

## Major Drilling Announces Third Quarter Results

MONCTON, New Brunswick (March 2, 2016) – Major Drilling Group International Inc. (TSX: MDI) (the “Company”) today reported results for its third quarter of fiscal year 2016, ended January 31, 2016.

### Highlights

In millions of Canadian dollars (except loss per share)	<u>Q3-16</u>	<u>Q3-15</u>	<u>YTD-16</u>	<u>YTD-15</u>
Revenue	\$71.9	\$69.8	\$240.5	\$224.5
Gross profit	13.0	7.8	57.9	45.2
As percentage of revenue	18.1%	11.2%	24.1%	20.1%
EBITDA <sup>(1)</sup>	(1.6)	(6.6)	20.7	6.5
As percentage of revenue	(2.2%)	(9.4%)	8.6%	2.9%
Net loss	(15.9)	(19.0)	(32.4)	(36.5)
Loss per share	(0.20)	(0.24)	(0.40)	(0.46)

(1) Earnings before interest, taxes, depreciation and amortization, excluding restructuring charges (see “non-GAAP financial measures”)

- Net cash position, net of debt, improved by \$1.7 million during the quarter, ending with a net cash position of \$34.8 million.
- Quarterly revenue was \$71.9 million, up 3% from the \$69.8 million recorded for the same quarter last year.
- Gross margin percentage for the quarter was 18.1%, compared to 11.2% for the corresponding period last year.
- Net loss was \$15.9 million or \$0.20 per share for the quarter, compared to a net loss of \$19.0 million or \$0.24 per share for the prior year quarter.
- In order to further strengthen its position to respond to a future recovery in the mining industry, the Company is suspending its dividend.

“Conditions in the mining industry continue to be extremely challenging. The third quarter is traditionally the weakest quarter of our fiscal year, as mining and exploration companies shut down, often for extended periods over the holiday season. As expected, January had a slow start as we were still waiting on customer plans for calendar 2016. As well, due to low commodity prices, particularly for base metals, some mining companies have reduced their exploration activity levels compared to last year,” said Denis Larocque, President and CEO of Major Drilling Group International Inc. “Quarterly earnings were also impacted by a foreign exchange loss of \$1.4 million related to the devaluation of the Argentine peso following the relaxing of currency controls in that country.”

“As we go through this challenging period, we continue to focus on cash preservation. Major Drilling remains net debt free, and has improved its net cash position during the quarter by \$1.7 million, ending the quarter with a net cash position of \$34.8 million. The Company spent \$4.1 million on net capital expenditures this quarter,” added Mr. Larocque.

“As we started our fourth quarter, there continued to be a number of projects where contracts have not been awarded yet. This has resulted in reduced activity in February, as compared to the same period last year, and is expected to carry through into March. At the same time, the industry is facing more pricing pressure as customers are working to further reduce their costs. We remain disciplined on pricing and focused on cost control, while being mindful that cost control must also be balanced with a continued focus on safety and the need to prepare for the next upturn.”

“While we foresee difficult market conditions continuing for the first half of calendar 2016 and perhaps beyond, we continue our efforts to prepare the Company for better times. As the Company’s financial strength allows it to invest in safety, to maintain its equipment in good condition, and to retain many of its skilled employees, we are strategically positioned to react quickly when the industry begins to recover.”

“Despite an economic slowdown, worldwide consumption continues to increase. Therefore, we believe most commodities, in the long-term, will face an imbalance between supply and demand as mining reserves continue to decrease due to the lack of exploration. At some point in the near future, the need to develop resources in areas that are increasingly difficult to access will significantly increase, at which time we expect to see a resurgence in demand for specialized drilling.”

“The Company’s Board of Directors has decided to suspend the dividend. The Company intends to use these funds to better prepare itself to adequately respond to a future upturn in the mining industry and to emerge as one of the strongest drilling companies,” said Mr. Larocque.

