

# Major Drilling announces the acquisition of Bradley Group, a \$70 million public equity offering and new enhanced credit facilities

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MONCTON, NB, Sept. 8, 2011 /CNW/ - Major Drilling Group International Inc. ('Major Drilling' or the 'Corporation') (TSX: MDI) is pleased to announce that it has entered into an agreement to acquire all of the issued and outstanding shares of Bradley Group Limited ('Bradley Group') (the 'Acquisition'), a family-owned drilling company based in Rouyn Noranda, Quebec (Canada), for an aggregate purchase price of \$80 million (the 'Purchase Price'), subject to adjustments and subject to certain customary closing conditions. \$72 million of the Purchase Price will be payable in cash at the closing of the Acquisition with the balance of \$8 million being subject to a hold-back over 3 years. In addition, at the closing of the Acquisition, the Corporation expects to repay a portion of the indebtedness of Bradley Group under its credit facilities in the amount of approximately \$10 million, and the remaining portion of such indebtedness in the amount of approximately \$5 million will effectively be assumed by the Corporation. The Acquisition and other related transaction costs are being financed through a \$70 million 'bought deal' public offering of subscription receipts and new and extended credit facilities of \$100 million in aggregate.

'The acquisition of Bradley Group is a unique opportunity to further Major Drilling's corporate strategy of focusing on specialized drilling, expanding our geographic footprint in areas of high growth and of maintaining a balance in our mix of drilling services. The operations of both companies are very complimentary in terms of geography, personnel and strategies' said Francis McGuire, President & CEO of Major Drilling.

Transaction Highlights

- Furthers Major Drilling's corporate strategy of focusing on specialized drilling.
- Adds 124 rigs and 841 employees to Major Drilling's base of 571 rigs and 4,362 employees.
- Adds new geographic footprints in Northern Québec and Northern Ontario where Major Drilling is less active and in the Philippines where Major Drilling does not have a presence.
- Increases Major Drilling's presence in Colombia, Mexico and Suriname which are expected to be areas of high growth in the mining industry.
- With 70% of Bradley's revenue currently being generated on gold properties, the Acquisition is expected to increase Major Drilling's presence in the gold industry.
- In excess of 70% of Bradley Group's revenue comes from Eastern Canada, a region relatively less affected by the last cyclical downturn in the drilling industry.
- The new and extended credit facilities are expected to provide Major Drilling with the flexibility needed to take advantage of other growth opportunities as they may arise.

For the 12 months ended June 30, 2011, Bradley Group had revenue of approximately \$102 million and EBITDA of approximately \$17 million. Assuming that Bradley Group's customers go forward with their stated plans and that current market conditions in the mining industry prevail, management expects to see continued growth.

Like Major Drilling, Bradley Group was beginning to gear up in response to the upturn in mining exploration and incurred heavy start-up costs during the 12-month period ending on June 30, 2011. Whereas Major Drilling had renewed approximately 50% of its contracts by the middle of the current calendar year, at higher prevailing prices, most of Bradley Group's contracts were concluded at prices prevailing before the most recent upturn in the drilling industry, but most of them will expire and come up for renewal around the end of the calendar year.

Francis McGuire, President and CEO of Major Drilling, stated 'We are very excited to welcome Bradley Group into the Major Drilling group, and are pleased to expand our presence in Eastern Canada, an area that has historically performed well, even during the last cyclical downturn.'

#### About Bradley Group

Headquartered in Rouyn Noranda, Québec (Canada), Bradley Group has a fleet of 124 rigs that are highly compatible with Major Drilling's rig fleet. Approximately 80% of Bradley Group's drilling rigs are surface drilling rigs and approximately 20% are underground diamond drilling rigs. The Corporation expects to be in a position to focus on maximising the use of the combined Major Drilling and Bradley Group fleets without the need in the short-term to add to the Bradley Group fleet. Management believes Bradley Group has a higher proportion of specialized surface rigs than the industry norm. In addition, Bradley Group operates in Northern Québec and in Northern Ontario where Major Drilling is less active and in the Philippines where Major Drilling does not have a presence. Bradley Group has a fleet of 25 underground rigs in Canada, which adds stability and diversification to Major

Drilling's fleet. In excess of 70% of Bradley Group's revenue comes from Eastern Canada, a region relatively less affected by the last cyclical downturn in the drilling industry. The remainder of the operations are in Colombia, Mexico, Suriname and Philippines, all areas of expected growth within the mining industry.

