	-	-	-	(2,500)	(2,500)
Total comprehensive loss	<u>-</u>	<u>-</u>	<u>(7,331)</u>	<u>(2,500)</u>	<u>(9,831)</u>
<b>BALANCE AS AT JULY 31, 2014</b>	<u>\$ 230,997</u>	<u>\$ 16,289</u>	<u>\$ 204,614</u>	<u>\$ 22,980</u>	<u>\$ 474,880</u>
<b>BALANCE AS AT MAY 1, 2015</b>	\$ 239,726	\$ 17,234	\$ 152,764	\$ 50,668	\$ 460,392
Share-based payments reserve	-	263	-	-	263
	<u>239,726</u>	<u>17,497</u>	<u>152,764</u>	<u>50,668</u>	<u>460,655</u>
<b>Comprehensive earnings:</b>					
Net loss	-	-	(11,180)	-	(11,180)
Unrealized gains on foreign currency translations	-	-	-	20,965	20,965
Total comprehensive earnings	<u>-</u>	<u>-</u>	<u>(11,180)</u>	<u>20,965</u>	<u>9,785</u>
<b>BALANCE AS AT JULY 31, 2015</b>	<u>\$ 239,726</u>	<u>\$ 17,497</u>	<u>\$ 141,584</u>	<u>\$ 71,633</u>	<u>\$ 470,440</u>



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

(in thousands of Canadian dollars)  
(unaudited)

	Three months ended July 31	
	2015	2014
<b>OPERATING ACTIVITIES</b>		
Loss before income tax	\$ (8,353)	\$ (9,710)
Operating items not involving cash		
Depreciation and amortization	13,216	13,674
Gain on disposal of property, plant and equipment	(2,624)	(15)
Share-based payments reserve	263	355
Restructuring charge	5,045	-
Finance costs recognized in loss before income tax	70	204
	7,617	4,508
Changes in non-cash operating working capital items	(1,096)	(1,195)
Finance costs paid	(72)	(201)
Income taxes paid	(4,118)	(2,200)
Cash flow from operating activities	2,331	912
<b>FINANCING ACTIVITIES</b>		
Repayment of demand loan	-	(3,354)
Repayment of long-term debt	(1,784)	(1,739)
Issuance of common shares	-	9
Dividends paid	(1,603)	(7,916)
Cash flow used in financing activities	(3,387)	(13,000)
<b>INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment (net of direct financing) (note 6)	(3,265)	(7,145)
Proceeds from disposal of property, plant and equipment	5,869	10,634
Cash flow from investing activities	2,604	3,489
Effect of exchange rate changes	2,131	(170)
<b>INCREASE (DECREASE) IN CASH</b>	<b>3,679</b>	<b>(8,769)</b>
<b>CASH, BEGINNING OF THE PERIOD</b>	<b>44,897</b>	<b>74,244</b>
<b>CASH, END OF THE PERIOD</b>	<b>\$ 48,576</b>	<b>\$ 65,475</b>

**Major Drilling Group International Inc.**  
**Interim Condensed Consolidated Balance Sheets**

As at July 31, 2015 and April 30, 2015

(in thousands of Canadian dollars)

(unaudited)

	July 31, 2015	April 30, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 48,576	\$ 44,897
Trade and other receivables	66,550	58,559
Note receivable	439	-
Income tax receivable	12,543	12,182
Inventories	81,566	79,248
Prepaid expenses	5,507	2,968
	215,181	197,854
<b>NOTE RECEIVABLE</b>	1,900	-
<b>PROPERTY, PLANT AND EQUIPMENT</b>	274,871	276,594
<b>DEFERRED INCOME TAX ASSETS</b>	5,283	4,722
<b>GOODWILL</b>	57,983	57,274
<b>INTANGIBLE ASSETS</b>	5,535	6,260
	\$ 560,753	\$ 542,704
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	\$ 41,390	\$ 33,820
Income tax payable	841	2,388
Current portion of contingent consideration	1,600	2,735
Current portion of long-term debt	7,445	6,776
	51,276	45,719
<b>CONTINGENT CONSIDERATION</b>	8,530	7,395
<b>LONG-TERM DEBT</b>	8,200	8,569
<b>DEFERRED INCOME TAX LIABILITIES</b>	22,307	20,629
	90,313	82,312
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	239,726	239,726
Share-based payments reserve	17,497	17,234
Retained earnings	141,584	152,764
Foreign currency translation reserve	71,633	50,668
	470,440	460,392
	\$ 560,753	\$ 542,704

**MAJOR DRILLING GROUP INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JULY 31, 2015 AND 2014 (UNAUDITED)**  
**(in thousands of Canadian dollars, except per share information)**

**1. NATURE OF ACTIVITIES**

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

**2. BASIS OF PRESENTATION**

***Statement of compliance***

These Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies as outlined in the Company’s annual Consolidated Financial Statements for the year ended April 30, 2015.

On September 10, 2015, 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, 2015.

