

MAJOR

Partners on the Ground

Management's Discussion and Analysis

April 30, 2015

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A"), prepared as of June 4, 2015, should be read together with the audited financial statements for the year ended April 30, 2015 and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards. All amounts are stated in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

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

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

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

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

CORPORATE OVERVIEW

Major Drilling Group International Inc. is one of the world's largest drilling services companies primarily serving the mining industry. To support its customers' varied exploration drilling requirements, Major Drilling maintains field operations and offices in Canada, the United States, Mexico, South America, Asia, and Africa. Major Drilling provides all types of drilling services including surface and underground coring, directional, reverse circulation, sonic, geotechnical, environmental, water-well, coal-bed methane, shallow gas and underground percussive/longhole drilling.

BUSINESS STRATEGY

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

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

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

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

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

Underground drilling takes on greater importance in the latter stages of the mining cycle as clients develop underground mines. During the year, the Company entered a new type of underground service with the acquisition of the assets of Taurus Drilling Services, a provider of underground percussive/longhole drilling to mining companies. Percussive/longhole drilling relates more to the production function of a mine. Offering both underground production drilling and its existing underground core drilling, the Company now provides an even wider range of complementary services to its clients.

A key part of the Company's strategy is to maintain a strong balance sheet. The Company is in a unique position to react quickly when the industry begins to recover as its financial strength allows it to invest in safety and to maintain its equipment in excellent condition. The Company also has a variable cost structure whereby most of its direct costs, including field staff, go up or down with contract revenue, and a large part of the Company's other expenses relate to variable incentive compensation based on the Company's profitability.

INDUSTRY OVERVIEW

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

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

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

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

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

The industry is currently in a cyclical downturn. At this point in time, most senior and intermediate mining companies are more cautious with their investments in exploration. Large base metal producers will eventually need to expand existing mines and develop new ones to meet the world's growth, especially in emerging markets. Activity from senior gold producers is likely to show greater volatility as gold prices vary, which will impact their exploration budgets.

Many junior mining companies continue to experience financing difficulties thus have slowed down their exploration efforts. Junior mining companies can account for some 50% of the market in cyclical upturns. While it is expected that some of the more advanced projects will be able to obtain financing as needed, it will be necessary for investors to once again support exploration projects in order for drilling activities to regain the momentum that they had at their peak.

BUSINESS ACQUISITION

Acquisition of Taurus Drilling Services

Effective August 1, 2014, the Company entered into the underground percussive/longhole drilling sector with its purchase of the assets of Taurus Drilling Services ("Taurus"), based in Canada and the United States. The acquisition has been accounted for using the acquisition method and the results of the new underground percussive/longhole drilling division has been included in the Consolidated Statements of Operations from the closing date. Through this purchase, which fits with the Company's strategic focus on specialized drilling, the Company acquired 39 underground drill rigs, support equipment and inventory, existing contracts and receivables, and took on the operation's management team, and other employees, including experienced drillers.

The purchase price for the transaction was \$29.5 million (consisting of \$20.7 million in cash, \$8.7 million in Major Drilling shares, and \$0.1 million in assumption of debt), and an additional maximum amount of \$11.5 million (undiscounted) tied to performance. The estimated fair value of the contingent consideration was \$10.1 million at April 30, 2015. The additional payout period extends for three years, commencing on August 1, 2014, and payments are contingent on growing EBITDA (earnings before interest, taxes, depreciation and amortization) run rates above levels at the date of acquisition.

OVERALL PERFORMANCE

Revenue for the fiscal year ended April 30, 2015 decreased 14% to \$305.7 million from \$354.9 million for the corresponding period last year. The Company continued to see a decline in revenue throughout the year due to a lack of funding for junior exploration companies and a reduction of exploration spending by senior companies.

Gross margin for the year was down to 21.6% compared to 29.4% last year due mainly to reduced pricing as a result of increased competitive pressures. As well, the Company's customers are focusing on mine site drilling, especially underground drilling, which tends to have lower margins.

During the year, the Company recorded a restructuring charge of \$4.6 million primarily relating to the decision to shut down operations in the Democratic Republic of Congo ("DRC"). This consists primarily of a non-cash write-down of assets and close-down costs relating to severance and moving costs. Also, the Company incurred additional restructuring charges as it continues to reduce costs across the organization.

The combination of reduced revenue and margins, along with the restructuring and impairment charges produced a net loss of \$49.6 million (\$0.62 per share) compared to a net loss of \$55.3 million (\$0.70 per share) for the previous year.