Bradley Group has a highly experienced workforce of 841 employees and an experienced management team, both of which Major Drilling plans to integrate into its operations. The combination of the two teams is expected to yield operational efficiencies, which are expected to bring an array of opportunities.

'The cultures of our two companies are very similar and we look forward to a very smooth integration of our operations. By combining our operations in Canada, Colombia, Mexico, and Suriname and by adding the Philippines to our geographic footprint, we are building a solid base to take our operations forward.' said Mr. McGuire.

#### Financing the Acquisition

##### \$70 Million Public Equity Offering

To finance the payment of a portion of the Purchase Price and related expenses, Major Drilling has entered into an agreement with a syndicate of underwriters led by TD Securities Inc. (collectively the 'Underwriters') to sell, on a bought deal basis, subscription receipts for common shares of Major Drilling. The agreement with the Underwriters includes the issuance of 5,900,000 subscription receipts at a price of \$11.90 per subscription receipt to raise gross proceeds of \$70 million (the 'Offering'). In addition, the Underwriters have been granted an over-allotment option, exercisable at the Offering price for a period of 30 days from the closing date of the Offering, for additional gross proceeds of up to \$10.5 million. The subscription receipts will be offered in all provinces of Canada, except Québec, pursuant to a short form prospectus.

The proceeds from the Offering will be held in escrow pending the completion of the Acquisition. If the Acquisition is completed on or before December 15, 2011, the net proceeds will be released and the subscription receipts will be exchanged on a one-for-one basis for common shares of Major Drilling upon closing of the Acquisition for no additional consideration and without further action. If the Acquisition is not completed on or before December 15, 2011, if the Acquisition agreement is terminated at an earlier time, or if Major Drilling advises the Underwriters or announces to the public that it is not proceeding with the Acquisition, the holders of subscription receipts will receive a cash payment equal to the offering price of the subscription receipts and any interest that was earned thereon during the term of the escrow.

The issuance of the subscription receipts and underlying common shares pursuant to the Offering are subject to customary approvals of applicable securities regulatory authorities, including the Toronto Stock Exchange. Closing of the Offering is expected to occur on or

about September 28, 2011.

#### Credit Facilities

In conjunction with the Acquisition, the Corporation has accepted a commitment letter from its existing lenders, The Bank of Nova Scotia and The Toronto-Dominion Bank (the 'Lenders') whereby the Lenders have agreed to provide an aggregate of \$100,000,000 in credit facilities in favour of Major Drilling for a five-year term, consisting of (i) a new \$25,000,000 non-revolving term acquisition facility (the 'New Credit Facility'), (ii) an extension of an existing \$25,000,000 revolving operating facility (the 'Operating Facility') and (iii) an extension and increase to \$50,000,000 of an existing \$45,000,000 revolving term facility (the 'RT Facility') used to finance equipment purchases (collectively with the New Credit Facility and the Operating Facility, the 'Credit Facilities'). The proceeds of the New Credit Facility are to be used to refinance existing debt of the Corporation. The proceeds of the RT Facility are to be used to finance a portion of the Purchase Price, to refinance a portion of existing indebtedness of Bradley Group, to pay certain transaction costs and to finance future equipment purchases. The Operating Facility will continue to be used for general corporate purposes of the Corporation. The Credit Facilities will give Major Drilling the required flexibility to take advantage of growth opportunities as they may arise. The commitment of the Lenders to provide the Credit Facilities is subject to customary conditions for facilities of this nature and magnitude in similar circumstances.

In addition, the Corporation will arrange for certain facilities to be maintained that are currently available to Bradley Group or its subsidiaries of which approximately \$5 million is currently outstanding.

#### Closing Date and Conditions to Closing

The Acquisition and the Credit Facilities are expected to close as soon as practicable following the closing of the Offering, but no later than November 30, 2011. The Acquisition has been approved by the Board of Directors of Major Drilling and is subject to customary closing conditions.

#### Advisors

Legal advice is being provided to Major Drilling by McCarthy Tétrault LLP. TD Securities Inc. is leading the Offering on behalf of the Underwriters and legal advice to the Underwriters is being provided by Stikeman Elliott LLP.

#### Conference Call Information

Major Drilling will host a conference call to discuss the Offering on September 8, 2011 at 5:00 p.m. (Eastern Daylight Time). The call will be accessible by telephone at (888) 231-8191 (Toll-Free Dial-In Number) or (647) 427-7450 (International Dial-In Number) and enter the pass code: 98918354. An audio replay of the conference call will be available until September 15, 2011 at 11:59 (Eastern Daylight Time). To access it, dial (855) 859-2056 (Toll Free Dial-in Number) or (403) 451-9481, (778) 371-8506, (416) 849-0833, (613) 667-0035, (514) 807-9274 or (902) 455-3955 (Local Dial-in Numbers) and enter the pass code: 98918354.

