

**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	
	2018	2017
<b>TOTAL REVENUE</b>	<b>\$ 98,485</b>	<b>\$ 83,952</b>
<b>DIRECT COSTS</b>	<b>75,085</b>	<b>67,185</b>
<b>GROSS PROFIT</b>	<b><u>23,400</u></b>	<b><u>16,767</u></b>
<b>OPERATING EXPENSES</b>		
General and administrative	12,398	11,981
Other expenses	1,039	430
Gain on disposal of property, plant and equipment	(179)	(172)
Foreign exchange loss (gain)	26	(796)
Finance costs	243	181
Depreciation of property, plant and equipment	11,144	11,798
Amortization of intangible assets	-	657
	<b><u>24,671</u></b>	<b><u>24,079</u></b>
<b>LOSS BEFORE INCOME TAX</b>	<b><u>(1,271)</u></b>	<b><u>(7,312)</u></b>
<b>INCOME TAX - PROVISION (RECOVERY) (note 8)</b>		
Current	2,756	2,484
Deferred	(1,545)	(2,906)
	<b><u>1,211</u></b>	<b><u>(422)</u></b>
<b>NET LOSS</b>	<b><u>\$ (2,482)</u></b>	<b><u>\$ (6,890)</u></b>
<b>LOSS PER SHARE (note 9)</b>		
Basic	<b><u>\$ (0.03)</u></b>	<b><u>\$ (0.09)</u></b>
Diluted	<b><u>\$ (0.03)</u></b>	<b><u>\$ (0.09)</u></b>

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

	Three months ended July 31	
	<b>2018</b>	2017
<b>NET LOSS</b>	<b>\$ (2,482)</b>	<b>\$ (6,890)</b>
<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)	2,527	(24,885)
Unrealized (loss) gain on derivatives (net of tax)	<b>(142)</b>	104
<b>COMPREHENSIVE LOSS</b>	<b>\$ (97)</b>	<b>\$ (31,671)</b>

**Major Drilling Group International Inc.**  
**Interim Condensed Consolidated Statements of Changes in Equity**  
For the three months ended July 31, 2018 and 2017  
(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	1,003	-	(310)	-	-	693
Share-based compensation	-	-	239	-	-	239
	<u>240,754</u>	<u>163</u>	<u>19,179</u>	<u>63,812</u>	<u>86,787</u>	<u>410,695</u>
<b>Comprehensive earnings:</b>						
Net loss	-	-	-	(6,890)	-	(6,890)
Unrealized loss on foreign currency translations	-	-	-	-	(24,885)	(24,885)
Unrealized gain on derivatives	-	104	-	-	-	104
Total comprehensive loss	<u>-</u>	<u>104</u>	<u>-</u>	<u>(6,890)</u>	<u>(24,885)</u>	<u>(31,671)</u>
<b>BALANCE AS AT JULY 31, 2017</b>	<u>\$ 240,754</u>	<u>\$ 267</u>	<u>\$ 19,179</u>	<u>\$ 56,922</u>	<u>\$ 61,902</u>	<u>\$ 379,024</u>
<b>BALANCE AS AT MAY 1, 2018</b>	\$ 241,264	\$ 36	\$ 19,721	\$ 41,360	\$ 70,021	\$ 372,402
Share-based compensation	-	-	149	-	-	149
	<u>241,264</u>	<u>36</u>	<u>19,870</u>	<u>41,360</u>	<u>70,021</u>	<u>372,551</u>
<b>Comprehensive earnings:</b>						
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	<u>-</u>	<u>(142)</u>	<u>-</u>	<u>(2,482)</u>	<u>2,527</u>	<u>(97)</u>
<b>BALANCE AS AT JULY 31, 2018</b>	<u>\$ 241,264</u>	<u>\$ (106)</u>	<u>\$ 19,870</u>	<u>\$ 38,878</u>	<u>\$ 72,548</u>	<u>\$ 372,454</u>

# Major Drilling Group International Inc.

## Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)  
(unaudited)

