Management's Discussion and Analysis

First Quarter Fiscal 2019

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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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.