President's Report to Shareholders – Third Quarter 2017

During the quarter, the Company generated revenue of $70.1 million, down 3% from the $71.9 million recorded in Q3 last year. Net loss was $14.3 million or $0.18 per share for the quarter, compared to a net loss of $15.9 million or $0.20 per share for the prior year quarter. The overall gross margin percentage for the quarter was 13.4%, compared to 18.1% for the corresponding period last year.

The Company faced the usual slowdown in activity over the holiday season but our teams were hard at work preparing for a busier startup as compared to last year. The Company incurred significant costs in the quarter as we overhauled more rigs and support equipment, and trained new crews. These costs, combined with weather-delayed mobilizations in Canada, impacted margins in the third quarter.

The Company's net cash position (net of debt) continues to be very healthy at $27.0 million. This quarter, we have spent $3.7 million on capital expenditures, adding two new rigs and support equipment to our fleet. In order to optimize our rig performance, we took the opportunity to review the quality of our fleet and retired 29 older, inefficient and less productive drill rigs, bringing the fleet total to 645 rigs. The net impact on results was less than $0.3 million, as most of these rigs had been fully depreciated over time.

Looking ahead to our fourth quarter and fiscal 2018, we have a positive but cautious view. Most senior and intermediate companies have increased their exploration budgets for calendar 2017, although some remain conservative. As well, junior mining companies continue to be active following the recent increase in mineral financings.

The Company has renewed most of its contracts for 2017, although at limited price increases given we were still facing pricing pressures. We continue to see an increase in inquiries from customers, and as they move forward with their stated plans, we should see utilization rates gradually improve as each month goes by.

With increased demand, and utilization rates in the industry improving, we are starting to see marginal price improvements for our services in most regions. One of the challenges that is re-emerging in our sector is the shortage of experienced drill crews in the industry, particularly in Canada, a factor that will put some pressure on productivity and margins as we go forward.

We continue to focus our efforts on getting prepared for a potential increase in activity and have ramped up our initiatives on recruitment and training. The recent increase in gold and base metal prices, combined with recent mineral financings, are positive signs going into calendar 2017. The Company's financial strength allows it to invest in safety and innovation, to maintain its equipment in good condition, and to retain many of its skilled employees, strategically positioning us to react quickly when the industry recovers.

As always, we value the continued support of our customers, employees, and shareholders.

Denis Larocque
President & CEO

Management's Discussion and Analysis

Third Quarter Fiscal 2017

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIRD QUARTER FISCAL 2017

This Management's Discussion and Analysis ("MD&A") relates to the results of operations, financial condition and cash flows of Major Drilling Group International Inc. ("Major Drilling" or the "Company") as at and for the three-month period ended January 31, 2017. All amounts in this MD&A are in Canadian dollars, except where otherwise noted. These quarterly unaudited interim condensed consolidated financial statements were prepared in accordance with IAS 34 Interim Financial Reporting.

This MD&A is a review of activities and results for the quarter ended January 31, 2017 as compared to the corresponding period in the previous year. Comments relate to, and should be read in conjunction with, the comparative unaudited interim condensed consolidated financial statements as at and for the three months ended January 31, 2017, and also in conjunction with the audited consolidated financial statements and Management's Discussion and Analysis contained in the Company's Annual Report for the fiscal year ended April 30, 2016.

This MD&A is dated February 28, 2017. Disclosure contained in this document is current to that date, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements about the Company's objectives, strategies, financial condition, results of operations, cash flows and businesses. These statements are "forward-looking" because they are based on current expectations, estimates, assumptions, risks and uncertainties. These forward-looking statements are typically identified by future or conditional verbs such as "outlook", "believe", "anticipate", "estimate", "project", "expect", "intend", "plan", and terms and expressions of similar import.

Such forward-looking statements are subject to a number of risks and uncertainties that include, but are not limited to: cyclical downturn; competitive pressures; dealing with business and political systems in a variety of jurisdictions; repatriation of property in other jurisdictions; payment of taxes in various jurisdictions; exposure to currency movements; inadequate or failed internal processes, people or systems or from external events; dependence on key customers; safety performance; expansion and acquisition strategy; legal and regulatory risk; corruption, bribery or fraud by employees or agents; extreme weather conditions and the impact of natural or other disasters; specialized skills and cost of labour increases; equipment and parts availability and reputational risk. These factors and other risk factors, as described under "General Risks and Uncertainties" in the Company's 2016 Annual Information Form, represent risks the Company believes are material. Actual results could be materially different from expectations if known or unknown risks affect the business, or if estimates or assumptions turn out to be inaccurate. The Company does not guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place reliance on these forward-looking statements.

