

## Major Drilling Announces Annual and Fourth Quarter Results

**MONCTON, New Brunswick (June 6, 2019)** – Major Drilling Group International Inc. (TSX: MDI) today reported results for the year and fourth quarter of fiscal year 2019, ended April 30, 2019.

### Highlights

In millions of Canadian dollars (except loss per share)	Q4 2019	Q4 2018	YTD 2019	YTD 2018
Revenue	\$100.4	\$95.4	\$384.8	\$342.3
Gross profit	23.0	23.1	91.0	74.3
As percentage of revenue	23.0%	24.3%	23.6%	21.7%
EBITDA <sup>(1)</sup>	10.7	10.2	39.2	24.7
As percentage of revenue	10.6%	10.7%	10.2%	7.2%
Net loss	(3.0)	(4.3)	(18.1)	(22.5)
Loss per share	(0.04)	(0.05)	(0.23)	(0.28)

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

- Quarterly revenue was \$100.4 million, up 5% from the \$95.4 million recorded for the same quarter last year.
- Annual revenue was \$384.8 million, the Company’s highest annual revenue since 2013.
- Gross margin percentage for the quarter was 23.0%, compared to 24.3% for the corresponding period last year.
- EBITDA was up 5% to \$10.7 million for the quarter, and up some 60% for the year as compared to the same period last year.
- Net loss was \$3.0 million or \$0.04 per share for the quarter, compared to a net loss of \$4.3 million or \$0.05 per share for the prior year quarter.

“We saw activity pick up in the second half of the quarter after getting off to a slow start with many of our rigs only restarting by mid-February,” said Denis Larocque, President and CEO of Major Drilling Group International Inc. “Our Canadian operations did particularly well at the end of the quarter as we grew our market share in specialized drilling.”

“As we finished our fiscal 2019 year, I am particularly pleased with the progress we have made in innovation towards increased productivity, safety, and meeting customers’ demands. Productivity gains from the tools developed, combined with price increases and our highly skilled labour force, are responsible for the improvement in our EBITDA this year. Also, we have recently developed new applications for our computerized consoles, which not only helps with recruitment but also gathers useful data for our customers,” said Mr. Larocque.

“The Company maintains a strong working capital position with net cash (net of debt) of \$10.0 million. Net cash decreased this quarter due to a net working capital increase, mostly from higher receivables related to increased activity near the end of the quarter. As well, we spent \$6.3 million on capital expenditures this quarter, adding four new rigs to our fleet. During the quarter, we sold nine rigs to local contractors in Burkina Faso and disposed of four older, inefficient and more costly rigs, in line with our strategy of improving our fleet and services. This brings the fleet total to 601 rigs,” added Mr. Larocque.

“As we look forward, the fundamentals driving the business continue to be encouraging for the coming quarter and fiscal 2020. The trend we saw at the end of our fourth quarter is continuing into our first quarter. Prices for drilling services continue to improve, although these improvements are presently offset somewhat by an increase in labour, mobilization and repair costs, which is typical in a ramp-up environment. As utilization rates gradually improve, we are starting to see considerable leverage in profitability as evidenced by an almost 60% increase in our EBITDA on a revenue increase of 12% for fiscal 2019.”

“Going into fiscal 2020, the Company expects to spend approximately \$30 million in capital expenditures to meet customers’ demands, improve rig reliability, productivity and utilization, as well as to invest in our continuous improvement initiatives. However, we will remain vigilant and flexible in order to react and adjust to unforeseen market conditions.”

“Finally, I am pleased to announce the promotion of Andrew McLaughlin to the position of Vice President of Legal Affairs and General Counsel. Andrew joined Major Drilling in 2015 as General Counsel & Corporate Secretary. He brought a wealth of international experience after spending nine years in Canada’s Foreign Service.”

