MAJOR

Partners on the Ground

Management's Discussion and Analysis

Third Quarter Fiscal 2012

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIRD 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 January 31, 2012. All amounts in this MD&A are in Canadian dollars, except where otherwise noted. The Company's third 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 January 31, 2012 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 January 31, 2012, 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 February 29, 2012. 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 the annual 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 operations on every continent. 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, a reputation for safe high-quality work, 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 raised money. In addition, the price of gold is double what it was in 2008, the price of copper is still reasonably high, 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. In the short-term, there is a risk that the global economy could worsen, impacting commodity prices.

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.

BUSINESS ACQUISITION

Acquisition of Bradley Group Limited

Effective September 30, 2011, the Company acquired all the issued and outstanding shares of Bradley Group Limited ("Bradley"), which provides a unique opportunity to further the Company's corporate strategy of focusing on specialized drilling, expanding its geographic footprint in areas of high growth and of maintaining a balance in the mix of drilling services. The acquisition was accounted for using the acquisition method and the results of this operation were included in the statement of operations as of the closing date. The acquired business includes the assets acquired indicated below, contracts and personnel. The purchase price for the transaction was CAD $78.1 million, including customary working capital adjustments and net of cash acquired.

Through the acquisition, Major Drilling has added Bradley Group's 124 rigs to its fleet. The addition of Bradley Group's rigs, of which approximately 80% are surface drilling rigs and 20% are underground diamond drilling rigs, furthers the Company's strategic focus on specialized drilling. The acquisition also involves the addition of Bradley Group's highly experienced workforce, experienced management team and existing contracts in Canada, the Philippines, Colombia, Mexico and Suriname.

The portion of the purchase price payable on the closing of the acquisition was financed using the net proceeds of an equity offering and new and extended credit facilities.

OVERALL PERFORMANCE

In this quarter, the Company achieved the highest third quarter revenue and profits in its history. Demand for drilling services continues to increase and customers remain anxious to secure rigs and crews. The third quarter is always seasonally the weakest quarter of the Company's fiscal year, as mining and exploration companies shut down, often for extended periods over the holiday season. Although the Company had a record third quarter performance, results reflect heavy-ramp up costs and delays in Canada, which were caused by mild weather.

The overall gross margin percentage for the quarter was 25.9% compared to 22.2% for the same period last year. Third quarter margins are always impacted by a slowdown during the holiday season combined with higher than usual mobilizations, demobilizations, and increased repairs during this period. This quarter, mild weather in Canada also caused delays in mobilizing to certain jobs.

Net earnings were $9.6 million or $0.12 per share ($0.12 per share diluted) for the quarter, compared to net earnings of $1.7 million or $0.02 per share ($0.02 per share diluted) for the prior year quarter.

RESULTS OF OPERATIONS – THIRD QUARTER ENDED JANUARY 31, 2012

Total revenue for the third quarter was $182.2 million compared to $107.7 million recorded for the prior year period. Part of the increase comes from the acquisition of the Bradley operations. Even without considering this acquisition, revenue was still the highest level of third quarter revenue in the Company's history. All of the Company's regions contributed to this growth.

Revenue from Canada-U.S. drilling operations was up 83% to $69.8 million for the quarter compared to $38.2 million for the same period last year. U.S. mineral drilling operations continued a strong recovery, particularly from its senior mining customers. In Canada, increased activity levels, combined with the acquisition of Bradley, contributed to the growth of revenue.

In South and Central America, revenue for the quarter was $59.2 million, up 61% from $36.8 million recorded in the prior year quarter. The increase was primarily driven by strong growth in our Mexican and Chilean operations, combined with the addition of the Bradley operations in Colombia and Suriname.

Australian, Asian and African drilling operations reported revenue of $53.2 million, up 63% from $32.7 million reported in the same period last year. Australia and Mongolia accounted for a significant portion of this growth. New operations in Burkina Faso, Mozambique and the DRC, combined with the addition of Bradley's operations in the Philippines, accounted for the rest of the growth in the region.

The overall gross margin percentage for the quarter was 25.9% compared to 22.2% for the same period last year. Third quarter margins are always impacted by a slowdown during the holiday season combined with higher than usual mobilizations, demobilizations and increased repairs during this period. This quarter, mild weather in Canada also caused delays in mobilizing to certain jobs.

General and administrative costs were $16.5 million for the quarter compared to $10.1 million in the same period last year. The increase was due to three main factors: i) new Bradley operations; ii) new operations in Burkina Faso, Mozambique and the DRC; and iii) increased costs to support the strong growth in activity levels.

