

During the quarter, the Company generated revenue of \$79.9 million, down 6% from the \$84.7 million recorded in Q2 last year, but up 16% over the last three months. Net loss was \$9.8 million or \$0.12 per share for the quarter, compared to a net loss of \$5.3 million or \$0.07 per share for the prior year quarter. The overall gross margin percentage for the quarter was 20.1%, compared to 27.5% for the corresponding period last year.

We continued to see an increase in activity, with revenue increasing 16% over the last three months as demand for our services has improved in all of our regions around the globe. Half of the recent increase in activity came from a resurgence of junior mining projects given recent mineral financings.

The recent increase in revenue came from improved rig utilization as pricing remains very competitive. Margins were impacted by mobilization, training and repair costs incurred to meet this increased demand.

The Company's net cash position (net of debt) continues to be positive at \$26.3 million. The decrease this quarter is due to working capital requirements related to the increased activity, payment of the Taurus contingent consideration of \$3.9 million and capital expenditures of \$4.8 million, adding two new rigs to our fleet.

We continue to focus our efforts on getting prepared for a potential increase in activity. At the moment, most senior and intermediate mining companies are still working through their mining plans for calendar 2017. The recent increase in base metal prices, combined with recent mineral financings, are positive signs going into 2017, however, the recent volatility in gold prices following the U.S. election results makes it difficult to predict activity levels over the next year.

The Company's financial strength allows it to invest in safety, to maintain its equipment in good condition, and to retain many of its skilled employees, strategically positioning us to react quickly when the industry recovers.

It is important to note that we are now in our third quarter, traditionally the weakest quarter of our

fiscal year, as mining and exploration companies shut down, often for extended periods over the holiday season. At this time, most senior and intermediate companies are still working through their budget process and have yet to decide on post-holiday start-up dates. As usual, due to the time it takes to mobilize once new contracts are awarded, a slow pace of start-ups is expected in January and February, which will impact overall third quarter revenue and margins.

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

Denis Larocque
President & CEO

MAJOR

Partners on the Ground

Management's Discussion and Analysis

Second Quarter Fiscal 2017

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SECOND 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 October 31, 2016. 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 October 31, 2016 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 October 31, 2016, 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 November 30, 2016. 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.

Underground drilling takes on greater importance in the latter stages of the mining cycle as clients develop underground mines. In August 2014, 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, which relates more to the production function of a mine. Offering both underground production drilling and 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 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 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.

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

Although most mining companies remain cautious in their spending, the Company has seen an increase in activity compared to the beginning of the year. Revenue is up 16% over the last three months as demand for the Company's services has improved. The Company's net cash position (net of debt) continues to be positive at \$26.3 million. Net cash decreased this quarter due to working capital requirements related to the increased activity, payment of the Taurus contingent consideration of \$3.9 million and capital expenditures of \$4.8 million, adding two new rigs to the fleet.

Total revenue for the quarter was \$79.9 million, down 5.7% from revenue of \$84.7 million recorded in the same quarter last year. The foreign exchange translation impact for the quarter was negligible on both revenue and net earnings, when compared to the effective rates for the same period last year.

The overall gross margin percentage for the quarter was 20.1%, down from 27.5% for the same period last year. Pricing pressure and higher repair costs continued to impact margins in the current quarter.

Net loss was \$9.8 million or \$0.12 per share for the quarter, compared to a net loss of \$5.3 million or \$0.07 per share for the same quarter last year.

RESULTS OF OPERATIONS – SECOND QUARTER ENDED OCTOBER 31, 2016

Total revenue for the quarter was \$79.9 million, down 5.7% from revenue of \$84.7 million recorded in the same quarter last year. The foreign exchange translation impact for the quarter was negligible on both revenue and 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 10% to \$50.6 million compared to the same period last year. The increase in revenue from the US operations was more than offset by the decrease from the Canadian operations.

South and Central American revenue was down 4% to \$16.2 million for the quarter, compared to the prior year quarter. The decrease came primarily from the Mexican and Argentine operations.