	Three months ended July 31	
	2018	2017
<b>OPERATING ACTIVITIES</b>		
Loss before income tax	\$ (1,271)	\$ (7,312)
Operating items not involving cash		
Depreciation and amortization	11,144	12,455
Gain on disposal of property, plant and equipment	(179)	(172)
Share-based compensation	149	239
Finance costs recognized in loss before income tax	243	181
	10,086	5,391
Changes in non-cash operating working capital items	(2,933)	2,217
Finance costs paid	(243)	(181)
Income taxes paid	(2,012)	(683)
Cash flow from operating activities	4,898	6,744
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt	(735)	(841)
Proceeds from draw on long-term debt	-	15,000
Issuance of common shares due to exercise of stock options	-	693
Cash flow (used in) from financing activities	(735)	14,852
<b>INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment (net of direct financing) (note 7)	(5,826)	(4,256)
Proceeds from disposal of property, plant and equipment	691	776
Cash flow used in investing activities	(5,135)	(3,480)
Effect of exchange rate changes	473	(3,414)
<b>(DECREASE) INCREASE IN CASH</b>	(499)	14,702
<b>CASH, BEGINNING OF THE PERIOD</b>	21,256	25,975
<b>CASH, END OF THE PERIOD</b>	\$ 20,757	\$ 40,677

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

As at July 31, 2018 and April 30, 2018

(in thousands of Canadian dollars)

(unaudited)

	July 31, 2018	April 30, 2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 20,757	\$ 21,256
Trade and other receivables	86,980	88,372
Note receivable	500	495
Income tax receivable	3,666	4,517
Inventories	86,597	82,519
Prepaid expenses	6,633	2,924
	205,133	200,083
<b>NOTE RECEIVABLE</b>	432	559
<b>PROPERTY, PLANT AND EQUIPMENT (note 7)</b>	180,645	185,364
<b>DEFERRED INCOME TAX ASSETS</b>	24,217	23,196
<b>GOODWILL</b>	57,997	57,851
	\$ 468,424	\$ 467,053
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	\$ 58,484	\$ 55,906
Income tax payable	3,664	3,794
Current portion of long-term debt	1,567	1,934
	63,715	61,634
<b>LONG-TERM DEBT</b>	17,038	17,407
<b>DEFERRED INCOME TAX LIABILITIES</b>	15,217	15,610
	95,970	94,651
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	241,264	241,264
Reserves	(106)	36
Share-based payments reserve	19,870	19,721
Retained earnings	38,878	41,360
Foreign currency translation reserve	72,548	70,021
	372,454	372,402
	\$ 468,424	\$ 467,053

**MAJOR DRILLING GROUP INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JULY 31, 2018 AND 2017 (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 below in note 4.

On September 4, 2018, 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 below 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 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. 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.

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**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***

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 consolidated financial statements with respect to hedge accounting.

As it was under IAS 39, hedge accounting remains optional under IFRS 9. 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 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.

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**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 July 31, 2018 were \$5,826 (2017 - \$4,307). The Company did not obtain direct financing for the three months ended July 31, 2018 (2017 - \$51).

**8. INCOME TAXES**

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

	<u>Q1 2019</u>	<u>Q1 2018</u>
Loss before income tax	\$ (1,271)	\$ (7,312)
Statutory Canadian corporate income tax rate	27%	27%
Expected income tax recovery based on statutory rate	(343)	(1,974)
Non-recognition of tax benefits related to losses	1,027	1,117
Utilization of previously unrecognized losses	(48)	-
Other foreign taxes paid	116	135
Rate variances in foreign jurisdictions	(52)	52
Permanent differences	511	213
Other	-	35
Income tax provision (recovery) recognized in net loss	<u>\$ 1,211</u>	<u>\$ (422)</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 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.



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**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>Q1 2019</u>	<u>Q1 2018</u>
Net loss	\$ (2,482)	\$ (6,890)
Weighted average number of shares:		
Basic and diluted (000s)	<u>80,300</u>	<u>80,153</u>
Loss per share		
Basic	\$ (0.03)	\$ (0.09)
Diluted	\$ (0.03)	\$ (0.09)

The calculation of diluted loss per share for the three months ended July 31, 2018 excludes the effect of 3,253,649 options (2017 - 2,449,780) as they were anti-dilutive.

