2013 annual report

Groupe Forage
MAJOR
Drilling Group International Inc.

$V=QR^2$

VALUE
=
QUALITY
RELATIONSHIPS
RESULTS

Corporate Profile

Major Drilling Group International Inc. is one of the world's largest drilling service 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, South and Central America, Australia, 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 and shallow gas.

Over the years, the Company has positioned itself as one of the largest specialized operators in the world by leveraging its main competitive advantages: specialized equipment, long-standing relationships with the world's largest mining companies, access to capital, and skilled personnel. This positioning is strengthened by the Company's senior management having experienced several economic and mining industry cycles.

During the last several years, the Company has achieved strong growth while remaining focused on the long-term objective of building a solid company for the future.

Our corporate strategy remains to:

- be the world leader in specialized drilling and expand our specialized capacity;
- modernize our conventional fleet and expand our footprint in strategic areas;
- diversify our services within the drilling field;
- maintain a strong balance sheet and a sustainable dividend; and
- be the best in class in safety and human resources.

Major Drilling's common shares trade on the Toronto Stock Exchange under the symbol MDI and are included in the TSX Composite Index.

Index

Highlights Fiscal 2013

In millions of Canadian dollars (except earnings per share)	2013
Revenue	$ 695.9
Gross margin	31.7%
Net earnings	52.1
Earnings per share - basic	$ 0.66
EBITDA*	142.8
Dividends	15.8

In fiscal 2013, we:

- recorded the second highest revenue in the Company's history as well as earnings of $52.1 million, while adjusting to a decline in demand for drilling services late in the year;
- increased our net cash balance by $52 million to $38.7 million;
- established our presence in Brazil;
- continued to expand our capacity in specialized drilling even in difficult circumstances;
- invested in the development of new methods to reduce noise and emissions and to reduce fuel consumption; and
- increased our semi-annual dividend by 25% year-over-year.

* *EBITDA is defined as earnings before interest, taxes, depreciation and amortization, excluding restructuring charges, goodwill and intangible impairment and gain on reversal of contingent consideration. EBITDA is a non-IFRS financial measure. The Company believes this non-IFRS financial measure provides useful information to both management and investors in measuring the financial performance of the Company. This measure does not have a standardized meaning prescribed by IFRS 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 IFRS.*

$V=QR^2$

MAJOR

Partners on the Ground

Message to Shareholders

Drilling is a cyclical business that requires discipline, preparedness and responsiveness. In fiscal year 2013, all these qualities held the Company in good stead. Despite head winds that continued to increase during the year, the Company held to and executed on the five elements of its business strategy, which are:

- to be the world leader in specialized drilling and expand our specialized capacity;
- to modernize our conventional fleet and expand our footprint in strategic areas;
- to diversify our services within the drilling field;
- to maintain a strong balance sheet and a sustainable dividend; and
- to be the best in class in safety and human resources.

While the business environment got progressively more difficult throughout the year, we achieved revenue of $695.9 million, the second highest in our history, and had earnings of $52.1 million. We were also able to increase our net cash reserves by $52 million to $38.7 million by year-end, while growing our dividend by 25% year-over-year.

Throughout the year, the Company showed discipline as it pursued its goals.

- By year-end, specialized drilling accounted for 75% of our revenue.
- We continued to expand our geographic footprint by establishing a presence in West Africa and taking our first steps into the Brazilian market.
- We successfully completed the integration of the Bradley group.
- We took further steps to diversify our services by entering into the oil sands market in Alberta for the first time.
- We continued to invest in our people through increased training and by continually improving our safety practices.

Due to the uncertainty in the mining markets as the fiscal year progressed, 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. These factors, combined with the fact that sources of funding for junior mining companies remained limited, affected activity levels. While we started the year with record revenue and earnings, by the end of the year quarterly revenue had dropped by 43%.

Despite lower pricing levels, we maintained good margin performance thanks to the improved productivity of our experienced crews.

The Company showed its ability to respond to the cycle. We undertook a review and restructuring of certain of our operations. During the last 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 fiscal year.

The drilling market is highly cyclical and is subject to rapid change, so no matter how responsive a company can be, it is important to be prepared in advance. That is why management has worked hard to maintain a positive net cash balance. As we already noted, we finished the year with $38.7 million in net cash. At the same time, the Company has maintained a variable cost structure whereby most of its direct costs, including field staff, go up or down with contract revenue. A large part of the Company's other expenses relate to variable incentive compensation based on the Company's profitability. This variable cost structure will also allow us to continue our strategy of maintaining a disciplined and sustainable dividend policy.

This discipline also extends to our social responsibilities, which include the protection of the environment, community involvement and maximizing our safety culture. We do this by training employees to conserve and recycle, using the newest available technology and experimenting with products that lower our fuel consumption and emissions.

We work with universities to support student activities and to support research. We support schools, orphanages and health centres in communities where we work. We train and hire locally at every opportunity and we strive to ingrain our culture of safety in all those that we work with. Major Drilling is intent on growing our business by making a difference wherever our business touches the world.

While fiscal year 2013 has ended on a difficult note, over time we expect many of the supply issues that face most commodities to come back into focus and with even moderate growth in the world economy, the need to explore and develop mines will increase. 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. We believe that the need to develop resources in areas that are increasingly difficult to access will also continue to increase and that this will further increase the demand for specialized drilling.

The employees of Major Drilling take a great deal of pride in the results achieved for our customers and for the communities that surround us. We want to take this opportunity to thank our customers, our employees, as well as our shareholders, for your ongoing support.

David Tennant
Chairman of the Board

Francis McGuire
President and Chief Executive Officer

Left: Francis McGuire, President & CEO
Right: David Tennant, Chairman of the Board

Report on Operations

SAFETY

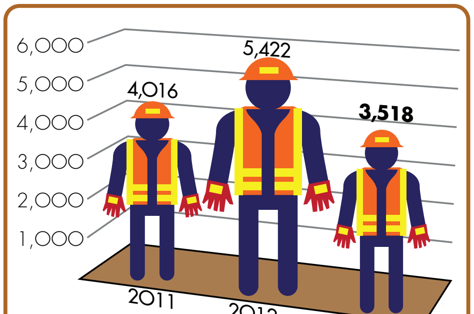
Safety is always the number one focus for Major Drilling. This past year, we implemented comprehensive vehicle and driver standards, meaning we are purchasing better equipped vehicles as well as providing comprehensive driver training. On the drills, we are working with manufacturers and other third parties to eliminate the need to use pipe wrenches under power. We are doing field trials with new rig types in Africa and the United States that come with full rod handling capabilities.

This year, we conducted our first internal global safety audit. A team of trained internal auditors visited branches between March and May. The audit assessed management's involvement in safety, administrative procedures for tracking and organizing the safety system, and the application and effectiveness of all safety programs in the field. We tested our crews' ability to lock out equipment, conduct TAKE 5s, and use defensive driving principles to help reduce risk on and off the job. The audit helped identify some areas for improvement as well as captured best practices that have developed in some operations. Continuous improvement through the sharing of best practices, and audits measured against internal and external standards, will ensure Major Drilling remains an industry leader in safety.

In fiscal 2013, we have seen improvements in all of our key safety statistics. The Company's focus on improved procedures and risk assessment is resulting in improvements to our systems. Our sites are better organized, our crews better trained, and our managers more committed than they have ever been.

PEOPLE & SERVICES

Major Drilling is dedicated to our team around the world. At the end of April 2013, we had 3,500 employees on our weekly payroll, down from 5,400 last year. We make every effort to retain our experienced and skilled employees through work-sharing and other techniques. We have introduced a training program called "Core College" for our management group. The program includes training on tasks such as bidding jobs, managing cost sheets, accounting, equipment repairs and maintenance, inventory, safety, human resources and legal. These courses will help enhance the leadership skills of our managers. It is also a way to standardize our processes and ensure consistent quality.



Employee Count

Our rig count around the world was at 740 at the end of April 2013. Our revenue from underground drilling is up 36% year-over-year. This past year, we have introduced two new types of deep hole fly rigs (LF130 and Discovery EF-75F).

We have invested in partnerships with companies to deliver fuel cost savings and to reduce emissions, and with consulting companies to deliver alternative methods of heating our drill shacks.

We are committed to a sustainable development policy that ensures our drilling programs minimize any impact on our environment. We do this by utilizing technology such as mud cleaning systems, by training our employees to properly store and recycle any items consumed during the drilling process, and by partnering with various drilling associations to develop environmental best practices. For example, our Colombian branch is adhering to environmental laws, and introducing tools, management programs and measurement systems to meet stringent legal and customer requirements. This program has the potential to be a model for our other branches.

CUSTOMERS

Major Drilling is committed to exceeding our customers' needs on every drilling project. We continue to be the world leader in specialized drilling and continue to expand our specialized capacity. We have been updating our fleet and expanding our business into strategic areas around the world.

V=QR² is our core value. We want the world to know that the value of Major Drilling is delivered through our quality, relationships and results.

It is important for us to integrate our business values and operations to meet the expectations of our stakeholders. These include our customers, employees, investors, suppliers, the community and the environment. We recognize that our social, economic and environmental responsibilities to these stakeholders are integral to our business.

We will ensure a high level of business performance while minimizing and effectively managing risk, ensuring that we uphold the values of honesty, partnership and fairness in our relationships with all of our stakeholders.

COMMUNITY

Major Drilling continues to be actively involved in various initiatives in the communities where we work:

- We support and encourage our employees to help local community organizations and activities in all of our regions.
- We partner with schools, colleges and universities to assist young people in choosing their future careers, being an advocate for our industry.
- We provide safeguards to ensure that all employees are treated with respect.
- We provide a clean, healthy and safe working environment in line with our Health and Safety Policy.
- Our contracts clearly set out agreed terms, conditions and the basis of our relationship.
- We encourage our suppliers to adopt responsible business policies and practices.

We tailor our efforts to meet the needs of specific communities. We have sponsored orphanages in Argentina and Suriname, donated musical instruments to schools in Colombia, helped renovate a hospital emergency room in Mongolia, used rods to build fencing in communities in Mexico, and donated to Unicef and Red Cross in the Philippines. In Canada, we sponsor the Martin Bradley Foundation, Crossroads for Women, the United Way and various other health organizations, just to name a few.

Investment in education is important to the Major Drilling team. We partner with community groups like Actua, whose mission is to provide life-changing experiences to young students in science, technology, engineering and mathematics. Major Drilling has donated funds, but is also playing an active role in developing a curriculum for teaching drilling. In an effort to educate geology and earth sciences students about our industry, we are also entering our third year of a University speaking and scholarship tour in Canada.

Key business partnerships enhance the value of Major Drilling. Our joint venture partnership, Bradley Nuvumiut, has been working with mining companies in Northern Quebec to benefit the Inuit, through profit sharing, employment and training. The benefits of these partnerships are passed on to our customers.

The investment we make in our people, equipment and the communities where we operate, paired with our fiscal discipline, have us well positioned for the future.

Nuvumiut Development and Major Drilling partnership

V=QR^2

Partners on the Ground

Management's Discussion and Analysis

The following management's discussion and analysis "MD&A", prepared as of June 5, 2013, should be read together with the audited financial statements for the year ended April 30, 2013 and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards. All amounts are stated in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements about the Company's objectives, strategies, financial condition, results of operations, cash flows and businesses. These statements are "forward-looking" because they are based on current expectations, estimates, assumptions, risks and uncertainties. These forward-looking statements are typically identified by future or conditional verbs such as "outlook", "believe", "anticipate", "estimate", "project", "expect", "intend", "plan", and terms and expressions of similar import.

Such forward-looking statements are subject to a number of risks and uncertainties which include, but are not limited to: cyclical downturn, competitive pressures, dealing with business and political systems in a variety of jurisdictions, repatriation of property in other jurisdictions, payment of taxes in various jurisdictions, exposure to currency movements, inadequate or failed internal processes, people or systems or from external events, dependence on key customers, safety performance, expansion and acquisition strategy, legal and regulatory risk, extreme weather conditions and the impact of natural or other disasters, specialized skills and cost of labour increases, equipment and parts availability and reputational risk. These factors and other risk factors, as described under "General Risks and Uncertainties" of the Company's Annual Information Form, represent risks the Company believes are material. Actual results could be materially different from expectations if known or unknown risks affect the business, or if estimates or assumptions turn out to be inaccurate.

The Company does not guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place reliance on these forward-looking statements.

The Company disclaims any intention and assumes no obligation to update any forward-looking statement, even if new information becomes available, as a result of future events or for any other reasons, except in accordance with applicable securities laws. Risks that could cause the Company's actual results to materially differ from its current expectations are also discussed in this MD&A.

Additional information relating to the Company, including the Company's Annual Information Form for the previous year and the most recently completed financial year, are or will be available on the SEDAR website at www.sedar.com.

