President's Report to Shareholders – First Quarter 2019

During the quarter, the Company generated revenue of $98.5 million, up 17% from the $84.0 million recorded for the same quarter last year. Net loss was $2.5 million, or $0.03 per share for the quarter, compared to a net loss of $6.9 million, or $0.09 per share for the prior year quarter. The overall gross margin percentage for the quarter was 23.8%, compared to 20.0% for the corresponding period last year. The net cash position (net of debt) stands at $2.2 million at quarter-end. This quarter we spent $5.8 million on capital expenditures, adding six new rigs to our fleet, while disposing of seven older, inefficient rigs.

Despite the recent volatility of commodity prices, activity levels continued to grow this quarter. This growth was led by our international operations as South and Central American revenue was up 41% and Asian and African revenue was up 58% compared to last year. In Canada - U.S., our revenue was relatively flat as we concentrated on higher margin contracts due to the high level of labour utilization experienced in these operations, while still facing competitive pressures. With the market improving and our continued efforts on recruitment and training, we should see revenue start to grow in these regions in the coming quarters.

While pricing continues to improve in all regions, overall margins were impacted this quarter by seasonal transition costs in South and Central America. Although price improvements will initially be offset to some extent by an increase in consumables and labour costs, the utilization rate increase will help absorb more of our fixed operational costs, giving considerable leverage to improve profits as we move forward.

Going into our second quarter, the upward trend in activity levels continues. Despite the recent drop in commodity prices, most senior mining companies are continuing with their original plans as they work to replace their mineral reserves. Ten of the top senior gold mining companies have seen their mineral reserves decrease 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.

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. 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.

We are continuing to make investments in innovation directed towards increased productivity, safety and meeting customers' demands, including mobile solutions in the field, providing tools to our crews necessary to excel in these areas. This falls in line with the enhancement of our recruiting and training systems as we bring in a new generation of employees.

We welcome our shareholders to the Annual General Meeting to be held at McCarthy Tétrault, Suite 2500, 1000 De La Gauchetière Street West, Lafleur Room, Montréal, Québec, on Friday, September 7, 2018, at 3:00pm EDT.

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 2019

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

First Quarter Fiscal 2019

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, 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 July 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 July 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, 2018.

This MD&A is dated August 31, 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; climate change risk; shortage of specialized skills and cost of labour increases; equipment and parts availability; reputational risk; cybersecurity risk; market price and dilution of common shares; and environmental, health and safety regulations and considerations. 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 a complete suite 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 the Company believes these skills will be in greater and greater demand over the next two decades.

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 operates on 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. 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. As these markets continue to urbanize, the requirement for base metals will continue to increase at the same time as 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. At this point in time, most gold and base metal senior and intermediate mining companies have increased their exploration budgets for calendar 2018, although exploration levels are still lower than at the peak in 2012. The requirement for base metals will continue to increase as large base metal producers will either need to expand existing mines or develop new mines to meet world demand. Activity from senior gold producers is likely to show greater volatility as gold prices vary, which could impact exploration budgets.

OVERALL PERFORMANCE

Despite the recent volatility of commodity prices, activity levels continued to grow in the quarter. The growth was led by the Company's international operations as South and Central American revenue was up 41% and Asian and African revenue was up 58% compared to last year. In Canada - U.S., revenue was relatively flat as the Company concentrated on higher margin contracts due to the high level of labour utilization experienced in these operations, while still facing competitive pressures. With the market improving and continued efforts on recruitment and training, revenue should start to grow in these regions in the coming quarters.

Revenue for the quarter ended July 31, 2018 was $98.5 million, up 17.3% from revenue of $84.0 million recorded in the same quarter last year. The increased revenue trend is consistent with increased mining budgets for the current calendar year, and continues to indicate that the industry has started recovering from a prolonged downturn.

Gross margin percentage for the quarter was 23.8%, up from 20.0% for the same period last year. While pricing continues to improve in all regions, overall margins were impacted by seasonal transition costs in South and Central America.

