



Partners on the Ground

Management's Discussion and Analysis

April 30, 2017

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A"), prepared as of June 5, 2017, should be read together with the audited financial statements for the year ended April 30, 2017 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 funds or 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; regulatory and legal risk; corruption, bribery or fraud by employees or agents; extreme weather conditions and the impact of natural or other disasters; specialized skills and cost of labour increases; equipment and parts availability, reputational risk and cybersecurity risk. These factors and other risk factors, as described under "General Risks and Uncertainties" in 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. ("Major Drilling" or "the Company") 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, Africa and Europe. Major Drilling provides all types of drilling services including surface and underground coring, directional, reverse circulation, sonic, geotechnical, environmental, water-well, coal-bed methane, shallow gas, underground percussive/longhole drilling, surface drill and blast, and a variety of drilling-related mine services.

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 drilling operators in the world by leveraging its main competitive advantages: skilled

personnel, specialized equipment, robust safety systems, long-standing relationships with the world's largest mining companies and access to capital.

The Company intends to continue to modernize and innovate its fleet and expand its footprint in strategic areas while maintaining a strong balance sheet and remaining best in class in safety and human resources. The Company also seeks to diversify by investing in underground and drilling-related mine 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.

The Company's underground services include both underground exploration drilling and underground percussive/longhole drilling. Underground exploration drilling takes on greater importance in the latter stages of the mining cycle as clients develop underground mines. Underground percussive/longhole drilling, which relates more to the production function of a mine, provides more stable work during the mining cycles. By offering both underground production drilling and underground core drilling, the Company provides a wide 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 continuous improvement initiatives, to retain key employees and to maintain its equipment in good 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 and base metals. 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 of most metals expected to tighten and higher demand coming from the emerging markets over the last few years. As these markets 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/intermediate companies, for which the Company provides greenfield exploration drilling and/or drilling at operating mines, and junior exploration companies.

The industry has experienced a cyclical downturn over the past several years. At this point in time, most senior and intermediate mining companies have increased their exploration budgets for calendar 2017, although exploration levels are still lower than at the peak in 2012. Many junior mining companies have been able to access capital markets and obtain financing for their mining projects. 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.

OVERALL PERFORMANCE

Revenue for the fiscal year ended April 30, 2017 was \$300.6 million, down 1% from revenue of \$304.6 million recorded in the prior year. Although the year-over-year revenue remained relatively flat, the Company has seen an increase in activities over the latter part of the year, due to both the junior mining companies' ability to access capital and senior mining companies increasing their exploration budgets from the prior year.

Gross margin for the year was 20.0%, down from 23.0% for the previous year. Pricing continued to be challenging during the year due to competitive pressure, but the Company has seen a slight increase over the past quarter as there has been more activity in the fourth quarter and the industry is experiencing labour shortages in some areas.

The combination of relatively flat revenue and lower margins resulted in a loss for the year of \$42.1 million or \$0.52 per share, compared to a net loss of \$45.3 million or \$0.57 per share for the prior year, which included an \$8.4 million restructuring charge on the shutdown of operations in South Africa and Namibia.

SELECTED ANNUAL INFORMATION

Years ended April 30

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

Revenue by region

	2017	2016	2015
Canada - U.S.	\$ 180	\$ 195	\$ 177
South and Central America	71	66	76
Asia and Africa	50	44	53
	<u>301</u>	<u>305</u>	<u>306</u>
Gross profit	60	70	66
as a percentage of revenue	20.0%	23.0%	21.6%
Net loss	(42)	(45)	(50)
per share (basic and diluted)	\$ (0.52)	\$ (0.57)	\$ (0.62)
Total assets	495	503	543
Total long-term financial liabilities	8	13	16
Dividends paid	-	3	16

RESULTS OF OPERATIONS

FISCAL 2017 COMPARED TO FISCAL 2016

Revenue for the fiscal year ended April 30, 2017 was \$300.6 million, down 1% from revenue of \$304.6 million recorded in the prior year. Although the Company ended the year virtually flat from the prior year, there were many more positive signs. Fiscal 2016 started off with relatively good revenue but fell off dramatically during the year and ended with a very soft fourth quarter. The fiscal year ended April 30, 2017 started slow but improved progressively due to junior funding and a slight increase in exploration work from seniors, particularly in gold. Pricing remained soft throughout the year but has seen improvements in certain areas given the shortage of experienced drill crews.

Canada - U.S.

Canada - U.S. revenue decreased by 7.6% to \$179.8 million, compared to \$194.6 million last year. This decrease came from the Canadian operation due to continued competition and competitive pricing pressure.