Asian and African operations reported revenue of \$13.1 million, up 12% from the same period last year. Both Asia and Africa showed improvement, which was partially offset by the closure in the Southern African operation and political uncertainty around the mining laws in the Philippines.

The overall gross margin percentage for the quarter was 20.1%, down from 27.5% for the same period last year. Pricing pressure and higher repair costs continued to impact margins in the current quarter.

General and administrative costs were up \$0.1 million at \$10.9 million compared to the same quarter last year. The Company continues to control its general and administrative costs across all operations.

The income tax provision for the quarter was an expense of \$0.8 million compared to an expense 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 \$9.8 million or \$0.12 per share for the quarter, compared to a net loss of \$5.3 million or \$0.07 per share for the same quarter last year.

RESULTS OF OPERATIONS – YEAR-TO-DATE ENDED OCTOBER 31, 2016

Revenue for the six months ended October 31, 2016 decreased 12% to \$149.0 million from \$168.6 million for the corresponding period last year.

Revenue from Canada-U.S. drilling operations decreased by 12% to \$94.4 million compared to the same period last year. The Canadian operations accounted for the decrease, offset slightly by growth in the US operations.

South and Central American revenue was down by 21% at \$29.7 million compared to the same period last year.

Asian and African operations reported revenue of \$24.9 million, up 3% from the same period last year.

Gross margin for the year-to-date was 21.0% compared to 26.6% last year. Margins were impacted by reduced pricing and higher repair costs.

General and administrative expenses increased by \$0.1 million, to \$21.5 million compared to the prior year. The general and administrative costs have remained stable as the Company continues to control costs across all operations.

Depreciation and amortization decreased by \$1.1 million to \$25.8 million.

Net loss was \$19.5 million or \$0.24 per share (\$0.24 per share diluted) compared to a net loss of \$16.5 million or \$0.21 per share (\$0.21 per share diluted) last year.

SUMMARY OF QUARTERLY RESULTS

(in \$000 CAD, except per share)	Fiscal 2015		Fiscal 2016				Fiscal 2017	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue	\$ 69,784	\$ 81,191	\$ 83,934	\$ 84,667	\$ 71,887	\$ 64,133	\$ 69,089	\$ 79,913
Gross profit	7,786	20,707	21,617	23,311	12,982	12,051	15,141	16,088
Gross margin	11.2%	25.5%	25.8%	27.5%	18.1%	18.8%	21.9%	20.1%
Net loss	(18,999)	(13,087)	(11,180)	(5,349)	(15,897)	(12,859)	(9,782)	(9,757)
Per share - basic	(0.24)	(0.16)	(0.14)	(0.07)	(0.20)	(0.16)	(0.12)	(0.12)
Per share - diluted	(0.24)	(0.16)	(0.14)	(0.07)	(0.20)	(0.16)	(0.12)	(0.12)

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 \$4.6 million for the quarter compared to \$11.3 million generated in the same period last year.

The change in non-cash operating working capital items was an outflow of \$1.7 million for the quarter compared to an outflow of \$1.8 million for the same period last year. The outflow in non-cash operating working capital in the current quarter was primarily impacted by:

- An increase in accounts receivable of \$8.6 million;
- An increase in accounts payable of \$10.2 million;
- An increase in inventory of \$2.2 million; and
- An increase in prepaids of \$1.2 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. The operating facility and the \$50 million revolving facility were renewed on September 21, 2016 for three years to September 30, 2019, on the same terms as the previous agreement.

Operating Credit Facilities

The credit facilities related to operations total \$25 million. This facility is from a Canadian chartered bank and is primarily secured by corporate guarantees of companies within the group. At October 31, 2016, the Company had utilized \$0.5 million of these lines for stand-by letters of credit. The Company also has a credit facility of \$2.5 million for credit cards for which interest rate and repayment are as per cardholder agreements.

Long-Term Debt

Total long-term debt decreased by \$1.6 million during the quarter to \$8.6 million at October 31, 2016. The decrease is due to debt repayments during the quarter.

