Management's Discussion and Analysis

Third Quarter Fiscal 2019

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Third 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 January 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 January 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 January 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, 2018.

This MD&A is dated February 28, 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 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. Mineral reserves for gold and base metals continue to be depleted. At this point in time, most of the Company's senior and intermediate customers have increased their exploration budgets for calendar 2019, 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.

OVERALL PERFORMANCE

The Company's third quarter results reflect a normal part of its operational pattern, as mining and exploration companies shut down operations, in some cases for extended periods, over the holiday season. Additionally, the Company typically schedules substantial overhaul and maintenance work on its equipment during this slower period. As expected, January had a slow start as the Company was waiting on customer plans for calendar 2019 and many rigs only restarted between late January and mid-February.

Revenue for the quarter ended January 31, 2019 was $80.4 million, up 7% from revenue of $75.0 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.

Gross margin percentage for the quarter was 19.4%, up from 17.6% for the same period last year. Margins were impacted by late startups due to extremely cold weather, but were offset by improved pricing and operational efficiencies.

During the quarter, the Company made the decision to close its operations in Burkina Faso, and as such, took a total charge of $8.1 million, after tax. This decision was based on the fact that this branch required significant additional investment to reach an acceptable return on investment, at a time when political and security risks are increasing in that country. The Company recorded $6.9 million in restructuring charges consisting of a non-cash write-down of assets of $6.0 million related to VAT receivable write-off and impairment charges relating to property, plant and equipment and inventory, as well as net cash charges of $0.9 million for severance, moving costs and lease termination. Also, the Company wrote down $1.2 million in deferred tax assets (recorded in its deferred tax expense) related to Burkina Faso. The Burkina Faso operations represented approximately 2% of the total Company revenue year-to-date.

Net loss for the quarter was $15.9 million or $0.20 per share, compared to a net loss of $8.5 million or $0.11 per share for the same period last year.

Despite the seasonal slowdown in the current quarter, the Company generated $2.8 million of EBITDA and the net cash position (net of debt) improved by $5.3 million over the last three months, to end the quarter at $20.2 million. Capital expenditures were $6.3 million this quarter, as the Company added seven rigs that fit both its specialized and diversification strategies. During the quarter, four rigs were sold to local contractors in Burkina Faso and the Company disposed of eighteen older, inefficient underground rigs, in line with the Company's strategy of improving the underground fleet and services. This brings the fleet total to 610 rigs.

RESULTS OF OPERATIONS - THIRD QUARTER RESULTS ENDED JANUARY 31, 2019

Total revenue for the quarter was $80.4 million, up 7% from revenue of $75.0 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 5% to $37.3 million, compared to the same period last year, with all of the increase coming from underground operations.

South and Central American revenue increased by 6% to $24.2 million for the quarter, compared to the same quarter last year. Activity increases in Mexico, Guiana Shield and Chile were offset by a decrease in Argentina.

Asian and African operations reported revenue of $18.9 million, up 14% from the same period last year. Increases in Indonesia, the Philippines and Southern Africa were offset by the shutdown of the Burkina Faso operations early in the quarter.

The overall gross margin percentage for the quarter was 19.4%, up from 17.6% for the same period last year. Margins were impacted by late startups due to extremely cold weather, but were offset by improved pricing and operational efficiencies.

General and administrative costs were $11.9 million, a decrease of $0.2 million compared to the same quarter last year, despite a higher volume of activity.

Depreciation and amortization decreased by $2.3 million to $9.8 million, the result of reduced capital expenditures during the recent industry downturn.

The Company recorded a restructuring charge related to the closure of its Burkina Faso operations of $6.9 million, consisting primarily of a non-cash write-down of assets of $6.0 million and $0.9 million of closedown costs relating to severance, lease termination and moving costs.

The income tax provision for the quarter was an expense of $1.9 million compared to a recovery of $3.7 million for the prior year period. The tax expense for the quarter included a write-down of $1.2 million in deferred tax assets related to Burkina Faso. Also, the tax expense for the quarter was impacted by non-deductible expenses and non-tax affected losses in certain regions, while incurring taxes in profitable branches. In the same quarter last year, tax recovery benefitted from a one-time favourable adjustment of $1.6 million from a reduction of the U.S. federal corporate tax rate.

Net loss was $15.9 million or $0.20 per share ($0.20 per share diluted) for the quarter, compared to a net loss of $8.5 million or $0.11 per share ($0.11 per share diluted) for the prior year quarter.

RESULTS OF OPERATIONS - YEAR-TO-DATE ENDED JANUARY 31, 2019

Revenue for the nine months ended January 31, 2019 increased 15% to $284.4 million from $246.9 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 $3 million on revenue, with a negligible impact on net earnings.

Revenue from Canada - U.S. drilling operations increased modestly by 3% to $145.1 million compared to the same period last year.

South and Central American revenue was up by 31% at $80.1 million compared to the same period last year, due to increased activity levels, primarily in Mexico and the Guiana Shield.

Asian and African operations reported revenue of $59.2 million, up 30% from the same period last year, driven by stronger activity in most areas, led by Indonesia, South Africa and the Philippines, offset slightly by the reduction in Burkina Faso as contracts in that country were completed.

Gross margin for the year-to-date was 23.9% compared to 20.7% last year, as pricing has improved in all regions and low-margin contracts have been renegotiated or have not been renewed.

General and administrative expenses remained relatively flat at $35.5 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 12.5% in the current year from 14.4% in the previous year.

Depreciation and amortization decreased by $5.2 million to $31.1 million, the result of reduced capital expenditures during the recent industry downturn.

