Management's Discussion and Analysis

Second Quarter Fiscal 2019

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Second 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 October 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 October 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 October 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 November 30, 2018. 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 a corporation'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 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 exploration 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 appears to be 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

Demand for the Company's services continued to grow in all regions this quarter. 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. The Company's strong operational leverage was evidenced as revenue growth of 20%, combined with improved margins and flat general and administrative expenses, translated into a 71% increase in EBITDA.

Revenue for the quarter ended October 31, 2018 was $105.5 million, up 20% from revenue of $88.0 million recorded in the same quarter last year. The revenue increase was led by the Company's international operations as South and Central American revenue was up 51% and Asian and African revenue was up 25% compared to the same quarter last year.

In Canada - U.S., revenue grew modestly at 7%, as the Company continued to focus on specialized drilling due to the high level of labour utilization experienced in these operations. Through this strategy, the Company has been able to triple this region's earnings this quarter as compared to the same period last year.

Gross margin percentage for the quarter was 27.4%, up from 24.1% for the same period last year. While pricing continues to improve in all regions, operational efficiencies also contributed to the improvement in margins. As well, margins benefitted from the Company's increased focus on specialized drilling in Canada and the U.S.

Net earnings for the quarter were $3.3 million or $0.04 per share, compared to a net loss of $2.7 million or $0.03 per share for the same period last year. Earnings before interest, taxes, depreciation and amortization ("EBITDA" - see "Non-GAAP financial measure") increased by 71% from $9.1 million for the same quarter last year to $15.6 million in the current quarter.

The Company's net cash position (net of debt) improved by $12.8 million over the last three months, to end the quarter at $14.9 million. Capital expenditures were $7.0 million this quarter, as the Company added seven rigs that fit both its specialized and diversification strategies. Two of the additional rigs are suited for surface drill and blast/grade control work, while the Company added three others to its computerized underground fleet of rigs. The Company disposed of nine older, inefficient rigs, bringing the fleet total to 625 rigs. The Company also sold a building and other assets for $7.1 million during the quarter.

RESULTS OF OPERATIONS - SECOND QUARTER RESULTS ENDED OCTOBER 31, 2018

Total revenue for the quarter was $105.5 million, up 20% from revenue of $88.0 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 $2 million on revenue, with a negligible impact on net earnings.

Revenue for the quarter from Canada - U.S. drilling operations increased by 7% to $56.5 million, compared to the same period last year.

South and Central American revenue increased by 51% to $29.2 million for the quarter, compared to the same quarter last year, due to increased activity levels in most regions, led by Mexico, the Guiana Shield, and Chile.

Asian and African operations reported revenue of $19.8 million, up 25% from the same period last year. This growth in revenue was driven by stronger activity in all areas, led by Indonesia and the Philippines.

The overall gross margin percentage for the quarter was 27.4%, up from 24.1% for the same period last year. While pricing continues to improve in all regions, operational efficiencies contributed to the improvement in margins. As well, margins benefitted from the Company's increased focus on specialized drilling in Canada and the U.S.

General and administrative costs were flat compared to the same quarter last year at $11.2 million, while general and administrative expenses, as a percentage of revenue, decreased to 10.7% for the current quarter, compared to 12.9% for the same period last year.

Depreciation and amortization decreased by $1.7 million to $10.1 million.

The income tax provision for the quarter was an expense of $2.0 million compared to a recovery of $0.1 million for the prior year period.

Net earnings were $3.3 million or $0.04 per share ($0.04 per share diluted) for the quarter, compared to a net loss of $2.7 million or $0.03 per share ($0.03 per share diluted) for the prior year quarter.

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

Revenue for the six months ended October 31, 2018 increased 19% to $204.0 million from $171.9 million for the corresponding period last year. The favourable foreign exchange translation impact for the year, 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 from Canada - U.S. drilling operations increased by 3% to $107.8 million compared to the same period last year.

South and Central American revenue was up by 46% at $55.9 million compared to the same period last year, due to increased activity levels in most branches.

Asian and African operations reported revenue of $40.3 million, up 40% from the same period last year, driven by stronger activity in all areas, led by Indonesia and Mongolia.

Gross margin for the year-to-date was 25.7% compared to 22.1% last year, as pricing continued to improve in all regions. Operational efficiencies in the second quarter improved margins and low-margin contracts have been renegotiated or have not been renewed.

General and administrative expenses increased by $0.3 million, to $23.6 million compared to the prior year. 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 11.6% in the current year from 13.6% in the previous year.

Depreciation and amortization decreased by $2.9 million to $21.3 million. The decrease was due in part to amortization on intangible assets arising from the Taurus acquisition as they were fully amortized during the previous year.

The income tax provision was an expense of $3.2 million compared to a recovery of $0.6 million for the prior year period.

Net earnings were $0.8 million or $0.01 per share ($0.01 per share diluted) compared to a net loss of $9.6 million or $0.12 per share ($0.12 per share diluted) last year.

SUMMARY OF QUARTERLY RESULTS

(in $000s CAD, except per share)	*Fiscal 2017*		*Fiscal 2018*				***Fiscal 2019***	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	**Q2**
Revenue	$ 70,117	$ 81,469	$ 83,952	$ 87,992	$ 74,970	$ 95,412	$ 98,485	**$105,501**
Gross profit	9,380	19,609	16,767	21,177	13,193	23,146	23,400	**28,931**
Gross margin	13.4%	24.1%	20.0%	24.1%	17.6%	24.3%	23.8%	**27.4%**
Net (loss) earnings	(14,294)	(8,231)	(6,890)	(2,722)	(8,494)	(4,346)	(2,482)	**3,261**
Per share - basic	(0.18)	(0.10)	(0.09)	(0.03)	(0.11)	(0.05)	(0.03)	**0.04**
Per share - diluted	(0.18)	(0.10)	(0.09)	(0.03)	(0.11)	(0.05)	(0.03)	**0.04**

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 $15.6 million compared to an inflow of $9.3 million for the same period last year.

