Management's Discussion and Analysis

April 30, 2018

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A"), prepared as of June 7, 2018, should be read together with the audited financial statements for the year ended April 30, 2018 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 statements that may constitute 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; shortage of specialized skills and cost of labour increases; equipment and parts availability, reputational risk; cybersecurity risk; market price and dilution of common shares and environmental regulation 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. Established in 1980, Major Drilling has over 1,000 years of combined experience within its management team alone. The Company maintains field operations and offices in Canada, the United States, Mexico, South America, Asia, Africa and Europe. Major Drilling provides a complete suite 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 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 continue to diversify by investing in underground and 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 the Company believes these skills will be in greater and greater demand over the next two decades.

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 relatively 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.

The Company operates on 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.

A key part of the Company's strategy is to maintain a strong balance sheet. As the industry is in the early stages of the cyclical recovery, the Company is in a unique position to react quickly 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.

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 historically 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. As these markets continue to urbanize, the requirement for base metals will continue to increase at the same time as 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 gold and base metal senior and intermediate mining companies have increased their exploration budgets for calendar 2018, although exploration levels are still lower than at the peak in 2012. The requirement for base metals will continue to increase as large base metal producers will either need to expand existing mines or develop new mines to meet world demand. Activity from senior gold producers is likely to show greater volatility as gold prices vary, which could impact exploration budgets.

OVERALL PERFORMANCE

Revenue for the fiscal year ended April 30, 2018 was $342.3 million, up 14% from revenue of $300.6 million recorded in the prior year. Yearly revenue was up for the first time since fiscal 2012, indicating that the industry has started recovering from a prolonged downturn.

Gross margin percentage for the year was 21.7%, up from 20.0% for the previous year. Prices for drilling services improved, although these improvements were offset somewhat by increased labour, mobilization and repair costs, which is typical in a ramp-up environment.

The increase in both revenue and margins resulted in a net loss of $22.5 million or $0.28 per share compared to a net loss of $42.1 million or $0.52 per share for the previous year. Earnings before interest, taxes, depreciation and amortization ("EBITDA" - see "Non-GAAP financial measure") more than doubled from $10.6 million for the previous year to $24.7 million in the current year.

SELECTED ANNUAL INFORMATION

Years ended April 30 (in millions of Canadian dollars, except per share information)		**2018**		2017		2016
Revenue by region						
Canada - U.S.	**$**	**185**	$	180	$	195
South and Central America		**94**		71		66
Asia and Africa		**63**		50		44
		342		301		305
Gross profit		**74**		60		70
as a percentage of revenue		**21.7%**		20.0%		23.0%
Net loss		**(22)**		(42)		(45)
per share (basic and diluted)	**$**	**(0.28)**	$	(0.52)	$	(0.57)
Total assets		**467**		495		503
Total long-term financial liabilities		**19**		8		13
Dividends paid		**-**		-		3

RESULTS OF OPERATIONS

FISCAL 2018 COMPARED TO FISCAL 2017

Revenue for the fiscal year ended April 30, 2018 was up for the first time since fiscal 2012, at $342.3 million, an increase of 14% from revenue of $300.6 million recorded in the prior year. The Company has experienced growth across most regions, with activity levels gradually increasing month to month, as gold producers increased exploration budgets from the prior year. South and Central America led the growth, followed by Asia and Africa.

As compared to fiscal 2017, prices for drilling services improved throughout fiscal 2018, but were offset somewhat by increased labour, mobilization and repair costs, which is typical in a ramp-up environment. All other direct costs in fiscal 2018 have remained consistent relative to the prior year.

Canada - U.S.

Canada - U.S. revenue increased by 3% to $185.9 million, compared to $179.8 million last year. The increase in activity came from both coring operations in Canada and U.S., offset partially by the completion of a large percussive project in the U.S.

Gross margins in Canada - U.S. were down slightly compared to last year, mainly as a result of the cost to ramp up the operations, and the competitive environment. Prices for drilling services continue to improve, although these improvements are presently offset by an increase in labour, mobilization and repair costs, which is typical in a ramp-up environment.

South and Central America

Revenue in South and Central America increased by 31% to $93.7 million, compared to $71.4 million for the prior year. Increased activity levels in Argentina, Colombia, Chile and Brazil were offset slightly by reductions in Mexico.

Gross margins in the region were up compared to last year, as pricing improved and a focus on production helped improve margins.

