President's Report to Shareholders – First Quarter 2018

During the quarter, the Company generated revenue of $84.0 million, up 22% from the $69.1 million in revenue recorded in the first quarter last year. Net cash increased $0.8 million during the quarter to $18.9 million. The overall gross margin percentage for the quarter was 20.0%, compared to 21.9% for the same period last year. Net loss was $6.9 million or $0.09 per share for the quarter, compared to a net loss of $9.8 million or $0.12 per share for the same quarter last year.

The Company spent $4.3 million on capital expenditures this quarter, as we added four rigs to our fleet as part of our specialized and diversification strategies. Two of the additional rigs are suited for surface drill and blast/grade control work, one is a mobile underground rig and one is an ultra-deep diamond rig capable of reaching depths of over 4,000 metres. As resources continue to be discovered in areas difficult to access, we continue to invest to consolidate our position as the leader in specialized drilling.

Our general and administrative costs were up 13.2% from the same quarter last year at $12.0 million. Staffing levels and salaries have increased as activity ramped up from low levels. As well, the Company is investing in recruitment and information technology to prepare for the next upturn in the industry.

During the quarter, we continued to see activity levels improve month by month, with growth coming from all regions. Although we are still very early in the cyclical recovery, it has been a steady climb over the last 18 months. Margins continue to be affected by transitional issues such as recruiting, training and repair costs, and due to competitive pressures, we have some low-margin contracts we are still working through.

This year, growth has been driven primarily by gold projects as senior gold companies have increased their exploration budgets, on average, by more than 20%. As we proceed through the year, gold activity levels are stabilizing as companies are following their original plans. We are starting to get more inquiries for base metal projects as prices for those commodities continue to recover indicating we could see an increase in exploration budgets from base metal companies for calendar 2018.

In anticipation of a recovery in demand for our services, we have made investments in mobile solutions in the field, providing tools to our crews in order to improve safety and productivity. This falls in line with the enhancement of our recruiting and training systems as we bring in a new generation of employees.

We believe 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. As well, many industry experts expect 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. Therefore, 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 we expect to see a resurgence in demand for specialized drilling.

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

Denis Larocque
President & CEO

Management's Discussion and Analysis

First Quarter Fiscal 2018

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

First Quarter Fiscal 2018

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, 2017. All amounts in this MD&A are in Canadian dollars, except where otherwise noted.

This MD&A is a review of activities and results for the quarter ended July 31, 2017 as compared to the corresponding period in the previous year. Comments relate to, and should be read in conjunction with, the comparative unaudited interim condensed consolidated financial statements as at and for the three months ended July 31, 2017, prepared in accordance with IAS 34 Interim Financial Reporting, 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, 2017.

This MD&A is dated August 31, 2017. Disclosure contained in this document is current to that date, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

This MD&A contains statements that may constitute 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 funds or 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; regulatory and legal risk; corruption, bribery or fraud by employees or agents; extreme weather conditions and the impact of natural or other disasters; shortage of specialized skills and cost of labour increases; equipment and parts availability, reputational risk and cybersecurity risk. These factors and other risk factors, as described under "General Risks and Uncertainties" in the Company's 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 the Company's Annual Information Form.

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. Established in 1980, Major Drilling has over 1,000 years of combined experience within its management team alone. The Company maintains field operations and offices in Canada, the United States, Mexico, South America, Asia, Africa and Europe. Major Drilling provides 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, surface drill and blast, and a variety of 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 drilling 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 to modernize and innovate its fleet and expand 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 mine services that are complementary to its skill set.

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

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

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

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

A key part of the Company's strategy is to maintain a strong balance sheet. As the industry is in the early stages of the cyclical recovery, the Company is in a unique position to react quickly as its financial strength allows it to invest in safety and continuous improvement initiatives, 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 of 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/intermediate companies, for which the Company provides greenfield exploration drilling and/or drilling at operating mines, and junior exploration companies.

The industry has experienced a cyclical downturn over the past several years. Mineral reserves of ten of the top senior gold mining companies have decreased by almost 15% over the last two years due to the lack of exploration. Many industry experts expect 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. 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.

