

Major Drilling Reports Second Quarter Results for Fiscal 2018

MONCTON, New Brunswick (November 30, 2017) – Major Drilling Group International Inc. (TSX: MDI) today reported results for its second quarter of fiscal year 2018, ended October 31, 2017.

Highlights

In millions of Canadian dollars (except loss per share)	<u>Q2-18</u>	<u>Q2-17</u>	<u>YTD-18</u>	<u>YTD-17</u>
Revenue	\$88.0	\$79.9	\$171.9	\$149.0
Gross profit	21.2	16.1	37.9	31.2
As percentage of revenue	24.1%	20.1%	22.1%	21.0%
EBITDA ⁽¹⁾	9.1	4.4	14.4	8.2
As percentage of revenue	10.3%	5.5%	8.4%	5.5%
Net loss	(2.7)	(9.8)	(9.6)	(19.5)
Loss per share	(0.03)	(0.12)	(0.12)	(0.24)

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

- Quarterly revenue was \$88.0 million, up 10.1% from the \$79.9 million recorded for the same quarter last year.
- Gross margin percentage for the quarter was 24.1%, compared to 20.1% for the corresponding period last year.
- EBITDA more than doubled at \$9.1 million compared to \$4.4 million for the same quarter last year.
- Net loss was \$2.7 million or \$0.03 per share for the quarter, compared to a net loss of \$9.8 million or \$0.12 per share for the prior year quarter.

“Exploration activity levels continue to increase in all regions. While revenue is up 10% as compared to the same quarter last year, the volume of activity increased by more than 10%, given the negative impact of foreign exchange translation on revenue as the US dollar weakened compared to the previous year,” said Denis Larocque, President and CEO of Major Drilling Group International Inc. “We are pleased to see a return of demand for our services in South America and Asia, regions that were most affected by the cyclical downturn. Although drilling prices have not yet recovered, margins improved during the quarter, mainly driven by improved productivity.”

“Both gold and base metal prices are holding at healthy levels, which are positive signs going into calendar 2018. As mining companies are looking to replenish their depleting reserves, we are starting to receive more inquiries for projects, which points to an increase in exploration budgets for calendar 2018. Most senior and intermediate mining companies are still working through their mining plans for 2018, however, we have already secured two new multi-year contracts with key customers for grade control and underground services, solidifying our diversification strategy.”

“As we are seeing demand for our services increase, combined with an already tight labor pool, we continue to make investments in technology and equipment, providing tools to our crews in order to improve safety and productivity. This falls in line with the enhancement of our recruiting and training systems as we attract a new generation of employees.”

“The Company’s net cash position (net of debt) continues to be strong at \$13.3 million. The decrease this quarter is due to the final payment of the Taurus contingent consideration of \$5.1 million. As well, capital expenditures for the quarter were \$5.9 million, as we added five rigs that fit both our specialized and diversification strategies. Two of the additional rigs are suited for surface drill and blast/grade control work and two others are mobile underground rigs, adding to our mobile computerized fleet of rigs,” added Mr. Larocque.

“We believe that most commodities will face an imbalance between supply and demand as mining reserves continue to decrease due to the lack of exploration. Typically, gold and copper projects represent over 70% of the Company’s activity. Due to the lack of exploration, mineral reserves of the top gold mining companies have decreased by almost 15% over the last two years. As well, many industry experts expect the copper market will face a deficit position in the next few years, due to the continued production and high grading of mines, combined with the lack of exploration work conducted to replace reserves. Therefore, it is expected that at some point in the near future, the need to develop resources in areas that are increasingly difficult to access will significantly increase, at which time we expect to see a resurgence in demand for specialized drilling,” said Mr. Larocque.

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

Second quarter ended October 31, 2017

Total revenue for the quarter was \$88.0 million, up 10.1% from revenue of \$79.9 million recorded in the same quarter last year. The unfavorable foreign exchange translation impact for the quarter, when comparing to the effective rates for the same period last year, is estimated at \$3 million on revenue, with a negligible impact on net earnings.

