Groupe Forage

MAJOR

Drilling Group International Inc.

Management's Discussion and Analysis

April 30, 2013

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis "MD&A", prepared as of ***June 5, 2013****, should be read together with the audited financial statements for the year ended April 30, 2013 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 which 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, 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 this MD&A.

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 service 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, South and Central America, Australia, 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 and shallow gas.

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 mine services and energy 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.

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 emergence of the BRIC countries (Brazil, Russia, India and China) over the last 10 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.

Most senior and intermediate mining companies remain committed to the large majority of their projects in order to replace their reserves. For the most part, these mining companies are in a much better financial position than three years ago. Large base metal producers will 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.

With the current volatility in the financial markets, many junior mining companies are experiencing financing difficulties and slowing down their exploration efforts. Junior mining companies can account for some 50% of the market in cyclical upturns. While some of the more advanced projects are expected to 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 ACQUISITIONS

Bradley Group Limited

Effective September 30, 2011, the Company acquired all the issued and outstanding shares of Bradley Group Limited ("Bradley"), which provides a unique opportunity to further the Company's corporate strategy of focusing on specialized drilling, expanding its geographic footprint in areas of high growth and of maintaining a balance in the mix of drilling services. The acquisition was accounted for using the acquisition method and the results of this operation were included in the Statement of Operations as of the closing date. The acquired business includes working capital, drilling equipment, credit facilities, contracts and personnel. The purchase price for the transaction was CAD $78.1 million, including customary working capital adjustments and net of cash acquired.

Through the acquisition, Major Drilling has added Bradley Group's 124 rigs to its fleet. The addition of Bradley Group's rigs, of which approximately 80% are surface drilling rigs and 20% are underground diamond drilling rigs, furthers the Company's strategic focus on specialized drilling. The acquisition also involves the addition of Bradley Group's highly experienced workforce, experienced management team and existing contracts in Canada, the Philippines, Colombia, Mexico and Suriname.

The portion of the purchase price payable on the closing of the acquisition was financed using the net proceeds of an equity offering and new and extended credit facilities.

OVERALL PERFORMANCE

Revenue for the fiscal year ended April 30, 2013 decreased 13% to $695.9 million from $797.4 million for the corresponding period last year. The year started strong with record revenue and earnings in the first quarter followed by a progressive slowdown in activity 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 up slightly to 31.7% compared to 31.5% last year due mainly to an improved pricing environment in the first half of the year mitigated by reduced pricing as a result of increased competitive pressures and delays in the second half.

During the fourth quarter of this year, the Company recorded a restructuring charge of $5.4 million to account for the scale down of the Company's environmental and Tanzanian operations, write down of assets, as well as retrenchment costs. Also, the Company recorded a non-cash goodwill and intangible impairment charge of $3.3 million.

The combination of reduced revenue with the restructuring and impairment charges produced net earnings of $52.1 million ($0.66 per share) compared to net earnings of $89.7 million ($1.18 per share) for last year.

SELECTED ANNUAL INFORMATION

Years ended April 30 (in millions of Canadian dollars, except per share information)	**2013**	2012	2011
Revenue by region			
Canada-U.S.	**$ 317**	$ 322	$ 181
South and Central America	**203**	252	169
Australia, Asia and Africa	**176**	223	132
	696	797	482
Gross profit	**220**	251	120
as a percentage of revenue	**31.7%**	31.5%	25.0%
Net earnings	**52**	90	28
Per share (basic)	**$ 0.66**	$ 1.18	$ 0.39
Per share (diluted)	**$ 0.65**	$ 1.16	$ 0.38
Total assets	**686**	686	474
Total long-term financial liabilities	**34**	42	17
Dividend paid	**15**	12	10

RESULTS OF OPERATIONS

FISCAL 2013 COMPARED TO FISCAL 2012

Revenue for the fiscal year ended April 30, 2013 decreased 13% to $695.9 million from $797.4 million for the corresponding period last year. The year started strong with record revenue and earnings in the first quarter followed by a progressive slowdown in activity due to a lack of funding for junior exploration companies and a reduction of exploration spending by senior companies.

Canada-U.S.

Canada-U.S. revenue decreased by 2% to $317.1 million compared to $322.0 million last year. In Canada, revenue was relatively flat year-over-year as the impact of having a full year of revenue from the Bradley acquisition was offset by a general slowdown in activity. In the U.S., revenue in the environmental division was impacted by governmental budgetary constraints.

Gross margins in Canada-U.S. decreased slightly as competitive pressures affected pricing, particularly in the second half of the year. The pricing pressure was partially offset by productivity gains and cost cutting measures.