OVERALL PERFORMANCE

Although still early in the cyclical recovery, the Company continues to see activity levels improving month by month, with growth coming from all regions. As resources continue to be discovered in areas difficult to access, the Company continues to invest to consolidate its position as the leader in specialized drilling.

Revenue for the quarter ended July 31, 2017 was $84.0 million, up 22% from revenue of $69.1 million recorded in the same quarter last year. This growth has been driven primarily by gold projects, although the Company is starting to get more inquiries for base metal projects as prices for those commodities continue to recover.

Gross margin percentage for the quarter was 20.0%, down from 21.9% for the same period last year. The decreased margin resulted from transitional issues such as recruiting, training and repair costs, and due to competitive pressures, the Company has some low-margin contracts it is still working through.

Net loss for the quarter was $6.9 million or $0.09 per share, compared to a net loss of $9.8 million or $0.12 per share for the same period last year.

RESULTS OF OPERATIONS - FIRST QUARTER ENDED JULY 31, 2017

Total revenue for the quarter was $84.0 million, up 21.6% from revenue of $69.1 million recorded in the same quarter last year. The favourable foreign exchange translation impact for the quarter, when comparing to the effective rates for the same period last year, is estimated at $1 million on revenue, with a negligible impact on net earnings.

Revenue for the quarter from Canada - U.S. drilling operations increased by 19.2% to $52.2 million, compared to the same period last year. The increase came from all operations as the Company saw increased activity from both seniors and juniors over the same period last year.

South and Central American revenue increased by 40.0% to $18.9 million for the quarter, compared to the same quarter last year. The increase was driven primarily by Chile and Brazil, with all other countries showing slight improvements.

Asian and African operations reported revenue of $12.9 million, up 9.3% from the same period last year. Increased activity in Mongolia was partially offset by a decrease in Indonesia as a result of ongoing political issues in the country.

The overall gross margin percentage for the quarter was 20.0%, down from 21.9% for the same period last year. The decreased margin resulted from transitional issues such as recruiting, training and repair costs, and due to competitive pressures, the Company has some low-margin contracts it is still working through.

General and administrative costs were up 13.2% from the same quarter last year at $12.0 million. Staffing levels and salaries have increased as activity ramped up from low levels. As well, the Company is investing in recruitment and information technology to prepare for the next upturn in the industry.

Foreign exchange gain was $0.8 million compared to a gain of $0.2 million in the same quarter last year, caused by exchange rate variations on monetary working capital items.

The income tax provision for the quarter was a recovery of $0.4 million compared to an expense of $0.9 million for the prior year period. Tax recovery for the quarter was impacted by non-tax affected losses and non-deductible expenses.

Net loss was $6.9 million or $0.09 per share ($0.09 per share diluted) for the quarter, compared to a net loss of $9.8 million or $0.12 per share ($0.12 per share diluted) for the prior year quarter.

SUMMARY OF QUARTERLY RESULTS

(in $000 CAD, except per share)	*Fiscal 2016*			*Fiscal 2017*				***Fiscal 2018***
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Revenue	$84,667	$ 71,887	$ 64,133	$69,089	$79,913	$ 70,117	$81,469	**$83,952**
Gross profit	23,311	12,982	12,051	15,141	16,088	9,380	19,609	**16,767**
Gross margin	27.5%	18.1%	18.8%	21.9%	20.1%	13.4%	24.1%	**20.0%**
Net loss	(5,349)	(15,897)	(12,859)	(9,782)	(9,757)	(14,294)	(8,231)	**(6,890)**
Per share - basic	(0.07)	(0.20)	(0.16)	(0.12)	(0.12)	(0.18)	(0.10)	**(0.09)**
Per share - diluted	(0.07)	(0.20)	(0.16)	(0.12)	(0.12)	(0.18)	(0.10)	**(0.09)**

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) for the quarter, was an inflow of $5.4 million compared to an inflow of $4.3 million in the same period last year.

The change in non-cash operating working capital items was an inflow of $2.2 million for the quarter, compared to an outflow of $7.6 million for the same period last year. The inflow of non-cash operating working capital in the current quarter was primarily impacted by:

- a decrease in accounts receivable of $4.2 million;
- an increase in accounts payable of $1.7 million;
- an increase in prepaids of $2.8 million; and
- an increase in inventory of $0.7 million.