SELECTED ANNUAL INFORMATION

Years ended April 30

(in millions of Canadian dollars, except per share information)	2015	2014	2013
Revenue by region			
Canada-U.S.	\$ 177	\$ 176	\$ 317
South and Central America	76	74	203
Australia, Asia and Africa	53	105	176
	306	355	696
Gross profit	66	104	220
as a percentage of revenue	21.6%	29.4%	31.7%
Net (loss) earnings	(50)	(55)	52
Per share (basic)	\$ (0.62)	\$ (0.70)	\$ 0.66
Per share (diluted)	\$ (0.62)	\$ (0.70)	\$ 0.65
Total assets	543	592	686
Total long-term financial liabilities	16	14	34
Dividend paid	16	16	15

RESULTS OF OPERATIONS

FISCAL 2015 COMPARED TO FISCAL 2014

Revenue for the fiscal year ended April 30, 2015 decreased 14% to \$305.7 million from \$354.9 million for the corresponding period last year. Due to the uncertainty around economic matters impacting the mining market, some customers delayed or cancelled their exploration drilling plans this year. In a number of jurisdictions, uncertainty as to the policies of host governments or issues of land tenure also had an impact on this year's results.

Canada-U.S.

Canada-U.S. revenue increased by 1% to \$177.1 million compared to \$175.9 million last year. The increase, related to the Taurus acquisition, was offset by the slowdown in the energy sector in the U.S.

Gross margins in Canada-U.S. decreased as competitive pressures in the mining sector affected pricing. As well, the slowdown in the energy sector affected margins.

South and Central America

Revenue in South and Central America increased by 3% to \$75.6 million, compared to \$73.6 million for the prior year, as the Company saw increased activity levels in Mexico combined with a new operation in Brazil. This revenue increase was offset by a reduction in work by juniors and the cancellation of certain projects in Argentina and Chile.

Gross margins in the region decreased year-over-year, affected by reduced pricing as a result of increased competitive pressures and start-up costs in Brazil.

Australia, Asia and Africa

Revenue in Australia, Asia and Africa decreased 50% to \$52.9 million from \$105.5 million in the prior year. The Company closed its operations in Australia at the end of last year, and also closed its operations in the DRC during the year due to ongoing administrative difficulties associated with operating in that country. Also, Mongolia continued to be affected by political uncertainty around mining laws.

Gross margins in the region decreased year-over-year, affected by reduced pricing as a result of increased competitive pressures.

Operating expenses

General and administrative costs were down 10% to \$44.9 million compared to \$50.1 million in the same period last year. With the decrease in activity, the Company has reduced its general and administrative costs by implementing reductions of salaried employees and restructuring certain branches.

Other expenses were \$5.9 million for the year compared to \$3.6 million for the same period last year due primarily to acquisition expenses relating to the Taurus asset acquisition and higher bad debt provisions.

During the year, the Company recorded a restructuring charge of \$4.6 million primarily relating to the decision to shut down operations in the DRC. This consists primarily of a non-cash write-down of assets and close-down costs relating to severance and moving costs. Also, the Company incurred additional restructuring charges as it continues to reduce costs across the organization.

Income tax expense for the year was \$3.4 million compared to \$10.6 million for the prior year. The effective tax rate for the year was significantly impacted by several factors. The Company wrote down recognized tax losses for a total of \$4.0 million on its South African and Brazilian deferred tax assets related to carry-forward losses, given the uncertainty in the near-term outlook for adequate taxable income in those countries. The tax expense for the year was also impacted by non-tax affected losses and non-deductible expenses.

Net loss for the year was \$49.6 million or \$0.62 per share (\$0.62 per share diluted) compared to a net loss of \$55.3 million or \$0.70 per share (\$0.70 per share diluted) in the previous year.

SUMMARY ANALYSIS FISCAL 2014 COMPARED TO FISCAL 2013

Revenue for the fiscal year ended April 30, 2014 decreased 49% to \$354.9 million from \$695.9 million for the corresponding period the previous year. The Company continued to see a decline in revenue throughout the year due to a lack of funding for junior exploration companies and a reduction of exploration spending by senior companies.

Gross margin for the year was down to 29.4% compared to 31.7% the previous year due mainly to reduced pricing as a result of increased competitive pressures and delays, particularly in the second half of the year.

