

## Major Drilling Reports Third Quarter Results for Fiscal 2019

**MONCTON, New Brunswick (February 28, 2019)** – Major Drilling Group International Inc. (TSX: MDI) today reported results for its third quarter of fiscal year 2019, ended January 31, 2019.

### Highlights

In millions of Canadian dollars (except loss per share)	<u>Q3 2019</u>	<u>Q3 2018</u>	<u>YTD 2019</u>	<u>YTD 2018</u>
Revenue	\$80.4	\$75.0	\$284.4	\$246.9
Gross profit	15.6	13.2	68.0	51.1
As percentage of revenue	19.4%	17.6%	23.9%	20.7%
EBITDA <sup>(1)</sup>	2.8	0.1	28.5	14.5
As percentage of revenue	3.5%	0.1%	10.0%	5.9%
Net loss	(15.9)	(8.5)	(15.1)	(18.1)
Loss per share	(0.20)	(0.11)	(0.19)	(0.23)

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

- Quarterly revenue was \$80.4 million, up 7% from the \$75.0 million recorded for the same quarter last year.
- The Company generated \$2.8 million of EBITDA during the quarter compared to \$0.1 million last year.
- Net loss included \$8.1 million of charges (\$7.2 million non-cash) related to the closure of the Burkina Faso operations.
- Net cash increased \$5.3 million during the quarter to \$20.2 million.
- Recipient of the PDAC Safe Day Everyday Gold Award for the second consecutive year.

“Our third quarter results reflect a normal part of our operational pattern, as mining and exploration companies shut down operations, in some cases for extended periods, over the holiday season. Additionally, the Company typically schedules substantial overhaul and maintenance work on its equipment during this slower period,” said Denis Larocque, President and CEO of Major Drilling Group International Inc. “As expected, January had a slow start as we were still waiting on customer plans for calendar 2019 and many of our rigs only restarted between late January and mid-February.”

“Despite this seasonal slowdown, the Company generated \$2.8 million of EBITDA and the Company’s net cash position (net of debt) improved by \$5.3 million over the last three months, to end the quarter at \$20.2 million. Capital expenditures were \$6.3 million this quarter, as we added seven rigs that fit both our specialized and diversification strategies. During the quarter, we sold four rigs to local contractors in Burkina Faso and disposed of eighteen older, inefficient underground rigs, in line with our strategy of improving our underground fleet and services. This brings the fleet total to 610 rigs,” added Mr. Larocque.

“We are continuing to make investments in innovation directed towards increased productivity, safety, and meeting customers’ demands. We keep growing our fleet of computerized rigs, as well as retrofitting some of our newer rigs with computerized consoles. This falls in line with the enhancement of our recruiting and training systems as we bring in a new generation of employees, while strengthening our customer service,” said Mr. Larocque.

“As we look forward, the fundamentals driving the business continue to be encouraging for the coming quarter and into fiscal 2020. Gold prices have increased recently and mineral reserves for gold and base metals continue to be depleted. Many industry experts expect that most base metals will face a significant deficit position in the next few years, due to the continued production and high grading of mines, combined with the lack of exploration work conducted to replace reserves.

Given this situation, most of our senior and intermediate customers have increased their exploration budgets for calendar 2019, and the demand for drilling services continues to increase.”

“During the quarter, the Company made the decision to close its operations in Burkina Faso, and as such, took a total charge of \$8.1 million, after tax. This decision was based on the fact that this branch required significant additional investment to reach an acceptable return on investment, at a time when political and security risks are increasing in that country. The Company recorded \$6.9 million in restructuring charges consisting of a non-cash write-down of assets of \$6.0 million related to VAT receivable write-off and impairment charges relating to property, plant and equipment and inventory, as well as net cash charges of \$0.9 million for severance, moving costs and lease termination. Also, the Company wrote down \$1.2 million in deferred tax assets (recorded in its deferred tax expense) related to Burkina Faso. The Burkina Faso operations represented approximately 2% of the total Company revenue year-to-date.”

