MAJOR

Partners on the Ground

Management's Discussion and Analysis

Third Quarter Fiscal 2013

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIRD QUARTER FISCAL 2013

This Management's Discussion and Analysis ("MD&A") relates to the results of operations, financial position and cash flows of Major Drilling Group International Inc. ("Major Drilling" or the "Company") as at and for the three-month period ended January 31, 2013. All amounts in this MD&A are in Canadian dollars, except where otherwise noted. These quarterly unaudited interim 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 January 31, 2013 as compared to the corresponding period in the previous year. Comments relate to, and should be read in conjunction with, the comparative unaudited interim consolidated financial statements as at and for the three months ended January 31, 2013, 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 February 28, 2013. 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 position, 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 fiscal 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 mine services, 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 countries (Brazil, Russia, India and China) 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

As stated in the press release dated January 23, 2013, subsequent to the holiday season, there have been increased delays in the decision making process on the part of many of the Company’s senior customers in regards to their 2013 exploration drilling programs. Also, November did not have the benefit of the program extensions seen last year. This has led to reduced activity levels as compared to Q3 last year, and produced a seasonal loss as anticipated. Quarter results were also impacted by $0.9 million of severance costs as the Company reduced costs in certain regions and a $1.0 million withholding tax charge on an inter-company dividend paid from Mongolia in contemplation of possible changes to the tax treaty between Canada and Mongolia.

The overall gross margin percentage for the quarter was 23.8% compared to 25.9% for the same period last year. Third quarter margins are typically impacted by a slowdown during the holiday season combined with higher than usual mobilizations, demobilizations and increased repairs during this period. The decrease in margins compared to last year is in part due to carrying extra costs as mobilizations to certain projects were delayed, combined with some pricing pressure in certain regions.

Net loss was $4.3 million or $0.05 per share ($0.05 per share diluted) for the quarter, compared to net earnings of $9.6 million or $0.12 per share ($0.12 per share diluted) for the prior year quarter.

Given the Company’s ability to generate healthy cash flows, the Company is pleased to announce that its Board of Directors has declared a cash dividend of $0.10 per common share payable on May 2, 2013 to shareholders of record as of April 5, 2013. This dividend is designated as an “eligible dividend” for Canadian tax purposes.

RESULTS OF OPERATIONS – THIRD QUARTER ENDED JANUARY 31, 2013

Total revenue for the quarter was $123.2 million, down 32% from the $182.2 million recorded in the same quarter last year. The Company experienced earlier shutdowns in most regions at the beginning of the quarter combined with delays in startups of several projects in January. Also, many junior customers have scaled back or suspended drilling activities as compared to last year.

Revenue for the quarter from Canada-U.S. drilling operations decreased by 31% to $48.4 million compared to the same period last year. Both countries were affected by delays and the cancelation of projects.

South and Central American revenue was down 33% to $39.4 million for the quarter, compared to the prior year quarter. All of the countries in this region, particularly Mexico, were affected by a reduction in work by juniors.

Australian, Asian and African operations reported revenue of $35.3 million, down 34% from the same period last year. The decrease came mainly from Australia where projects have been canceled due to high costs being incurred by mining companies and new mining taxes, and from Mongolia, which is affected by political uncertainty. These decreases were offset somewhat by increased operations in Burkina Faso and Mozambique.

The overall gross margin percentage for the quarter was 23.8% compared to 25.9% for the same period last year. Third quarter margins are typically impacted by a slowdown during the holiday season combined with higher than usual mobilizations, demobilizations and increased repairs during this period. The decrease in margins compared to last year is in part due to carrying extra costs as mobilizations to certain projects were delayed, combined with some pricing pressure in certain regions.

General and administrative costs were $15.4 million for the quarter compared to $16.5 million in the same period last year. With the decrease in activity, the Company has reduced its general and administrative costs, in part related to the integration of the Bradley operations.

Other expenses for the quarter were $1.6 million, down $1.8 million from the $3.4 million reported in the prior year quarter. More than half of this year's amount consists of retrenchment costs following staff reduction initiatives implemented during the quarter in certain regions, whereas last year's other expenses were mainly composed of incentive compensation expenses given the Company's profitability in that quarter.

Loss on disposal of fixed assets increased to $1.4 million this quarter as the Company retired 15 inefficient and more costly rigs.

The provision for income tax expense for the quarter was $1.9 million compared to $4.5 million for the prior year period. This quarter's tax expense was impacted by: 1) a $1.0 million withholding tax on an inter-company dividend from Mongolia in contemplation of possible changes to the tax treaty between Canada and Mongolia; and 2) differences in tax rates between regions.

RESULTS OF OPERATIONS – YEAR TO DATE ENDED JANUARY 31, 2013

Revenue for the nine months ended January 31, 2013 was flat at $560.4 million compared to $560.2 million for the corresponding period last year.

Canada-U.S. revenue increased by 19% to $255.3 million compared to $215.4 million last year. The acquisition of the Bradley operations combined with increased levels of activity in the U.S. earlier in the year accounted for this increase.

Revenue in South and Central America decreased 11% to $159.7 million from the prior year period. The reduction in activity levels in Argentina and Mexico was somewhat offset by a revenue increase from the acquired Bradley operations in Colombia and the Guiana Shield.

Revenue in Australia, Asia and Africa decreased 13% to $145.4 million from the prior year period. Australian and Mongolian operations were the main drivers of this decrease, which was somewhat mitigated by increased operations in Burkina Faso, the Philippines (Bradley), Mozambique and the DRC.

Gross margins for the year to date were 31.6% compared to 30.8% last year. Contracts that were signed or renewed earlier this year reflected a stronger pricing environment.