Major Drilling will provide a simultaneous webcast of the conference call. To access the webcast please go to the investors/webcast section of Major Drilling's website at [www.majordrilling.com](http://www.majordrilling.com) and click the attached link, or go directly to the CNW Group website at [www.newswire.ca](http://www.newswire.ca) for directions. Participants will require Windows MediaPlayer, which can be downloaded prior to accessing the call. Please note that this is listen only mode.

#### Availability of Documents

Copies of related documents, such as the prospectus and share purchase agreement related to the Acquisition, will be available on SEDAR ([www.sedar.com](http://www.sedar.com)) as part of the public filings of Major Drilling.

#### About Major Drilling

Based in Moncton, New Brunswick, Major Drilling Group International Inc. is one of the world's largest metals and minerals contract drilling service companies. To support its customers' mining operations, mineral exploration and environmental activities, Major Drilling maintains operations in Canada, the United States, South and Central America, Australia, Asia, and Africa.

This press release contains forward-looking information within the meaning of applicable securities laws. All information and statements other than statements of historical facts contained in this press release are forward-looking information. 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 information includes, without limitation, statements with respect to: the anticipated closing of the Offering, the Acquisition and the Credit Facilities, the anticipated use of proceeds of the Offering and of the Credit Facilities and the benefits that may accrue to the Corporation and its shareholders as a consequence of the Acquisition, the future financial position, drilling operations, growth

prospects and opportunities, the ability to renew drilling contracts upon their expiry, expected growth in the mining industry, operational efficiencies and added stability of cash flows, business strategy and plans, and objectives of or involving the Corporation, cash flows and earnings and the components thereof. Actual events or results may differ materially.

The forward-looking information is based on certain key expectations and assumptions made by the Corporation, including expectations and assumptions concerning availability of capital resources, performance of operating facilities, strength of market conditions, customer demand, satisfaction of all conditions of closing of the Acquisition, absence of exercise of any termination right and the timing and receipt of regulatory approval with respect to the Offering. Although the Corporation believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information since no assurance can be given that they will prove to be correct.

Since forward-looking information addresses future events and conditions, by its very nature it involves inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, cyclical downturn, competitive pressures, exposure to general market conditions, dealing with business and political systems in a variety of jurisdictions, repatriation of property in other jurisdictions, payment of taxes in various jurisdictions, exposure to currency movements, inadequate or failed internal processes, people or systems or from external events, dependence on key customers, safety performance, legal and regulatory risk, extreme weather conditions and the impact of natural or other disasters, specialized skills and cost of labour increases, the ability to retain qualified personnel, the performance of third-party suppliers, equipment and parts availability, reputational risk, the absence of market for the Subscription Receipts, escrow release conditions, volatility of market price of shares, dilutive effects of the Offering on holders of common shares, failure to close the Acquisition and the Credit Facilities, integration of the Bradley Group business, failure to realize the Acquisition benefits, potential undisclosed liabilities associated with the Acquisition, and expansion and acquisition strategy. Readers are cautioned that the foregoing list is not exhaustive.

To the extent any forward-looking information in this press release constitutes future-oriented financial information or financial outlooks, within the meaning of securities laws, such information is being provided to demonstrate the potential benefits of the Offering, the Acquisition and the Credit Facilities and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlooks, as with forward-looking information generally, are, without limitation, based on the assumptions and subject to the risks set out above.

The reader is further cautioned that the preparation of financial statements in accordance with Canadian GAAP or IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses.

The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information contained herein is made as of the date of this press release, and the Corporation undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent or otherwise, unless required by applicable securities laws.

References in this press release to 'EBITDA' of the Bradley Group are to earnings before interest, income taxes, depreciation and amortization. EBITDA is a widely accepted financial indicator which provides investors with an indication of cash available for distribution prior to debt service, capital expenditures and income taxes. Investors should be cautioned, however, that EBITDA should not be construed as an alternative to net earnings determined in accordance with Canadian GAAP or IFRS as an indicator of the performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. EBITDA is not a recognized measure under Canadian GAAP or IFRS and does not have a standardized meaning prescribed by Canadian GAAP or IFRS, and the method used to calculate EBITDA may differ from the method used by other issuers. Accordingly, EBITDA may not be comparable to similar measures used by other issuers.

All dollar values are quoted in Canadian dollars unless otherwise indicated.

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