Management's Discussion and Analysis

First Quarter Fiscal 2020

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019. 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, 2019 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, 2019, 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, 2019.

This MD&A is dated August 31, 2019. Disclosure contained in this document is current to that date, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

Securities laws encourage companies to disclose forward-looking information in order for investors to have a better understanding of the Company's future prospects and make informed investment decisions.

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 risks; 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. Additional risks not currently known to the Company, or that the Company currently deems immaterial, may also impair its business, results of operations, financial condition and liquidity. 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.

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.

At Major Drilling, safety is a core value. Keeping people safe is of the utmost importance. The Company's safety standards lead the industry with well-trained crews who can quickly assess and manage risk, leading to better results for the Company's clients. The Company's safety system has been developed to meet or exceed all applicable government and client standards.

Innovation continues to be at the forefront at Major Drilling. The Company leverages its collective experience to continuously improve its equipment and processes to meet current and future industry demands. By incorporating impactful technologies, paired with a commitment to environmental and social responsibility, Major Drilling is positioned to remain a leader in the drilling services field as mine discovery and development evolve.

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 these "specialized drilling" projects, and remain the world's leading provider of specialized drilling services. 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 modernizing and innovating its fleet and expanding its footprint in strategic areas, while maintaining a strong balance sheet and remaining best in class in safety and human resources. The Company also seeks to continue its diversification strategy within the drilling field by investing in underground and mine services that are complementary to its existing skill set.

Major Drilling 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 exploration drilling, the Company provides a wide range of complementary services to its clients.

Major Drilling delivers quality, safety and results on even the toughest sites through the Company's extensive knowledge and experience, focus on safety, and commitment to meeting the local needs of every customer. With the best people on the ground and a diversified drilling fleet, the Company partners with its customers and local communities for outstanding results.

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 appears to be in the early stages of the cyclical recovery, the Company is in a unique position to react quickly to meet its customers' needs. Its financial strength allows the Company to invest in safety and continuous improvement initiatives, to retain key employees, to maintain its equipment in good condition and maintain sufficient inventory to meet increased customer demands.

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 global exploration spend. Exploration activity generally varies up or down with the trend in gold prices. Gold prices have recently reached a six-year high and with political unrest amongst the world's largest economies and stock market instability, investments in value assets, such as gold, tend to increase.

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.

As resources in some areas are becoming depleted, 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.

The industry has experienced a cyclical downturn over the past several years, however at this point in time, the industry appears to be in the early stages of recovery. As the financing environment for juniors remains challenging, mineral reserves for gold and base metals continue to be depleted. Management believes that the current level of drilling budgets for senior and intermediate companies are not sustainable in the long-term, given depleting reserves and projected commodity deficits.

OVERALL PERFORMANCE

With increases across all regions, revenue for the quarter ended July 31, 2019 was $117.5 million, up 19% from revenue of $98.5 million recorded for the same quarter last year and up 17% from revenue reported for the previous quarter. The Company recorded its highest quarterly revenue since the fourth quarter of fiscal 2013.

As pricing increases are being realized, and with productivity improvements, gross margin percentage for the quarter improved to 26.1% from 23.8% for the same quarter last year.

The Company continued to reap productivity benefits from the tools developed over the last few years, from enhanced training and its skilled labour force. In most markets, the Company's market share grew, due to its specialized drilling expertise, its innovative solutions, its safety culture, and its customers' appreciation of its financial strength. Several new contracts with senior and intermediate companies were added during the quarter, which have more than offset a reduction in work from junior customers due to financing constraints.

This quarter's performance demonstrated the Company's operational leverage as strong revenue growth of 19%, along with improved margins and reduced general and administrative costs, translated into an increase of 78% in earnings before interest, taxes, depreciation and amortization ("EBITDA" - see "Non-GAAP financial measure"). EBITDA was $18.0 million for the current quarter versus $10.1 million for the same quarter last year. Net earnings were $6.0 million or $0.08 per share compared to a net loss of $2.5 million or $0.03 per share for the same quarter last year.

The Company maintained a strong working capital position with net cash (net of debt) staying relatively flat this quarter in comparison to April 30, 2019, as net working capital increase related to increased activity and capital expenditures were offset by cash generated from operations. Net cash was $9.7 million at July 31, 2019, despite recording capital expenditures of $10.6 million for the quarter as the Company added seven new rigs to the fleet, land and support equipment. Two of the new rigs are truly specialized and went to service new contracts with senior customers. The Company also disposed of seven older, inefficient and more costly rigs, in line with the Company's strategy of improving its fleet and services.