Revenue for the quarter from Canada - U.S. drilling operations increased by 4% to \$52.7 million, compared to the same period last year. The increase came mainly from the Canadian operations as the Company saw increased activity from both seniors and juniors over the same period last year.

South and Central American revenue increased by 20% to \$19.4 million for the quarter, compared to the same quarter last year. The increase was driven primarily by Argentina, Brazil and Colombia.

Asian and African operations reported revenue of \$15.9 million, up 21% from the same period last year. Increased activity in Mongolia was partially offset by a decrease in Indonesia as a result of ongoing political issues in the country.

The overall gross margin percentage for the quarter was 24.1%, up from 20.1% for the same period last year. The increase in margin resulted from improved production as pricing has not yet recovered.

General and administrative costs were up 4% from the same quarter last year at \$11.3 million. Staffing levels and salaries have increased as activity ramped up from low levels. As well, the Company is investing in recruitment and information technology as it continues to prepare for the upturn in the industry.

The income tax provision for the quarter was a recovery of \$0.1 million compared to an expense of \$0.8 million for the prior year period. The tax expense for the quarter was impacted by non-tax affected losses and non-deductible expenses.

Net loss was \$2.7 million or \$0.03 per share (\$0.03 per share diluted) for the quarter, compared to a net loss of \$9.8 million or \$0.12 per share (\$0.12 per share diluted) for the prior year quarter.

Non-GAAP Financial Measure

In this news release, the Company uses the non-GAAP financial measure, EBITDA. The Company believes this non-GAAP 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 GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

Forward-Looking Statements

Some of the statements contained in this news release may be forward-looking statements, such as, but not limited to, those relating to: worldwide demand for gold and base metals and overall commodity prices; the level of activity in the mining industry and the demand for the Company's services; the Canadian and international economic environments; the Company's ability to attract and retain customers and to manage its assets and operating costs; sources of funding for its clients (particularly for junior mining companies); competitive pressures; currency movements (which can affect the Company's revenue in Canadian dollars); the geographic distribution of the Company's operations; the impact of operational changes; changes in jurisdictions in which the Company operates (including changes in regulation); failure by counterparties to fulfill contractual obligations; and other factors as may be set forth as well as objectives or goals including words to the effect that the Company or management expects a stated condition to exist or occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements by reason of factors such as, but not limited to, the factors set out in the discussion on pages 13 to 16 of the 2017 Annual Report entitled "General Risks and Uncertainties", and such other documents as available on SEDAR at www.sedar.com. All such factors should be considered carefully when making decisions with respect to the Company. The Company does not undertake to update any forward-looking statements, including those statements that are incorporated by reference herein, whether written or oral, that may be made from time to time by or on its behalf, except in accordance with applicable securities laws.

About Major Drilling

Major Drilling Group International Inc. is one of the world's largest drilling services companies primarily serving the mining industry. Established in 1980, Major Drilling has over 1,000 years of combined experience within its management team alone. The Company maintains field operations and offices in Canada, the United States, Mexico, South America, Asia, Africa and Europe. Major Drilling provides all types of drilling services including surface and underground coring, directional, reverse circulation, sonic, geotechnical, environmental, water-well, coal-bed methane, shallow gas, underground percussive/longhole drilling, surface drill and blast, and a variety of mine services.

Webcast/Conference Call Information

Major Drilling will provide a simultaneous webcast and conference call to discuss its quarterly results on Friday, December 1, 2017 at 9:00 AM (EST). To access the webcast, which includes a slide presentation, please go to the investors/webcast section of Major Drilling's website at www.majordrilling.com and click on the link. Please note that this is listen-only mode.

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

For those unable to participate, a taped rebroadcast will be available approximately one hour after the completion of the call until midnight, Friday, December 15, 2017. To access the rebroadcast, dial 905-694-9451 and enter the passcode 4223794#. The webcast will also be archived for one year and can be accessed on the Major Drilling website at www.majordrilling.com.