Net loss for the quarter was $2.5 million or $0.03 per share compared to a net loss of $6.9 million or $0.09 per share for the same period last year. Earnings before interest, taxes, depreciation and amortization ("EBITDA" - see "Non-GAAP financial measure") increased by 91% from $5.3 million for the previous year to $10.1 million in the current year.

The Company continues to have a strong balance sheet with a net cash position (net of debt) of $2.2 million at the end of the quarter. Capital expenditures were $5.8 million this quarter, as the Company added six new rigs to the fleet, while disposing of seven older, inefficient rigs.

RESULTS OF OPERATIONS - FIRST QUARTER RESULTS ENDED JULY 31, 2018

Total revenue for the quarter was $98.5 million, up 17.3% from revenue of $84.0 million recorded in the same quarter last year, despite the unfavourable foreign exchange translation impact for the quarter, when comparing to the effective rates for the same period last year, estimated at $2 million on revenue, with a negligible impact on net earnings.

Revenue for the quarter from Canada - U.S. drilling operations decreased by 1.7% to $51.3 million, compared to the same period last year.

South and Central American revenue increased by 41.3% to $26.7 million for the quarter, compared to the same quarter last year, due to increased activity levels in most regions.

Asian and African operations reported revenue of $20.4 million, up 58.1% from the same period last year, driven by stronger activity in most areas, particularly in Indonesia.

The overall gross margin percentage for the quarter was 23.8%, up from 20.0% for the same period last year. While pricing continues to improve in all regions, overall margins were impacted by seasonal transition costs in South and Central America.

General and administrative costs were up 3% from the same quarter last year at $12.4 million. Although staffing levels and salaries have increased as the industry ramps up and the Company invests in recruitment and information technology, general and administrative expenses as a percentage of revenue have decreased to 12.6% for the current quarter compared to 14.3% for the same period last year.

The income tax provision for the quarter was an expense of $1.2 million compared to a recovery of $0.4 million for the prior year period. Tax expense for the quarter was impacted by non-tax affected losses and non-deductible expenses.

Net loss was $2.5 million or $0.03 per share ($0.03 per share diluted) for the quarter, compared to a net loss of $6.9 million or $0.09 per share ($0.09 per share diluted) for the prior year quarter.

SUMMARY OF QUARTERLY RESULTS

(in $000s CAD, except per share)	*Fiscal 2017*			*Fiscal 2018*				***Fiscal 2019***
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Revenue	$ 79,913	$ 70,117	$ 81,469	$ 83,952	$ 87,992	$ 74,970	$95,412	**$ 98,485**
Gross profit	16,088	9,380	19,609	16,767	21,177	13,193	23,146	**23,400**
Gross margin	20.1%	13.4%	24.1%	20.0%	24.1%	17.6%	24.3%	**23.8%**
Net loss	(9,757)	(14,294)	(8,231)	(6,890)	(2,722)	(8,494)	(4,346)	**(2,482)**
Per share - basic	(0.12)	(0.18)	(0.10)	(0.09)	(0.03)	(0.11)	(0.05)	**(0.03)**
Per share - diluted	(0.12)	(0.18)	(0.10)	(0.09)	(0.03)	(0.11)	(0.05)	**(0.03)**

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 $10.1 million compared to an inflow of $5.4 million for the same period last year.

The change in non-cash operating working capital items was an outflow of $2.9 million for the quarter, compared to an inflow of $2.2 million for the same period last year. The outflow of non-cash operating working capital was primarily impacted by:

- an increase in prepaids of $3.7 million;
- an increase in inventory of $3.5 million;
- an increase in accounts payable of $2.3 million; and
- a decrease in accounts receivable of $2.0 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 $26.3 million ($25.0 million from a Canadian chartered bank and $1.3 million from an American chartered bank) and are primarily secured by corporate guarantees of companies within the group. At July 31, 2018, the Company had utilized $1.9 million of these lines 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 decreased by $0.7 million during the year to $18.6 million at July 31, 2018. The decrease is due to debt repayments of $0.7 million.

As of July 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 July 31, 2018, $15.0 million had been drawn on this facility, bearing interest at 3.76%, maturing in May 2020.

