President's Report to Shareholders – Third Quarter 2018

During the quarter, the Company generated revenue of $75.0 million, up from the $70.1 million recorded for the same quarter last year. Net loss was $8.5 million or $0.11 per share for the quarter, compared to a net loss of $14.3 million or $0.18 per share for the prior year quarter. The overall gross margin percentage for the quarter was 17.6%, compared to 13.4% for the corresponding period last year. A higher volume of specialized work accounted for most of the gross margin increase. The total cash level, net of debt, stands at $14.4 million at quarter-end. This quarter, we spent $7.6 million on capital expenditures, adding three new larger specialized rigs and additional support equipment to our fleet.

The Company faced the usual slowdown in activity over the holiday season. While all regions were affected by loss of revenue and increased costs due to increased mobilization and maintenance, our teams were active preparing for a busier startup as compared to last year.

It is clear, as we continue to manage our growth, that developing human resources will be our biggest challenge as the industry moves deeper into the cycle. One of the challenges that is re-emerging in our sector is the shortage of experienced drill crews in the industry, particularly in Canada, a factor that will put some pressure on productivity and margins as we go forward. For this reason, we continue to make investments in technology and enhancements to our recruiting and training systems. We focus on providing tools to our crews that will improve safety and productivity, particularly as we bring in a new generation of employees.

Given the sustained commodity prices over the last few months, we are seeing an increase in activity at most of our international operations. In North America, we have been successful in renegotiating some of our lower margin contracts at better prices, and have replaced a few others with new contracts at better pricing. We expect margins to improve going forward as increased demand drives improved pricing.

As we look forward, the fundamentals driving the business continue to be encouraging for the coming quarter and into fiscal 2019, with gold and base metal prices remaining at healthy levels, and the demand for drilling services continuing to increase. Most senior and intermediate companies have increased their exploration budgets for calendar 2018.

Finally, we are pleased to be this year's recipient of the PDAC Safe Day Everyday Gold Award, in recognition of our Canadian crews having worked over 1,000,000 hours, lost time injury free, during 2016. Canadian crews have now worked more than 4,000,000 hours over three and a half years without a single lost time injury. The safety and well-being of our crews is always our first and highest responsibility when we work on any project. We work hard to earn the trust and support of our crews operating in the field, and we are delighted to see their success recognized by a group of our clients and peers.

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

Denis Larocque
President & CEO

Management's Discussion and Analysis

Third Quarter Fiscal 2018

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Third 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 January 31, 2018. 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 January 31, 2018 as compared to the corresponding period in the previous year. Comments relate to, and should be read in conjunction with, the comparative unaudited Interim Condensed Consolidated Financial Statements as at and for the three months ended January 31, 2018, 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 February 28, 2018. 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 continue 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 relatively 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.

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.

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.

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 historically 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. As emerging 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. With worldwide supply of most metals expected to tighten, and with higher demand coming from the emerging markets over the last few years, the fundamental drivers of base metals remain positive in the long-term.

Most experts believe 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. Due to the lack of exploration, mineral reserves of the top gold mining companies have decreased by almost 15% over the last two years. 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.

OVERALL PERFORMANCE

The Company faced the usual slowdown in activity over the holiday season. While all regions were affected by loss of revenue and increased costs due to increased mobilization and maintenance, the Company was busy preparing for increased activity as compared to the previous year.

Revenue for the quarter ended January 31, 2018 was $75.0 million, up 7% from revenue of $70.1 million recorded in the same quarter last year. The unfavorable foreign exchange translation impact for the quarter, when comparing to the effective rates for the same period last year, is estimated at $3 million on revenue, with a negligible impact on net earnings.

Gross margin percentage for the quarter was 17.6%, up from 13.4% for the same period last year. Third quarter margins are always impacted by a slowdown during the holiday season combined with higher mobilization and demobilization costs and increased repairs.

Net loss for the quarter was $8.5 million or $0.11 per share, compared to a net loss of $14.3 million or $0.18 per share for the same period last year. Earnings before interest, taxes, depreciation and amortization ("EBITDA" - see "Non-GAAP financial measure") was up from a loss of $3.1 million for the same period last year to a gain of $0.1 million this quarter.

The Company's net cash position (net of debt) continues to be strong at $14.4 million.