CORPORATE OVERVIEW

Major Drilling Group International Inc. is one of the world's largest drilling service 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, South and Central America, Australia, 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 and shallow gas.

BUSINESS STRATEGY

Major Drilling continues to base its business premise on the following: mining companies continue to deplete the more easily accessible mineral reserves around the world and attractive deposits will be in increasingly remote locations, areas difficult to access and/or deep in the ground. For this reason, Major Drilling's strategy is to focus its services on projects that have these characteristics, calling these services "specialized drilling". Over the years, the Company has positioned itself as one of the largest specialized operators in the world by leveraging its main competitive advantages: skilled personnel, specialized equipment, long-standing relationships with the world's largest mining companies and access to capital.

Although the Company's main focus remains specialized services, it also intends to continue to modernize its conventional fleet and expand its footprint in strategic areas while maintaining prudent debt levels and remaining best in class in safety and human resources. The Company will also seek to diversify by investing in mine services and energy services that are complementary to its skill set.

The Company categorizes its mineral drilling services into three types: specialized drilling, conventional drilling and underground drilling.

Specialized drilling can be defined as any drilling project that, by virtue of its scope, technical complexity or location, creates significant barriers to entry for smaller drilling companies. This would include, for example, deep-hole drilling, directional drilling, and mobilizations to remote locations or high altitudes. Because significant ore bodies are getting more difficult to find, the Company expects specialized drilling services to continue to fuel future growth, and over the next two decades, the Company believes these skills will be in greater and greater demand.

Conventional drilling tends to be more affected by the industry cycle as the barriers to entry are not as significant as with specialized drilling. This part of the industry is highly fragmented and has numerous competitors. Because the Company offers only limited differentiation in this sector, it is not its priority for investment.

Underground drilling takes on greater importance in the latter stages of the mining cycle as clients develop underground mines.

REVENUE BY TYPE
FISCAL 2013

INDUSTRY OVERVIEW

The metals and minerals drilling industry is reliant primarily on demand from two metal groups, gold on the one hand and base metals on the other. Each commodity group is influenced by distinct market forces.

Gold has always been a significant driver in the mining industry accounting for 40 to 50% of the exploration spend carried on around the world. Exploration activity generally varies up or down with the trend in gold prices.

The demand for base metals is dependent on economic activity. In the longer-term, the fundamental drivers of base metals remain positive, with worldwide supply for most metals expected to tighten and higher demand coming from the emergence of the BRIC countries (Brazil, Russia, India and China) over the last 10 years. As these countries continue to urbanize, the requirement for base metals will continue to increase at the same time as the easily accessible reserves are being depleted.

One of the realities of the mining industry is that future mineral deposits will have to come from areas difficult to access, either in remote or politically sensitive areas, deeper in the ground or at higher altitudes. This should improve demand for specialized services in the future.

In terms of customer base, the Company has two categories of customers: senior and intermediate companies with operating mines, and junior exploration companies.

Most senior and intermediate mining companies remain committed to the large majority of their projects in order to replace their reserves.

Management's Discussion and Analysis

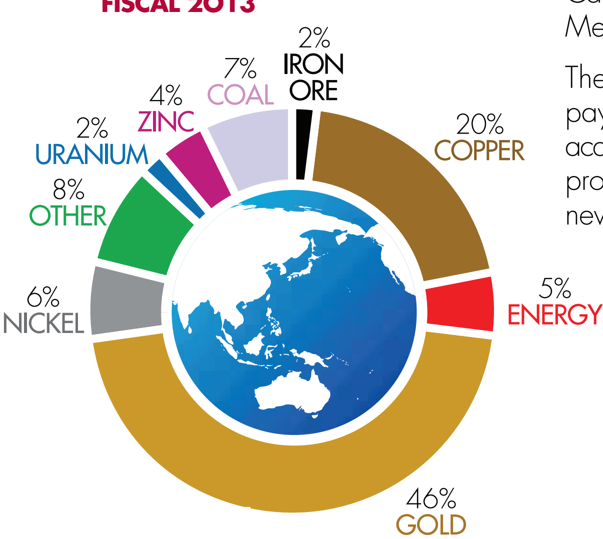
For the most part, these mining companies are in a much better financial position than three years ago. Large base metal producers will need to expand existing mines and develop new ones to meet the world's growth, especially in emerging markets.

Activity from senior gold producers is likely to show greater volatility as gold prices vary, which will impact their exploration budgets.

With the current volatility in the financial markets, many junior mining companies are experiencing financing difficulties and slowing down their exploration efforts. Junior mining companies can account for some 50% of the market in cyclical upturns. While some of the more advanced projects are expected to be able to obtain financing as needed, it will be necessary for investors to once again support exploration projects in order for drilling activities to regain the momentum that they had at their peak.

REVENUE BY COMMODITY

FISCAL 2013



BUSINESS ACQUISITIONS

Bradley Group Limited

Effective September 30, 2011, the Company acquired all the issued and outstanding shares of Bradley Group Limited ("Bradley"), which provides a unique opportunity to further the Company's corporate strategy of focusing on specialized drilling, expanding its geographic footprint in areas of high growth and of maintaining a balance in the mix of drilling services. The acquisition was accounted for using the acquisition method and the results of this operation were included in the Statement of Operations as of the closing date. The acquired business includes working capital, drilling equipment, credit facilities, contracts and personnel. The purchase price for the transaction was CAD $78.1 million, including customary working capital adjustments and net of cash acquired.

Through the acquisition, Major Drilling has added Bradley Group's 124 rigs to its fleet. The addition of Bradley Group's rigs, of which approximately 80% are surface drilling rigs and 20% are underground diamond drilling rigs, furthers the Company's strategic focus on specialized drilling. The acquisition also involves the addition of Bradley Group's highly experienced workforce, experienced management team and existing contracts in Canada, the Philippines, Colombia, Mexico and Suriname.

The portion of the purchase price payable on the closing of the acquisition was financed using the net proceeds of an equity offering and new and extended credit facilities.

OVERALL PERFORMANCE

Revenue for the fiscal year ended April 30, 2013 decreased 13% to $695.9 million from $797.4 million for the corresponding period last year. The year started strong with record revenue and earnings in the first quarter followed by a progressive slowdown in activity due to a lack of funding for junior exploration companies and a reduction of exploration spending by senior companies.

Gross margin for the year was up slightly to 31.7% compared to 31.5% last year due mainly to an improved pricing environment in the first half of the year mitigated by reduced pricing as a result of increased competitive pressures and delays in the second half.

During the fourth quarter of this year, the Company recorded a restructuring charge of $5.4 million to account for the scale down of the Company's environmental and Tanzanian operations, write-down of assets, as well as retrenchment costs. Also, the Company recorded a non-cash goodwill and intangible impairment charge of $3.3 million.

The combination of reduced revenue with the restructuring and impairment charges produced net earnings of $52.1 million ($0.66 per share) compared to net earnings of $89.7 million ($1.18 per share) for last year.

SELECTED ANNUAL INFORMATION (in millions of Canadian dollars, except per share information)

Years ended April 30	2013	2012	2011
Revenue by region			
Canada-U.S.	$ 317	$ 322	$ 181
South and Central America	203	252	169
Australia, Asia and Africa	176	223	132
	696	797	482
Gross profit	220	251	120
as a percentage of revenue	31.7%	31.5%	25.0%
Net earnings	52	90	28
Per share (basic)	$ 0.66	$ 1.18	$ 0.39
Per share (diluted)	$ 0.65	$ 1.16	$ 0.38
Total assets	686	686	474
Total long-term financial liabilities	34	42	17
Dividend paid	15	12	10

RESULTS OF OPERATIONS

FISCAL 2013 COMPARED TO FISCAL 2012

Revenue for the fiscal year ended April 30, 2013 decreased 13% to $695.9 million from $797.4 million for the corresponding period last year. The year started strong with record revenue and earnings in the first quarter followed by a progressive slowdown in activity due to a lack of funding for junior exploration companies and a reduction of exploration spending by senior companies.

Canada-U.S.

Canada-U.S. revenue decreased by 2% to $317.1 million compared to $322.0 million last year. In Canada, revenue was relatively flat year-over-year as the impact of having a full year of revenue from the Bradley acquisition was offset by a general slowdown in activity. In the U.S., revenue in the environmental division was impacted by governmental budgetary constraints.

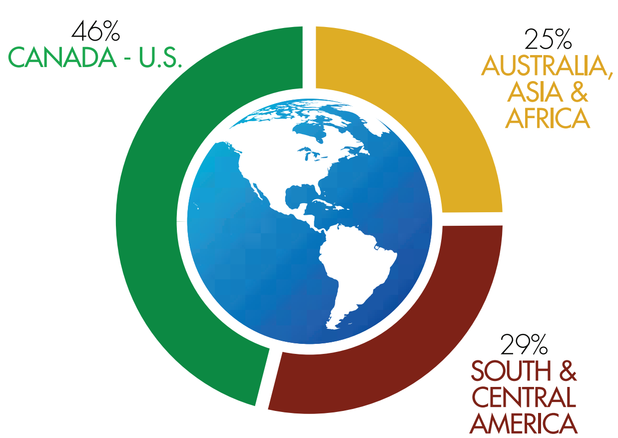
Gross margins in Canada-U.S. decreased slightly as competitive pressures affected pricing, particularly in the second half of the year. The pricing pressure was partially offset by productivity gains and cost cutting measures.

South and Central America

Revenue in South and Central America decreased by 19% to $203.2 million, compared to $251.8 million for the prior year as the Company saw decreased activity levels in Mexico, Chile and Argentina due to the cancellation or reduction of projects.

Gross margins in the region increased year-over-year due to an improved pricing environment in the first half of the year mitigated by reduced pricing as a result of increased competitive pressures and delays in the second half.

REVENUE BY GEOGRAPHIC SEGMENT
FISCAL 2013



Australia, Asia and Africa

Revenue in Australia, Asia and Africa decreased 21% to $175.6 million from $223.6 million in the prior year period. Decreases in Australia and Mongolia were mitigated by increased activity in Indonesia, Burkina Faso and the Philippines. In Australia, projects were cancelled due to high costs being incurred by mining companies and new mining taxes, and Mongolia was affected by political uncertainty.

Gross margins in the region were relatively flat year-over-year as a significant decrease in margins in Australia was offset by improved margins in Mozambique, Burkina Faso and the Philippines.

Operating Expenses

General and administrative costs were up 10% to $63.8 million compared to $58.0 million in the same period last year. The increase was mainly due to the impact of having a full year of Bradley, the addition of new operations in Burkina Faso and increased costs to support the strong growth in activity levels at the beginning of the year. In the second half of the year, the Company implemented a reduction in salaried employees and scaled down its operations in its U.S. environmental division and in Tanzania, which should produce savings and bring these costs back to fiscal 2012 levels.

Other expenses were $10.6 million for the year compared to $16.1 million for the same period last year due primarily to lower incentive compensation expenses driven by the Company's decreased profitability in the current year.

Depreciation and amortization expense increased to $52.8 million for the year compared to $42.6 million for the previous year. Increased investment in equipment and the impact of having a full year of Bradley account for this increase.

The provision for income tax for the year was $28.8 million compared to $38.7 million for the prior year, reflecting the decrease in pre-tax earnings. The effective tax rate for the year was impacted by differences in tax rates between regions and non-deductible expenses.

Net earnings for the year were $52.1 million or $0.66 per share ($0.65 per share diluted) compared to $89.7 million or $1.18 per share ($1.16 per share diluted) in the previous year.

SUMMARY ANALYSIS FISCAL 2012 COMPARED TO FISCAL 2011

Revenue for the fiscal year ended April 30, 2012 increased 65% to $797.4 million from $482.3 million in the previous year. Most of the Company's branches exhibited strong growth mainly coming from increased utilization and better pricing. Also, as of September 30, 2011, the Company completed the largest acquisition in its history with the purchase of the Bradley operations.

Gross margin for 2012 was up to 31.5% compared to 25.0% in the previous year representing general improvements in pricing, and training and recruitment efforts, which allowed the Company to increase the number of shifts in the field during the year.

The combination of strong revenue growth and improved margins produced net earnings of $89.7 million ($1.18 per share) compared to net earnings of $27.6 million ($0.39 per share) for the previous year.

