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	
	2017	2016
TOTAL REVENUE	**$ 83,952**	$ 69,089
DIRECT COSTS	**67,185**	53,948
GROSS PROFIT	**16,767**	15,141
OPERATING EXPENSES		
General and administrative	**11,981**	10,629
Other expenses	**430**	723
(Gain) loss on disposal of property, plant and equipment	**(172)**	158
Foreign exchange gain	**(796)**	(174)
Finance costs	**181**	47
Depreciation of property, plant and equipment	**11,798**	11,956
Amortization of intangible assets	**657**	650
	24,079	23,989
LOSS BEFORE INCOME TAX	**(7,312)**	(8,848)
INCOME TAX - PROVISION (RECOVERY) (note 7)		
Current	**2,484**	3,685
Deferred	**(2,906)**	(2,751)
	(422)	934
NET LOSS	**$ (6,890)**	$ (9,782)
LOSS PER SHARE (note 8)		
Basic	**$ (0.09)**	$ (0.12)
Diluted	**$ (0.09)**	$ (0.12)

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Comprehensive (Loss) Earnings
(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2017	2016
NET LOSS	**$ (6,890)**	$ (9,782)
OTHER COMPREHENSIVE (LOSS) EARNINGS		
Items that may be reclassified subsequently to profit or loss		
Unrealized (loss) gain on foreign currency translations (net of tax)	**(24,885)**	11,368
Unrealized gain (loss) on derivatives (net of tax)	**104**	(137)
COMPREHENSIVE (LOSS) EARNINGS	**$ (31,671)**	$ 1,449

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Changes in Equity
For the three months ended July 31, 2017 and 2016
(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, 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
BALANCE AS AT MAY 1, 2017	**$ 239,751**	**$ 163**	**$ 19,250**	**$ 63,812**	**$ 86,787**	**$409,763**
Exercise of stock options	**1,003**	**-**	**(310)**	**-**	**-**	**693**
Share-based payments reserve	**-**	**-**	**239**	**-**	**-**	**239**
	240,754	**163**	**19,179**	**63,812**	**86,787**	**410,695**
Comprehensive loss:						
Net loss	**-**	**-**	**-**	**(6,890)**	**-**	**(6,890)**
Unrealized loss on foreign currency translations	**-**	**-**	**-**	**-**	**(24,885)**	**(24,885)**
Unrealized gain on derivatives	**-**	**104**	**-**	**-**	**-**	**104**
Total comprehensive loss	**-**	**104**	**-**	**(6,890)**	**(24,885)**	**(31,671)**
BALANCE AS AT JULY 31, 2017	**$ 240,754**	**$ 267**	**$ 19,179**	**$ 56,922**	**$ 61,902**	**$379,024**

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

(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2017	2016
OPERATING ACTIVITIES		
Loss before income tax	$ **(7,312)**	$ (8,848)
Operating items not involving cash		
Depreciation and amortization	**12,455**	12,606
(Gain) loss on disposal of property, plant and equipment	**(172)**	158
Share-based payments reserve	**239**	290
Finance costs recognized in loss before income tax	**181**	47
	5,391	4,253
Changes in non-cash operating working capital items	**2,217**	(7,624)
Finance costs paid	**(181)**	(47)
Income taxes paid	**(683)**	(635)
Cash flow from (used in) operating activities	**6,744**	(4,053)
FINANCING ACTIVITIES		
Repayment of long-term debt	**(841)**	(2,072)
Proceeds from draw on long-term debt	**15,000**	-
Issuance of common shares due to exercise of stock options	**693**	-
Cash flow from (used in) financing activities	**14,852**	(2,072)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (net of direct financing) (note 6)	**(4,256)**	(2,777)
Proceeds from disposal of property, plant and equipment	**776**	1,172
Cash flow used in investing activities	**(3,480)**	(1,605)
Effect of exchange rate changes	**(3,414)**	1,122
INCREASE (DECREASE) IN CASH	**14,702**	(6,608)
CASH, BEGINNING OF THE PERIOD	**25,975**	50,228
CASH, END OF THE PERIOD	$ **40,677**	$ 43,620

Major Drilling Group International Inc.
Interim Condensed Consolidated Balance Sheets
As at July 31, 2017 and April 30, 2017
(in thousands of Canadian dollars)
(unaudited)

	July 31, 2017	April 30, 2017
ASSETS		
CURRENT ASSETS		
Cash	$ 40,677	$ 25,975
Trade and other receivables	64,819	72,385
Note receivable	481	476
Income tax receivable	3,788	5,771
Inventories	82,390	88,047
Prepaid expenses	5,648	3,210
	197,803	195,864
NOTE RECEIVABLE	933	1,055
PROPERTY, PLANT AND EQUIPMENT	200,165	221,524
DEFERRED INCOME TAX ASSETS	18,637	17,026
GOODWILL	57,587	58,432
INTANGIBLE ASSETS	-	669
	$ 475,125	$ 494,570
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	$ 48,309	$ 48,359
Income tax payable	3,027	3,036
Contingent consideration	5,135	5,135
Current portion of long-term debt	3,057	3,291
	59,528	59,821
LONG-TERM DEBT	18,764	4,544
DEFERRED INCOME TAX LIABILITIES	17,809	20,442
	96,101	84,807
SHAREHOLDERS' EQUITY		
Share capital	240,754	239,751
Reserves	267	163
Share-based payments reserve	19,179	19,250
Retained earnings	56,922	63,812
Foreign currency translation reserve	61,902	86,787
	379,024	409,763
	$ 475,125	$ 494,570

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, 2017.