RESULTS OF OPERATIONS - THIRD QUARTER ENDED JANUARY 31, 2018

Total revenue for the quarter was $75.0 million, up 7.0% from revenue of $70.1 million recorded in the same quarter last year. The unfavorable foreign exchange translation impact for the quarter, compared to the effective rates for the same period last year, is estimated at $3 million on revenue, with a negligible impact on net earnings.

Revenue for the quarter from Canada - U.S. drilling operations decreased by 6% to $35.5 million, compared to the same period last year. Both the Canadian and U.S. exploration operations saw an increase in revenue that was more than offset by the completion of a large percussive drilling program.

South and Central American revenue increased by 21% to $22.9 million for the quarter, compared to the same quarter last year. The increase was driven by Argentina, Brazil and Colombia.

Asian and African operations reported revenue of $16.6 million, up 25% from the same period last year. This increase was driven by stronger activity in Mongolia and Burkina Faso.

The overall gross margin percentage for the quarter was 17.6%, up from 13.4% for the same period last year. A higher volume of specialized work accounted for most of the gross margin increase. Third quarter margins are always impacted by a slowdown during the holiday season combined with higher mobilization and demobilization costs and increased repairs.

General and administrative costs were up 6% from the same quarter last year at $12.1 million. Staffing levels and salaries have increased as activity ramped up from low levels. As well, the Company continues to invest in recruitment and information technology as it continues to prepare for the upturn in the industry.

The income tax provision for the quarter was a recovery of $3.7 million compared to a recovery of $1.9 million for the prior year period. The tax recovery for the quarter was impacted by non-tax affected losses, non-deductible expenses, and a reduction of the U.S. federal corporate tax rate.

Net loss was $8.5 million or $0.11 per share ($0.11 per share diluted) for the quarter, compared to a net loss of $14.3 million or $0.18 per share ($0.18 per share diluted) for the prior year quarter.

RESULTS OF OPERATIONS - YEAR-TO-DATE ENDED JANUARY 31, 2018

Revenue for the nine months ended January 31, 2018 increased 13% to $246.9 million from $219.1 million for the corresponding period last year.

Revenue from Canada - U.S. drilling operations increased by 6% to $140.3 million compared to the same period last year. The Canadian and U.S. exploration work accounted for the increase as the Company saw growth in both the seniors' and juniors' drilling programs. This increase was partially offset by the completion of a large percussive drilling program.

South and Central American revenue was up by 26% at $61.2 million compared to the same period last year. The increase in activity has been driven by Argentina, Colombia, the Guiana Shield and Brazil.

Asian and African operations reported revenue of $45.4 million, up 19% from the same period last year. The increase in the Mongolian operation was partially offset by a decrease in Indonesia and the Philippines as a result of ongoing regulatory issues in these countries.

Gross margin for the year-to-date was 20.7% compared to 18.5% last year. Margins were up due to better productivity, offset slightly by higher labour and repair costs as the Company continues to prepare for increased activity.

General and administrative expenses increased by $2.6 million, to $35.5 million compared to the prior year. The general and administrative costs have increased as the Company ensures its infrastructure is at the proper level to support the increased activity around the globe, while focusing on controlling costs.

Depreciation and amortization decreased by $2.5 million to $36.3 million. The decrease was mainly due to amortization on intangible assets arising from the Taurus acquisition as they were fully amortized during the year.

Net loss was $18.1 million or $0.23 per share ($0.23 per share diluted) compared to a net loss of $33.8 million or $0.42 per share ($0.42 per share diluted) last year.

SUMMARY OF QUARTERLY RESULTS

(in $000 CAD, except per share)	*Fiscal 2016*	*Fiscal 2017*				*Fiscal 2018*		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
Revenue	$ 64,133	$ 69,089	$ 79,913	$ 70,117	$ 81,469	$ 83,952	$ 87,992	**$ 74,970**
Gross profit	12,051	15,141	16,088	9,380	19,609	16,767	21,177	**13,193**
Gross margin	18.8%	21.9%	20.1%	13.4%	24.1%	20.0%	24.1%	**17.6%**
Net loss	(12,859)	(9,782)	(9,757)	(14,294)	(8,231)	(6,890)	(2,722)	**(8,494)**
Per share - basic	(0.16)	(0.12)	(0.12)	(0.18)	(0.10)	(0.09)	(0.03)	**(0.11)**
Per share - diluted	(0.16)	(0.12)	(0.12)	(0.18)	(0.10)	(0.09)	(0.03)	**(0.11)**

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 $0.3 million compared to an outflow of $2.7 million in the same period last year.