RESULTS OF OPERATIONS - FIRST QUARTER RESULTS ENDED JULY 31, 2019

Total revenue for the quarter was $117.5 million, up 19% from revenue of $98.5 million recorded in the same quarter last year. The favourable foreign exchange translation impact for the quarter, when comparing to the effective rates for the same period last year, is estimated at $1 million on revenue, with a negligible impact on net earnings.

Revenue for the quarter from Canada - U.S. drilling operations increased by 19% to $61.0 million, compared to the same period last year, with both regions demonstrating growth. The U.S. operations had a particularly strong quarter, contributing increased revenue and profitability due to growth in market share with senior and intermediate customers.

South and Central American revenue increased by 22% to $32.7 million for the quarter, compared to the same quarter last year. Revenue growth came from increased activity levels in Mexico, Guiana Shield and Brazil, offset by a continued slowdown in Argentina as investment in the country remains challenging due to political uncertainty.

Asian and African operations reported revenue of $23.8 million, up 17% from the same period last year. Indonesia and South Africa continued their recent growth trends, which more than offset the loss of revenue from closing the Burkina Faso operations.

The overall gross margin percentage for the quarter was 26.1%, compared to 23.8% for the same period last year. Improved productivity and better pricing positively impacted margins in the quarter.

General and administrative costs were $11.8 million, a decrease of $0.6 million compared to the same quarter last year, despite a higher volume of activity. The decrease was driven by the shutdown of operations in Burkina Faso as well as the impact of the implementation of IFRS 16 Leases ("IFRS 16").

Depreciation decreased by $1.4 million to $9.7 million, the result of reduced capital expenditures during the recent industry downturn.

The income tax provision for the quarter was an expense of $2.0 million compared to an expense of $1.2 million for the prior year period. The low effective tax rate for the quarter was mainly caused by the utilization of non-tax affected losses in certain jurisdictions.

Net earnings were $6.0 million or $0.08 per share ($0.08 per share diluted) for the quarter, compared to a net loss of $2.5 million or $0.03 per share ($0.03 per share diluted) for the prior year quarter.

SUMMARY OF QUARTERLY RESULTS

(in $000s CAD, except per share)	Fiscal 2018			Fiscal 2019				***Fiscal 2020***
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Revenue	$ 87,992	$ 74,970	$ 95,412	$ 98,485	$105,501	$ 80,439	$100,397	**$117,459**
Gross profit	21,177	13,193	23,146	23,400	28,931	15,625	23,042	**30,690**
Gross margin	24.1%	17.6%	24.3%	23.8%	27.4%	19.4%	23.0%	**26.1%**
Net (loss) earnings	(2,722)	(8,494)	(4,346)	(2,482)	3,261	(15,906)	(2,957)	**6,033**
Per share - basic	(0.03)	(0.11)	(0.05)	(0.03)	0.04	(0.20)	(0.04)	**0.08**
Per share - diluted	(0.03)	(0.11)	(0.05)	(0.03)	0.04	(0.20)	(0.04)	**0.08**

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 ended July 31, 2019 was an inflow of $17.9 million compared to an inflow of $10.1 million in the previous year.

The change in non-cash operating working capital items was an outflow of $5.6 million for the quarter, compared to an outflow of $2.9 million for the prior year. The outflow of non-cash operating working capital was primarily comprised of:

- an increase in inventory of $2.7 million;
- an increase in accounts receivable of $2.3 million;
- an increase in prepaids of $1.8 million; and
- an increase in accounts payable of $1.4 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 $31.3 million ($30.0 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, 2019, the Company had utilized $2.2 million of these facilities 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 $0.2 million during the quarter to $17.1 million at July 31, 2019. The decrease is due to regular debt repayments.

As of July 31, 2019, 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, 2019, $15.0 million had been drawn on this facility, bearing interest at 3.76%, maturing in October 2023.

- $2.1 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 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, 2019, the Company had unused borrowing capacity under its credit facilities of $64.1 million and cash of $26.8 million, for a total of $90.9 million in available funds.

Investing activities

Capital expenditures were $10.6 million for the quarter ended July 31, 2019, compared to $5.8 million for the same quarter last year.

The drill rig count was at 601 at July 31, 2019, as the Company added seven rigs to its fleet as part of its strategy to improve the fleet and services, while retiring or disposing of seven older, inefficient and more costly rigs.