### **Third quarter ended January 31, 2016**

Total revenue for the quarter was \$71.9 million, up 3% from revenue of \$69.8 million recorded in the same quarter last year. There have been continued delays in the decision making process on the part of many of the Company’s senior customers in regards to their 2016 exploration drilling programs. The favorable foreign exchange translation impact for the quarter, when comparing to the effective rates for the same period last year, is estimated at \$6 million on revenue with an unfavorable impact of less than \$1 million on net earnings.

Revenue for the quarter from Canada-U.S. drilling operations increased by 16% to \$47.5 million compared to the same period last year. The increase relates to growth from the percussive division.

South and Central American revenue was down 23% to \$13.3 million for the quarter, compared to the same quarter last year. Mexico, Chile and Argentina were affected by a reduction in work by juniors and the cancellation of certain projects.

Asian and African operations reported revenue of \$11.1 million, down 3.5% from the same period last year, largely as a result of the decision to close its operations in South Africa and Namibia.

The overall gross margin percentage for the quarter was 18.1%, up from 11.2% for the same period last year. Third quarter margins are typically impacted by a slowdown during the holiday season, combined with higher than usual mobilizations, demobilizations and increased repairs during this period.

General and administrative costs decreased 3% from the same quarter last year at \$11.3 million for the quarter, despite an increase due to foreign exchange translation estimated at \$0.8 million. The Company has continued to reduce its general and administrative costs by implementing cost reduction programs and restructuring certain branches.

Foreign exchange loss was \$1.4 million compared to a loss of \$0.8 million last year. The current quarter loss primarily relates to the devaluation of the Argentine peso.

The Company recorded a restructuring charge of \$1.5 million in the quarter, relating to the decision to close its operations in South Africa and Namibia.

The income tax provision for the quarter was a recovery of \$0.8 million compared to a recovery of \$1.7 million for the prior year period. The tax recovery for the quarter was impacted by non-tax affected losses and non-deductible expenses.

Net loss was \$15.9 million or \$0.20 per share (\$0.20 per share diluted) for the quarter, compared to a net loss of \$19.0 million or \$0.24 per share (\$0.24 per share diluted) for the prior year quarter.

### **Non-GAAP Financial Measures**

In this news release, the Company uses the non-GAAP financial measure, EBITDA, excluding restructuring charges. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance of the Company. These measures do not have a standardized meaning prescribed by GAAP and therefore they 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.

### **Forward-Looking Statements**

Some of the statements contained in this news release may be forward-looking statements, such as, but not limited to, those relating to worldwide demand for gold and base metals and overall commodity prices, the level of activity in the minerals and metals industry and the demand for the Company's services, the Canadian and international economic environments, the Company's ability to attract and retain customers and to manage its assets and operating costs, sources of funding for its clients, particularly for junior mining companies, competitive pressures, currency movements, which can affect the Company's revenue in Canadian dollars, the geographic distribution of the Company's operations, the impact of operational changes, changes in jurisdictions in which the Company operates (including changes in regulation), failure by counterparties to fulfill contractual obligations, and other factors as may be set forth, as well as objectives or goals, and including words to the effect that the Company or management expects a stated condition to exist or occur. Since forward-looking statements address future events and

conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements by reason of factors such as, but not limited to, the factors set out in the discussion on pages 17 to 21 of the 2015 Annual Report entitled “General Risks and Uncertainties”, and such other documents as available on SEDAR at [www.sedar.com](http://www.sedar.com). All such factors should be considered carefully when making decisions with respect to the Company. The Company does not undertake to update any forward-looking statements, including those statements that are incorporated by reference herein, whether written or oral, that may be made from time to time by or on its behalf, except in accordance with applicable securities laws.

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

Financial statements are attached.