“Finally, we are pleased to be the recipient of the PDAC Safe Day Everyday Gold Award for the second consecutive year, in recognition of our Canadian crews having worked over 1,000,000 hours, lost time injury free, during 2017. Our Canadian crews have now worked more than 5,000,000 hours over four and a half years without a single lost time injury,” said Denis Larocque. “The safety and well-being of our crews is our first and highest responsibility on every project,” said Ben Graham, Vice President - HR & Safety. “We work hard to earn the trust and support of our crews, and we are pleased to see their success recognized by a group of our clients and peers.”

### **Third quarter ended January 31, 2019**

Total revenue for the quarter was \$80.4 million, up 7% from revenue of \$75.0 million recorded in the same quarter last year. The favourable foreign exchange translation impact for the quarter, when comparing to the effective rates for the same period last year, is estimated at \$2 million on revenue, with a negligible impact on net earnings.

Revenue for the quarter from Canada - U.S. drilling operations increased by 5% to \$37.3 million, compared to the same period last year, with all of the increase coming from underground operations.

South and Central American revenue increased by 6% to \$24.2 million for the quarter, compared to the same quarter last year. Activity increases in Mexico, Guiana Shield and Chile were offset by a decrease in Argentina.

Asian and African operations reported revenue of \$18.9 million, up 14% from the same period last year. Increases in Indonesia, the Philippines and Southern Africa were offset by the shutdown of the Burkina Faso operations early in the quarter.

The overall gross margin percentage for the quarter was 19.4%, up from 17.6% for the same period last year. Margins were impacted by late startups due to extremely cold weather, but were offset by improved pricing and operational efficiencies.

General and administrative costs were \$11.9 million, a decrease of \$0.2 million compared to the same quarter last year, despite a higher volume of activity.

Depreciation and amortization decreased by \$2.3 million to \$9.8 million, the result of reduced capital expenditures during the recent industry downturn.

The Company recorded a restructuring charge related to the closure of its Burkina Faso operations of \$6.9 million, consisting primarily of a non-cash write-down of assets of \$6.0 million and \$0.9 million of closedown costs relating to severance, lease termination and moving costs.

The income tax provision for the quarter was an expense of \$1.9 million compared to a recovery of \$3.7 million for the prior year period. The tax expense for the quarter included a write-down of \$1.2 million in deferred tax assets related to Burkina Faso. Also, the tax expense for the quarter was impacted by non-deductible expenses and non-tax affected losses in certain regions, while incurring taxes in profitable branches. In the same quarter last year, tax recovery benefitted from a one-time favourable adjustment of \$1.6 million from a reduction of the U.S. federal corporate tax rate.

Net loss was \$15.9 million or \$0.20 per share (\$0.20 per share diluted) for the quarter, compared to a net loss of \$8.5 million or \$0.11 per share (\$0.11 per share diluted) for the prior year quarter.

## **Non-GAAP Financial Measure**

The Company uses the non-GAAP financial measure, EBITDA. The Company believes this non-GAAP financial measure is key, for both management and investors, in evaluating performance at a consolidated level. EBITDA is commonly reported and widely used by investors and lending institutions as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. This measure does not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

## **Forward-Looking Statements**

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

## **About Major Drilling**

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

## **Webcast/Conference Call Information**

Major Drilling Group International Inc. will provide a simultaneous webcast and conference call to discuss its quarterly results on Friday, March 1, 2019 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](http://www.majordrilling.com) and click on the link. Please note that this is listen-only mode.

To participate in the conference call, please dial 416-340-2216 and ask for Major Drilling's Third 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, March 15, 2019. To access the rebroadcast, dial 905-694-9451 and enter the passcode 9775143#. The webcast will also be archived for one year and can be accessed on the Major Drilling website at [www.majordrilling.com](http://www.majordrilling.com).

