Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Operations

(in thousands of Canadian dollars, except per share information)

(unaudited)

	Three months ended July 31	
	2016	2015
TOTAL REVENUE	**$ 69,089**	$ 83,934
DIRECT COSTS	**53,948**	62,317
GROSS PROFIT	**15,141**	21,617
OPERATING EXPENSES		
General and administrative	**10,629**	10,640
Other expenses	**723**	1,068
Loss (gain) on disposal of property, plant and equipment	**158**	(2,624)
Foreign exchange (gain) loss	**(174)**	1,168
Finance costs	**47**	70
Depreciation of property, plant and equipment	**11,956**	12,258
Amortization of intangible assets	**650**	958
Restructuring charge (note 10)	**-**	6,432
	23,989	29,970
LOSS BEFORE INCOME TAX	**(8,848)**	(8,353)
INCOME TAX - PROVISION (RECOVERY) (note 7)		
Current	**3,685**	2,884
Deferred	**(2,751)**	(57)
	934	2,827
NET LOSS	**$ (9,782)**	$ (11,180)
LOSS PER SHARE (note 8)		
Basic	**$ (0.12)**	$ (0.14)
Diluted	**$ (0.12)**	$ (0.14)

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Comprehensive Earnings

(in thousands of Canadian dollars)

(unaudited)

	Three months ended July 31	
	2016	2015
NET LOSS	**$ (9,782)**	$ (11,180)
OTHER COMPREHENSIVE EARNINGS		
Items that may be reclassified subsequently to profit or loss		
Unrealized gain on foreign currency translations (net of tax)	**11,368**	20,961
Unrealized (loss) gain on derivatives (net of tax)	**(137)**	4
COMPREHENSIVE EARNINGS	**$ 1,449**	$ 9,785

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Changes in Equity
For the three months ended July 31, 2016 and 2015
(in thousands of Canadian dollars)
(unaudited)

	Share capital	Reserves	Share-based payments reserve	Retained earnings	Foreign currency translation reserve	Total
BALANCE AS AT MAY 1, 2015	$ 239,726	$ 24	$ 17,234	$152,764	$ 50,644	$460,392
Share-based payments reserve	-	-	263	-	-	263
	239,726	24	17,497	152,764	50,644	460,655
Comprehensive earnings:						
Net loss	-	-	-	(11,180)	-	(11,180)
Unrealized gain on foreign currency translations	-	-	-	-	20,961	20,961
Unrealized gain on derivatives	-	4	-	-	-	4
Total comprehensive earnings	-	4	-	(11,180)	20,961	9,785
BALANCE AS AT JULY 31, 2015	$ 239,726	$ 28	$ 17,497	$141,584	$ 71,605	$470,440
BALANCE AS AT MAY 1, 2016	**$ 239,726**	**$ 326**	**$ 18,317**	**$105,876**	**$ 61,896**	**$426,141**
Share-based payments reserve	**-**	**-**	**290**	**-**	**-**	**290**
	239,726	**326**	**18,607**	**105,876**	**61,896**	**426,431**
Comprehensive earnings:						
Net loss	**-**	**-**	**-**	**(9,782)**	**-**	**(9,782)**
Unrealized gain on foreign currency translations	**-**	**-**	**-**	**-**	**11,368**	**11,368**
Unrealized loss on derivatives	**-**	**(137)**	**-**	**-**	**-**	**(137)**
Total comprehensive earnings	**-**	**(137)**	**-**	**(9,782)**	**11,368**	**1,449**
BALANCE AS AT JULY 31, 2016	**$ 239,726**	**$ 189**	**$ 18,607**	**$ 96,094**	**$ 73,264**	**$427,880**

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

(unaudited)

	Three months ended July 31	
	2016	2015
OPERATING ACTIVITIES		
Loss before income tax	**$ (8,848)**	$ (8,353)
Operating items not involving cash		
Depreciation and amortization	**12,606**	13,216
Loss (gain) on disposal of property, plant and equipment	**158**	(2,624)
Share-based payments reserve	**290**	263
Restructuring charge	**-**	5,045
Finance costs recognized in loss before income tax	**47**	70
	4,253	7,617
Changes in non-cash operating working capital items	**(7,624)**	(1,096)
Finance costs paid	**(47)**	(72)
Income taxes paid	**(635)**	(4,118)
Cash flow (used in) from operating activities	**(4,053)**	2,331
FINANCING ACTIVITIES		
Repayment of long-term debt	**(2,072)**	(1,784)
Dividends paid	**-**	(1,603)
Cash flow used in financing activities	**(2,072)**	(3,387)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (net of direct financing) (note 6)	**(2,777)**	(3,265)
Proceeds from disposal of property, plant and equipment	**1,172**	5,869
Cash flow (used in) from investing activities	**(1,605)**	2,604
Effect of exchange rate changes	**1,122**	2,131
(DECREASE) INCREASE IN CASH	**(6,608)**	3,679
CASH, BEGINNING OF THE PERIOD	**50,228**	44,897
CASH, END OF THE PERIOD	**$ 43,620**	$ 48,576