- $3.1 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 $0.5 million at July 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 July 31, 2018, the Company had unused borrowing capacity under its credit facilities of $59.4 million and cash of $20.8 million, for a total of $80.2 million in available funds.

Investing Activities
Capital expenditures were $5.8 million for the quarter ended July 31, 2018, compared to $4.3 million (net of $0.1 million of equipment financing) for the same quarter last year.

The drill rig count was at 627 at the end of the quarter as the Company added six rigs to its fleet as part of the Company's specialized and diversification strategies, while retiring or disposing of seven older, inefficient rigs.

OUTLOOK

Going into the second quarter, the upward trend in activity levels continues. Despite the recent drop in commodity prices, most senior mining companies are continuing with their original plans as they work to replace their mineral reserves. Ten of the top senior gold mining companies have seen their mineral reserves decrease 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.

Pricing continues to improve in all regions, but will initially be offset to some extent by increases in consumables and labour costs. Utilization rate increases will help absorb more fixed operational costs, giving considerable leverage to improve profits going forward.

The Company continues to make investments in innovation directed towards increased productivity, safety and meeting customers' demands, including mobile solutions in the field, providing tools to the crews necessary to excel in these areas. This falls in line with the enhancement of the recruiting and training systems as a new generation of employees comes in.

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. 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.

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 $000s CAD)	**Q1 2019**	Q1 2018
Net loss	**$ (2,482)**	$ (6,890)
Finance costs	**243**	181
Income tax provision (recovery)	**1,211**	(422)
Depreciation and amortization	**11,144**	12,455
EBITDA	**$ 10,116**	$ 5,324

FOREIGN EXCHANGE

The Company's reporting currency is the Canadian dollar, however a significant portion of the Company's revenue and operating expenses outside of Canada are denominated in U.S. dollars. The year-over-year comparisons in the growth of revenue and operating expenses have been impacted by the relative strength of the Canadian dollar against the U.S. dollar.

During the quarter, approximately 25% of revenue generated was in Canadian dollars with most of the balance being in U.S. dollars. Since most of the input costs related to this revenue is denominated in the same currency as the revenue, the impact on earnings is somewhat muted.

The unfavourable foreign exchange translation impact for the quarter, when comparing to the effective rates for the same period last year, is estimated at approximately $2 million on revenue, with a negligible impact on net earnings.

Currency controls and government policies in foreign jurisdictions, where a substantial portion of the Company's business is conducted, can restrict the Company's ability to exchange such foreign currency for other currencies, such as the U.S. dollar. To mitigate this risk, the Company has adopted a policy of carrying limited foreign currencies in local bank accounts.

As at July 31, 2018, the most significant carrying amounts of net monetary assets (which may include intercompany balances with other subsidiaries) that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; and (ii) cause foreign exchange rate exposure, including the impact on earnings before income taxes ("EBIT"), if the corresponding rate changes by 10%, are as follows:

	Rate variance	**MNT/USD**	**CFA/USD**	**USD/CAD**	**COP/USD**	**USD/AUD**	**USD/ZAR**	**USD/CLP**	**Other**
Net exposure on monetary assets		$ 4,393	$ 3,860	$ 2,579	$ 2,575	$ 1,818	$ (991)	$ (5,884)	$ (560)
EBIT impact	+/-10%	488	429	287	286	202	110	654	62

COMPREHENSIVE EARNINGS

The Interim Condensed Consolidated Statements of Comprehensive Loss for the quarter includes a $2.5 million unrealized gain on translating the financial statements of the Company's foreign operations compared to a loss of $24.9 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, 2018, 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, 2018, 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, 2018 and ended on July 31, 2018, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

OUTSTANDING SHARE DATA

As of August 31, 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 fourth quarter MD&A (reported as of June 7, 2018).