The Company disclaims any intention and assumes no obligation to update any forward-looking statement, even if new information becomes available, as a result of future events or for any other reasons, except in accordance with applicable securities laws. Risks that could cause the Company's actual results to materially differ from its current expectations are also discussed in this MD&A.

Additional information relating to the Company, including the Company's Annual Information Form for the previous year and the most recently completed financial year, are available on the SEDAR website at www.sedar.com.

CORPORATE OVERVIEW

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.

BUSINESS STRATEGY

Major Drilling continues to base its business premise on the following: mining companies continue to deplete the more easily accessible mineral reserves around the world and attractive deposits will be in increasingly remote locations, areas difficult to access and/or deep in the ground. For this reason, Major Drilling's strategy is to focus its services on projects that have these characteristics, calling these services "specialized drilling". Over the years, the Company has positioned itself as one of the largest specialized operators in the world by leveraging its main competitive advantages: skilled personnel, specialized equipment, robust safety systems, long-standing relationships with the world's largest mining companies and access to capital.

The Company intends to continue modernizing its conventional fleet and expanding its footprint in strategic areas while maintaining a strong balance sheet and remaining best in class in safety and human resources. The Company also seeks to diversify by investing in underground and drilling-related mine services that are complementary to its skill set.

The Company categorizes its mineral drilling services into three types: specialized drilling, conventional drilling and underground drilling.

Specialized drilling can be defined as any drilling project that, by virtue of its scope, technical complexity or location, creates significant barriers to entry for smaller drilling companies. This would include, for example, deep-hole drilling, directional drilling, and mobilizations to remote locations or high altitudes. Because significant ore bodies are getting more difficult to find, the Company expects specialized drilling services to continue to fuel future growth and, over the next two decades, the Company believes these skills will be in greater and greater demand.

Conventional drilling tends to be more affected by the industry cycle as the barriers to entry are not as significant as with specialized drilling. This part of the industry is highly fragmented and has numerous competitors. Because the Company offers only limited differentiation in this sector, it is not its priority for investment.

The Company's underground services include both underground exploration drilling and underground percussive/longhole drilling. Underground exploration drilling takes on greater importance in the latter stages of the mining cycle as clients develop underground mines. Underground percussive/longhole drilling, which relates more to the production function of a mine, provides more stable work during the mining cycles. Offering both underground production drilling and underground core drilling, the Company provides a wide range of complementary services to its clients.

A key part of the Company's strategy is to maintain a strong balance sheet. The Company is in a unique position to react quickly when the industry begins to recover as its financial strength allows it to invest in safety and innovation, to retain key employees and to maintain its equipment in good condition. The Company also has a variable cost structure whereby most of its direct costs, including field staff, go up or down with contract revenue, and a large part of the Company's other expenses relate to variable incentive compensation based on the Company's profitability.

INDUSTRY OVERVIEW

The metals and minerals drilling industry is reliant primarily on demand from two metal groups, gold and base metals. Each commodity group is influenced by distinct market forces.

Gold has always been a significant driver in the mining industry accounting for 40 to 50% of the exploration spend carried on around the world. Exploration activity generally varies up or down with the trend in gold prices.

The demand for base metals is dependent on economic activity. In the longer-term, the fundamental drivers of base metals remain positive, with worldwide supply for most metals expected to tighten and higher demand coming from the emerging markets over the last few years. As these markets continue to urbanize, the requirement for base metals will continue to increase at the same time as the easily accessible reserves are being depleted.

One of the realities of the mining industry is that future mineral deposits will have to come from areas difficult to access, either in remote or politically sensitive areas, deeper in the ground or at higher altitudes. This should improve demand for specialized services in the future.

In terms of customer base, the Company has two categories of customers: senior and intermediate companies, for which the Company provides greenfield exploration drilling and/or drilling at operating mines, and junior exploration companies.

The industry has experienced a cyclical downturn over the past several years. At this point in time, most senior and intermediate mining companies have increased their exploration budgets for calendar 2017, although some remain conservative. Large base metal producers will eventually need to expand existing mines and develop new ones to meet the world's growth, especially in emerging markets. Activity from senior gold producers is likely to show greater volatility as gold prices vary, which will impact their exploration budgets.

With some commodity prices improving over the last six months, many junior mining companies have been able to access capital markets and obtain financing for their mining projects. However, there is typically a lag between the timing of these financings and the impact they can have on the drilling industry. Junior mining companies can account for some 50% of the drilling market in cyclical upturns.

OVERALL PERFORMANCE

The Company faced the usual slowdown in activity over the holiday season but teams were hard at work preparing for a busier startup as compared to last year. Significant costs were incurred in the quarter as the Company overhauled more rigs and support equipment, and trained new crews. These costs, combined with weather-delayed mobilizations in Canada, impacted margins in the third quarter.