South and Central America

Revenue in South and Central America decreased by 19% to $203.2 million, compared to $251.8 million for the prior year as the Company saw decreased activity levels in Mexico, Chile and Argentina due to the cancellation or reduction of projects.

Gross margins in the region increased year-over-year due to an improved pricing environment in the first half of the year mitigated by reduced pricing as a result of increased competitive pressures and delays in the second half.

Australia, Asia and Africa

Revenue in Australia, Asia and Africa decreased 21% to $175.6 million from $223.6 million in the prior year period. Decreases in Australia and Mongolia were mitigated by increased activity in Indonesia, Burkina Faso and the Philippines. In Australia, projects were cancelled due to high costs being incurred by mining companies and new mining taxes, and Mongolia was affected by political uncertainty.

Gross margins in the region were relatively flat year-over-year as a significant decrease in margins in Australia was offset by improved margins in Mozambique, Burkina Faso and the Philippines.

Operating Expenses

General and administrative costs were up 10% to $63.8 million compared to $58.0 million in the same period last year. The increase was mainly due to the impact of having a full year of Bradley, the addition of new operations in Burkina Faso and increased costs to support the strong growth in activity levels at the beginning of the year. In the second half of the year, the Company implemented a reduction in salaried employees and scaled down its operations in its U.S. environmental division and in Tanzania, which should produce savings and bring these costs back to fiscal 2012 levels.

Other expenses were $10.6 million for the year compared to $16.1 million for the same period last year due primarily to lower incentive compensation expenses driven by the Company's decreased profitability in the current year.

Depreciation and amortization expense increased to $52.8 million for the year compared to $42.6 million for the previous year. Increased investment in equipment and the impact of having a full year of Bradley account for this increase.

The provision for income tax for the year was $28.8 million compared to $38.7 million for the prior year, reflecting the decrease in pre-tax earnings. The effective tax rate for the year was impacted by differences in tax rates between regions and non-deductible expenses.

Net earnings for the year were $52.1 million or $0.66 per share ($0.65 per share diluted) compared to $89.7 million or $1.18 per share ($1.16 per share diluted) in the previous year.

SUMMARY ANALYSIS FISCAL 2012 COMPARED TO FISCAL 2011

Revenue for the fiscal year ended April 30, 2012 increased 65% to $797.4 million from $482.3 million in the previous year. Most of the Company's branches exhibited strong growth mainly coming from increased utilization and better pricing. Also, as of September 30, 2011, the Company completed the largest acquisition in its history with the purchase of the Bradley operations.

Gross margin for 2012 was up to 31.5% compared to 25.0% in the previous year representing general improvements in pricing, and training and recruitment efforts, which allowed the Company to increase the number of shifts in the field during the year.

The combination of strong revenue growth and improved margins produced net earnings of $89.7 million ($1.18 per share) compared to net earnings of $27.6 million ($0.39 per share) for the previous year.

SUMMARY OF QUARTERLY RESULTS

(in $000 CAD, except per share)	Fiscal 2012 Q1	Fiscal 2012 Q2	Fiscal 2012 Q3	Fiscal 2012 Q4	Fiscal 2013 Q1	Fiscal 2013 Q2	Fiscal 2013 Q3	Fiscal 2013 Q4
Revenue	$ 164,152	$ 213,854	$ 182,188	$ 237,238	$ 237,565	$ 199,637	$ 123,189	$ 135,537
Gross profit	51,499	74,055	47,120	78,452	81,278	66,699	29,275	43,087
Gross margin	31.4%	34.6%	25.9%	33.1%	34.2%	33.4%	23.8%	31.8%
Net earnings (loss)	17,892	31,560	9,566	30,731	31,875	22,349	(4,288)	2,174
Per share - basic	0.25	0.43	0.12	0.39	0.40	0.28	(0.05)	0.03
Per share - diluted	0.25	0.42	0.12	0.38	0.40	0.28	(0.05)	0.03

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, particularly in South and Central America.

SUMMARY ANALYSIS FOURTH QUARTER RESULTS ENDED APRIL 30, 2013

Total revenue for the quarter was $135.5 million, down 43% from the $237.2 million record in the same quarter last year. Due to the uncertainty around economic matters impacting the mining market, some customers delayed or cancelled their exploration drilling plans, which impacted the quarter’s results compared to last 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 quarter’s results. Also, many junior customers have scaled back or suspended drilling activities as compared to last year.

Revenue for the quarter from Canada-U.S. drilling operations decreased by 42% to $61.8 million compared to the same period last year. Both countries were affected by delays and the cancellation of projects.

South and Central American revenue was down 41% to $43.5 million for the quarter, compared to the prior year quarter. All of the countries in this region, particularly Mexico, Chile and Argentina, were affected by a reduction in work by juniors and the cancellation or reduction of projects.

