MAJOR

Partners on the Ground

Management's Discussion and Analysis

Third Quarter Fiscal 2015

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIRD QUARTER FISCAL 2015

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 January 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 January 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 January 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, 2014.

This MD&A is dated February 28, 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, 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, corruption, bribery and fraud by employees and 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" 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 the Company's Annual Information Form.

Additional information relating to the Company, including the Company's Annual Information Form for the most recently completed financial 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 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 and underground percussive/longhole drilling.

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 is also diversifying into energy and additional underground drilling services, such as percussive/longhole services, which 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 later stages of the mining cycle as clients develop underground mines. The Company recently entered a new type of underground service with the acquisition of Taurus Drilling Services, a provider of underground percussive/longhole drilling to mining companies. Percussive/longhole drilling is more related 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 invest in safety 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 out 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 emergence of the BRIC countries (Brazil, Russia, India and China) over the last 10 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 with 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 and thus have slowed down their exploration efforts. Junior mining companies can account for some 50% of the drilling 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.

BUSINESS ACQUISITION

Acquisition of Taurus Drilling Services

Effective August 1, 2014, the Company entered into the underground percussive/longhole drilling sector with its purchase of the operations of Taurus Drilling Services ("Taurus"), based in Canada and the United States. The acquisition has been accounted for using the acquisition method and the results of this operation have been included in the Interim Condensed Consolidated Statements of Operations from the closing date. Through this purchase, which fits with the Company's strategic focus on specialized drilling, the Company acquired 39 underground drill rigs, support equipment and inventory, existing contracts and receivables, the operation's management team, and other employees, including experienced drillers.

The purchase price for the transaction was $29.5 million (consisting of $20.7 million in cash, $8.7 million in Major Drilling shares, and $0.1 million in assumption of debt), and an additional maximum amount of $11.5 million (undiscounted) tied to performance. The estimated fair value of the contingent consideration was $10.1 million at January 31, 2015. The additional payout period extends for three years, commencing on August 1, 2014, and payments are contingent on growing EBITDA (earnings before interest, taxes, depreciation and amortization) run rates above levels at the date of acquisition.

OVERALL PERFORMANCE

The current economic environment continues to impact drilling in the short to medium-term, particularly on gold projects where the Company has seen a significant slowdown in activity since calendar 2013. Sources of funding for junior mining companies are limited, and as such many of their projects, both in the base metals and gold sectors, have been delayed or cancelled. In a number of jurisdictions, uncertainty as to the policies of host governments or issues of land tenure also continue to have an impact on results.

The third quarter was extremely challenging. Year-over-year revenue was relatively flat at $69.8 million. The gains made with the addition of the new percussive drilling division were offset by the loss of revenue in the Company's energy business and the closures of its operations in Australia and the Democratic Republic of Congo ("DRC").

Third quarter margins are typically impacted by a slowdown during the holiday season, but this quarter was hit particularly hard. The three main elements affecting margins were: reduced pricing; extensive mobilizations and repositioning costs; and high repair and purchasing costs in anticipation of the post-Christmas startups. The Company has seen a significant decrease in higher margin specialized drilling and a much greater focus on production related drilling, which generates lower revenue and has lower margins.

Net loss was $19.0 million or $0.24 per share ($0.24 per share diluted) for the quarter, compared to a net loss of $12.8 million or $0.16 per share ($0.16 per share diluted) for the prior year quarter.

Given the current low commodity price environment and the uncertainty over how long it will persist, the Company's Board of Directors has approved an amended dividend policy, declaring a cash dividend of $0.02 per common share payable on May 1, 2015 to shareholders of record as of April 7, 2015. The Company believes that it is prudent to lower the amount of its semi-annual dividend to ensure that it balances its cash inflows with capital expenditure requirements, preserves its ability to adequately respond to a future upturn in the mining industry and emerge as one of the strongest drilling companies.

RESULTS OF OPERATIONS – THIRD QUARTER ENDED JANUARY 31, 2015

Total revenue for the quarter was $69.8 million, down 3% from revenue of $71.8 million recorded in the same quarter last year. There have been continued delays in the decision making process on the part of many of the Company's senior customers in regards to their 2015 exploration drilling programs, and many junior customers have suspended drilling activities. The favourable foreign exchange translation impact for the quarter, when comparing to the effective rates for the same period last year, is estimated at $2.6 million on revenue but negligible on net earnings.

Revenue for the quarter from Canada-U.S. drilling operations increased by 27% to $41.1 million compared to the same period last year. The increase relates to the Taurus acquisition and is somewhat offset by the slowdown in the energy sector.