### **For further information:**

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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 January 31		Nine months ended January 31	
	2019	2018	2019	2018
<b>TOTAL REVENUE</b>	<b>\$ 80,439</b>	<b>\$ 74,970</b>	<b>\$ 284,425</b>	<b>\$ 246,914</b>
<b>DIRECT COSTS</b>	<b>64,814</b>	61,777	<b>216,469</b>	195,777
<b>GROSS PROFIT</b>	<b>15,625</b>	13,193	<b>67,956</b>	51,137
<b>OPERATING EXPENSES</b>				
General and administrative	11,884	12,149	35,526	35,473
Other expenses	1,009	952	3,305	2,215
(Gain) loss on disposal of property, plant and equipment	(89)	90	(375)	(49)
Foreign exchange loss (gain)	17	(55)	961	(995)
Finance costs	142	192	593	557
Depreciation of property, plant and equipment	9,817	12,102	31,092	35,679
Amortization of intangible assets	-	-	-	657
Restructuring charge (note 11)	6,897	-	6,897	-
	<b>29,677</b>	25,430	<b>77,999</b>	73,537
<b>LOSS BEFORE INCOME TAX</b>	<b>(14,052)</b>	(12,237)	<b>(10,043)</b>	(22,400)
<b>INCOME TAX - PROVISION (RECOVERY) (note 8)</b>				
Current	531	337	6,108	5,191
Deferred	1,323	(4,080)	(1,024)	(9,485)
	<b>1,854</b>	(3,743)	<b>5,084</b>	(4,294)
<b>NET LOSS</b>	<b>\$ (15,906)</b>	<b>\$ (8,494)</b>	<b>\$ (15,127)</b>	<b>\$ (18,106)</b>
<b>LOSS PER SHARE (note 9)</b>				
<b>Basic</b>	<b>\$ (0.20)</b>	<b>\$ (0.11)</b>	<b>\$ (0.19)</b>	<b>\$ (0.23)</b>
<b>Diluted</b>	<b>\$ (0.20)</b>	<b>\$ (0.11)</b>	<b>\$ (0.19)</b>	<b>\$ (0.23)</b>

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

	Three months ended January 31		Nine months ended January 31	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>NET LOSS</b>	\$ (15,906)	\$ (8,494)	\$ (15,127)	\$ (18,106)
<b>OTHER COMPREHENSIVE EARNINGS</b>				
Items that may be reclassified subsequently to profit or loss				
Unrealized gain (loss) on foreign currency translations (net of tax)	2,691	(10,243)	4,995	(26,930)
Unrealized gain (loss) on derivatives (net of tax)	<u>22</u>	<u>74</u>	<u>(319)</u>	<u>(135)</u>
<b>COMPREHENSIVE LOSS</b>	<u>\$ (13,193)</u>	<u>\$ (18,663)</u>	<u>\$ (10,451)</u>	<u>\$ (45,171)</u>

**Major Drilling Group International Inc.**  
**Interim Condensed Consolidated Statements of Changes in Equity**  
For the nine months ended January 31, 2019 and 2018  
(in thousands of Canadian dollars)  
(unaudited)

	Share capital	Reserves	Share-based payments reserve	Retained earnings	Foreign currency translation reserve	Total
<b>BALANCE AS AT MAY 1, 2017</b>	\$ 239,751	\$ 163	\$ 19,250	\$ 63,812	\$ 86,787	\$ 409,763
Exercise of stock options	1,513	-	(310)	-	-	1,203
Share-based compensation	-	-	615	-	-	615
	<u>241,264</u>	<u>163</u>	<u>19,555</u>	<u>63,812</u>	<u>86,787</u>	<u>411,581</u>
<b>Comprehensive earnings:</b>						
Net loss	-	-	-	(18,106)	-	(18,106)
Unrealized loss on foreign currency translations	-	-	-	-	(26,930)	(26,930)
Unrealized loss on derivatives	-	(135)	-	-	-	(135)
Total comprehensive loss	<u>-</u>	<u>(135)</u>	<u>-</u>	<u>(18,106)</u>	<u>(26,930)</u>	<u>(45,171)</u>
<b>BALANCE AS AT JANUARY 31, 2018</b>	<u>\$ 241,264</u>	<u>\$ 28</u>	<u>\$ 19,555</u>	<u>\$ 45,706</u>	<u>\$ 59,857</u>	<u>\$ 366,410</u>
<b>BALANCE AS AT MAY 1, 2018</b>	\$ 241,264	\$ 36	\$ 19,721	\$ 41,360	\$ 70,021	\$ 372,402
Share-based compensation	-	-	403	-	-	403
	<u>241,264</u>	<u>36</u>	<u>20,124</u>	<u>41,360</u>	<u>70,021</u>	<u>372,805</u>
<b>Comprehensive earnings:</b>						
Net loss	-	-	-	(15,127)	-	(15,127)
Unrealized gain on foreign currency translations	-	-	-	-	4,995	4,995
Unrealized loss on derivatives	-	(319)	-	-	-	(319)
Total comprehensive loss	<u>-</u>	<u>(319)</u>	<u>-</u>	<u>(15,127)</u>	<u>4,995</u>	<u>(10,451)</u>
<b>BALANCE AS AT JANUARY 31, 2019</b>	<u>\$ 241,264</u>	<u>\$ (283)</u>	<u>\$ 20,124</u>	<u>\$ 26,233</u>	<u>\$ 75,016</u>	<u>\$ 362,354</u>