Australian, Asian and African operations reported revenue of $30.2 million, down 47% from the same period last year. Australia, where projects have been cancelled due to high costs incurred by mining companies and new mining taxes, was impacted the most. The Company also saw decreases in other regions including Mongolia, which is affected by political uncertainty.

The overall gross margin percentage for the quarter was 31.8% compared to 33.1% for the same period last year. Reduced pricing due to increased competitive pressures and delays impacted margins but the Company has been able to recapture some of this loss through productivity gains and cost cutting.

General and administrative costs were $15.3 million for the quarter compared to $16.0 million in the same period last year. With the decrease in activity, the Company has reduced its general and administrative costs, in part related to the integration of the Bradley operations. At the same time, the Company is opening new branches in Brazil and Calgary. During the quarter, the Company implemented reductions of salaried employees and restructured certain branches as it targets a reduction of 20% in general and administrative costs from the peak levels incurred in the first quarter of this year.

Other expenses for the quarter were $0.4 million, down from the $4.0 million reported in the prior year quarter. This quarter’s amount consists of incentive compensation expenses and bad debt provisions, offset by a gain on reversal of contingent consideration of $2.0 million, whereas other expenses for the same quarter last year were mainly composed of incentive compensation expenses given the Company’s profitability in that quarter.

The Company recorded a restructuring charge of $5.4 million consisting primarily of scale down costs of its U.S. environmental division and its Tanzanian operations, as well as retrenchment costs following staff reduction initiatives implemented during the quarter across the Company.

Due to the continuing governmental budgetary constraints in the U.S. affecting its environmental division, the Company recorded a goodwill and intangible impairment charge of $3.3 million.

The provision for income tax expense for the quarter was $1.2 million compared to $12.9 million for the prior year period. Lower profitability and non-deductibility of impairment charges impacted the income tax expense this quarter.

Net earnings were $2.2 million or $0.03 per share ($0.03 per share diluted) for the quarter compared to net earnings of $30.7 million or $0.39 per share ($0.38 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, finance costs and income taxes) was $145.7 million for the fiscal year ended April 30, 2013 compared to $178.2 million generated last year.

The change in non-cash operating working capital items was an inflow of $30.5 million in fiscal 2013 compared to an outflow of $32.8 million for the previous year. The change in non-cash operating working capital in fiscal 2013 was primarily impacted by:

- A decrease in accounts receivable of $63.6 million due to decreased activity in the fourth quarter as compared to the same period last year;
- A decrease in inventory of $10.0 million;
- A decrease in accounts payable of $45.0 million due to decreased activity as compared to last year.

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 period, the Company was, and continues to be, in compliance with all covenants and other conditions imposed by its debt agreements.

Operating Credit Facilities

The credit facilities related to operations total $28.5 million ($25.0 million from a Canadian chartered bank and $3.5 million in various credit facilities) and are primarily secured by corporate guarantees of companies within the group. At April 30, 2013, the Company had utilized $2.0 million of these lines mainly for stand-by letters of credit. The Company also has a credit facility of $4.1 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 $7.4 million during the year to $43.6 million at April 30, 2013. The decrease is due to debt repayments of $9.3 million during the year, offset by additional equipment financing of $1.8 million.

As of April 30, 2013, the Company had the following long-term debt facilities available:

- Non-revolving facility for financing the acquisition of Bradley Group. At April 30, 2013, the remaining balance of this facility stood at $17.1 million. This facility is 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, 2013, the Company had utilized $11.2 million of this line. Draws on this line are due on maturity in September 2016.

- Non-revolving facility carrying a fixed interest rate of 5.9%, amortized over ten years ending in August 2021. At April 30, 2013, the remaining balance of this facility stood at $8.3 million.

- $5.3 million note payable, carrying interest at a fixed rate of 4% repayable over three years ending in September 2014.

- The Company also has various other loans and capital lease facilities related to equipment purchases that totaled $1.7 million at April 30, 2013, which were fully drawn and mature through 2017.

	Payments Due by Period (in $000 CAD)				
Contractual obligations	**Total**	**Less than 1 year**	**2 - 3 years**	**4 - 5 years**	**6+ years**
Long-term debt	$ 43,594	$ 9,097	$ 15,699	$ 15,465	$ 3,333
Purchasing commitments	390	390	-	-	-
Operating leases	9,287	2,330	3,457	2,710	790
Total contractual obligations	$ 53,271	$ 11,817	$ 19,156	$ 18,175	$ 4,123

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, 2013, the Company had unused borrowing capacity under its credit facilities of $65.3 million and cash of $82.3 million, for a total of $147.6 million in available funds.