### **Webcast/Conference Call Information**

*Major Drilling will provide a simultaneous webcast and conference call to discuss its quarterly results on **Thursday, March 3, 2016 at 9:00 AM (EST)**. To access the webcast, which includes a slide presentation, please go to the investors/webcast section of Major Drilling’s website at [www.majordrilling.com](http://www.majordrilling.com) and click on the link. Please note that this is listen only mode.*

*To participate in the conference call, please dial 416-340-2216 and ask for Major Drilling’s Third Quarter Conference Call. To ensure your participation, please call in approximately five minutes prior to the scheduled start of the call.*

*For those unable to participate, a taped rebroadcast will be available approximately one hour after the completion of the call until midnight, Thursday March 17, 2016. To access the rebroadcast, dial 905-694-9451 and enter the passcode 8590861. The webcast will also be archived for one year and can be accessed on the Major Drilling website at [www.majordrilling.com](http://www.majordrilling.com).*

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### **For further information:**

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

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

	Three months ended January 31		Nine months ended January 31	
	<b>2016</b>	2015	<b>2016</b>	2015
<b>TOTAL REVENUE</b>	<b>\$ 71,887</b>	\$ 69,784	<b>\$ 240,488</b>	\$ 224,527
<b>DIRECT COSTS</b>	<b>58,905</b>	61,998	<b>182,578</b>	179,338
<b>GROSS PROFIT</b>	<b>12,982</b>	7,786	<b>57,910</b>	45,189
<b>OPERATING EXPENSES</b>				
General and administrative	11,334	11,667	32,779	33,907
Other expenses	1,621	1,436	3,502	3,980
Loss (gain) on disposal of property, plant and equipment	158	469	(2,181)	(1,561)
Foreign exchange loss	1,421	804	3,147	2,322
Finance costs	290	178	441	572
Depreciation of property, plant and equipment	12,633	12,145	37,561	38,107
Amortization of intangible assets	671	1,351	2,605	2,199
Restructuring charge (note 11)	1,509	405	8,000	3,826
	<b>29,637</b>	28,455	<b>85,854</b>	83,352
<b>LOSS BEFORE INCOME TAX</b>	<b>(16,655)</b>	(20,669)	<b>(27,944)</b>	(38,163)
<b>INCOME TAX - (RECOVERY) PROVISION (note 7)</b>				
Current	215	(195)	6,687	4,320
Deferred	(973)	(1,475)	(2,205)	(6,005)
	<b>(758)</b>	(1,670)	<b>4,482</b>	(1,685)
<b>NET LOSS</b>	<b>\$ (15,897)</b>	\$ (18,999)	<b>\$ (32,426)</b>	\$ (36,478)
<b>LOSS PER SHARE (note 8)</b>				
Basic	<b>\$ (0.20)</b>	\$ (0.24)	<b>\$ (0.40)</b>	\$ (0.46)
Diluted	<b>\$ (0.20)</b>	\$ (0.24)	<b>\$ (0.40)</b>	\$ (0.46)

**Major Drilling Group International Inc.**  
**Interim Condensed Consolidated Statements of Comprehensive Earnings**

(in thousands of Canadian dollars)  
(unaudited)

	Three months ended January 31		Nine months ended January 31	
	<b>2016</b>	2015	<b>2016</b>	2015
<b>NET LOSS</b>	<b>\$ (15,897)</b>	\$ (18,999)	<b>\$ (32,426)</b>	\$ (36,478)
<b>OTHER COMPREHENSIVE EARNINGS</b>				
Items that may be reclassified subsequently to profit or loss				
Unrealized gains on foreign currency translations (net of tax)	<b>19,692</b>	37,277	<b>39,993</b>	43,623
<b>COMPREHENSIVE EARNINGS</b>	<b>\$ 3,795</b>	\$ 18,278	<b>\$ 7,567</b>	\$ 7,145