# Major Drilling Group International Inc.

## Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)  
(unaudited)

	Three months ended January 31		Nine months ended January 31	
	2019	2018	2019	2018
<b>OPERATING ACTIVITIES</b>				
Loss before income tax	\$ (14,052)	\$ (12,237)	\$ (10,043)	\$ (22,400)
Operating items not involving cash				
Depreciation and amortization	9,817	12,102	31,092	36,336
(Gain) loss on disposal of property, plant and equipment	(89)	90	(375)	(49)
Share-based compensation	126	187	403	615
Restructuring charge (non-cash portion)	6,047	-	6,047	-
Finance costs recognized in loss before income tax	142	192	593	557
	<u>1,991</u>	<u>334</u>	<u>27,717</u>	<u>15,059</u>
Changes in non-cash operating working capital items	10,730	11,684	7,183	9,616
Finance costs paid	(142)	(192)	(593)	(557)
Income taxes paid	(2,316)	(2,532)	(6,873)	(4,598)
Cash flow from operating activities	<u>10,263</u>	<u>9,294</u>	<u>27,434</u>	<u>19,520</u>
<b>FINANCING ACTIVITIES</b>				
Repayment of long-term debt	(355)	(805)	(1,628)	(2,451)
Proceeds from draw on long-term debt	-	-	-	15,000
Issuance of common shares due to exercise of stock options	-	-	-	1,203
Cash flow (used in) from financing activities	<u>(355)</u>	<u>(805)</u>	<u>(1,628)</u>	<u>13,752</u>
<b>INVESTING ACTIVITIES</b>				
Payment of consideration for previous business acquisition	-	-	-	(5,135)
Acquisition of property, plant and equipment (net of direct financing) (note 7)	(6,315)	(7,560)	(19,166)	(17,753)
Proceeds from disposal of property, plant and equipment	1,877	243	9,643	1,863
Cash flow used in investing activities	<u>(4,438)</u>	<u>(7,317)</u>	<u>(9,523)</u>	<u>(21,025)</u>
Effect of exchange rate changes	(448)	(1,010)	452	(3,743)
<b>INCREASE IN CASH</b>	<b>5,022</b>	<b>162</b>	<b>16,735</b>	<b>8,504</b>
<b>CASH, BEGINNING OF THE PERIOD</b>	<u>32,969</u>	<u>34,317</u>	<u>21,256</u>	<u>25,975</u>
<b>CASH, END OF THE PERIOD</b>	<u>\$ 37,991</u>	<u>\$ 34,479</u>	<u>\$ 37,991</u>	<u>\$ 34,479</u>

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

As at January 31, 2019 and April 30, 2018

(in thousands of Canadian dollars)

(unaudited)

	January 31, 2019	April 30, 2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 37,991	\$ 21,256
Trade and other receivables	60,756	88,372
Note receivable	510	495
Income tax receivable	3,592	4,517
Inventories	87,653	82,519
Prepaid expenses	6,976	2,924
	197,478	200,083
<b>NOTE RECEIVABLE</b>	175	559
<b>PROPERTY, PLANT AND EQUIPMENT (note 7)</b>	167,186	185,364
<b>DEFERRED INCOME TAX ASSETS</b>	23,354	23,196
<b>GOODWILL</b>	58,123	57,851
	\$ 446,316	\$ 467,053
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	\$ 49,033	\$ 55,906
Income tax payable	2,081	3,794
Current portion of long-term debt	1,317	1,934
	52,431	61,634
<b>LONG-TERM DEBT</b>	16,491	17,407
<b>DEFERRED INCOME TAX LIABILITIES</b>	15,040	15,610
	83,962	94,651
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	241,264	241,264
Reserves	(283)	36
Share-based payments reserve	20,124	19,721
Retained earnings	26,233	41,360
Foreign currency translation reserve	75,016	70,021
	362,354	372,402
	\$ 446,316	\$ 467,053

**MAJOR DRILLING GROUP INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2019 AND 2018 (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, 2018, except as noted in note 4.