Equity Offering

On September 28, 2011, concurrent with the Bradley acquisition, the Company completed an equity offering of 5.9 million common shares at a price of $11.90 per common share. In connection with the equity offering, the Company granted the underwriters an option to purchase an additional 885,000 common shares at the same price. This option was subsequently exercised on October 25, 2011 resulting in total aggregate proceeds, net of share issue costs, of $77.2 million.

Investing Activities

Capital Expenditures

Capital expenditures were $69.0 million (net of $1.8 million of equipment financing) for the year ended April 30, 2013 compared to $81.1 million for the same period last year.

During the year, the Company added 97 drill rigs through its capital expenditure program while retiring or disposing of 82 drill rigs through its modernization program, with the Company’s total now standing at 740.

It is expected that capital expenditures will be reduced to approximately $40 million in fiscal 2014 as the Company focuses on cash flow generation.

OUTLOOK

Due to the uncertainty around economic matters impacting the mining market, some customers continue to delay or cancel their exploration drilling plans. In a number of jurisdictions, uncertainty as to the policies of host governments or issues of land tenure will also have an impact going forward. These factors, combined with the fact that sources of funding for junior mining companies remain limited, have led to significantly decreased activity in certain regions. Lower levels of demand have increased competitive pressures, which may impact pricing going forward.

In light of this, the Company undertook a review and restructuring of certain operations near the end of the year, implemented reductions of salaried employees, and senior management's salaries and directors' fees have been reduced as the Company targets a reduction of 20% in general and administrative costs from the peak levels incurred in the first quarter of this year.

The Company 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. Despite the difficult environment, operations are expected to generate positive cash flow in fiscal 2014. The Company will continue to focus on cash management by limiting capital expenditures, by reducing inventory and by closely monitoring costs. This will also allow us to continue our strategy of maintaining a sustainable dividend policy.

At the same time, the Company's financial strength allows it to continue to invest in safety, to maintain its equipment in excellent condition, and to retain skilled employees, all of which are essential to react quickly when the industry recovers. The Company remains in an excellent financial position, remaining debt-free, net of cash, during the year.

Pricing is expected to remain competitive until utilization rates pick up significantly. The impact of lower pricing should be partially offset by the increased productivity of experienced drilling crews. Over time, it is expected that many of the supply issues that face most commodities will come back into focus and that even with moderate growth in the world economy, the need to explore and develop mines will increase. The need to develop resources in areas that are increasingly difficult to access will continue to increase over time, which should increase demand for specialized drilling.

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, Chilean pesos and Australian 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 2013, approximately 28% of revenue generated was in Canadian dollars, 8% in Chilean pesos and 5% in Australian 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 same period last year, is estimated at less than $4 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 favourable FX impact on net earnings for the year was estimated at $1 million.

FUTURE ACCOUNTING CHANGES

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 7 *(as amended in 2011) Financial Instruments: Disclosures*
IFRS 9 *(as amended in 2010) Financial Instruments*
IFRS 10 *Consolidated Financial Statements*
IFRS 11 *Joint Arrangements*

IFRS 12 *Disclosure of Interests in Other Entities*
IFRS 13 *Fair Value Measurement*
IAS 1 *Presentation of Financial Statements*
IAS 19 *Employee Benefits*
IAS 27 *(reissued) Separate Financial Statements*
IAS 28 *(reissued) Investments in Associates and Joint Ventures*
IAS 32 *(amended) Financial Instruments: Presentation*

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

CRITICAL ACCOUNTING ESTIMATES

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 for amortization purposes, property, plant and equipment 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 impairment testing of goodwill and intangible assets.

Management determines the estimated useful lives of its property, plant and equipment based on historical experience of the actual lives of property, plant and equipment 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.

Property, plant and equipment are aggregated into 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.

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 provisions and accrued liabilities, including legal, 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 and contingencies 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.

Property, plant and equipment and goodwill are aggregated into 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 property, plant and equipment. Each part of an item of property, plant and equipment 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.

OFF BALANCE SHEET ARRANGEMENTS

Except for operating leases disclosed in Note 24 "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 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 may not be fully mitigated by the foregoing measures.

While receivables from senior and larger intermediate mining exploration companies consistently remain a significant component of total receivables, accounts receivable from junior mining companies also have a tendency to increase during a cyclical downturn. In many cases, capital markets are the only source of funds available to these juniors 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, Chilean pesos and Australian 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 great 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.

Legal and Regulatory 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. Historically, most of the Company's drillers have been Australian or Canadian. Development of local drillers has already 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, 2013.

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 2013, 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, 2013, 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, 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 5, 2013**	As at June 8, 2012
Common shares	**79,161**	79,147
Stock options outstanding	**3,049**	2,907