

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Operations

(in thousands of Canadian dollars, except per share information)
(unaudited)

	Three months ended October 31		Six months ended October 31	
	2015	2014	2015	2014
TOTAL REVENUE	\$ 84,667	\$ 87,192	\$ 168,601	\$ 154,743
DIRECT COSTS	61,356	66,456	123,673	117,340
GROSS PROFIT	23,311	20,736	44,928	37,403
OPERATING EXPENSES				
General and administrative	10,805	11,261	21,445	22,240
Other expenses	813	1,673	1,881	2,544
Loss (gain) on disposal of property, plant and equipment	285	(2,015)	(2,339)	(2,030)
Foreign exchange loss	558	1,445	1,726	1,518
Finance costs	81	190	151	394
Depreciation of property, plant and equipment	12,670	12,609	24,928	25,962
Amortization of intangible assets	976	527	1,934	848
Restructuring charge (note 11)	59	2,830	6,491	3,421
	26,247	28,520	56,217	54,897
LOSS BEFORE INCOME TAX	(2,936)	(7,784)	(11,289)	(17,494)
INCOME TAX - PROVISION (RECOVERY) (note 7)				
Current	3,588	4,187	6,472	4,515
Deferred	(1,175)	(1,823)	(1,232)	(4,530)
	2,413	2,364	5,240	(15)
NET LOSS	\$ (5,349)	\$ (10,148)	\$ (16,529)	\$ (17,479)
LOSS PER SHARE (note 8)				
Basic	\$ (0.07)	\$ (0.13)	\$ (0.21)	\$ (0.22)
Diluted	\$ (0.07)	\$ (0.13)	\$ (0.21)	\$ (0.22)

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Comprehensive (Loss) Earnings

(in thousands of Canadian dollars)
(unaudited)

	Three months ended October 31		Six months ended October 31	
	2015	2014	2015	2014
NET LOSS	\$ (5,349)	\$ (10,148)	\$ (16,529)	\$ (17,479)
OTHER COMPREHENSIVE EARNINGS				
Items that may be reclassified subsequently to profit or loss				
Unrealized (losses) gains on foreign currency translations (net of tax)	(664)	8,846	20,301	6,346
COMPREHENSIVE (LOSS) EARNINGS	\$ (6,013)	\$ (1,302)	\$ 3,772	\$ (11,133)

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Changes in Equity

For the six months ended October 31, 2014 and 2015

(in thousands of Canadian dollars)

(unaudited)

	<u>Share capital</u>	<u>Share-based payments reserve</u>	<u>Retained earnings</u>	<u>Foreign currency translation reserve</u>	<u>Total</u>
BALANCE AS AT MAY 1, 2014	\$ 230,985	\$ 15,937	\$211,945	\$ 25,480	\$484,347
Exercise of stock options	46	(12)	-	-	34
Share issue	8,689	-	-	-	8,689
Share-based payments reserve	-	702	-	-	702
Dividends	-	-	(8,014)	-	(8,014)
	<u>239,720</u>	<u>16,627</u>	<u>203,931</u>	<u>25,480</u>	<u>485,758</u>
Comprehensive loss:					
Net loss	-	-	(17,479)	-	(17,479)
Unrealized gains on foreign currency translations	-	-	-	6,346	6,346
Total comprehensive loss	<u>-</u>	<u>-</u>	<u>(17,479)</u>	<u>6,346</u>	<u>(11,133)</u>
BALANCE AS AT OCTOBER 31, 2014	<u>\$ 239,720</u>	<u>\$ 16,627</u>	<u>\$186,452</u>	<u>\$ 31,826</u>	<u>\$474,625</u>
BALANCE AS AT MAY 1, 2015	\$ 239,726	\$ 17,234	\$152,764	\$ 50,668	\$460,392
Share-based payments reserve	-	528	-	-	528
Dividends	-	-	(1,603)	-	(1,603)
	<u>239,726</u>	<u>17,762</u>	<u>151,161</u>	<u>50,668</u>	<u>459,317</u>
Comprehensive earnings:					
Net loss	-	-	(16,529)	-	(16,529)
Unrealized gains on foreign currency translations	-	-	-	20,301	20,301
Total comprehensive earnings	<u>-</u>	<u>-</u>	<u>(16,529)</u>	<u>20,301</u>	<u>3,772</u>
BALANCE AS AT OCTOBER 31, 2015	<u>\$ 239,726</u>	<u>\$ 17,762</u>	<u>\$134,632</u>	<u>\$ 70,969</u>	<u>\$463,089</u>

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)
(unaudited)