Gross margins in Canada - U.S. were down compared to last year, mainly as a result of the competitive environment putting pressure on pricing.

South and Central America

Revenue in South and Central America increased by 8.7% to \$71.4 million, compared to \$65.7 million for the prior year. Increased activity levels in Suriname and Brazil were offset slightly by reductions in Chile and Mexico.

Gross margins in the region were down compared to last year, as margins continued to be affected by low pricing as a result of increased competitive pressures in some jurisdictions.

Asia and Africa

Revenue in Asia and Africa increased 11.3% to \$49.4 million from \$44.4 million in the prior year. Increased activity levels in both Indonesia and Burkina Faso were offset somewhat by the closure of operations in South Africa and Namibia during fiscal 2016, and the reduction of work in Mozambique related to the drop in activity in coal exploration.

Gross margins for the region were down year-over-year, mainly as a result of pricing pressures.

Operating expenses

General and administrative costs were up 1.1% to \$44.6 million, compared to \$44.1 million in the prior year. More than half of the increase was related to an increase in foreign exchange translation. The Company has been able to keep general and administrative costs in line with activity, and still retain many of its skilled employees, strategically positioning it to react quickly when the industry recovers.

Other expenses were \$5.2 million for the year, compared to \$4.1 million for the prior year. The increase is due primarily to severance costs incurred during the year and a true-up of \$0.7 million on the contingent consideration due to better than expected results arising from the Taurus acquisition.

Income tax expense for the year was \$0.1 million, compared to \$3.7 million for the prior year. The effective tax rate for the year was impacted by several factors, including: non-tax affected losses, temporary differences driven by foreign exchange variances, and non-deductible expenses.

Net loss for the year was \$42.1 million or \$0.52 per share (\$0.52 per share diluted), compared to a net loss of \$45.3 million or \$0.57 per share (\$0.57 per share diluted) for the prior year.

SUMMARY ANALYSIS FISCAL 2016 COMPARED TO FISCAL 2015

Revenue for the fiscal year ended April 30, 2016 was relatively flat at \$304.6 million from \$305.7 million in fiscal 2015. The Company continued to see a decline in exploration revenue compared to fiscal 2015 due to a lack of funding for junior exploration companies and a reduction of exploration spending by senior companies due to low commodity prices. This reduction in revenue was partially offset by an increase in revenue from the percussive division.

Gross margin for 2016 increased to 23.0% from 21.6% in 2015. Pricing continued to be challenging as a result of increased competitive pressures. As well, the Company's customers were focused on mine site drilling, especially underground drilling, which tends to have lower margins. The Company continued to be disciplined on pricing and cost controls.

During 2016, the Company recorded a restructuring charge of \$8.4 million primarily relating to the decision to shut down operations in South Africa and Namibia. This charge consisted mainly of a non-cash write-down of assets and close-down costs relating to severance and movement of equipment, material and personnel. Also, the Company incurred additional restructuring charges as it continued to reduce costs across the organization.

The combination of flat revenue and only a slight increase in margins, along with the aforementioned restructuring charges, produced a net loss of \$45.3 million (\$0.57 per share) in 2016, compared to a net loss of \$49.6 million (\$0.62 per share) for 2015.

SUMMARY OF QUARTERLY RESULTS

(in \$000 CAD, except per share)	<i>Fiscal 2016</i>				<i>Fiscal 2017</i>			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	\$ 83,934	\$84,667	\$ 71,887	\$ 64,133	\$69,089	\$79,913	\$ 70,117	\$81,469
Gross profit	21,617	23,311	12,982	12,051	15,141	16,088	9,380	19,609
Gross margin	25.8%	27.5%	18.1%	18.8%	21.9%	20.1%	13.4%	24.1%
Net loss	(11,180)	(5,349)	(15,897)	(12,859)	(9,782)	(9,757)	(14,294)	(8,231)
Per share - basic	(0.14)	(0.07)	(0.20)	(0.16)	(0.12)	(0.12)	(0.18)	(0.10)
Per share - diluted	(0.14)	(0.07)	(0.20)	(0.16)	(0.12)	(0.12)	(0.18)	(0.10)

With the exception of the third quarter, the Company exhibits comparatively less seasonality in quarterly revenue than in the past. 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, 2017

Total revenue for the quarter was \$81.5 million, up 27.1% from revenue of \$64.1 million recorded in the same quarter last year. The favourable foreign exchange translation impact for the quarter, when comparing to the effective rates for the same period last year, is estimated at \$0.3 million on revenue, with a negligible impact on net earnings.