The change in non-cash operating working capital items was an inflow of $11.7 million for the quarter, compared to an inflow of $9.1 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 $9.5 million;
- a decrease in inventory of $2.3 million;
- a decrease in prepaid of $1.8 million; and
- a decrease in accounts payable of $2.1 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 $25.0 million. This facility is from a Canadian chartered bank and is primarily secured by corporate guarantees of companies within the group. At January 31, 2018, the Company had utilized $2.1 million of this line for stand-by letters of credit. The Company also has a credit facility of $2.6 million for credit cards for which interest rate and repayment are as per cardholder agreements.

Long-Term Debt

Total long-term debt increased by $12.2 million during the year to $20.0 million at January 31, 2018. The increase is due to a draw of $15.0 million, as detailed below, to finance capital expenditures and working capital, offset by debt repayments of $2.5 million and foreign currency exchange variation of $0.3 million.

As of January 31, 2018, the Company had the following long-term debt facilities:

- $50.0 million revolving facility for financing the cost of equipment purchases or acquisition costs of related businesses. At January 31, 2018, $15.0 million had been drawn on this facility, bearing interest at 3.76%, maturing in May 2020.

- $3.6 million non-revolving facility. This facility carries a fixed interest rate of 5.9% and is amortized over ten years ending in August 2021.

- The Company also has various other loans and capital lease facilities related to equipment purchases that totaled $1.4 million at January 31, 2018, 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 January 31, 2018, the Company had unused borrowing capacity under its credit facilities of $57.9 million and cash of $34.5 million, for a total of $92.4 million in available funds.

Investing Activities

Capital expenditures were $7.6 million for the quarter ended January 31, 2018, compared to $2.8 million for the same quarter last year.

The drill rig count was at 643 at quarter-end as the Company added three large specialized rigs to its fleet as part of the Company's specialized and diversification strategies, while retiring or disposing of five older, inefficient and more costly rigs.

OUTLOOK

The Company continues to see exploration activity levels increase in all regions. Given the sustained commodity prices over the last few months, the Company is seeing an increase in activity at most of its international operations. In North America, the Company has been successful in renegotiating some lower margin contracts at better prices, and have replaced a few others with new contracts at better pricing. Margins are expected to improve going forward as increased demand drives improved pricing.

The fundamentals driving the business continue to be encouraging for the coming quarter and into fiscal 2019, with gold and base metal prices remaining at healthy levels. Most senior and intermediate companies have increased their exploration budgets for calendar 2018, and the demand for drilling services continues to increase.

As the Company continues to manage its growth, developing human resources will be the biggest challenge as the industry moves deeper into the cycle. One of the challenges that is re-emerging in the sector is the shortage of experienced drill crews in the industry, particularly in Canada, a factor that will put some pressure on productivity and margins. The Company will continue to make investments in technology and enhancements to its recruiting and training systems, providing tools to the crews that will improve safety and productivity, as it brings in a new generation of employees.

NON-GAAP FINANCIAL MEASURE

The Company uses the non-GAAP financial measure, EBITDA (earnings before interest, taxes, depreciation and amortization). The Company believes this non-GAAP financial measure is key, for both management and investors, in evaluating performance at a consolidated level. EBITDA is commonly reported and widely used by investors and lending institutions as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. 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 $000 CAD)	**Q3 2018**	Q3 2017	**YTD 2018**	YTD 2017
Net loss	**$ (8,494)**	$ (14,294)	**$ (18,106)**	$ (33,833)
Finance costs	**192**	97	**557**	241
Income tax provision	**(3,743)**	(1,882)	**(4,294)**	(117)
Depreciation and amortization	**12,102**	13,016	**36,336**	38,816
EBITDA	**$ 57**	$ (3,063)	**$ 14,493**	$ 5,107

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 unfavorable foreign exchange translation impact for the three and nine months ended January 31, 2018, respectively, when comparing to the effective rates for the same periods last year, is estimated at approximately $3 and $5 million on revenue. The foreign exchange impact on net earnings for the three and nine month periods was negligible as net earnings remained less impacted by currency fluctuations as a large proportion of costs are typically incurred in the same currency as revenue.