Financing Activities

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

Operating Credit Facilities

The credit facilities related to operations total $28.7 million, ($25.0 million from a Canadian chartered bank and $3.7 million from an American chartered bank) and are primarily secured by corporate guarantees of companies within the group. At July 31, 2017, the Company had utilized $1.4 million of these lines. 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 increased by $14.0 million during the year to $21.8 million at July 31, 2017. The increase is due to a draw of $15.0 million, as detailed below, contracted to finance capital expenditures and working capital needs, offset by debt repayments of $0.8 million.

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

- $50.0 million revolving facility for financing the cost of equipment purchases or acquisition costs of related businesses. At July 31, 2017, $15.0 million had been drawn on this facility, bearing interest at 3.76%, maturing in September 2020.

- $4.1 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 $2.7 million at July 31, 2017, which were fully drawn and mature through 2022.

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 July 31, 2017, the Company had unused borrowing capacity under its credit facilities of $62.4 million and cash of $40.7 million, for a total of $103.1 million in available funds.

Investing Activities

Capital expenditures were $4.3 million (net of $0.1 million of equipment financing) for the quarter ended July 31, 2017, compared to $2.8 million (net of nil in equipment financing) for the same quarter last year.

The drill rig count remained at 646 at quarter-end as the Company added 4 drill rigs to its fleet as part of the Company's specialized and diversification strategies, while retiring or disposing of 4 older, inefficient and more costly drill rigs during the period. Two of the additional rigs are suited for surface drill and blast/grade control work, one is a mobile underground rig and one is an ultra-deep diamond rig capable of reaching depths of over 4,000 metres.

OUTLOOK

Although still very early in the cyclical recovery, it has been a steady climb over the last 18 months. This growth has been driven primarily by gold projects, although the Company is starting to get more inquiries for base metal projects as prices for those commodities continue to recover indicating the Company could see an increase in exploration budgets from base metal companies for calendar 2018. Typically, gold and copper projects represent over 70% of the Company's activity.

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. Mineral reserves of ten of the top senior gold mining companies have decreased by almost 15% over the last two years. As well, many industry experts expect 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. Therefore, 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.

The Company is in a strong financial position with a net cash position (net of debt) at $18.9 million. In anticipation of a recovery in demand for its services, the Company has made investments in mobile solutions in the field, providing tools to the Company's crews in order to improve safety and productivity. This falls in line with the enhancement of the recruiting and training systems as a new generation of employees is brought in.

NON-GAAP FINANCIAL MEASURE

The Company uses the non-GAAP financial measure, EBITDA. The Company believes this non-GAAP financial measure provides useful information to both management and investors in measuring the financial performance of the Company. This measure does not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

(in $000 CAD)		**Q1 2018**		Q1 2017
Net loss	**$**	**(6,890)**	$	(9,782)
Finance costs		**181**		47
Income tax (recovery) provision		**(422)**		934
Depreciation and amortization		**12,455**		12,606
EBITDA	**$**	**5,324**	$	3,805

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 favourable foreign exchange translation impact for the quarter, when comparing to the effective rates for the same period last year, is estimated at approximately $1 million on revenue. Net earnings, however, remained less impacted by currency fluctuations during the quarter as a large proportion of costs are typically incurred in the same currency as revenue. The total foreign exchange impact on net earnings for the quarter was negligible.

COMPREHENSIVE EARNINGS

The interim condensed consolidated statements of comprehensive (loss) earnings for the quarter include $24.9 million in unrealized loss on translating the financial statements of the Company's foreign operations compared to a gain of $11.4 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, 2017, 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, 2017, where there were no significant changes during the current quarter, 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, 2017 and ended on July 31, 2017, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

OUTSTANDING SHARE DATA

As of August 31, 2017 there were 80,299,984 common shares issued and outstanding in the Company. This represents an increase of 160,100 issued and outstanding shares, due to the exercise of stock options, as compared to the number reported in the Company's fourth quarter MD&A (reported as of June 5, 2017).