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

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

	Three months ended October 31		Six months ended October 31	
	2017	2016	2017	2016
TOTAL REVENUE	\$ 87,992	\$ 79,913	\$ 171,944	\$ 149,002
DIRECT COSTS	66,815	63,825	134,000	117,773
GROSS PROFIT	21,177	16,088	37,944	31,229
OPERATING EXPENSES				
General and administrative	11,343	10,902	23,324	21,531
Other expenses	833	920	1,263	1,643
Loss (gain) on disposal of property, plant and equipment	33	27	(139)	185
Foreign exchange gain	(144)	(126)	(940)	(300)
Finance costs	184	97	365	144
Depreciation of property, plant and equipment	11,779	12,540	23,577	24,496
Amortization of intangible assets	-	654	657	1,304
	24,028	25,014	48,107	49,003
LOSS BEFORE INCOME TAX	(2,851)	(8,926)	(10,163)	(17,774)
INCOME TAX - PROVISION (RECOVERY) (note 7)				
Current	2,370	2,043	4,854	5,728
Deferred	(2,499)	(1,212)	(5,405)	(3,963)
	(129)	831	(551)	1,765
NET LOSS	\$ (2,722)	\$ (9,757)	\$ (9,612)	\$ (19,539)
LOSS PER SHARE (note 8)				
Basic	\$ (0.03)	\$ (0.12)	\$ (0.12)	\$ (0.24)
Diluted	\$ (0.03)	\$ (0.12)	\$ (0.12)	\$ (0.24)

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

	Three months ended October 31		Six months ended October 31	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
NET LOSS	\$ (2,722)	\$ (9,757)	\$ (9,612)	\$ (19,539)
OTHER COMPREHENSIVE EARNINGS (LOSS)				
Items that may be reclassified subsequently to profit or loss				
Unrealized gain (loss) on foreign currency translations (net of tax)	8,198	8,816	(16,687)	20,184
Unrealized loss on derivatives (net of tax)	(313)	(152)	(209)	(289)
COMPREHENSIVE EARNINGS (LOSS)	<u>\$ 5,163</u>	<u>\$ (1,093)</u>	<u>\$ (26,508)</u>	<u>\$ 356</u>

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Changes in Equity
For the six months ended October 31, 2017 and 2016
(in thousands of Canadian dollars)
(unaudited)

	Share capital	Reserves	Share-based payments reserve	Retained earnings	Foreign currency translation reserve	Total
BALANCE AS AT MAY 1, 2016	\$ 239,726	\$ 326	\$ 18,317	\$ 105,876	\$ 61,896	\$ 426,141
Share-based compensation	-	-	477	-	-	477
	<u>239,726</u>	<u>326</u>	<u>18,794</u>	<u>105,876</u>	<u>61,896</u>	<u>426,618</u>
Comprehensive earnings:						
Net loss	-	-	-	(19,539)	-	(19,539)
Unrealized gain on foreign currency translations	-	-	-	-	20,184	20,184
Unrealized loss on derivatives	-	(289)	-	-	-	(289)
Total comprehensive earnings	<u>-</u>	<u>(289)</u>	<u>-</u>	<u>(19,539)</u>	<u>20,184</u>	<u>356</u>
BALANCE AS AT OCTOBER 31, 2016	<u>\$ 239,726</u>	<u>\$ 37</u>	<u>\$ 18,794</u>	<u>\$ 86,337</u>	<u>\$ 82,080</u>	<u>\$ 426,974</u>
BALANCE AS AT MAY 1, 2017	\$ 239,751	\$ 163	\$ 19,250	\$ 63,812	\$ 86,787	\$ 409,763
Exercise of stock options	1,513	-	(310)	-	-	1,203
Share-based compensation	-	-	428	-	-	428
	<u>241,264</u>	<u>163</u>	<u>19,368</u>	<u>63,812</u>	<u>86,787</u>	<u>411,394</u>
Comprehensive loss:						
Net loss	-	-	-	(9,612)	-	(9,612)
Unrealized loss on foreign currency translations	-	-	-	-	(16,687)	(16,687)
Unrealized loss on derivatives	-	(209)	-	-	-	(209)
Total comprehensive loss	<u>-</u>	<u>(209)</u>	<u>-</u>	<u>(9,612)</u>	<u>(16,687)</u>	<u>(26,508)</u>
BALANCE AS AT OCTOBER 31, 2017	<u>\$ 241,264</u>	<u>\$ (46)</u>	<u>\$ 19,368</u>	<u>\$ 54,200</u>	<u>\$ 70,100</u>	<u>\$ 384,886</u>