Revenue for the quarter from Canada - U.S. drilling operations increased by 19.0% to \$47.5 million, compared to the same period last year. The increase came from all operations as the Company saw increased activity from both seniors and juniors over the same period last year.

South and Central American revenue increased by 52.0% to \$22.8 million for the quarter, compared to the same quarter last year. The increase was driven primarily by Mexico and the Guiana Shield, with other countries showing slight improvements.

Asian and African operations reported revenue of \$11.2 million, up 21.7% from the same period last year. Burkina Faso and the Philippines make up most of this increase, offset by a slight decrease in Indonesia as a result of ongoing political issues in the country.

The overall gross margin percentage for the quarter was 24.1%, up from 18.8% for the same period last year. The increased margins resulted from increased activity, along with some price adjustments and better production.

General and administrative costs were up 3.5% from the same quarter last year at \$11.7 million. General and administrative expenses have increased slightly in the quarter as the Company continues to prepare for increased activity in the industry.

Other expenses were \$2.6 million compared to \$0.6 million for the same quarter last year. This increase was impacted primarily by an increase in bad debt expense, severance paid in the quarter and a true-up of \$0.7 million on the contingent consideration due to better than expected results arising from the Taurus acquisition.

Foreign exchange loss was \$0.8 million compared to a loss of \$0.5 million in the same quarter last year. This loss was due to exchange rate variations on monetary working capital items.

The income tax provision for the quarter was an expense of \$0.2 million compared to a recovery of \$0.8 million for the prior year period. The tax expense for the quarter was impacted by non-tax affected losses and non-deductible expenses.

Net loss was \$8.2 million or \$0.10 per share (\$0.10 per share diluted) for the quarter, compared to a net loss of \$12.9 million or \$0.16 per share (\$0.16 per share diluted) for the prior year quarter.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Cash flow from operations (before changes in non-cash operating working capital items, interest and income taxes) for the year ended April 30, 2017, was an inflow of \$10.9 million compared to an inflow of \$17.4 million in the previous year.

The change in non-cash operating working capital items was an outflow of \$8.0 million compared to an inflow of \$9.3 million for the prior year. The outflow of non-cash operating working capital in fiscal 2017 was primarily impacted by:

- an increase in accounts receivable of \$12.5 million;
- an increase in inventory of \$7.9 million;
- an increase in prepaids of \$0.7 million; and
- an increase in accounts payable of \$13.3 million.

Financing Activities

Under the terms of certain of the Company's debt agreements, the Company must satisfy specific 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 was, and continues to be, in compliance with all covenants and other conditions imposed by its debt agreements. The \$25 million operating facility and the \$50 million revolving facility were renewed on September 21, 2016 for three years to September 30, 2019, on the same terms as the previous agreement.

Operating Credit Facilities

The credit facilities related to operations total \$29.1 million, (\$25.0 million from a Canadian chartered bank and \$4.1 million from an American chartered bank) and are primarily secured by corporate guarantees of companies within the group. At April 30, 2017, the Company had utilized \$0.5 million of these lines. The Company also has a credit facility of \$2.6 million for credit cards for which interest rate and repayment are as per cardholder agreements.

Long-Term Debt

Total long-term debt decreased by \$4.4 million during the year to \$7.8 million at April 30, 2017. The decrease is due to debt repayments of \$5.4 million, additional debt of \$0.9 million and \$0.1 million in exchange rate variations during the year.

As of April 30, 2017, the Company had the following long-term debt facilities:

- \$50.0 million revolving facility for financing the cost of equipment purchases or acquisition costs of related businesses. At April 30, 2017, this facility had not been utilized.
- \$4.3 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 \$3.5 million at April 30, 2017, which were fully drawn and mature through 2022.

	Payments due by period (in \$000 CAD)				
	Total	Less than 1 year	2 - 3 years	4 - 5 years	6+ years
Contractual obligations					
Contingent consideration	\$ 5,135	\$ 5,135	\$ -	\$ -	\$ -
Long-term debt (interest included)	8,190	3,428	3,333	1,429	-
Purchasing commitments	372	372	-	-	-
Operating leases	3,570	1,481	1,181	724	184
Total contractual obligations	<u>\$ 17,267</u>	<u>\$ 10,416</u>	<u>\$ 4,514</u>	<u>\$ 2,153</u>	<u>\$ 184</u>

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital, capital expenditure and debt obligations. As at April 30, 2017, the Company had unused borrowing capacity under its credit facilities of \$78.6 million and cash of \$26.0 million, for a total of \$104.6 million in available funds.