#### **Fourth quarter ended April 30, 2019**

Total revenue for the quarter was \$100.4 million, up 5% from revenue of \$95.4 million recorded in the same quarter last year. The favourable foreign exchange translation impact for the quarter, when comparing to the effective rates for the same period last year, is estimated at \$2 million on revenue, with a negligible impact on net earnings.

Revenue for the quarter from Canada - U.S. drilling operations increased by 12% to \$51.0 million, compared to the same period last year, with all of the increase coming from our U.S. operations. During the quarter the Company incurred a one-time charge of \$2.7 million related to a difficult project in Canada, however, the Company’s increased focus on specialized projects yielded improved margins compared to the same period last year.

South and Central American revenue decreased by 14% to \$28.0 million for the quarter, compared to the same quarter last year. Modest activity increases in Mexico, the Guiana Shield and Brazil were offset by decreases in Argentina, Chile and Colombia.

Asian and African operations reported revenue of \$21.4 million, up 23% from the same period last year. Despite the shutdown of operations in Burkina Faso, the region saw substantial growth driven by Indonesia and South Africa.

The overall gross margin percentage for the quarter was 23.0%, compared to 24.3% for the same period last year. The quarter started off slowly in February with delayed startups and weather issues, however rebounded near the end of the quarter.

General and administrative costs were \$11.1 million, a decrease of \$1.1 million compared to the same quarter last year, despite a higher volume of activity. The decrease was driven by the shutdown of operations in Burkina Faso as well as other restructuring initiatives in various countries.

Depreciation and amortization decreased by \$2.0 million to \$9.8 million, the result of reduced capital expenditures during the recent industry downturn.

The Company recorded a restructuring charge of \$1.0 million in the quarter as operations were rationalized and staffing levels were adjusted to local market conditions in various countries.

The income tax provision for the quarter was an expense of \$2.7 million compared to an expense of \$2.5 million for the prior year period. The tax expense for the quarter was mainly impacted by non-tax affected losses in certain regions, non-deductible expenses, as well as an increase in activity levels in taxable jurisdictions.

Net loss was \$3.0 million or \$0.04 per share (\$0.04 per share diluted) for the quarter, compared to a net loss of \$4.3 million or \$0.05 per share (\$0.05 per share diluted) for the prior year quarter.

## **Non-GAAP Financial Measure**

The Company uses the non-GAAP financial measure, EBITDA. 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.

## **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 mining 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 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 13 to 16 of the 2018 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.

## **About Major Drilling**

Major Drilling Group International Inc. 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.

## **Webcast/Conference Call Information**

Major Drilling Group International Inc. will provide a simultaneous webcast and conference call to discuss its quarterly results on Friday, June 7, 2019 at 9:00 AM (EDT). 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 Fourth Quarter Results 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, Friday, June 21, 2019. To access the rebroadcast, dial 905-694-9451 and enter the passcode 3388239#. 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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**Major Drilling Group International Inc.**  
**Condensed Consolidated Statements of Operations**  
(in thousands of Canadian dollars, except per share information)

