MAJOR

Partners on the Ground

Management's Discussion and Analysis

Third Quarter Fiscal 2017

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIRD QUARTER FISCAL 2017

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, 2017. 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 IAS 34 Interim Financial Reporting.

This MD&A is a review of activities and results for the quarter ended January 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 January 31, 2017, 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, 2016.

This MD&A is dated February 28, 2017. 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 2016 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, 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 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, robust safety systems, 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 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 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.

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. 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. 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 innovation, 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 for 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 and 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. At this point in time, most senior and intermediate mining companies have increased their exploration budgets for calendar 2017, although some remain conservative. 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.

With some commodity prices improving over the last six months, many junior mining companies have been able to access capital markets and obtain financing for their mining projects. However, there is typically a lag between the timing of these financings and the impact they can have on the drilling industry. Junior mining companies can account for some 50% of the drilling market in cyclical upturns.

OVERALL PERFORMANCE

The Company faced the usual slowdown in activity over the holiday season but teams were hard at work preparing for a busier startup as compared to last year. Significant costs were incurred in the quarter as the Company overhauled more rigs and support equipment, and trained new crews. These costs, combined with weather-delayed mobilizations in Canada, impacted margins in the third quarter.

Total revenue for the quarter was $70.1 million, down 3% from revenue of $71.9 million recorded in the same quarter last year. The unfavourable foreign exchange translation impact for the quarter was estimated at $1 million on revenue and negligible on net earnings, when compared to the effective rates for the same period last year.

The overall gross margin percentage for the quarter was 13.4%, down from 18.1% for the same period last year. Reduced pricing, along with significant repair, training and mobilization costs, impacted margins in the current quarter.

Net loss was $14.3 million or $0.18 per share for the quarter, compared to a net loss of $15.9 million or $0.20 per share for the same quarter last year.

RESULTS OF OPERATIONS – THIRD QUARTER ENDED JANUARY 31, 2017

Total revenue for the quarter was $70.1 million, down 3% from revenue of $71.9 million recorded in the same quarter last year. The foreign exchange translation impact for the quarter was an unfavorable impact of approximately $1 million on revenue and negligible on net earnings, when compared to the effective rates for the same period last year.

Revenue for the quarter from Canada - U.S. drilling operations decreased by 20% to $37.8 million compared to the same period last year. The decrease in revenue came primarily from the Canadian operations as both senior and junior customers stopped their programs earlier this year as they worked through budgets and programs for 2017.

South and Central American revenue was up 43% to $19.0 million for the quarter, compared to the prior year quarter. While improvements were experienced in most operations, the increase came primarily from Mexico and Argentina.

Asian and African operations reported revenue of $13.3 million, up 20% from the same period last year. During the quarter, all operations in the region showed improvements compared to the prior year quarter.

The overall gross margin percentage for the quarter was 13.4%, down from 18.1% for the same period last year. Reduced pricing, along with significant repair, training and mobilization costs, impacted margins in the current quarter.

General and administrative costs were up $0.1 million at $11.4 million compared to the same quarter last year. The Company continues to focus on controlling its general and administrative costs across all operations.

The income tax provision for the quarter was a recovery of $1.9 million compared to a recovery of $0.8 million for the prior year period. The tax recovery for the quarter was impacted by non-tax affected losses and non-deductible expenses, while incurring taxes in profitable branches.

Net loss was $14.3 million or $0.18 per share for the quarter, compared to a net loss of $15.9 million or $0.20 per share for the same quarter last year.

RESULTS OF OPERATIONS – YEAR-TO-DATE ENDED JANUARY 31, 2017

Revenue for the nine months ended January 31, 2017 decreased 9% to $219.1 million from $240.5 million for the corresponding period last year.

Revenue from Canada - U.S. drilling operations decreased by 14% to $132.3 million compared to the same period last year. The Canadian operations accounted for the majority of the decrease as many customers reduced their exploration budgets in calendar 2016.

South and Central American revenue was down by 4% at $48.6 million compared to the same period last year. A decrease in activity in Mexico was offset by increased activity in the Guyana Shield and Brazil.

Asian and African operations reported revenue of $38.2 million, up 9% from the same period last year. The Asian operations accounted for most of the increase, which was offset by the closure of the Company's operations in South Africa and Namibia last year.

Gross margin for the year-to-date was 18.5% compared to 24.1% last year. Margins were impacted by reduced pricing and higher repair, training and mobilization costs.

General and administrative expenses increased by $0.1 million, to $32.9 million compared to the prior year. The general and administrative costs have remained stable as the Company continues to focus on controlling costs across all operations.

Depreciation and amortization decreased by $1.4 million to $38.8 million.

Net loss was $33.8 million or $0.42 per share ($0.42 per share diluted) compared to a net loss of $32.4 million or $0.40 per share ($0.40 per share diluted) last year.

