Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Operations
(in thousands of Canadian dollars, except per share information)
(unaudited)

	Three months ended July 31	
	2019	2018
TOTAL REVENUE	**$ 117,459**	$ 98,485
DIRECT COSTS	**86,769**	75,085
GROSS PROFIT	**30,690**	23,400
OPERATING EXPENSES		
General and administrative	**11,769**	12,398
Other expenses	**1,158**	1,039
Gain on disposal of property, plant and equipment	**(125)**	(179)
Foreign exchange (gain) loss	**(75)**	26
Finance costs	**219**	243
Depreciation of property, plant and equipment	**9,717**	11,144
	22,663	24,671
EARNINGS (LOSS) BEFORE INCOME TAX	**8,027**	(1,271)
INCOME TAX - PROVISION (RECOVERY) (note 7)		
Current	**1,894**	2,756
Deferred	**100**	(1,545)
	1,994	1,211
NET EARNINGS (LOSS)	**$ 6,033**	$ (2,482)
EARNINGS (LOSS) PER SHARE (note 8)		
Basic	**$ 0.08**	$ (0.03)
Diluted	**$ 0.08**	$ (0.03)

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

(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2019	2018
NET EARNINGS (LOSS)	**$ 6,033**	$ (2,482)
OTHER COMPREHENSIVE EARNINGS		
Items that may be reclassified subsequently to profit or loss		
Unrealized (loss) gain on foreign currency translations (net of tax)	**(5,756)**	2,527
Unrealized gain (loss) on derivatives (net of tax)	**168**	(142)
COMPREHENSIVE EARNINGS (LOSS)	**$ 445**	$ (97)

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Changes in Equity
For the three months ended July 31, 2019 and 2018
(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, 2018	$ 241,264	$ 36	$ 19,721	$ 41,360	$ 70,021	$ 372,402
Share-based compensation	-	-	149	-	-	149
	241,264	36	19,870	41,360	70,021	372,551
Comprehensive earnings:						
Net loss	-	-	-	(2,482)	-	(2,482)
Unrealized gain on foreign currency translations	-	-	-	-	2,527	2,527
Unrealized loss on derivatives	-	(142)	-	-	-	(142)
Total comprehensive loss	-	(142)	-	(2,482)	2,527	(97)
BALANCE AS AT JULY 31, 2018	$ 241,264	$ (106)	$ 19,870	$ 38,878	$ 72,548	$ 372,454
BALANCE AS AT MAY 1, 2019	**$ 241,264**	**$ (570)**	**$ 20,247**	**$ 23,276**	**$ 78,783**	**$363,000**
Share-based compensation	**-**	**-**	**90**	**-**	**-**	**90**
	241,264	**(570)**	**20,337**	**23,276**	**78,783**	**363,090**
Comprehensive earnings:						
Net earnings	**-**	**-**	**-**	**6,033**	**-**	**6,033**
Unrealized loss on foreign currency translations	**-**	**-**	**-**	**-**	**(5,756)**	**(5,756)**
Unrealized gain on derivatives	**-**	**168**	**-**	**-**	**-**	**168**
Total comprehensive earnings	**-**	**168**	**-**	**6,033**	**(5,756)**	**445**
BALANCE AS AT JULY 31, 2019	**$ 241,264**	**$ (402)**	**$ 20,337**	**$ 29,309**	**$ 73,027**	**$363,535**

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

(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2019	2018
OPERATING ACTIVITIES		
Earnings (loss) before income tax	**$ 8,027**	$ (1,271)
Operating items not involving cash		
Depreciation of property, plant and equipment	**9,717**	11,144
Gain on disposal of property, plant and equipment	**(125)**	(179)
Share-based compensation	**90**	149
Finance costs recognized in earnings (loss) before income tax	**219**	243
	17,928	10,086
Changes in non-cash operating working capital items	**(5,614)**	(2,933)
Finance costs paid	**(219)**	(243)
Income taxes paid	**(1,854)**	(2,012)
Cash flow from operating activities	**10,241**	4,898
FINANCING ACTIVITIES		
Repayment of lease liabilities (note 3)	**(300)**	-
Repayment of long-term debt	**(265)**	(735)
Cash flow used in financing activities	**(565)**	(735)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (note 6)	**(10,565)**	(5,826)
Proceeds from disposal of property, plant and equipment	**266**	691
Cash flow used in investing activities	**(10,299)**	(5,135)
Effect of exchange rate changes	**98**	473
DECREASE IN CASH	**(525)**	(499)
CASH, BEGINNING OF THE PERIOD	**27,366**	21,256
CASH, END OF THE PERIOD	**$ 26,841**	$ 20,757