Investing Activities

Capital Expenditures

Capital expenditures were \$17.7 million (net of \$0.9 million of equipment financing) for the year ended April 30, 2017, compared to \$12.1 million (net of \$ 4.7 million of equipment financing) for the prior year.

During the year, the Company added 10 drill rigs, while retiring or disposing of 54 older, inefficient and more costly drill rigs. This brings the total drill rig count to 646 at year-end.

OUTLOOK

The Company has a positive but cautious view looking ahead to fiscal 2018. Most senior and intermediate companies have seen their mineral reserves deplete over the last few years and recognize the need to address supply shortages looming in most commodities. One of the challenges that is re-emerging in the sector is the shortage of experienced drill crews in the industry, a factor that will put some pressure on cost and productivity as the Company moves forward. The Company continues to focus and invest in safety, which has produced continuous improvements over the last few years. The Company has enhanced its recruiting and training systems, allowing it to efficiently bring competent employees to the field while at the same time, in the Company's quest for zero harm, reducing the number of injuries sustained by new recruits as compared to previous cycles. The Company's partnership with the Bathurst campus of the Collège Communautaire du Nouveau-Brunswick for their new driller training program will help with the initiatives the Company is deploying to recruit and train new employees, and is part of the efforts to get prepared for a potential upturn in the industry.

Due to tremendous efforts from its dedicated employees, the Company is well positioned with net cash of \$18.1 million on hand coming out of one of the longest downturns in the industry. This will allow the Company to improve its fleet and meet customers' demands in terms of rod handling, mobile equipment and deep-hole capacity, which has been key to the Company's success as the leader in specialized drilling.

The Company expects to spend approximately \$25 million in capital expenditures in fiscal 2018 to meet customers' demands, improve rig reliability, productivity and utilization, as well as invest in its continuous improvement initiatives. However, the Company will remain vigilant and flexible in order to react and adjust to unforeseen market conditions.

NON-GAAP FINANCIAL MEASURE

The Company uses the non-GAAP financial measure, EBITDA, excluding restructuring charge and contingent consideration true-up. The Company believes this non-GAAP financial measure provides useful information to both management and investors in measuring the financial performance of the Company. This measure does not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

(in \$000 CAD)	2017	2016
Net loss	\$ (42,064)	\$ (45,285)
Finance costs	331	554
Income tax provision	100	3,699
Depreciation and amortization	51,580	52,967
Restructuring charge	-	8,377
Contingent consideration true-up	669	-
EBITDA	<u>\$ 10,616</u>	<u>\$ 20,312</u>

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. 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 2017, approximately 28% of revenue generated was in Canadian dollars 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 prior year, is estimated at approximately \$1 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 total FX impact on net earnings for the year was negligible.

FUTURE ACCOUNTING CHANGES

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

IFRS 2 *(as amended in 2016) Share-based Payment*
IFRS 9 *(as amended in 2014) Financial Instruments*
IFRS 15 *Revenue from Contracts with Customers*
IFRS 16 *Leases*
IAS 7 *(amended) Statement of Cash Flows*
IAS 12 *(amended) Income Taxes*

The Company is currently in the process of assessing the impact of the adoption of the above standards and amendments, however, they are not expected to have a significant impact on the 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 and long-lived 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-generating 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 20 "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 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 mining 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 mining 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 that 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 additional 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 largely 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, property tax, income tax, withholding tax, commodity tax, 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. 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 potential 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. The 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.

Cybersecurity risk

While information systems are integral to supporting the Company's business, due to the nature of the Company's services, it is not considered to be subject to the same level of cybersecurity risks as companies operating in sectors where sensitive information is at the core of their business. Nevertheless, the Company is potentially exposed to risks ranging from internal human error to uncoordinated individual attempts to gain unauthorized access to its information technology systems, to sophisticated and targeted measures directed at the Company and its systems, clients or service providers. Any such disruptions in the Company's systems or the failure of the systems to operate as expected could, depending on the magnitude of the problem, result in the loss of client information, a loss of current or future business, reputational harm and/or potential claims against the Company, all of which could have an adverse effect on the Company's business, financial condition and operating results. The Company continues to enhance its efforts to mitigate these risks. It invests in technology security initiatives to better identify and address any vulnerabilities including periodic third party vulnerability assessments, testing user knowledge of cybersecurity best practices, and audits of security processes and procedures. In addition, the Company continues to increase the employees' awareness of security policies through ongoing communications.

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, 2017.

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 2017, 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, 2017, 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.

The Company's share capital was composed of the following:

(amounts in thousands)	As at June 5, 2017	As at June 7, 2016
Common shares	80,140	80,137
Stock options outstanding	4,083	4,254