SUMMARY OF QUARTERLY RESULTS (in thousands of Canadian dollars, except per share information)

	Fiscal 2012				**Fiscal 2013**			
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Revenue	$164,152	$213,854	$182,188	$237,238	**$237,565**	**$199,637**	**$123,189**	**$135,537**
Gross profit	51,499	74,055	47,120	78,452	**81,278**	**66,699**	**29,275**	**43,087**
Gross margin	31.4%	34.6%	25.9%	33.1%	**34.2%**	**33.4%**	**23.8%**	**31.8%**
Net earnings (loss)	17,892	31,560	9,566	30,731	**31,875**	**22,349**	**(4,288)**	**2,174**
Per share - basic	0.25	0.43	0.12	0.39	**0.40**	**0.28**	**(0.05)**	**0.03**
Per share - diluted	0.25	0.42	0.12	0.38	**0.40**	**0.28**	**(0.05)**	**0.03**

With the exception of the third quarter, the Company exhibits comparatively less seasonality in quarterly revenue than in the past. The third quarter (November to January) is normally the Company's weakest quarter due to the shutdown of mining and exploration activities, often for extended periods over the holiday season, particularly in South and Central America.

SUMMARY ANALYSIS FOURTH QUARTER RESULTS 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 this quarter's 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 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 but 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.

The provision for income tax expense for the quarter was $1.2 million compared to $12.9 million for the prior year period. Lower profitability and non-deductibility of impairment charges impacted the income tax expense this quarter.

Net earnings were $2.2 million or $0.03 per share ($0.03 per share diluted) for the quarter compared to net earnings of $30.7 million or $0.39 per share ($0.38 per share diluted) for the prior year quarter.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Cash flow from operations (before changes in non-cash operating working capital items, finance costs and income taxes) was $145.7 million for the fiscal year ended April 30, 2013 compared to $178.2 million generated last year.

The change in non-cash operating working capital items was an inflow of $30.5 million in fiscal 2013 compared to an outflow of $32.8 million for the previous year. The change in non-cash operating working capital in fiscal 2013 was primarily impacted by:

- A decrease in accounts receivable of $63.6 million due to decreased activity in the fourth quarter as compared to the same period last year;
- A decrease in inventory of $10.0 million;
- A decrease in accounts payable of $45.0 million due to decreased activity as compared to last year.

Financing Activities

Under the terms of certain of the Company's debt agreements, the Company must satisfy certain financial covenants. Such agreements also limit, among other things, the Company's ability to incur additional indebtedness, create liens, engage in mergers or acquisitions and make dividend and other payments. During the period, the Company was, and continues to be, in compliance with all covenants and other conditions imposed by its debt agreements.

Operating Credit Facilities

The credit facilities related to operations total $28.5 million ($25.0 million from a Canadian chartered bank and $3.5 million in various credit facilities) and are primarily secured by corporate guarantees of companies within the group. At April 30, 2013, the Company had utilized $2.0 million of these lines mainly for stand-by letters of credit. The Company also has a credit facility of $4.1 million for credit cards for which interest rates and repayment terms are as per cardholder agreements.

Long-Term Debt

Total long-term debt decreased by $7.4 million during the year to $43.6 million at April 30, 2013. The decrease is due to debt repayments of $9.3 million during the year, offset by additional equipment financing of $1.8 million.

As of April 30, 2013, the Company had the following long-term debt facilities available:

- Non-revolving facility for financing the acquisition of Bradley Group. At April 30, 2013, the remaining balance of this facility stood at $17.1 million. This facility is amortized over five years ending in September 2016.
- $50.0 million revolving facility for financing the cost of equipment purchases or acquisition costs of related businesses. At April 30, 2013, the Company had utilized $11.2 million of this line. Draws on this line are due on maturity in September 2016.
- Non-revolving facility carrying a fixed interest rate of 5.9%, amortized over ten years ending in August 2021. At April 30, 2013, the remaining balance of this facility stood at $8.3 million.
- $5.3 million note payable, carrying interest at a fixed rate of 4% repayable over three years ending in September 2014.
- The Company also has various other loans and capital lease facilities related to equipment purchases that totaled $1.7 million at April 30, 2013, which were fully drawn and mature through 2017.

PAYMENTS DUE BY PERIOD (in thousands of Canadian dollars)

Contractual obligations	Total	Less than 1 year	2-3 years	4-5 years	6+ years
Long-term debt	$ 43,594	$ 9,097	$ 15,699	$ 15,465	$ 3,333
Purchasing commitments	390	390	-	-	-
Operating leases	9,287	2,330	3,457	2,710	790
Total contractual obligations	$ 53,271	$ 11,817	$ 19,156	$ 18,175	$ 4,123

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital, capital expenditure, dividend and debt obligations. As at April 30, 2013, the Company had unused borrowing capacity under its credit facilities of $65.3 million and cash of $82.3 million, for a total of $147.6 million in available funds.

Equity Offering

On September 28, 2011, concurrent with the Bradley acquisition, the Company completed an equity offering of 5.9 million common shares at a price of $11.90 per common share. In connection with the equity offering, the Company granted the underwriters an option to purchase an additional 885,000 common shares at the same price. This option was subsequently exercised on October 25, 2011 resulting in total aggregate proceeds, net of share issue costs, of $77.2 million.

Investing Activities

Capital Expenditures

Capital expenditures were $69.0 million (net of $1.8 million of equipment financing) for the year ended April 30, 2013 compared to $81.1 million for the same period last year.

During the year, the Company added 97 drill rigs through its capital expenditure program while retiring or disposing of 82 drill rigs through its modernization program, with the Company's total now standing at 740.

It is expected that capital expenditures will be reduced to approximately $40 million in fiscal 2014 as the Company focuses on cash flow generation.

OUTLOOK

Due to the uncertainty around economic matters impacting the mining market, some customers continue to delay or cancel their exploration drilling plans. In a number of jurisdictions, uncertainty as to the policies of host governments or issues of land tenure will also have an impact going forward. 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. Lower levels of demand have increased competitive pressures, which may impact pricing going forward.

In light of this, the Company undertook a review and restructuring of certain operations near the end of the year, implemented reductions of salaried employees, and senior management's salaries and directors' fees have been reduced as the Company targets a reduction of 20% in general and administrative costs from the peak levels incurred in the first quarter of this year.

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, operations are expected 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. This will also allow us to continue our strategy of maintaining a sustainable dividend policy.

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 year.

Pricing is expected to remain competitive until utilization rates pick up significantly. The impact of lower pricing should be partially offset by the increased productivity of experienced drilling crews. Over time, it is expected that many of the supply issues that face most commodities will come back into focus and that even with moderate growth in the world economy, the need to explore and develop mines will increase. 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.

Management's Discussion and Analysis

FOREIGN EXCHANGE

The Company's reporting currency is the Canadian dollar, however a significant portion of the Company's revenue and operating expenses outside of Canada are denominated in U.S. dollars, Chilean pesos and Australian dollars. The year-over-year comparisons in the growth of revenue and operating expenses have been impacted by the falling Canadian dollar against the U.S. dollar.

During fiscal 2013, approximately 28% of revenue generated was in Canadian dollars, 8% in Chilean pesos and 5% in Australian dollars with most of the balance being in U.S. dollars. Since most of the input costs related to this revenue is denominated in the same currency as the revenue, the impact on earnings is somewhat muted.

The favourable foreign exchange translation impact for the year, when comparing to the effective rates for the same period last year, is estimated at less than $4 million on revenue. Net earnings however, remained less impacted by currency fluctuations during the year as a large proportion of costs are typically incurred in the same currency as revenue. The estimated total favourable FX impact on net earnings for the year was estimated at $1 million.

FUTURE ACCOUNTING CHANGES

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 7	(as amended in 2011) Financial Instruments: Disclosures
IFRS 9	(as amended in 2010) Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 1	Presentation of Financial Statements
IAS 19	Employee Benefits
IAS 27	(reissued) Separate Financial Statements
IAS 28	(reissued) Investments in Associates and Joint Ventures
IAS 32	(amended) Financial Instruments: Presentation

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

CRITICAL ACCOUNTING ESTIMATES

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that are not readily apparent from other sources, which affect the reported amounts of assets and liabilities at the dates of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reported periods. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas requiring the use of management estimates relate to the useful lives of property, plant and equipment for amortization purposes, property, plant and equipment and inventory valuation, determination of income and other taxes, assumptions used in compilation of share-based payments, fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities, and impairment testing of goodwill and intangible assets.

Management determines the estimated useful lives of its property, plant and equipment based on historical experience of the actual lives of property, plant and equipment of similar nature and functions, and reviews these estimates at the end of each reporting period.

Management reviews the condition of inventories at the end of each reporting period and recognizes a provision for slow-moving and obsolete items of inventory when they are no longer suitable for use. Management's estimate of the net realizable value of such inventories is based primarily on sales prices and current market conditions.

Amounts used for impairment calculations are based on estimates of future cash flows of the Company. By their nature, the estimates of cash flows, including the estimates of future revenue, operating expenses, utilization, discount rates and market pricing are subject to measurement uncertainty. Accordingly, the impact in the Consolidated Financial Statements of future periods could be material.

Property, plant and equipment are aggregated into CGUs based on their ability to generate largely independent cash inflows and are used for impairment testing. The determination of the Company's CGUs is subject to management's judgment.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the probability that they will be realized from future taxable earnings.

Compensation costs accrued for long-term share-based payment plans are subject to the estimation of what the ultimate payout will be using the Black-Scholes pricing model, which is based on significant assumptions such as volatility, dividend yield and expected term.

The amount recognized as provisions and accrued liabilities, including legal, contractual, constructive and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements.

Judgments

The Company applied judgment in determining the functional currency of the Company and its subsidiaries. Functional currency was determined based on the currency that mainly influences sales prices, labour, materials and other costs of providing services.

Property, plant and equipment and goodwill are aggregated into CGUs based on their ability to generate largely independent cash inflows and are used for impairment testing. The determination of the Company's CGUs is subject to management's judgment with respect to the lowest level at which independent cash inflows are generated.

The Company has applied judgment in determining the degree of componentization of property, plant and equipment. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and has a separate useful life has been identified as a separate component and is depreciated separately.

The Company has applied judgment in recognizing provisions and accrued liabilities, including judgment as to whether the Company has a present obligation (legal or constructive) as a result of a past event; whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and whether a reliable estimate can be made of the amount of the obligation.

OFF BALANCE SHEET ARRANGEMENTS

Except for operating leases disclosed in Note 24 "Commitments" of the Notes to Consolidated Financial Statements and presented as contractual obligations in the liquidity and capital resources section herein, the Company does not have any other material off balance sheet arrangements.

Management's Discussion and Analysis

GENERAL RISKS AND UNCERTAINTIES

The risks described below and elsewhere in this MD&A do not include all possible risks, and there may be other risks of which management is currently not aware.

Cyclical Downturn

The most significant operating risk affecting the Company is a downturn in demand for its services due to a decrease in activity in the minerals and metals industry. In attempting to mitigate this risk, the Company is exploiting its competitive advantage in specialized drilling and continues to explore opportunities to diversify and to rationalize its regional infrastructures. In previous cyclical market downturns, the Company realized that specialized services were not as affected by decreases in metal and mineral prices, compared to its traditional services. Consequently, the Company's addition of rigs and acquisition of businesses have generally been focused on specialized drilling services. The impact on the Company of a severe and persistent downturn in the minerals and metals industry may not be fully mitigated by the foregoing measures.

While receivables from senior and larger intermediate mining exploration companies consistently remain a significant component of total receivables, accounts receivable from junior mining companies also have a tendency to increase during a cyclical downturn. In many cases, capital markets are the only source of funds available to these juniors and any change in the outlook for the sector or the lack of success of a specific exploration program can quickly impair the ability of these juniors to raise capital to pay for their drilling programs.

Levels of inventory typically increase as a result of increased activity levels. In addition to direct volume related increases however, inventory levels also increase due to an expansion of activity in remote locations at the end of long supply chains where it is necessary to increase inventory to ensure an acceptable level of continuing service, which is part of the Company's competitive advantage. In the event of a sudden downturn of activities related either to a specific project or to the sector as a whole, it is more difficult and costly to redeploy this remote inventory to other regions where it can be consumed.

Competitive Pressures

Pressures from competitors can result in decreased contract prices and negatively impact revenue. There can be no assurance that the Company's competitors will not be successful in capturing a share of the Company's present or potential customer base.

Country Risk

The Company is committed to utilizing its expertise and technology in exploration areas around the world. With this comes the risk of dealing with business and political systems in a variety of jurisdictions. Unanticipated events in a country (precipitated by developments within or external to the country), such as economic, political, tax related, regulatory or legal changes (or changes in interpretation), could, directly or indirectly, have a material negative impact on operations and assets. The risks include, but are not limited to, military repression, extreme fluctuations in currency exchange rates, high rates of inflation, changes in mining or investment policies, nationalization/expropriation of projects or assets, corruption, delays in obtaining or inability to obtain necessary permits, nullification of existing mining claims or interests therein, hostage takings, labour unrest, opposition to mining from environmental or other non-governmental organizations or shifts in political attitude that may adversely affect the business. There has been an emergence of a trend by some governments to increase their participation in the industry and thereby their revenues, through increased taxation, expropriation, or otherwise. This could negatively impact the level of foreign investment in mining and exploration activities and thus drilling demand in these regions. Such events could result in reductions in revenue and transition costs as equipment is shifted to other locations. Nationalization/expropriation of mining projects has a direct impact on suppliers to the mining industry, like the Company.