Major Drilling Group International Inc.
Interim Condensed Consolidated Balance Sheets
As at July 31, 2019 and April 30, 2019
(in thousands of Canadian dollars)
(unaudited)

		July 31, 2019		April 30, 2019
ASSETS				
CURRENT ASSETS				
Cash	$	**26,841**	$	27,366
Trade and other receivables		**88,888**		88,029
Note receivable		**432**		516
Income tax receivable		**3,941**		3,978
Inventories		**91,310**		90,325
Prepaid expenses		**6,783**		5,099
		218,195		215,313
NOTE RECEIVABLE		**-**		44
PROPERTY, PLANT AND EQUIPMENT (note 6)		**166,507**		164,266
DEFERRED INCOME TAX ASSETS		**23,214**		23,374
GOODWILL		**58,084**		58,300
	$	**466,000**	$	461,297
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	$	**63,674**	$	63,376
Income tax payable		**1,288**		1,209
Current portion of lease liabilities (note 3)		**1,215**		-
Current portion of long-term debt		**1,094**		1,060
		67,271		65,645
LEASE LIABILITIES (note 3)		**3,084**		-
LONG-TERM DEBT		**16,017**		16,298
DEFERRED INCOME TAX LIABILITIES		**16,093**		16,354
		102,465		98,297
SHAREHOLDERS' EQUITY				
Share capital		**241,264**		241,264
Reserves		**(402)**		(570)
Share-based payments reserve		**20,337**		20,247
Retained earnings		**29,309**		23,276
Foreign currency translation reserve		**73,027**		78,783
		363,535		363,000
	$	**466,000**	$	461,297

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, 2019, except as described in note 3.

On September 9, 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, 2019, except as described in note 3.

3. ADOPTION OF NEW IFRS

The Company adopted IFRS 16 Leases ("IFRS 16"), which replaces IAS 17 Leases, for its annual period beginning May 1, 2019 using the modified retrospective approach whereby no restatement of comparative periods is required. Under IAS 17, leases of property, plant and equipment were recognized as finance leases when substantially all the risks and rewards of ownership of the underlying assets were transferred. All other leases were classified as operating leases. IFRS 16 requires lessees to recognize right-of-use assets, representing its right to use the underlying asset, and lease liabilities, representing its obligation to make payments. Right-of-use assets are measured at cost, comprised of the initial measurement of the corresponding lease liabilities, lease payments made on or before the commencement date and any initial direct costs. They are subsequently depreciated on a straight-line basis and reduced by impairment losses, if any. Right-of-use assets may also be adjusted to reflect the re-measurement of related lease liabilities. Lease liabilities are initially measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Subsequently, the lease liability is measured at amortized cost using the effective interest rate method and adjusted for interest and lease payments.

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

3. ADOPTION OF NEW IFRS (Continued)

On transition, the Company recognized lease liabilities and right-of-use assets for 14 leases, previously classified as operating leases, in the amount of $2,903. As permitted by IFRS 16, the Company elected not to recognize lease liabilities and right-of-use assets for short-term leases (lease term of 12 months or less) and leases of low-value assets. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets as at the transition date.

Operating lease commitments disclosed as at April 30, 2019	$	4,147
Less: Short-term operating lease commitments		(1,006)
		3,141
Discounted using the incremental borrowing rate		(238)
Lease liabilities recognized as at May 1, 2019		**2,903**
Add: Additional lease liabilities recognized during the period		**1,650**
Finance costs		**46**
Repayment of lease liabilities		**(300)**
		4,299
Current Portion		**1,215**
Balance as at July 31, 2019	**$**	**3,084**

Before the adoption of IFRS 16, expenses for lease liabilities were included with general and administrative expenses on the Company's Statement of Operations.

Right-of-use assets
The recognized right-of-use assets are included in property, plant and equipment on the Company's Balance Sheet.

Balance as at May 1, 2019	**$**	**2,903**
Add: Additional right-of-use assets recognized during the period		**1,650**
Depreciation		**(254)**
Balance as at July 31, 2019	**$**	**4,299**

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 and allowance for doubtful accounts, and impairment testing of goodwill.

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

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

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.

6. PROPERTY, PLANT AND EQUIPMENT

Capital expenditures for the three months ended July 31, 2019 were $10,565 (2018 - $5,826). The Company did not obtain direct financing for the three months ended July 31, 2019 or 2018.

