MAJOR

Partners on the Ground

Management's Discussion and Analysis

First Quarter Fiscal 2013

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIRST QUARTER FISCAL 2013

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, 2012. All amounts in this MD&A are in Canadian dollars, except where otherwise noted. These quarterly unaudited interim financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS").

This MD&A is a review of activities and results for the quarter ended July 31, 2012 as compared to the corresponding period in the previous year. Comments relate to, and should be read in conjunction with, the comparative unaudited consolidated interim financial statements as at and for the three months ended July 31, 2012, 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, 2012.

This MD&A is dated August 31, 2012. Disclosure contained in this document is current to that date, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

This MD&A contains 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 which include, but are not limited to: cyclical downturn, competitive pressures, dealing with business and political systems in a variety of jurisdictions, repatriation of 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, legal and regulatory risk, extreme weather conditions and the impact of natural or other disasters, specialized skills and cost of labour increases, equipment and parts availability and reputational risk. These factors and other risk factors, as described under "General Risks and Uncertainties" of 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 this MD&A.

Additional information relating to the Company, including the Company's Annual Information Form for the most recently completed financial year, can be found on the SEDAR website at www.sedar.com.

CORPORATE OVERVIEW

Major Drilling Group International Inc. is one of the world's largest drilling service companies primarily serving the mining industry. To support its customers' varied exploration drilling requirements, Major Drilling maintains field operations and offices in Canada, the United States, South and Central America, Australia, Asia, and Africa. Major Drilling provides all types of drilling services including surface and underground coring, directional, reverse circulation, sonic, geotechnical, environmental, water-well, coal-bed methane and shallow gas.

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 operators in the world by leveraging its main competitive advantages: skilled personnel, specialized equipment, long-standing relationships with the world's largest mining companies and access to capital.

Although the Company's main focus remains specialized services, it also intends to continue to modernize its conventional fleet and expand its footprint in strategic areas while maintaining prudent debt levels and remaining best in class in safety and human resources. The Company will also seek to diversify by investing in energy and environmental drilling 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 over the next two decades, the Company believes these skills will be in greater and greater demand.

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.

Underground drilling takes on greater importance in the latter stages of the mining cycle as clients develop underground mines.

INDUSTRY OVERVIEW

The metals and minerals drilling industry is reliant primarily on demand from two metal groups, gold on the one hand and base metals on the other. Each commodity group is influenced by distinct market forces.

Several years ago, high commodity prices drove the industry to record levels of activity, with worldwide mineral exploration expenditures in calendar 2008 surpassing US$14 billion. During the recession, which began in calendar 2009, drilling was significantly impacted, particularly on base metal projects, with worldwide mineral exploration expenditures that year falling to US$8 billion. Most senior and intermediate base metal companies were leveraged and reduced their exploration spending in calendar 2009, in order to conserve cash. Many gold producers delayed exploration plans at that time due to the uncertainty in the economy.

In calendar 2011, senior mining companies announced significant increases in exploration budgets as they had an urgent need to replenish their diminishing reserves in light of their lack of exploration in 2009 and 2010. Also, in calendar 2011 there was a significant increase in financing of junior mining companies particularly in the first half of the year. All of this combined for a record year in exploration with Metals Economics Group ("MEG") estimating that total global expenditures for non-ferrous metals exploration was a record US$18.2 billion.

With the current volatility in the financial markets, many junior mining companies are experiencing financing difficulties and slowing down their exploration efforts. However, at the present time, most senior and intermediate mining companies remain committed to the large majority of their projects in order to replace their reserves. For the most part, these mining companies are in a much better financial position than three years ago. In addition, the price of gold is almost double what it was in 2008, the price of copper remains relatively high by historical standards, and both are well above average costs of production.

In the longer-term, the fundamental drivers of the business remain positive, with worldwide supply for most metals expected to tighten and higher demand coming from the emergence of the BRIC (Brazil, Russia, India and China) countries over the last 10 years. The prospects for gold related drilling, which generally accounts for approximately 50% of the drilling market, also remains positive.

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.

OVERALL PERFORMANCE

In this quarter, the Company maintained record quarterly results. Revenue increased by 45% during the quarter to $238 million as demand from senior and intermediate companies continued. Drilling for gold remained the most important contributor, accounting for 47% of revenue while drilling for copper accounted for 18% of revenue.

Margins in this quarter improved to 34.2% from 31.4% in the first quarter of fiscal 2012, mainly due to new pricing on contracts that were signed or renewed for this calendar year reflecting the current stronger pricing environment, and the Company's efforts on training and recruitment, which has allowed the Company to increase the number of shifts and productivity in the field this quarter.