While the Company works to mitigate its exposures to potential country risk events, the impact of any such event is not under the control of the Company, is highly uncertain and unpredictable and will be based on specific facts and circumstances. As a result, the Company can give no assurance that it will not be subject to any country risk event, directly or indirectly, in the jurisdictions in which it operates.

Repatriation of Funds or Property

There is no assurance that any of the countries in which the Company operates or may operate in the future will not impose restrictions on the repatriation of funds or property to other jurisdictions.

Taxes

The Company is subject to many different forms of taxation in various jurisdictions throughout the world, including but not limited to, income tax, withholding tax, commodity tax and social security and other payroll related taxes, which may lead to disagreements with tax authorities regarding the application of tax law.

Tax law and administration is extremely complex and often requires the Company to make subjective determinations. The computation of income, payroll and other taxes involves many factors, including the interpretation of tax legislation in various jurisdictions in which the Company is subject to ongoing tax assessments. The Company's estimate of tax related assets, liabilities, recoveries and expenses incorporates significant assumptions. These assumptions include, but are not limited to, the tax rates in various jurisdictions, the effect of tax treaties between jurisdictions and taxable income projections. To the extent that such assumptions differ from actual results, the Company may have to record additional tax expenses and liabilities, including interest and penalties.

Foreign Currency

The Company conducts a significant proportion of its business outside of Canada and consequently has exposure to currency movements, principally in U.S. dollars, Chilean pesos and Australian dollars. In order to reduce its exposure to foreign exchange risks associated with currencies of developing countries, where a substantial portion of the Company's business is conducted, the Company has adopted a policy of contracting in U.S. dollars, where practical and legally permitted.

Foreign exchange translations can have a great impact on year-to-year comparisons because of the geographic distribution of the Company's activities. Year-over-year revenue comparisons have been affected by the fluctuation in the Canadian dollar against the U.S. dollar. Margin performance however is less affected by currency fluctuations as a large proportion of costs are typically in the same currency as revenue. In future periods, year-to-year comparisons of revenue could be significantly affected by changes in foreign exchange rates.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and/or systems or from external events. Operational risk is present in all of the Company's business activities, and incorporates exposure relating to fiduciary breaches, regulatory compliance failures, legal disputes, business disruption, pandemics, technology failures, processing errors, business integration, theft and fraud, damage to physical assets, employee safety and insurance coverage.

Dependence on Key Customers

From time to time, the Company may be dependent on a small number of customers for a significant portion of overall revenue and net income. Should one or more such customers terminate contracts with the Company, there can be no guarantee that the Company will obtain sufficient replacement contracts to maintain the existing revenue and income levels. Consequently, the Company continues to work to expand its client base and geographic field of operations to mitigate its exposure to any single client, commodity or mining region.

Safety

Failure to maintain a record of acceptable safety performance may have an adverse impact on the Company's ability to attract and retain customers. Most of the Company's customers consider safety and reliability two primary attributes when selecting a provider of drilling services. The Company continues to invest in training to improve skills, abilities and safety awareness.

Expansion and Acquisition Strategy

The Company intends to remain vigilant with regards to potentially strategic future acquisitions and internal expansion. It is not possible to ensure that future acquisition opportunities will exist on acceptable terms, or that newly acquired or developed entities will be successfully integrated into the Company's operations. Additionally, the Company cannot give assurances that it will be able to secure the necessary financing on acceptable terms to pursue this strategy.

Management's Discussion and Analysis

Legal and Regulatory Risk

Regulatory risk incorporates exposure relating to the risk of non-compliance with applicable legislation and regulatory directives. Legal risk incorporates non-compliance with legal requirements, including the effectiveness of preventing or handling litigation. Local management is responsible for managing day-to-day regulatory risk. In meeting this responsibility, local management receives advice and assistance from such corporate oversight functions as legal, compliance and internal audit. Compliance and internal audit test the extent to which operations meet regulatory requirements, as well as the effectiveness of internal controls.

Corruption, Bribery, Fraud

The Company is required to comply with the Canadian *Corruption of Foreign Public Officials Act* ("CFPOA") as well as similar applicable laws in other jurisdictions, which prohibit companies from engaging in bribery or other prohibited payments or gifts to foreign public officials for the purpose of retaining or obtaining business. The Company's policies mandate compliance with these laws. However, there can be no assurance that the policies and procedures and other safeguards that the Company has implemented in relation to its compliance with these laws will be effective or that Company employees, agents, suppliers, or other industry partners have not engaged or will not engage in such illegal conduct for which the Company may be held responsible. Violations of these laws could disrupt the Company's business and result in a material adverse effect on its business and operations.

Extreme Weather Conditions and the Impact of Natural or Other Disasters

The Company operates in a variety of locations, some of which are prone to extreme weather conditions. From time to time these conditions, as well as natural or other disasters, could have an adverse financial impact on operations located in the regions where these conditions occur.

Specialized Skills and Cost of Labour Increases

Generally speaking, drilling activity related to metals and minerals is broadly linked to price trends in the metals and minerals sector. During periods of increased activity, a limiting factor in this industry can be a shortage of qualified drillers. The Company addresses this issue by attempting to become the "employer of choice" for drillers in the industry, as well as hiring and training more locally-based drillers. Historically, most of the Company's drillers have been Australian or Canadian. Development of local drillers has already had a positive impact in South American, African, Mongolian and Indonesian operations, and is expected to continue to play an important role.

The Company also relies on an experienced management team across the Company to carry on its business. A departure of several members of the management team at one time could have an adverse financial impact on operations.

A material increase in the cost of labour can materially affect gross margins and therefore the Company's financial performance.

Equipment and Parts Availability

The Company's ability to provide reliable service is dependent upon timely delivery of equipment and replacement parts from fabricators and suppliers. Any factor that substantially increases the order time on equipment and increases uncertainty surrounding final delivery dates may constrain future growth, existing operations, and the financial performance of the Company.

Reputational Risk

Negative publicity, whether true or not, regarding practices, actions or inactions, could cause a decline in the Company's value, liquidity, or customer base.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to the Company's management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure.

Management, including the CEO and the CFO, does not expect that the Company's disclosure controls will prevent or detect all errors and all fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

The Company's CEO and CFO have evaluated the effectiveness of the Company's disclosure controls and concluded that, subject to the inherent limitations and restrictions noted above, those disclosure controls were effective for the year ended April 30, 2013.

The Company's CEO and CFO are responsible for designing internal controls over financial reporting ("ICFR") or causing them to be designed under their supervision. The Company's ICFR are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with International Financial Reporting Standards.

As discussed above, the inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected. Therefore, no matter how well designed, ICFR has inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

During fiscal 2013, management, including its CEO and CFO, evaluated the existence and design of the Company's ICFR and confirm there were no changes to the ICFR that have occurred during the year that materially affected, or are reasonably likely to materially affect, the Company's ICFR. The Company continues to review and document its disclosure controls and its ICFR, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that its systems evolve with the business.

As of April 30, 2013, an evaluation was carried out, under the supervision of the CEO and CFO, of the effectiveness of the Company's ICFR as defined in NI 52-109. Based on this evaluation, the CEO and the CFO concluded that the design and operation of these ICFR were effective.

The evaluations were conducted in accordance with the framework and criteria established in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of NI 52-109.

OUTSTANDING SHARE DATA

The authorized capital of the Company consists of an unlimited number of common shares, which is currently the only class of voting equity securities. Holders of common shares are entitled to receive notice of, attend and vote at all meetings of the shareholders of the Company. Each common share carries the right to one vote in person or by proxy at all meetings of the shareholders of the Company.

As at June, the Company's share capital was composed of the following:

(amounts in thousands)	**As at June 5 2013**	As at June 8 2012
Common shares	**79,161**	79,147
Stock options outstanding	**3,049**	2,907

Management's Responsibility

Management is responsible for preparation and presentation of the annual consolidated financial statements, management's discussion and analysis ("MD&A") and all other information in this annual report.

In management's opinion, the accompanying consolidated financial statements have been properly prepared within reasonable limits of materiality in accordance with International Financial Reporting Standards and summarized in the consolidated financial statements.

The MD&A has been prepared in accordance with the requirements of Canadian securities regulators. Management has designed and evaluated the effectiveness of its disclosure controls and procedures.

Since a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements and the MD&A necessarily involves the use of estimates and approximations. These have been made using careful judgment and with all information available up to June 5, 2013. The MD&A also includes information regarding the estimated impact of current transactions and events, sources of liquidity, operating trends and risks and uncertainties. Actual results in the future may differ materially from management's present assessment of this information because future events may not occur as expected. Financial operating data in the report are consistent, where applicable, with the consolidated financial statements.

To meet its responsibility for reliable and accurate financial statements, management has established systems of internal control, which are designed to provide reasonable assurance that financial information is relevant, reliable and accurate, and that assets are safeguarded and transactions are executed in accordance with management's authorization.

The consolidated financial statements have been examined by Deloitte LLP, independent chartered accountants. The independent auditors' responsibility is to express a professional opinion on the fairness of management's consolidated financial statements. The auditor's report outlines the scope of their examination and sets forth their opinion.

The Audit Committee of the Board of Directors is comprised of independent directors. The Audit Committee meets regularly with management and the independent auditors to satisfy itself that each is properly discharging its responsibilities, and to review the consolidated financial statements and the MD&A. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements and the MD&A for issuance to the shareholders. The Audit Committee also recommends, for review by the Board of Directors and approval of shareholders, the appointment of the independent auditors. The independent auditors have full and free access to the Audit Committee.

Major Drilling Group International Inc.'s Chief Executive Officer and Chief Financial Officer have certified Major Drilling Group International Inc.'s annual disclosure documents as required in Canada by the Canadian securities regulators.

Francis McGuire
President and Chief Executive Officer

Denis Larocque
Chief Financial Officer

June 5, 2013
Moncton, New Brunswick, Canada

Left: Francis McGuire, President & CEO
Right: Denis Larocque, Chief Financial Officer
Photography by Daniel St-Louis

Independent Auditor's Report

To the Shareholders of Major Drilling Group International Inc.

We have audited the accompanying consolidated financial statements of Major Drilling Group International Inc., which comprise the consolidated balance sheets as at April 30, 2013 and April 30, 2012, and the consolidated statements of operations, comprehensive earnings, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Major Drilling Group International Inc. as at April 30, 2013 and April 30, 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants
June 5, 2013
Saint John, New Brunswick, Canada

V=QR²

MAJOR
Partners on the Ground

Consolidated Statements of Operations

For the years ended April 30, 2013 and 2012 (in thousands of Canadian dollars, except per share information)	2013	2012
TOTAL REVENUE	$ 695,928	$ 797,432
DIRECT COSTS	475,589	546,306
GROSS PROFIT	220,339	251,126
OPERATING EXPENSES		
General and administrative	63,827	57,980
Other expenses	10,585	16,055
Loss on disposal of property, plant and equipment	2,452	1,370
Foreign exchange (gain) loss	(1,311)	1,319
Finance costs	2,316	3,367
Depreciation of property, plant and equipment (note 7)	49,997	39,975
Amortization of intangible assets (note 9)	2,840	2,629
Impairment of goodwill and intangible assets (note 18)	3,324	-
Restructuring charge (note 19)	5,440	-
	139,470	122,695
EARNINGS BEFORE INCOME TAX	80,869	128,431
INCOME TAX - PROVISION (RECOVERY) (note 12)		
Current	32,077	24,592
Deferred	(3,318)	14,090
	28,759	38,682
NET EARNINGS	$ 52,110	$ 89,749
EARNINGS PER SHARE (note 14)		
Basic	$ 0.66	$ 1.18
Diluted	$ 0.65	$ 1.16

Consolidated Statements of Comprehensive Earnings

For the years ended April 30, 2013 and 2012 (in thousands of Canadian dollars)	2013	2012
NET EARNINGS	$ 52,110	$ 89,749
OTHER COMPREHENSIVE EARNINGS		
Unrealized gains on foreign currency translations (net of tax)	11,803	1,871
Unrealized (loss) gain on interest swap (net of tax)	(81)	121
COMPREHENSIVE EARNINGS	$ 63,832	$ 91,741