The change in non-cash operating working capital items was an outflow of $0.6 million for the quarter, compared to an outflow of $4.3 million for the same period last year. The outflow of non-cash operating working capital was primarily impacted by:

- an increase in inventory of $0.9 million;
- an increase in prepaids of $0.2 million;
- an increase in accounts receivable of $0.4 million; and
- an increase in accounts payable of $0.9 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.

During the quarter, the Company renewed and expanded its main credit facility for an aggregate of $80 million for a five-year term, consisting of: (i) an extension and increase to $30 million of an existing $25 million operating credit facility, and (ii) an extension of an existing $50 million revolving term facility. These facilities were renewed with the same terms and conditions with the exception of a slight reduction in interest rates.

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 October 31, 2018, the Company had utilized $2.4 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 $1.3 million during the year to $18.0 million at October 31, 2018. The decrease is due to debt repayments of $1.3 million.

As of October 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 October 31, 2018, $15.0 million had been drawn on this facility, bearing interest at 3.76%, maturing in October 2023.

- $2.8 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 $0.2 million at October 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 October 31, 2018, the Company had unused borrowing capacity under its credit facilities of $63.9 million and cash of $33.0 million, for a total of $96.9 million in available funds.

Investing Activities
Capital expenditures were $7.0 million for the quarter ended October 31, 2018, compared to $5.9 million (net of $0.1 million of equipment financing) for the same quarter last year. During the quarter, the Company sold a building and other assets for $7.1 million.

The drill rig count was at 625 at the end of the quarter as the Company added seven rigs to its fleet as part of the Company's specialized and diversification strategies, while retiring or disposing of nine older, inefficient rigs.

OUTLOOK

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. With copper reserves depleting at an accelerated rate, and grades declining, many industry experts expect the copper market will face a significant 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. The same dynamic can be seen in most mining commodities, including gold, and 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.

As part of its ongoing efforts to prepare for future increases in activity, the Company continues to make investments in innovation directed towards increased productivity, safety and meeting customers' demands. The Company keeps growing its fleet of computerized rigs, as well as retrofitting some of its newer rigs with computerized consoles. This falls in line with the enhancement of the Company's recruiting and training systems as it brings in a new generation of employees, while strengthening its customer service.

It is important to note that the Company is now in its third quarter, traditionally the weakest quarter of the fiscal year, as mining and exploration companies shut down, often for extended periods over the holiday season. At this time, most senior and intermediate companies are still working through their budget process and have yet to decide on post-holiday start-up dates. As usual, due to the time it takes to mobilize once new contracts are awarded, a slow pace of start-ups is expected in January and February. Additionally, the Company schedules substantial overhaul and maintenance work on its equipment during this slower period. These factors result in reduced revenue, increased costs, and reduced margins in the third quarter, and as the Company has experienced in previous years, it expects to generate a seasonal loss in the upcoming third quarter.

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 $000s CAD)	**Q2 2019**	Q2 2018	**YTD 2019**	YTD 2018
Net earnings (loss)	**$ 3,261**	$ (2,722)	**$ 779**	$ (9,612)
Finance costs	**208**	184	**451**	365
Income tax provision (recovery)	**2,019**	(129)	**3,230**	(551)
Depreciation and amortization	**10,131**	11,779	**21,275**	24,234
EBITDA	**$ 15,619**	$ 9,112	**$ 25,735**	$ 14,436

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 favourable foreign exchange translation impact for the three and six months ended October 31, 2018, respectively, when comparing to the effective rates for the same period last year, is estimated at approximately $2 and $1 million on revenue, with a negligible impact on net earnings for both periods.

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 October 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**	**COP/USD**	**USD/AUD**	**IDR/USD**	**USD/ZAR**	**USD/CAD**	**Other**
Net exposure on monetary assets		$ 4,519	$ 3,387	$ 2,452	$ 2,047	$ 1,719	$ (1,154)	$ (3,032)	$ 970
EBIT impact	+/-10%	502	376	272	227	191	128	337	109

COMPREHENSIVE EARNINGS

The Interim Condensed Consolidated Statements of Comprehensive Earnings (Loss) for the quarter includes a $0.2 unrealized loss on translating the financial statements of the Company's foreign operations compared to a gain of $8.2 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 August 1, 2018 and ended on October 31, 2018, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

OUTSTANDING SHARE DATA

As of November 30, 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 first quarter MD&A (reported as of August 31, 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.

SUBSEQUENT EVENT

On December 3, 2018, the Company decided to close its operations in Burkina Faso. This decision is based on the fact that this branch requires significant additional investment to reach an acceptable return on investment, at a time when competition is growing in the country, while the Company sees growth opportunities in other regions.

Based on preliminary estimates, the Company expects that cash close-down costs will be approximately $1.5 million, which includes severance costs, leases, moving equipment and other close-down costs. Additionally, the Company expects to incur additional non-cash expenses between $6.5 and $7.5 million related to deferred tax assets impairment, VAT receivable write-off and impairment charges relating to property, plant and equipment and inventory.