Net earnings were at a record of $31.9 million or $0.40 per share ($0.40 per share diluted) for the quarter, compared to $17.9 million or $0.25 per share ($0.25 per share diluted) for the prior year quarter.

Given the Company's continuing ability to generate significant cash, it has determined that it is appropriate to increase its semi-annual dividend to $0.10 per common share, which will be paid on November 1, 2012 to shareholders of record as of October 10, 2012. This dividend is designated as an "eligible dividend" for Canadian tax purposes.

RESULTS OF OPERATIONS – FIRST QUARTER ENDED JULY 31, 2012

Total revenue for the quarter was $237.6 million, up 45% from the $164.2 million recorded in the same quarter last year. Most of the Company's regions contributed to this growth. The favourable foreign exchange translation impact for the quarter, when comparing to the effective rates for the same period last year, is estimated at $5 million on revenue.

Revenue for the quarter from Canada-U.S. drilling operations increased by 84% to $112.8 million compared to the same period last year. In Canada, operations from the Bradley acquisition accounted for approximately half of the increase and the pre-existing Canadian operations also saw increased activity levels. Our U.S. operations also continued its growth.

South and Central American revenue was up 35% to $69.4 million for the quarter, compared to the prior year quarter. This increase was driven by stronger activity levels in Mexico, Chile and Argentina, combined with additional contracts in Colombia and Suriname from the Bradley acquisition.

Australian, Asian and African operations reported revenue of $55.3 million, up 8% from the same period last year. The increase came mainly from African operations in Burkina Faso, the DRC and Mozambique, which mitigated a decrease in activity levels in Mongolia and Australia.

The overall gross margin percentage for the quarter was 34.2%, up from 31.4% for the same period last year. New pricing on contracts that were signed or renewed for this calendar year reflected the current stronger pricing

environment. Also, our training and recruitment efforts allowed the Company to increase the number of shifts and productivity in the field during the quarter.

General and administrative costs were $17.3 million for the quarter compared to $12.3 million in the same period last year. The increase was mainly due to the acquisition of Bradley and the addition of new operations in Burkina Faso. Increased costs to support the strong growth in activity levels accounted for the rest.

Other expenses for the quarter were $5.3 million, up from $2.6 million in the prior year quarter, due primarily to higher incentive compensation expenses given the Company's increased profitability.

Amortization expense increased to $13.2 million for the quarter compared to $8.6 million for the same quarter last year. Most of the increase relates to the acquisition of Bradley, including the amortization of intangible assets. Investments in equipment over the last year account for the rest of the increase.

Net earnings were $31.9 million or $0.40 per share ($0.40 per share diluted) for the quarter, compared to net earnings of $17.9 million or $0.25 per share ($0.25 per share diluted) for the prior year quarter.

SUMMARY OF QUARTERLY RESULTS

(in $000 CAD, except per share)	Fiscal 2011			Fiscal 2012				Fiscal 2013
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Revenue	$ 127,818	$ 107,720	$ 137,258	$ 164,152	$ 213,854	$ 182,188	$ 237,238	$ 237,565
Gross profit	35,101	23,873	34,913	51,499	74,055	47,120	78,452	81,278
Gross margin	27.5%	22.2%	25.4%	31.4%	34.6%	25.9%	33.1%	34.2%
Net earnings	11,321	1,671	9,466	17,892	31,560	9,566	30,731	31,875
Per share - basic	0.16	0.02	0.13	0.25	0.43	0.12	0.39	0.40
Per share - diluted	0.16	0.02	0.13	0.25	0.42	0.12	0.38	0.40

With the exception of the third quarter, the Company exhibits comparatively less seasonality in quarterly revenue than in the past. 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, particularly in South and Central America.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Cash flow from operations (before changes in non-cash operating working capital items, interest and income taxes) was $60.8 million for the quarter compared to $36.8 million generated in the same period last year.

The change in non-cash operating working capital items was an outflow of $19.7 million for the quarter compared to an outflow of $8.8 million for the same period last year. The outflow in non-cash operating working capital in the quarter ended July 31, 2012 was primarily impacted by:

- An increase in inventory of $1.3 million as the Company was adding more rigs in the field;
- An increase in prepaid expenses of $4.2 million; and
- A decrease in accounts payable, excluding the payment of dividend, of $14.1 million.

Financing Activities

Under the terms of certain of the Company's debt agreements, the Company must satisfy certain 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 $28.0 million ($25.0 million from a Canadian chartered bank and $3.0 million in various credit facilities) and are primarily secured by corporate guarantees of companies within the group. At July 31, 2012, the Company had utilized $2.4 million of these lines for stand-by letters of credit. The Company also has a credit facility of $3.8 million for credit cards for which interest rate and repayment are as per cardholder agreements.

