President's Report to Shareholders – Second Quarter 2012

We are pleased to report record revenue and net earnings for the second quarter of fiscal 2012. During the quarter, the Company had revenue of $213.9 million, up 67% from the $127.8 million recorded in Q2 last year. This also significantly eclipsed our previous record revenue of $191 million, set in the second quarter of fiscal 2009. Even on a pre-Bradley basis, the Company had quarterly revenue of $203 million, which would, in itself, have been a new record. Net earnings for the quarter were $31.6 million, or $0.43 per share, up $20.3 million from the $11.3 million recorded for the second quarter of fiscal 2011, and above our previous quarterly record of $29.3 million. Cash flow generated from operations during the quarter was $55.4 million, an increase of $30.6 million over the $24.8 million recorded in the same quarter last year. Activity levels continued to be robust in every region and we continue to see inquiries from all categories of customers, although many customers are still in the process of finalizing their budgets.

Margins for the quarter were 34.6%, up significantly from the 27.5% recorded in the second quarter of fiscal 2011, as we received the full benefit of higher pricing from contracts that were signed or renewed in the previous quarter. Our efforts on training and recruitment have allowed us to increase the number of shifts in the field, however the shortage of experienced drill crews will put added pressure on labour costs and productivity as we go forward, especially in our most active markets. Other costs are expected to rise as well, slowing down margin progression. In addition, we experienced very few operational or weather issues during the quarter.

Capital expenditures for the quarter were $16.1 million as we purchased 16 rigs while retiring 11 rigs through our modernization program. The Bradley acquisition also increased our drill fleet by 124 rigs, with the Company's total now standing at 700. During the quarter, we added a significant number of support vehicles and other support equipment to meet changing patterns of demand and to ensure that we continue to meet the highest levels of safety standards. These additions should improve rig utilization and reliability as we focus on increasing the earning power of each crew and each rig. In fact, 60% of our rigs are now less than five years old in an industry where rigs tend to last 20 years.

Looking at the balance of fiscal 2012, assuming that customers continue with their stated plans, we should see continuing growth. Our ongoing efforts on training and recruitment should allow our global utilization rates to continue to improve as each month goes by and as we add more drillers. Despite the current economic environment, our industry has not shown any signs of a slowdown to this point. Most commodity prices are still at relatively high levels while many of our customers, both seniors and juniors, are in much better financial position than three years ago. Our biggest operational challenge continues to be the shortage of labour. We continue to aggressively and successfully invest in the recruitment and training of new drillers.

It is important to note that we are now in our third quarter, seasonally the weakest quarter of our fiscal year, as mining and exploration companies shut down, often for extended periods over the holiday season. At this time, most senior and intermediate companies are still working through their budget process and have yet to decide on post-holiday start-up dates, which impacts third quarter revenue.

Finally, we are very pleased to welcome the Bradley group and its employees into the Major Drilling group. The acquisition of Bradley Group is a unique opportunity to further Major Drilling's corporate strategy of focusing on specialized drilling, expanding our geographic footprint in areas of high growth and of maintaining a balance in our mix of drilling services. The operations of both companies are very complimentary in terms of geography, personnel and strategies.

As always, we value the continued support of our customers, employees, and shareholders.

Francis P. McGuire
President & CEO

Management’s Discussion and Analysis

Second Quarter Fiscal 2012

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SECOND 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 October 31, 2011. All amounts in this MD&A are in Canadian dollars, except where otherwise noted. The Company's second 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 October 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 October 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 November 30, 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 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 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 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 $78,035, including customary working capital adjustments and net of cash acquired.
Through the acquisition, Major Drilling has added Bradley Group's 124 rigs. The addition of Bradley Group's rigs, approximately 80% of which are surface drilling rigs and approximately 20% of which are underground diamond drilling rigs, furthers the Company's strategic focus on specialized drilling. Also, the acquisition 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 record quarterly revenue of $213.9 million, and record quarterly earnings of $31.6 million. Activity levels continued to be robust in every region and the Company continues to see inquiries from all categories of customers, although many customers are still in the process of finalizing their budgets. Excluding the $11 million in revenue contributed by Bradley in the month of October, the Company still generated $203 million in revenue, well above the previous record of $191 million achieved in the second quarter of fiscal 2009.

Margins in this quarter improved significantly as ramp-up costs have normalized and as the Company gets the full benefit of higher pricing in contracts that were signed or renewed in the previous quarter. In addition, the Company experienced very few operational or weather issues during the quarter. Efforts on training and recruitment have allowed the Company to increase the number of shifts in the field this quarter, however the shortage of experienced drill crews will put added pressure on labour costs and productivity as we go forward, especially in its most active markets. Other costs are expected to rise as well, slowing down margin progression.