As of October 31, 2016, 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 October 31, 2016, this facility had not been utilized.
- \$4.8 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 \$3.8 million at October 31, 2016, 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 October 31, 2016, the Company had unused borrowing capacity under its credit facilities of \$74.5 million and cash of \$34.9 million, for a total of \$109.4 million in available funds.

Investing Activities

Capital expenditures were \$4.8 million for the quarter ended October 31, 2016 compared to \$3.8 million (net of \$2.7 million of equipment financing) for the same period last year.

The disposal of property, plant and equipment generated proceeds of \$0.3 million during the quarter, compared to \$0.2 million for the same period last year.

During the quarter, the Company added two drill rigs, while retiring or disposing of eight drill rigs. This brings the total drill rig count to 672 at quarter-end.

OUTLOOK

The Company continues to focus its efforts on getting prepared for a potential increase in activity for its services while remaining disciplined on pricing and focused on cost control. Most senior and intermediate mining companies are still working through their mining plans for calendar 2017. The recent increase in base metal prices, combined with recent mineral financings, are positive signs going into 2017, however, the recent volatility in gold prices following the U.S. election results makes it difficult to predict activity levels over the next year. The Company's financial strength allows it to invest in safety, to maintain its equipment in good condition, and to retain many of its skilled employees, strategically positioning the Company to react quickly when the industry recovers.

It is important to note that the Company is now in its third quarter, traditionally the weakest quarter of the Company's fiscal year, as mining and exploration companies shut down, often for extended periods over the holiday season. At this time, most senior and intermediate companies are still working through their budget process and have yet to decide on post-holiday start-up dates. As usual, due to the time it takes to mobilize once new contracts are awarded, a slow pace of start-ups is expected in January and February, which will impact overall third quarter revenue and margins.

In the long-term, the Company believes that most commodities will face an imbalance between supply and demand as mining reserves continue to decrease due to the lack of exploration. Typically, gold and copper projects represent over 70% of the Company's activity. Mineral reserves of ten of the top senior gold mining companies have decreased by almost 15% over the last two years. Many industry experts expect that the copper market will face a deficit position in the next few years, due to the continued production and high grading of mines, combined with the lack of exploration work conducted to replace reserves. It is expected that at some point in the near future, the need to develop resources in areas that are increasingly difficult to access will significantly increase, at which time the Company expects to see a resurgence in demand for specialized drilling.

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 impact of foreign exchange translation, for the quarter, when comparing to the effective rates for the same period last year, was negligible on both revenue and net earnings.

COMPREHENSIVE EARNINGS

The interim condensed consolidated statements of comprehensive earnings for the quarter include \$8.8 million in unrealized gains on translating the financial statements of the Company's foreign operations compared to a loss of \$0.7 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 August 1, 2016 and ended on October 31, 2016 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

OUTSTANDING SHARE DATA

As of November 30, 2016, there were 80,136,884 common shares issued and outstanding in the Company. This is the same number as reported in the Company's first quarter MD&A (reported as of August 31, 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 October 31		Six months ended October 31	
	<u>2016</u>	2015	<u>2016</u>	2015
TOTAL REVENUE	\$ 79,913	\$ 84,667	\$ 149,002	\$ 168,601
DIRECT COSTS	63,825	61,356	117,773	123,673
GROSS PROFIT	<u>16,088</u>	<u>23,311</u>	<u>31,229</u>	<u>44,928</u>
OPERATING EXPENSES				
General and administrative	10,902	10,805	21,531	21,445
Other expenses	920	813	1,643	1,881
Loss (gain) on disposal of property, plant and equipment	27	285	185	(2,339)
Foreign exchange (gain) loss	(126)	558	(300)	1,726
Finance costs	97	81	144	151
Depreciation of property, plant and equipment	12,540	12,670	24,496	24,928
Amortization of intangible assets	654	976	1,304	1,934
Restructuring charge (note 11)	-	59	-	6,491
	<u>25,014</u>	<u>26,247</u>	<u>49,003</u>	<u>56,217</u>
LOSS BEFORE INCOME TAX	<u>(8,926)</u>	<u>(2,936)</u>	<u>(17,774)</u>	<u>(11,289)</u>
INCOME TAX - PROVISION (RECOVERY) (note 7)				
Current	2,043	3,588	5,728	6,472
Deferred	(1,212)	(1,175)	(3,963)	(1,232)
	<u>831</u>	<u>2,413</u>	<u>1,765</u>	<u>5,240</u>
NET LOSS	<u>\$ (9,757)</u>	<u>\$ (5,349)</u>	<u>\$ (19,539)</u>	<u>\$ (16,529)</u>
LOSS PER SHARE (note 8)				
Basic	<u>\$ (0.12)</u>	<u>\$ (0.07)</u>	<u>\$ (0.24)</u>	<u>\$ (0.21)</u>
Diluted	<u>\$ (0.12)</u>	<u>\$ (0.07)</u>	<u>\$ (0.24)</u>	<u>\$ (0.21)</u>