Consolidated Statements of Changes in Equity

For the years ended April 30, 2013 and 2012
(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 (note 13)	2,932	-	(909)	-	-	2,023
Share issue (net of issue costs) (note 13)	77,189	-	-	-	-	77,189
Share-based payments reserve	-	-	2,426	-	-	2,426
Dividends (note 26)	-	-	-	(13,365)	-	(13,365)
	230,763	-	11,797	157,060	(3,662)	395,958
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	-	121	-	89,749	1,871	91,741
BALANCE AS AT APRIL 30, 2012	$ 230,763	$ 121	$ 11,797	$ 246,809	$ (1,791)	$ 487,699
Exercise of stock options (note 13)	222	-	(114)	-	-	108
Share-based payments reserve	-	-	2,521	-	-	2,521
Dividends (note 26)	-	-	-	(15,831)	-	(15,831)
	230,985	121	14,204	230,978	(1,791)	474,497
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	-	(81)	-	52,110	11,803	63,832
BALANCE AS AT APRIL 30, 2013	$ 230,985	$ 40	$ 14,204	$ 283,088	$ 10,012	$ 538,329

Consolidated Statements of Cash Flows

For the years ended April 30, 2013 and 2012
(in thousands of Canadian dollars)

	2013	2012
OPERATING ACTIVITIES		
Earnings before income tax	$ 80,869	$ 128,431
Operating items not involving cash		
Depreciation and amortization	52,837	42,604
Loss on disposal of property, plant and equipment	2,452	1,370
Share-based payments reserve	2,521	2,426
Impairment of goodwill and intangible assets (note 18)	3,324	-
Restructuring charge (note 19)	1,425	-
Finance costs recognized in earnings before income tax	2,316	3,367
	145,744	178,198
Changes in non-cash operating working capital items (note 16)	30,456	(32,787)
Finance costs paid	(2,306)	(3,432)
Income taxes paid	(36,962)	(27,502)
Cash flow from operating activities	136,932	114,477
FINANCING ACTIVITIES		
Repayment of long-term debt	(9,296)	(17,390)
Proceeds from long-term debt	-	25,000
Repayment of short-term debt	-	(12,988)
Issuance of common shares	108	79,212
Dividends paid (note 26)	(15,038)	(11,525)
Cash flow (used in) from financing activities	(24,226)	62,309
INVESTING ACTIVITIES		
Business acquisitions (net of cash acquired) (note 21)	(1,698)	(76,304)
Acquisition of property, plant and equipment (net of direct financing) (note 7)	(69,005)	(81,129)
Proceeds from disposal of property, plant and equipment	3,409	2,228
Cash flow used in investing activities	(67,294)	(155,205)
Effect of exchange rate changes	(338)	(559)
INCREASE IN CASH	45,074	21,022
CASH, BEGINNING OF THE YEAR	37,237	16,215
CASH, END OF THE YEAR	$ 82,311	$ 37,237

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 (note 6)	88,118	95,905
Prepaid expenses	6,119	7,476
	284,640	303,702
PROPERTY, PLANT AND EQUIPMENT (note 7)	339,971	318,171
DEFERRED INCOME TAX ASSETS (note 12)	5,601	2,859
GOODWILL (note 8)	52,736	54,946
INTANGIBLE ASSETS (note 9)	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 (note 11)	9,097	8,712
	87,432	127,659
CONTINGENT CONSIDERATION (note 20)	231	2,760
LONG-TERM DEBT (note 11)	34,497	42,274
DEFERRED INCOME TAX LIABILITIES (note 12)	25,738	25,581
	147,898	198,274
SHAREHOLDERS' EQUITY		
Share capital (note 13)	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

Contingencies and commitments (notes 23 and 24)

Approved by the Board of Directors

David Tennant
Chairman of the Board

Jo Mark Zurel
Chairman of the Audit Committee

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

Notes to Consolidated Financial Statements

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, South and Central America, Australia, Asia and Africa.

2. BASIS OF PRESENTATION

Statement of compliance

These Consolidated Financial Statements present the Company's and its subsidiaries' financial results of operations and financial position in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein.

These statements were authorized for issue on June 5, 2013 by the Board of Directors.

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

The Consolidated Financial Statements have been prepared based on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the related accounting policies presented in Note 4.

3. FUTURE ACCOUNTING CHANGES

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 7	*(as amended in 2011) Financial Instruments: Disclosures*
IFRS 9	*(as amended in 2010) Financial Instruments*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 13	*Fair Value Measurement*
IAS 1	*Presentation of Financial Statements*
IAS 19	*Employee Benefits*
IAS 27	*(reissued) Separate Financial Statements*
IAS 28	*(reissued) Investments in Associates and Joint Ventures*
IAS 32	*(amended) Financial Instruments: Presentation*

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

4. SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash is comprised of cash on hand and demand deposits in banks, cashable at any time.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

Asset/Liability	Classification	Measurement
Cash	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

Transaction costs are included in the initial carrying value of financial instruments, except those classified as fair value through profit or loss, and are amortized into income using the effective interest method.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recorded at fair value and are subsequently measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for trade and other receivables when the recognition of interest would be immaterial.

Other financial liabilities - Other financial liabilities are initially recorded at fair value and are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Embedded derivatives - Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") (e.g. financial liabilities) are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value.

Revenue recognition

Revenue from drilling contracts is recognized based on the terms of customer contracts that generally provide for revenue recognition on the basis of actual meters drilled at contract rates or fixed monthly charges or a combination of both. Revenue from ancillary services, primarily relating to extra services to the customer, is recorded when the services are rendered. Revenue is recognized when collection is reasonably assured.

Earnings per share

Basic earnings per share are calculated by dividing net earnings (loss) by the weighted average number of common shares outstanding during the year.

Diluted earnings per share are determined as net earnings (loss) divided by the weighted average number of diluted common shares for the year. Diluted common shares reflect the potential dilutive effect of exercising stock options.

Inventories

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

Property, plant and equipment

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

	Residual value (%)	Useful life (years)
Buildings	0	15-20
Drilling equipment	0-15	5-15
Automotive and off-road equipment	0-10	5-10
Other (office, computer and shop equipment)	0	5-15

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Land and assets under construction not available for use are not amortized. Costs for repairs and maintenance are charged to operations as incurred. Subsequent costs are included in the asset's carrying value when it is probable that future economic benefits associated with it will flow to the entity and when they are ready for their intended use. Subsequent costs are amortized over the useful life of the asset and replaced components are de-recognized. Amortization methods, residual values and useful lives are re-assessed, at minimum, on an annual basis.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Consolidated Balance Sheet as trade and other payables.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized as borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and any equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), then the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), as appropriate, with the corresponding gain or loss being recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Contingent liabilities acquired in a business combination - Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 and the amount initially recognized less, if appropriate, cumulative amortization recognized in accordance with IAS 18 *Revenue* ("IAS 18"), unless IAS 39 is applicable.

Goodwill

Goodwill represents the excess of the purchase price of business acquisitions, including acquisition costs, over the fair value of the identifiable net assets acquired. The value of goodwill is tested for impairment at least annually. Any impairment loss identified by this test would be reported in earnings (loss) for the period during which the loss occurred.

Intangible assets

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses. Intangible assets include customer relationships and non-compete agreements, which are amortized on a straight-line basis over a three and five-year period, respectively.

Impairment of long-lived assets

At the end of each reporting period, the Company assesses whether there are any indicators that the carrying values of its long-lived assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

At the end of each reporting period, the Company assesses whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Current - The tax currently receivable or payable is based on taxable profit for the year and any adjustments resulting from prior years. Taxable profit differs from profit as reported in the Consolidated Statements of Operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred - The Company follows the liability method of accounting for deferred taxes. This method takes a balance sheet approach and focuses on the amount of income taxes payable or receivable that will arise if an asset is realized or a liability is settled for its carrying amount. These resulting assets and liabilities, referred to as "deferred income tax assets and liabilities", are computed and recognized based on carry forwards of unused tax losses, unused tax credits and the differences between the carrying amount of balance sheet items and their corresponding tax values using the enacted, or substantively enacted, income tax rates in effect when the assets are realized or the liabilities are settled.

The Company's primary differences arise between the tax carrying value and net book value of property, plant and equipment. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Translation of foreign currencies

The Consolidated Financial Statements are presented in Canadian dollars, which is the Company's presentation currency, and the functional currency of the parent company.

Items included in the financial statements of each of the Company's subsidiaries are measured using the functional currency. The majority of the Company's subsidiaries have a functional currency of U.S. dollars, Canadian dollars, Chilean pesos or Australian dollars. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the Consolidated Statements of Operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

For the purposes of the Consolidated Financial Statements, the assets and liabilities of the Company's foreign operations (with functional currencies other than Canadian dollars) are translated into Canadian dollars using exchange rates at the end of the period. Income and expense items are translated at the average rates of exchange for the period. The resulting translation adjustments are recognized in other comprehensive earnings within the foreign currency translation reserve. Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in other comprehensive earnings and foreign currency translation reserve.

Share-based payments

The Company uses the fair value method to measure compensation expense at the date of grant of stock options to employees and Directors. The fair value of each tranche for all option grants is determined using the Black-Scholes option pricing model, which considers estimated forfeitures at time of grant, and each tranche is amortized separately to earnings over the vesting period of the tranche with an offset to the share-based payments reserve. When options are exercised, the corresponding share-based payments reserve and the proceeds received by the Company are credited to share capital.

The Company records the fair value of deferred share units as compensation expense, with offset to accrued liabilities.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts - Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Restructurings - A restructuring provision is recognized when the Company has developed a detailed formal plan for restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Derivative financial instruments

The Company has entered into a derivative financial instrument, in the form of an interest rate swap, to manage its exposure to interest rate risk. The derivative is initially recognized at fair value at the date the derivative contract is executed and is subsequently re-measured to fair value at each reporting date. The resulting gain or loss is recognized in other comprehensive earnings unless the derivative is considered to be ineffective, in which event it is recognized in profit or loss.

Hedge accounting

The Company designated the derivative as a cash flow hedge. At the inception of the hedge, and on an ongoing basis, the Company documents whether the hedging instrument used in the hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Cash flow hedge

The effective portion of changes in the fair value of the derivative is recognized in other comprehensive earnings and accumulated in shareholders' equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is terminated, or no longer qualifies for hedge accounting. Any cumulative gain or loss accumulated in shareholders' equity at that time is recognized immediately in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that are not readily apparent from other sources, which affect the reported amounts of assets and liabilities at the dates of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reported periods. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas requiring the use of management estimates relate to the useful lives of property, plant and equipment for amortization purposes, property, plant and equipment and inventory valuation, determination of income and other taxes, assumptions used in compilation of share-based payments, fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities, and impairment testing of goodwill and intangible assets.

Management determines the estimated useful lives of its property, plant and equipment based on historical experience of the actual lives of property, plant and equipment of similar nature and functions, and reviews these estimates at the end of each reporting period.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS (continued)

Management reviews the condition of inventories at the end of each reporting period and recognizes a provision for slow-moving and obsolete items of inventory when they are no longer suitable for use. Management's estimate of the net realizable value of such inventories is based primarily on sales prices and current market conditions.

Amounts used for impairment calculations are based on estimates of future cash flows of the Company. By their nature, the estimates of cash flows, including the estimates of future revenue, operating expenses, utilization, discount rates and market pricing are subject to measurement uncertainty. Accordingly, the impact in the Consolidated Financial Statements of future periods could be material.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the probability that they will be realized from future taxable earnings.

Compensation costs accrued for long-term share-based payment plans are subject to the estimation of what the ultimate payout will be using the Black-Scholes pricing model, which is based on significant assumptions such as volatility, dividend yield and expected term.

The amount recognized as provisions and accrued liabilities, including legal, contractual, constructive and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements.

Judgments

The Company applied judgment in determining the functional currency of the Company and its subsidiaries. Functional currency was determined based on the currency that mainly influences sales prices, labour, materials and other costs of providing services.

Property, plant and equipment and goodwill are aggregated into CGUs based on their ability to generate largely independent cash inflows and are used for impairment testing. The determination of the Company's CGUs is subject to management's judgment with respect to the lowest level at which independent cash inflows are generated.

The Company has applied judgment in determining the degree of componentization of property, plant and equipment. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and has a separate useful life has been identified as a separate component and is depreciated separately.

The Company has applied judgment in recognizing provisions and accrued liabilities, including judgment as to whether the Company has a present obligation (legal or constructive) as a result of a past event; whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and whether a reliable estimate can be made of the amount of the obligation.

6. INVENTORIES

The cost of inventory recognized as an expense and included in direct costs for the year ended April 30, 2013 was $86,423 (2012 - $108,807). During the year, there were no significant write-downs of inventory as a result of net realizable value being lower than cost and no inventory write-downs recognized in previous years were reversed.

The following is a breakdown of inventory by category:

	2013	2012
Rods and casings	$ 31,344	$ 34,716
Consumables	5,039	14,548
Machine parts	25,586	14,112
Wireline and downhole tools	8,431	11,355
Diamond bits	8,537	8,736
Other	9,181	12,438
	$ 88,118	$ 95,905

The Company has changed the allocation of certain items in the current year presentation.

