MAJOR

Partners on the Ground

Management's Discussion and Analysis

Second Quarter Fiscal 2016

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SECOND QUARTER FISCAL 2016

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 October 31, 2015. All amounts in this MD&A are in Canadian dollars, except where otherwise noted. These quarterly unaudited interim condensed consolidated 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 October 31, 2015 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 October 31, 2015, 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, 2015.

This MD&A is dated November 30, 2015. 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 that 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; corruption, bribery or fraud by employees or agents; 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" in the Company's 2015 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 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. To support its customers' varied exploration drilling requirements, Major Drilling maintains field operations and offices in Canada, the United States, Mexico, South America, 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, shallow gas, underground percussive/longhole drilling and a variety of drilling-related 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 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.

The Company intends to continue modernizing its conventional fleet and expanding 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, underground and drilling-related 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.

Underground drilling takes on greater importance in the latter stages of the mining cycle as clients develop underground mines. Last year, the Company entered a new type of underground service with the acquisition of the assets of Taurus Drilling Services, a provider of underground percussive/longhole drilling to mining companies. Percussive/longhole drilling relates more to the production function of a mine. Offering both underground production drilling and its existing underground core drilling, the Company now provides an even wider range of complementary services to its clients.

A key part of the Company's strategy is to maintain a strong balance sheet. The Company is in a unique position to react quickly when the industry begins to recover as its financial strength allows it to retain key employees and to maintain its equipment in excellent 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 on the one hand and base metals on the other. 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 for most metals expected to tighten and higher demand coming from the emerging markets over the last few years. As these countries 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 and intermediate companies, for which the Company provides greenfield exploration drilling and/or drilling at operating mines, and junior exploration companies.

The industry is currently in a cyclical downturn. At this point in time, most senior and intermediate mining companies are more cautious with their investments in exploration. 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.

Many junior mining companies continue to experience financing difficulties thus have slowed down their exploration efforts. Junior mining companies can account for some 50% of the market in cyclical upturns. While it is expected that some of the more advanced projects will be able to obtain financing as needed, it will be necessary for investors to once again support exploration projects in order for drilling activities to regain the momentum that they had at their peak.

OVERALL PERFORMANCE

The Company continued to see some stability in its activity levels this quarter. This stability in the Company's ongoing contracts in the last few quarters has allowed it to optimize productivity and costs, which is reflected in this quarter's margins. Although volume and pricing are still not at profitable levels, the Company is generating cash while still investing in its equipment and training, which is key in the Company's plan to be ready for the next upturn.

Total revenue for the quarter was $84.7 million, down 3% from revenue of $87.2 million recorded in the same quarter last year. The decrease came from both the South and Central American and the Asian and African operations, offset by an increase in the Canada-US operations. The favorable foreign exchange translation impact for the quarter is estimated at $8 million on revenue with a negligible impact on net earnings, when comparing to the effective rates for the same period last year.

The overall gross margin percentage for the quarter was 27.5%, up from 23.8% for the same period last year. Good margin performance, attributable to favorable weather conditions, combined with the stability of the Company's on-going contracts, has allowed the Company to realize productivity efficiencies throughout the year. This margin is an indication that pricing appears to have now stabilized, in part as a result of the Company's discipline on pricing.

Net loss was $5.3 million or $0.07 per share ($0.07 per share diluted) for the quarter, compared to a net loss of $10.1 million or $0.13 per share ($0.13 per share diluted) for the prior year quarter.

RESULTS OF OPERATIONS – SECOND QUARTER ENDED OCTOBER 31, 2015

Total revenue for the quarter was $84.7 million, down 3% from revenue of $87.2 million recorded in the same quarter last year. The decrease came from both the South and Central American and the Asian and African operations, offset by an increase in the Canada-US operations. The favorable foreign exchange translation impact for the quarter is estimated at $8 million on revenue with a negligible impact on net earnings, when comparing to the effective rates for the same period last year.

Revenue for the quarter from Canada-U.S. drilling operations increased by 13% to $56.1 million compared to the same period last year. Most of the increase came from percussive services in which the Company continues to invest.

South and Central American revenue was down 28% to $16.9 million for the quarter, compared to the same quarter last year. The Company saw decreased activity levels mostly in Chile, Argentina and Colombia.

Asian and African operations reported revenue of $11.7 million, down 16% from the same period last year. Most of the decrease came from the closure of operations in the Democratic Republic of Congo ("DRC"), and was also affected by political uncertainty around mining laws in Mongolia.