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

(in thousands of Canadian dollars)
(unaudited)

	Three months ended October 31		Six months ended October 31	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
NET LOSS	\$ (9,757)	\$ (5,349)	\$ (19,539)	\$ (16,529)
OTHER COMPREHENSIVE EARNINGS				
Items that may be reclassified subsequently to profit or loss				
Unrealized gain (loss) on foreign currency translations (net of tax)	8,816	(668)	20,184	20,297
Unrealized (loss) gain on derivatives (net of tax)	(152)	4	(289)	4
COMPREHENSIVE (LOSS) EARNINGS	\$ (1,093)	\$ (6,013)	\$ 356	\$ 3,772

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

For the six months ended October 31, 2016 and 2015

(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	-	-	528	-	-	528
Dividends	-	-	-	(1,603)	-	(1,603)
	<u>239,726</u>	<u>24</u>	<u>17,762</u>	<u>151,161</u>	<u>50,644</u>	<u>459,317</u>
Comprehensive earnings:						
Net loss	-	-	-	(16,529)	-	(16,529)
Unrealized gain on foreign currency translations	-	-	-	-	20,297	20,297
Unrealized gain on derivatives	-	4	-	-	-	4
Total comprehensive earnings	<u>-</u>	<u>4</u>	<u>-</u>	<u>(16,529)</u>	<u>20,297</u>	<u>3,772</u>
BALANCE AS AT OCTOBER 31, 2015	<u>\$ 239,726</u>	<u>\$ 28</u>	<u>\$ 17,762</u>	<u>\$134,632</u>	<u>\$ 70,941</u>	<u>\$463,089</u>
BALANCE AS AT MAY 1, 2016	\$ 239,726	\$ 326	\$ 18,317	\$105,876	\$ 61,896	\$426,141
Share-based payments reserve	-	-	477	-	-	477
	<u>239,726</u>	<u>326</u>	<u>18,794</u>	<u>105,876</u>	<u>61,896</u>	<u>426,618</u>
Comprehensive earnings:						
Net loss	-	-	-	(19,539)	-	(19,539)
Unrealized gain on foreign currency translations	-	-	-	-	20,184	20,184
Unrealized loss on derivatives	-	(289)	-	-	-	(289)
Total comprehensive earnings	<u>-</u>	<u>(289)</u>	<u>-</u>	<u>(19,539)</u>	<u>20,184</u>	<u>356</u>
BALANCE AS AT OCTOBER 31, 2016	<u>\$ 239,726</u>	<u>\$ 37</u>	<u>\$ 18,794</u>	<u>\$ 86,337</u>	<u>\$ 82,080</u>	<u>\$426,974</u>

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

(in thousands of Canadian dollars)
(unaudited)