General and administrative expenses increased to $48.5 million compared to $42.0 million for the same period last year. The increase was mainly due to the acquisition of Bradley and the addition of new operations in Burkina Faso.

Other expenses decreased by $1.8 million to $10.2 million compared to the same period last year due primarily to lower incentive compensation expenses given the Company's decreased profitability compared to last year.

Depreciation and amortization expense increased to $39.9 million compared to $30.0 million in the previous period, as a result of the Bradley acquisition and the increased direct investment in equipment.

Net earnings were $49.9 million or $0.63 per share ($0.63 per share diluted) compared to $59.0 million or $0.79 per share ($0.78 per share diluted) last year.

SUMMARY OF QUARTERLY RESULTS

(in $000 CAD, except per share)	Fiscal 2011	Fiscal 2012				Fiscal 2013		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	$ 137,258	$ 164,152	$ 213,854	$ 182,188	$ 237,238	$ 237,565	$ 199,637	$ 123,189
Gross profit	34,913	51,499	74,055	47,120	78,452	81,278	66,699	29,275
Gross margin	25.4%	31.4%	34.6%	25.9%	33.1%	34.2%	33.4%	23.8%
Net (loss) earnings	9,466	17,892	31,560	9,566	30,731	31,875	22,349	(4,288)
Per share - basic	0.13	0.25	0.43	0.12	0.39	0.40	0.28	(0.05)
Per share - diluted	0.13	0.25	0.42	0.12	0.38	0.40	0.28	(0.05)

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, finance costs and income taxes) was $13.4 million for the quarter compared to $28.2 million generated in the same period last year.

The change in non-cash operating working capital items was an inflow of $25.8 million for the quarter compared to an inflow of $17.7 million for the same period last year. The inflow in non-cash operating working capital in the quarter ended January 31, 2013 was primarily impacted by:

- A decrease in accounts receivable of $45.0 million due to decreased activity in the third quarter;
- A decrease in inventory of $3.9 million; and
- A decrease in accounts payable of $24.2 million (net of dividend paid).

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.

<u>Operating Credit Facilities</u>

The credit facilities related to operations total $28.9 million ($25.0 million from a Canadian chartered bank and $3.9 million in various credit facilities) and are primarily secured by corporate guarantees of companies within the group. At January 31, 2013, the Company had utilized $2.4 million of these lines mainly for stand-by letters of credit. The Company also has a credit facility of $4.1 million for credit cards for which interest rates and repayment terms are as per cardholder agreements.

Long-Term Debt

Total long-term debt decreased by $1.9 million during the quarter to $45.4 million at January 31, 2013 due to scheduled debt repayments.

As of January 31, 2013, the Company had the following long-term debt facilities:

- $18.3 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 January 31, 2013, the Company had utilized $11.2 million of this line. Draws on this line are due on maturity in September 2016.

- $8.6 million non-revolving facility. This facility carries a fixed interest rate of 5.9% and is amortized over ten years ending in August 2021.

- $5.3 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 $1.9 million at January 31, 2013, 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 January 31, 2013, the Company had unused borrowing capacity under its credit facilities of $65.3 million and cash of $75.5 million, for a total of $140.8 million in available funds.

Investing Activities

Net capital expenditures were $20.0 million for the quarter ended January 31, 2013 compared to $22.5 million for the same period last year.

During the quarter, the Company purchased the Canadian and Mongolian assets of Landdrill. Through this, the Company acquired 15 compatible rigs that are less than three years old, as well as ancillary equipment and inventory for a total purchase price of approximately $4.0 million. This will help reduce the Company's capital expenditures for fiscal 2014 by some $10 million.

In total during the quarter, the Company added 28 drill rigs, including the 15 rigs from Landdrill, while retiring or disposing of 15 drill rigs through its modernization program. This brings the total drill rig count to 765 at quarter-end.

OUTLOOK

As stated in the Company's press release dated January 23, 2013 (available at www.sedar.com), there continues to be a number of projects for which decisions had not yet been made regarding start dates and exact drilling meterage. This has resulted in reduced activity in February as compared to our previous expectations and will continue to result in reduced activity for the balance of the fourth quarter. In a number of jurisdictions, uncertainty as to the policies of host governments or issues of land tenure are adding to the uncertainties. These factors, combined with the fact that sources of funding for junior mining companies remain limited, has led to pricing pressures in certain regions. As a result, fourth quarter revenue is expected to be significantly impacted as compared to the record revenue that the Company realized in the same period last year. Due to the ongoing volatility in the sector, it is too early to make an assessment beyond the fourth quarter.

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 other expenses relate to variable incentive compensation based on the Company's profitability. The Company continues to consider potential cost saving measures on a branch by branch basis as local market conditions require.

FOREIGN EXCHANGE

Year-over-year revenue comparisons continue to be affected by the variations of the Canadian dollar against the U.S. dollar. The unfavourable 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 $2 million on revenue but negligible on net earnings. The favourable impact of foreign exchange translation, for the nine-month period ended January 31, 2013, is estimated at $2 million on revenue but negligible on net earnings.

COMPREHENSIVE EARNINGS

The consolidated statements of other comprehensive earnings for the quarter include $1.5 million in unrealized gains on translating the financial statements of the Company's foreign operations compared to an unrealized gain of $2.3 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, and which continue to apply to the business of the Company. 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

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 January 31, 2013 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

OUTSTANDING SHARE DATA

As of February 28, 2013, there were 79,147,378 common shares issued and outstanding in the Company. This is the same number as reported in our second quarter MD&A (reported as of November 23, 2012).

ADDITIONAL INFORMATION

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