Major Drilling Group International Inc.

Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)
(unaudited)

	Three months ended October 31		Six months ended October 31	
	2017	2016	2017	2016
OPERATING ACTIVITIES				
Loss before income tax	\$ (2,851)	\$ (8,926)	\$ (10,163)	\$ (17,774)
Operating items not involving cash				
Depreciation and amortization	11,779	13,194	24,234	25,800
Loss (gain) on disposal of property, plant and equipment	33	27	(139)	185
Share-based compensation	189	187	428	477
Finance costs recognized in loss before income tax	184	97	365	144
	<u>9,334</u>	<u>4,579</u>	<u>14,725</u>	<u>8,832</u>
Changes in non-cash operating working capital items	(4,285)	(1,742)	(2,068)	(9,366)
Finance costs paid	(184)	(97)	(365)	(144)
Income taxes paid	(1,383)	(2,110)	(2,066)	(2,745)
Cash flow from (used in) operating activities	<u>3,482</u>	<u>630</u>	<u>10,226</u>	<u>(3,423)</u>
FINANCING ACTIVITIES				
Repayment of long-term debt	(805)	(1,681)	(1,646)	(3,753)
Proceeds from draw on long-term debt	-	-	15,000	-
Issuance of common shares due to exercise of stock options	510	-	1,203	-
Cash flow (used in) from financing activities	<u>(295)</u>	<u>(1,681)</u>	<u>14,557</u>	<u>(3,753)</u>
INVESTING ACTIVITIES				
Business acquisition (note 10)	(5,135)	(3,881)	(5,135)	(3,881)
Acquisition of property, plant and equipment (net of direct financing) (note 6)	(5,937)	(4,794)	(10,193)	(7,571)
Proceeds from disposal of property, plant and equipment	844	265	1,620	1,437
Cash flow used in investing activities	<u>(10,228)</u>	<u>(8,410)</u>	<u>(13,708)</u>	<u>(10,015)</u>
Effect of exchange rate changes	681	748	(2,733)	1,870
(DECREASE) INCREASE IN CASH	(6,360)	(8,713)	8,342	(15,321)
CASH, BEGINNING OF THE PERIOD	<u>40,677</u>	<u>43,620</u>	<u>25,975</u>	<u>50,228</u>
CASH, END OF THE PERIOD	<u>\$ 34,317</u>	<u>\$ 34,907</u>	<u>\$ 34,317</u>	<u>\$ 34,907</u>

Major Drilling Group International Inc.
Interim Condensed Consolidated Balance Sheets

As at October 31, 2017 and April 30, 2017

(in thousands of Canadian dollars)

(unaudited)

	October 31, 2017	April 30, 2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 34,317	\$ 25,975
Trade and other receivables	73,028	72,385
Note receivable	486	476
Income tax receivable	3,394	5,771
Inventories	84,178	88,047
Prepaid expenses	5,790	3,210
	201,193	195,864
NOTE RECEIVABLE	809	1,055
PROPERTY, PLANT AND EQUIPMENT (note 6)	197,836	221,524
DEFERRED INCOME TAX ASSETS	20,397	17,026
GOODWILL	57,867	58,432
INTANGIBLE ASSETS	-	669
	\$ 478,102	\$ 494,570
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	\$ 51,344	\$ 48,359
Income tax payable	3,570	3,036
Contingent consideration (note 10)	-	5,135
Current portion of long-term debt	2,811	3,291
	57,725	59,821
LONG-TERM DEBT	18,213	4,544
DEFERRED INCOME TAX LIABILITIES	17,278	20,442
	93,216	84,807
SHAREHOLDERS' EQUITY		
Share capital	241,264	239,751
Reserves	(46)	163
Share-based payments reserve	19,368	19,250
Retained earnings	54,200	63,812
Foreign currency translation reserve	70,100	86,787
	384,886	409,763
	\$ 478,102	\$ 494,570