The Company recorded a restructuring charge related to the closure of its Burkina Faso operations of $6.9 million, consisting primarily of a non-cash write-down of assets of $6.0 million and $0.9 million of closedown costs relating to severance, lease termination and moving costs.

The income tax provision was an expense of $5.1 million compared to a recovery of $4.3 million for the prior year period. The tax expense for the year included a write-down of $1.2 million in deferred tax assets related to Burkina Faso. Also, the tax expense for the year was impacted by non-deductible expenses and non-tax affected losses in certain regions, while incurring taxes in profitable branches. In the same period last year, tax recovery benefitted from a one-time favourable adjustment of $1.6 million from a reduction of the U.S. federal corporate tax rate.

Net loss was $15.1 million or $0.19 per share ($0.19 per share diluted) compared to a net loss of $18.1 million or $0.23 per share ($0.23 per share diluted) last year.

SUMMARY OF QUARTERLY RESULTS

(in $000s CAD, except per share)	*Fiscal 2017*	*Fiscal 2018*				***Fiscal 2019***		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
Revenue	$ 81,469	$ 83,952	$ 87,992	$ 74,970	$ 95,412	$ 98,485	$105,501	**$ 80,439**
Gross profit	19,609	16,767	21,177	13,193	23,146	23,400	28,931	**15,625**
Gross margin	24.1%	20.0%	24.1%	17.6%	24.3%	23.8%	27.4%	**19.4%**
Net (loss) earnings	(8,231)	(6,890)	(2,722)	(8,494)	(4,346)	(2,482)	3,261	**(15,906)**
Per share - basic	(0.10)	(0.09)	(0.03)	(0.11)	(0.05)	(0.03)	0.04	**(0.20)**
Per share - diluted	(0.10)	(0.09)	(0.03)	(0.11)	(0.05)	(0.03)	0.04	**(0.20)**

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 $2.0 million compared to an inflow of $0.3 million for the same period last year.

The change in non-cash operating working capital items was an inflow of $10.7 million for the quarter, compared to an inflow of $11.7 million for the same period last year. The inflow of non-cash operating working capital was primarily impacted by:

- a decrease in accounts receivable of $24.3 million;
- an increase in inventory of $2.4 million; and
- a decrease in accounts payable of $10.5 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 year, 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.

<u>Operating Credit Facilities</u>

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 January 31, 2019, the Company had utilized $2.0 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.

<u>Long-Term Debt</u>

Total long-term debt decreased by $1.5 million during the year to $17.8 million at January 31, 2019. The decrease is due mainly to debt repayments of $1.6 million, offset slightly by foreign exchange impact.

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

- $2.6 million non-revolving facility. This facility carries a fixed interest rate of 5.9% and is amortized over ten years ending in August 2021.

- The Company also has various other loans and capital lease facilities related to equipment purchases that totaled $0.2 million at January 31, 2019, which were fully drawn and mature through 2022.

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital, capital expenditure and debt obligations. As at January 31, 2019, the Company had unused borrowing capacity under its credit facilities of $64.3 million and cash of $38.0 million, for a total of $102.3 million in available funds.

Investing Activities

Capital expenditures were $6.3 million this quarter, as the Company added seven rigs that fit both its specialized and diversification strategies. During the quarter, four rigs were sold to local contractors in Burkina Faso and eighteen older, inefficient underground rigs were disposed, in line with the company's strategy of improving the underground fleet and services. This brings the fleet total to 610 rigs.

OUTLOOK

The fundamentals driving the Company's business continue to be encouraging for the coming quarter and into fiscal 2020. Gold prices have increased recently and mineral reserves for gold and base metals continue to be depleted. Many industry experts expect that most base metals 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. Given this situation, most of the Company's senior and intermediate customers have increased their exploration budgets for calendar 2019, and the demand for drilling services continues to increase.

The Company continues to invest 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.

NON-GAAP FINANCIAL MEASURE

The Company uses the non-GAAP financial measure, EBITDA (earnings before interest, taxes, depreciation and amortization, excluding restructuring charge). 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 $000s CAD)	**Q3 2019**	Q3 2018	**YTD 2019**	YTD 2018
Net loss	**$ (15,906)**	$ (8,494)	**$ (15,127)**	$ (18,106)
Finance costs	**142**	192	**593**	557
Income tax provision (recovery)	**1,854**	(3,743)	**5,084**	(4,294)
Depreciation and amortization	**9,817**	12,102	**31,092**	36,336
Restructuring charge	**6,897**	-	**6,897**	-
EBITDA	**$ 2,804**	$ 57	**$ 28,539**	$ 14,493

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 21% 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 nine months ended January 31, 2019, respectively, when comparing to the effective rates for the same period last year, is estimated at approximately $2 and $3 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 January 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	**MNT/USD**	**USD/AUD**	**IDR/USD**	**MZN/USD**	**USD/CAD**	**Other**
Net exposure on monetary assets		$ 3,813	$ 2,284	$ 1,898	$ 1,696	$ (3,701)	$ 1,443
EBIT impact	+/-10%	424	254	211	188	411	160

COMPREHENSIVE EARNINGS

The Interim Condensed Consolidated Statements of Comprehensive Loss for the quarter includes a $2.7 million unrealized gain on translating the financial statements of the Company's foreign operations compared to a loss of $10.2 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 November 1, 2018 and ended on January 31, 2019, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

OUTSTANDING SHARE DATA

As of February 28, 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 second quarter MD&A (reported as of November 30, 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.