Net earnings were $31.6 million or $0.43 per share ($0.42 per share diluted) for the quarter, compared to net earnings of $11.3 million or $0.16 per share ($0.16 per share diluted) for the prior year quarter. This represents the highest quarterly earnings in the Company's history.

RESULTS OF OPERATIONS – SECOND QUARTER ENDED OCTOBER 31, 2011

Total revenue for the quarter was $213.9 million, up 67% from the $127.8 million recorded in the same quarter last year. All of the Company's regions contributed to this growth, with the Bradley acquisition contributing $11 million to the total.

Revenue for the quarter from Canada-U.S. drilling operations increased by $33.6 million or 66% to $84.2 million compared to the same period last year. U.S. mineral drilling operations continued a strong recovery, particularly from its senior mining customers and our energy division recovered from the floods that occurred last quarter in North Dakota. In Canada, increased activity levels, combined with the acquisition of Bradley, contributed to the growth of revenue.

South and Central American revenue was up 62% to $68.1 million for the quarter, compared to the prior year quarter. The increase was primarily driven by strong growth in our Mexican, Argentinean and Chilean operations.

Australian, Asian and African operations reported revenue of $61.6 million, up 75% from the same period last year. Australia and Mongolia accounted for a significant portion of this growth as operations recovered from floods experienced last year in Queensland, and increased activity levels were seen in Mongolia. Operations in South Africa also contributed to the strong growth as well as new operations in Mozambique and the DRC.

The overall gross margin percentage for the quarter was 34.6%, up from 27.5% 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 current stronger pricing environment.

General and administrative costs were $13.1 million for the quarter compared to $10.0 million in the same period last year. The increase was due to the acquisition of Bradley, the addition of new operations in Mozambique and the DRC and also increased costs to support the strong growth in activity levels.

Other expenses for the quarter were $6.0 million, up from $2.4 million in the prior year quarter, due primarily to higher incentive compensation expenses given the Company's increased profitability and costs related to the Bradley acquisition.

RESULTS OF OPERATIONS – YEAR TO DATE ENDED OCTOBER 31, 2011

Revenue for the six months ended October 31, 2011 increased 59% to $378.0 million from $237.3 million for the corresponding period last year.

Canada-U.S. revenue increased by 60% to $145.6 million compared to $91.0 million last year. Strong recovery in the U.S. mineral drilling operations, particularly from senior mining customers, combined with increased activity levels in both Canada and the U.S. contributed to the growth of revenue.

Revenue in South and Central America increased by 45% to $119.4 million compared to the prior year period. Mexico operations accounted for nearly half of this increase while Argentina, Colombia and Chile also contributed to the growth of the region.

Revenue in Australia, Asia and Africa increased 76% to $113.1 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 for the year to date were 33.2% compared to 26.0% 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 current stronger pricing environment.

General and administrative expenses increased to $25.4 million compared to $19.5 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 and the DRC, and the acquisition of Bradley.

Other expenses were $8.6 million for the year compared to $4.5 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.

Amortization expense increased to $17.9 million compared to $14.7 million in the previous period, as a result of the increased direct investment in equipment and the Bradley acquisition.

Net earnings were $49.5 million or $0.68 per share ($0.67 per share diluted) compared to $16.5 million or $0.23 per share ($0.23 per share diluted) last year.

SUMMARY OF QUARTERLY RESULTS[1]

(in $000 CAD, except per share)	Fiscal 2010 [1]		Fiscal 2011				Fiscal 2012	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue	$ 72,471	$ 97,368	$ 109,480	$ 127,818	$ 107,720	$ 137,258	$ 164,152	$ 213,854
Gross profit	11,979	22,372	26,532	35,101	23,873	34,913	51,499	74,055
Gross margin	16.5%	23.0%	24.2%	27.5%	22.2%	25.4%	31.4%	34.6%
Net (loss) earnings	(4,453)	3,225	5,134	11,319	1,672	9,467	17,892	31,560
Per share [2] - basic	(0.06)	0.05	0.07	0.16	0.02	0.13	0.25	0.43
Per share [2] - diluted	(0.06)	0.04	0.07	0.16	0.02	0.13	0.25	0.42

[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 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, finance costs and income taxes) was $55.4 million for the quarter compared to $24.8 million generated in the same period last year.

The change in non-cash operating working capital items was an outflow of $13.5 million for the quarter compared to an outflow of $8.6 million for the same period last year. The outflow in non-cash operating working capital in the quarter ended October 31, 2011 was primarily impacted by:

- An increase in accounts receivable of $22.8 million due to increased activity in the second quarter;
- An increase in accounts payable of $7.4 million due to increased activity as compared to last year.

