MAJOR

Partners on the Ground

Management's Discussion and Analysis

First Quarter Fiscal 2012

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIRST QUARTER FISCAL 2012

This Management's Discussion and Analysis ("MD&A") relates to the results of operations, financial condition and cash flows of Major Drilling Group International Inc. ("Major Drilling" or the "Company") as at and for the three-month period ended July 31, 2011. All amounts in this MD&A are in Canadian dollars, except where otherwise noted. The Company's first quarter 2012 unaudited interim period condensed consolidated financial statements and the accompanying notes will form part of the first annual audited consolidated financial statements to be prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") for the year ended April 30, 2012 and have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described therein.

This MD&A is a review of activities and results for the quarter ended July 31, 2011 as compared to the corresponding period in the previous year. Comments relate to, and should be read in conjunction with, the comparative unaudited consolidated interim financial statements as at and for the three months ended July 31, 2011, 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, 2011.

This MD&A is dated August 31, 2011. 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, 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 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 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, RAB, geotechnical, environmental, water-well, and 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 minimum debt levels and remaining best in class in safety and human resources. The Company will also seek to diversify by investing in energy and environmental drilling services that are complementary to its skill set.

The Company categorizes its 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, 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. The strength of demand is determined by commodity price levels and the availability of capital to finance exploration and development programs. Despite the recent events in the global economy, as of the date of the MD&A customers had not modified their activity patterns. Most senior and intermediate mining companies are in much better financial position than three years ago and many junior companies have recently raised money. In addition, the price of gold is double what it was in 2008, the price of copper is close to historic highs, and both are well above average costs of production.

In the longer-term, management believes the fundamental drivers of the business remain positive, with worldwide supply for most metals expected to tighten due to the continuing lack of significant discoveries. Management believes the prospects for gold related drilling, which generally accounts for approximately 50 percent of the drilling market, remains positive.

Gold

Drilling services for gold are always affected by overall commodity prices. However, Metals Economics Group ("MEG") had reported that declining gold reserves replacement via exploration, since 1997, may result in gold supply shortages in the long-term, a fact that has been echoed by several senior gold mining companies. Increased production by the major gold producers over the past decade has resulted in a greater need to add to reserves in order to maintain a life-of-production that satisfies the long-term views of investors and market analysts.

It is generally believed that future gold deposits will probably have to come from areas difficult to access, either in remote or politically sensitive areas, deeper in the ground or at higher altitudes. The Company believes this should improve demand for specialized services in the future.

Base Metals

Drilling services for base metals are affected by overall commodity prices. With the recent limited expansion of supply, and the emergence of China and India as major consumers of base metals, supply is expected to be stretched within the next several years. MEG reported that the time required to take a project from discovery through to production ensures that any new discoveries will not benefit global supply for years. During this time, definition drilling is required to establish mine plans in order to bring these discoveries into production.

OVERALL PERFORMANCE

Activity levels continue to be robust in every region. Revenue increased by 50 percent to $164.2 million as efforts on training and recruitment have allowed the Company to increase the number of shifts in the field this quarter. While drilling for gold remains the most important contributor, accounting for 48 percent of revenue, 17 percent of revenue now comes from energy, coal and environmental drilling. Drilling for base metals and uranium accounts for the remaining 35 percent of revenue.

Margins in this quarter improved to 31.4 percent from 24.2 percent in the first quarter of fiscal 2011, and were influenced by three factors. First, ramp-up costs such as mobilization and up front purchases have now normalized. Second, the Company's efforts on training and recruitment have allowed the Company to increase the number of shifts in the field this quarter. Third, the contracts that were signed or renewed this quarter reflected the stronger pricing environment. The next period in which a significant number of renewals are expected to occur is at the end of the calendar year.

Net earnings were $17.9 million or $0.25 per share ($0.25 per share diluted) for the quarter, compared to net earnings of $5.1 million or $0.07 per share ($0.07 per share diluted) for the prior year quarter.

The Company has determined that it is appropriate to increase our semi-annual dividend to $0.08 per common share, which will be paid on November 1, 2011 to shareholders of record as of October 10, 2011. This dividend is designated as an "eligible dividend" for Canadian tax purposes.