Total revenue for the quarter was $70.1 million, down 3% from revenue of $71.9 million recorded in the same quarter last year. The unfavourable foreign exchange translation impact for the quarter was estimated at $1 million on revenue and negligible on net earnings, when compared to the effective rates for the same period last year.

The overall gross margin percentage for the quarter was 13.4%, down from 18.1% for the same period last year. Reduced pricing, along with significant repair, training and mobilization costs, impacted margins in the current quarter.

Net loss was $14.3 million or $0.18 per share for the quarter, compared to a net loss of $15.9 million or $0.20 per share for the same quarter last year.

RESULTS OF OPERATIONS – THIRD QUARTER ENDED JANUARY 31, 2017

Total revenue for the quarter was $70.1 million, down 3% from revenue of $71.9 million recorded in the same quarter last year. The foreign exchange translation impact for the quarter was an unfavorable impact of approximately $1 million on revenue and negligible on net earnings, when compared to the effective rates for the same period last year.

Revenue for the quarter from Canada - U.S. drilling operations decreased by 20% to $37.8 million compared to the same period last year. The decrease in revenue came primarily from the Canadian operations as both senior and junior customers stopped their programs earlier this year as they worked through budgets and programs for 2017.

South and Central American revenue was up 43% to $19.0 million for the quarter, compared to the prior year quarter. While improvements were experienced in most operations, the increase came primarily from Mexico and Argentina.

Asian and African operations reported revenue of $13.3 million, up 20% from the same period last year. During the quarter, all operations in the region showed improvements compared to the prior year quarter.

The overall gross margin percentage for the quarter was 13.4%, down from 18.1% for the same period last year. Reduced pricing, along with significant repair, training and mobilization costs, impacted margins in the current quarter.

General and administrative costs were up $0.1 million at $11.4 million compared to the same quarter last year. The Company continues to focus on controlling its general and administrative costs across all operations.

The income tax provision for the quarter was a recovery of $1.9 million compared to a recovery of $0.8 million for the prior year period. The tax recovery for the quarter was impacted by non-tax affected losses and non-deductible expenses, while incurring taxes in profitable branches.

Net loss was $14.3 million or $0.18 per share for the quarter, compared to a net loss of $15.9 million or $0.20 per share for the same quarter last year.

RESULTS OF OPERATIONS – YEAR-TO-DATE ENDED JANUARY 31, 2017

Revenue for the nine months ended January 31, 2017 decreased 9% to $219.1 million from $240.5 million for the corresponding period last year.

Revenue from Canada - U.S. drilling operations decreased by 14% to $132.3 million compared to the same period last year. The Canadian operations accounted for the majority of the decrease as many customers reduced their exploration budgets in calendar 2016.

South and Central American revenue was down by 4% at $48.6 million compared to the same period last year. A decrease in activity in Mexico was offset by increased activity in the Guyana Shield and Brazil.

Asian and African operations reported revenue of $38.2 million, up 9% from the same period last year. The Asian operations accounted for most of the increase, which was offset by the closure of the Company's operations in South Africa and Namibia last year.

Gross margin for the year-to-date was 18.5% compared to 24.1% last year. Margins were impacted by reduced pricing and higher repair, training and mobilization costs.

General and administrative expenses increased by $0.1 million, to $32.9 million compared to the prior year. The general and administrative costs have remained stable as the Company continues to focus on controlling costs across all operations.

Depreciation and amortization decreased by $1.4 million to $38.8 million.

Net loss was $33.8 million or $0.42 per share ($0.42 per share diluted) compared to a net loss of $32.4 million or $0.40 per share ($0.40 per share diluted) last year.

SUMMARY OF QUARTERLY RESULTS

(in $000 CAD, except per share)	***Fiscal 2015***	***Fiscal 2016***				***Fiscal 2017***		
	Q4	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**
Revenue	$ 81,191	$ 83,934	$84,667	$ 71,887	$ 64,133	$69,089	$79,913	$ 70,117
Gross profit	20,707	21,617	23,311	12,982	12,051	15,141	16,088	9,380
Gross margin	25.5%	25.8%	27.5%	18.1%	18.8%	21.9%	20.1%	13.4%
Net loss	(13,087)	(11,180)	(5,349)	(15,897)	(12,859)	(9,782)	(9,757)	(14,294)
Per share - basic	(0.16)	(0.14)	(0.07)	(0.20)	(0.16)	(0.12)	(0.12)	(0.18)
Per share - diluted	(0.16)	(0.14)	(0.07)	(0.20)	(0.16)	(0.12)	(0.12)	(0.18)

With the exception of the third quarter, the Company exhibits comparatively less seasonality in quarterly revenue than in the past. 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.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Cash flow from operations (before changes in non-cash operating working capital items, interest and income taxes) was an outflow of $2.7 million for the quarter compared to an outflow of $1.1 million in the same period last year.