Major Drilling Group International Inc.
Interim Condensed Consolidated Balance Sheets
As at July 31, 2016 and April 30,2016
(in thousands of Canadian dollars)
(unaudited)

	July 31, 2016	April 30, 2016
ASSETS		
CURRENT ASSETS		
Cash	**$ 43,620**	$ 50,228
Trade and other receivables	**61,425**	55,829
Note receivable	**462**	457
Income tax receivable	**4,051**	7,513
Inventories	**79,915**	74,144
Prepaid expenses	**5,039**	2,498
	194,512	190,669
NOTE RECEIVABLE	**1,413**	1,531
PROPERTY, PLANT AND EQUIPMENT	**237,081**	240,703
DEFERRED INCOME TAX ASSETS	**11,890**	9,564
GOODWILL	**57,992**	57,641
INTANGIBLE ASSETS	**2,609**	3,193
	$ 505,497	$ 503,301
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	**$ 36,951**	$ 34,068
Income tax payable	**1,295**	1,859
Current portion of contingent consideration	**3,000**	3,000
Current portion of long-term debt	**4,017**	5,288
	45,263	44,215
CONTINGENT CONSIDERATION	**5,347**	5,347
LONG-TERM DEBT	**6,218**	6,936
DEFERRED INCOME TAX LIABILITIES	**20,789**	20,662
	77,617	77,160
SHAREHOLDERS' EQUITY		
Share capital	**239,726**	239,726
Reserves	**189**	326
Share-based payments reserve	**18,607**	18,317
Retained earnings	**96,094**	105,876
Foreign currency translation reserve	**73,264**	61,896
	427,880	426,141
	$ 505,497	$ 503,301

1. NATURE OF ACTIVITIES

Major Drilling Group International Inc. (the "Company") is incorporated under the Canada Business Corporations Act and has its head office at 111 St. George Street, Suite 100, Moncton, NB, Canada. The Company's common shares are listed on the Toronto Stock Exchange ("TSX"). The principal source of revenue consists of contract drilling for companies primarily involved in mining and mineral exploration. The Company has operations in Canada, the United States, Mexico, South America, Asia, Africa and Europe.

2. BASIS OF PRESENTATION

Statement of compliance

These Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies as outlined in the Company's annual Consolidated Financial Statements for the year ended April 30, 2016.

On September 6, 2016, the Board of Directors authorized the financial statements for issue.

Basis of consolidation

These Interim Condensed Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statements of Operations from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Intra-group transactions, balances, income and expenses are eliminated on consolidation, where appropriate.

Basis of preparation

These Interim Condensed Consolidated Financial Statements have been prepared based on the historical cost basis except for certain financial instruments that are measured at fair value, using the same accounting policies and methods of computation as presented in the Company's annual Consolidated Financial Statements for the year ended April 30, 2016.

3. APPLICATION OF NEW AND REVISED IFRS

The following IASB standards, now in effect, have had no significant impact on the Company's Consolidated Financial Statements:

IFRS 10 *(amended) Consolidated Financial Statements*
IFRS 11 *(amended) Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
IAS 1 *(amended) Presentation of Financial Statements*
IAS 16 *(amended) Property, Plant and Equipment*
IAS 28 *(amended) Investments in Associates and Joint Ventures*
IAS 38 *(amended) Intangible Assets*

The Company has not applied the following revised IASB standards that have been issued, but are not yet effective:

IFRS 9 *(as amended in 2014) Financial Instruments**
IFRS 15 *Revenue from Contracts with Customers**
IFRS 16 *Leases***
IAS 7 *(amended) Statement of Cash Flows****
IAS 12 *(amended) Income Taxes****

**Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted*
***Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted*
****Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted*

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The preparation of financial statements, in conformity with International Financial Reporting Standards ("IFRS"), requires management to make judgments, estimates and assumptions that are not readily apparent from other sources, which affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Significant areas requiring the use of management estimates relate to the useful lives of property, plant and equipment for depreciation purposes, property, plant and equipment and inventory valuation, determination of income and other taxes, assumptions used in the compilation of share-based payments, fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities, contingent consideration and allowance for doubtful accounts, and impairment testing of goodwill and intangible assets.