RESULTS OF OPERATIONS – FIRST QUARTER ENDED JULY 31, 2011

Total revenue for the quarter was $164.2 million, up 50 percent from the $109.5 million recorded in the same quarter last year. All of the Company's regions contributed to this growth. Revenue for the quarter from Canada-U.S. drilling operations increased by 52 percent to $61.4 million compared to the same period last year. U.S. mineral drilling operations continued a strong recovery, particularly from its senior mining customers. The Company's energy division continued to be affected by floods in North Dakota during the quarter but operations have now returned to normal. In Canada, activity levels continue to increase.

South and Central American revenue was up 28 percent to $51.3 million for the quarter, compared to the prior year quarter. The increase was primarily driven by strong growth in our Mexican, Argentinean and Colombian operations.

Australian, Asian and African operations reported revenue of $51.4 million, up 77 percent from the same period last year. Australia accounted for a significant portion of this growth as operations recovered from floods in Queensland

although all the Company's contracted rigs did not return to the field until August. Mongolia, Tanzania, and the new operation in Mozambique also contributed to the strong growth.

The overall gross margin percentage for the quarter was 31.4 percent, up from 24.2 percent for the same period last year. Ramp-up costs such as mobilization and up front purchases have now normalized. Also, training and recruitment efforts allowed the Company to increase the number of shifts in the field during the quarter. Finally, the contracts that were signed or renewed this quarter reflected the stronger pricing environment.

General and administrative costs were $12.3 million for the quarter compared to $9.6 million in the same period last year. The increase was due to the addition of a new operation in Mozambique and also increased costs to support the strong growth in activity levels.

Other expenses for the quarter were $2.6 million, up from $2.1 million in the prior year quarter, due primarily to higher incentive compensation expenses given the Company's increased profitability.

Depreciation and amortization expense was $8.6 million for the quarter compared to $7.1 million for the same quarter last year.

Net earnings were $17.9 million or $0.25 per share ($0.25 per share diluted) for the quarter, compared to net earnings of $5.1 million or $0.07 per share ($0.07 per share diluted) for the prior year quarter.

SUMMARY OF QUARTERLY RESULTS[1]

(in $000 CAD, except per share)	Fiscal 2010 [1]			Fiscal 2011				Fiscal 2012
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Revenue	$ 75,528	$ 72,471	$ 97,368	$ 109,480	$ 127,818	$ 107,720	$ 137,258	$ 164,152
Gross profit	22,792	11,979	22,372	26,532	35,101	23,873	34,913	51,499
Gross margin	30.2%	16.5%	23.0%	24.2%	27.5%	22.2%	25.4%	31.4%
Net earnings (loss)	4,060	(4,453)	3,225	5,134	11,319	1,672	9,467	17,892
Per share [2] - basic	0.06	(0.06)	0.05	0.07	0.16	0.02	0.13	0.25
Per share [2] - diluted	0.06	(0.06)	0.04	0.07	0.16	0.02	0.13	0.25

[1]Figures for the 2011 financial year have been restated to comply with IFRS. 2010 comparative figures, which are prior the Company's transition date into IFRS, have not been restated and remain unchanged as previously reported under Canadian GAAP.

[2]Adjusted to reflect the 3 for 1 share split completed in fiscal 2011.

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, interest and income taxes) was $36.8 million for the quarter compared to $15.3 million generated in the same period last year.

The change in non-cash operating working capital items was an outflow of $8.8 million for the quarter compared to an outflow of $3.3 million for the same period last year. The outflow in non-cash operating working capital in the quarter ended July 31, 2011 was primarily impacted by:

- An increase in accounts receivable of $8.2 million due to increased activity in the first quarter;
- An increase in inventory of $3.0 million as the Company was adding more rigs in the field;
- An increase in accounts payable, excluding the payment of dividend, of $2.4 million due to increased activity as compared to last year.

Financing Activities

Total long-term debt increased by $7.8 million during the quarter from $25.0 million at April 30, 2011 to $32.8 million at July 31, 2011. The increase is due to additional debt of $10.0 million acquired during the quarter offset by repayments of $2.2 million.