	Three months ended October 31		Six months ended October 31	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES				
Loss before income tax	\$ (8,926)	\$ (2,936)	\$ (17,774)	\$ (11,289)
Operating items not involving cash				
Depreciation and amortization	13,194	13,646	25,800	26,862
Loss (gain) on disposal of property, plant and equipment	27	285	185	(2,339)
Share-based payments reserve	187	265	477	528
Restructuring charge	-	-	-	5,045
Finance costs recognized in loss before income tax	97	81	144	151
	<u>4,579</u>	<u>11,341</u>	<u>8,832</u>	<u>18,958</u>
Changes in non-cash operating working capital items	(1,742)	(1,774)	(9,366)	(2,870)
Finance costs paid	(97)	(79)	(144)	(151)
Income taxes paid	(2,110)	(1,414)	(2,745)	(5,532)
Cash flow from (used in) operating activities	<u>630</u>	<u>8,074</u>	<u>(3,423)</u>	<u>10,405</u>
FINANCING ACTIVITIES				
Repayment of long-term debt	(1,681)	(1,897)	(3,753)	(3,681)
Dividends paid	-	-	-	(1,603)
Cash flow used in financing activities	<u>(1,681)</u>	<u>(1,897)</u>	<u>(3,753)</u>	<u>(5,284)</u>
INVESTING ACTIVITIES				
Business acquisition (note 10)	(3,881)	(1,783)	(3,881)	(1,783)
Acquisition of property, plant and equipment (net of direct financing) (note 6)	(4,794)	(3,830)	(7,571)	(7,095)
Proceeds from disposal of property, plant and equipment	265	151	1,437	6,020
Cash flow used in investing activities	<u>(8,410)</u>	<u>(5,462)</u>	<u>(10,015)</u>	<u>(2,858)</u>
Effect of exchange rate changes	<u>748</u>	<u>287</u>	<u>1,870</u>	<u>2,418</u>
(DECREASE) INCREASE IN CASH	<u>(8,713)</u>	<u>1,002</u>	<u>(15,321)</u>	<u>4,681</u>
CASH, BEGINNING OF THE PERIOD	<u>43,620</u>	<u>48,576</u>	<u>50,228</u>	<u>44,897</u>
CASH, END OF THE PERIOD	<u>\$ 34,907</u>	<u>\$ 49,578</u>	<u>\$ 34,907</u>	<u>\$ 49,578</u>

Major Drilling Group International Inc.
Interim Condensed Consolidated Balance Sheets

As at October 31, 2016 and April 30, 2016

(in thousands of Canadian dollars)

(unaudited)

	October 31, 2016	April 30, 2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 34,907	\$ 50,228
Trade and other receivables	71,263	55,829
Note receivable	467	457
Income tax receivable	5,562	7,513
Inventories	84,241	74,144
Prepaid expenses	6,304	2,498
	202,744	190,669
NOTE RECEIVABLE	1,295	1,531
PROPERTY, PLANT AND EQUIPMENT	234,234	240,703
DEFERRED INCOME TAX ASSETS	13,380	9,564
GOODWILL	58,258	57,641
INTANGIBLE ASSETS	1,988	3,193
	\$ 511,899	\$ 503,301
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	\$ 47,807	\$ 34,068
Income tax payable	2,628	1,859
Current portion of contingent consideration	4,466	3,000
Current portion of long-term debt	3,132	5,288
	58,033	44,215
CONTINGENT CONSIDERATION	-	5,347
LONG-TERM DEBT	5,507	6,936
DEFERRED INCOME TAX LIABILITIES	21,385	20,662
	84,925	77,160
SHAREHOLDERS' EQUITY		
Share capital	239,726	239,726
Reserves	37	326
Share-based payments reserve	18,794	18,317
Retained earnings	86,337	105,876
Foreign currency translation reserve	82,080	61,896
	426,974	426,141
	\$ 511,899	\$ 503,301

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

1. NATURE OF ACTIVITIES

Major Drilling Group International Inc. (the "Company") 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 December 7, 2016, the Board of Directors authorized the financial statements for issue.

Basis of consolidation

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

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

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

Basis of preparation

These Interim Condensed Consolidated Financial Statements have been prepared based on the historical cost basis except for certain financial instruments that are measured at fair value, using the same accounting policies and methods of computation as presented in the Company's annual Consolidated Financial Statements for the year ended April 30, 2016.