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

For the nine months ended January 31, 2015 and 2016

(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>
<b>BALANCE AS AT MAY 1, 2014</b>	\$ 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	-	1,015	-	-	1,015
Dividends	-	-	(8,014)	-	(8,014)
	<u>239,720</u>	<u>16,940</u>	<u>203,931</u>	<u>25,480</u>	<u>486,071</u>
<b>Comprehensive earnings:</b>					
Net loss	-	-	(36,478)	-	(36,478)
Unrealized gains on foreign currency translations	-	-	-	43,623	43,623
Total comprehensive earnings	<u>-</u>	<u>-</u>	<u>(36,478)</u>	<u>43,623</u>	<u>7,145</u>
<b>BALANCE AS AT JANUARY 31, 2015</b>	<u>\$ 239,720</u>	<u>\$ 16,940</u>	<u>\$167,453</u>	<u>\$ 69,103</u>	<u>\$493,216</u>
<b>BALANCE AS AT MAY 1, 2015</b>	<b>\$ 239,726</b>	<b>\$ 17,234</b>	<b>\$152,764</b>	<b>\$ 50,668</b>	<b>\$460,392</b>
Share-based payments reserve	-	807	-	-	807
Dividends	-	-	(1,603)	-	(1,603)
	<u>239,726</u>	<u>18,041</u>	<u>151,161</u>	<u>50,668</u>	<u>459,596</u>
<b>Comprehensive earnings:</b>					
Net loss	-	-	(32,426)	-	(32,426)
Unrealized gains on foreign currency translations	-	-	-	39,993	39,993
Total comprehensive earnings	<u>-</u>	<u>-</u>	<u>(32,426)</u>	<u>39,993</u>	<u>7,567</u>
<b>BALANCE AS AT JANUARY 31, 2016</b>	<u><b>\$ 239,726</b></u>	<u><b>\$ 18,041</b></u>	<u><b>\$118,735</b></u>	<u><b>\$ 90,661</b></u>	<u><b>\$467,163</b></u>

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

(in thousands of Canadian dollars)  
(unaudited)

	Three months ended January 31		Nine months ended January 31	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>OPERATING ACTIVITIES</b>				
Loss before income tax	\$ (16,655)	\$ (20,669)	\$ (27,944)	\$ (38,163)
Operating items not involving cash				
Depreciation and amortization	13,304	13,496	40,166	40,306
Loss (gain) on disposal of property, plant and equipment	158	469	(2,181)	(1,561)
Share-based payments reserve	279	313	807	1,015
Restructuring charge	1,509	-	6,554	1,953
Finance costs recognized in loss before income tax	290	178	441	572
	<u>(1,115)</u>	<u>(6,213)</u>	<u>17,843</u>	<u>4,122</u>
Changes in non-cash operating working capital items	7,106	16,014	4,236	18,415
Finance costs paid	(290)	(161)	(441)	(549)
Income taxes paid	173	(2,730)	(5,359)	(6,939)
Cash flow from operating activities	<u>5,874</u>	<u>6,910</u>	<u>16,279</u>	<u>15,049</u>
<b>FINANCING ACTIVITIES</b>				
Increase (decrease) in demand loan	-	1,372	-	(1,324)
Repayment of long-term debt	(2,089)	(1,655)	(5,770)	(8,154)
Issuance of common shares	-	-	-	34
Dividends paid	(1,603)	(8,014)	(3,206)	(15,930)
Cash flow used in financing activities	<u>(3,692)</u>	<u>(8,297)</u>	<u>(8,976)</u>	<u>(25,374)</u>
<b>INVESTING ACTIVITIES</b>				
Business acquisition (note 10)	-	57	(1,783)	(20,834)
Acquisition of property, plant and equipment (net of direct financing) (note 6)	(4,057)	(3,536)	(11,152)	(13,593)
Proceeds from disposal of property, plant and equipment	317	962	6,337	16,842
Cash flow used in investing activities	<u>(3,740)</u>	<u>(2,517)</u>	<u>(6,598)</u>	<u>(17,585)</u>
Effect of exchange rate changes	<u>1,340</u>	<u>3,597</u>	<u>3,758</u>	<u>4,412</u>
<b>(DECREASE) INCREASE IN CASH</b>	<b>(218)</b>	<b>(307)</b>	<b>4,463</b>	<b>(23,498)</b>
<b>CASH, BEGINNING OF THE PERIOD</b>	<u>49,578</u>	<u>51,053</u>	<u>44,897</u>	<u>74,244</u>
<b>CASH, END OF THE PERIOD</b>	<u>\$ 49,360</u>	<u>\$ 50,746</u>	<u>\$ 49,360</u>	<u>\$ 50,746</u>

**Major Drilling Group International Inc.**  
**Interim Condensed Consolidated Balance Sheets**

As at January 31, 2016 and April 30, 2015

(in thousands of Canadian dollars)