South and Central American revenue was down 8% to $17.2 million for the quarter, compared to the same quarter last year. Chile and Argentina were affected by a reduction in work by juniors and the cancellation of certain projects, while Mexico saw a slight increase in demand compared to the same period last year.

Australian, Asian and African operations reported revenue of $11.5 million, down 45% from the same period last year. Several factors affected the region's revenue this quarter compared to last year. The Company closed its operations in Australia earlier in the year, and also closed its operations in the DRC due to ongoing administrative difficulties associated with operating in that country. Also, Mongolia continues to be affected by political uncertainty around mining laws.

The overall gross margin percentage for the quarter was 11.2%, down from 24.7% 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. Margins continue to be affected by reduced pricing due to increased competitive pressures. As well, customers are focusing on mine site drilling, especially underground drilling, which tends to have lower margins.

General and administrative costs decreased 3% from last year at $11.7 million for the quarter despite an increase due to foreign exchange translation and the Taurus acquisition. With the decrease in activity, the Company has reduced its general and administrative costs by implementing reductions of salaried employees and restructuring certain branches.

Foreign exchange loss was $0.8 million compared to a loss of $3.3 million last year. Most of last year's quarterly loss was related to the devaluation of the Argentine peso and the Company crystalized currency losses by converting some of its Argentine pesos into U.S. dollar investments, although at a significant discount, to protect against further devaluations.

The income tax provision for the quarter was a recovery of $1.7 million compared to a recovery of $0.5 million for the prior year period. The tax recovery for the quarter was impacted by non-tax affected losses and non-deductible expenses.

Net loss was $19.0 million or $0.24 per share ($0.24 per share diluted) for the quarter, compared to a net loss of $12.8 million or $0.16 per share ($0.16 per share diluted) for the prior year quarter.

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

Revenue for the nine months ended January 31, 2015 decreased 18% to $224.5 million from $272.3 million for the corresponding period last year.

Revenue from Canada-U.S. drilling operations decreased by 2% to $127.3 million compared to the same period last year as both countries were affected by the slowdown in the industry, but was offset by the Taurus acquisition.

South and Central American revenue was down 6% to $54.6 million compared to the same period last year. Chile and Argentina were affected by a reduction in work by juniors and the cancellation of projects.

Australian, Asian and African operations reported revenue of $42.6 million, down 50% from the same period last year. Three main factors affected the region's revenue: 1) Australia, where the Company has shut down operations, 2) Mongolia, which is affected by political uncertainty around mining laws, 3) DRC, where the Company has closed its operations due to ongoing administrative difficulties associated with operating in that country.

Gross margin for the year-to-date was 20.1% compared to 30.4% last year. Margins were affected by reduced pricing due to increased competitive pressures. As well, margins were affected by higher than normal repair costs, as the Company continues to prepare rigs in order to be able to respond rapidly to any customer requests.

General and administrative expenses decreased by $3.5 million or 9% to $33.9 million compared to the prior year. With the decrease in activity, the Company has reduced its general and administrative costs by implementing reductions of salaried employees and restructuring certain branches. This decrease was somewhat offset by the addition of the Taurus operations.

Other expenses were $4.0 million compared to $2.7 million last year, due primarily to higher bad debt provisions and acquisition costs relating to the Taurus acquisition.

Foreign exchange loss was $2.3 million compared to a loss of $5.3 million last year. Most of last year's loss relates to the devaluation of the Argentine peso and the Company crystalized currency losses by converting some of its Argentine pesos into U.S. dollar investments at a significant discount during the year to protect against further devaluations.

The Company has recorded a restructuring charge of $3.8 million compared to $3.2 million last year, consisting primarily of retrenchment costs following additional staff reduction initiatives implemented during the year across the Company.

The provision for income tax year-to-date was a recovery of $1.7 million compared to an expense of $10.4 million for the prior year period. This year's tax recovery is impacted by non-tax affected losses and non-deductible expenses. Last year's tax expense was mostly impacted by three main factors: 1) a non-tax deductible goodwill impairment charge; 2) a combined write down and unrecognized tax losses on its Australian and Colombian deferred tax assets related to carry-forward losses given the uncertainty in the near-term outlook for adequate taxable income in Australia and Colombia; and 3) a non-tax deductible foreign exchange loss in Argentina.

Net loss was $36.5 million or $0.46 per share ($0.46 per share diluted) compared to a net loss of $30.4 million or $0.38 per share ($0.38 per share diluted) last year.