On February 28, 2019, the Board of Directors authorized the financial statements for issue.

***Basis of consolidation***

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

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

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

***Basis of preparation***

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

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

The following IASB standards, adopted as of May 1, 2018, have had no significant impact on the Company’s Interim Condensed Consolidated Financial Statements:

- IFRS 2 Share-based Payment
- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The Company has not applied the following IASB standard that has been issued, but is not yet effective:

***IFRS 16 Leases (“IFRS 16”)***

IFRS 16, issued in January 2016, replaces IAS 17, Leases. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting remains substantially unchanged as they continue to classify leases as operating or finance. IFRS 16 is effective for periods beginning on or after January 1, 2019.

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**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**(in thousands of Canadian dollars, except per share information)**

**3. APPLICATION OF NEW AND REVISED IFRS (Continued)**

The Company has undertaken and completed a detailed review of existing contracts against the IFRS 16 criteria and has completed the calculation of lease liabilities for contracts that have been identified as containing right-of-use assets. It is expected that a lease liability of approximately \$3 million will be recognized on transition at May 1, 2019. The Company has elected to apply the modified transition approach whereby no restatement of comparative periods is required. Right-of-use assets will be recognized at the amount of the liability on transition. Leases with terms that end within 12 months of the mandatory transition date will be accounted for by the Company as short-term leases with payments made under the lease recognized as operating expenses.

It is expected that the transition to IFRS 16 will result in increases to assets and liabilities of approximately \$3 million, as well as increases of approximately \$0.8 million to depreciation expense and \$0.2 million to finance costs and a reduction of operating costs of approximately \$1 million.

**4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES**

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

***Financial instruments***

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

***Impairment***

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

***Hedge accounting***

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

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

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

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

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

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

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

revision and future periods, if the revision affects both current and future periods. Significant areas requiring the use of management estimates relate to the useful lives of property, plant and equipment for depreciation purposes, property, plant and equipment and inventory valuation, determination of income and other taxes, assumptions used in the compilation of share-based payments, fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities and allowance for doubtful accounts, and impairment testing of goodwill.

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

**6. SEASONALITY OF OPERATIONS**

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

**7. PROPERTY, PLANT AND EQUIPMENT**

Capital expenditures for the three months ended January 31, 2019 were \$6,315 (2018 - \$7,560) and \$19,166 (2018 - \$17,804) for the nine months ended January 31, 2019. The Company did not obtain direct financing for the three and nine months ended January 31, 2019 (2018 - nil and \$51 respectively).

**8. INCOME TAXES**

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

	<u>Q3 2019</u>	<u>Q3 2018</u>	<u>YTD 2019</u>	<u>YTD 2018</u>
Loss before income tax*	\$ (14,052)	\$ (12,237)	\$ (10,043)	\$ (22,400)
Statutory Canadian corporate income tax rate	27%	27%	27%	27%
Expected income tax recovery based on statutory rate	(3,794)	(3,304)	(2,711)	(6,048)
Non-recognition of tax benefits related to losses	2,729	943	4,245	2,754
Utilization of previously unrecognized losses	56	-	(16)	(811)
Other foreign taxes paid	184	64	478	263
Rate variances in foreign jurisdictions	(84)	(258)	(145)	(5)
Permanent differences	1,569	399	2,117	698
Effect of change in U.S. tax rate	-	(1,587)	-	(1,587)
De-recognition of previously recognized Burkina Faso losses	1,212	-	1,212	-
Other	(18)	-	(96)	442
Income tax provision (recovery) recognized in net loss	<u>\$ 1,854</u>	<u>\$ (3,743)</u>	<u>\$ 5,084</u>	<u>\$ (4,294)</u>

\*Loss before income tax includes restructuring charges (as detailed in note 11) in the current quarter and year of \$6,897 (2018 - nil) for which no deferred tax asset has been recognized.