The change in non-cash operating working capital items was an inflow of $9.1 million for the quarter compared to an inflow of $7.1 million for the same period last year. The inflow in non-cash operating working capital in the current quarter was primarily impacted by:

- a decrease in accounts receivable of $11.3 million;
- a decrease in accounts payable of $1.8 million;
- an increase in inventory of $1.1 million; and
- a decrease in prepaids of $0.9 million.

Financing Activities

Under the terms of certain of the Company's debt agreements, the Company must satisfy specific financial covenants. Such agreements also limit, among other things, the Company's ability to incur additional indebtedness, create liens, engage in mergers or acquisitions and make dividend and other payments. During the period, the Company was, and continues to be, in compliance with all covenants and other conditions imposed by its debt agreements.

Operating Credit Facilities

The credit facilities related to operations total $28.9 million, ($25.0 million from a Canadian chartered bank and $3.9 million from an American chartered bank) and are primarily secured by corporate guarantees of companies within the group. At January 31, 2017, the Company had utilized $3.8 million of these lines. The Company also has a credit facility of $4.0 million for credit cards for which interest rate and repayment are as per cardholder agreements.

Long-Term Debt

Total long-term debt decreased by $0.1 million during the quarter to $8.6 million at January 31, 2017. The decrease is due to debt repayments of $0.9 million, additional debt of $0.9 million and $0.1 million in exchange rate variations during the quarter.

As of January 31, 2017, the Company had the following long-term debt facilities:

- $50.0 million revolving facility for financing the cost of equipment purchases or acquisition costs of related businesses. At January 31, 2017, this facility had not been utilized.

- $4.6 million non-revolving facility. This facility carries a fixed interest rate of 5.9% and is amortized over ten years ending in August, 2021.

- The Company also has various other loans and capital lease facilities related to equipment purchases that totaled $4.0 million at January 31, 2017, which were fully drawn and mature through 2019.

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital, capital expenditure and debt obligations. As at January 31, 2017, the Company had unused borrowing capacity under its credit facilities of $75.1 million and cash of $35.5 million, for a total of $110.6 million in available funds.

Investing Activities

Capital expenditures were $2.8 million (net of $0.9 million of equipment financing) for the quarter ended January 31, 2017 compared to $4.1 million for the same period last year.

The disposal of property, plant and equipment generated proceeds of $0.1 million during the quarter, compared to $0.3 million for the same period last year.

During the quarter, the Company added two drill rigs, while retiring or disposing of 29 older, inefficient and less productive drill rigs. This brings the total drill rig count to 645 at quarter-end.

OUTLOOK

The Company has a positive but cautious view looking ahead to the fourth quarter and fiscal 2018. Most senior and intermediate companies have increased their exploration budgets for calendar 2017, although some remain conservative. Junior mining companies continue to be active following the recent increase in mineral financings. The Company has renewed most of its contracts for 2017, although at limited price increases given it is still facing pricing pressures. The Company continues to see an increase in inquiries from customers, and as they move forward with their stated plans, utilization rates should gradually improve as each month goes by.

With increased demand and utilization rates in the industry improving, the Company is starting to see marginal price improvements for its services in most regions. One of the challenges that is re-emerging in the sector is the shortage of experienced drill crews in the industry, particularly in Canada, a factor that will put some pressure on productivity and margins going forward.

The Company's net cash position (net of debt) continues to be very healthy at $27.0 million. This quarter, the Company has spent $3.7 million on capital expenditures, adding two new rigs and support equipment to the fleet. In order to optimize its rig performance, the Company took the opportunity to review the quality of its fleet and retired 29 older, inefficient and less productive drill rigs, bringing the fleet total to 645 rigs. The net impact on results was less than $0.3 million, as most of these rigs had been fully depreciated over time.

The Company continues to focus its efforts on getting prepared for a potential increase in activity and has ramped up its initiatives on recruitment and training. The recent increase in gold and base metal prices, combined with recent mineral financings, are positive signs going into calendar 2017. The Company's financial strength allows it to invest in safety and innovation, to maintain its equipment in good condition, and to retain many of its skilled employees, strategically positioning it to react quickly when the industry recovers.

NON-GAAP FINANCIAL MEASURE

The Company uses the non-GAAP financial measure, EBITDA, excluding restructuring charge. The Company believes this non-GAAP financial measure provides useful information to both management and investors in measuring the financial performance of the Company. 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.