	Three months ended October 31		Six months ended October 31	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
OPERATING ACTIVITIES				
Loss before income tax	\$ (2,936)	\$ (7,784)	\$ (11,289)	\$ (17,494)
Operating items not involving cash				
Depreciation and amortization	13,646	13,136	26,862	26,810
Loss (gain) on disposal of property, plant and equipment	285	(2,015)	(2,339)	(2,030)
Share-based payments reserve	265	347	528	702
Restructuring charge	-	1,953	5,045	1,953
Finance costs recognized in loss before income tax	81	190	151	394
	<u>11,341</u>	<u>5,827</u>	<u>18,958</u>	<u>10,335</u>
Changes in non-cash operating working capital items	(1,774)	3,596	(2,870)	2,401
Finance costs paid	(79)	(187)	(151)	(388)
Income taxes paid	(1,414)	(2,009)	(5,532)	(4,209)
Cash flow from operating activities	<u>8,074</u>	<u>7,227</u>	<u>10,405</u>	<u>8,139</u>
FINANCING ACTIVITIES				
Increase (decrease) in demand loan	-	658	-	(2,696)
Repayment of long-term debt	(1,897)	(4,760)	(3,681)	(6,499)
Issuance of common shares	-	25	-	34
Dividends paid	-	-	(1,603)	(7,916)
Cash flow used in financing activities	<u>(1,897)</u>	<u>(4,077)</u>	<u>(5,284)</u>	<u>(17,077)</u>
INVESTING ACTIVITIES				
Business acquisition (note 10)	(1,783)	(20,891)	(1,783)	(20,891)
Acquisition of property, plant and equipment (net of direct financing) (note 6)	(3,830)	(2,912)	(7,095)	(10,057)
Proceeds from disposal of property, plant and equipment	151	5,246	6,020	15,880
Cash flow used in investing activities	<u>(5,462)</u>	<u>(18,557)</u>	<u>(2,858)</u>	<u>(15,068)</u>
Effect of exchange rate changes	<u>287</u>	<u>985</u>	<u>2,418</u>	<u>815</u>
INCREASE (DECREASE) IN CASH	1,002	(14,422)	4,681	(23,191)
CASH, BEGINNING OF THE PERIOD	48,576	65,475	44,897	74,244
CASH, END OF THE PERIOD	\$ 49,578	\$ 51,053	\$ 49,578	\$ 51,053

Major Drilling Group International Inc.
Interim Condensed Consolidated Balance Sheets

As at October 31, 2015 and April 30, 2015

(in thousands of Canadian dollars)

(unaudited)

	October 31, 2015	April 30, 2015
ASSETS		
CURRENT ASSETS		
Cash	\$ 49,578	\$ 44,897
Trade and other receivables	67,582	58,559
Note receivable	450	-
Income tax receivable	10,749	12,182
Inventories	79,618	79,248
Prepaid expenses	4,565	2,968
	212,542	197,854
NOTE RECEIVABLE	1,723	-
PROPERTY, PLANT AND EQUIPMENT	267,798	276,594
DEFERRED INCOME TAX ASSETS	6,079	4,722
GOODWILL	58,018	57,274
INTANGIBLE ASSETS	4,573	6,260
	\$ 550,733	\$ 542,704
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	\$ 39,636	\$ 33,820
Income tax payable	1,208	2,388
Current portion of contingent consideration	3,000	2,735
Current portion of long-term debt	7,884	6,776
	51,728	45,719
CONTINGENT CONSIDERATION	5,347	7,395
LONG-TERM DEBT	8,578	8,569
DEFERRED INCOME TAX LIABILITIES	21,991	20,629
	87,644	82,312
SHAREHOLDERS' EQUITY		
Share capital	239,726	239,726
Share-based payments reserve	17,762	17,234
Retained earnings	134,632	152,764
Foreign currency translation reserve	70,969	50,668
	463,089	460,392
	\$ 550,733	\$ 542,704

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2015 AND 2014 (UNAUDITED)
(in thousands of Canadian dollars, except per share information)

1. NATURE OF ACTIVITIES

Major Drilling Group International Inc. (the “Company” or “Major Drilling”) is incorporated under the Canada Business Corporations Act and has its head office at 111 St. George Street, Suite 100, Moncton, NB, Canada. The Company’s common shares are listed on the Toronto Stock Exchange (“TSX”). The principal source of revenue consists of contract drilling for companies primarily involved in mining and mineral exploration. The Company has operations in Canada, the United States, Mexico, South America, Asia and Africa.