The Company applied judgment in determining the functional currency of the Company and its subsidiaries, the determination of cash-generating units ("CGUs"), the degree of componentization of property, plant and equipment, and the recognition of provisions and accrued liabilities.

(in thousands of Canadian dollars, except per share information)

5. SEASONALITY OF OPERATIONS

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.

6. PROPERTY, PLANT AND EQUIPMENT

Capital expenditures for the three months ended July 31, 2016 were $2,777 (2015 - $5,236). The Company obtained direct financing of nil in the current quarter (2015 - $1,971).

7. INCOME TAXES

The income tax provision for the period can be reconciled to accounting loss as follows:

	Q1 2017	Q1 2016
Loss before income tax	**$ (8,848)**	$ (8,353)
Statutory Canadian corporate income tax rate	**27%**	27%
Expected income tax recovery based on statutory rate	**(2,389)**	(2,255)
Non-recognition of tax benefits related to losses	**1,207**	3,281
Other foreign taxes paid	**291**	453
Rate variances in foreign jurisdictions	**137**	(306)
Permanent differences	**1,170**	1,546
Other	**518**	108
Income tax provision recognized in net loss	**$ 934**	$ 2,827

The Company periodically assesses its liabilities and contingencies for all tax years open to audit based upon the latest information available. For those matters where it is probable that an adjustment will be made, the Company records its best estimate of these tax liabilities, including related interest charges. Inherent uncertainties exist in estimates of tax contingencies due to changes in tax laws. While management believes they have adequately provided for the probable outcome of these matters, future results may include favorable or unfavorable adjustments to these estimated tax liabilities in the period the assessments are made, or resolved, or when the statutes of limitations lapse.

(in thousands of Canadian dollars, except per share information)

8. LOSS PER SHARE

All of the Company's earnings are attributable to common shares therefore net loss is used in determining loss per share.

	Q1 2017	Q1 2016
Net loss	**$ (9,782)**	$ (11,180)
Weighted average number of shares – basic and diluted (000's)	**80,137**	80,137
Loss per share:		
Basic	**$ (0.12)**	$ (0.14)
Diluted	**$ (0.12)**	$ (0.14)

The calculation of diluted loss per share for the three months ended July 31, 2016 excludes the effect of 3,710,913 options (2015 - 3,921,796) as they were anti-dilutive.

The total number of shares outstanding on July 31, 2016 was 80,136,884 (2015 - 80,136,884).

9. SEGMENTED INFORMATION

The Company's operations are divided into the following three geographic segments, corresponding to its management structure: Canada - U.S.; South and Central America; and Asia and Africa. The services provided in each of the reportable segments are essentially the same. The accounting policies of the segments are the same as those described in the Company's annual Consolidated Financial Statements for the year ended April 30, 2016. Management evaluates performance based on earnings from operations in these three geographic segments before finance costs, general corporate expenses and income taxes. Data relating to each of the Company's reportable segments is presented as follows:

(in thousands of Canadian dollars, except per share information)

9. SEGMENTED INFORMATION (Continued)

	Q1 2017	Q1 2016
Revenue		
Canada - U.S.*	**$ 43,797**	$ 51,031
South and Central America	**13,496**	20,481
Asia and Africa	**11,796**	12,422
	$ 69,089	$ 83,934
(Loss) earnings from operations		
Canada - U.S.	**$ (3,318)**	$ 826
South and Central America	**(1,900)**	1,205
Asia and Africa	**(1,625)**	(8,505)
	(6,843)	(6,474)
Finance costs	**47**	70
General corporate expenses**	**1,958**	1,809
Income tax	**934**	2,827
Net loss	**$ (9,782)**	$ (11,180)

*Canada - U.S. includes revenue of $19,941 and $31,672 for Canadian operations for the three months ended July 31, 2016 and 2015, respectively.