The overall gross margin percentage for the quarter was 27.5%, up from 23.8% for the same period last year. Good margin performance, attributable to favorable weather conditions, combined with the stability of the Company's on-going contracts, has allowed the Company to realize productivity efficiencies throughout the year. This margin is an indication that pricing appears to have now stabilized, in part as a result of the Company's discipline on pricing.

General and administrative costs were down 4% from last year at $10.8 million for the quarter, despite an increase due to foreign exchange translation as the Company continues to manage its costs across the operations.

The Company recorded a restructuring charge of $0.1 million compared to $2.8 million in the same period last year. Last year's charge was primarily related to the shutdown of operations in the DRC.

The provision for income tax for the quarter was flat at $2.4 million compared to the same quarter last year. The tax expense remains relatively high as we pay income taxes on our profitable operations but have ceased to record tax recoveries on tax losses in certain other jurisdictions.

Net loss was $5.3 million or $0.07 per share ($0.07 per share diluted) for the quarter, compared to a net loss of $10.1 million or $0.13 per share ($0.13 per share diluted) for the prior year quarter.

RESULTS OF OPERATIONS – YEAR-TO-DATE ENDED OCTOBER 31, 2015

Revenue for the six months ended October 31, 2015 increased 9% to $168.6 million from $154.7 million for the corresponding period last year.

Revenue from Canada-U.S. drilling operations increased by 24% to $107.1 million compared to the same period last year as the US was affected by the slowdown in the energy industry, which was more than offset by growth in both Canadian coring and the US percussive operations.

South and Central American revenue was flat at $37.4 million compared to the same period last year.

Asian and African operations reported revenue of $24.1 million, down 23% from the same period last year. Two main factors affecting the region's revenue drop were: 1) Mongolia, which continues to be affected by political uncertainty around mining laws, and 2) DRC where the Company has closed its operation due to ongoing administrative difficulties associated with operating in that country.

Gross margin for the year-to-date was 26.6% compared to 24.2% last year. This margin is an indication that pricing appears to have now stabilized, in part as a result of the Company's discipline on pricing. As well, the stability of the Company's on-going contracts has allowed it to realize productivity efficiencies throughout the year.

General and administrative expenses decreased by $0.8 million, or 4%, to $21.4 million compared to the prior year. The Company has continued to reduce its general and administrative costs by implementing cost reduction programs and restructuring certain branches.

Amortization of intangibles increased $1.1 million to $1.9 million due to the Taurus acquisition.

The Company recorded a restructuring charge of $6.5 million, primarily relating to the decision to shut down operations in South Africa and Namibia. This consists primarily of a non-cash write-down of assets and close-down costs relating to severance and moving costs. The restructuring charge of $3.4 million recorded in the previous year related primarily to the closure of our DRC operation.

Net loss was $16.5 million or $0.21 per share ($0.21 per share diluted) compared to a net loss of $17.5 million or $0.22 per share ($0.22 per share diluted) last year.

SUMMARY OF QUARTERLY RESULTS

(in $000 CAD, except per share)	Fiscal 2014		Fiscal 2015				Fiscal 2016	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue	$ 71,830	$ 82,637	$ 67,551	$ 87,192	$ 69,784	$ 81,191	$ 83,934	$ 84,667
Gross profit	17,770	21,524	16,667	20,736	7,786	20,707	21,617	23,311
Gross margin	24.7%	26.0%	24.7%	23.8%	11.2%	25.5%	25.8%	27.5%
Net loss	(12,797)	(24,935)	(7,331)	(10,148)	(18,999)	(13,087)	(11,180)	(5,349)
Per share - basic	(0.16)	(0.31)	(0.09)	(0.13)	(0.24)	(0.16)	(0.14)	(0.07)
Per share - diluted	(0.16)	(0.31)	(0.09)	(0.13)	(0.24)	(0.16)	(0.14)	(0.07)

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) was $11.3 million for the quarter compared to $5.8 million generated in the same period last year.

The change in non-cash operating working capital items was an outflow of $1.8 million for the quarter compared to an inflow of $3.6 million for the same period last year. The outflow in non-cash operating working capital in the quarter ended October 31, 2015 was primarily impacted by:

- A decrease in accounts payable of $3.3 million;
- A decrease in inventory of $1.7 million;
- An increase in accounts receivable of $1.0 million; and
- A decrease in prepaid expenses of $0.9 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 $29.1 million ($25.0 million from a Canadian chartered bank and $4.1 million for Chilean pesos facilities) and are primarily secured by corporate guarantees of companies within the group. At October 31, 2015, the Company had utilized $4.9 million of these lines mostly for stand-by letters of credit. The Company also has a credit facility of $1.9 million for credit cards for which interest rate and repayment are as per cardholder agreements. The Chilean pesos facility has been closed subsequent to October 31, 2015.