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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*

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 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 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.

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4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS
(Continued)

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 October 31, 2016 were \$4,829 (2015 - \$6,523) and for the six months ended October 31, 2016 were \$7,606 (2015 - \$11,759). The Company obtained direct financing of \$35 for the three and six months ended October 31, 2016 (2015 - \$2,693 and \$4,664, respectively).

7. INCOME TAXES

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

	<u>Q2 2017</u>	<u>Q2 2016</u>	<u>YTD 2017</u>	<u>YTD 2016</u>
Loss before income tax	<u>\$ (8,926)</u>	<u>\$ (2,936)</u>	<u>\$ (17,774)</u>	<u>\$ (11,289)</u>
Statutory Canadian corporate income tax rate	27%	27%	27%	27%
Expected income tax recovery based on statutory rate	<u>(2,410)</u>	(793)	<u>(4,799)</u>	(3,048)
Non-recognition of tax benefits related to losses	<u>1,342</u>	1412	<u>2,549</u>	4,673
Other foreign taxes paid	<u>82</u>	179	<u>373</u>	632
Rate variances in foreign jurisdictions	<u>483</u>	372	<u>620</u>	79
Permanent differences	<u>1,158</u>	1,009	<u>2,328</u>	2,555
Other	<u>176</u>	234	<u>694</u>	349
Income tax provision recognized in net loss	<u>\$ 831</u>	<u>\$ 2,413</u>	<u>\$ 1,765</u>	<u>\$ 5,240</u>

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7. INCOME TAXES (Continued)

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.

	<u>Q2 2017</u>	<u>Q2 2016</u>	<u>YTD 2017</u>	<u>YTD 2016</u>
Net loss	<u>\$ (9,757)</u>	<u>\$ (5,349)</u>	<u>\$ (19,539)</u>	<u>\$ (16,529)</u>
Weighted average number of shares – basic and diluted (000's)	<u>80,137</u>	<u>80,137</u>	<u>80,137</u>	<u>80,137</u>
Loss per share:				
Basic	\$ (0.12)	\$ (0.07)	\$ (0.24)	\$ (0.21)
Diluted	\$ (0.12)	\$ (0.07)	\$ (0.24)	\$ (0.21)

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

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:

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9. SEGMENTED INFORMATION (Continued)

	<u>Q2 2017</u>	<u>Q2 2016</u>	<u>YTD 2017</u>	<u>YTD 2016</u>
Revenue				
Canada - U.S.*	\$ 50,645	\$ 56,056	\$ 94,442	\$ 107,087
South and Central America	16,169	16,924	29,665	37,405
Asia and Africa	13,099	11,687	24,895	24,109
	<u>\$ 79,913</u>	<u>\$ 84,667</u>	<u>\$ 149,002</u>	<u>\$ 168,601</u>
(Loss) earnings from operations				
Canada - U.S.	\$ (508)	\$ 3,511	\$ (3,826)	\$ 4,337
South and Central America	(4,691)	(1,212)	(6,591)	(7)
Asia and Africa	(1,667)	(2,369)	(3,292)	(10,874)
	<u>(6,866)</u>	<u>(70)</u>	<u>(13,709)</u>	<u>(6,544)</u>
Finance costs	97	81	144	151
General corporate expenses**	1,963	2,785	3,921	4,594
Income tax	831	2,413	1,765	5,240
Net loss	<u>\$ (9,757)</u>	<u>\$ (5,349)</u>	<u>\$ (19,539)</u>	<u>\$ (16,529)</u>

*Canada - U.S. includes revenue of \$22,260 and \$30,548 for Canadian operations for the three months ended October 31, 2016 and 2015, respectively, and \$42,200 and \$62,220 for the six months ended October 31, 2016 and 2015, respectively.