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2017 AND 2016 (UNAUDITED)
(in thousands of Canadian dollars, except per share information)

1. NATURE OF ACTIVITIES

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

2. BASIS OF PRESENTATION

Statement of compliance

These Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies as outlined in the Company’s annual Consolidated Financial Statements for the year ended April 30, 2017.

On November 30, 2017, the Board of Directors authorized the financial statements for issue.

Basis of consolidation

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

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

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

Basis of preparation

These Interim Condensed Consolidated Financial Statements have been prepared based on the historical cost basis except for certain financial instruments that are measured at fair value, using the same accounting policies and methods of computation as presented in the Company’s annual Consolidated Financial Statements for the year ended April 30, 2017.

3. APPLICATION OF NEW AND REVISED IFRS

The following IASB standards, now in effect, have had no significant impact on the Company’s Consolidated Financial Statements:

IAS 7 (amended) *Statement of Cash Flows*
IAS 12 (amended) *Income Taxes*

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

IFRS 2 Share-based Payment (“IFRS 2”)

IFRS 2, amended in June 2016, clarifies the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. These final amendments to IFRS 2 are effective for annual periods beginning on or after January 1, 2018. The Company has completed its assessment of IFRS 2 and the amendments are not expected to have a significant impact on the Consolidated Financial Statements.

MAJOR DRILLING GROUP INTERNATIONAL INC.
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3. APPLICATION OF NEW AND REVISED IFRS (Continued)

IFRS 9 Financial Instruments (“IFRS 9”)

IFRS 9, completed by the IASB in phases, with the final version issued in July 2014, replaces IAS 39, Financial Instruments: Recognition and Measurement. The standard contains requirements in the areas of classification and measurement, impairment, hedge accounting and de-recognition. This final version of IFRS 9, which supersedes all previous versions, is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently in the process of assessing the impact of the adoption of IFRS 9, however, it is not expected to have a significant impact on the Consolidated Financial Statements.

IFRS 15 Revenue from Contracts with Customers (“IFRS 15”)

IFRS 15, issued in May 2014, clarifies the principles for recognizing revenue from contracts with customers. It provides a comprehensive framework for recognition and measurement of revenue from contracts with customers and will also result in enhanced disclosures around revenue. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is currently in the process of assessing the impact of the adoption of IFRS 15, however, it is not expected to have a significant impact on the Consolidated Financial Statements.

IFRS 16 Leases (“IFRS 16”)

IFRS 16, issued in January 2016, replaces IAS 17, Leases. Early adoption is permitted if IFRS 15 has been applied or is applied on the same date. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting remains substantially unchanged as they continue to classify leases as operating or finance. IFRS 16 is effective for periods beginning on or after January 1, 2019. The Company is in the process of quantifying the impact IFRS 16 will have on the Consolidated Financial Statements.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

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

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

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

5. SEASONALITY OF OPERATIONS

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

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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6. PROPERTY, PLANT AND EQUIPMENT

Capital expenditures for the three months ended October 31, 2017 were \$5,937 (2016 - \$4,829) and \$10,244 (2016 - \$7,606) for the six months ended October 31, 2017. The Company obtained direct financing of nil for the three months ended October 31, 2017 (2016 - \$35) and \$51 for the six months ended October 31, 2017 (2016 - \$35).