	Q3 2017	Q3 2016	**YTD 2017**	YTD 2016
Net loss	**$ (14,294)**	$ (15,897)	**$ (33,833)**	$ (32,426)
Finance costs	**97**	290	**241**	441
Income tax (recovery) provision	**(1,882)**	(758)	**(117)**	4,482
Depreciation and amortization	**13,016**	13,304	**38,816**	40,166
Restructuring charge	**-**	1,509	**-**	8,000
EBITDA	**$ (3,063)**	$ (1,552)	**$ 5,107**	$ 20,663

FOREIGN EXCHANGE

Year-over-year revenue comparisons can be affected by the variations of the Canadian dollar against the U.S. dollar and other functional reporting currencies. The foreign exchange translation impact for the quarter was an unfavorable impact of approximately $1 million on revenue but negligible on net earnings, when compared to the effective rates for the same period last year.

COMPREHENSIVE EARNINGS

The interim condensed consolidated statements of comprehensive earnings for the quarter include $7.0 million in unrealized loss on translating the financial statements of the Company's foreign operations compared to a gain of $19.7 million for the same period last year. The change relates to translating the net assets of the Company's foreign operations, which have a functional currency other than the Canadian dollar, to the Company's Canadian dollar currency presentation.

GENERAL RISKS AND UNCERTAINTIES

A complete discussion of general risks and uncertainties may be found in the Company's Annual Information Form for the fiscal year ended April 30, 2016, which can be found on the SEDAR website at www.sedar.com. The Company is not aware of any significant changes to risk factors from those disclosed at that time.

OFF BALANCE SHEET ARRANGEMENTS

Except for operating leases discussed in the annual MD&A for the year ended April 30, 2016, where there were no significant changes, the Company does not have any other off balance sheet arrangements.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes in the Company's disclosure and internal controls over financial reporting during the period beginning on November 1, 2016 and ended on January 31, 2017 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

OUTSTANDING SHARE DATA

As of February 28, 2017 there were 80,139,884 common shares issued and outstanding in the Company. This represents an increase of 3,000 issued and outstanding shares as compared to the number reported in the Company's second quarter MD&A (reported as of November 30, 2016).

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's Annual Information Form, is available on the SEDAR website at www.sedar.com.

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	
	2017	2016	**2017**	2016
TOTAL REVENUE	**$ 70,117**	$ 71,887	**$ 219,119**	$ 240,488
DIRECT COSTS	**60,737**	58,905	**178,510**	182,578
GROSS PROFIT	**9,380**	12,982	**40,609**	57,910
OPERATING EXPENSES				
General and administrative	**11,385**	11,334	**32,916**	32,779
Other expenses	**969**	1,621	**2,612**	3,502
Loss (gain) on disposal of property, plant and equipment	**179**	158	**364**	(2,181)
Foreign exchange (gain) loss	**(90)**	1,421	**(390)**	3,147
Finance costs	**97**	290	**241**	441
Depreciation of property, plant and equipment	**12,355**	12,633	**36,851**	37,561
Amortization of intangible assets	**661**	671	**1,965**	2,605
Restructuring charge (note 11)	**-**	1,509	**-**	8,000
	25,556	29,637	**74,559**	85,854
LOSS BEFORE INCOME TAX	**(16,176)**	(16,655)	**(33,950)**	(27,944)
INCOME TAX - (RECOVERY) PROVISION (note 7)				
Current	**413**	215	**6,141**	6,687
Deferred	**(2,295)**	(973)	**(6,258)**	(2,205)
	(1,882)	(758)	**(117)**	4,482
NET LOSS	**$ (14,294)**	$ (15,897)	**$ (33,833)**	$ (32,426)
LOSS PER SHARE (note 8)				
Basic	**$ (0.18)**	$ (0.20)	**$ (0.42)**	$ (0.40)
Diluted	**$ (0.18)**	$ (0.20)	**$ (0.42)**	$ (0.40)

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

(in thousands of Canadian dollars)
(unaudited)

	Three months ended January 31		Nine months ended January 31	
	2017	2016	**2017**	2016
NET LOSS	**$ (14,294)**	$ (15,897)	**$ (33,833)**	$ (32,426)
OTHER COMPREHENSIVE EARNINGS				
Items that may be reclassified subsequently to profit or loss				
Unrealized (loss) gain on foreign currency translations (net of tax)	**(7,017)**	19,712	**13,167**	40,009
Unrealized gain (loss) on derivatives (net of tax)	**212**	(20)	**(77)**	(16)
COMPREHENSIVE (LOSS) EARNINGS	**$ (21,099)**	$ 3,795	**$ (20,743)**	$ 7,567

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Changes in Equity
For the nine months ended January 31, 2017 and 2016
(in thousands of Canadian dollars)
(unaudited)