Financing Activities

Equity Offering

On September 28, 2011, concurrent with the Bradley acquisition, the Company completed an equity offering of 5.9 million common shares at a price of $11.90 per common share. In connection with the equity offering, the Company granted the underwriters an option to purchase an additional 885,000 common shares at the same price. This option was subsequently exercised on October 25, 2011 resulting in aggregate net proceeds from the offering increasing to a total of $76.4 million.

Renewal of Credit Facilities

During the quarter, the Company renewed and expanded its main credit facilities for an aggregate of $100 million for a five-year term, consisting of: (i) an extension of an existing $25 million revolving operating facility, (ii) a new $25 million non-revolving term facility, and (iii) an extension and increase to $50 million of an existing $45 million revolving term facility. These facilities were renewed with no significant changes in the borrowing conditions of the facilities.

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 $27.1 million ($25.0 million from a Canadian chartered bank and $2.1 million in various credit facilities) and are primarily secured by corporate guarantees of companies within the group. At October 31, 2011, the Company had utilized $9.6 million of these lines for stand-by letters of credit. The Company also has a credit facility of $3.7 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 $7.8 million) loan secured by a stand-by letter of credit drawn from the Company's demand credit facility and maturing in April 2012. Also, through its acquisition of Bradley Group, the Company assumed a USD$5.0 million facility in Colombia, which is repayable on demand. Both of these facilities are classified as short-term debt.

Long-Term Debt

Total long-term debt increased by $31.6 million during the quarter to $64.4 million at October 31, 2011. The increase is due to $23.5 million in additional debt contracted or assumed through the Bradley acquisition and additional debt of $10.0 million acquired during the quarter to finance equipment. Debt repayments were $2.0 million during the quarter.

As of October 31, 2011, the Company had the following long-term debt facilities available:

- $25.0 million non-revolving facility for financing the acquisition of Bradley Group. At October 31, 2011, the remaining balance of this facility stood at $24.6 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 October 31, 2011, the Company had utilized $21.2 million of this line. Draws on this line are due on maturity in September 2016.

- $10.0 million non-revolving facility. At October 31, 2011, the remaining balance of this facility stood at $9.8 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 $0.8 million at October 31, 2011, 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 October 31, 2011, the Company had unused borrowing capacity under its credit facilities of $46.9 million and cash of $62.1 million, for a total of $109.0 million in available funds.

Investing Activities

Capital expenditures were $16.1 million for the quarter ended October 31, 2011 compared to $13.3 million for the same period last year.

During the quarter, the Company added 16 drill rigs through its capital expenditure program while retiring or disposing of 11 drill rigs through its modernization program. The Bradley acquisition also contributed to increasing our drill fleet by 124 rigs, with the Company's total now standing at 700.

OUTLOOK

Looking at the balance of fiscal 2012, assuming that customers continue with their stated plans, the Company expects to see continuing growth. Ongoing efforts on training and recruitment should allow global utilization rates to continue to improve as each month goes by and as the Company adds more drillers. Despite the current economic environment, the industry has not shown any signs of a slowdown to this point. Most commodity prices are still at relatively high levels while many customers, both seniors and juniors, are in much better financial position than three years ago. The Company's biggest operational challenge continues to be the shortage of labour. It continues to aggressively and successfully invest in the recruitment and training of new drillers.

It is important to note that the Company is now in its third quarter, seasonally the weakest quarter of its fiscal year, as mining and exploration companies shut down, often for extended periods over the holiday season. Weather can also play an important role in affecting operations. At this time, most senior and intermediate companies are still working through their budget process and have yet to decide on post-holiday start-up dates, all of which impacts third quarter revenue.

FOREIGN EXCHANGE

Year-over-year revenue comparisons continue to be affected by the variations of the Canadian dollar against the U.S. dollar. The unfavourable impact of U.S. dollar exchange translation, for the quarter, when comparing to the effective rates for the same period last year, is estimated at $2 million on revenue but negligible on net earnings. The unfavourable impact of foreign exchange translation, for the six-month period ended October 31, 2011, is estimated at $6 million on revenue and $1 million on net earnings.