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	
	2018	2017
TOTAL REVENUE	**$ 98,485**	$ 83,952
DIRECT COSTS	**75,085**	67,185
GROSS PROFIT	**23,400**	16,767
OPERATING EXPENSES		
General and administrative	**12,398**	11,981
Other expenses	**1,039**	430
Gain on disposal of property, plant and equipment	**(179)**	(172)
Foreign exchange loss (gain)	**26**	(796)
Finance costs	**243**	181
Depreciation of property, plant and equipment	**11,144**	11,798
Amortization of intangible assets	**-**	657
	24,671	24,079
LOSS BEFORE INCOME TAX	**(1,271)**	(7,312)
INCOME TAX - PROVISION (RECOVERY) (note 8)		
Current	**2,756**	2,484
Deferred	**(1,545)**	(2,906)
	1,211	(422)
NET LOSS	**$ (2,482)**	$ (6,890)
LOSS PER SHARE (note 9)		
Basic	**$ (0.03)**	$ (0.09)
Diluted	**$ (0.03)**	$ (0.09)

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

	Three months ended July 31	
	2018	2017
NET LOSS	**$ (2,482)**	$ (6,890)
OTHER COMPREHENSIVE EARNINGS		
Items that may be reclassified subsequently to profit or loss		
Unrealized gain (loss) on foreign currency translations (net of tax)	**2,527**	(24,885)
Unrealized (loss) gain on derivatives (net of tax)	**(142)**	104
COMPREHENSIVE LOSS	**$ (97)**	$ (31,671)

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Changes in Equity
For the three months ended July 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, 2017	$ 239,751	$ 163	$ 19,250	$ 63,812	$ 86,787	$ 409,763
Exercise of stock options	1,003	-	(310)	-	-	693
Share-based compensation	-	-	239	-	-	239
	240,754	163	19,179	63,812	86,787	410,695
Comprehensive earnings:						
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
BALANCE AS AT MAY 1, 2018	**$ 241,264**	**$ 36**	**$ 19,721**	**$ 41,360**	**$ 70,021**	**$ 372,402**
Share-based compensation	**-**	**-**	**149**	**-**	**-**	**149**
	241,264	**36**	**19,870**	**41,360**	**70,021**	**372,551**
Comprehensive earnings:						
Net loss	**-**	**-**	**-**	**(2,482)**	**-**	**(2,482)**
Unrealized gain on foreign currency translations	**-**	**-**	**-**	**-**	**2,527**	**2,527**
Unrealized loss on derivatives	**-**	**(142)**	**-**	**-**	**-**	**(142)**
Total comprehensive loss	**-**	**(142)**	**-**	**(2,482)**	**2,527**	**(97)**
BALANCE AS AT JULY 31, 2018	**$ 241,264**	**$ (106)**	**$ 19,870**	**$ 38,878**	**$ 72,548**	**$ 372,454**

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

	Three months ended July 31 2018	2017
OPERATING ACTIVITIES		
Loss before income tax	**$ (1,271)**	$ (7,312)
Operating items not involving cash		
Depreciation and amortization	**11,144**	12,455
Gain on disposal of property, plant and equipment	**(179)**	(172)
Share-based compensation	**149**	239
Finance costs recognized in loss before income tax	**243**	181
	10,086	5,391
Changes in non-cash operating working capital items	**(2,933)**	2,217
Finance costs paid	**(243)**	(181)
Income taxes paid	**(2,012)**	(683)
Cash flow from operating activities	**4,898**	6,744
FINANCING ACTIVITIES		
Repayment of long-term debt	**(735)**	(841)
Proceeds from draw on long-term debt	**-**	15,000
Issuance of common shares due to exercise of stock options	**-**	693
Cash flow (used in) from financing activities	**(735)**	14,852
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (net of direct financing) (note 7)	**(5,826)**	(4,256)
Proceeds from disposal of property, plant and equipment	**691**	776
Cash flow used in investing activities	**(5,135)**	(3,480)
Effect of exchange rate changes	**473**	(3,414)
(DECREASE) INCREASE IN CASH	**(499)**	14,702
CASH, BEGINNING OF THE PERIOD	**21,256**	25,975
CASH, END OF THE PERIOD	**$ 20,757**	$ 40,677