**MAJOR DRILLING GROUP INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JULY 31, 2015 AND 2014 (UNAUDITED)**  
**(in thousands of Canadian dollars, except per share information)**

**3. APPLICATION OF NEW AND REVISED IFRS**

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

- IFRS 9 (as amended in 2014) Financial Instruments - effective date January 1, 2018*
- IFRS 10 (amended) Consolidated Financial Statements - effective date January 1, 2016*
- IFRS 11 (amended) Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations - effective date January 1, 2016*
- IFRS 15 Revenue from Contracts with Customers - effective date January 1, 2018*
- IAS 1 (amended) Presentation of Financial Statements - effective date January 1, 2016*
- IAS 16 (amended) Property, Plant and Equipment - effective date January 1, 2016*
- IAS 28 (amended) Investments in Associates and Joint Ventures - effective date January 1, 2016*
- IAS 38 (amended) Intangible Assets - effective date January 1, 2016*

The adoption of the above standards is not expected to have a significant impact on the Company's Consolidated Financial Statements.

**4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS**

The preparation of financial statements, in conformity with International Financial Reporting Standards ("IFRS"), requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Significant areas requiring the use of management estimates relate to the useful lives of property, plant and equipment for 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 contingent considerations, and impairment testing of goodwill and intangible assets.

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

**5. SEASONALITY OF OPERATIONS**

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

**MAJOR DRILLING GROUP INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JULY 31, 2015 AND 2014 (UNAUDITED)**  
(in thousands of Canadian dollars, except per share information)

**6. PROPERTY, PLANT AND EQUIPMENT**

Capital expenditures for the three months ended July 31, 2015 were \$5,236 (2014 - \$7,145). The Company obtained direct financing of \$1,971 in the current quarter (2014 - nil).

**7. INCOME TAXES**

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

	<u>Q1 2016</u>	<u>Q1 2015</u>
Loss before income tax	<u>\$ (8,353)</u>	<u>\$(9,710)</u>
Statutory Canadian corporate income tax rate	27%	27%
Expected income tax recovery based on statutory rate	(2,255)	(2,622)
Non-recognition of tax benefits related to losses	3,281	750
Other foreign taxes paid	453	94
Rate variances in foreign jurisdictions	(306)	(257)
Permanent differences	1,546	-
Other	<u>108</u>	<u>(344)</u>
Income tax expense (recovery) recognized in net loss	<u>\$ 2,827</u>	<u>\$(2,379)</u>

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

**MAJOR DRILLING GROUP INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JULY 31, 2015 AND 2014 (UNAUDITED)**  
(in thousands of Canadian dollars, except per share information)

**8. LOSS PER SHARE**

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

	<u>Q1 2016</u>	<u>Q1 2015</u>
Net loss	<u>\$ (11,180)</u>	<u>\$ (7,331)</u>
Weighted average shares outstanding – basic (000's)	<b>80,137</b>	79,162
<b>Net effect of dilutive securities:</b>		
Stock options (000's)	<u>-</u>	<u>-</u>
Weighted average shares – diluted (000's)	<u><b>80,137</b></u>	<u>79,162</u>
<b>Loss per share:</b>		
Basic	<b>\$ (0.14)</b>	\$ (0.09)
Diluted	<b>\$ (0.14)</b>	\$ (0.09)

The calculation of diluted loss per share for the three months ended July 31, 2015 excludes the effect of 3,921,796 options (2014 - 1,956,271) as they were anti-dilutive.

The total number of shares outstanding on July 31, 2015 was 80,136,884 (2014 - 79,163,388).

**9. SEGMENTED INFORMATION**

The Company's operations are divided into three geographic segments corresponding to its management structure, Canada - U.S., South and Central America, and 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, 2015. 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:

	<u>Q1 2016</u>	<u>Q1 2015</u>
Revenue		
Canada - U.S.	<b>\$ 51,031</b>	\$ 36,419
South and Central America	<b>20,481</b>	14,105
Asia and Africa	<b>12,422</b>	17,027
	<u><b>\$ 83,934</b></u>	<u>\$ 67,551</u>

**MAJOR DRILLING GROUP INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JULY 31, 2015 AND 2014 (UNAUDITED)**  
(in thousands of Canadian dollars, except per share information)

**9. SEGMENTED INFORMATION (Continued)**

	<u>Q1 2016</u>	<u>Q1 2015</u>
(Loss) earnings from operations		
Canada - U.S.*	\$ 826	\$ (613)
South and Central America	1,205	(4,718)
Asia and Africa	<u>(8,505)</u>	<u>(2,282)</u>
	(6,474)	(7,613)
Finance costs	70	204
General corporate expenses**	1,809	1,893
Income tax	<u>2,827</u>	<u>(2,379)</u>
Net loss	<u>\$ (11,180)</u>	<u>\$ (7,331)</u>

\*Canada - U.S. includes revenue of \$31,672 and \$22,450 for Canadian operations for the three months ended July 31, 2015 and 2014, respectively.

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

Restructuring charges, as detailed in note 10, for the current quarter are included in above figures as follows: Canada - U.S. \$43 (2015 - \$217); South and Central America \$136 (2015 - \$296); Asia and Africa \$6,243 (2015 - \$78); General and Corporate expenses \$10 (2015 - nil).