SUMMARY OF QUARTERLY RESULTS

(in $000 CAD, except	***Fiscal 2015***	***Fiscal 2016***				***Fiscal 2017***		
per share)	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**
Revenue	$ 81,191	$ 83,934	$84,667	$ 71,887	$ 64,133	$69,089	$79,913	$ 70,117
Gross profit	20,707	21,617	23,311	12,982	12,051	15,141	16,088	9,380
Gross margin	25.5%	25.8%	27.5%	18.1%	18.8%	21.9%	20.1%	13.4%
Net loss	(13,087)	(11,180)	(5,349)	(15,897)	(12,859)	(9,782)	(9,757)	(14,294)
Per share - basic	(0.16)	(0.14)	(0.07)	(0.20)	(0.16)	(0.12)	(0.12)	(0.18)
Per share - diluted	(0.16)	(0.14)	(0.07)	(0.20)	(0.16)	(0.12)	(0.12)	(0.18)

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 an outflow of $2.7 million for the quarter compared to an outflow of $1.1 million in the same period last year.

The change in non-cash operating working capital items was an inflow of $9.1 million for the quarter compared to an inflow of $7.1 million for the same period last year. The inflow in non-cash operating working capital in the current quarter was primarily impacted by:

- a decrease in accounts receivable of $11.3 million;
- a decrease in accounts payable of $1.8 million;
- an increase in inventory of $1.1 million; and
- a decrease in prepaids of $0.9 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 $28.9 million, ($25.0 million from a Canadian chartered bank and $3.9 million from an American chartered bank) and are primarily secured by corporate guarantees of companies within the group. At January 31, 2017, the Company had utilized $3.8 million of these lines. The Company also has a credit facility of $4.0 million for credit cards for which interest rate and repayment are as per cardholder agreements.

Long-Term Debt

Total long-term debt decreased by $0.1 million during the quarter to $8.6 million at January 31, 2017. The decrease is due to debt repayments of $0.9 million, additional debt of $0.9 million and $0.1 million in exchange rate variations during the quarter.

As of January 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 January 31, 2017, this facility had not been utilized.

- $4.6 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 $4.0 million at January 31, 2017, 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 and debt obligations. As at January 31, 2017, the Company had unused borrowing capacity under its credit facilities of $75.1 million and cash of $35.5 million, for a total of $110.6 million in available funds.

Investing Activities

Capital expenditures were $2.8 million (net of $0.9 million of equipment financing) for the quarter ended January 31, 2017 compared to $4.1 million for the same period last year.

The disposal of property, plant and equipment generated proceeds of $0.1 million during the quarter, compared to $0.3 million for the same period last year.

During the quarter, the Company added two drill rigs, while retiring or disposing of 29 older, inefficient and less productive drill rigs. This brings the total drill rig count to 645 at quarter-end.

OUTLOOK

The Company has a positive but cautious view looking ahead to the fourth quarter and fiscal 2018. Most senior and intermediate companies have increased their exploration budgets for calendar 2017, although some remain conservative. Junior mining companies continue to be active following the recent increase in mineral financings. The Company has renewed most of its contracts for 2017, although at limited price increases given it is still facing pricing pressures. The Company continues to see an increase in inquiries from customers, and as they move forward with their stated plans, utilization rates should gradually improve as each month goes by.

With increased demand and utilization rates in the industry improving, the Company is starting to see marginal price improvements for its services in most regions. One of the challenges that is re-emerging in the sector is the shortage of experienced drill crews in the industry, particularly in Canada, a factor that will put some pressure on productivity and margins going forward.

The Company’s net cash position (net of debt) continues to be very healthy at $27.0 million. This quarter, the Company has spent $3.7 million on capital expenditures, adding two new rigs and support equipment to the fleet. In order to optimize its rig performance, the Company took the opportunity to review the quality of its fleet and retired 29 older, inefficient and less productive drill rigs, bringing the fleet total to 645 rigs. The net impact on results was less than $0.3 million, as most of these rigs had been fully depreciated over time.

The Company continues to focus its efforts on getting prepared for a potential increase in activity and has ramped up its initiatives on recruitment and training. The recent increase in gold and base metal prices, combined with recent mineral financings, are positive signs going into calendar 2017. The Company’s financial strength allows it to invest in safety and innovation, to maintain its equipment in good condition, and to retain many of its skilled employees, strategically positioning it to react quickly when the industry recovers.

NON-GAAP FINANCIAL MEASURE

The Company uses the non-GAAP financial measure, EBITDA, excluding restructuring charge. 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.

	Q3 2017	Q3 2016	**YTD 2017**	YTD 2016
Net loss	**$ (14,294)**	$ (15,897)	**$ (33,833)**	$ (32,426)
Finance costs	**97**	290	**241**	441
Income tax (recovery) provision	**(1,882)**	(758)	**(117)**	4,482
Depreciation and amortization	**13,016**	13,304	**38,816**	40,166
Restructuring charge	**-**	1,509	**-**	8,000
EBITDA	**$ (3,063)**	$ (1,552)	**$ 5,107**	$ 20,663

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 foreign exchange translation impact for the quarter was an unfavorable impact of approximately $1 million on revenue but negligible on net earnings, when compared to the effective rates for the same period last year.

COMPREHENSIVE EARNINGS

The interim condensed consolidated statements of comprehensive earnings for the quarter include $7.0 million in unrealized loss on translating the financial statements of the Company's foreign operations compared to a gain of $19.7 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, 2016, 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, 2016, 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 November 1, 2016 and ended on January 31, 2017 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

OUTSTANDING SHARE DATA

As of February 28, 2017 there were 80,139,884 common shares issued and outstanding in the Company. This represents an increase of 3,000 issued and outstanding shares as compared to the number reported in the Company's second quarter MD&A (reported as of November 30, 2016).

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.