The total number of shares outstanding on July 31, 2018 was 80,299,984 (2017 - 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 and in note 4 above. Management evaluates performance based on earnings from operations in these three geographic segments before finance costs, general corporate expenses and income taxes. Data relating to each of the Company's reportable segments is presented as follows:

	<u>Q1 2019</u>	<u>Q1 2018</u>
Revenue		
Canada - U.S.*	\$ 51,313	\$ 52,182
South and Central America	26,740	18,874
Asia and Africa	20,432	12,896
	<u>\$ 98,485</u>	<u>\$ 83,952</u>
Earnings (loss) from operations		
Canada - U.S.	\$ 1,315	\$ (1,266)
South and Central America	(738)	(3,088)
Asia and Africa	871	(2,166)
	<u>1,448</u>	<u>(6,520)</u>
Finance costs	243	181
General corporate expenses**	2,476	611
Income tax	1,211	(422)
Net loss	<u>\$ (2,482)</u>	<u>\$ (6,890)</u>

\*Canada - U.S. includes revenue of \$24,654 and \$25,027 for Canadian operations for the three months ended July 31, 2018 and 2017, respectively.

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

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**10. SEGMENTED INFORMATION (Continued)**

	<u>Q1 2019</u>	<u>Q1 2018</u>
Capital expenditures		
Canada - U.S.	\$ 3,843	\$ 3,024
South and Central America	1,774	632
Asia and Africa	209	651
Total capital expenditures	<u>\$ 5,826</u>	<u>\$ 4,307</u>
Depreciation and amortization		
Canada - U.S.	\$ 5,347	\$ 6,446
South and Central America	3,235	3,202
Asia and Africa	2,497	2,704
Unallocated and corporate assets	65	103
Total depreciation and amortization	<u>\$ 11,144</u>	<u>\$ 12,455</u>
	<u>July 31, 2018</u>	<u>April 30, 2018</u>
<b>Identifiable assets</b>		
Canada - U.S.*	\$ 193,398	\$ 188,947
South and Central America	137,203	137,153
Asia and Africa	97,782	94,005
Unallocated and corporate assets	40,041	46,948
<b>Total identifiable assets</b>	<u>\$ 468,424</u>	<u>\$ 467,053</u>

\*Canada - U.S. includes property, plant and equipment at July 31, 2018 of \$43,012 (April 30, 2018 - \$44,891) for Canadian operations.

**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. The fair value of the interest rate swap included in long-term debt is measured using quoted interest rates.

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 July 31, 2018.

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**11. FINANCIAL INSTRUMENTS (Continued)**

***Credit risk***

As at July 31, 2018, 82.7% (April 30, 2018 - 84.3%) of the Company's trade receivables were aged as current and 1.5% (April 30, 2018 - 1.3%) 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:

	<u>July 31, 2018</u>	<u>April 30, 2018</u>
<b>Opening balance</b>	\$ 928	\$ 847
Increase in impairment allowance	200	500
Recovery of amounts previously impaired	(44)	(281)
Write-off charged against allowance	-	(69)
Foreign exchange translation differences	(22)	(69)
<b>Ending balance</b>	<u>\$ 1,062</u>	<u>\$ 928</u>

***Foreign currency risk***

As at July 31, 2018, 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>CFA/USD</u>	<u>USD/CAD</u>	<u>COP/USD</u>	<u>USD/AUD</u>	<u>USD/ZAR</u>	<u>USD/CLP</u>	<u>Other</u>
Net exposure on monetary assets	\$	4,393	\$ 3,860	\$ 2,579	\$ 2,575	\$ 1,818	\$ (991)	\$ (5,884)	\$ (560)
EBIT impact	+/-10%	488	429	287	286	202	110	654	62

***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	\$ 58,484	\$ -	\$ -	\$ 58,484
Long-term debt (interest included)	2,199	17,856	88	20,143
	<u>\$ 60,683</u>	<u>\$ 17,856</u>	<u>\$ 88</u>	<u>\$ 78,627</u>