The Company's credit facility related to operations is in part secured by a general assignment of a portion of the Company's inventory in certain regions.

7. PROPERTY, PLANT AND EQUIPMENT

Changes in the property, plant and equipment balance were as follows for the year:

Cost

	Land	Buildings	Drills	Auto	Other	Total
Balance as at April 30, 2012	$ 1,809	$ 21,424	$ 334,631	$ 113,784	$ 27,513	$ 499,161
Additions	1,297	2,350	44,876	19,745	2,572	70,840
Disposals	-	-	(12,523)	(5,509)	(2,751)	(20,783)
Effect of exchange rate changes and other	47	325	10,999	2,480	536	14,387
Balance as at April 30, 2013	$ 3,153	$ 24,099	$ 377,983	$ 130,500	$ 27,870	$ 563,605

Accumulated Depreciation

	Land	Buildings	Drills	Auto	Other	Total
Balance as at April 30, 2012	$ -	$ (3,713)	$(100,577)	$ (57,298)	$ (19,402)	$ (180,990)
Disposals	-	-	6,333	4,519	2,645	13,497
Depreciation	-	(1,620)	(29,827)	(15,555)	(2,995)	(49,997)
Effect of exchange rate changes and other	-	(81)	(4,441)	(1,291)	(331)	(6,144)
Balance as at April 30, 2013	$ -	$ (5,414)	$(128,512)	$ (69,625)	$ (20,083)	$ (223,634)
Carrying value April 30, 2012	**$ 1,809**	**$ 17,711**	**$ 234,054**	**$ 56,486**	**$ 8,111**	**$ 318,171**
Carrying value April 30, 2013	**$ 3,153**	**$ 18,685**	**$ 249,471**	**$ 60,875**	**$ 7,787**	**$ 339,971**

There were no impairments recorded as at April 30, 2013 or 2012. The Company has assessed whether there is any indication that an impairment loss recognized in prior periods for property, plant and equipment may no longer exist or may have decreased. There were no impairments requiring reversal as at April 30, 2013 or 2012.

Capital expenditures were $70,840 and $81,582 respectively for the years ended April 30, 2013 and 2012. The Company obtained direct financing of $1,835 and $453 respectively for the years ended April 30, 2013 and 2012.

The carrying value of PP&E under finance leases for the year ended April 30, 2013 was $1,930 (2012 - $251).

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

8. GOODWILL

Changes in the goodwill balance were as follows:

	2013	2012
Opening balance	$ 54,946	$ 28,316
Goodwill on acquisition	-	26,857
Impairment charge (note 18)	(3,122)	-
Effect of movement in exchange rates	912	(227)
Ending balance	$ 52,736	$ 54,946

Allocation of goodwill to CGUs

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

	2013	2012
Canada	$ 38,056	$ 38,056
Chile	12,579	11,857
Other	2,101	5,033
	$ 52,736	$ 54,946

Canada

The recoverable amount of the 'Canadian Branch' as a CGU is determined on a value-in-use calculation, which uses cash flow projections based on financial budgets and forward projections approved by management covering a five-year period, and a discount rate of 12% per annum. Cash flows beyond that period have been extrapolated using a steady 2% per annum growth rate. While the mining services market in Canada is cyclical in nature, this organic growth rate has been achieved across two business cycles and is seen by management as a fair and conservative long-term average growth rate. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

Chile

The recoverable amount of the 'Chilean Branch' as a CGU is determined on a value-in-use calculation, which uses cash flow projections based on financial budgets and forward projections approved by management covering a five-year period, and a discount rate of 13% per annum. Cash flows beyond that period have been extrapolated using a steady 2% per annum growth rate. While the mining services market in Chile is cyclical in nature, this organic growth rate has been achieved across two business cycles and is seen by management as a fair and conservative long-term average growth rate. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

Key assumptions

The key assumptions in the value-in-use calculations for the Canadian and Chilean CGUs are as follows:

Revenue - The values assigned to the assumptions reflect past experience. The effect of the incorporation of the acquired drill fleets and significant levels of capital expenditure within both the Canadian and Chilean CGUs since 2007 that have been higher than the sustaining level, have provided both CGUs with the basis on which to grow. The growth expected is consistent with management's plans for focusing operations in these markets and growing share in the specialized drilling market.

Gross margin - Management expects that gross margins will remain in a range in line with historically achieved levels.

9. INTANGIBLE ASSETS

Changes in the intangible assets balance were as follows:

	Cost	Accumulated amortization	Total
Balance as at May 1, 2011	$ 2,922	$ (1,687)	$ 1,235
Intangible assets on acquisition	7,666	-	7,666
Amortization	-	(2,629)	(2,629)
Effect of movement in exchange rates	54	(31)	23
Balance as at April 30, 2012	10,642	(4,347)	6,295
Impairment charge (note 18)	(976)	774	(202)
Amortization	-	(2,840)	(2,840)
Effect of movement in exchange rates	44	(18)	26
Balance as at April 30, 2013	$ 9,710	$ (6,431)	$ 3,279

10. DEMAND CREDIT FACILITIES

The Company has credit facilities available in Canada of $25,000 bearing interest at the bank's prime lending rate plus 0.75% or the bankers' acceptance fee plus 2.25% for Canadian dollar draws and the bank's U.S. dollar base rate in Canada plus 0.75% or the bank's London interbank offer rate ("LIBOR") plus 2.25% for U.S. dollar draws. The demand credit facilities are primarily secured by corporate guarantees of companies within the group. The Company has a credit facility of $4,145 for credit cards, with interest rates and repayments as per the cardholder agreement. As at April 30, 2013, the Company had utilized USD $0.4 million (2012 - USD $0.6 million) of these lines for stand-by letters of credit.

The Company also has various credit facilities amounting to $3,472 (2012 - $3,150) bearing interest at rates ranging from 3.0% to 9.83% secured by corporate guarantees of companies within the group. As at April 30, 2013 there were stand-by letters of credit outstanding for $1,637 (2012 - $1,991) on these facilities.

11. LONG-TERM DEBT

	2013	2012
Revolving equipment and acquisition loan (authorized $50,000), bearing interest at either the bank's prime rate plus 0.75% or the bankers' acceptance rate plus 2.25% for Canadian dollar draws, and either the bank's U.S. dollar base rate in Canada plus 0.75% or the bank's LIBOR plus 2.25% for U.S. dollar draws, interest only payments required until maturity, maturing in September 2016, secured by corporate guarantees of companies within the group.	$ 11,224	$11,224
Non-revolving term loan, bearing interest at either the bank's prime rate plus 0.75% or the bankers' acceptance rate plus 2.25% for Canadian dollar draws, and either the bank's U.S. dollar base rate in Canada plus 0.75% or the bank's LIBOR plus 2.25% for U.S. dollar draws, payable in monthly installments of $417, maturing in September 2016, secured by corporate guarantees of companies within the group.	17,083	22,083
Term loan bearing interest at 5.9%, payable in monthly installments of $83, unsecured, maturing in August 2021.	8,333	9,333
Term loans bearing interest at rates ranging from 0% to 6.99%, payable in monthly installments of $146, secured by certain equipment, maturing through 2017.	1,709	467
Note payable bearing interest at 4%, repayable over three years, maturing in September 2014.	5,285	8,000
Derivative financial instrument with a notional principal amount of $17,083, swapping Canadian-Bankers' Acceptance - Canadian Dealer Offered Rate for an annual fixed rate of 3.665%, maturing in September 2016.	(40)	(121)
	43,594	50,986
Current portion	9,097	8,712
	$ 34,497	$42,274

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

11. LONG-TERM DEBT (continued)

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

2014	$ 9,097
2015	9,502
2016	6,197
2017	3,202
2018	12,263
2019	3,333
	$ 43,594

The Company hedges its exposure to floating rates under the non-revolving term loan via an interest rate swap, exchanging a variable rate interest payment for a fixed rate interest payment. As at April 30, 2013 the swap is deemed effective and is recognized as a cash flow hedge.

Under the terms of certain of the Company's debt agreements, the Company must satisfy certain financial covenants. Such agreements also limit, among other things, the Company's ability to incur additional indebtedness, create liens, engage in mergers or acquisitions and make dividend and other payments. The Company, at all times, was in compliance with all covenants and other conditions imposed by its debt agreements.

12. INCOME TAXES

Income taxes vary from amounts that would be determined by applying the combined statutory Canadian corporate income tax rate to earnings before income tax with details as follows:

	2013	2012
Earnings before income tax	**$ 80,869**	$128,431
Income tax expense calculated at 27% (2012 - 29%)	**21,835**	37,245
Effect of non-recognition of tax benefits related to losses	**899**	185
Effect of previously unrecognized tax losses	**(153)**	(282)
Other foreign taxes paid	**1,845**	684
Effect of rate variances in foreign jurisdictions	**2,557**	(270)
Other	**1,442**	5,803
	28,425	43,365
Adjustments recognized in the current year in relation to the current tax in prior years	**334**	(4,683)
Income tax expense recognized in net earnings	**$ 28,759**	$ 38,682

The tax rate used for the 2013 and 2012 reconciliations herein is the effective federal and provincial Canadian corporate tax rate of 27% in 2013 (29% in 2012).

The movement of deferred income tax balances is as follows:

	2012	Tax provision	Reclassified	**2013**
Deferred tax assets related to non-capital losses	$ 1,671	$ 3,731	$ (300)	**$ 5,102**
Deferred tax asset related to share issuance costs	1,188	(165)	(524)	**499**
Deferred tax liabilities related to difference in tax and book basis	(25,581)	(248)	91	**(25,738)**
Net deferred tax liabilities	$ (22,722)	$ 3,318	$ (733)	**$ (20,137)**

Income tax expense recognized in net earnings:

	2013	2012
Current tax		
Current tax expense in respect of the current year	**$ 31,743**	$ 29,275
Adjustments recognized in the current year in relation to the current tax of prior years	**334**	(4,683)
Deferred tax		
Deferred tax expense recognized in the current year	**(3,390)**	12,277
Write-down of previously recorded tax assets	**72**	1,813
Income tax provision	**$ 28,759**	$ 38,682

12. INCOME TAXES (continued)

The recognition and measurement of the current and deferred tax assets and liabilities involves dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions and in the assessment of the recoverability of deferred tax assets. Potential liabilities are recognized for anticipated tax audit issues in various tax jurisdictions based on the Company's estimate of whether, and the extent to which, additional taxes will be due.

If payment of the accrued amounts ultimately proves to be unnecessary, the elimination of the liabilities would result in tax benefits being recognized in the period when the Company determines the liabilities no longer exist. If the estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to expense will result.

The Company has accumulated non-capital losses of $35,842 of which $20,944 has been recognized in the financial statements. The total accumulated losses available will expire as follows: 2034 - $2,423; indefinite - $33,419.

The Company has accumulated approximately $5,093 (A$4,967) of capital losses that are available to reduce income taxes otherwise payable on capital gains realized in Australia. The benefit of these losses has not been recognized in the financial statements.

The Company has approximately $238,000 of temporary differences associated with its investments in foreign subsidiaries for which no deferred taxes have been provided on the basis that the Company is able to control the timing of the reversal of such temporary differences and such reversal is not probable in the foreseeable future.

The 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 recorded its best estimate of these tax liabilities, including related interest charges. Inherent uncertainties exist in estimates of tax contingencies due to changes in tax laws. While management believes they have adequately provided for the probable outcome of these matters, future results may include favorable or unfavorable adjustments to these estimated tax liabilities in the period the assessments are made or resolved, or when the statute of limitation lapses.

13. SHARE CAPITAL

On September 28, 2011, the Company issued a total of 5,900,000 Subscription Receipts at a price of $11.90 per Subscription Receipt for aggregate gross proceeds of $70,210. These Subscription Receipts were subsequently converted to 5,900,000 common shares in the Company upon the closing of the acquisition by the Company of Bradley Group Limited on September 30, 2011. The Company used the net proceeds of the offering to fund a portion of the purchase price in connection with the acquisition. On October 25, 2011, the Company issued a further 885,000 common shares for further aggregate gross proceeds of $10,531 as a result of the exercise by the underwriters of an over allotment option to purchase an additional 885,000 common shares of the Company for $11.90 per share. The Company has used the net proceeds from the over allotment exercise for general corporate purposes.

Authorized

Unlimited number of fully paid common shares, without nominal or par value, with each share carrying one vote and a right to dividends when declared.