Long-Term Debt

Total long-term debt increased by $0.8 million during the quarter to $16.5 million at October 31, 2015. The increase is due to additional equipment financing of $2.7 million, offset by debt repayments of $1.9 million during the quarter.

As of October 31, 2015, the Company had the following long-term debt facilities:

- $4.6 million non-revolving facility 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 October 31, 2015, this facility had not been utilized.
- $5.8 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 $6.0 million at October 31, 2015, which were fully drawn and mature through 2019.

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 October 31, 2015, the Company had unused borrowing capacity under its credit facilities of $74.2 million and cash of $49.6 million, for a total of $123.8 million in available funds.

Investing Activities

Capital expenditures were $3.8 million (net of $2.7 million of equipment financing) for the quarter ended October 31, 2015 compared to $2.9 million (net of $0.2 million of equipment financing) for the same period last year.

The disposal of property, plant and equipment generated proceeds of $0.2 million during the quarter, compared to $5.2 million for the same period last year.

During the quarter, the Company added five drill rigs, including four rigs for the percussive division, while retiring or disposing of four drill rigs. This brings the total drill rig count to 699 at quarter-end.

OUTLOOK

The Company's customers continue to focus their work almost exclusively on mine sites, which means they have a much greater focus on production related drilling, such as percussive and underground drilling, which has lower margins. The Company is continuing to adapt to the current market conditions by investing in and growing its percussive operations.

For now, exploration efforts from the Company's customers are expected to remain low while most senior and intermediate mining companies are still working through their mining plans for calendar 2016. Given the recent decrease in all commodity prices over the last few months, it is very difficult to predict activity levels over the next year. The Company is in a unique position to react quickly when the industry begins to recover as the Company's financial strength has allowed it to retain key employees and to maintain its equipment in excellent condition.

It is important to note that the Company is now in its third quarter, traditionally the weakest quarter of the Company's fiscal year, as mining and exploration companies shut down, often for extended periods over the holiday season. At this time, most senior and intermediate companies are still working through their budget process and have yet to decide on post-holiday start-up dates. As usual, due to the time it takes to mobilize once new contracts are awarded, a slow pace of start-ups is expected in January and February, which will impact overall third quarter revenue and margins, and to some extent, fourth quarter margins. The Company expects pricing to remain competitive until utilization rates pick up significantly.

The Company will continue to focus on cash generation by limiting capital expenditures as necessary, and by closely managing costs. The Company continues to have 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 relates to variable incentive compensation based on the Company's profitability.

FOREIGN EXCHANGE

Year-over-year revenue comparisons continue to be affected by the variations of the Canadian dollar against the U.S. dollar and other functional reporting currencies. The favorable impact of foreign exchange translation for the quarter, when comparing to the effective rates for the same period last year, is estimated at $8 million on revenue and a negligible impact on net earnings. The favorable impact of foreign exchange translation for the six-month period ended October 31, 2015, is estimated at $15 million on revenue and a negligible impact on net earnings.

Argentina currency status

The Argentine government has implemented certain measures that control and restrict the ability of companies and individuals to exchange Argentine pesos for foreign currencies. Those measures include, among other things, the requirement to obtain the prior approval from the Argentine Tax Authorities and the Central Bank for foreign currency transactions (for example and without limitation, for the payment of non-Argentine goods and services, and also payment of dividends to parties outside of the country). That approval process could delay, and eventually restrict, the ability to exchange Argentine pesos for other currencies, such as U.S. dollars.

COMPREHENSIVE EARNINGS

The interim condensed consolidated statements of comprehensive (loss) earnings for the quarter include $0.7 million in unrealized losses on translating the financial statements of the Company's foreign operations compared to a gain of $8.8 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, 2015, 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, 2015, 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

There have been no changes in the Company's disclosure and internal controls over financial reporting during the period beginning on August 1, 2015 and ended on October 31, 2015 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

OUTSTANDING SHARE DATA

As of November 30, 2015, there were 80,136,884 common shares issued and outstanding in the Company. This is the same number as reported in the Company's first quarter MD&A (reported as of August 31, 2015).

ADDITIONAL INFORMATION

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