	Three months ended April 30 (unaudited)		Twelve months ended April 30	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>TOTAL REVENUE</b>	<b>\$ 100,397</b>	\$ 95,412	<b>\$ 384,822</b>	\$ 342,326
<b>DIRECT COSTS</b>	<b>77,355</b>	72,266	<b>293,824</b>	268,043
<b>GROSS PROFIT</b>	<b><u>23,042</u></b>	<u>23,146</u>	<b><u>90,998</u></b>	<u>74,283</u>
<b>OPERATING EXPENSES</b>				
General and administrative	<b>11,069</b>	12,243	<b>46,595</b>	47,716
Other expenses	<b>923</b>	1,289	<b>4,228</b>	3,504
Loss (gain) on disposal of property, plant and equipment	<b>33</b>	(157)	<b>(342)</b>	(206)
Foreign exchange loss (gain)	<b>334</b>	(395)	<b>1,295</b>	(1,390)
Finance costs	<b>182</b>	225	<b>775</b>	782
Depreciation of property, plant and equipment	<b>9,817</b>	11,817	<b>40,909</b>	47,496
Amortization of intangible assets	-	-	-	657
Restructuring charge	<b>977</b>	-	<b>7,874</b>	-
	<b><u>23,335</u></b>	<u>25,022</u>	<b><u>101,334</u></b>	<u>98,559</u>
<b>LOSS BEFORE INCOME TAX</b>	<b><u>(293)</u></b>	<u>(1,876)</u>	<b><u>(10,336)</u></b>	<u>(24,276)</u>
<b>INCOME TAX - PROVISION (RECOVERY)</b>				
Current	<b>1,653</b>	2,633	<b>7,761</b>	7,824
Deferred	<b>1,011</b>	(163)	<b>(13)</b>	(9,648)
	<b><u>2,664</u></b>	<u>2,470</u>	<b><u>7,748</u></b>	<u>(1,824)</u>
<b>NET LOSS</b>	<b><u>\$ (2,957)</u></b>	<u>\$ (4,346)</u>	<b><u>\$ (18,084)</u></b>	<u>\$ (22,452)</u>
<b>LOSS PER SHARE</b>				
<b>Basic</b>	<b><u>\$ (0.04)</u></b>	<u>\$ (0.05)</u>	<b><u>\$ (0.23)</u></b>	<u>\$ (0.28)</u>
<b>Diluted</b>	<b><u>\$ (0.04)</u></b>	<u>\$ (0.05)</u>	<b><u>\$ (0.23)</u></b>	<u>\$ (0.28)</u>

**Major Drilling Group International Inc.**  
**Condensed Consolidated Statements of Comprehensive Earnings (Loss)**  
(in thousands of Canadian dollars)

	Three months ended April 30 (unaudited)		Twelve months ended April 30	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>NET LOSS</b>	\$ (2,957)	\$ (4,346)	\$ (18,084)	\$ (22,452)
<b>OTHER COMPREHENSIVE EARNINGS</b>				
Items that may be reclassified subsequently to profit or loss				
Unrealized gain (loss) on foreign currency translations (net of tax)	3,767	10,164	8,762	(16,766)
Unrealized (loss) gain on derivatives (net of tax)	<u>(287)</u>	<u>8</u>	<u>(606)</u>	<u>(127)</u>
<b>COMPREHENSIVE EARNINGS (LOSS)</b>	<u>\$ 523</u>	<u>\$ 5,826</u>	<u>\$ (9,928)</u>	<u>\$ (39,345)</u>

**Major Drilling Group International Inc.**  
**Condensed Consolidated Statements of Changes in Equity**  
For the twelve months ended April 30, 2019 and 2018  
(in thousands of Canadian dollars)

	Share capital	Reserves	Share-based payments reserve	Retained earnings	Foreign currency translation reserve	Total
<b>BALANCE AS AT MAY 1, 2017</b>	\$ 239,751	\$ 163	\$ 19,250	\$ 63,812	\$ 86,787	\$ 409,763
Exercise of stock options	1,513	-	(310)	-	-	1,203
Share-based compensation	-	-	781	-	-	781
	<u>241,264</u>	<u>163</u>	<u>19,721</u>	<u>63,812</u>	<u>86,787</u>	<u>411,747</u>
<b>Comprehensive earnings:</b>						
Net loss	-	-	-	(22,452)	-	(22,452)
Unrealized loss on foreign currency translations	-	-	-	-	(16,766)	(16,766)
Unrealized loss on derivatives	-	(127)	-	-	-	(127)
Total comprehensive loss	-	(127)	-	(22,452)	(16,766)	(39,345)
<b>BALANCE AS AT APRIL 30, 2018</b>	<u>\$ 241,264</u>	<u>\$ 36</u>	<u>\$ 19,721</u>	<u>\$ 41,360</u>	<u>\$ 70,021</u>	<u>\$ 372,402</u>
<b>BALANCE AS AT MAY 1, 2018</b>	\$ 241,264	\$ 36	\$ 19,721	\$ 41,360	\$ 70,021	\$ 372,402
Share-based compensation	-	-	526	-	-	526
	<u>241,264</u>	<u>36</u>	<u>20,247</u>	<u>41,360</u>	<u>70,021</u>	<u>372,928</u>
<b>Comprehensive earnings:</b>						
Net loss	-	-	-	(18,084)	-	(18,084)
Unrealized gain on foreign currency translations	-	-	-	-	8,762	8,762
Unrealized loss on derivatives	-	(606)	-	-	-	(606)
Total comprehensive loss	-	(606)	-	(18,084)	8,762	(9,928)
<b>BALANCE AS AT APRIL 30, 2019</b>	<u>\$ 241,264</u>	<u>\$ (570)</u>	<u>\$ 20,247</u>	<u>\$ 23,276</u>	<u>\$ 78,783</u>	<u>\$ 363,000</u>