Asia and Africa

Revenue in Asia and Africa increased 27% to $62.7 million from $49.4 million in the prior year. Increased activity levels came predominantly from Mongolia as operations started to ramp up after prolonged delays in that country.

Gross margins for the region were up year-over-year, mainly as a result of increased work and better rig utilization.

Operating expenses

General and administrative costs were at $47.7 million, compared to $44.6 million in the prior year, as the Company has maintained much of its infrastructure intact to enable it to react quickly to increased activity in the industry. Salaries and benefits expenses accounted for a large part of the increase, as staffing levels and salaries increased with the ramp-up in activity from lower levels in the previous year.

Other expenses were $3.5 million for the year, compared to $5.2 million for the prior year. The decrease is mainly due to a decrease in bad debt expense of $1.1 million from the prior year and a true-up of $0.7 million, recorded in the prior year, on the contingent consideration due to better than expected results arising from the Taurus acquisition.

Income tax recovery for the year was $1.8 million, compared to an expense of $0.1 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, non-deductible expenses, and a reduction of the U.S. federal corporate tax rate.

Net loss for the year was $22.5 million or $0.28 per share ($0.28 per share diluted), compared to a net loss of $42.1 million or $0.52 per share ($0.52 per share diluted) for the prior year.

SUMMARY ANALYSIS 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 year ended April 30, 2016. Although the year-over-year revenue remained relatively flat, the Company saw an increase in activities over the latter part of the year ended April 30, 2017, 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 ended April 30, 2017 was 20.0%, down from 23.0% for the prior year. Pricing continued to be challenging during the year ended April 30, 2017 due to competitive pressure, but the Company saw a slight increase during the final quarter of that year as there was more activity in the fourth quarter.

The combination of relatively flat revenue and lower margins resulted in a net loss of $42.1 million or $0.52 per share for the year ended April 30, 2017, compared to a net loss of $45.3 million or $0.57 per share for the year ended April 30, 2016, which included an $8.4 million restructuring charge on the shutdown of operations in South Africa and Namibia.

SUMMARY OF QUARTERLY RESULTS

(in $000s CAD, except per share)	*Fiscal 2017*				***Fiscal 2018***			
	Q1	Q2	Q3	Q4	**Q1**	**Q2**	**Q3**	**Q4**
Revenue	$ 69,089	$ 79,913	$ 70,117	$ 81,469	**$ 83,952**	**$ 87,992**	**$ 74,970**	**$ 95,412**
Gross profit	15,141	16,088	9,380	19,609	**16,767**	**21,177**	**13,193**	**23,146**
Gross margin	21.9%	20.1%	13.4%	24.1%	**20.0%**	**24.1%**	**17.6%**	**24.3%**
Net loss	(9,782)	(9,757)	(14,294)	(8,231)	**(6,890)**	**(2,722)**	**(8,494)**	**(4,346)**
Per share - basic	(0.12)	(0.12)	(0.18)	(0.10)	**(0.09)**	**(0.03)**	**(0.11)**	**(0.05)**
Per share - diluted	(0.12)	(0.12)	(0.18)	(0.10)	**(0.09)**	**(0.03)**	**(0.11)**	**(0.05)**

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, 2018

Total revenue for the quarter was $95.4 million, up 17.1% from revenue of $81.5 million recorded in the same quarter last year, despite the unfavorable foreign exchange translation impact for the quarter, compared to the effective rates for the same period last year, estimated at $3 million on revenue. The foreign exchange impact on net earnings for the quarter was negligible.

Revenue for the quarter from Canada - U.S. drilling operations decreased by 4% to $45.5 million, compared to the same period last year. Delayed startups at the beginning of the quarter and the completion of a large percussive drilling program affected revenue in the region. As well, high repair and training costs coming into the fourth quarter affected margins in the region.

South and Central American revenue increased by 43% to $32.5 million for the quarter, compared to the same quarter last year. Almost half the increase is attributable to growth in Chile, primarily from copper projects. There were also increases in Argentina, Brazil and Colombia.

Asian and African operations reported revenue of $17.4 million, up 55% from the same period last year. This increase was driven by stronger activity in most areas but particularly in Mongolia.

The overall gross margin percentage for the quarter was 24.3%, up from 24.1% for the same period last year. The increased margins resulted from improved market conditions and better production, offset slightly by increased wages and benefits and consumable expenses, while all other direct costs have remained consistent relative to the same quarter last year.