2. BASIS OF PRESENTATION

Statement of compliance

These Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies as outlined in the Company’s annual Consolidated Financial Statements for the year ended April 30, 2015.

On December 3, 2015, the Board of Directors authorized the financial statements for issue.

Basis of consolidation

These Interim Condensed Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statements of Operations from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Intra-group transactions, balances, income and expenses are eliminated on consolidation, where appropriate.

Basis of preparation

These Interim Condensed Consolidated Financial Statements have been prepared based on the historical cost basis except for certain financial instruments that are measured at fair value, using the same accounting policies and methods of computation as presented in the Company’s annual Consolidated Financial Statements for the year ended April 30, 2015.

MAJOR DRILLING GROUP INTERNATIONAL INC.
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3. APPLICATION OF NEW AND REVISED IFRS

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

- IFRS 9 (*as amended in 2014*) *Financial Instruments - effective date January 1, 2018*
- IFRS 10 (*amended*) *Consolidated Financial Statements - effective date January 1, 2016*
- IFRS 11 (*amended*) *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations - effective date January 1, 2016*
- IFRS 15 *Revenue from Contracts with Customers - effective date January 1, 2018*
- IAS 1 (*amended*) *Presentation of Financial Statements - effective date January 1, 2016*
- IAS 16 (*amended*) *Property, Plant and Equipment - effective date January 1, 2016*
- IAS 28 (*amended*) *Investments in Associates and Joint Ventures - effective date January 1, 2016*
- IAS 38 (*amended*) *Intangible Assets - effective date January 1, 2016*

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The preparation of financial statements, in conformity with International Financial Reporting Standards ("IFRS"), requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Significant areas requiring the use of management estimates relate to the useful lives of property, plant and equipment for depreciation purposes, property, plant and equipment and inventory valuation, determination of income and other taxes, assumptions used in the compilation of share-based payments, fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities and contingent considerations, and impairment testing of goodwill and intangible assets.

The Company applied judgment in determining the functional currency of the Company and its subsidiaries, the determination of cash generating units ("CGUs"), the degree of componentization of property, plant and equipment, and the recognition of provisions and accrued liabilities.

5. SEASONALITY OF OPERATIONS

The third quarter (November to January) is normally the Company's weakest quarter due to the shutdown of mining and exploration activities, often for extended periods over the holiday season.

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6. PROPERTY, PLANT AND EQUIPMENT

Capital expenditures for the three months ended October 31, 2015 were \$6,523 (2014 - \$3,124) and for the six months ended October 31, 2015 were \$11,759 (2014 - \$10,269). The Company obtained direct financing of \$2,693 and \$4,664 for the three and six months ended October 31, 2015, respectively, and \$212 for the three and six months ended October 31, 2014.

7. INCOME TAXES

The income tax expense for the period can be reconciled to accounting loss as follows:

	<u>Q2 2016</u>	<u>Q2 2015</u>	<u>YTD 2016</u>	<u>YTD 2015</u>
Loss before income tax	<u>\$ (2,936)</u>	<u>\$ (7,784)</u>	<u>\$ (11,289)</u>	<u>\$ (17,494)</u>
Statutory Canadian corporate income tax rate	27%	27%	27%	27%
Expected income tax recovery based on statutory rate	(793)	(2,102)	(3,048)	(4,723)
Non-recognition of tax benefits related to losses	1,412	2,814	4,673	3,564
Other foreign taxes paid	179	77	632	171
Rate variances in foreign jurisdictions	372	(19)	79	(276)
Permanent differences	1,009	95	2,555	434
Other	234	1,499	349	815
Income tax expense (recovery) recognized in net loss	<u>\$ 2,413</u>	<u>\$ 2,364</u>	<u>\$ 5,240</u>	<u>\$ (15)</u>

The Company periodically assesses its liabilities and contingencies for all tax years open to audit based upon the latest information available. For those matters where it is probable that an adjustment will be made, the Company records its best estimate of these tax liabilities, including related interest charges. Inherent uncertainties exist in estimates of tax contingencies due to changes in tax laws. While management believes they have adequately provided for the probable outcome of these matters, future results may include favorable or unfavorable adjustments to these estimated tax liabilities in the period the assessments are made, or resolved, or when the statutes of limitations lapse.

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8. LOSS PER SHARE

All of the Company's earnings are attributable to common shares therefore net earnings are used in determining earnings per share.