COMPREHENSIVE EARNINGS

The Interim Condensed Consolidated Statements of Comprehensive Loss for the quarter include $10.2 million in unrealized loss on translating the financial statements of the Company's foreign operations compared to a loss of $7.0 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 November 1, 2017 and ended on January 31, 2018, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

OUTSTANDING SHARE DATA

As of February 28, 2018 there were 80,299,984 common shares issued and outstanding in the Company. This is the same number as reported in the Company's second quarter MD&A (reported as of November 30, 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 January 31		Nine months ended January 31	
	2018	2017	**2018**	2017
TOTAL REVENUE	**$ 74,970**	$ 70,117	**$ 246,914**	$ 219,119
DIRECT COSTS	**61,777**	60,737	**195,777**	178,510
GROSS PROFIT	**13,193**	9,380	**51,137**	40,609
OPERATING EXPENSES				
General and administrative	**12,149**	11,385	**35,473**	32,916
Other expenses	**952**	969	**2,215**	2,612
Loss (gain) on disposal of property, plant and equipment	**90**	179	**(49)**	364
Foreign exchange gain	**(55)**	(90)	**(995)**	(390)
Finance costs	**192**	97	**557**	241
Depreciation of property, plant and equipment	**12,102**	12,355	**35,679**	36,851
Amortization of intangible assets	**-**	661	**657**	1,965
	25,430	25,556	**73,537**	74,559
LOSS BEFORE INCOME TAX	**(12,237)**	(16,176)	**(22,400)**	(33,950)
INCOME TAX - PROVISION (RECOVERY) (note 7)				
Current	**337**	413	**5,191**	6,141
Deferred	**(4,080)**	(2,295)	**(9,485)**	(6,258)
	(3,743)	(1,882)	**(4,294)**	(117)
NET LOSS	**$ (8,494)**	$ (14,294)	**$ (18,106)**	$ (33,833)
LOSS PER SHARE (note 8)				
Basic	**$ (0.11)**	$ (0.18)	**$ (0.23)**	$ (0.42)
Diluted	**$ (0.11)**	$ (0.18)	**$ (0.23)**	$ (0.42)

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

	Three months ended January 31		Nine months ended January 31	
	2018	2017	**2018**	2017
NET LOSS	**$ (8,494)**	$ (14,294)	**$ (18,106)**	$ (33,833)
OTHER COMPREHENSIVE EARNINGS				
Items that may be reclassified subsequently to profit or loss				
Unrealized (loss) gain on foreign currency translations (net of tax)	**(10,243)**	(7,017)	**(26,930)**	13,167
Unrealized gain (loss) on derivatives (net of tax)	**74**	212	**(135)**	(77)
COMPREHENSIVE LOSS	**$ (18,663)**	$ (21,099)	**$ (45,171)**	$ (20,743)

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Changes in Equity
For the nine months ended January 31, 2018 and 2017
(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
Exercise of stock options	25		(4)			21
Share-based compensation	-	-	705	-	-	705
	239,751	326	19,018	105,876	61,896	426,867
Comprehensive earnings:						
Net loss	-	-	-	(33,833)	-	(33,833)
Unrealized gain on foreign currency translations	-	-	-	-	13,167	13,167
Unrealized loss on derivatives	-	(77)	-	-	-	(77)
Total comprehensive loss	-	(77)	-	(33,833)	13,167	(20,743)
BALANCE AS AT JANUARY 31, 2017	$ 239,751	$ 249	$ 19,018	$ 72,043	$ 75,063	$ 406,124
BALANCE AS AT MAY 1, 2017	**$ 239,751**	**$ 163**	**$ 19,250**	**$ 63,812**	**$ 86,787**	**$409,763**
Exercise of stock options	**1,513**	**-**	**(310)**	**-**	**-**	**1,203**
Share-based compensation	**-**	**-**	**615**	**-**	**-**	**615**
	241,264	**163**	**19,555**	**63,812**	**86,787**	**411,581**
Comprehensive earnings:						
Net loss	**-**	**-**	**-**	**(18,106)**	**-**	**(18,106)**
Unrealized loss on foreign currency translations	**-**	**-**	**-**	**-**	**(26,930)**	**(26,930)**
Unrealized loss on derivatives	**-**	**(135)**	**-**	**-**	**-**	**(135)**
Total comprehensive loss	**-**	**(135)**	**-**	**(18,106)**	**(26,930)**	**(45,171)**
BALANCE AS AT JANUARY 31, 2018	**$ 241,264**	**$ 28**	**$ 19,555**	**$ 45,706**	**$ 59,857**	**$366,410**