7. INCOME TAXES

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

	Q1 2020	Q1 2019
Earnings (loss) before income tax	**$ 8,027**	$ (1,271)
Statutory Canadian corporate income tax rate	**27%**	27%
Expected income tax provision (recovery) based on statutory rate	**2,167**	(343)
Non-recognition of tax benefits related to losses	**95**	1,027
Utilization of previously unrecognized losses	**(345)**	(48)
Other foreign taxes paid	**168**	116
Rate variances in foreign jurisdictions	**(18)**	(52)
Permanent differences and other	**(73)**	511
Income tax provision recognized in net earnings (loss)	**$ 1,994**	$ 1,211

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.

8. EARNINGS (LOSS) PER SHARE

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

		Q1 2020		Q1 2019
Net earnings (loss)	**$**	**6,033**	$	(2,482)
Weighted average number of shares:				
Basic and diluted (000s)		**80,300**		80,300
Earnings (loss) per share				
Basic	**$**	**0.08**	$	(0.03)
Diluted	**$**	**0.08**	$	(0.03)

The calculation of diluted earnings (loss) per share for the three months ended July 31, 2019 excludes the effect of 3,230,195 options (2018 - 3,253,649) as they were anti-dilutive.

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

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, 2019, except as described in note 3. 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:

		Q1 2020		Q1 2019
Revenue				
Canada - U.S.*	**$**	**60,957**	$	51,313
South and Central America		**32,686**		26,740
Asia and Africa		**23,816**		20,432
	$	**117,459**	$	98,485

*Canada - U.S. includes revenue of $26,965 and $24,654 for Canadian operations for the three months ended July 31, 2019 and 2018, respectively.

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

9. SEGMENTED INFORMATION (Continued)

		Q1 2020		Q1 2019
Earnings (loss) from operations				
Canada - U.S.	$	**5,338**	$	1,315
South and Central America		**1,858**		(738)
Asia and Africa		**3,812**		871
		11,008		1,448
Finance costs		**219**		243
General corporate expenses*		**2,762**		2,476
Income tax		**1,994**		1,211
		4,975		3,930
Net earnings (loss)	$	**6,033**	$	(2,482)

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

		Q1 2020		Q1 2019
Capital expenditures				
Canada - U.S.	$	**8,464**	$	3,843
South and Central America		**742**		1,774
Asia and Africa		**1,206**		209
Unallocated and corporate assets		**153**		-
Total capital expenditures	$	**10,565**	$	5,826
Depreciation				
Canada - U.S.	$	**4,318**	$	5,347
South and Central America		**3,647**		3,235
Asia and Africa		**1,473**		2,497
Unallocated and corporate assets		**279**		65
Total depreciation	$	**9,717**	$	11,144

		July 31, 2019		April 30, 2019
Identifiable assets				
Canada - U.S.*	$	**213,057**	$	205,871
South and Central America		**140,535**		147,598
Asia and Africa		**108,102**		104,173
Unallocated and corporate assets		**4,306**		3,655
Total identifiable assets	$	**466,000**	$	461,297

*Canada - U.S. includes property, plant and equipment at July 31, 2019 of $32,719 (April 30, 2019 - $31,573) for Canadian operations.

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

10. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, trade and other receivables, demand credit facilities 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.

Financial assets and liabilities measured at fair value are classified and disclosed in one of the following categories:

- 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 Company's derivatives are classified as level 2 financial instruments. There were no transfers of amounts between level 1, level 2 and level 3 financial instruments for the quarter ended July 31, 2019.

Credit risk

As at July 31, 2019, 89.0% (April 30, 2019 - 85.6%) of the Company's trade receivables were aged as current and 1.2% (April 30, 2019 - 1.1%) of the trade receivables were impaired.

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

	July 31, 2019	April 30, 2019
Opening balance	**$ 863**	$ 928
Increase in impairment allowance	**86**	919
Recovery of amounts previously impaired	**-**	(207)
Write-off charged against allowance	**-**	(760)
Foreign exchange translation differences	**(28)**	(17)
Ending balance	**$ 921**	$ 863

Foreign currency risk

As at July 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:

	Rate variance	**IDR/USD**	**USD/CAD**	**MNT/USD**	**USD/AUD**	**COP/USD**	**USD/ZAR**	**Other**
Net exposure on monetary assets		$ 6,869	$ 6,727	$ 3,840	$ 2,866	$ 1,714	$ (5,242)	$ 2,348
EBIT impact	+/-10%	763	747	427	318	190	582	262

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

10. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

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

	1 year	2-3 years	4-5 years	Thereafter	Total
Trade and other payables	$ 63,674	$ -	$ -	$ -	$ 63,674
Lease liabilities (interest included)	1,294	2,218	834	367	4,713
Long-term debt (interest included)	1,671	2,304	15,705	-	19,680
	$ 66,639	**$ 4,522**	**$ 16,539**	**$ 367**	**$ 88,067**