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

	2013		2012	
	Number of shares	**Share capital**	Number of shares	Share capital
Opening balance	**79,147**	**$ 230,763**	72,040	$ 150,642
Exercise of stock options	**14**	**222**	322	2,932
Share issue (net of issue costs)*	**-**	**-**	6,785	77,189
Ending balance	**79,161**	**$ 230,985**	79,147	$ 230,763

*share issue costs total $3,552

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

13. SHARE CAPITAL (continued)

Stock option plan

The Company has a Stock Option Plan "the Plan" for Directors, Officers and other employees of the Company and its subsidiaries. The Plan provides that the Board of Directors of the Company, on the recommendation of the Compensation Committee, may grant options to purchase common shares on terms determined within the limitations of the Plan. The aggregate number of common shares reserved for issuance under the Plan is limited to up to 8.5% of the issued and outstanding shares at any time (representing up to 6,728,717 common shares as at April 30, 2013). As at April 30, 2013: (i) 8,172,403 common shares had been issued upon the exercise of options granted under the Plan (representing approximately 10.3% of the issued and outstanding common shares); (ii) 3,048,619 common shares were reserved for issuance in respect of outstanding options under the Plan (representing approximately 3.9% of the issued and outstanding common shares); and (iii) 3,680,098 common shares were available for issuance in respect of options that may be granted under the Plan (representing approximately 4.6% of the issued and outstanding common shares). The exercise price for an option issued under the Plan is determined by the Board and may not be less than the fair market value of the common shares on the grant date of the option, being the volume weighted average trading price of the common shares on the TSX for the last five trading days immediately preceding the date on which the option is granted rounded to the nearest cent or, if the shares did not trade during such five trading days, the simple average of the closing bid and ask prices of the shares on the TSX during such five trading days.

Options issued subsequent to September 2010 are exercisable for a maximum period of 8 years from the date of grant while previous grants are exercisable for a maximum period of 10 years from the date of grant, subject to earlier termination if the optionee ceases to be a Director or employee of the Company for any reason, retires, dies or becomes disabled or there is a change of control of the Company. Options are not assignable. The Plan also provides that: (i) the total number of options to be granted to any one Participant under the Plan, together with any options or shares granted or issued under other Share Compensation Arrangements to such Participant shall not exceed 5% of the issued and outstanding Shares immediately after the grant of the option; (ii) the number of Shares issued to Insiders, under this Plan or any existing or proposed Share Compensation Arrangements, within a one-year period, may not exceed 10% of the issued and outstanding Shares on a non-diluted basis immediately prior to the share issuance in question; (iii) the number of Shares issuable to Insiders, under this Plan or any existing or proposed Share Compensation Arrangements, at any time, cannot exceed 10% of the issued and outstanding Shares on a non-diluted basis; (iv) the number of Shares issued to any one Insider and such Insider's associates, under this Plan or any existing or proposed Share Compensation Arrangements, within a one-year period, may not exceed 5% of the issued and outstanding Shares on a non-diluted basis immediately prior to the share issuance in question; and (v) the number of Shares issuable to non-employees, under this Plan or any existing or proposed Share Compensation Arrangements, at any time, cannot exceed 1.5% of the issued and outstanding Shares on a non-diluted basis.

A summary of the status of the Company's Stock Option Plan, as at April 30, 2013 and 2012, and of changes during those periods, is presented below:

	2013 Number of options	**2013** Weighted average exercise price	2012 Number of options	2012 Weighted average exercise price
Outstanding, beginning of year	2,906,924	$ 9.97	2,779,928	$ 9.13
Options granted	416,000	11.26	449,000	12.37
Options expired	(260,305)	11.34	-	-
Options exercised	(14,000)	7.72	(322,004)	6.19
Outstanding, end of year	3,048,619	10.04	2,906,924	9.97

The following table summarizes information on stock options outstanding at April 30, 2013:

Range of exercise prices	Outstanding at April 30, 2013	Weighted average remaining life (years)	Weighted average exercise price	Exercisable at April 30, 2013	Weighted average exercise price
$2.74 - $9.16	1,529,416	5.93	$ 7.61	1,301,415	$ 7.52
$10.98 - $19.72	1,519,203	5.93	12.47	800,536	13.08
	3,048,619	5.93	10.04	2,101,951	9.64

13. SHARE CAPITAL (continued)

The Company's calculations of share-based compensation for options granted were made using the Black-Scholes option-pricing model with weighted average assumptions as follows:

	2013	2012
Risk-free interest rate	1.27%	1.44%
Expected life	5.8 years	5.8 years
Expected volatility *(based on historical volatility)*	52.1%	54.1%
Expected dividend yield	1.6%	1.2%

The weighted average grant date fair value of options granted during the year ended April 30, 2013 was $4.76 (2012 - $5.43). For the year ended April 30, 2013, the amount of compensation cost recognized in earnings and credited to share-based payments reserve was $2,521 (2012 - $2,426).

Deferred share units

The Company has a Deferred Share Unit Plan (the "DSU Plan") for Directors and certain designated Officers. Each deferred share unit ("DSU") represents the right to receive a cash payment, at such time as an outside Director or designated Officer ceases to be a Director or employee (respectively), equal to the market value of the Company's shares at the time of surrender. Under this plan, prior to the beginning of each fiscal year, Directors must elect the percentage of their total compensation as Directors that they wish to receive in DSUs in lieu of cash compensation.

Designated Officers have the option to take a certain percentage of their annual bonus in DSUs.

The following table summarizes information on DSUs earned under the DSU Plan at April 30, 2013 and 2012:

	2013 Number of units	2012 Number of units
Outstanding, beginning of year	25,323	18,664
DSUs issued during year	24,042	6,659
Outstanding, end of year	49,365	25,323

As at April 30, 2013 the total value of DSUs outstanding was $309 (2012 - $343).

14. EARNINGS PER SHARE

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

	2013	2012
Net earnings for the year	$ 52,110	$89,749
Weighted average shares outstanding (000's)	79,148	76,075
Net effect of dilutive securities:		
Stock options	436	1,027
Weighted average number of shares - diluted (000's)	79,584	77,102
Earnings per share:		
Basic	$ 0.66	$ 1.18
Diluted	$ 0.65	$ 1.16

The calculation of diluted earnings per share for the year ended April 30, 2013 and 2012 excludes the effect of 1,593,718 and 166,508 options, respectively, as they were anti-dilutive.

For the years ended April 30, 2013 and 2012
(in thousands of Canadian dollars, except per share information)

15. SEGMENTED INFORMATION

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

	2013	2012
Revenue		
Canada - U.S.	**$ 317,091**	$ 322,047
South and Central America	**203,233**	251,833
Australia, Asia and Africa	**175,604**	223,552
	$ 695,928	$ 797,432
Canada - U.S. includes revenue in 2013 of $193,852 (2012 - $195,006) for Canadian operations.		
Earnings from operations		
Canada - U.S.	**$ 47,020**	$ 57,629
South and Central America	**36,114**	55,790
Australia, Asia and Africa	**12,945**	36,365
	96,079	149,784
Eliminations	**(987)**	(939)
	95,092	148,845
Finance costs	**2,316**	3,367
General and corporate expenses*	**11,907**	17,047
Income tax	**28,759**	38,682
Net earnings	**$ 52,110**	$ 89,749
**General and corporate expenses include expenses for corporate offices, stock options and certain unallocated costs*		
Canada - U.S. includes impairment charges of $3,324 and restructuring charges of $1,860. South and Central America includes restructuring charges of $115 and Australia, Asia and Africa includes restructuring charges of $3,465.		
Depreciation and amortization		
Canada - U.S.	**$ 22,713**	$ 17,813
South and Central America	**11,493**	9,877
Australia, Asia and Africa	**15,522**	11,672
Unallocated and corporate assets	**3,109**	3,242
Total depreciation and amortization	**$ 52,837**	$ 42,604
Identifiable assets		
Canada - U.S.	**$ 243,027**	$ 252,233
South and Central America	**224,878**	212,861
Australia, Asia and Africa	**165,318**	186,442
	633,223	651,536
Eliminations	**(38)**	(573)
Unallocated and corporate assets	**53,042**	35,010
Total identifiable assets	**$ 686,227**	$ 685,973
Canada - U.S. includes property, plant and equipment in 2013 of $97,110 (2012 - $87,629) for Canadian operations.		

16. ADDITIONAL INFORMATION TO THE STATEMENTS OF CASH FLOWS

Changes in non-cash operating working capital items:

	2013	2012
Trade and other receivables	$ 63,579	$(34,638)
Inventories	10,046	(12,048)
Trade and other payables	(45,036)	10,818
Other items	1,867	3,081
	$ 30,456	$(32,787)

17. NET EARNINGS FOR THE YEAR

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

	2013	2012
Direct costs:		
Salaries and wages	$ 172,765	$ 189,689
Other employee benefits	34,368	35,841
General and administrative expenses:		
Salaries and wages	28,363	24,795
Other employee benefits	4,709	3,917
Other expenses:		
Share-based payments	1,935	1,868

18. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

Due to the continuing governmental budgetary constraints in the U.S. affecting its environmental division, the Company recorded an impairment charge of $3,324 during the fourth quarter of 2013, calculated using the value-in-use method. Of this amount, $3,122 is an impairment of goodwill and $202 is an impairment of intangible assets, which were required as the change in the market created the inability to generate the expected revenue going forward.

19. RESTRUCTURING CHARGE

The Company initiated a restructuring plan in some of its operations during the fourth quarter of 2013 and implemented reductions of salaried employees, which will reduce general and administrative costs going forward. As part of this, the Company decided to significantly scale down its Tanzanian operation and its U.S. environmental division.

The costs relating to these initiatives have been recorded as part of the restructuring charge for a total of $5,440. This amount consists of a $1,425 charge following a decision to eliminate or dispose of assets in its Tanzanian operations and U.S. environmental division. Employee severance charges of $2,317 have been incurred to rationalize the workforce. The remaining charge relates to the cost of scaling down operations in Tanzania and the U.S. environmental division for a total of $1,698 (including a $599 write-down of inventory to net realizable value). The unpaid portion of these charges, totaling $2,054, is recorded in trade and other payables.

20. CONTINGENT CONSIDERATION

The Company recorded a gain on reversal of contingent consideration, measured using forecasted earnings of the environmental division, and totaling $1,960, during the fourth quarter of 2013. This amount, recorded in other expenses, initially recognized in 2010 at the time of the environmental business acquisition, will no longer be paid due to the continuing governmental budgetary constraints in the U.S. creating the inability to generate the expected revenue going forward.

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

21. BUSINESS ACQUISITION

Bradley Group Limited

Effective September 30, 2011, the Company acquired all the issued and outstanding shares of Bradley Group Limited ("Bradley"), which provides a unique opportunity to further the Company's corporate strategy of focusing on specialized drilling, expanding its geographic footprint in areas of high growth and of maintaining a balance in the mix of drilling services. The acquisition was accounted for using the acquisition method and the results of this operation were included in the Consolidated Statement of Operations as of the closing date. The acquired business includes the assets acquired (indicated below), contracts and personnel. The purchase price for the transaction was $78,060, including customary working capital adjustments, net of cash acquired, financed with cash and debt.

The net assets acquired at fair market value at acquisition are as follows:

Assets acquired	
Trade and other receivables (net)	$23,978
Inventories	13,561
Prepaid expenses	540
Property, plant and equipment	45,234
Deferred income tax assets	350
Goodwill (not tax deductible)	24,833
Intangible assets	7,324
Trade and other payables	(18,406)
Income tax payable	(1,751)
Short-term debt	(5,101)
Current portion of long-term debt	(113)
Long-term debt	(10,352)
Deferred income tax liability	(2,037)
Total assets	**$ 78,060**
Consideration	
Cash	$72,000
Long-term debt (holdback)	8,000
Less: Cash acquired	(1,940)
	$ 78,060

The Company incurred acquisition-related costs of $1,003 relating to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in the other expenses line of the Consolidated Statements of Operations.

22. NON-CASH TRANSACTIONS

During the year, the Company entered into the following non-cash financing activities, which are not reflected in the Statements of Cash Flows:

- The Company declared a dividend during the year for $7,916 that was unpaid as at April 30, 2013 (2012 - $7,123).
- The Company financed equipment purchases for $1,835 (2012 - $453).

23. CONTINGENCIES

The Company is involved in various legal claims and legal notices arising in the ordinary course of business. The outcome of all the proceedings and claims against the Company is subject to future resolution and the uncertainties of litigation. Based on information currently known to the Company and after consultation with outside legal counsel, it is management's opinion that the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations, or cash flows. Any amounts awarded as a result of these actions will be reflected when known.

24. COMMITMENTS

The Company has a commitment for the purchase of a drill rig totaling $390 with a delivery date early in fiscal 2014.

The Company also has various commitments, primarily for rental of premises, with arms-length parties as follows: 2014 - $2,330, 2015 - $2,006, 2016 - $1,451, 2017 - $1,350, 2018 - $1,360, thereafter $790.

25. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

The remuneration of Directors and other members of key management personnel during the year is as follows:

	2013	2012
Salaries, bonuses and fees	$ 3,687	$ 5,080
Post-employment benefits	163	85
Other long-term benefits	224	187
Share-based payments benefits	1,371	1,899
	$ 5,445	$ 7,251

26. DIVIDENDS

The Company declared two dividends during the year, $0.10 per common share paid on November 1, 2012 to shareholders of record as of October 10, 2012, and $0.10 per common share to be paid on May 2, 2013 to shareholders of record as of April 5, 2013.

The Company declared two dividends during fiscal 2012, $0.08 per common share paid on November 1, 2011 to shareholders of record as of October 10, 2011, and $0.09 per common share paid on May 2, 2012 to shareholders of record as of April 6, 2012.

27. CAPITAL MANAGEMENT

The Company includes shareholders' equity (excluding foreign currency translation reserve), long-term borrowings and demand loan net of cash in the definition of capital.

Total managed capital was as follows:

	2013	2012
Long-term debt	$ 43,594	$ 50,986
Share capital	230,985	230,763
Share-based payments reserve	14,204	11,797
Retained earnings	283,088	246,809
Cash	(82,311)	(37,237)
	$ 489,560	$503,118

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

Under the terms of certain of the Company's debt agreements, the Company must satisfy certain financial covenants. Such agreements also limit, among other things, the Company's ability to incur additional indebtedness, create liens, engage in mergers or acquisitions and make dividend and other payments. During the year, the Company was, and continues to be, in compliance with all covenants and other conditions imposed by its debt agreements.

In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary, dependent on various factors.

The Company's objectives with regards to capital management remain unchanged from 2012.

28. FINANCIAL INSTRUMENTS

Risk management objectives

The Company's corporate treasury function monitors and manages the financial risks relating to the operations of the Company through analysis of the various exposures. When deemed appropriate, the Company uses financial instruments to hedge these risk exposures.

Interest rate risk management

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the Company by use of interest rate swap contracts when deemed appropriate.

Interest rate swap contract

Under the interest rate swap contract, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. This contract enables the Company to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt held.

As at April 30, 2013 the interest rate swap had a remaining term of 41 months (2012 - 53 months), a notional principal amount of $17,083 (2012 - $22,083) and fair value of $40 (2012 - $121).

The interest rate swap settles on a monthly basis swapping Canadian-Bankers' Acceptance-Canadian Dealer Offered Rate for an annual fixed rate of 3.665%.

For the year ended April 30, 2013 there is a loss of $81 recognized in other comprehensive income relating to the hedge (2012 - gain of $121).

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

28. FINANCIAL INSTRUMENTS (continued)

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 long-term debt and contingent consideration and 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.

	2013	2012
Contingent consideration	$ 231	$ 2,760
Long-term debt	43,594	50,986

Fair value hierarchy

The Company has certain financial assets and liabilities that are held at fair value. Financial assets and financial liabilities are classified and disclosed in one of the following categories reflecting the significance of inputs used in making the fair value measurement:

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

As at April 30, 2013 and 2012, the interest rate swap is classified as a Level 2 financial instrument as the fair value is determined using valuation techniques that include inputs based on observable market data.

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the year ended April 30, 2013. Additionally, there are no financial instruments classified in Level 3.

Credit risk

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The maximum credit risk the Company was exposed to as at April 30, 2013 was $180,390 (2012 - $197,007), representing total cash, trade and other receivables. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

As at April 30, 2013, 86.0% (2012 - 84.3%) of the Company's trade receivables were aged as current and 3.1% (2012 - 1.5%) of the trade receivables were impaired.

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

	2013	2012
Opening balance	$ 2,236	$ 982
Increase in impairment allowance	1,776	2,149
Write-off charged against allowance	(1,228)	(518)
Recovery of amounts previously written off	-	(406)
Foreign exchange translation differences	6	29
Ending balance	$ 2,790	$ 2,236

Interest rate risk

The demand credit facility and long-term debt of the Company bears a floating rate of interest, which exposes the Company to interest rate fluctuations.

As at April 30, 2013, the Company has estimated that a one percentage point increase in interest rates would cause an annual decrease in net income of approximately $112 and a one percentage point decrease in interest rates would cause an annual increase in net income of $112.

Foreign currency risk

In order to reduce its exposure to foreign exchange risks associated with currencies of developing countries, where a substantial portion of the Company's business is conducted, the Company has adopted a policy of contracting in U.S. dollars, where practical and legally permitted.

28. FINANCIAL INSTRUMENTS (continued)

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, is USD $1,572 as of April 30, 2013.

If the Canadian dollar moved by plus or minus 10% at April 30, 2013, the unrealized foreign exchange gain or loss recognized in net earnings would move by approximately $160.

Liquidity risk

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Note 10 sets out details of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

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

	1 year	2-3 years	4-5 years	thereafter	Total
Non-derivative financial liabilities:					
Trade and other payables	$ 73,315	$ -	$ -	$ -	$ 73,315
Contingent consideration	231	-	-	-	231
Long-term debt	9,123	15,715	15,464	3,332	43,634
	$ 82,669	$ 15,715	$ 15,464	$ 3,332	$ 117,180

	1 year	2-3 years	4-5 years	thereafter	Total
Derivative financial liabilities:					
Interest rate swap	$ (26)	$ (16)	$ 1	$ 1	$ (40)

Historical Summary

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

	2013	2012	2011	2010	2009	2008	2007	2006 reclassified	2005 reclassified	2004 reclassified
OPERATING SUMMARY										
Revenue by region										
Canada-U.S.	$ 317	$ 322	$ 181	$ 103	$ 167	$ 189	$ 151	$ 119	$ 82	$ 61
South and Central America	203	252	169	108	155	186	127	81	62	33
Australia, Asia and Africa	176	223	132	97	201	215	137	116	102	82
	696	797	482	308	523	590	415	316	246	176
Gross profit	220	251	120	74	176	195	133	90	66	41
as a percentage of revenue	31.7%	31.5%	25.0%	24.2%	33.6%	33.1%	32.0%	28.6%	26.9%	23.2%
General and administrative expenses	64	58	41	33	47	45	34	29	25	22
as a percentage of revenue	9.2%	7.3%	8.5%	10.7%	9.0%	7.6%	8.1%	9.0%	10.2%	12.5%
Net earnings	52	90	28	-	46	74	59	29	16	5
Earnings (loss) per share (1)										
Basic	0.66	1.18	0.39	(0.01)	0.65	1.05	0.85	0.42	0.24	0.08
Diluted	0.65	1.16	0.38	(0.01)	0.64	1.03	0.83	0.41	0.23	0.08
EBITDA (2)	143	174	73	36	115	135	89	55	37	17
per share (1)	1.80	2.26	1.02	0.51	1.61	1.91	1.28	0.81	0.56	0.28
Dividends paid	15	12	10	9	5	-	-	-	-	-
Total net debt (net of cash)	(39)	14	17	(6)	(19)	22	7	40	57	33
BALANCE SHEET SUMMARY										
Cash, net of demand loans	82	37	16	30	58	19	25	(5)	(11)	(7)
Property, plant and equipment	340	318	235	211	240	199	159	118	119	99
Debt	44	51	33	24	39	40	32	35	46	25
Shareholders' equity	538	488	328	318	365	288	221	158	142	124

The years above prior to 2011 (2004 - 2010) have not been restated for IFRS adoption.

(1) all amounts re-stated to reflect stock split

(2) Non-GAAP measure: Earnings before interest, income taxes, depreciation, amortization. (2013 excludes $5.4 million of restructuring charges, $3.3 million of goodwill and intangible assets impairment and $2.0 million of gain on reversal of contingent consideration. 2010 excludes $1.2 million in restructuring charges and $1.5 million of goodwill and intangible assets impairment; 2009 - $9.0 million and $0.7 million respectively)

Shareholder Information

DIRECTORS

David Tennant (Chairman)
Edward Breiner
Jean Desrosiers
Fred Dyment
David Fennell
Francis McGuire
Catherine McLeod-Seltzer
Janice Rennie
Jo Mark Zurel

OFFICERS

Francis McGuire
President and Chief Executive Officer

Denis Larocque
Chief Financial Officer

James Gibson
VP Legal Affairs, General Counsel and Corporate Secretary

David Balser
Vice President, Finance

Denis Despres
Vice President, North American Operations

Kelly Johnson
Vice President, Latin American Operations

Robert Newburn
Executive Vice President, Australian, Asian and African Operations

TRANSFER AGENT

CIBC Mellon Trust Company

AUDITORS

Deloitte LLP

CORPORATE OFFICE

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

ANNUAL AND SPECIAL MEETING

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

TMX Broadcast Centre, Gallery
The Exchange Tower
130 King Street West, Toronto, ON, Canada

September 11, 2013 at 3:00 pm Eastern

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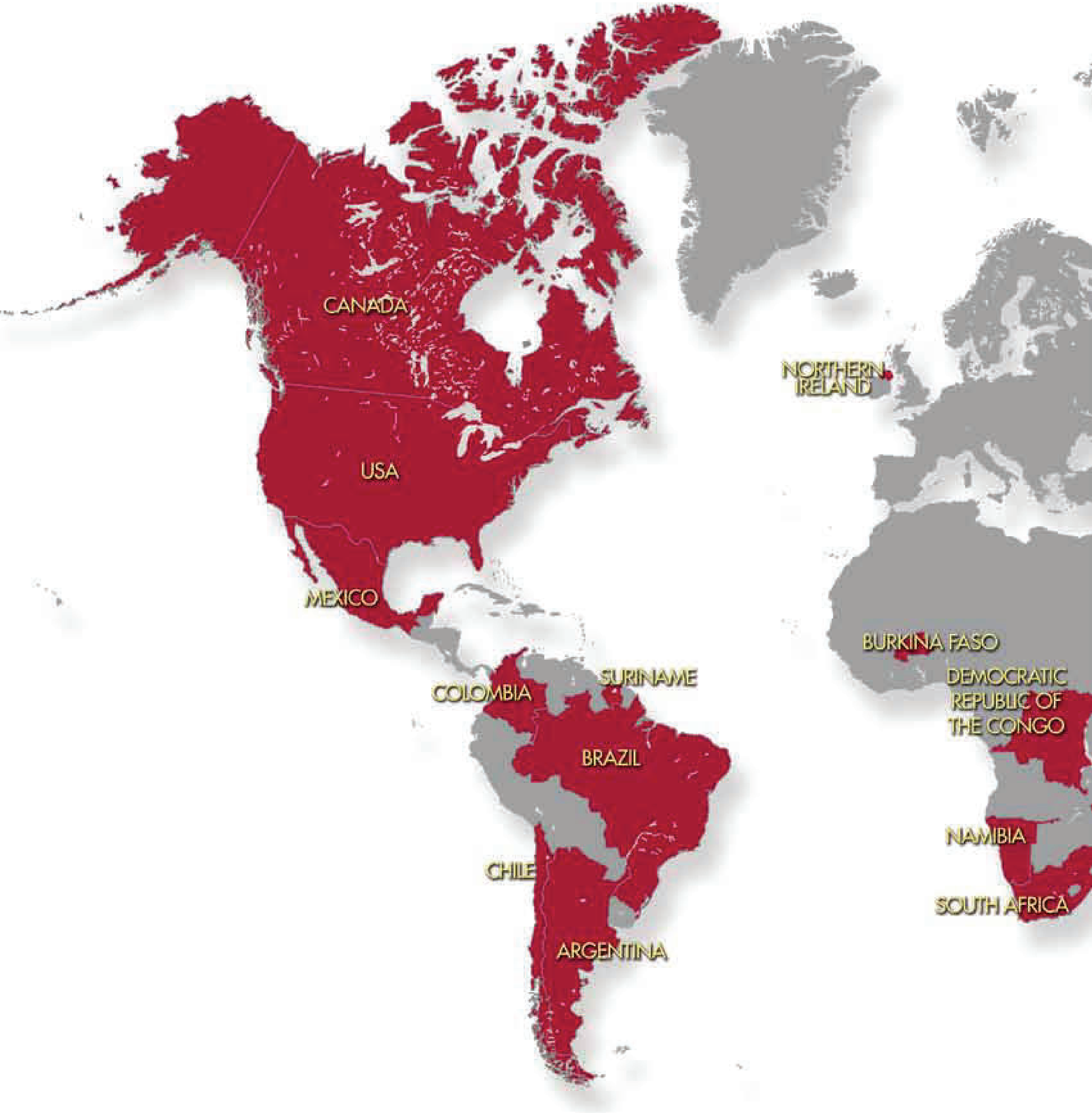
MAJOR Worldwide Operations
Drilling Group International Inc.



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Contact information for our branches can be found at www.majordrilling.com

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Value = Quality, Relationships, Results

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