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

	<u>Q2 2017</u>	<u>Q2 2016</u>	<u>YTD 2017</u>	<u>YTD 2016</u>
Capital expenditures				
Canada - U.S.	\$ 2,394	\$ 5,632	\$ 3,753	\$ 9,669
South and Central America	2,085	726	3,055	1,412
Asia and Africa	350	165	798	678
Total capital expenditures	<u>\$ 4,829</u>	<u>\$ 6,523</u>	<u>\$ 7,606</u>	<u>\$ 11,759</u>

	<u>Q2 2017</u>	<u>Q2 2016</u>	<u>YTD 2017</u>	<u>YTD 2016</u>
Depreciation and amortization				
Canada - U.S.	\$ 7,304	\$ 6,925	\$ 14,437	\$ 13,649
South and Central America	3,232	2,924	6,341	6,439
Asia and Africa	1,977	3,422	3,988	6,026
Unallocated and corporate assets	681	375	1,034	748
Total depreciation and amortization	<u>\$ 13,194</u>	<u>\$ 13,646</u>	<u>\$ 25,800</u>	<u>\$ 26,862</u>

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9. SEGMENTED INFORMATION (Continued)

	<u>October 31, 2016</u>	<u>April 30, 2016</u>
Identifiable assets		
Canada - U.S.*	\$ 227,266	\$ 223,606
South and Central America	152,716	138,961
Asia and Africa	101,303	95,554
Unallocated and corporate assets	30,614	45,180
Total identifiable assets	<u>\$ 511,899</u>	<u>\$ 503,301</u>

*Canada - U.S. includes property, plant and equipment at October 31, 2016 of \$63,459 (April 30, 2016 - \$70,527) for Canadian operations.

10. BUSINESS ACQUISITION

During the current quarter, the Company made the second payment on the contingent consideration arising out of the Taurus Drilling Services acquisition, for \$3,881 (2015 - \$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 \$59 and \$6,491 for the three and six months ended October 31, 2015, respectively. For the three months ended October 31, 2015, the amount consists of employee severance charges of \$59. For the six months ended October 31, 2015, the amount includes an impairment charge of \$3,479 relating to property, plant and equipment; a write-down of \$1,304 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.

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12. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, trade and other receivables, demand credit facility and trade and other payables approximate their fair value due to the relatively short period to maturity of the instruments. The 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).

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the quarter ended October 31, 2016. 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 October 31, 2016, 84.6% (April 30, 2016 - 85.9%) of the Company's trade receivables were aged as current and 1.7% (April 30, 2016 - 7.2%) of the trade receivables were impaired.

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

	<u>October 31, 2016</u>	<u>October 31, 2015</u>
Opening balance	\$ 3,554	\$ 4,204
Increase in impairment allowance	642	801
Recovery of amounts previously impaired	(63)	(191)
Write-off charged against allowance	(3,127)	(206)
Foreign exchange translation differences	49	113
Ending balance	<u>\$ 1,055</u>	<u>\$ 4,721</u>

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12. FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk

As at October 31, 2016, the most significant carrying amounts of net monetary assets that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; (ii) cause foreign exchange rate exposure; and (iii) may include intercompany balances with other subsidiaries, including the impact on earnings before income taxes ("EBIT"), if the corresponding rate changes by 10%, are as follows:

	<u>Rate Variance</u>	<u>CFA/USD</u>	<u>USD/CAD</u>	<u>ARS/USD</u>	<u>USD/AUD</u>	<u>USD/CLP</u>
Exposure		\$ 2,412	\$ 2,072	\$ 1,233	\$ 818	\$ (1,330)
EBIT impact	+10%	268	230	137	91	(148)
	<u>Rate Variance</u>	<u>IDR/USD</u>	<u>Other</u>			
Exposure		\$ (1,433)	\$ 796			
EBIT impact	+10%	(159)	89			

Liquidity risk

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

	<u>1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>	<u>Total</u>
Trade and other payables	\$ 47,807	\$ -	\$ -	\$ 47,807
Contingent consideration	4,466	-	-	4,466
Long-term debt (interest included)	3,290	3,824	1,942	9,056
	<u>\$ 55,563</u>	<u>\$ 3,824</u>	<u>\$ 1,942</u>	<u>\$ 61,329</u>