# Major Drilling Group International Inc.

## Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

	Three months ended April 30 (unaudited)		Twelve months ended April 30	
	2019	2018	2019	2018
<b>OPERATING ACTIVITIES</b>				
Loss before income tax	\$ (293)	\$ (1,876)	\$ (10,336)	\$ (24,276)
Operating items not involving cash				
Depreciation and amortization	9,817	11,817	40,909	48,153
Loss (gain) on disposal of property, plant and equipment	33	(157)	(342)	(206)
Share-based compensation	123	166	526	781
Restructuring charge (non-cash portion)	1,227	-	7,274	-
Finance costs recognized in loss before income tax	182	225	775	782
	<u>11,089</u>	<u>10,175</u>	<u>38,806</u>	<u>25,234</u>
Changes in non-cash operating working capital items	(14,528)	(18,013)	(7,345)	(8,397)
Finance costs paid	(182)	(225)	(775)	(782)
Income taxes paid	(2,851)	(1,285)	(9,724)	(5,883)
Cash flow (used in) from operating activities	<u>(6,472)</u>	<u>(9,348)</u>	<u>20,962</u>	<u>10,172</u>
<b>FINANCING ACTIVITIES</b>				
Repayment of long-term debt	(509)	(756)	(2,137)	(3,207)
Proceeds from draw on long-term debt	-	-	-	15,000
Issuance of common shares due to exercise of stock options	-	-	-	1,203
Cash flow (used in) from financing activities	<u>(509)</u>	<u>(756)</u>	<u>(2,137)</u>	<u>12,996</u>
<b>INVESTING ACTIVITIES</b>				
Payment of consideration for previous business acquisition	-	-	-	(5,135)
Acquisition of property, plant and equipment (net of direct financing)	(6,321)	(4,757)	(25,487)	(22,510)
Proceeds from disposal of property, plant and equipment	2,290	799	11,933	2,662
Cash flow used in investing activities	<u>(4,031)</u>	<u>(3,958)</u>	<u>(13,554)</u>	<u>(24,983)</u>
Effect of exchange rate changes	387	839	839	(2,904)
<b>(DECREASE) INCREASE IN CASH</b>	<b>(10,625)</b>	<b>(13,223)</b>	<b>6,110</b>	<b>(4,719)</b>
<b>CASH, BEGINNING OF THE PERIOD</b>	<u>37,991</u>	<u>34,479</u>	<u>21,256</u>	<u>25,975</u>
<b>CASH, END OF THE PERIOD</b>	<u>\$ 27,366</u>	<u>\$ 21,256</u>	<u>\$ 27,366</u>	<u>\$ 21,256</u>

**Major Drilling Group International Inc.**  
**Condensed Consolidated Balance Sheets**  
As at April 30, 2019 and April 30, 2018  
(in thousands of Canadian dollars)

