President's Report to Shareholders – First Quarter 2016

During the quarter, the Company generated revenue of $83.9 million, up 24% from the $67.6 million in revenue recorded in Q1 last year. Most of this increase relates to the addition of our percussive division. Net cash increased $3.3 million during the quarter, to $32.9 million. EBITDA increased to $11.4 million, which is more than double the EBITDA from Q1 last year. The overall gross margin percentage for the quarter increased to 25.8%, from 24.7% for the same period last year.

Capital expenditures for the quarter were $5.3 million as we purchased 5 rigs, including 3 rigs for our percussive division, and added support equipment, while retiring 11 rigs. Also, during the quarter, we have been able to reduce our general and administrative costs by 3%, to $10.6 million, despite the 24% increase in revenue. Gain on disposal of property, plant and equipment was $2.6 million during the quarter compared to nil last year, as the Company sold a non-operational building in Chile.

During the quarter, the Company made the difficult decision to close its South African and Namibian operations and recorded a restructuring charge of $6.1 million, made up of $5.0 million in a non-cash write-down of assets, and a $1.1 million net cash charge for severance, and lease termination. As well, the Company will incur additional moving costs over the next few months. During the quarter the Company incurred additional restructuring charges of $0.3 million relating to severance as it continues to reduce costs across the organization. Including these charges, net loss for the quarter was $11.2 million or $0.14 per share, compared to a net loss of $7.3 million or $0.09 per share for the prior year quarter.

Although demand for drilling services continues to be weak and pricing very competitive, we were able, as stated above, to increase our revenue and margins over the last three months. We continue to grow our services around existing mines, including underground core and percussive drilling, which should help to provide greater revenue stability, provided senior and intermediate miners continue with their production plans.

We are still unsure as to the impact that the latest reductions in commodity prices will have on our industry and our operations, as it is very difficult to predict customer plans over the next twelve months. However, through our efforts on diversification, we have been growing our mine services, including our percussive division, which provides services related more to the production function of a mine. The Company continues to have 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 relates to variable incentive compensation based on the Company's profitability. We will continue to focus on cash generation by limiting capital expenditures as necessary, by reducing inventory and by closely managing costs.

Given the continuing strength of our balance sheet, the Board of Directors has declared a semi-annual dividend of $0.02 per common share, which will be paid on November 2, 2015 to shareholders of record as of October 9, 2015. This dividend is designated as an "eligible dividend" for Canadian tax purposes.

This will be my last report as President and CEO, as I am retiring this month. I would like to thank our customers, employees, and shareholders for the support that you have provided through the past 15 years, and I wish Major Drilling, and its new CEO, Denis Larocque, all the best for the future.

Francis P. McGuire
President & CEO

Management's Discussion and Analysis

First Quarter Fiscal 2016

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIRST QUARTER FISCAL 2016

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 July 31, 2015. 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 International Financial Reporting Standards ("IFRS").

This MD&A is a review of activities and results for the quarter ended July 31, 2015 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 July 31, 2015, 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, 2015.

This MD&A is dated August 31, 2015. 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 2015 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, and Africa. 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 and underground percussive/longhole drilling.

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, long-standing relationships with the world's largest mining companies and access to capital.

Although the Company's main focus remains specialized services, it also intends to continue to modernize its conventional fleet and expand its footprint in strategic areas while maintaining prudent debt levels and remaining best in class in safety and human resources. The Company will also seek to diversify by investing in energy and underground drilling 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.

Underground drilling takes on greater importance in the latter stages of the mining cycle as clients develop underground mines. Last year, the Company entered a new type of underground service with the acquisition of the assets of Taurus Drilling Services, a provider of underground percussive/longhole drilling to mining companies. Percussive/longhole drilling relates more to the production function of a mine. Offering both underground production drilling and its existing underground core drilling, the Company now provides an even wider 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 to maintain its equipment in excellent 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 on the one hand and base metals on the other. 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 countries 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 is currently in a cyclical downturn. At this point in time, most senior and intermediate mining companies are more cautious with their investments in exploration. 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.

Many junior mining companies continue to experience financing difficulties thus have slowed down their exploration efforts. Junior mining companies can account for some 50% of the market in cyclical upturns. While it is expected that some of the more advanced projects will be able to obtain financing as needed, it will be necessary for investors to once again support exploration projects in order for drilling activities to regain the momentum that they had at their peak.