OUTLOOK

As the Company moves into its second quarter, the fundamentals driving the business continue to improve. The price of gold, which historically has accounted for approximately 50% of the Company's drilling activity, has increased by 15 to 20% during the quarter and junior financing could potentially increase in the coming months, although this will not translate into immediate drilling activity as it usually takes a few months to get a drilling campaign organized. In regards to base metals, due to economic uncertainty, copper prices have been depressed, down some 5% during the quarter. Despite this, the Company has increased its activity with senior copper producers as they face a supply deficit in the coming years and need to replenish their reserves.

Activity levels are expected to stabilize somewhat during the second quarter, while the Company adds a few rigs on existing contracts. Senior and intermediate mining companies should continue their drilling activity for the foreseeable future.

The Company incorporates its innovation strategies with specialized drilling services to provide solutions for complex drilling situations, and has positioned itself as one of the largest specialized drilling operators in the world. Going forward, demand for specialized services should improve and the Company expects to benefit as resources in some areas are becoming depleted, and 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.

The Company's financial strength allows it to continue to deploy technologies that will aid in the continued development of safe, competent employees and maintain its fleet to meet customers' demands, improve rig reliability, productivity and utilization, as well as to invest in its continuous improvement initiatives.

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 $000s CAD)	**Q1 2020**	Q1 2019
Net earnings (loss)	**$ 6,033**	$ (2,482)
Finance costs	**219**	243
Income tax provision	**1,994**	1,211
Depreciation	**9,717**	11,144
EBITDA	**$ 17,963**	$ 10,116

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 23% 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 favourable foreign exchange translation impact for the quarter, when comparing to the effective rates for the same quarter last year, is estimated at approximately $1 million on revenue. Net earnings however, remained less impacted by currency fluctuations during the quarter as a large proportion of costs are typically incurred in the same currency as revenue. The total foreign exchange impact on net earnings for the quarter was negligible.

Currency controls and government policies in foreign jurisdictions, where a 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, 2019, 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	IDR/USD	USD/CAD	MNT/USD	USD/AUD	COP/USD	USD/ZAR	Other
Net exposure on monetary assets		$ 6,869	$ 6,727	$ 3,840	$ 2,866	$ 1,714	$ (5,242)	$ 2,348
EBIT impact	+/-10%	763	747	427	318	190	582	262

Argentina currency status

The recent political unrest in Argentina, caused by early predictions for the country's fall election, has devalued the Argentine peso. Argentina has come under growing pressure over their high levels of foreign currency debt. As the U.S. Federal Reserve lifted interest rates, the U.S. dollar has appreciated in value, which has made it more expensive for Argentina to repay its dollar-denominated debts.

As the Company remains vigilant in managing this risk, it currently has limited exposure to the Argentine peso.

COMPREHENSIVE EARNINGS

The Consolidated Statements of Comprehensive Earnings for the quarter includes a $5.8 million unrealized loss on translating the financial statements of the Company's foreign operations compared to a gain of $2.5 million for the previous 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.

ADOPTION OF IFRS 16 LEASES

The Company adopted IFRS 16, which replaces IAS 17 Leases, for its annual period beginning May 1, 2019 using the modified retrospective approach whereby no restatement of comparative periods is required. Under IAS 17, leases of property, plant and equipment were recognized as finance leases when substantially all the risks and rewards of ownership of the underlying assets were transferred. All other leases were classified as operating leases. IFRS 16 requires lessees to recognize right-of-use assets, representing its right to use the underlying asset, and lease liabilities, representing its obligation to make payments. Right-of-use assets are measured at cost, comprised of the initial measurement of the corresponding lease liabilities, lease payments made on or before the commencement date and any initial direct costs. They are subsequently depreciated on a straight-line basis and reduced by impairment losses, if any. Right-of-use assets may also be adjusted to reflect the re-measurement of related lease liabilities. Lease liabilities are initially measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be

readily determined, the Company's incremental borrowing rate. Subsequently, the lease liability is measured at amortized cost using the effective interest rate method and adjusted for interest and lease payments.

On transition, the Company recognized lease liabilities and right-of-use assets for 14 leases, previously classified as operating leases, in the amount of $2.9 million. As permitted by IFRS 16, the Company elected not to recognize lease liabilities and right-of-use assets for short-term leases (lease term of 12 months or less) and leases of low-value assets. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets as at the transition date.

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, 2019, 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 above, the Company does not have any 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, 2019 and ended on July 31, 2019, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

OUTSTANDING SHARE DATA

As of August 31, 2019, there were 80,299,984 common shares issued and outstanding in the Company. This is the same number as reported in the Company's annual MD&A (reported as of June 6, 2019).

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.