With the ramp-up in activity from lower levels compared to the same quarter last year, general and administrative costs were up 4% at $12.2 million.

Other expenses were $1.3 million compared to $2.6 million for the same quarter last year. This decrease is attributed to a decrease in bad debt expense compared to the same quarter last year and a true-up of $0.7 million, recorded in the same quarter last year, on the contingent consideration due to better than expected results arising from the Taurus acquisition.

The income tax provision for the quarter was an expense of $2.5 million compared to an expense of $0.2 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 $4.3 million or $0.05 per share ($0.05 per share diluted) for the quarter, compared to a net loss of $8.2 million or $0.10 per share ($0.10 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, 2018 was an inflow of $25.2 million compared to an inflow of $10.9 million in the previous year.

The change in non-cash operating working capital items was an outflow of $8.4 million for the year, compared to an outflow of $8.0 million for the prior year. The outflow of non-cash operating working capital was primarily impacted by:

- an increase in accounts receivable of $18.0 million;
- an increase in accounts payable of $8.4 million; and
- a decrease in inventory of $1.3 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.

Operating Credit Facilities

The credit facilities related to operations total $26.3 million ($25.0 million from a Canadian chartered bank and $1.3 million from an American chartered bank) and are primarily secured by corporate guarantees of companies within the group. At April 30, 2018, the Company had utilized $2.4 million of these lines for stand-by letters of credit. The Company also has a credit facility of $2.5 million for credit cards for which interest rate and repayment are as per cardholder agreements.

Long-Term Debt

Total long-term debt increased by $11.5 million during the year to $19.3 million at April 30, 2018. The increase is due to a draw of $15.0 million on the revolving facility, to finance capital expenditures and working capital, offset by debt repayments of $3.2 million and foreign currency exchange variation of $0.1 million.

As of April 30, 2018, 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, 2018, $15.0 million had been drawn on this facility, bearing interest at 3.76%, maturing in May 2020.

- $3.3 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 $1.0 million at April 30, 2018, which were fully drawn and mature through 2022.

	Payments due by period (in $000s CAD)				
Contractual obligations	**Total**	**Less than 1 year**	**2 - 3 years**	**4 - 5 years**	**6+ years**
Long-term debt (interest included)	$ 20,892	$ 2,571	$ 17,960	$ 361	$ -
Purchasing commitments	4,457	4,457	-	-	-
Operating leases	3,364	1,578	1,183	434	169
Total contractual obligations	$ 28,713	$ 8,606	$ 19,143	$ 795	$ 169

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, 2018, the Company had unused borrowing capacity under its credit facilities of $58.9 million and cash of $21.3 million, for a total of $80.2 million in available funds.

Investing Activities
Capital expenditures were $22.5 million (net of $0.1 million of equipment financing) for the year ended April 30, 2018, compared to $17.7 million (net of $0.9 million of equipment financing) for the prior year.

The drill rig count was at 628 at year-end as the Company added 16 rigs to its fleet as part of the Company's specialized and diversification strategies, while retiring or disposing of 34 older, inefficient and more costly rigs.

RELATED PARTY TRANSACTIONS

There were no related party transactions during the year, other than those disclosed in note 21 "Related Party Transactions" of the Notes to Consolidated Financial Statements for the year ended April 30, 2018.

OUTLOOK

Indications support the Company's belief that the industry is still early in the exploration cycle, with most industry watchers pointing to depleting mineral reserves for the foreseeable future as mining companies continue to search for significant discoveries. The number of large exploration projects is still very low compared to the last cyclical peak in 2012, confirming this lack of significant discoveries. As mining companies begin to discover meaningful levels of resources, they will then have to engage in a period of enhanced infill drilling. With the easily accessible mineral reserves getting depleted around the world, attractive deposits will be in areas increasingly difficult to access and deeper in the ground, which will bring a resurgence in demand for specialized drilling.

One of the challenges in drilling services 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. With safety and training in mind, the Company continues to deploy technologies that will aid in the continued development of safe, competent employees while at the same time, in the quest for zero harm, reduce the number of incidents involving new recruits as compared to previous cycles. These enhancements to the Company's recruiting and training systems will produce continuous improvements over the next few years. As well, there are several innovation initiatives under way to help improve productivity going forward.