OVERALL PERFORMANCE

Although demand for drilling services continues to be weak and pricing very competitive, the Company was able to increase its revenue and margins over the last three months. Services around existing mines continued to grow, including underground core and percussive drilling, which should help to provide greater revenue stability, provided senior and intermediate miners continue with their production plans. The Company's efforts to reduce costs have had a positive impact on margins and have allowed the Company to grow its EBITDA to $11.4 million, more than double the EBITDA in the first quarter of last year.

Total revenue for the quarter was $83.9 million, up 24% from revenue of $67.6 million recorded in the same quarter last year. Most of the increase relates to the addition of the percussive division, increased activity in South and Central America and better foreign exchange conversion rates, which offset revenue reduction from the energy division and the closure of operations in the Democratic Republic of Congo ("DRC").

The overall gross margin percentage for the quarter was 25.8%, up from 24.7% for the same period last year. This margin is an indication that pricing appears to have now stabilized, but is also a result of the Company's discipline on pricing.

During the quarter, the Company made the difficult decision to close its operations in South Africa and Namibia, recording a restructuring charge of $6.1 million. Of this, $5.0 million was a non cash write-down of assets and $1.1 million was a net cash charge for severance and lease termination. As well, the Company will incur additional moving costs over the next few months. Also, during the quarter, the Company incurred additional restructuring charges of $0.3 million relating to severance as it continues to reduce costs across the organization.

Net loss was $11.2 million or $0.14 per share for the quarter, compared to a net loss of $7.3 million or $0.09 per share for the same quarter last year.

Based on the Company's continuing strong balance sheet, the Board of Directors has declared a semi-annual dividend of $0.02 per common share, which will be paid on November 2, 2015 to shareholders of record as of October 9, 2015. This dividend is designated as an "eligible dividend" for Canadian tax purposes.

RESULTS OF OPERATIONS – FIRST QUARTER ENDED JULY 31, 2015

Total revenue for the quarter was $83.9 million, up 24% from revenue of $67.6 million recorded in the same quarter last year. Most of the increase relates to the addition of the Company's percussive division, increased activity in South and Central America and more favorable foreign exchange conversion rates, which offset revenue reduction from the Company's energy division and the closure of its operation in the DRC. The favourable foreign exchange translation impact for the quarter is estimated at $5.6 million on revenue but negligible on net earnings, when comparing to the effective rates for the same period last year.

Revenue for the quarter from Canada-U.S. drilling operations increased by 40% to $51.0 million compared to the same period last year. Most of the increase came from the addition of the Company's percussive division.

South and Central American revenue was up 45% to $20.5 million for the quarter, compared to the prior year quarter. Most of the increase came from Mexico and Chile, while other regions were relatively flat.

Asian and African operations reported revenue of $12.4 million, down 27% from the same period last year. Most of the decrease came from the closure of operations in the DRC, and a slowdown in Southern Africa.

The overall gross margin percentage for the quarter was 25.8%, up from 24.7% for the same period last year. This margin is an indication that pricing appears to have now stabilized, but is also a result of the Company's discipline on pricing.

General and administrative costs decreased 3% from last year to $10.6 million for the quarter, despite an increase due to foreign exchange translation, and the Taurus acquisition. With the decrease in activity during the current industry downturn, the Company has reduced its general and administrative costs across its operations.

Gain on disposal of property, plant and equipment was $2.6 million during the quarter compared to nil last year, as the Company sold a non-operational building in Chile.

The Company recorded a restructuring charge of $6.4 million consisting primarily of a non-cash write-down of assets of $5.0 million in South Africa and Namibia, $1.1 million in closedown costs relating to severance and lease termination, and $0.3 million in additional restructuring charges across the organization as it continues to reduce costs.

The income tax provision for the quarter was an expense of $2.8 million compared to a recovery of $2.4 million for the prior year period. The tax expense for the quarter was impacted by non-tax affected losses and non-deductible expenses, while incurring taxes in profitable branches.

Net loss was $11.2 million or $0.14 per share for the quarter, compared to a net loss of $7.3 million or $0.09 per share for the same quarter last year.