(unaudited)

	January 31, 2016	April 30, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 49,360	\$ 44,897
Trade and other receivables	61,522	58,559
Note receivable	453	-
Income tax receivable	11,134	12,182
Inventories	81,360	79,248
Prepaid expenses	3,680	2,968
	207,509	197,854
<b>NOTE RECEIVABLE</b>	<b>1,603</b>	<b>-</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>269,826</b>	<b>276,594</b>
<b>DEFERRED INCOME TAX ASSETS</b>	<b>7,441</b>	<b>4,722</b>
<b>GOODWILL</b>	<b>58,668</b>	<b>57,274</b>
<b>INTANGIBLE ASSETS</b>	<b>4,071</b>	<b>6,260</b>
	<b>\$ 549,118</b>	<b>\$ 542,704</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	\$ 34,239	\$ 33,820
Income tax payable	1,402	2,388
Current portion of contingent consideration	3,000	2,735
Current portion of long-term debt	6,707	6,776
	45,348	45,719
<b>CONTINGENT CONSIDERATION</b>	<b>5,347</b>	<b>7,395</b>
<b>LONG-TERM DEBT</b>	<b>7,856</b>	<b>8,569</b>
<b>DEFERRED INCOME TAX LIABILITIES</b>	<b>23,404</b>	<b>20,629</b>
	<b>81,955</b>	<b>82,312</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	239,726	239,726
Share-based payments reserve	18,041	17,234
Retained earnings	118,735	152,764
Foreign currency translation reserve	90,661	50,668
	467,163	460,392
	<b>\$ 549,118</b>	<b>\$ 542,704</b>

**MAJOR DRILLING GROUP INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2016 AND 2015 (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, Africa and Europe.

**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 March 2, 2016, 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.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2016 AND 2015 (UNAUDITED)**  
**(in thousands of Canadian dollars, except per share information)**

**3. APPLICATION OF NEW AND REVISED IFRS**

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

- IFRS 9 (*as amended in 2014*) *Financial Instruments\**
- IFRS 10 (*amended*) *Consolidated Financial Statements\*\**
- IFRS 11 (*amended*) *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations\*\**
- IFRS 15 *Revenue from Contracts with Customers\**
- IFRS 16 *Leases\*\*\**
- IAS 1 (*amended*) *Presentation of Financial Statements\*\**
- IAS 7 (*amended*) *Statement of Cash Flows\*\*\*\**
- IAS 12 (*amended*) *Income Taxes\*\*\*\**
- IAS 16 (*amended*) *Property, Plant and Equipment\*\**
- IAS 28 (*amended*) *Investments in Associates and Joint Ventures\*\**
- IAS 38 (*amended*) *Intangible Assets\*\**

*\*Effective for annual periods beginning on or after January 1, 2018*

*\*\*Effective for annual periods beginning on or after January 1, 2016*

*\*\*\*Effective for annual periods beginning on or after January 1, 2019*

*\*\*\*\*Effective for annual periods beginning on or after January 1, 2017*

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, contingent consideration and allowance for doubtful accounts, 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.

**MAJOR DRILLING GROUP INTERNATIONAL INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2016 AND 2015 (UNAUDITED)**  
(in thousands of Canadian dollars, except per share information)

**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.

**6. PROPERTY, PLANT AND EQUIPMENT**

Capital expenditures for the three months ended January 31, 2016 were \$4,057 (2015 - \$3,759) and for the nine months ended January 31, 2016 were \$15,816 (2015 - \$14,028). The Company obtained direct financing of \$4,664 for the nine months ended January 31, 2016 and \$223 and \$435, respectively, for the three and nine months ended January 31, 2015.