7. INCOME TAXES

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

	<u>Q2 2018</u>	<u>Q2 2017</u>	<u>YTD 2018</u>	<u>YTD 2017</u>
Loss before income tax	\$ (2,851)	\$ (8,926)	\$ (10,163)	\$ (17,774)
Statutory Canadian corporate income tax rate	27%	27%	27%	27%
Expected income tax recovery based on statutory rate	(770)	(2,410)	(2,744)	(4,799)
Non-recognition of tax benefits related to losses	694	1,342	1,811	2,549
Utilization of previously unrecognized losses	(811)	-	(811)	-
Other foreign taxes paid	64	82	199	373
Rate variances in foreign jurisdictions	201	483	253	620
Permanent differences	86	1,158	299	2,328
Other	407	176	442	694
Income tax (recovery) provision recognized in net loss	<u>\$ (129)</u>	<u>\$ 831</u>	<u>\$ (551)</u>	<u>\$ 1,765</u>

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

8. LOSS PER SHARE

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

	<u>Q2 2018</u>	<u>Q2 2017</u>	<u>YTD 2018</u>	<u>YTD 2017</u>
Net loss	\$ (2,722)	\$ (9,757)	\$ (9,612)	\$ (19,539)
Weighted average number of shares:				
Basic and diluted (000s)	<u>80,291</u>	<u>80,137</u>	<u>80,222</u>	<u>80,137</u>
Loss per share				
Basic	\$ (0.03)	\$ (0.12)	\$ (0.12)	\$ (0.24)
Diluted	\$ (0.03)	\$ (0.12)	\$ (0.12)	\$ (0.24)

The calculation of diluted loss per share for the three and six months ended October 31, 2017, respectively, excludes the effect of 2,726,606 and 2,385,593 options (2016 - 3,994,927 and 3,638,174) as they were anti-dilutive.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2017 AND 2016 (UNAUDITED)
(in thousands of Canadian dollars, except per share information)

8. LOSS PER SHARE (Continued)

The total number of shares outstanding on October 31, 2017 was 80,299,984 (2016 - 80,136,884).

9. SEGMENTED INFORMATION

The Company's operations are divided into the following three geographic segments, corresponding to its management structure: Canada - U.S.; South and Central America; and Asia and Africa. The services provided in each of the reportable segments are essentially the same. The accounting policies of the segments are the same as those described in the Company's annual Consolidated Financial Statements for the year ended April 30, 2017. Management evaluates performance based on earnings from operations in these three geographic segments before finance costs, general corporate expenses and income taxes. Data relating to each of the Company's reportable segments is presented as follows:

	<u>Q2 2018</u>	<u>Q2 2017</u>	<u>YTD 2018</u>	<u>YTD 2017</u>
Revenue				
Canada - U.S.*	\$ 52,688	\$ 50,645	\$ 104,870	\$ 94,442
South and Central America	19,394	16,169	38,268	29,665
Asia and Africa	15,910	13,099	28,806	24,895
	<u>\$ 87,992</u>	<u>\$ 79,913</u>	<u>\$ 171,944</u>	<u>\$ 149,002</u>
Earnings (loss) from operations				
Canada - U.S.	\$ 2,066	\$ (508)	\$ 800	\$ (3,826)
South and Central America	(2,442)	(4,691)	(5,530)	(6,591)
Asia and Africa	249	(1,667)	(1,917)	(3,292)
	<u>(127)</u>	<u>(6,866)</u>	<u>(6,647)</u>	<u>(13,709)</u>
Finance costs	184	97	365	144
General corporate expenses**	2,540	1,963	3,151	3,921
Income tax (recovery) provision	(129)	831	(551)	1,765
Net loss	<u>\$ (2,722)</u>	<u>\$ (9,757)</u>	<u>\$ (9,612)</u>	<u>\$ (19,539)</u>

*Canada - U.S. includes revenue of \$26,314 and \$22,260 for Canadian operations for the three months ended October 31, 2017 and 2016, respectively, and \$51,341 and \$42,200 for the six months ended October 31, 2017 and 2016, respectively.