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

(in thousands of Canadian dollars)
(unaudited)

	Three months ended January 31		Nine months ended January 31	
	2018	2017	**2018**	2017
OPERATING ACTIVITIES				
Loss before income tax	**$ (12,237)**	$ (16,176)	**$ (22,400)**	$ (33,950)
Operating items not involving cash				
Depreciation and amortization	**12,102**	13,016	**36,336**	38,816
Loss (gain) on disposal of property, plant and equipment	**90**	179	**(49)**	364
Share-based compensation	**187**	228	**615**	705
Finance costs recognized in loss before income tax	**192**	97	**557**	241
	334	(2,656)	**15,059**	6,176
Changes in non-cash operating working capital items	**11,684**	9,113	**9,616**	(253)
Finance costs paid	**(192)**	(97)	**(557)**	(241)
Income taxes paid	**(2,532)**	(1,484)	**(4,598)**	(4,229)
Cash flow from operating activities	**9,294**	4,876	**19,520**	1,453
FINANCING ACTIVITIES				
Repayment of long-term debt	**(805)**	(863)	**(2,451)**	(4,616)
Proceeds from draw on long-term debt	**-**	-	**15,000**	-
Issuance of common shares due to exercise of stock options	**-**	21	**1,203**	21
Cash flow (used in) from financing activities	**(805)**	(842)	**13,752**	(4,595)
INVESTING ACTIVITIES				
Business acquisition (note 10)	**-**	-	**(5,135)**	(3,881)
Acquisition of property, plant and equipment (net of direct financing) (note 6)	**(7,560)**	(2,814)	**(17,753)**	(10,385)
Proceeds from disposal of property, plant and equipment	**243**	120	**1,863**	1,557
Cash flow used in investing activities	**(7,317)**	(2,694)	**(21,025)**	(12,709)
Effect of exchange rate changes	**(1,010)**	(704)	**(3,743)**	1,166
INCREASE (DECREASE) IN CASH	**162**	636	**8,504**	(14,685)
CASH, BEGINNING OF THE PERIOD	**34,317**	34,907	**25,975**	50,228
CASH, END OF THE PERIOD	**$ 34,479**	$ 35,543	**$ 34,479**	$ 35,543

Major Drilling Group International Inc.
Interim Condensed Consolidated Balance Sheets
As at January 31, 2018 and April 30, 2017
(in thousands of Canadian dollars)
(unaudited)

	January 31, 2018	April 30, 2017
ASSETS		
CURRENT ASSETS		
Cash	**$ 34,479**	$ 25,975
Trade and other receivables	**61,487**	72,385
Note receivable	**490**	476
Income tax receivable	**3,498**	5,771
Inventories	**79,213**	88,047
Prepaid expenses	**3,853**	3,210
	183,020	195,864
NOTE RECEIVABLE	**685**	1,055
PROPERTY, PLANT AND EQUIPMENT (note 6)	**187,630**	221,524
DEFERRED INCOME TAX ASSETS	**23,172**	17,026
GOODWILL	**57,459**	58,432
INTANGIBLE ASSETS	**-**	669
	$ 451,966	$ 494,570
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	**$ 48,593**	$ 48,359
Income tax payable	**1,543**	3,036
Contingent consideration (note 10)	**-**	5,135
Current portion of long-term debt	**2,325**	3,291
	52,461	59,821
LONG-TERM DEBT	**17,708**	4,544
DEFERRED INCOME TAX LIABILITIES	**15,387**	20,442
	85,556	84,807
SHAREHOLDERS' EQUITY		
Share capital	**241,264**	239,751
Reserves	**28**	163
Share-based payments reserve	**19,555**	19,250
Retained earnings	**45,706**	63,812
Foreign currency translation reserve	**59,857**	86,787
	366,410	409,763
	$ 451,966	$ 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 March 1, 2018, 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

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

IFRS 2 Share-based Payment ("IFRS 2")
IFRS 2, amended in June 2016, clarifies the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. These final amendments to IFRS 2 are effective for annual periods beginning on or after January 1, 2018. The Company has completed its assessment of IFRS 2 and the amendments are not expected to have a significant impact on the Consolidated Financial Statements.