SUMMARY OF QUARTERLY RESULTS

(in $000 CAD, except per share)	Fiscal 2014			Fiscal 2015				Fiscal 2016
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Revenue	$ 92,268	$ 71,830	$ 82,637	$ 67,551	$ 87,192	$ 69,784	$ 81,191	$ 83,934
Gross profit	30,011	17,770	21,524	16,667	20,736	7,786	20,707	21,617
Gross margin	32.5%	24.7%	26.0%	24.7%	23.8%	11.2%	25.5%	25.8%
Net loss	(19,100)	(12,797)	(24,935)	(7,331)	(10,148)	(18,999)	(13,087)	(11,180)
Per share - basic	(0.24)	(0.16)	(0.31)	(0.09)	(0.13)	(0.24)	(0.16)	(0.14)
Per share - diluted	(0.24)	(0.16)	(0.31)	(0.09)	(0.13)	(0.24)	(0.16)	(0.14)

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 $7.6 million for the quarter compared to $4.5 million generated in the same period last year.

The change in non-cash operating working capital items was an outflow of $1.1 million for the quarter compared to an outflow of $1.2 million for the same period last year. The inflow in non-cash operating working capital in the quarter ended July 31, 2015 was primarily impacted by:

- An increase in accounts receivable of $7.4 million;
- An increase in accounts payable of $7.9 million;
- A decrease in inventory of $0.9 million; and
- An increase in prepaid expenses of $2.4 million.

Financing Activities

Under the terms of certain of the Company's debt agreements, the Company must satisfy certain 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.

<u>Operating Credit Facilities</u>

The credit facilities related to operations total $31.1 million ($25.0 million from a Canadian chartered bank and $6.1 million for Chilean pesos facilities) and are primarily secured by corporate guarantees of companies within the group. At July 31, 2015, the Company had utilized $5.1 million of these lines mostly for stand-by letters of credit. The Company also has a credit facility of $1.9 million for credit cards for which interest rate and repayment are as per cardholder agreements.

<u>Long-Term Debt</u>

Total long-term debt increased by $0.3 million during the quarter to $15.6 million at July 31, 2015. The increase is due to additional equipment financing of $2.0 million, offset by debt repayments of $1.8 million during the quarter.

As of July 31, 2015, the Company had the following long-term debt facilities:

- $5.8 million non-revolving facility amortized over five years ending in September 2016.

- $50.0 million revolving facility for financing the cost of equipment purchases or acquisition costs of related businesses. At July 31, 2015, this facility had not been utilized.

- $6.1 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 $3.7 million at July 31, 2015, 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, dividend and debt obligations. As at July 31, 2015, the Company had unused borrowing capacity under its credit facilities of $76.0 million and cash of $48.6 million, for a total of $124.6 million in available funds.

Investing Activities

Capital expenditures were $3.3 million (net of $2.0 million of equipment financing) for the quarter ended July 31, 2015 compared to $7.1 million for the same period last year.

The disposal of property, plant and equipment generated proceeds of $5.9 million during the quarter, compared to $10.6 million for the same period last year.

During the quarter, the Company added 5 drill rigs, including 3 rigs for the percussive division, while retiring or disposing of 11 drill rigs. This brings the total drill rig count to 698 at quarter-end.

OUTLOOK

It is still not clear what impact the latest reductions in commodity prices will have on the industry and the Company's operations, as it is very difficult to predict customer plans over the next twelve months. The Company continues to grow its services around existing mines, including underground core and percussive drilling, which should help to provide greater revenue stability, provided senior and intermediate miners continue with their production plans. In the immediate future, the Company is in a unique position to react quickly when the industry begins to recover as the Company's financial strength has allowed it to invest in safety and to maintain its equipment in excellent condition.

The Company will continue to focus on cash generation by limiting capital expenditures as necessary, by reducing inventory and by closely managing costs. The Company continues to have 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 relates to variable incentive compensation based on the Company's profitability.

FOREIGN EXCHANGE

Year-over-year revenue comparisons continue to be affected by the variations of the Canadian dollar against the U.S. dollar and other functional reporting currencies. The favourable impact of foreign exchange translation, for the quarter, when comparing to the effective rates for the same period last year, is estimated at $5.6 million on revenue but negligible on net earnings.

Argentina currency status

The Argentine government has implemented certain measures that control and restrict the ability of companies and individuals to exchange Argentine pesos for foreign currencies. Those measures include, among other things, the requirement to obtain the prior approval from the Argentine Tax Authorities and the Central Bank for the foreign currency transaction (for example and without limitation, for the payment of non-Argentine goods and services, and also payment of dividends to parties outside of the country). That approval process could delay, and eventually restrict, the ability to exchange Argentine pesos for other currencies, such as U.S. dollars.