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

	<u>Q2 2018</u>	<u>Q2 2017</u>	<u>YTD 2018</u>	<u>YTD 2017</u>
Capital expenditures				
Canada - U.S.	\$ 4,078	\$ 2,394	\$ 7,102	\$ 3,753
South and Central America	464	2,085	1,096	3,055
Asia and Africa	1,395	350	2,046	798
Total capital expenditures	<u>\$ 5,937</u>	<u>\$ 4,829</u>	<u>\$ 10,244</u>	<u>\$ 7,606</u>
Depreciation and amortization				
Canada - U.S.	\$ 5,349	\$ 7,304	\$ 11,795	\$ 14,437
South and Central America	3,159	3,232	6,361	6,341
Asia and Africa	2,446	1,977	5,150	3,988
Unallocated and corporate assets	825	681	928	1,034
Total depreciation and amortization	<u>\$ 11,779</u>	<u>\$ 13,194</u>	<u>\$ 24,234</u>	<u>\$ 25,800</u>

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9. SEGMENTED INFORMATION (Continued)

	<u>October 31, 2017</u>	<u>April 30, 2017</u>
Identifiable assets		
Canada - U.S.*	\$ 202,981	\$ 216,391
South and Central America	133,596	151,894
Asia and Africa	92,930	99,850
Unallocated and corporate assets	48,595	26,435
Total identifiable assets	<u>\$ 478,102</u>	<u>\$ 494,570</u>

*Canada - U.S. includes property, plant and equipment at October 31, 2017 of \$51,649 (April 30, 2017 - \$57,689) for Canadian operations.

10. BUSINESS ACQUISITION

During the current quarter, the Company made the final payment on the contingent consideration arising out of the Taurus Drilling Services acquisition, for \$5,135 (2016 - \$3,881).

11. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, trade and other receivables, demand credit facility and trade and other payables approximate their fair value due to the relatively short period to maturity of the instruments. The carrying value of long-term debt approximates its fair value 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. Contingent consideration is recorded at fair value and is classified as level 2 in accordance with the fair value hierarchy.

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

There were no transfers of amounts between level 1, level 2 and level 3 financial instruments for the quarter ended October 31, 2017. Additionally, there are no financial instruments classified as level 3.

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

Credit risk

As at October 31, 2017, 88.1% (April 30, 2017 - 87.3%) of the Company's trade receivables were aged as current and 1.5% (April 30, 2017 - 1.4%) of the trade receivables were impaired.

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11. FINANCIAL INSTRUMENTS (Continued)

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

	<u>October 31, 2017</u>	<u>April 30, 2017</u>
Opening balance	\$ 847	\$ 3,554
Increase in impairment allowance	186	668
Recovery of amounts previously impaired	-	(92)
Write-off charged against allowance	-	(3,374)
Foreign exchange translation differences	(85)	91
Ending balance	<u>\$ 948</u>	<u>\$ 847</u>

Foreign currency risk

As at October 31, 2017, the most significant carrying amounts of net monetary assets that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; (ii) cause foreign exchange rate exposure; and (iii) may include intercompany balances with other subsidiaries, including the impact on earnings before income taxes ("EBIT"), if the corresponding rate changes by 10%, are as follows:

	<u>Rate variance</u>	<u>MNT/USD</u>	<u>CFA/USD</u>	<u>COP/USD</u>	<u>USD/CAD</u>	<u>Other</u>
Net exposure on monetary assets		\$ 5,368	\$ 3,601	\$ 2,027	\$ 642	\$ 498
EBIT impact	+/-10%	596	400	225	71	56

Liquidity risk

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

	<u>1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>	<u>Total</u>
Trade and other payables	\$ 51,344	\$ -	\$ -	\$ 51,344
Long-term debt (interest included)	3,472	18,412	923	22,807
	<u>\$ 54,816</u>	<u>\$ 18,412</u>	<u>\$ 923</u>	<u>\$ 74,151</u>