3. APPLICATION OF NEW AND REVISED IFRS (Continued)

IFRS 9 Financial Instruments ("IFRS 9")
IFRS 9, completed by the IASB in phases, with the final version issued in July 2014, replaces IAS 39, Financial Instruments: Recognition and Measurement. The standard contains requirements in the areas of classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. As a result of adoption on May 1, 2018, the Company will reclassify its financial assets into new categories specified under IFRS 9 and will apply the expected credit loss model to measure impairment, however the Company does not expect a significant change in accounting for its financial assets as a result. Further, the Company's designated hedges will continue to qualify for hedge accounting under IFRS 9 and therefore no significant impact on the Consolidated Financial Statements is expected.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")
IFRS 15, issued in May 2014, clarifies the principles for recognizing revenue from contracts with customers. It provides a comprehensive framework for recognition and measurement of revenue from contracts with customers and will also result in enhanced disclosures around revenue. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Additional disclosures relating to revenue may be required in the Consolidated Financial Statements, however, the adoption of IFRS 15 is not expected to have a significant impact on the ongoing recognition of the Company's revenue.

IFRS 16 Leases ("IFRS 16")
IFRS 16, issued in January 2016, replaces IAS 17, Leases. Early adoption is permitted if IFRS 15 has been applied or is applied on the same date. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting remains substantially unchanged as they continue to classify leases as operating or finance. IFRS 16 is effective for periods beginning on or after January 1, 2019. 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 January 31, 2018 were $7,560 (2017 - $3,674) and $17,804 (2017- $11,280) for the nine months ended January 31, 2018. The Company obtained direct financing of nil for the three months ended January 31, 2018 (2017 - $860) and $51 for the nine months ended January 31, 2018 (2017- $895).

7. INCOME TAXES

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

	Q3 2018	Q3 2017	**YTD 2018**	YTD 2017
Loss before income tax	**$ (12,237)**	$ (16,176)	**$ (22,400)**	$ (33,950)
Statutory Canadian corporate income tax rate	**27%**	27%	**27%**	27%
Expected income tax recovery based on statutory rate	**(3,304)**	(4,368)	**(6,048)**	(9,167)
Non-recognition of tax benefits related to losses	**943**	1,040	**2,754**	3,589
Utilization of previously unrecognized losses	**-**	-	**(811)**	-
Other foreign taxes paid	**64**	71	**263**	444
Rate variances in foreign jurisdictions	**(258)**	(121)	**(5)**	499
Permanent differences	**399**	1,277	**698**	3,605
Effect of change in U.S. tax rate	**(1,587)**	-	**(1,587)**	-
Other	**-**	219	**442**	913
Income tax recovery recognized in net loss	**$ (3,743)**	$ (1,882)	**$ (4,294)**	$ (117)

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.

During the quarter, the U.S. Tax Cuts and Jobs Act of 2017 ("the Act") was signed into legislation. The Act includes a broad range of legislative changes including, but not limited to, a reduction of the U.S. federal corporate income tax rate to 21% effective January 1, 2018. As a result, the Company revalued its U.S. deferred income tax liability based on the new 21% federal tax rate. The Company has recognized an income tax recovery of $1,587.

8. LOSS PER SHARE

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

	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Net loss	**$ (8,494)**	$ (14,294)	**$ (18,106)**	$ (33,833)
Weighted average number of shares:				
Basic and diluted (000s)	**80,300**	80,138	**80,248**	80,137
Loss per share				
Basic	**$ (0.11)**	$ (0.18)	**$ (0.23)**	$ (0.42)
Diluted	**$ (0.11)**	$ (0.18)	**$ (0.23)**	$ (0.42)

The calculation of diluted loss per share for the three and nine months ended January 31, 2018, respectively, excludes the effect of 3,347,361 and 2,727,342 options (2017 - 3,642,139 and 3,981,841) as they were anti-dilutive.