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 July 31	
	2017	2016
TOTAL REVENUE	$ **83,952**	$ 69,089
DIRECT COSTS	**67,185**	53,948
GROSS PROFIT	**16,767**	15,141
OPERATING EXPENSES		
General and administrative	**11,981**	10,629
Other expenses	**430**	723
(Gain) loss on disposal of property, plant and equipment	**(172)**	158
Foreign exchange gain	**(796)**	(174)
Finance costs	**181**	47
Depreciation of property, plant and equipment	**11,798**	11,956
Amortization of intangible assets	**657**	650
	24,079	23,989
LOSS BEFORE INCOME TAX	**(7,312)**	(8,848)
INCOME TAX - PROVISION (RECOVERY) (note 7)		
Current	**2,484**	3,685
Deferred	**(2,906)**	(2,751)
	(422)	934
NET LOSS	$ **(6,890)**	$ (9,782)
LOSS PER SHARE (note 8)		
Basic	$ **(0.09)**	$ (0.12)
Diluted	$ **(0.09)**	$ (0.12)

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

(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2017	2016
NET LOSS	**$ (6,890)**	$ (9,782)
OTHER COMPREHENSIVE (LOSS) EARNINGS		
Items that may be reclassified subsequently to profit or loss		
Unrealized (loss) gain on foreign currency translations (net of tax)	**(24,885)**	11,368
Unrealized gain (loss) on derivatives (net of tax)	**104**	(137)
COMPREHENSIVE (LOSS) EARNINGS	**$ (31,671)**	$ 1,449

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

	Share capital	Reserves	Share-based payments reserve	Retained earnings	Foreign currency translation reserve	Total
BALANCE AS AT MAY 1, 2016	$ 239,726	$ 326	$ 18,317	$ 105,876	$ 61,896	$ 426,141
Share-based payments reserve	-	-	290	-	-	290
	239,726	326	18,607	105,876	61,896	426,431
Comprehensive earnings:						
Net loss	-	-	-	(9,782)	-	(9,782)
Unrealized gain on foreign currency translations	-	-	-	-	11,368	11,368
Unrealized loss on derivatives	-	(137)	-	-	-	(137)
Total comprehensive earnings	-	(137)	-	(9,782)	11,368	1,449
BALANCE AS AT JULY 31, 2016	$ 239,726	$ 189	$ 18,607	$ 96,094	$ 73,264	$ 427,880
BALANCE AS AT MAY 1, 2017	**$ 239,751**	**$ 163**	**$ 19,250**	**$ 63,812**	**$ 86,787**	**$409,763**
Exercise of stock options	**1,003**	**-**	**(310)**	**-**	**-**	**693**
Share-based payments reserve	**-**	**-**	**239**	**-**	**-**	**239**
	240,754	**163**	**19,179**	**63,812**	**86,787**	**410,695**
Comprehensive loss:						
Net loss	**-**	**-**	**-**	**(6,890)**	**-**	**(6,890)**
Unrealized loss on foreign currency translations	**-**	**-**	**-**	**-**	**(24,885)**	**(24,885)**
Unrealized gain on derivatives	**-**	**104**	**-**	**-**	**-**	**104**
Total comprehensive loss	**-**	**104**	**-**	**(6,890)**	**(24,885)**	**(31,671)**
BALANCE AS AT JULY 31, 2017	**$ 240,754**	**$ 267**	**$ 19,179**	**$ 56,922**	**$ 61,902**	**$379,024**

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Cash Flows
(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2017	2016
OPERATING ACTIVITIES		
Loss before income tax	**$ (7,312)**	$ (8,848)
Operating items not involving cash		
Depreciation and amortization	**12,455**	12,606
(Gain) loss on disposal of property, plant and equipment	**(172)**	158
Share-based payments reserve	**239**	290
Finance costs recognized in loss before income tax	**181**	47
	5,391	4,253
Changes in non-cash operating working capital items	**2,217**	(7,624)
Finance costs paid	**(181)**	(47)
Income taxes paid	**(683)**	(635)
Cash flow from (used in) operating activities	**6,744**	(4,053)
FINANCING ACTIVITIES		
Repayment of long-term debt	**(841)**	(2,072)
Proceeds from draw on long-term debt	**15,000**	-
Issuance of common shares due to exercise of stock options	**693**	-
Cash flow from (used in) financing activities	**14,852**	(2,072)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (net of direct financing) (note 6)	**(4,256)**	(2,777)
Proceeds from disposal of property, plant and equipment	**776**	1,172
Cash flow used in investing activities	**(3,480)**	(1,605)
Effect of exchange rate changes	**(3,414)**	1,122
INCREASE (DECREASE) IN CASH	**14,702**	(6,608)
CASH, BEGINNING OF THE PERIOD	**25,975**	50,228
CASH, END OF THE PERIOD	**$ 40,677**	$ 43,620