COMPREHENSIVE EARNINGS

The interim condensed consolidated statements of comprehensive earnings for the quarter include $21.0 million in unrealized gains on translating the financial statements of the Company's foreign operations compared to a loss of $2.5 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, 2015, 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, 2015, 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 May 1, 2015 and ended on July 31, 2015 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

OUTSTANDING SHARE DATA

As of August 31, 2015, there were 80,136,884 common shares issued and outstanding in the Company. This is the same number as reported in the Company's annual MD&A (reported as of June 5, 2015).

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR 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 July 31	
	2015	2014
TOTAL REVENUE	**$ 83,934**	$ 67,551
DIRECT COSTS	**62,317**	50,884
GROSS PROFIT	**21,617**	16,667
OPERATING EXPENSES		
General and administrative	**10,640**	10,979
Other expenses	**1,068**	871
Gain on disposal of property, plant and equipment	**(2,624)**	(15)
Foreign exchange loss	**1,168**	73
Finance costs	**70**	204
Depreciation of property, plant and equipment	**12,258**	13,353
Amortization of intangible assets	**958**	321
Restructuring charge (note 10)	**6,432**	591
	29,970	26,377
LOSS BEFORE INCOME TAX	**(8,353)**	(9,710)
INCOME TAX - PROVISION (RECOVERY) (note 7)		
Current	**2,884**	328
Deferred	**(57)**	(2,707)
	2,827	(2,379)
NET LOSS	**$ (11,180)**	$ (7,331)
LOSS PER SHARE (note 8)		
Basic	**$ (0.14)**	$ (0.09)
Diluted	**$ (0.14)**	$ (0.09)

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

(in thousands of Canadian dollars)

(unaudited)

	Three months ended July 31	
	2015	2014
NET LOSS	**$ (11,180)**	$ (7,331)
OTHER COMPREHENSIVE EARNINGS (LOSS)		
Items that may be reclassified subsequently to profit or loss		
Unrealized gains (loss) on foreign currency translations (net of tax)	**20,965**	(2,500)
COMPREHENSIVE EARNINGS (LOSS)	**$ 9,785**	$ (9,831)

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Changes in Equity
For the three months ended July 31, 2014 and 2015
(in thousands of Canadian dollars)
(unaudited)

	Share capital	Share-based payments reserve	Retained earnings	Foreign currency translation reserve	Total
BALANCE AS AT MAY 1, 2014	$ 230,985	$ 15,937	$ 211,945	$ 25,480	$ 484,347
Exercise of stock options	12	(3)	-	-	9
Share-based payments reserve	-	355	-	-	355
	230,997	16,289	211,945	25,480	484,711
Comprehensive loss:					
Net loss	-	-	(7,331)	-	(7,331)
Unrealized loss on foreign currency translations	-	-	-	(2,500)	(2,500)
Total comprehensive loss	-	-	(7,331)	(2,500)	(9,831)
BALANCE AS AT JULY 31, 2014	$ 230,997	$ 16,289	$ 204,614	$ 22,980	$ 474,880
BALANCE AS AT MAY 1, 2015	**$ 239,726**	**$ 17,234**	**$ 152,764**	**$ 50,668**	**$ 460,392**
Share-based payments reserve	**-**	**263**	**-**	**-**	**263**
	239,726	**17,497**	**152,764**	**50,668**	**460,655**
Comprehensive earnings:					
Net loss	**-**	**-**	**(11,180)**	**-**	**(11,180)**
Unrealized gains on foreign currency translations	**-**	**-**	**-**	**20,965**	**20,965**
Total comprehensive earnings	**-**	**-**	**(11,180)**	**20,965**	**9,785**
BALANCE AS AT JULY 31, 2015	**$ 239,726**	**$ 17,497**	**$ 141,584**	**$ 71,633**	**$ 470,440**

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

(in thousands of Canadian dollars)

(unaudited)