Other expenses were $3.4 million for the quarter compared to $1.6 million for the same period last year, due to higher incentive compensation expenses given the Company's improved profitability and increased provision for bad debt.

Depreciation and amortization expense increased to $12.0 million for the quarter compared to $8.0 million for the same quarter last year. Two thirds of the increase relates to the acquisition of Bradley, including the amortization of intangible assets, which are amortized over four years. Investments in equipment over the last year account for the rest of the increase.

Net earnings were $9.6 million or $0.12 per share ($0.12 per share diluted) for the quarter, compared to net earnings of $1.7 million or $0.02 per share ($0.02 per share diluted) for the prior year quarter.

RESULTS OF OPERATIONS – YEAR TO DATE ENDED JANUARY 31, 2012

Revenue for the nine months ended January 31, 2012 increased 62% to $560.2 million from $345.0 million for the corresponding period last year.

Canada-U.S. revenue increased by 67% to $215.4 million compared to last year. Strong recovery in the U.S. mineral drilling operations, particularly from senior mining customers, combined with the Bradley acquisition and increased activity levels in Canada contributed to the growth of revenue.

Revenue in South and Central America increased by 50% to $178.5 million compared to the prior year period. Mexico, Argentina and Chile accounted for three quarters of the growth in the region with most of the rest of the increase coming from Bradley's operations in Colombia and Suriname.

Revenue in Australia, Asia and Africa increased 72% to $166.3 million from the prior year period. Australian and Mongolian operations were the main drivers of this growth combined with new operations in Mozambique and the DRC.

Gross margins year to date were 30.8% compared to 24.8% last year as pricing continued to improve this year. Ramp-up costs, such as mobilization and up-front purchases, have now somewhat normalized. Training and recruitment efforts allowed the Company to increase the number of shifts in the field during the year.

General and administrative expenses increased to $42.0 million compared to $29.6 million for the same period last year. The increase was due to increased costs to support the strong growth in activity levels, the addition of new operations in Mozambique, the DRC and Burkina Faso, and the acquisition of Bradley.

Other expenses were $12.0 million for the year compared to $6.0 million for the same period last year due primarily to higher incentive compensation expenses given the Company's increased profitability in the current year and costs related to the Bradley acquisition.

Depreciation and amortization expense increased to $30.0 million compared to $22.7 million in the previous period. The acquisition of Bradley, including the amortization of intangible assets, which are amortized over four years, accounts for a significant portion of this increase. Investments in equipment over the last year account for the rest of the increase.

Net earnings were $59.0 million or $0.79 per share ($0.78 per share diluted) compared to $18.1 million or $0.25 per share ($0.25 per share diluted) last year.

SUMMARY OF QUARTERLY RESULTS

(in $000 CAD, except per share)	Fiscal 2010	Fiscal 2011 [1]				Fiscal 2012		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	$ 97,368	$ 109,480	$ 127,818	$ 107,720	$ 137,258	$ 164,152	$ 213,854	$ 182,188
Gross profit	22,372	26,532	35,101	23,873	34,913	51,499	74,055	47,120
Gross margin	23.0%	24.2%	27.5%	22.2%	25.4%	31.4%	34.6%	25.9%
Net earnings	3,225	5,134	11,321	1,671	9,467	17,892	31,560	9,566
Per share [2] - basic	0.05	0.07	0.16	0.02	0.13	0.25	0.43	0.12
Per share [2] - diluted	0.04	0.07	0.16	0.02	0.13	0.25	0.42	0.12

[1] Figures for the 2011 financial year have been restated to comply with IFRS. 2010 comparative figures, which are prior to 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 stock 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, finance costs and income taxes) was $28.2 million for the quarter compared to $11.8 million generated in the same period last year.

The change in non-cash operating working capital items was an inflow of $17.7 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 quarter ended January 31, 2012 was primarily impacted by:

- A decrease in accounts receivable of $36.7 million due to decreased activity in the third quarter;
- A decrease in accounts payable of $10.2 million due to decreased activity in the third quarter;
- An increase in inventory of $8.4 million as the Company was ramping up for a busy fourth quarter.

Financing Activities

Under the terms of certain of the Company's debt agreements, the Company must satisfy certain financial covenants. Such agreements also limit, among other things, the Company's ability to incur additional indebtedness, create liens, engage in mergers or acquisitions and make dividend and other payments. During the period, the Company was, and continues to be, in compliance with all covenants and other conditions imposed by its debt agreements.