	Share capital	Reserves	Share-based payments reserve	Retained earnings	Foreign currency translation reserve	Total
BALANCE AS AT MAY 1, 2015	$ 239,726	$ 24	$ 17,234	$ 152,764	$ 50,644	$ 460,392
Share-based payments reserve	-	-	807	-	-	807
Dividends	-	-	-	(1,603)	-	(1,603)
	239,726	24	18,041	151,161	50,644	459,596
Comprehensive earnings:						
Net loss	-	-	-	(32,426)	-	(32,426)
Unrealized gain on foreign currency translations	-	-	-	-	40,009	40,009
Unrealized loss on derivatives	-	(16)	-	-	-	(16)
Total comprehensive earnings	-	(16)	-	(32,426)	40,009	7,567
BALANCE AS AT JANUARY 31, 2016	$ 239,726	$ 8	$ 18,041	$ 118,735	$ 90,653	$ 467,163
BALANCE AS AT MAY 1, 2016	**$ 239,726**	**$ 326**	**$ 18,317**	**$ 105,876**	**$ 61,896**	**$ 426,141**
Exercise of stock options	**25**	**-**	**(4)**	**-**	**-**	**21**
Share-based payments reserve	**-**	**-**	**705**	**-**	**-**	**705**
	239,751	**326**	**19,018**	**105,876**	**61,896**	**426,867**
Comprehensive earnings:						
Net loss	**-**	**-**	**-**	**(33,833)**	**-**	**(33,833)**
Unrealized gain on foreign currency translations	**-**	**-**	**-**	**-**	**13,167**	**13,167**
Unrealized loss on derivatives	**-**	**(77)**	**-**	**-**	**-**	**(77)**
Total comprehensive loss	**-**	**(77)**	**-**	**(33,833)**	**13,167**	**(20,743)**
BALANCE AS AT JANUARY 31, 2017	**$ 239,751**	**$ 249**	**$ 19,018**	**$ 72,043**	**$ 75,063**	**$ 406,124**

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	
	2017	2016	**2017**	2016
OPERATING ACTIVITIES				
Loss before income tax	**$ (16,176)**	$ (16,655)	**$ (33,950)**	$ (27,944)
Operating items not involving cash				
Depreciation and amortization	**13,016**	13,304	**38,816**	40,166
Loss (gain) on disposal of property, plant and equipment	**179**	158	**364**	(2,181)
Share-based payments reserve	**228**	279	**705**	807
Restructuring charge	**-**	1,509	**-**	6,554
Finance costs recognized in loss before income tax	**97**	290	**241**	441
	(2,656)	(1,115)	**6,176**	17,843
Changes in non-cash operating working capital items	**9,113**	7,106	**(253)**	4,236
Finance costs paid	**(97)**	(290)	**(241)**	(441)
Income taxes (paid) recovered	**(1,484)**	173	**(4,229)**	(5,359)
Cash flow from operating activities	**4,876**	5,874	**1,453**	16,279
FINANCING ACTIVITIES				
Repayment of long-term debt	**(863)**	(2,089)	**(4,616)**	(5,770)
Issuance of common shares	**21**	-	**21**	-
Dividends paid	**-**	(1,603)	**-**	(3,206)
Cash flow used in financing activities	**(842)**	(3,692)	**(4,595)**	(8,976)
INVESTING ACTIVITIES				
Business acquisition (note 10)	**-**	-	**(3,881)**	(1,783)
Acquisition of property, plant and equipment (net of direct financing) (note 6)	**(2,814)**	(4,057)	**(10,385)**	(11,152)
Proceeds from disposal of property, plant and equipment	**120**	317	**1,557**	6,337
Cash flow used in investing activities	**(2,694)**	(3,740)	**(12,709)**	(6,598)
Effect of exchange rate changes	**(704)**	1,340	**1,166**	3,758
INCREASE (DECREASE) IN CASH	**636**	(218)	**(14,685)**	4,463
CASH, BEGINNING OF THE PERIOD	**34,907**	49,578	**50,228**	44,897
CASH, END OF THE PERIOD	**$ 35,543**	$ 49,360	**$ 35,543**	$ 49,360

Major Drilling Group International Inc.
Interim Condensed Consolidated Balance Sheets
As at January 31, 2017 and April 30, 2016
(in thousands of Canadian dollars)
(unaudited)