	<u>Q2 2016</u>	<u>Q2 2015</u>	<u>YTD 2016</u>	<u>YTD 2015</u>
Net loss	<u>\$ (5,349)</u>	<u>\$ (10,148)</u>	<u>\$ (16,529)</u>	<u>\$ (17,479)</u>
Weighted average number of shares – basic and diluted (000's)	<u>80,137</u>	<u>80,124</u>	<u>80,137</u>	<u>79,643</u>
Loss per share:				
Basic	\$ (0.07)	\$ (0.13)	\$ (0.21)	\$ (0.22)
Diluted	\$ (0.07)	\$ (0.13)	\$ (0.21)	\$ (0.22)

There were no anti-dilutive options for the three and six months ended October 31, 2015 or 2014.

The total number of shares outstanding on October 31, 2015 was 80,136,884 (2014 - 80,135,883).

9. SEGMENTED INFORMATION

The Company's operations are divided into three geographic segments corresponding to its management structure, Canada - U.S., South and Central America, and Asia and Africa. The services provided in each of the reportable segments are essentially the same. The accounting policies of the segments are the same as those described in the Company's annual Consolidated Financial Statements for the year ended April 30, 2015. Management evaluates performance based on earnings from operations in these three geographic segments before finance costs, general corporate expenses and income taxes. Data relating to each of the Company's reportable segments is presented as follows:

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9. SEGMENTED INFORMATION (Continued)

	<u>Q2 2016</u>	<u>Q2 2015</u>	<u>YTD 2016</u>	<u>YTD 2015</u>
Revenue				
Canada - U.S.	\$ 56,056	\$ 49,813	\$ 107,087	\$ 86,232
South and Central America	16,924	23,331	37,405	37,436
Asia and Africa	11,687	14,048	24,109	31,075
	<u>\$ 84,667</u>	<u>\$ 87,192</u>	<u>\$ 168,601</u>	<u>\$ 154,743</u>
Earnings (loss) from operations				
Canada - U.S.*	\$ 3,511	\$ 2,580	\$ 4,337	\$ 1,967
South and Central America	(1,212)	(794)	(7)	(5,512)
Asia and Africa	(2,369)	(6,528)	(10,874)	(8,810)
	<u>(70)</u>	<u>(4,742)</u>	<u>(6,544)</u>	<u>(12,355)</u>
Finance costs	81	190	151	394
General corporate expenses**	2,785	2,852	4,594	4,745
Income tax	2,413	2,364	5,240	(15)
Net loss	<u>\$ (5,349)</u>	<u>\$ (10,148)</u>	<u>\$ (16,529)</u>	<u>\$ (17,479)</u>

*Canada - U.S. includes revenue of \$30,548 and \$29,187 for Canadian operations for the three months ended October 31, 2015 and 2014, respectively, and \$62,220 and \$51,637 for the six months ended October 31, 2015 and 2014, respectively.

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

	<u>Q2 2016</u>	<u>Q2 2015</u>	<u>YTD 2016</u>	<u>YTD 2015</u>
Capital expenditures				
Canada - U.S.	\$ 5,632	\$ 1,938	\$ 9,669	\$ 5,403
South and Central America	726	563	1,412	3,590
Asia and Africa	165	548	678	1,187
Unallocated and corporate assets	-	75	-	89
Total capital expenditures	<u>\$ 6,523</u>	<u>\$ 3,124</u>	<u>\$ 11,759</u>	<u>\$ 10,269</u>

	<u>Q2 2016</u>	<u>Q2 2015</u>	<u>YTD 2016</u>	<u>YTD 2015</u>
Depreciation and amortization				
Canada - U.S.	\$ 6,925	\$ 6,440	\$ 13,649	\$ 12,484
South and Central America	2,924	2,930	6,439	6,584
Asia and Africa	3,422	3,390	6,026	6,995
Unallocated and corporate assets	375	376	748	747
Total depreciation and amortization	<u>\$ 13,646</u>	<u>\$ 13,136</u>	<u>\$ 26,862</u>	<u>\$ 26,810</u>

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9. SEGMENTED INFORMATION (Continued)

	<u>October 31, 2015</u>	<u>April 30, 2015</u>
Identifiable assets		
Canada - U.S.*	\$ 243,327	\$ 226,919
South and Central America	147,314	163,539
Asia and Africa	105,208	109,791
Unallocated and corporate assets	<u>54,884</u>	<u>42,455</u>
Total identifiable assets	<u>\$ 550,733</u>	<u>\$ 542,704</u>

*Canada - U.S. includes property, plant and equipment at October 31, 2015 of \$77,279 (April 30, 2015 - \$84,115) for Canadian operations.