Operating Credit Facilities

The credit facilities related to operations total $28.3 million ($25.0 million from a Canadian chartered bank and $3.3 million in various credit facilities) and are primarily secured by corporate guarantees of companies within the group. At January 31, 2012, the Company had utilized $10.4 million of these lines for stand-by letters of credit. The Company also has a credit facility of $3.8 million for credit cards for which interest rate and repayment are as per cardholder agreements.

Short-Term Debt

The Company has a 3,835 million Chilean peso (CAD $7.9 million) loan secured by a stand-by letter of credit drawn from the Company's demand credit facility and maturing in April 2012. During the quarter, the Company paid off a USD $5.0 million short-term facility it had in Colombia.

Long-Term Debt

Total long-term debt decreased by $11.6 million during the quarter to $52.8 million at January 31, 2012. Debt repayments were $11.6 million during the quarter.

As of January 31, 2012, the Company had the following long-term debt facilities available:

- $25.0 million non-revolving facility for financing the acquisition of Bradley Group. At January 31, 2012, the remaining balance of this facility stood at $23.3 million. 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, 2012, the Company had utilized $11.2 million of this line. Draws on this line are due on maturity in September 2016.

- $10.0 million non-revolving facility. At January 31, 2012, the remaining balance of this facility stood at $9.6 million. This facility carries a fixed interest rate of 5.9% and is amortized over ten years ending in August 2021.

- $8.0 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 $0.5 million at January 31, 2012, 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, 2012, the Company had unused borrowing capacity under its credit facilities of $56.7 million and cash of $50.1 million, for a total of $106.8 million in available funds.

Investing Activities

Capital expenditures were $22.5 million for the quarter ended January 31, 2012 compared to $18.3 million for the same period last year.

During the quarter, the Company added 19 drill rigs through its capital expenditure program while retiring or disposing of eight drill rigs through its modernization program bringing the Company's total rig fleet to 711.

OUTLOOK

Going forward, the outlook for the fourth quarter remains strong, although weather continued to be somewhat challenging throughout February. During the third quarter, the Company renewed many of its contracts with pricing catching up to market conditions. Demand from gold and copper projects is expected to continue to be strong in calendar 2012 assuming prices remain well above economical thresholds required for sustained exploration. Strong demand from coal and iron ore projects has also added a layer of work, which was not present at the peak in 2008. Intermediate and junior mining companies with advanced projects have ramped up their already busy drilling programs by adding rigs, and most senior mining companies have increased their exploration budgets for 2012. The Company is starting to see increased demand for underground services around the world as mines are moving some surface drilling activities underground. Even though underground drilling tends to have lower margins, the Company expects to invest more in this area given that these contracts provide more financial stability, and target a different labour force.

The Company's biggest operational challenge continues to be the speed with which it can grow the labour force and shrink the productivity gap as new drillers gain experience. The Company continues to aggressively and successfully invest in the recruitment and training of new drillers. Ongoing efforts on training and recruitment should allow global utilization rates to continue to improve as more drillers are added. The Company is also pleased to report that it has been able to reduce its turnover rate of new entrants by half over the last 12 months. As competition for drillers heats up, wage increases will be required in certain areas to retain and attract the most experienced drillers, which are key to high-quality customer service.

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 $1.7 million on revenue but negligible on net earnings. The unfavourable impact of foreign exchange translation, for the nine-month period ended January 31, 2012, is estimated at $8 million on revenue and $1.5 million on net earnings.

COMPREHENSIVE EARNINGS

The consolidated statements of other comprehensive earnings for the quarter include $2.3 million in unrealized gains on translating the financial statements of the Company's foreign operations compared to a loss of $4.3 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, 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

Effective September 30, 2011, the Company completed the acquisition of the Bradley group of companies. The results of Bradley's operations have been included in the financial statements since the date of acquisition. However, the Company has not had sufficient time to appropriately review the internal controls used by Bradley. The Company is in the process of integrating the Bradley operation and will be expanding its disclosure controls and procedures and internal controls over financial reporting compliance program to include the Bradley group of companies over the next year. As a result, the Chief Executive Officer and Chief Financial Officer have limited the scope of design of disclosure controls and procedures and testing of internal controls over financial reporting to exclude Bradley controls, policies and procedures from the January 31, 2012 certification of internal controls. The acquisition date financial information for Bradley is included in the discussion regarding the acquisition contained in this MD&A and Note 16 of the interim condensed consolidated financial statements.

Other than restrictions mentioned above, 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 January 31, 2012 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 January 31, 2012 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 fiscal 2012 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 February 29, 2012, there were 79,135,379 common shares issued and outstanding in the Company. This represents an increase of 225,003 issued and outstanding shares as compared to the number reported in our second quarter MD&A (reported as of November 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.