	January 31, 2017	April 30, 2016
ASSETS		
CURRENT ASSETS		
Cash	$ **35,543**	$ 50,228
Trade and other receivables	**59,244**	55,829
Note receivable	**471**	457
Income tax receivable	**6,084**	7,513
Inventories	**83,582**	74,144
Prepaid expenses	**5,345**	2,498
	190,269	190,669
NOTE RECEIVABLE	**1,175**	1,531
PROPERTY, PLANT AND EQUIPMENT	**221,347**	240,703
DEFERRED INCOME TAX ASSETS	**14,732**	9,564
GOODWILL	**58,022**	57,641
INTANGIBLE ASSETS	**1,307**	3,193
	$ **486,852**	$ 503,301
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	$ **45,439**	$ 34,068
Income tax payable	**2,167**	1,859
Current portion of contingent consideration	**4,466**	3,000
Current portion of long-term debt	**3,310**	5,288
	55,382	44,215
CONTINGENT CONSIDERATION	**-**	5,347
LONG-TERM DEBT	**5,265**	6,936
DEFERRED INCOME TAX LIABILITIES	**20,081**	20,662
	80,728	77,160
SHAREHOLDERS' EQUITY		
Share capital	**239,751**	239,726
Reserves	**249**	326
Share-based payments reserve	**19,018**	18,317
Retained earnings	**72,043**	105,876
Foreign currency translation reserve	**75,063**	61,896
	406,124	426,141
	$ **486,852**	$ 503,301

1. NATURE OF ACTIVITIES

Major Drilling Group International Inc. (the "Company") 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, 2016.

On March 2, 2017, 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, 2016.

3. APPLICATION OF NEW AND REVISED IFRS

The following IASB standards, now in effect, have had no significant impact on the Company's Consolidated Financial Statements:

IFRS 10 *(amended) Consolidated Financial Statements*
IFRS 11 *(amended) Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
IAS 1 *(amended) Presentation of Financial Statements*
IAS 16 *(amended) Property, Plant and Equipment*
IAS 28 *(amended) Investments in Associates and Joint Ventures*
IAS 38 *(amended) Intangible Assets*

3. APPLICATION OF NEW AND REVISED IFRS (Continued)

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

IFRS 2 *(as amended in 2016) Share-based Payment**
IFRS 9 *(as amended in 2014) Financial Instruments**
IFRS 15 *Revenue from Contracts with Customers**
IFRS 16 *Leases***
IAS 7 *(amended) Statement of Cash Flows****
IAS 12 *(amended) Income Taxes****

**Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.*
***Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.*
****Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.*

The Company is currently in the process of assessing the impact of the adoption of these standards, however, they are not expected to have a significant impact on the 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 are not readily apparent from other sources, which 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.

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, 2017 were $3,674 (2016 - $4,057) and for the nine months ended January 31, 2017 were $11,280 (2016 - $15,816). The Company obtained direct financing of $860 (2016 – nil) for the three months ended January 31, 2017 and $895 (2016 - $4,664) for the nine months ended January 31, 2017.

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

7. INCOME TAXES

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

	Q3 2017	Q3 2016	**YTD 2017**	YTD 2016
Loss before income tax	**$ (16,176)**	$ (16,655)	**$ (33,950)**	$ (27,944)
Statutory Canadian corporate income tax rate	**27%**	27%	**27%**	27%
Expected income tax recovery based on statutory rate	**(4,368)**	(4,497)	**(9,167)**	(7,545)
Non-recognition of tax benefits related to losses	**1,040**	1,686	**3,589**	6,359
Other foreign taxes paid	**71**	185	**444**	817
Rate variances in foreign jurisdictions	**(121)**	758	**499**	837
Permanent differences	**1,277**	942	**3,605**	3,497
Other	**219**	168	**913**	517
Income tax (recovery) provision recognized in net loss	**$ (1,882)**	$ (758)	**$ (117)**	$ 4,482

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.

8. LOSS PER SHARE

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

	Q3 2017	Q3 2016	**YTD 2017**	YTD 2016
Net loss	**$ (14,294)**	$ (15,897)	**$ (33,833)**	$ (32,426)
Weighted average number of shares:				
Basic and diluted (000's)	**80,138**	80,137	**80,137**	80,137
Loss per share:				
Basic	**$ (0.18)**	$ (0.20)	**$ (0.42)**	$ (0.40)
Diluted	**$ (0.18)**	$ (0.20)	**$ (0.42)**	$ (0.40)

The total number of shares outstanding on January 31, 2017 was 80,139,884 (2016 - 80,136,884).