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

	July 31, 2017	April 30, 2017
ASSETS		
CURRENT ASSETS		
Cash	$ 40,677	$ 25,975
Trade and other receivables	64,819	72,385
Note receivable	481	476
Income tax receivable	3,788	5,771
Inventories	82,390	88,047
Prepaid expenses	5,648	3,210
	197,803	195,864
NOTE RECEIVABLE	933	1,055
PROPERTY, PLANT AND EQUIPMENT	200,165	221,524
DEFERRED INCOME TAX ASSETS	18,637	17,026
GOODWILL	57,587	58,432
INTANGIBLE ASSETS	-	669
	$ 475,125	$ 494,570
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	$ 48,309	$ 48,359
Income tax payable	3,027	3,036
Contingent consideration	5,135	5,135
Current portion of long-term debt	3,057	3,291
	59,528	59,821
LONG-TERM DEBT	18,764	4,544
DEFERRED INCOME TAX LIABILITIES	17,809	20,442
	96,101	84,807
SHAREHOLDERS' EQUITY		
Share capital	240,754	239,751
Reserves	267	163
Share-based payments reserve	19,179	19,250
Retained earnings	56,922	63,812
Foreign currency translation reserve	61,902	86,787
	379,024	409,763
	$ 475,125	$ 494,570

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, 2017.

On September 6, 2017, the Board of Directors authorized the financial statements for issue.

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

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

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

Basis of preparation
These Interim Condensed Consolidated Financial Statements have been prepared based on the historical cost basis except for certain financial instruments that are measured at fair value, using the same accounting policies and methods of computation as presented in the Company's annual Consolidated Financial Statements for the year ended April 30, 2017.

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:

IAS 7 *(amended) Statement of Cash Flows*
IAS 12 *(amended) Income Taxes*

3. APPLICATION OF NEW AND REVISED IFRS (Continued)

The Company has not applied the following new and 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***

**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.*

The Company is currently in the process of assessing the impact of the adoption of the above standards, however, they are not expected to have a significant impact on the Consolidated Financial Statements, with the exception of IFRS 16 Leases. The Company is in the process of quantifying the impact IFRS 16 will have on the Consolidated Financial Statements.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The preparation of financial statements, in conformity with International Financial Reporting Standards ("IFRS"), requires management to make judgments, estimates and assumptions that are not readily apparent from other sources, which affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

The Company applied judgment in determining the functional currency of the Company and its subsidiaries, the determination of cash-generating units ("CGUs"), the degree of componentization of property, plant and equipment, the recognition of provisions and accrued liabilities, and the determination of the probability that deferred income tax assets will be realized from future taxable earnings.

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 July 31, 2017 were $4,307 (2016 - $2,777). The Company obtained direct financing of $51 in the current quarter (2016 – nil).

7. INCOME TAXES

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

	Q1 2018	Q1 2017
Loss before income tax	**$ (7,312)**	$ (8,848)
Statutory Canadian corporate income tax rate	**27%**	27%
Expected income tax recovery based on statutory rate	**(1,974)**	(2,389)
Non-recognition of tax benefits related to losses	**1,117**	1,207
Other foreign taxes paid	**135**	291
Rate variances in foreign jurisdictions	**52**	137
Permanent differences	**213**	1,170
Other	**35**	518
Income tax (recovery) provision recognized in net loss	**$ (422)**	$ 934

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.