The Company expects to spend approximately $30 million in capital expenditures in fiscal 2019 to meet customers' demands, improve rig reliability, productivity and utilization, as well as to 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 (earnings before interest, taxes, depreciation and amortization). The Company believes this non-GAAP financial measure is key, for both management and investors, in evaluating performance at a consolidated level. EBITDA is commonly reported and widely used by investors and lending institutions as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. 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 $000s CAD)	**2018**	2017
Net loss	**$ (22,452)**	$ (42,064)
Finance costs	**782**	331
Income tax (recovery) provision	**(1,824)**	100
Depreciation and amortization	**48,153**	51,580
Contingent consideration true-up	**-**	669
EBITDA	**$ 24,659**	$ 10,616

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 relative strength of the Canadian dollar against the U.S. dollar.

During fiscal 2018, 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 unfavourable foreign exchange translation impact for the year, when comparing to the effective rates for the prior year, is estimated at approximately $7 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.

Currency controls and government policies in foreign jurisdictions, where a substantial portion of the Company's business is conducted, can restrict the Company's ability to exchange such foreign currency for other currencies, such as the U.S. dollar. To mitigate this risk, the Company has adopted a policy of carrying limited foreign currencies in local bank accounts.

As at April 30, 2018, the most significant carrying amounts of net monetary assets (which may include intercompany balances with other subsidiaries) that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; and (ii) cause foreign exchange rate exposure, including the impact on earnings before income taxes ("EBIT"), if the corresponding rate changes by 10%, are as follows:

	Rate variance	MNT/USD	USD/CAD	COP/USD	CFA/USD	PES/USD	USD/CLP	Other
Net exposure on monetary assets		$ 7,231	$ 6,100	$ 2,295	$ 2,230	$ (1,047)	$ (3,890)	$ 269
EBIT impact	+/-10%	803	678	255	248	116	432	29

FUTURE ACCOUNTING CHANGES

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

IFRS 2 Share-based Payment ("IFRS 2")
IFRS 2, amended in June 2016, clarifies the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. These final amendments to IFRS 2 are effective for annual periods beginning on or after January 1, 2018. The Company has completed its assessment of IFRS 2 and the amendments are not expected to have a significant impact on the Consolidated Financial Statements.

IFRS 9 Financial Instruments ("IFRS 9")
IFRS 9, completed by the IASB in phases, with the final version issued in July 2014, replaces IAS 39, Financial Instruments: Recognition and Measurement. The standard contains requirements in the areas of classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. As a result of adoption on May 1, 2018, the Company will reclassify its financial assets into new categories specified under IFRS 9 and will apply the expected credit loss model to measure impairment, however the Company does not expect a significant change in accounting for its financial assets as a result. Further, the Company's designated hedges will continue to qualify for hedge accounting under IFRS 9 and therefore no significant impact on the Consolidated Financial Statements is expected.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")
IFRS 15, issued in May 2014, clarifies the principles for recognizing revenue from contracts with customers. It provides a comprehensive framework for recognition and measurement of revenue from contracts with customers and will also result in enhanced disclosures around revenue. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Additional disclosures relating to revenue may be required in the Consolidated Financial Statements, however, the adoption of IFRS 15 is not expected to have a significant impact on the ongoing recognition of the Company's revenue.

IFRS 16 Leases (“IFRS 16”)
IFRS 16, issued in January 2016, replaces IAS 17, Leases. Early adoption is permitted if IFRS 15 has been applied or is applied on the same date. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting remains substantially unchanged as they continue to classify leases as operating or finance. IFRS 16 is effective for periods beginning on or after January 1, 2019. The Company is in the process of quantifying the impact IFRS 16 will have on the Consolidated Financial Statements.

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 (such as the Company) to the mining industry.

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 and 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.

Market price and dilution of common shares
Factors such as variations in the Company's financial results, announcements by the Company or other developments affecting the Company's business or the mining industry could cause the market price of the common shares to fluctuate significantly.

In the event that the Company increases the number of common shares issued, this may have a dilutive effect on the price of the common shares.

Environmental regulations
The Company's operations involving contract drilling, exploration, and development activities, require permits from various federal, provincial, state, and local governmental authorities. Such operations are, and will be, governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Regulatory requirements and environmental standards are subject to constant evaluation and may change significantly, which could have adverse effects on the business of the Company and its clients in any jurisdiction in which the Company operates.

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, 2018.

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 2018, 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, 2018, 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 data was composed of the following:

(amounts in thousands)	**As at June 7, 2018**	As at June 5, 2017
Common shares	**80,300**	80,140
Stock options outstanding	**3,604**	4,083