**MAJOR DRILLING GROUP INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2019 AND 2018 (UNAUDITED)**  
(in thousands of Canadian dollars, except per share information)

**8. INCOME TAXES (Continued)**

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

**9. 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>Q3 2019</u>	<u>Q3 2018</u>	<u>YTD 2019</u>	<u>YTD 2018</u>
Net loss	\$ <b>(15,906)</b>	\$ (8,494)	\$ <b>(15,127)</b>	\$ (18,106)
Weighted average number of shares:				
Basic and diluted (000s)	<u>80,300</u>	<u>80,300</u>	<u>80,300</u>	<u>80,248</u>
Loss per share				
Basic	\$ <b>(0.20)</b>	\$ (0.11)	\$ <b>(0.19)</b>	\$ (0.23)
Diluted	\$ <b>(0.20)</b>	\$ (0.11)	\$ <b>(0.19)</b>	\$ (0.23)

The calculation of diluted loss per share for the three and nine months ended January 31, 2019 excludes the effect of 3,350,159 and 3,462,454 options, respectively (2018 - 3,347,361 and 2,727,342) as they were anti-dilutive.

The total number of shares outstanding on January 31, 2019 was 80,299,984 (2018 - 80,229,984).

**10. SEGMENTED INFORMATION**

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

**MAJOR DRILLING GROUP INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2019 AND 2018 (UNAUDITED)**  
(in thousands of Canadian dollars, except per share information)

**10. SEGMENTED INFORMATION (Continued)**

	<u>Q3 2019</u>	<u>Q3 2018</u>	<u>YTD 2019</u>	<u>YTD 2018</u>
Revenue				
Canada - U.S.*	\$ 37,317	\$ 35,473	\$ 145,123	\$ 140,343
South and Central America	24,182	22,935	80,095	61,203
Asia and Africa	18,940	16,562	59,207	45,368
	<u>\$ 80,439</u>	<u>\$ 74,970</u>	<u>\$ 284,425</u>	<u>\$ 246,914</u>
(Loss) earnings from operations				
Canada - U.S.	\$ (3,544)	\$ (7,887)	\$ 4,503	\$ (7,087)
South and Central America	(2,192)	(2,296)	(3,550)	(7,826)
Asia and Africa**	(6,641)	(124)	(4,947)	(2,041)
	<u>(12,377)</u>	<u>(10,307)</u>	<u>(3,994)</u>	<u>(16,954)</u>
Finance costs	142	192	593	557
General corporate expenses***	1,533	1,738	5,456	4,889
Income tax	1,854	(3,743)	5,084	(4,294)
	<u>3,529</u>	<u>(1,813)</u>	<u>11,133</u>	<u>1,152</u>
Net loss	<u>\$ (15,906)</u>	<u>\$ (8,494)</u>	<u>\$ (15,127)</u>	<u>\$ (18,106)</u>

\*Canada - U.S. includes revenue of \$17,098 and \$17,130 for Canadian operations for the three months ended January 31, 2019 and 2018, respectively and \$68,101 and \$68,470 for the nine months ended January 31, 2019 and 2018, respectively.

\*\*Asia and Africa includes restructuring charges (as detailed in note 11) in the current quarter and year of \$6,897 (2018 - nil).

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

	<u>Q3 2019</u>	<u>Q3 2018</u>	<u>YTD 2019</u>	<u>YTD 2018</u>
Capital expenditures				
Canada - U.S.	\$ 2,908	\$ 4,755	\$ 9,805	\$ 11,857
South and Central America	1,673	2,521	5,124	3,617
Asia and Africa	1,734	284	4,237	2,330
Total capital expenditures	<u>\$ 6,315</u>	<u>\$ 7,560</u>	<u>\$ 19,166</u>	<u>\$ 17,804</u>
Depreciation and amortization				
Canada - U.S.	\$ 4,350	\$ 6,704	\$ 14,520	\$ 18,499
South and Central America	3,309	3,690	9,563	10,051
Asia and Africa	2,071	2,394	6,768	7,544
Unallocated and corporate assets	87	(686)	241	242
Total depreciation and amortization	<u>\$ 9,817</u>	<u>\$ 12,102</u>	<u>\$ 31,092</u>	<u>\$ 36,336</u>