	Q1 2018	Q1 2017
Net loss	**$ (6,890)**	$ (9,782)
Weighted average number of shares:		
Basic and diluted (000s)	**80,153**	80,137
Loss per share		
Basic	**$ (0.09)**	$ (0.12)
Diluted	**$ (0.09)**	$ (0.12)

The calculation of diluted loss per share for the three months ended July 31, 2017 excludes the effect of 2,449,780 options (2016 - 3,710,913) as they were anti-dilutive.

The total number of shares outstanding on July 31, 2017 was 80,229,984 (2016 - 80,136,884).

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

9. SEGMENTED INFORMATION

The Company's operations are divided into the following three geographic segments, corresponding to its management structure: Canada - U.S.; South and Central America; and Asia and Africa. The services provided in each of the reportable segments are essentially the same. The accounting policies of the segments are the same as those described in the Company's annual Consolidated Financial Statements for the year ended April 30, 2017. 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 2018		Q1 2017
Revenue				
Canada - U.S.*	**$**	**52,182**	$	43,797
South and Central America		**18,874**		13,496
Asia and Africa		**12,896**		11,796
	$	**83,952**	$	69,089
Loss from operations				
Canada - U.S.	**$**	**(1,266)**	$	(3,318)
South and Central America		**(3,088)**		(1,900)
Asia and Africa		**(2,166)**		(1,625)
		(6,520)		(6,843)
Finance costs		**181**		47
General corporate expenses**		**611**		1,958
Income tax (recovery) provision		**(422)**		934
Net loss	**$**	**(6,890)**	$	(9,782)

*Canada - U.S. includes revenue of $25,027 and $19,941 for Canadian operations for the three months ended July 31, 2017 and 2016, respectively.

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

		Q1 2018		Q1 2017
Capital expenditures				
Canada - U.S.	**$**	**3,024**	$	1,359
South and Central America		**632**		970
Asia and Africa		**651**		448
Total capital expenditures	**$**	**4,307**	$	2,777
Depreciation and amortization				
Canada - U.S.	**$**	**6,446**	$	7,133
South and Central America		**3,202**		3,109
Asia and Africa		**2,704**		2,011
Unallocated and corporate assets		**103**		353
Total depreciation and amortization	**$**	**12,455**	$	12,606

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

9. SEGMENTED INFORMATION (Continued)

	July 31, 2017	April 30, 2017
Identifiable assets		
Canada - U.S.*	$ **204,454**	$ 216,391
South and Central America	**138,607**	151,894
Asia and Africa	**89,657**	99,850
Unallocated and corporate assets	**42,407**	26,435
Total identifiable assets	$ **475,125**	$ 494,570

*Canada - U.S. includes property, plant and equipment at July 31, 2017 of $54,052 (April 30, 2017 - $57,689) for Canadian operations.

10. 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 July 31, 2017. Additionally, there are no financial instruments classified as level 3.

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

Credit risk

As at July 31, 2017, 90.0% (April 30, 2017 - 87.3%) of the Company's trade receivables were aged as current and 1.7% (April 30, 2017 - 1.4%) of the trade receivables were impaired.

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

	July 31, 2017	April 30, 2017
Opening balance	$ **847**	$ 3,554
Increase in impairment allowance	**164**	668
Recovery of amounts previously impaired	**-**	(92)
Write-off charged against allowance	**-**	(3,374)
Foreign exchange translation differences	**(72)**	91
Ending balance	$ **939**	$ 847

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

10. FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk

As at July 31, 2017, the most significant carrying amounts of net monetary assets that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; (ii) cause foreign exchange rate exposure; and (iii) may include intercompany balances with other subsidiaries, including the impact on earnings before income taxes ("EBIT"), if the corresponding rate changes by 10%, are as follows:

	Rate Variance	CFA/USD	MNT/USD	PES/USD	USD/CAD	Other
Net exposure on monetary assets		$ 4,005	$ 2,072	$ 1,877	$ (11,497)	$ (733)
EBIT impact	+/-10%	445	230	209	1,277	82

Liquidity risk

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

	1 year	2-3 years	4-5 years	Total
Trade and other payables	$ 48,309	$ -	$ -	$ 48,309
Contingent consideration	5,135	-	-	5,135
Long-term debt (interest included)	3,734	18,966	1,191	23,891
	$ 57,178	**$ 18,966**	**$ 1,191**	**$ 77,335**