During the year, the Company recorded a restructuring charge of \$20.5 million consisting primarily of a non-cash write-down of assets in Australia of \$9.7 million, close-down costs of \$7.1 million in Australia relating to severance, lease termination and moving costs, and \$3.7 million in additional restructuring charges as it continued to reduce costs across the organization.

Goodwill impairments of \$14.3 million were recognized during the year attributable to reduced cash flow expectations in Chile and Mozambique. The goodwill write-offs were non-cash in nature and did not affect liquidity or cash flows from operating activities.

The combination of reduced revenue along with the restructuring and impairment charges produced a net loss of \$55.3 million (\$0.70 per share) compared to net earnings of \$52.1 million (\$0.66 per share) for the previous year.

SUMMARY OF QUARTERLY RESULTS

(in \$000 CAD, except per share)	Fiscal 2014				Fiscal 2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	\$ 108,211	\$ 92,268	\$ 71,830	\$ 82,637	\$ 67,551	\$ 87,192	\$ 69,784	\$ 81,191
Gross profit	35,122	30,011	17,770	21,524	16,667	20,736	7,786	20,707
Gross margin	32.5%	32.5%	24.7%	26.0%	24.7%	23.8%	11.2%	25.5%
Net earnings (loss)	1,522	(19,100)	(12,797)	(24,935)	(7,331)	(10,148)	(18,999)	(13,087)
Per share - basic	0.02	(0.24)	(0.16)	(0.31)	(0.09)	(0.13)	(0.24)	(0.16)
Per share - diluted	0.02	(0.24)	(0.16)	(0.31)	(0.09)	(0.13)	(0.24)	(0.16)

With the exception of the third quarter, the Company exhibits very little seasonality in quarterly revenue. 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.

SUMMARY ANALYSIS FOURTH QUARTER RESULTS ENDED APRIL 30, 2015

Total revenue for the quarter was \$81.2 million, down 2% from the \$82.6 million recorded in the same quarter last year. Uncertainty around economic matters impacting the mining market continues to cause delays in customers' exploration drilling plans. Also, many junior customers have scaled back or suspended drilling activities due to a lack of capital. The favourable foreign exchange translation impact for the quarter is estimated at \$4.4 million on revenue but negligible on net earnings, when comparing to the effective rates for the same period last year.

Revenue for the quarter from Canada-U.S. drilling operations increased by 7% to \$49.9 million compared to the same period last year. The increase relates to the Taurus asset acquisition and is somewhat offset by the slowdown in the energy sector.

South and Central American revenue was up 34% to \$21.0 million for the quarter, compared to the prior year quarter. Most of the increase came from Mexico and the Guiana Shield, while other regions were flat.

Australian, Asian and African operations reported revenue of \$10.3 million, down 50% from the same period last year. The Company closed its operations in Australia and the DRC earlier in the year, and Mongolia continues to be affected by political uncertainty around mining laws.

The overall gross margin percentage for the quarter was 25.5% compared to 26.0% for the same period last year. Given the current market conditions, the Company had a good quarter operationally, and this was the highest quarterly margins in this fiscal year. Margins continue to be affected by reduced pricing due to increased competitive pressures, and customers are often focusing on mine site drilling, especially underground drilling, which tends to have lower margins.

General and administrative costs were \$11.0 million for the quarter, a reduction of 13% compared to \$12.7 million in the same period last year, and a reduction of 20% when excluding higher foreign exchange translation. With the decrease in activity, the Company has reduced its general and administrative costs across the operation.

The income tax provision for the quarter was an expense of \$5.1 million compared to an expense of \$0.2 million for the prior year period. The Company wrote down recognized tax losses for a total of \$4.0 million on its South African and Brazilian deferred tax assets related to carry-forward losses, given the uncertainty in the near-term outlook for adequate taxable income in those countries. The tax expense for the quarter was also impacted by non-tax affected losses and non-deductible expenses.

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

Cash flow from operations (before changes in non-cash operating working capital items, finance costs and income taxes) was \$10.3 million for the fiscal year ended April 30, 2015, compared to \$38.0 million generated last year.

The change in non-cash operating working capital items was an inflow of \$12.7 million in fiscal 2015 compared to an inflow of \$20.5 million for the previous year. The change in non-cash operating working capital in fiscal 2015 was primarily impacted by:

- \$16.8 million related to a decrease in accounts receivable as compared to the same period last year;
- \$7.8 million related to a decrease in inventory; offset by
- \$14.5 million related to a decrease in accounts payable.