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

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, 2016. 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:

	Q3 2017	Q3 2016	**YTD 2017**	YTD 2016
Revenue				
Canada - U.S.*	**$ 37,847**	$ 47,516	**$ 132,289**	$ 154,603
South and Central America	**18,952**	13,291	**48,617**	50,696
Asia and Africa	**13,318**	11,080	**38,213**	35,189
	$ 70,117	$ 71,887	**$ 219,119**	$ 240,488
(Loss) earnings from operations				
Canada - U.S.	**$ (9,042)**	$ (4,162)	**$ (12,868)**	$ 175
South and Central America	**(4,624)**	(6,158)	**(11,215)**	(6,876)
Asia and Africa	**(1,448)**	(3,160)	**(4,740)**	(14,034)
	(15,114)	(13,480)	**(28,823)**	(20,735)
Finance costs	**97**	290	**241**	441
General corporate expenses**	**965**	2,885	**4,886**	6,768
Income tax	**(1,882)**	(758)	**(117)**	4,482
Net loss	**$ (14,294)**	$ (15,897)	**$ (33,833)**	$ (32,426)

*Canada - U.S. includes revenue of $17,649 and $25,574 for Canadian operations for the three months ended January 31, 2017 and 2016, respectively, and $59,850 and $87,794 for the nine months ended January 31, 2017 and 2016, respectively.

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

	Q3 2017	Q3 2016	**YTD 2017**	YTD 2016
Capital expenditures				
Canada - U.S.	**$ 2,237**	$ 2,493	**$ 5,990**	$ 12,152
South and Central America	**762**	505	**3,817**	1,928
Asia and Africa	**675**	1,059	**1,473**	1,736
Total capital expenditures	**$ 3,674**	$ 4,057	**$ 11,280**	$ 15,816

	Q3 2017	Q3 2016	**YTD 2017**	YTD 2016
Depreciation and amortization				
Canada - U.S.	**$ 7,023**	$ 7,321	**$ 21,460**	$ 20,970
South and Central America	**3,330**	3,133	**9,671**	9,572
Asia and Africa	**2,108**	2,804	**6,096**	8,830
Unallocated and corporate assets	**555**	46	**1,589**	794
Total depreciation and amortization	**$ 13,016**	$ 13,304	**$ 38,816**	$ 40,166

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

9. SEGMENTED INFORMATION (Continued)

		January 31, 2017		April 30, 2016
Identifiable assets				
Canada - U.S.*	$	**213,404**	$	223,606
South and Central America		**145,672**		138,961
Asia and Africa		**98,210**		95,554
Unallocated and corporate assets		**29,566**		45,180
Total identifiable assets	$	**486,852**	$	503,301

*Canada - U.S. includes property, plant and equipment at January 31, 2017 of $60,960 (April 30, 2016 - $70,527) for Canadian operations.

10. BUSINESS ACQUISITION

During the previous quarter, the Company made the second payment on the contingent consideration arising out of the Taurus Drilling Services acquisition, for $3,881 (2016 - $1,783).

11. RESTRUCTURING CHARGE

During the previous year, 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 costs related to these initiatives were recorded as part of the restructuring charge for a total of $1,509 and $8,000 for the three and nine months ended January 31, 2016, respectively. For the three months ended January 31, 2016, the amount consists of an impairment charge of $900 relating to property, plant and equipment and a write-down of $609 to reduce inventory to net realizable value. For the nine months ended January 31, 2016, the amount includes an impairment charge of $4,379 relating to property, plant and equipment; a write-down of $1,913 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.

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 carrying value of long-term debt approximates its 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. Contingent consideration is recorded at fair value and is classified as level 2 in accordance with the fair value hierarchy.

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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

12. FINANCIAL INSTRUMENTS (Continued)

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the quarter ended January 31, 2017. Additionally, there are no financial instruments classified as Level 3.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Credit risk
As at January 31, 2017, 81.6% (April 30, 2016 - 85.9%) of the Company's trade receivables were aged as current and 2.4% (April 30, 2016 - 7.2%) of the trade receivables were impaired.

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

	January 31, 2017	January 31, 2016
Opening balance	**$ 3,554**	$ 4,204
Increase in impairment allowance	**818**	1,177
Recovery of amounts previously impaired	**(92)**	(191)
Write-off charged against allowance	**(3,127)**	(206)
Foreign exchange translation differences	**40**	236
Ending balance	**$ 1,193**	$ 5,220

Foreign currency risk
As at January 31, 2017, 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	**CFA/USD**	**USD/AUD**	**PHP/USD**	**USD/CLP**	**USD/CAD**	**Other**
Net exposure on monetary assets		$ 2,555	$ 980	$ (1,223)	$ (2,100)	$ (8,433)	$ 267
EBIT impact	+/-10%	284	109	136	233	937	29

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

	1 year	**2-3 years**	**4-5 years**	**Total**
Trade and other payables	$ 45,439	$ -	$ -	$ 45,439
Contingent consideration	4,466	-	-	4,466
Long-term debt (interest included)	3,469	3,835	1,677	8,981
	$ 53,374	**$ 3,835**	**$ 1,677**	**$ 58,886**