**7. INCOME TAXES**

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

	<u>Q3 2016</u>	<u>Q3 2015</u>	<u>YTD 2016</u>	<u>YTD 2015</u>
Loss before income tax	<b>\$ (16,655)</b>	\$(20,669)	<b>\$ (27,944)</b>	\$ (38,163)
Statutory Canadian corporate income tax rate	<b>27%</b>	27%	<b>27%</b>	27%
Expected income tax recovery based on statutory rate	<b>(4,497)</b>	(5,581)	<b>(7,545)</b>	(10,304)
Non-recognition of tax benefits related to losses	<b>1,686</b>	1,994	<b>6,359</b>	5,558
Other foreign taxes paid	<b>185</b>	408	<b>817</b>	579
Rate variances in foreign jurisdictions	<b>758</b>	(351)	<b>837</b>	(627)
Permanent differences	<b>942</b>	876	<b>3,497</b>	1,310
Other	<b>168</b>	984	<b>517</b>	1,799
Income tax (recovery) expense recognized in net loss	<b>\$ (758)</b>	\$ (1,670)	<b>\$ 4,482</b>	\$ (1,685)

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>Q3 2016</u>	<u>Q3 2015</u>	<u>YTD 2016</u>	<u>YTD 2015</u>
Net loss	<u>\$ (15,897)</u>	<u>\$ (18,999)</u>	<u>\$ (32,426)</u>	<u>\$ (36,478)</u>
Weighted average number of shares – basic and diluted (000's)	<u>80,137</u>	<u>80,136</u>	<u>80,137</u>	<u>79,807</u>
<b>Loss per share:</b>				
Basic	\$ (0.20)	\$ (0.24)	\$ (0.40)	\$ (0.46)
Diluted	\$ (0.20)	\$ (0.24)	\$ (0.40)	\$ (0.46)

There were no anti-dilutive options for the three and nine months ended January 31, 2016 and 2015.

The total number of shares outstanding on January 31, 2016 was 80,136,884 (2015 - 80,135,883).

**9. SEGMENTED INFORMATION**

The Company's operations are divided into the following 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>Q3 2016</u>	<u>Q3 2015</u>	<u>YTD 2016</u>	<u>YTD 2015</u>
Revenue				
Canada - U.S.*	\$ 47,516	\$ 41,115	\$ 154,603	\$ 127,347
South and Central America	13,291	17,179	50,696	54,615
Asia and Africa	11,080	11,490	35,189	42,565
	<u>\$ 71,887</u>	<u>\$ 69,784</u>	<u>\$ 240,488</u>	<u>\$ 224,527</u>
Earnings (loss) from operations				
Canada - U.S.	\$ (4,162)	\$ (7,533)	\$ 175	\$ (5,566)
South and Central America	(6,158)	(5,288)	(6,876)	(10,800)
Asia and Africa	(3,160)	(5,211)	(14,034)	(14,021)
	<u>(13,480)</u>	<u>(18,032)</u>	<u>(20,735)</u>	<u>(30,387)</u>
Finance costs	290	178	441	572
General corporate expenses**	2,885	2,459	6,768	7,204
Income tax	(758)	(1,670)	4,482	(1,685)
Net loss	<u>\$ (15,897)</u>	<u>\$ (18,999)</u>	<u>\$ (32,426)</u>	<u>\$ (36,478)</u>

\*Canada - U.S. includes revenue of \$25,574 and \$22,423 for Canadian operations for the three months ended January 31, 2016 and 2015, respectively, and \$87,794 and \$74,060 for the nine months ended January 31, 2016 and 2015, respectively.

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

	<u>Q3 2016</u>	<u>Q3 2015</u>	<u>YTD 2016</u>	<u>YTD 2015</u>
Capital expenditures				
Canada - U.S.	\$ 2,493	\$ 2,843	\$ 12,152	\$ 9,460
South and Central America	505	115	1,928	2,148
Asia and Africa	1,059	801	1,736	2,420
Total capital expenditures	<u>\$ 4,057</u>	<u>\$ 3,759</u>	<u>\$ 15,816</u>	<u>\$ 14,028</u>
Depreciation and amortization				
Canada - U.S.	\$ 7,321	\$ 7,213	\$ 20,970	\$ 19,697
South and Central America	3,133	3,027	9,572	9,611
Asia and Africa	2,804	2,861	8,830	9,856
Unallocated and corporate assets	46	395	794	1,142
Total depreciation and amortization	<u>\$ 13,304</u>	<u>\$ 13,496</u>	<u>\$ 40,166</u>	<u>\$ 40,306</u>