	Three months ended July 31	
	2015	2014
OPERATING ACTIVITIES		
Loss before income tax	**$ (8,353)**	$ (9,710)
Operating items not involving cash		
Depreciation and amortization	**13,216**	13,674
Gain on disposal of property, plant and equipment	**(2,624)**	(15)
Share-based payments reserve	**263**	355
Restructuring charge	**5,045**	-
Finance costs recognized in loss before income tax	**70**	204
	7,617	4,508
Changes in non-cash operating working capital items	**(1,096)**	(1,195)
Finance costs paid	**(72)**	(201)
Income taxes paid	**(4,118)**	(2,200)
Cash flow from operating activities	**2,331**	912
FINANCING ACTIVITIES		
Repayment of demand loan	**-**	(3,354)
Repayment of long-term debt	**(1,784)**	(1,739)
Issuance of common shares	**-**	9
Dividends paid	**(1,603)**	(7,916)
Cash flow used in financing activities	**(3,387)**	(13,000)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (net of direct financing) (note 6	**(3,265)**	(7,145)
Proceeds from disposal of property, plant and equipment	**5,869**	10,634
Cash flow from investing activities	**2,604**	3,489
Effect of exchange rate changes	**2,131**	(170)
INCREASE (DECREASE) IN CASH	**3,679**	(8,769)
CASH, BEGINNING OF THE PERIOD	**44,897**	74,244
CASH, END OF THE PERIOD	**$ 48,576**	$ 65,475

Major Drilling Group International Inc.
Interim Condensed Consolidated Balance Sheets
As at July 31, 2015 and April 30, 2015
(in thousands of Canadian dollars)
(unaudited)

	July 31, 2015	April 30, 2015
ASSETS		
CURRENT ASSETS		
Cash	$ 48,576	$ 44,897
Trade and other receivables	66,550	58,559
Note receivable	439	-
Income tax receivable	12,543	12,182
Inventories	81,566	79,248
Prepaid expenses	5,507	2,968
	215,181	197,854
NOTE RECEIVABLE	1,900	-
PROPERTY, PLANT AND EQUIPMENT	274,871	276,594
DEFERRED INCOME TAX ASSETS	5,283	4,722
GOODWILL	57,983	57,274
INTANGIBLE ASSETS	5,535	6,260
	$ 560,753	$ 542,704
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	$ 41,390	$ 33,820
Income tax payable	841	2,388
Current portion of contigent consideration	1,600	2,735
Current portion of long-term debt	7,445	6,776
	51,276	45,719
CONTINGENT CONSIDERATION	8,530	7,395
LONG-TERM DEBT	8,200	8,569
DEFERRED INCOME TAX LIABILITIES	22,307	20,629
	90,313	82,312
SHAREHOLDERS' EQUITY		
Share capital	239,726	239,726
Share-based payments reserve	17,497	17,234
Retained earnings	141,584	152,764
Foreign currency translation reserve	71,633	50,668
	470,440	460,392
	$ 560,753	$ 542,704

1. NATURE OF ACTIVITIES

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

2. BASIS OF PRESENTATION

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

On September 10, 2015, the Board of Directors authorized the financial statements for issue.

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

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

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

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

3. APPLICATION OF NEW AND REVISED IFRS

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

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

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

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

5. SEASONALITY OF OPERATIONS

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

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

6. PROPERTY, PLANT AND EQUIPMENT

Capital expenditures for the three months ended July 31, 2015 were $5,236 (2014 - $7,145). The Company obtained direct financing of $1,971 in the current quarter (2014 - nil).

7. INCOME TAXES

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

	Q1 2016	Q1 2015
Loss before income tax	**$ (8,353)**	$(9,710)
Statutory Canadian corporate income tax rate	**27%**	27%
Expected income tax recovery based on statutory rate	**(2,255)**	(2,622)
Non-recognition of tax benefits related to losses	**3,281**	750
Other foreign taxes paid	**453**	94
Rate variances in foreign jurisdictions	**(306)**	(257)
Permanent differences	**1,546**	-
Other	**108**	(344)
Income tax expense (recovery) recognized in net loss	**$ 2,827**	$ (2,379)

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.

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

8. LOSS PER SHARE

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

	Q1 2016	Q1 2015
Net loss	**$ (11,180)**	$ (7,331)
Weighted average shares outstanding – basic (000's)	**80,137**	79,162
Net effect of dilutive securities:		
Stock options (000's)	**-**	-
Weighted average shares – diluted (000's)	**80,137**	79,162
Loss per share:		
Basic	**$ (0.14)**	$ (0.09)
Diluted	**$ (0.14)**	$ (0.09)

The calculation of diluted loss per share for the three months ended July 31, 2015 excludes the effect of 3,921,796 options (2014 - 1,956,271) as they were anti-dilutive.

The total number of shares outstanding on July 31, 2015 was 80,136,884 (2014 - 79,163,388).