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

	July 31, 2018	April 30, 2018
ASSETS		
CURRENT ASSETS		
Cash	$ **20,757**	$ 21,256
Trade and other receivables	**86,980**	88,372
Note receivable	**500**	495
Income tax receivable	**3,666**	4,517
Inventories	**86,597**	82,519
Prepaid expenses	**6,633**	2,924
	205,133	200,083
NOTE RECEIVABLE	**432**	559
PROPERTY, PLANT AND EQUIPMENT (note 7)	**180,645**	185,364
DEFERRED INCOME TAX ASSETS	**24,217**	23,196
GOODWILL	**57,997**	57,851
	$ **468,424**	$ 467,053
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	$ **58,484**	$ 55,906
Income tax payable	**3,664**	3,794
Current portion of long-term debt	**1,567**	1,934
	63,715	61,634
LONG-TERM DEBT	**17,038**	17,407
DEFERRED INCOME TAX LIABILITIES	**15,217**	15,610
	95,970	94,651
SHAREHOLDERS' EQUITY		
Share capital	**241,264**	241,264
Reserves	**(106)**	36
Share-based payments reserve	**19,870**	19,721
Retained earnings	**38,878**	41,360
Foreign currency translation reserve	**72,548**	70,021
	372,454	372,402
	$ **468,424**	$ 467,053

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, 2018, except as noted below in note 4.

On September 4, 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, 2018, except as noted below in note 4.

3. APPLICATION OF NEW AND REVISED IFRS

The following IASB standards, adopted as of May 1, 2018, have had no significant impact on the Company's Consolidated Financial Statements:

- IFRS 2 Share-based Payment
- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The Company has not applied the following IASB standard that has been issued, but is not yet effective:

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. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

IFRS 9 Financial Instruments ("IFRS 9"), replacing IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"), includes finalized guidance on the classification and measurement of financial assets and liabilities, impairment, and hedge accounting. The Company adopted the new requirements on May 1, 2018 by applying the requirements for classification and measurement, including impairment, retrospectively with no restatement of comparative periods.

Financial instruments
Under IFRS 9, financial assets are classified and measured at amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL") and financial liabilities are classified and measured as amortized cost or FVTPL, depending on the business model in which they are held and the characteristics of their contractual cash flows. All of the Company's financial assets and liabilities are measured at amortized cost.

Impairment
IFRS 9 replaces the incurred loss model in IAS 39 with a forward-looking expected credit loss ("ECL") model. Since the Company's trade receivables have a maturity of less than one year, the Company utilized a practical expedient available under the standard and estimated lifetime ECL using historical credit loss experiences, resulting in a minimal impact on the Company's financial statements.

Hedge accounting
Under IFRS 9, the effectiveness test has been replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. The Company's interest rate swap and share-forward transaction hedges continue to qualify for hedge accounting under IFRS 9 and as a result, the adoption of IFRS 9 did not have a significant impact on its consolidated financial statements with respect to hedge accounting.

As it was under IAS 39, hedge accounting remains optional under IFRS 9. The three types of hedges, cash flow, fair value and net investment, remain the same under IFRS 9. All of the Company's hedges continue to be classified as FVTOCI.

5. 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 and allowance for doubtful accounts, and impairment testing of goodwill.

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.

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

6. 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.

7. PROPERTY, PLANT AND EQUIPMENT

Capital expenditures for the three months ended July 31, 2018 were $5,826 (2017 - $4,307). The Company did not obtain direct financing for the three months ended July 31, 2018 (2017 - $51).

8. INCOME TAXES

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

	Q1 2019	Q1 2018
Loss before income tax	**$ (1,271)**	$ (7,312)
Statutory Canadian corporate income tax rate	**27%**	27%
Expected income tax recovery based on statutory rate	**(343)**	(1,974)
Non-recognition of tax benefits related to losses	**1,027**	1,117
Utilization of previously unrecognized losses	**(48)**	-
Other foreign taxes paid	**116**	135
Rate variances in foreign jurisdictions	**(52)**	52
Permanent differences	**511**	213
Other	**-**	35
Income tax provision (recovery) recognized in net loss	**$ 1,211**	$ (422)

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 favourable or unfavourable adjustments to these estimated tax liabilities in the period the assessments are made, or resolved, or when the statutes of limitations lapse.

