Management's Discussion and Analysis

First Quarter Fiscal 2018

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

First Quarter Fiscal 2018

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, 2017. 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 July 31, 2017 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 July 31, 2017, 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, 2017.

This MD&A is dated August 31, 2017. Disclosure contained in this document is current to that date, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

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; extreme weather conditions and the impact of natural or other disasters; shortage of specialized skills and cost of labour increases; equipment and parts availability, reputational risk and cybersecurity risk. 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 all types 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 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, 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.

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 more stable work during the mining cycles. By offering both underground production drilling and underground core drilling, the Company provides a wide range of complementary services to its clients.

A key part of the Company's strategy is to maintain a strong balance sheet. As the industry is 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. The Company also has 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.

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 always 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 over the last few years. As these markets continue to urbanize, the requirement for base metals will continue to increase at the same time as the 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 of ten of the top senior gold mining companies have decreased by almost 15% over the last two years due to the lack of exploration. Many industry experts expect the copper market will face a 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. Large base metal producers will eventually need to expand existing mines and develop new ones to meet the world's growth, especially in emerging markets. Activity from senior gold producers is likely to show greater volatility as gold prices vary, which will impact their exploration budgets.

OVERALL PERFORMANCE

Although still early in the cyclical recovery, the Company continues to see activity levels improving month by month, with growth coming from all regions. As resources continue to be discovered in areas difficult to access, the Company continues to invest to consolidate its position as the leader in specialized drilling.

Revenue for the quarter ended July 31, 2017 was $84.0 million, up 22% from revenue of $69.1 million recorded in the same quarter last year. This growth has been driven primarily by gold projects, although the Company is starting to get more inquiries for base metal projects as prices for those commodities continue to recover.

Gross margin percentage for the quarter was 20.0%, down from 21.9% for the same period last year. The decreased margin resulted from transitional issues such as recruiting, training and repair costs, and due to competitive pressures, the Company has some low-margin contracts it is still working through.

Net loss for the quarter was $6.9 million or $0.09 per share, compared to a net loss of $9.8 million or $0.12 per share for the same period last year.

RESULTS OF OPERATIONS - FIRST QUARTER ENDED JULY 31, 2017

Total revenue for the quarter was $84.0 million, up 21.6% from revenue of $69.1 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 $1 million on revenue, with a negligible impact on net earnings.

Revenue for the quarter from Canada - U.S. drilling operations increased by 19.2% to $52.2 million, compared to the same period last year. The increase came from all operations as the Company saw increased activity from both seniors and juniors over the same period last year.

South and Central American revenue increased by 40.0% to $18.9 million for the quarter, compared to the same quarter last year. The increase was driven primarily by Chile and Brazil, with all other countries showing slight improvements.

Asian and African operations reported revenue of $12.9 million, up 9.3% from the same period last year. Increased activity in Mongolia was partially offset by a decrease in Indonesia as a result of ongoing political issues in the country.

The overall gross margin percentage for the quarter was 20.0%, down from 21.9% for the same period last year. The decreased margin resulted from transitional issues such as recruiting, training and repair costs, and due to competitive pressures, the Company has some low-margin contracts it is still working through.

General and administrative costs were up 13.2% from the same quarter last year at $12.0 million. Staffing levels and salaries have increased as activity ramped up from low levels. As well, the Company is investing in recruitment and information technology to prepare for the next upturn in the industry.

Foreign exchange gain was $0.8 million compared to a gain of $0.2 million in the same quarter last year, caused by exchange rate variations on monetary working capital items.

The income tax provision for the quarter was a recovery of $0.4 million compared to an expense of $0.9 million for the prior year period. Tax recovery for the quarter was impacted by non-tax affected losses and non-deductible expenses.

Net loss was $6.9 million or $0.09 per share ($0.09 per share diluted) for the quarter, compared to a net loss of $9.8 million or $0.12 per share ($0.12 per share diluted) for the prior year quarter.

SUMMARY OF QUARTERLY RESULTS

(in $000 CAD, except per share)	*Fiscal 2016*			*Fiscal 2017*				***Fiscal 2018***
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Revenue	$84,667	$ 71,887	$ 64,133	$69,089	$79,913	$ 70,117	$81,469	**$83,952**
Gross profit	23,311	12,982	12,051	15,141	16,088	9,380	19,609	**16,767**
Gross margin	27.5%	18.1%	18.8%	21.9%	20.1%	13.4%	24.1%	**20.0%**
Net loss	(5,349)	(15,897)	(12,859)	(9,782)	(9,757)	(14,294)	(8,231)	**(6,890)**
Per share - basic	(0.07)	(0.20)	(0.16)	(0.12)	(0.12)	(0.18)	(0.10)	**(0.09)**
Per share - diluted	(0.07)	(0.20)	(0.16)	(0.12)	(0.12)	(0.18)	(0.10)	**(0.09)**

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.