SUMMARY OF QUARTERLY RESULTS

(in $000 CAD, except per share)	Fiscal 2013	Fiscal 2014				Fiscal 2015		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	$ 135,537	$ 108,211	$ 92,268	$ 71,830	$ 82,637	$ 67,551	$ 87,192	$ 69,784
Gross profit	43,087	35,122	30,011	17,770	21,524	16,667	20,736	7,786
Gross margin	31.8%	32.5%	32.5%	24.7%	26.0%	24.7%	23.8%	11.2%
Net earnings (loss)	2,174	1,522	(19,100)	(12,797)	(24,935)	(7,331)	(10,148)	(18,999)
Per share - basic	0.03	0.02	(0.24)	(0.16)	(0.31)	(0.09)	(0.13)	(0.24)
Per share - diluted	0.03	0.02	(0.24)	(0.16)	(0.31)	(0.09)	(0.13)	(0.24)

With the exception of the third quarter, the Company does not exhibit much seasonality in quarterly revenue. 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, finance costs and income taxes) was an outflow of $6.2 million for the quarter compared to an inflow of $1.7 million generated in the same period last year.

The change in non-cash operating working capital items was an inflow of $16.0 million for the quarter compared to an inflow of $1.9 million for the same period last year. The inflow in non-cash operating working capital in the quarter ended January 31, 2015 was primarily impacted by:

- A decrease in accounts receivable of $20.4 million due to decreased activity in the third quarter; offset by
- A decrease in accounts payable of $5.5 million (net of dividend paid of $8.0 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.

<u>Operating Credit Facilities</u>

The credit facilities related to operations total $32.9 million ($25.0 million from Canadian chartered banks, $4.1 million for a Chilean pesos facility and $3.8 million in various credit facilities) and are primarily secured by corporate guarantees of companies within the group. At January 31, 2015, the Company had utilized $8.2 million of these lines mainly for stand-by letters of credit. The Company also has a credit facility of $3.3 million for credit cards for which interest rate and repayment are as per cardholder agreements.

<u>Long-Term Debt</u>

Total long-term debt decreased by $1.5 million during the quarter to $16.1 million at January 31, 2015. Debt repayments were $1.7 million during the quarter.

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

- $8.3 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 January 31, 2015, this facility had not been utilized.

- $6.6 million non-revolving facility. This facility carries a fixed interest rate of 5.9% and is amortized over ten years ending in August 2021.

- The Company also has various other loans and capital lease facilities related to equipment purchases that totaled $1.2 million at January 31, 2015, which were fully drawn and mature through 2018.

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, 2015, the Company had unused borrowing capacity under its credit facilities of $74.7 million and cash of $50.7 million, for a total of $125.4 million in available funds.

Investing Activities

Net capital expenditures were $2.6 million for the quarter ended January 31, 2015 compared to $5.7 million for the same period last year.

During the quarter, the Company added 2 drill rigs through its capital expenditure program while retiring or disposing of 11 drill rigs through its modernization program. This brings the total drill rig count to 711 at quarter-end.

OUTLOOK

Due to the uncertainty around economic matters impacting the mining market, it is very difficult to forecast customer demand over the next twelve months, as senior customers are still very cautious about investing in future projects. In the immediate future, however, the Company is adding revenue from the Taurus acquisition, which has allowed the Company to provide an even wider range of complementary services, adding underground production drilling to existing underground core drilling. Also, 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 invest in safety and to maintain its equipment in excellent condition.

In the short-term, revenue and margins should return to their pre-holiday levels as we move forward.

Long-term, 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, while despite an economic slowdown, worldwide consumption continues to increase. 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 a resurgence in demand for specialized drilling is expected.

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 favourable impact of foreign exchange translation, for the quarter, when comparing to the effective rates for the same period last year, is estimated at $2.6 million on revenue but negligible on net earnings. The favourable impact of foreign exchange translation, for the nine-month period ended January 31, 2015, is estimated at $6.4 million on revenue and less than $1 million 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 for the foreign currency transaction (for example and without limitation, for the payment of non-Argentine goods and services, payment of principal and interest of non-Argentine debt 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 consolidated statements of other comprehensive earnings for the quarter include $37.3 million in unrealized gains on translating the financial statements of the Company's foreign operations compared to a gain of $17.1 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, 2014, 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, 2014, 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 May 1, 2014 and ended on January 31, 2015 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

OUTSTANDING SHARE DATA

As of February 28, 2015, there were 80,135,883 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 30, 2014).

ADDITIONAL INFORMATION

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