9. SEGMENTED INFORMATION

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

	Q1 2016	Q1 2015
Revenue		
Canada - U.S.	**$ 51,031**	$ 36,419
South and Central America	**20,481**	14,105
Asia and Africa	**12,422**	17,027
	$ 83,934	$ 67,551

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

9. SEGMENTED INFORMATION (Continued)

	Q1 2016	Q1 2015
(Loss) earnings from operations		
Canada - U.S.*	**$ 826**	$ (613)
South and Central America	**1,205**	(4,718)
Asia and Africa	**(8,505)**	(2,282)
	(6,474)	(7,613)
Finance costs	**70**	204
General corporate expenses**	**1,809**	1,893
Income tax	**2,827**	(2,379)
Net loss	**$ (11,180)**	$ (7,331)

*Canada - U.S. includes revenue of $31,672 and $22,450 for Canadian operations for the three months ended July 31, 2015 and 2014, respectively.

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

Restructuring charges, as detailed in note 10, for the current quarter are included in above figures as follows: Canada - U.S. $43 (2015 - $217); South and Central America $136 (2015 - $296); Asia and Africa $6,243 (2015 - $78); General and Corporate expenses $10 (2015 - nil).

Capital expenditures for the current quarter are as follows: Canada - U.S. $4,036 (2014 - $3,465); South and Central America $687 (2014 - $3,027); Asia and Africa $513 (2014 - $639) and Corporate nil (2014 – $14).

	Q1 2016	Q1 2015
Depreciation and amortization		
Canada - U.S.	**$ 6,724**	$ 6,043
South and Central America	**3,515**	3,654
Asia and Africa	**2,604**	3,605
Unallocated corporate assets	**373**	372
Total depreciation and amortization	**$ 13,216**	$ 13,674

	July 31, 2015	April 30, 2015
Identifiable assets		
Canada - U.S.	**$ 238,183**	$ 226,919
South and Central America	**162,675**	163,539
Asia and Africa	**104,017**	109,791
Unallocated and corporate assets	**55,878**	42,455
Total identifiable assets	**$ 560,753**	$ 542,704

Canada - U.S. includes property, plant and equipment at July 31, 2015 of $78,357 (April 30, 2015 - $84,115) for Canadian operations.

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

10. RESTRUCTURING CHARGE

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

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

The costs related to these initiatives are recorded as part of the restructuring charge for a total of $6,432 (2015 - $591). This amount consists of an impairment charge of $3,479 (2015 - nil) relating to property, plant and equipment, a write-down of $1,304 (2015 - nil) to reduce inventory to net realizable value, employee severance charges of $387 (2015 - $591) incurred to rationalize the workforce, and other non-cash charges of $262 (2015 - nil). The remaining charge of $1,000 (2015 - nil) relates to the cost of winding down operations. The unpaid portion of these charges, totaling $1,130, is recorded in trade and other payables.

11. 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.

	July 31, 2015	April 30, 2015
Contingent consideration	**$ 10,130**	$ 10,130
Long-term debt	**15,645**	15,345

During the quarter, the Company was in compliance with all covenants and other conditions imposed by its debt agreements.

Credit risk

As at July 31, 2015, 72.9% (April 30, 2015 - 89.0%) of the Company's trade receivables were aged as current and 7.4% (April 30, 2015 - 8.2%) of the trade receivables were impaired.

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

11. FINANCIAL INSTRUMENTS (Continued)

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

	July 31, 2015	July 31, 2014
Opening balance	**$ 4,204**	$ 3,016
Increase in impairment allowance	**440**	588
Recovery of amounts previously impaired	**(155)**	(742)
Write-off charged against allowance	**(192)**	-
Foreign exchange translation differences	**109**	4
Ending balance	**$ 4,406**	$ 2,866

Foreign currency risk

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

	Rate Variance	ARP/USD	CFA/USD	COP/USD	ZAR/USD	USD/AUD	USD/ZAR	Other
Exposure		$ 4,728	$ 2,407	$ 2,381	$ 1,216	$ (2,152)	$ (5,771)	$ 51
EBIT impact	+10%	525	267	265	135	(239)	(641)	6

Liquidity risk

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

	1 year	2-3 years	4-5 years	thereafter	Total
Trade and other payables	$ 41,390	$ -	$ -	$ -	$ 41,390
Contingent consideration	1,600	8,530	-	-	10,130
Long-term debt	7,826	5,270	2,202	1,147	16,445
	$ 50,816	**$ 13,800**	**$ 2,202**	**$ 1,147**	**$ 67,965**