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 $5.4 million compared to an inflow of $4.3 million in the same period last year.

The change in non-cash operating working capital items was an inflow of $2.2 million for the quarter, compared to an outflow of $7.6 million for the same period last year. The inflow of non-cash operating working capital in the current quarter was primarily impacted by:

- a decrease in accounts receivable of $4.2 million;
- an increase in accounts payable of $1.7 million;
- an increase in prepaids of $2.8 million; and
- an increase in inventory of $0.7 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.

Operating Credit Facilities

The credit facilities related to operations total $28.7 million, ($25.0 million from a Canadian chartered bank and $3.7 million from an American chartered bank) and are primarily secured by corporate guarantees of companies within the group. At July 31, 2017, the Company had utilized $1.4 million of these lines. The Company also has a credit facility of $2.5 million for credit cards for which interest rate and repayment are as per cardholder agreements.

Long-Term Debt

Total long-term debt increased by $14.0 million during the year to $21.8 million at July 31, 2017. The increase is due to a draw of $15.0 million, as detailed below, contracted to finance capital expenditures and working capital needs, offset by debt repayments of $0.8 million.

As of July 31, 2017, 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 July 31, 2017, $15.0 million had been drawn on this facility, bearing interest at 3.76%, maturing in September 2020.

- $4.1 million non-revolving facility. This facility carries a fixed interest rate of 5.9% and is amortized over ten years ending in August 2021.

- The Company also has various other loans and capital lease facilities related to equipment purchases that totaled $2.7 million at July 31, 2017, 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 July 31, 2017, the Company had unused borrowing capacity under its credit facilities of $62.4 million and cash of $40.7 million, for a total of $103.1 million in available funds.

Investing Activities

Capital expenditures were $4.3 million (net of $0.1 million of equipment financing) for the quarter ended July 31, 2017, compared to $2.8 million (net of nil in equipment financing) for the same quarter last year.

The drill rig count remained at 646 at quarter-end as the Company added 4 drill rigs to its fleet as part of the Company's specialized and diversification strategies, while retiring or disposing of 4 older, inefficient and more costly drill rigs during the period. Two of the additional rigs are suited for surface drill and blast/grade control work, one is a mobile underground rig and one is an ultra-deep diamond rig capable of reaching depths of over 4,000 metres.

OUTLOOK

Although still very early in the cyclical recovery, it has been a steady climb over the last 18 months. This growth has been driven primarily by gold projects, although the Company is starting to get more inquiries for base metal projects as prices for those commodities continue to recover indicating the Company could see an increase in exploration budgets from base metal companies for calendar 2018. Typically, gold and copper projects represent over 70% of the Company's activity.

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. Mineral reserves of ten of the top senior gold mining companies have decreased by almost 15% over the last two years. As well, many industry experts expect the copper market will face a 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. 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.

The Company is in a strong financial position with a net cash position (net of debt) at $18.9 million. In anticipation of a recovery in demand for its services, the Company has made investments in mobile solutions in the field, providing tools to the Company's crews in order to improve safety and productivity. This falls in line with the enhancement of the recruiting and training systems as a new generation of employees is brought in.

NON-GAAP FINANCIAL MEASURE

The Company uses the non-GAAP financial measure, EBITDA. The Company believes this non-GAAP financial measure provides useful information to both management and investors in measuring the financial performance of the Company. 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 $000 CAD)		**Q1 2018**		Q1 2017
Net loss	**$**	**(6,890)**	$	(9,782)
Finance costs		**181**		47
Income tax (recovery) provision		**(422)**		934
Depreciation and amortization		**12,455**		12,606
EBITDA	**$**	**5,324**	$	3,805

FOREIGN EXCHANGE

Year-over-year revenue comparisons can be affected by the variations of the Canadian dollar against the U.S. dollar and other functional reporting currencies. The favourable foreign exchange translation impact for the quarter, when comparing to the effective rates for the same period last year, is estimated at approximately $1 million on revenue. Net earnings, however, remained less impacted by currency fluctuations during the quarter as a large proportion of costs are typically incurred in the same currency as revenue. The total foreign exchange impact on net earnings for the quarter was negligible.

COMPREHENSIVE EARNINGS

The interim condensed consolidated statements of comprehensive (loss) earnings for the quarter include $24.9 million in unrealized loss on translating the financial statements of the Company's foreign operations compared to a gain of $11.4 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, 2017, 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, 2017, 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 May 1, 2017 and ended on July 31, 2017, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

OUTSTANDING SHARE DATA

As of August 31, 2017 there were 80,299,984 common shares issued and outstanding in the Company. This represents an increase of 160,100 issued and outstanding shares, due to the exercise of stock options, as compared to the number reported in the Company's fourth quarter MD&A (reported as of June 5, 2017).

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.