9. 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 2019	Q1 2018
Net loss	$ (2,482)	$ (6,890)
Weighted average number of shares:		
Basic and diluted (000s)	80,300	80,153
Loss per share		
Basic	$ (0.03)	$ (0.09)
Diluted	$ (0.03)	$ (0.09)

The calculation of diluted loss per share for the three months ended July 31, 2018 excludes the effect of 3,253,649 options (2017 - 2,449,780) as they were anti-dilutive.

The total number of shares outstanding on July 31, 2018 was 80,299,984 (2017 - 80,229,984).

10. 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, 2018 and in note 4 above. 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 2019	Q1 2018
Revenue		
Canada - U.S.*	$ 51,313	$ 52,182
South and Central America	26,740	18,874
Asia and Africa	20,432	12,896
	$ 98,485	$ 83,952
Earnings (loss) from operations		
Canada - U.S.	$ 1,315	$ (1,266)
South and Central America	(738)	(3,088)
Asia and Africa	871	(2,166)
	1,448	(6,520)
Finance costs	243	181
General corporate expenses**	2,476	611
Income tax	1,211	(422)
Net loss	$ (2,482)	$ (6,890)

*Canada - U.S. includes revenue of $24,654 and $25,027 for Canadian operations for the three months ended July 31, 2018 and 2017, respectively.

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

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

10. SEGMENTED INFORMATION (Continued)

	Q1 2019	Q1 2018
Capital expenditures		
Canada - U.S.	**$ 3,843**	$ 3,024
South and Central America	**1,774**	632
Asia and Africa	**209**	651
Total capital expenditures	**$ 5,826**	$ 4,307
Depreciation and amortization		
Canada - U.S.	**$ 5,347**	$ 6,446
South and Central America	**3,235**	3,202
Asia and Africa	**2,497**	2,704
Unallocated and corporate assets	**65**	103
Total depreciation and amortization	**$ 11,144**	$ 12,455

	July 31, 2018	April 30, 2018
Identifiable assets		
Canada - U.S.*	**$ 193,398**	$ 188,947
South and Central America	**137,203**	137,153
Asia and Africa	**97,782**	94,005
Unallocated and corporate assets	**40,041**	46,948
Total identifiable assets	**$ 468,424**	$ 467,053

*Canada - U.S. includes property, plant and equipment at July 31, 2018 of $43,012 (April 30, 2018 - $44,891) for Canadian operations.

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. The fair value of the interest rate swap included in long-term debt is measured using quoted interest rates.

The fair value hierarchy, detailed below, 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.

- 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, 2018.

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

11. FINANCIAL INSTRUMENTS (Continued)

Credit risk
As at July 31, 2018, 82.7% (April 30, 2018 - 84.3%) of the Company's trade receivables were aged as current and 1.5% (April 30, 2018 - 1.3%) 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, 2018	April 30, 2018
Opening balance	**$ 928**	$ 847
Increase in impairment allowance	**200**	500
Recovery of amounts previously impaired	**(44)**	(281)
Write-off charged against allowance	**-**	(69)
Foreign exchange translation differences	**(22)**	(69)
Ending balance	**$ 1,062**	$ 928

Foreign currency risk
As at July 31, 2018, the most significant carrying amounts of net monetary assets (which may include intercompany balances with other subsidiaries) that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; and (ii) cause foreign exchange rate exposure, including the impact on earnings before income taxes ("EBIT"), if the corresponding rate changes by 10%, are as follows:

	Rate variance	MNT/USD	CFA/USD	USD/CAD	COP/USD	USD/AUD	USD/ZAR	USD/CLP	Other
Net exposure on monetary assets		$ 4,393	$ 3,860	$ 2,579	$ 2,575	$ 1,818	$ (991)	$ (5,884)	$ (560)
EBIT impact	+/-10%	488	429	287	286	202	110	654	62

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	$ 58,484	$ -	$ -	$ 58,484
Long-term debt (interest included)	2,199	17,856	88	20,143
	$ 60,683	**$ 17,856**	**$ 88**	**$ 78,627**