Financing activities

Under the terms of certain of the Company's debt agreements, the Company must satisfy certain financial covenants. Such agreements also limit, among other things, the Company's ability to incur additional indebtedness, create liens, engage in mergers or acquisitions and make dividend and other payments. During the year, the Company amended the current credit agreement with its lenders. As a result, the Company is in compliance with all covenants and other conditions imposed in this credit agreement as at the end of the year.

Operating credit facilities

The credit facilities related to operations total \$31.3 million (\$25.0 million from a Canadian chartered bank, \$4.0 million for a Chilean pesos facility and \$2.3 million in various credit facilities) and are primarily secured by corporate guarantees of companies within the group. At April 30, 2015, the Company had utilized \$5.5 million of these lines mainly for stand-by letters of credit. The Company also has a credit facility of \$1.8 million for credit cards for which interest rates and repayment terms are as per cardholder agreements.

Long-term debt

Total long-term debt decreased by \$8.5 million during the year to \$15.3 million at April 30, 2015. The decrease is due to debt repayments of \$9.8 million during the year, offset by additional equipment financing of \$1.3 million.

As of April 30, 2015, the Company had the following long-term debt facilities available:

- \$7.1 million non-revolving facility amortized over five years ending in September 2016.
- \$50.0 million revolving facility for financing the cost of equipment purchases or acquisition costs of related businesses. At April 30, 2015, this facility had not been utilized.
- \$6.3 million non-revolving facility. This facility carries a fixed interest rate of 5.9% and is amortized over ten years ending in August 2021.
- The Company also has various other loans and capital lease facilities related to equipment purchases that totaled \$2.0 million at April 30, 2015, which were fully drawn and mature through 2018.

Contractual obligations	Payments Due by Period (in \$000 CAD)				
	Total	Less than 1 year	2 - 3 years	4 - 5 years	6+ years
Contingent consideration	\$ 10,130	\$ 2,735	\$ 7,395	\$ -	\$ -
Long-term debt	16,101	7,119	5,349	2,221	1,412
Purchasing commitments	1,674	1,674	-	-	-
Operating leases	3,505	1,495	1,198	667	145
Total contractual obligations	\$ 31,410	\$ 13,023	\$ 13,942	\$ 2,888	\$ 1,557

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital, capital expenditure, dividend and debt obligations. As at April 30, 2015, the Company had unused borrowing capacity under its credit facilities of \$75.8 million and cash of \$44.9 million, for a total of \$120.7 million in available funds.

Investing activities

Capital expenditures

Capital expenditures were \$14.8 million (net of \$1.3 million of equipment financing) for the year ended April 30, 2015 compared to \$22.6 million (net of \$0.7 million of equipment financing) for the same period last year.

During the year, the Company added 5 drill rigs through its capital expenditure program while retiring or disposing of 48 drill rigs through its modernization program. The Company also added 39 rigs through the Taurus asset acquisition, with the Company's total now standing at 704.

It is expected that capital expenditures will be between \$15 million and \$20 million in fiscal 2016 as the Company focuses on cash flow generation.

OUTLOOK

Due to the uncertainty around economic matters impacting the mining market, it is very difficult to predict customer behavior over the next twelve months. At this moment, although mine reserve issues are starting to come back to the forefront, the Company expects calendar 2015 to continue at the present pace. For this reason, the Company currently expects capital expenditures in fiscal 2016 to be in line with fiscal 2015, although it may invest more to grow its percussive drilling business.

The Company is in a unique position to react quickly when the industry begins to recover as the Company's financial strength has allowed it to invest in safety and to maintain its equipment in excellent condition. However, there is a growing concern that quality people are permanently leaving the industry, and during a recovery, shortages of qualified labour will once again become a critical issue.

The Company will continue to focus on balancing pricing with revenue generation and cash preservation. It continues to have a variable cost structure whereby most of its direct costs, including field staff, go up or down with contract revenue and a large part of the Company's other expenses relates to variable incentive compensation based on the Company's profitability.

In the medium-term, it is believed that most commodities will face an imbalance between supply and demand as mine reserves continue to decrease due to the lack of exploration. At the same time, worldwide consumption continues to increase. At some point in the future, the need to develop resources in areas that are increasingly difficult to access will significantly increase, at which time a resurgence in demand for specialized drilling is expected.

FOREIGN EXCHANGE

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

During fiscal 2015, approximately 40% of revenue generated was in Canadian dollars and 4% in Chilean pesos with most of the balance being in U.S. dollars. Since most of the input costs related to this revenue is denominated in the same currency as the revenue, the impact on earnings is somewhat muted.