On September 6, 2017, 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, 2017.

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:

IAS 7 *(amended) Statement of Cash Flows*
IAS 12 *(amended) Income Taxes*

3. APPLICATION OF NEW AND REVISED IFRS (Continued)

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

IFRS 2 *(as amended in 2016) Share-based Payment**
IFRS 9 *(as amended in 2014) Financial Instruments**
IFRS 15 *Revenue from Contracts with Customers**
IFRS 16 *Leases***

**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.*

The Company is currently in the process of assessing the impact of the adoption of the above standards, however, they are not expected to have a significant impact on the Consolidated Financial Statements, with the exception of IFRS 16 Leases. The Company is in the process of quantifying the impact IFRS 16 will have on the Consolidated Financial Statements.

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, the recognition of provisions and accrued liabilities, and the determination of the probability that deferred income tax assets will be realized from future taxable earnings.

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, 2017 were $4,307 (2016 - $2,777). The Company obtained direct financing of $51 in the current quarter (2016 – nil).

7. INCOME TAXES

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

	Q1 2018	Q1 2017
Loss before income tax	**$ (7,312)**	$ (8,848)
Statutory Canadian corporate income tax rate	**27%**	27%
Expected income tax recovery based on statutory rate	**(1,974)**	(2,389)
Non-recognition of tax benefits related to losses	**1,117**	1,207
Other foreign taxes paid	**135**	291
Rate variances in foreign jurisdictions	**52**	137
Permanent differences	**213**	1,170
Other	**35**	518
Income tax (recovery) provision recognized in net loss	**$ (422)**	$ 934

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.

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 2018	Q1 2017
Net loss	**$ (6,890)**	$ (9,782)
Weighted average number of shares:		
Basic and diluted (000s)	**80,153**	80,137
Loss per share		
Basic	**$ (0.09)**	$ (0.12)
Diluted	**$ (0.09)**	$ (0.12)

The calculation of diluted loss per share for the three months ended July 31, 2017 excludes the effect of 2,449,780 options (2016 - 3,710,913) as they were anti-dilutive.

The total number of shares outstanding on July 31, 2017 was 80,229,984 (2016 - 80,136,884).

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

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, 2017. 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:

		Q1 2018		Q1 2017
Revenue				
Canada - U.S.*	$	52,182	$	43,797
South and Central America		18,874		13,496
Asia and Africa		12,896		11,796
	$	83,952	$	69,089
Loss from operations				
Canada - U.S.	$	(1,266)	$	(3,318)
South and Central America		(3,088)		(1,900)
Asia and Africa		(2,166)		(1,625)
		(6,520)		(6,843)
Finance costs		181		47
General corporate expenses**		611		1,958
Income tax (recovery) provision		(422)		934
Net loss	$	(6,890)	$	(9,782)

*Canada - U.S. includes revenue of $25,027 and $19,941 for Canadian operations for the three months ended July 31, 2017 and 2016, respectively.

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

		Q1 2018		Q1 2017
Capital expenditures				
Canada - U.S.	$	3,024	$	1,359
South and Central America		632		970
Asia and Africa		651		448
Total capital expenditures	$	4,307	$	2,777
Depreciation and amortization				
Canada - U.S.	$	6,446	$	7,133
South and Central America		3,202		3,109
Asia and Africa		2,704		2,011
Unallocated and corporate assets		103		353
Total depreciation and amortization	$	12,455	$	12,606

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

9. SEGMENTED INFORMATION (Continued)

	July 31, 2017	April 30, 2017
Identifiable assets		
Canada - U.S.*	$ **204,454**	$ 216,391
South and Central America	**138,607**	151,894
Asia and Africa	**89,657**	99,850
Unallocated and corporate assets	**42,407**	26,435
Total identifiable assets	$ **475,125**	$ 494,570

*Canada - U.S. includes property, plant and equipment at July 31, 2017 of $54,052 (April 30, 2017 - $57,689) for Canadian operations.

10. 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).

There were no transfers of amounts between level 1, level 2 and level 3 financial instruments for the quarter ended July 31, 2017. 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.

Credit risk

As at July 31, 2017, 90.0% (April 30, 2017 - 87.3%) of the Company's trade receivables were aged as current and 1.7% (April 30, 2017 - 1.4%) of the trade receivables were impaired.

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

	July 31, 2017	April 30, 2017
Opening balance	$ **847**	$ 3,554
Increase in impairment allowance	**164**	668
Recovery of amounts previously impaired	**-**	(92)
Write-off charged against allowance	**-**	(3,374)
Foreign exchange translation differences	**(72)**	91
Ending balance	$ **939**	$ 847

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

10. FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk
As at July 31, 2017, 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	CFA/USD	MNT/USD	PES/USD	USD/CAD	Other
Net exposure on monetary assets		$ 4,005	$ 2,072	$ 1,877	$ (11,497)	$ (733)
EBIT impact	+/-10%	445	230	209	1,277	82

Liquidity risk
The following table details contractual maturities for the Company's financial liabilities:

	1 year	2-3 years	4-5 years	Total
Trade and other payables	$ 48,309	$ -	$ -	$ 48,309
Contingent consideration	5,135	-	-	5,135
Long-term debt (interest included)	3,734	18,966	1,191	23,891
	$ 57,178	**$ 18,966**	**$ 1,191**	**$ 77,335**