**General corporate expenses include expenses for corporate offices and stock options.

	Q1 2017	Q1 2016
Capital expenditures		
Canada - U.S.	**$ 1,359**	$ 4,036
South and Central America	**970**	687
Asia and Africa	**448**	513
Total capital expenditures	**$ 2,777**	$ 5,236
Depreciation and amortization		
Canada - U.S.	**$ 7,133**	$ 6,724
South and Central America	**3,109**	3,515
Asia and Africa	**2,011**	2,604
Unallocated and corporate assets	**353**	373
Total depreciation and amortization	**$ 12,606**	$ 13,216

(in thousands of Canadian dollars, except per share information)

9. SEGMENTED INFORMATION (Continued)

	July 31, 2016	April 30, 2016
Identifiable assets		
Canada - U.S.*	**$ 223,397**	$ 223,606
South and Central America	**146,217**	138,961
Asia and Africa	**100,382**	95,554
Unallocated and corporate assets	**35,501**	45,180
Total identifiable assets	**$ 505,497**	$ 503,301

*Canada - U.S. includes property, plant and equipment at July 31, 2016 of $66,958 (April 30, 2016 - $70,527) for Canadian operations.

10. RESTRUCTURING CHARGE

During the previous year, due to ongoing market difficulties in the Republic of South Africa and Namibia, the Company decided to close its operations in those countries.

These restructuring initiatives generated impairment losses calculated based on the determination of the fair value of assets less cost of disposal. Fair value was determined through the use of industry knowledge and specialists.

The costs related to these initiatives were recorded as part of the restructuring charge for a total of $6,432. This amount consisted of an impairment charge of $3,479 relating to property, plant and equipment, a write-down of $1,304 to reduce inventory to net realizable value, employee severance charges of $387 incurred to rationalize the workforce, and other non-cash charges of $262. The remaining charge of $1,000 related to the cost of winding down operations.

11. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, trade and other receivables, demand credit facility and trade and other payables approximate their fair value due to the relatively short period to maturity of the instruments. The carrying value of long-term debt approximates its fair value as most debts carry variable interest rates, and the remaining fixed rate debts have been acquired recently and their carrying value continues to reflect fair value. The fair value of the interest rate swap included in long-term debt is measured using quoted interest rates. Contingent consideration is recorded at fair value and is classified as level 2 in accordance with the fair value hierarchy.

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

(in thousands of Canadian dollars, except per share information)

11. FINANCIAL INSTRUMENTS (Continued)

There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the quarter ended July 31, 2016. Additionally, there are no financial instruments classified as Level 3.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

During the quarter, due to the level of EBITDA, the debt service ratio was not met under the debt agreement. The debt continues to be presented as long-term, consistent with the debt agreement, as the lenders provided a waiver during the quarter.

Credit risk
As at July 31, 2016, 87.0% (April 30, 2016 - 85.9%) of the Company's trade receivables were aged as current and 1.4% (April 30, 2016 - 7.2%) of the trade receivables were impaired.

The movements in the allowance for impairment of trade receivables during the three-month periods were as follows:

	July 31, 2016	July 31, 2015
Opening balance	**$ 3,554**	$ 4,204
Increase in impairment allowance	**344**	440
Recovery of amounts previously impaired	**(63)**	(155)
Write-off charged against allowance	**(3,127)**	(192)
Foreign exchange translation differences	**22**	109
Ending balance	**$ 730**	$ 4,406

Foreign currency risk
As at July 31, 2016, the most significant carrying amounts of net monetary assets that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; (ii) cause foreign exchange rate exposure; and (iii) may include intercompany balances with other subsidiaries, including the impact on earnings before income taxes ("EBIT"), if the corresponding rate changes by 10%, are as follows:

	Rate Variance	**USD/CAD**	**CFA/USD**	**ARS/USD**	**IDR/USD**	**Other**
Exposure		$ 2,898	$ 2,655	$ 1,067	$ (1,210)	$ 1,333
EBIT impact	+10%	322	295	119	(134)	147

(in thousands of Canadian dollars, except per share information)

11. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

The following table details contractual maturities for the Company's financial liabilities.

	1 year	2-3 years	4-5 years	thereafter	Total
Trade and other payables	$ 36,951	$ -	$ -	$ -	$ 36,951
Contingent consideration	3,000	5,347	-	-	8,347
Long-term debt (interest included)	4,226	4,263	2,158	88	10,735
	$ 44,177	**$ 9,610**	**$ 2,158**	**$ 88**	**$ 56,033**