Capital expenditures for the current quarter are as follows: Canada - U.S. \$4,036 (2014 - \$3,465); South and Central America \$687 (2014 - \$3,027); Asia and Africa \$513 (2014 - \$639) and Corporate nil (2014 - \$14).

	<u>Q1 2016</u>	<u>Q1 2015</u>
Depreciation and amortization		
Canada - U.S.	\$ 6,724	\$ 6,043
South and Central America	3,515	3,654
Asia and Africa	2,604	3,605
Unallocated corporate assets	<u>373</u>	<u>372</u>
Total depreciation and amortization	<u>\$ 13,216</u>	<u>\$ 13,674</u>

	<u>July 31, 2015</u>	<u>April 30, 2015</u>
Identifiable assets		
Canada - U.S.	\$ 238,183	\$ 226,919
South and Central America	162,675	163,539
Asia and Africa	104,017	109,791
Unallocated and corporate assets	<u>55,878</u>	<u>42,455</u>
Total identifiable assets	<u>\$ 560,753</u>	<u>\$ 542,704</u>

Canada - U.S. includes property, plant and equipment at July 31, 2015 of \$78,357 (April 30, 2015 - \$84,115) for Canadian operations.

**MAJOR DRILLING GROUP INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JULY 31, 2015 AND 2014 (UNAUDITED)**  
**(in thousands of Canadian dollars, except per share information)**

**10. RESTRUCTURING CHARGE**

During the year, the Company continued to rationalize certain operations, and due to ongoing market difficulties in the Republic of South Africa and Namibia, the Company decided to close its operations in those 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 and specialists.

The costs related to these initiatives are recorded as part of the restructuring charge for a total of \$6,432 (2015 - \$591). This amount consists of an impairment charge of \$3,479 (2015 - nil) relating to property, plant and equipment, a write-down of \$1,304 (2015 - nil) to reduce inventory to net realizable value, employee severance charges of \$387 (2015 - \$591) incurred to rationalize the workforce, and other non-cash charges of \$262 (2015 - nil). The remaining charge of \$1,000 (2015 - nil) relates to the cost of winding down operations. The unpaid portion of these charges, totaling \$1,130, is recorded in trade and other payables.

**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 following table shows carrying values of contingent consideration and long-term debt, which approximates their fair value, as most debts carry variable interest rates and the remaining fixed rate debts have been acquired recently and their carrying value continues to reflect fair value. The fair value of the interest rate swap included in long-term debt is measured using quoted interest rates.

	<u>July 31, 2015</u>	<u>April 30, 2015</u>
Contingent consideration	\$ 10,130	\$ 10,130
Long-term debt	15,645	15,345

During the quarter, the Company was in compliance with all covenants and other conditions imposed by its debt agreements.

***Credit risk***

As at July 31, 2015, 72.9% (April 30, 2015 - 89.0%) of the Company's trade receivables were aged as current and 7.4% (April 30, 2015 - 8.2%) of the trade receivables were impaired.



**MAJOR DRILLING GROUP INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JULY 31, 2015 AND 2014 (UNAUDITED)**  
(in thousands of Canadian dollars, except per share information)

**11. FINANCIAL INSTRUMENTS (Continued)**

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

	<u>July 31, 2015</u>	<u>July 31, 2014</u>
<b>Opening balance</b>	\$ 4,204	\$ 3,016
Increase in impairment allowance	440	588
Recovery of amounts previously impaired	(155)	(742)
Write-off charged against allowance	(192)	-
Foreign exchange translation differences	109	4
<b>Ending balance</b>	<u>\$ 4,406</u>	<u>\$ 2,866</u>

**Foreign currency risk**

As at July 31, 2015, the most significant carrying amounts of net monetary assets that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; (ii) cause foreign exchange rate exposure; and (iii) may include intercompany balances with other subsidiaries, including the impact on earnings before income taxes ("EBIT"), if the corresponding rate changes by 10%, are as follows:

	<b>Rate</b>							
	<b>Variance</b>	<b>ARP/USD</b>	<b>CFA/USD</b>	<b>COP/USD</b>	<b>ZAR/USD</b>	<b>USD/AUD</b>	<b>USD/ZAR</b>	<b>Other</b>
Exposure		\$ 4,728	\$ 2,407	\$ 2,381	\$ 1,216	\$ (2,152)	\$ (5,771)	\$ 51
EBIT impact	+10%	525	267	265	135	(239)	(641)	6

**Liquidity risk**

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

	<u>1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>	<u>thereafter</u>	<u>Total</u>
Trade and other payables	\$ 41,390	\$ -	\$ -	\$ -	\$ 41,390
Contingent consideration	1,600	8,530	-	-	10,130
Long-term debt	<u>7,826</u>	<u>5,270</u>	<u>2,202</u>	<u>1,147</u>	<u>16,445</u>
	<u>\$ 50,816</u>	<u>\$ 13,800</u>	<u>\$ 2,202</u>	<u>\$ 1,147</u>	<u>\$ 67,965</u>