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.

The credit facilities related to operations total $26.1 million ($25.0 million from a Canadian chartered bank and $1.1 million in credit facilities in Chile and Australia) and are primarily secured by corporate guarantees of companies within the group. The Company has a credit facility of $2.6 million for credit cards for which interest rate and repayment are as per cardholder agreements. At July 31, 2011, the Company had utilized $8.7 million of these lines for stand-by letters of credit.

The Company has a 3,835 million Chilean peso (CAD $8.0 million) loan, secured by a USD $8.0 million stand-by letter of credit drawn from the Company's demand credit facility, carrying interest at an annual rate of 7.7 percent and maturing in April 2012.

The Company has a $45.0 million facility for financing the cost of equipment purchases or acquisition costs of related businesses. At July 31, 2011, the Company had utilized $32.5 million of this line. Draws on this line can be amortized over five years.

The Company also has various other loans and capital lease facilities related to equipment purchases that totaled $0.3 million at July 31, 2011, which were fully drawn and mature through 2012.

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 July 31, 2011, the Company had unused borrowing capacity under its credit facilities of $29.9 million and cash of $19.8 million, for a total of $49.7 million in available funds.

Investing Activities

Capital expenditures were $21.4 million for the quarter ended July 31, 2011 compared to $8.9 million for the same period last year.

During the quarter, the Company added 21 drill rigs through its capital expenditure program while retiring or disposing of 10 drill rigs through its modernization program. This brings the total drill rig count to 571 at quarter-end.

Should the strong drilling market continue, the Company expects to spend approximately $70 million in capital expenditures in fiscal 2012, with the intent to purchase 40 rigs that are tailored for the current market. It is expected that 30 of the rigs purchased will replace older rigs that had very low utilization rates. The Company also intends to add support vehicles and equipment to the operations to meet the changing patterns of demand and its continually

rising safety standards. These additions should improve rig utilization and reliability as the Company focuses on increasing the earning power of each crew and each rig.

OUTLOOK

Activity levels continue to be robust in every region. Senior and intermediate companies continue to ramp up their drilling programs by adding rigs and junior companies continued their strong levels of activity in the quarter. Despite the recent events in the global economy, the Company has not seen its customers modify their activity patterns. Most of the senior and intermediate customers are in much better financial position than three years ago and many junior customers have recently raised money. In addition, the price of gold is double what it was in 2008, the price of copper is at historic highs, and both are well above average costs of production. The Company's biggest operational challenge continues to be the shortage of labour. The Company continues to aggressively and successfully invest in the recruitment and training of new drillers.

Looking at the balance of fiscal 2012, assuming that customers continue with their stated plans, the Company expects to see continuing growth. On that basis, the Company's global utilization rates are expected to continue to improve. In some regions, high levels of utilization have been reached, which has lead to a more positive pricing environment.

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 $4 million on revenue but negligible on net earnings.

COMPREHENSIVE EARNINGS

The consolidated statements of other comprehensive earnings for the quarter include $1.8 million in unrealized gains on translating the financial statements of the Company's foreign operations compared to a gain of $5.6 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, 2011, 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, 2011, 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, 2011 and ended on July 31, 2011 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

INTERNATIONAL FINANCIAL REPORTING STANDARDS UPDATE

The Company has prepared its July 31, 2011 Interim Condensed Consolidated Financial Statements in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards, and with IAS 34, Interim Financial

Reporting, as issued by the IASB. Prior to 2011, the Company prepared its financial statements in accordance with Canadian GAAP. The adoption of IFRS has not had a material impact on the Company's operations, strategic decisions, or internal controls.

The Company's IFRS accounting policies are provided in Note 4 to the Interim Condensed Consolidated Financial Statements. In addition, Note 6 to the Interim Condensed Consolidated Financial Statements presents reconciliations between the Company's April 30, 2011 previous GAAP results and the IFRS results and an explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows.

OUTSTANDING SHARE DATA

As of August 31, 2011, there were 72,040,376 common shares issued and outstanding in the Company. This is the same number as reported in our annual MD&A (reported as of June 30, 2011).

ADDITIONAL INFORMATION

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