Long-Term Debt

Total long-term debt decreased by $1.4 million during the quarter to $49.6 million at July 31, 2012. Debt repayments were $1.6 million during the quarter.

As of July 31, 2012, the Company had the following long-term debt facilities:

- $20.8 million non-revolving facility for financing the acquisition of Bradley Group. This facility is amortized over five years ending in September 2016.

- $50.0 million revolving facility for financing the cost of equipment purchases or acquisition costs of related businesses. At July 31, 2012, the Company had utilized $11.2 million of this line. Draws on this line are due on maturity in September 2016.

- $9.1 million non-revolving facility. This facility carries a fixed interest rate of 5.9% and is amortized over ten years ending in August 2021.

- $8.0 million note payable, carrying interest at a fixed rate of 4% repayable over three years ending in September 2014.

- The Company also has various other loans and capital lease facilities related to equipment purchases that totaled $0.4 million at July 31, 2012, which were fully drawn and mature through 2016.

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital, capital expenditure, dividend and debt obligations. As at July 31, 2012, the Company had unused borrowing capacity under its credit facilities of $64.3 million and cash of $36.7 million, for a total of $101.0 million in available funds.

Investing Activities

Capital expenditures were $23.4 million for the quarter ended July 31, 2012 compared to $21.4 million for the same period last year.

During the quarter, the Company added 24 drill rigs through its capital expenditure program while retiring or disposing of 10 drill rigs through its modernization program. This brings the total drill rig count to 739 at quarter-end.

In anticipation of a slight decrease of activity levels, the Company's capital expenditure budget has been reduced for fiscal 2013 to $70 million, down from the $100 million previously announced. Because the Company needs to be

able to respond to demand for specialized services, and to continue to modernize its fleet, there are currently 15 additional rigs on order. The Company also intends to add support vehicles and equipment to the operations to meet the changing patterns of demand and its continually rising safety standards. These additions should improve rig utilization and reliability as the Company focuses on increasing the earning power of each crew and each rig.

OUTLOOK

Looking forward, the demand for drilling services from the senior and intermediate mining houses continues. Revenue from these clients increased in the last quarter to just over $175 million compared to $102 million in the same quarter last year. Customers remain committed to the large majority of their projects in order to replace their reserves. Senior miners will represent a greater proportion of drilling projects going forward as junior miners become more and more cautious in their spending, given the difficulty in accessing capital.

Overall, it is expected that demand for specialized drilling should continue in the year ahead. While the Company is optimistic that its senior customers will continue with the majority of their projects, it is anticipated that overall drilling activities will decline somewhat over the next six months.

Most senior and intermediate customers are in a much better financial position than three years ago and while the difficulties experienced by juniors have moderated the Company's growth plans over the short-term, it provides a strong upside potential when their exploration activities pick up, as they must, if the mining industry is to provide the world with the resources it needs toward the end of the decade. In addition, the price of gold is almost double what it was in 2008, the price of copper remains relatively high by historical standards, and both are well above average costs of production. In order to keep its competitive edge through this period, the Company continues to aggressively and successfully invest in the recruitment and training of new drillers.

FOREIGN EXCHANGE

Year-over-year revenue comparisons continue to be affected by the variations of the Canadian dollar against the U.S. dollar. The favourable impact of U.S. dollar exchange translation, for the quarter, when comparing to the effective rates for the same period last year, is estimated at $5 million on revenue but negligible on net earnings.

COMPREHENSIVE EARNINGS

The consolidated statements of other comprehensive earnings for the quarter include $7.7 million in unrealized gains on translating the financial statements of the Company's foreign operations compared to a gain of $1.8 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, 2012, 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, 2012, where there were no significant changes, the Company does not have any other off balance sheet arrangements.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Effective September 30, 2011, the Company completed the acquisition of the Bradley group of companies. The results of Bradley's operations have been included in these financial statements since the date of acquisition. However, the Company has not had sufficient time to appropriately review the internal controls used by Bradley. The Company is in the process of integrating the Bradley operation and will be expanding its disclosure controls and

procedures and internal controls over financial reporting compliance program to include the Bradley group of companies over the next year. As a result, the Chief Executive Officer and Chief Financial Officer have limited the scope of design of disclosure controls and procedures and testing of internal controls over financial reporting to exclude Bradley controls, policies and procedures from the July 31, 2012 certification of internal controls.

Other than restrictions mentioned above, there have been no changes in the Company's internal controls over financial reporting during the period beginning on May 1, 2012 and ended on July 31, 2012 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

OUTSTANDING SHARE DATA

As of August 31, 2012, there were 79,147,378 common shares issued and outstanding in the Company. This is the same number as reported in our annual MD&A (reported as of June 8, 2012).

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.