10. BUSINESS ACQUISITION

The Company has finalized the valuation of assets for Taurus Drilling Services, acquired August 1, 2014. There were no material adjustments required to values allocated to net tangible and intangible assets presented in the annual consolidated financial statements for the year ended April 30, 2015. During the current quarter, the Company made the first payment on the contingent consideration of \$1,783.

11. RESTRUCTURING CHARGE

During the year, the Company continued to rationalize certain operations, and due to ongoing market difficulties in the Republic of South Africa and Namibia, the Company decided to close its operations in those countries.

These restructuring initiatives generated impairment losses calculated based on the determination of the fair value of assets less cost of disposal. Fair value was determined through the use of industry knowledge and specialists.

The restructuring charge was \$59 and \$6,491 for the three and six months ended October 31, 2015, respectively. For the three months ended October 31, 2015, the amount consists of employee severance charges for \$59. For the six months ended October 31, 2015, the amount includes an impairment charge of \$3,479 relating to property, plant and equipment; a write-down of \$1,304 to reduce inventory to net realizable value; employee severance charges of \$446 and other non-cash charges of \$262 along with a charge of \$1,000 relating to the cost of winding down operations. The unpaid portion of these charges, totaling \$751, is recorded in trade and other payables.

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11. RESTRUCTURING CHARGE (Continued)

During the previous year, the Company continued to rationalize certain operations and due to ongoing administrative difficulties to operate in the Democratic Republic of Congo (“DRC”), the Company decided to close down its operation in that country. The restructuring charge was \$2,830 and \$3,421 for the three and six months ended October 31, 2014, respectively. For the three months ended October 31, 2014, the amount consists of a reduction of \$2,092 in the previously recorded provision for the Australian restructure; an impairment charge of \$1,953 relating to property, plant and equipment from the DRC close down; a write-down of \$1,628 to reduce inventory in the DRC to net realizable value; employee severance charges of \$84 incurred to rationalize the workforce in several operations; and a further charge of \$1,257 relates to the cost of winding down operations in the DRC. For the six months ended October 31, 2014, the amount includes further employee severance charges of \$591.

12. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, trade and other receivables, demand credit facility and trade and other payables approximate their fair value due to the relatively short period to maturity of the instruments. The following table shows carrying values of contingent consideration and long-term debt, which approximates their fair value, as most debts carry variable interest rates and the remaining fixed rate debts have been acquired recently and their carrying value continues to reflect fair value. The fair value of the interest rate swap included in long-term debt is measured using quoted interest rates.

	<u>October 31, 2015</u>	<u>April 30, 2015</u>
Contingent consideration	\$ 8,347	\$ 10,130
Long-term debt	16,462	15,345

The Company is in compliance with all covenants and other conditions imposed by its debt agreements.

Credit risk

As at October 31, 2015, 79.4% (April 30, 2015 - 89.0%) of the Company’s trade receivables were aged as current and 7.5% (April 30, 2015 - 8.2%) of the trade receivables were impaired.

The movements in the allowance for impairment of trade receivables during the six-month periods were as follows:

	<u>October 31, 2015</u>	<u>October 31, 2014</u>
Opening balance	\$ 4,204	\$ 3,016
Increase in impairment allowance	801	1,258
Recovery of amounts previously impaired	(191)	(186)
Write-off charged against allowance	(206)	(814)
Foreign exchange translation differences	113	(52)
Ending balance	\$ 4,721	\$ 3,222

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12. FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk

As at October 31, 2015, the most significant carrying amounts of net monetary assets that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; (ii) cause foreign exchange rate exposure; and (iii) may include intercompany balances with other subsidiaries, including the impact on earnings before income taxes ("EBIT"), if the corresponding rate changes by 10%, are as follows:

	Rate Variance	ARP/USD	CFA/USD	COP/USD	USD/CLP	USD/CAD
Exposure		\$ 2,791	\$ 2,485	\$ 2,478	\$ 958	\$ (51)
EBIT impact	+10%	310	276	275	106	(6)

	Rate Variance	IDR/USD	USD/AUD	USD/ZAR	Other
Exposure		\$ (1,687)	\$ (2,081)	\$ (5,748)	\$ 273
EBIT impact	+10%	(187)	(231)	(639)	39

Liquidity risk

The following table details contractual maturities for the Company's financial liabilities.

	1 year	2-3 years	4-5 years	thereafter	Total
Trade and other payables	\$ 39,636	\$ -	\$ -	\$ -	\$ 39,636
Contingent consideration	3,000	5,347	-	-	8,347
Long-term debt	8,307	5,983	3,005	883	18,178
	\$ 50,943	\$ 11,330	\$ 3,005	\$ 883	\$ 66,161