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 27,366	\$ 21,256
Trade and other receivables	88,029	88,372
Note receivable	516	495
Income tax receivable	3,978	4,517
Inventories	90,325	82,519
Prepaid expenses	5,099	2,924
	215,313	200,083
<b>NOTE RECEIVABLE</b>	44	559
<b>PROPERTY, PLANT AND EQUIPMENT</b>	164,266	185,364
<b>DEFERRED INCOME TAX ASSETS</b>	23,374	23,196
<b>GOODWILL</b>	58,300	57,851
	\$ 461,297	\$ 467,053
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	\$ 63,376	\$ 55,906
Income tax payable	1,209	3,794
Current portion of long-term debt	1,060	1,934
	65,645	61,634
<b>LONG-TERM DEBT</b>	16,298	17,407
<b>DEFERRED INCOME TAX LIABILITIES</b>	16,354	15,610
	98,297	94,651
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	241,264	241,264
Reserves	(570)	36
Share-based payments reserve	20,247	19,721
Retained earnings	23,276	41,360
Foreign currency translation reserve	78,783	70,021
	363,000	372,402
	\$ 461,297	\$ 467,053



**MAJOR DRILLING GROUP INTERNATIONAL INC.**  
**SELECTED FINANCIAL INFORMATION**  
**FOR THE THREE AND TWELVE MONTHS ENDED APRIL 30, 2019 AND 2018**  
**(in thousands of Canadian dollars)**

**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 note 4 presented in the Notes to Consolidated Financial Statements for the year ended April 30, 2019. Management evaluates performance based on earnings from operations in these three geographic segments before finance costs, general and corporate expenses, restructuring charge and income tax. Data relating to each of the Company's reportable segments is presented as follows:

	<u>Q4 2019</u> <u>(unaudited)</u>	<u>Q4 2018</u> <u>(unaudited)</u>	<u>YTD 2019</u>	<u>YTD 2018</u>
Revenue				
Canada - U.S.*	\$ 50,982	\$ 45,536	\$ 196,105	\$ 185,879
South and Central America	28,044	32,511	108,139	93,714
Asia and Africa	21,371	17,365	80,578	62,733
	<u>\$ 100,397</u>	<u>\$ 95,412</u>	<u>\$ 384,822</u>	<u>\$ 342,326</u>
Earnings (loss) from operations				
Canada - U.S.	\$ 1,554	\$ (3,640)	\$ 6,057	\$ (10,727)
South and Central America	(757)	3,711	(4,307)	(4,115)
Asia and Africa	1,020	525	2,970	(1,516)
	<u>1,817</u>	<u>596</u>	<u>4,720</u>	<u>(16,358)</u>
Finance costs	182	225	775	782
General corporate expenses**	951	2,247	6,407	7,136
Restructuring charge	977	-	7,874	-
Income tax	2,664	2,470	7,748	(1,824)
	<u>4,774</u>	<u>4,942</u>	<u>22,804</u>	<u>6,094</u>
Net loss	<u>\$ (2,957)</u>	<u>\$ (4,346)</u>	<u>\$ (18,084)</u>	<u>\$ (22,452)</u>
Depreciation and amortization				
Canada - U.S.	\$ 4,648	\$ 6,195	\$ 19,168	\$ 24,694
South and Central America	3,522	3,188	13,085	13,239
Asia and Africa	1,613	2,370	8,381	9,914
Unallocated and corporate assets	34	64	275	306
Total depreciation and amortization	<u>\$ 9,817</u>	<u>\$ 11,817</u>	<u>\$ 40,909</u>	<u>\$ 48,153</u>

\*Canada - U.S. includes revenue of \$26,460 and \$27,369 for Canadian operations for the three months ended April 30, 2019, and 2018 respectively, and \$94,561 and \$95,840 for the twelve months ended April 30, 2019 and 2018 respectively.

\*\*General corporate expenses include expenses for corporate offices, stock options and certain unallocated costs.