**MAJOR DRILLING GROUP INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2019 AND 2018 (UNAUDITED)**  
(in thousands of Canadian dollars, except per share information)

**10. SEGMENTED INFORMATION (Continued)**

	<u>January 31, 2019</u>	<u>April 30, 2018</u>
<b>Identifiable assets</b>		
Canada - U.S.*	\$ 192,353	\$ 188,947
South and Central America	146,086	137,153
Asia and Africa	94,594	94,005
Unallocated and corporate assets	13,283	46,948
<b>Total identifiable assets</b>	<u>\$ 446,316</u>	<u>\$ 467,053</u>

\*Canada - U.S. includes property, plant and equipment at January 31, 2019 of \$33,172 (April 30, 2018 - \$44,891) for Canadian operations.

**11. RESTRUCTURING CHARGE**

During the quarter, the Company made the decision to close its operations in Burkina Faso, based on the fact that this branch required significant additional investment to reach an acceptable return on investment, at a time when political and security risks are increasing in that country.

These restructuring initiatives generated impairment losses calculated based on the determination of the fair value of assets less cost of disposal. Fair value was determined through the use of industry knowledge.

The costs related to these initiatives, and recorded as part of the restructuring charge, total \$6,897. This amount consists of non-cash charges totaling \$6,047, including an impairment charge of \$258 relating to property, plant and equipment; a write-down of \$2,307 to reduce inventory to net realizable value; and other non-cash charges of \$3,482. Cash charges include employee severance costs of \$545 incurred to rationalize the workforce, and \$305 relating to the cost of winding down operations. The unpaid portion of these charges, totaling \$845 at January 31, 2019, is recorded in trade and other payables.

**12. FINANCIAL INSTRUMENTS**

***Fair value***

The carrying values of cash, trade and other receivables, demand credit facility and trade and other payables approximate their fair value due to the relatively short period to maturity of the instruments. The carrying value of long-term debt approximates its fair value. The fair value of the interest rate swap included in long-term debt is classified as level 1 in the fair value hierarchy detailed below.

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

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

There were no transfers of amounts between level 1, level 2 and level 3 financial instruments for the quarter ended January 31, 2019.

**MAJOR DRILLING GROUP INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2019 AND 2018 (UNAUDITED)**  
(in thousands of Canadian dollars, except per share information)

**12. FINANCIAL INSTRUMENTS (Continued)**

***Credit risk***

As at January 31, 2019, 83.0% (April 30, 2018 - 84.3%) of the Company's trade receivables were aged as current and 1.7% (April 30, 2018 - 1.3%) of the trade receivables were impaired.

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

	<u>January 31, 2019</u>	<u>April 30, 2018</u>
<b>Opening balance</b>	\$ 928	\$ 847
Increase in impairment allowance	469	500
Recovery of amounts previously impaired	(44)	(281)
Write-off charged against allowance	(437)	(69)
Foreign exchange translation differences	(24)	(69)
<b>Ending balance</b>	<u>\$ 892</u>	<u>\$ 928</u>

***Foreign currency risk***

As at January 31, 2019, the most significant carrying amounts of net monetary assets (which may include intercompany balances with other subsidiaries) that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; and (ii) cause foreign exchange rate exposure, including the impact on earnings before income taxes ("EBIT"), if the corresponding rate changes by 10%, are as follows:

	<u>Rate variance</u>	<u>MNT/USD</u>	<u>USD/AUD</u>	<u>IDR/USD</u>	<u>MZN/USD</u>	<u>USD/CAD</u>	<u>Other</u>
Net exposure on monetary assets		\$ 3,813	\$ 2,284	\$ 1,898	\$ 1,696	\$ (3,701)	\$ 1,443
EBIT impact	+/-10%	424	254	211	188	411	160

***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	\$ 49,033	\$ -	\$ -	\$ 49,033
Long-term debt (interest included)	1,945	2,837	16,128	20,910
	<u>\$ 50,978</u>	<u>\$ 2,837</u>	<u>\$ 16,128</u>	<u>\$ 69,943</u>