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**9. SEGMENTED INFORMATION (Continued)**

	<u>January 31, 2016</u>	<u>April 30, 2015</u>
Identifiable assets		
Canada - U.S.*	\$ 239,948	\$ 226,919
South and Central America	151,088	163,539
Asia and Africa	108,470	109,791
Unallocated and corporate assets	49,612	42,455
Total identifiable assets	<u>\$ 549,118</u>	<u>\$ 542,704</u>

\*Canada - U.S. includes property, plant and equipment at January 31, 2016 of \$74,685 (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. The Company made the first payment of \$1,783 on the contingent consideration during the previous quarter.

**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. During the previous year, due to ongoing administrative difficulties to operate in the Democratic Republic of Congo ("DRC"), the Company closed its operation in that country.

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.

For the three and nine months ended January 31, 2016, respectively, the restructuring charge was \$1,509 (2015 - \$405) and \$8,000 (2015 - \$3,826), which includes an impairment charge of \$900 (2015 - nil) and \$4,379 (2015 - \$1,953) relating to property, plant and equipment; a write-down of \$609 (2015 - nil) and \$1,913 (2015 - \$1,628) to reduce inventory to net realizable value; employee severance charges of nil (2015 - \$350) and \$446 (2015 - \$1,025); other non-cash charges of nil (2015 - nil) and \$262 (2015 - nil); and a charge of nil (2015 - \$55) and \$1,000 (2015 - recovery of \$780) relating to the cost of winding down operations. The unpaid portion of these charges, totaling \$85, is recorded in trade and other payables.

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**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>January 31, 2016</u>	<u>April 30, 2015</u>
Contingent consideration	\$ 8,347	\$ 10,130
Long-term debt	14,563	15,345

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

***Credit risk***

As at January 31, 2016, 81.4% (April 30, 2015 - 89.0%) of the Company's trade receivables were aged as current and 9.2% (April 30, 2015 - 8.2%) of the trade receivables were impaired.

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

	<u>January 31, 2016</u>	<u>January 31, 2015</u>
<b>Opening balance</b>	<b>\$ 4,204</b>	<b>\$ 3,016</b>
Increase in impairment allowance	1,177	1,769
Recovery of amounts previously impaired	(191)	(186)
Write-off charged against allowance	(206)	(811)
Foreign exchange translation differences	236	(144)
<b>Ending balance</b>	<b>\$ 5,220</b>	<b>\$ 3,644</b>

***Foreign currency risk***

As at January 31, 2016, 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:

	<u>Rate</u>						
	<u>Variance</u>	<u>ARP/USD</u>	<u>CFA/USD</u>	<u>COP/USD</u>	<u>USD/CLP</u>	<u>USD/CAD</u>	<u>MNT/USD</u>
Exposure		\$ 868	\$ 1,903	\$ 2,173	\$ 670	\$ 1,222	\$ 857
EBIT impact	+10%	96	211	241	74	136	95

	<u>Rate</u>		
	<u>Variance</u>	<u>IDR/USD</u>	<u>Other</u>
Exposure		\$ (1,055)	\$ 215
EBIT impact	+10%	(117)	8

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**12. FINANCIAL INSTRUMENTS (Continued)**

***Liquidity risk***

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

	<b><u>1 year</u></b>	<b><u>2-3 years</u></b>	<b><u>4-5 years</u></b>	<b><u>thereafter</u></b>	<b><u>Total</u></b>
Trade and other payables	\$ 34,239	\$ -	\$ -	\$ -	\$ 34,239
Contingent consideration	3,000	5,347	-	-	8,347
Long-term debt (interest included)	<u>7,060</u>	<u>5,427</u>	<u>2,186</u>	<u>618</u>	<u>15,291</u>
	<b><u>\$ 44,299</u></b>	<b><u>\$ 10,774</u></b>	<b><u>\$ 2,186</u></b>	<b><u>\$ 618</u></b>	<b><u>\$ 57,877</u></b>