The total number of shares outstanding on January 31, 2018 was 80,299,984 (2017 - 80,139,884).

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, 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:

	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Revenue				
Canada - U.S.*	**$ 35,473**	$ 37,847	**$ 140,343**	$ 132,289
South and Central America	**22,935**	18,952	**61,203**	48,617
Asia and Africa	**16,562**	13,318	**45,368**	38,213
	$ 74,970	$ 70,117	**$ 246,914**	$ 219,119
Loss from operations				
Canada - U.S.	**$ (7,887)**	$ (9,042)	**$ (7,087)**	$ (12,868)
South and Central America	**(2,296)**	(4,624)	**(7,826)**	(11,215)
Asia and Africa	**(124)**	(1,448)	**(2,041)**	(4,740)
	(10,307)	(15,114)	**(16,954)**	(28,823)
Finance costs	**192**	97	**557**	241
General corporate expenses**	**1,738**	965	**4,889**	4,886
Income tax recovery	**(3,743)**	(1,882)	**(4,294)**	(117)
Net loss	**$ (8,494)**	$ (14,294)	**$ (18,106)**	$ (33,833)

*Canada - U.S. includes revenue of $17,130 and $17,649 for Canadian operations for the three months ended January 31, 2018 and 2017, respectively, and $68,470 and $59,850 for the nine months ended January 31, 2018 and 2017, respectively.

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

9. SEGMENTED INFORMATION (Continued)

	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Capital expenditures				
Canada - U.S.	**$ 4,755**	$ 2,237	**$ 11,857**	$ 5,990
South and Central America	**2,521**	762	**3,617**	3,817
Asia and Africa	**284**	675	**2,330**	1,473
Total capital expenditures	**$ 7,560**	$ 3,674	**$ 17,804**	$ 11,280
Depreciation and amortization				
Canada - U.S.	**$ 6,704**	$ 7,023	**$ 18,499**	$ 21,460
South and Central America	**3,690**	3,330	**10,051**	9,671
Asia and Africa	**2,394**	2,108	**7,544**	6,096
Unallocated and corporate assets	**(686)**	555	**242**	1,589
Total depreciation and amortization	**$ 12,102**	$ 13,016	**$ 36,336**	$ 38,816

	January 31, 2018	April 30, 2017
Identifiable assets		
Canada - U.S.*	**$ 185,666**	$ 216,391
South and Central America	**126,406**	151,894
Asia and Africa	**89,432**	99,850
Unallocated and corporate assets	**50,462**	26,435
Total identifiable assets	**$ 451,966**	$ 494,570

*Canada - U.S. includes property, plant and equipment at January 31, 2018 of $47,652 (April 30, 2017 - $57,689) for Canadian operations.

10. BUSINESS ACQUISITION

During the previous quarter, the Company made the final payment on the contingent consideration arising out of the Taurus Drilling Services acquisition, for $5,135 (2017 - $3,881).

11. FINANCIAL INSTRUMENTS

Fair value

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

11. FINANCIAL INSTRUMENTS (Continued)

There were no transfers of amounts between level 1, level 2 and level 3 financial instruments for the quarter ended January 31, 2018. Additionally, there are no financial instruments classified as level 3.

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

Credit risk
As at January 31, 2018, 83.8% (April 30, 2017 - 87.3%) of the Company's trade receivables were aged as current and 1.9% (April 30, 2017 - 1.4%) of the trade receivables were impaired.

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

	January 31, 2018	April 30, 2017
Opening balance	**$ 847**	$ 3,554
Increase in impairment allowance	**257**	668
Recovery of amounts previously impaired	**(142)**	(92)
Write-off charged against allowance	**-**	(3,374)
Foreign exchange translation differences	**(71)**	91
Ending balance	**$ 891**	$ 847

Foreign currency risk
As at January 31, 2018, 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	**USD/CAD**	**MNT/USD**	**CFA/USD**	**COP/USD**	**Other**
Net exposure on monetary assets		$ 7,204	$ 5,252	$ 3,735	$ 1,488	$ (648)
EBIT impact	+/-10%	800	584	415	165	72

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	$ 48,593	$ -	$ -	$ 48,593
Long-term debt (interest included)	2,972	18,295	653	21,920
	$ 51,565	**$ 18,295**	**$ 653**	**$ 70,513**