The favourable foreign exchange translation impact for the year, when comparing to the effective rates for the same period last year, is estimated at approximately \$11 million on revenue. Net earnings however, remained less impacted by currency fluctuations during the year as a large proportion of costs are typically incurred in the same currency as revenue. The estimated total unfavourable FX impact on net earnings for the year was estimated at \$1.1 million.

Argentina currency status

The Argentine government has implemented certain measures that control and restrict the ability of companies and individuals to exchange Argentine pesos for foreign currencies. Those measures include, among other things, the requirement to obtain the prior approval from the Argentine Tax Authorities for the foreign currency transaction (for example and without limitation, for the payment of non-Argentine goods and services, payment of principal and interest of non-Argentine debt and also payment of dividends to parties outside of the country). That approval process could delay, and eventually restrict, the ability to exchange Argentine pesos for other currencies, such as U.S. dollars.

FUTURE ACCOUNTING CHANGES

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

IFRS 9 (as amended in 2014) Financial Instruments
IFRS 10 (amended) Consolidated Financial Statements
IFRS 11 (amended) Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations
IFRS 15 Revenue from Contracts with Customers
IAS 1 (amended) Presentation of Financial Statements
IAS 16 (amended) Property, Plant and Equipment
IAS 27 (amended) Separate Financial Statements
IAS 28 (amended) Investments in Associates and Joint Ventures
IAS 38 (amended) Intangible Assets

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

KEY SOURCES OF ESTIMATION, UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

Use of estimates

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

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

Significant areas requiring the use of management estimates relate to the useful lives of Property, Plant and Equipment ("PP&E") for depreciation purposes, PP&E and inventory valuation, determination of income and other taxes, assumptions used in compilation of share-based payments, fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities and contingent considerations, and impairment testing of goodwill and intangible assets.

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

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

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

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

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

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

Judgments

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

PP&E and goodwill are aggregated into Cash Generated Units (“CGUs”) based on their ability to generate largely independent cash inflows and are used for impairment testing. The determination of the Company’s CGUs is subject to management’s judgment with respect to the lowest level at which independent cash inflows are generated.

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

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

Deferred income tax assets are assessed by management at the end of the reporting period to determine the probability that they will be realized from future taxable earnings. This determination is subject to management judgment.

OFF BALANCE SHEET ARRANGEMENTS

Except for operating leases disclosed in Note 23 “Commitments” of the Notes to Consolidated Financial Statements and presented as contractual obligations in the liquidity and capital resources section herein, the Company does not have any other material off balance sheet arrangements.

GENERAL RISKS AND UNCERTAINTIES

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

Cyclical downturn

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

In many cases, capital markets are the only source of funds available to junior mining companies and any change in the outlook for the sector or the lack of success of a specific exploration program can quickly impair the ability of these juniors to raise capital to pay for their drilling programs.

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

Competitive pressures

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

Country risk

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

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

Repatriation of funds or property

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

Taxes

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

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

Foreign currency

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

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

Operational risk

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

Dependence on key customers

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

Safety

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

Expansion and acquisition strategy

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

Regulatory and legal risk

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

Corruption, bribery, fraud

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

Extreme weather conditions and the impact of natural or other disasters

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

Specialized skills and cost of labour increases

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

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

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

Equipment and parts availability

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

Reputational risk

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

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

The Company's CEO and CFO have evaluated the effectiveness of the Company's disclosure controls and concluded that, subject to the inherent limitations and restrictions noted above, those disclosure controls were effective for the year ended April 30, 2015.

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

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

During fiscal 2015, management, including its CEO and CFO, evaluated the existence and design of the Company's ICFR and confirm there were no changes to the ICFR that have occurred during the year that materially affected, or are reasonably likely to materially affect, the Company's ICFR. The Company continues to review and document its disclosure controls and its ICFR, and may from time

to time make changes aimed at enhancing their effectiveness and to ensure that its systems evolve with the business.

As of April 30, 2015, an evaluation was carried out, under the supervision of the CEO and CFO, of the effectiveness of the Company's ICFR as defined in NI 52-109. Based on this evaluation, the CEO and the CFO concluded that the design and operation of these ICFR were effective.

The evaluations were conducted in accordance with the framework and criteria established in Internal Control - Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of NI 52-109.

OUTSTANDING SHARE DATA

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

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

(amounts in thousands)	As at June 4, 2015	As at June 5, 2014
Common shares	80,137	79,161
Stock options outstanding	3,842	3,429