COMPREHENSIVE EARNINGS

The consolidated statements of other comprehensive earnings for the quarter include $5.8 million in unrealized gains on translating the financial statements of the Company's foreign operations compared to a gain of $3.0 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 these 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 October 31, 2011 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 15 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 October 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 October 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 first quarter fiscal 2012 interim condensed consolidated financial statements. In addition, Note 5 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 November 30, 2011, there were 78,910,376 common shares issued and outstanding in the Company. This is an increase of 6,870,000 compared to the number last reported as of August 31, 2011 breaking down as follows:

- 5,900,000 from equity offering
- 885,000 from over-allotment pursuant to equity offering
- 85,000 from stock options exercised

ADDITIONAL INFORMATION

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

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Operations
(in thousands of Canadian dollars, except per share information)
(unaudited)

	Three months ended October 31		Six months ended October 31	
	2011	2010	**2011**	2010
TOTAL REVENUE	**$ 213,854**	$ 127,818	**$ 378,006**	$ 237,298
DIRECT COSTS	**139,799**	92,717	**252,452**	175,665
GROSS PROFIT	**74,055**	35,101	**125,554**	61,633
OPERATING EXPENSES				
General and administrative	**13,116**	9,969	**25,434**	19,522
Other expenses	**6,045**	2,360	**8,648**	4,432
Loss (gain) on disposal of property, plant and equipment	**81**	(706)	**681**	(818)
Foreign exchange loss (gain)	**44**	(1,340)	**365**	(1,248)
Finance costs	**964**	325	**1,786**	611
Depreciation and amortization (note 14)	**9,366**	7,547	**17,946**	14,694
	29,616	18,155	**54,860**	37,193
EARNINGS BEFORE INCOME TAX	**44,439**	16,946	**70,694**	24,440
INCOME TAX - PROVISION (RECOVERY) (note 11)				
Current	**11,303**	5,907	**17,287**	8,850
Deferred	**1,576**	(282)	**3,955**	(865)
	12,879	5,625	**21,242**	7,985
NET EARNINGS (note 14)	**$ 31,560**	$ 11,321	**$ 49,452**	$ 16,455
EARNINGS PER SHARE (note 12)				
Basic *	**$ 0.43**	$ 0.16	**$ 0.68**	$ 0.23
Diluted **	**$ 0.42**	$ 0.16	**$ 0.67**	$ 0.23

*Based on 74,245,811 and 71,152,401 daily weighted average shares outstanding for the quarter ended October 31, 2011 and 2010, respectively and on 73,143,093 and 71,387,919 daily weighted average shares outstanding for the fiscal year to date 2012 and 2011, respectively. The total number of shares outstanding on October 31, 2011 was 78,910,376.

** Based on 74,908,335 and 72,077,265 daily weighted average shares outstanding for the quarter ended October 31, 2011 and 2010, respectively, and on 74,043,805 and 71,865,537 daily weighted average shares outstanding for the fiscal year to date 2012 and 2011, respectively.

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Comprehensive Earnings
(in thousands of Canadian dollars)
(unaudited)

	Three months ended October 31		Six months ended October 31	
	2011	2010	**2011**	2010
NET EARNINGS	**$ 31,560**	$ 11,321	**$ 49,452**	$ 16,455
OTHER COMPREHENSIVE EARNINGS				
Unrealized gains on foreign currency translations (net of tax of $0)	**5,765**	2,958	**7,574**	8,595
COMPREHENSIVE EARNINGS	**$ 37,325**	$ 14,279	**$ 57,026**	$ 25,050

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Changes in Equity

For the six months ended October 31, 2010 and 2011
(in thousands of Canadian dollars)
(unaudited)

	Share capital	Share based payments reserve	Retained earnings	Foreign currency translation reserve	Total
BALANCE AS AT MAY 1, 2010	$ 144,919	$ 9,236	$153,358	$ -	$307,513
Exercise of stock options	1,879	(599)	-	-	1,280
Share based payments reserve	-	1,211	-	-	1,211
Dividends	-	-	(5,243)	-	(5,243)
	146,798	9,848	148,115	-	304,761
Comprehensive earnings:					
Net earnings	-	-	16,455	-	16,455
Unrealized gains on foreign currency translations	-	-	-	8,595	8,595
Total comprehensive earnings	-	-	16,455	8,595	25,050
BALANCE AS AT OCTOBER 31, 2010	$ 146,798	$ 9,848	$164,570	$ 8,595	$329,811
BALANCE AS AT MAY 1, 2011	**$ 150,642**	**$ 10,280**	**$170,425**	**$ (3,662)**	**$327,685**
Exercise of stock options	**743**	**(78)**	-	-	**665**
Share issue (net of issue costs) (note 10)	**76,439**	-	-	-	**76,439**
Share based payments reserve	**-**	**1,121**	**-**	**-**	**1,121**
Dividends	**-**	**-**	**(6,242)**	**-**	**(6,242)**
	227,824	**11,323**	**164,183**	**(3,662)**	**399,668**
Comprehensive earnings:					
Net earnings	**-**	**-**	**49,452**	**-**	**49,452**
Unrealized gains on foreign currency translations	**-**	**-**	**-**	**7,574**	**7,574**
Total comprehensive earnings	**-**	**-**	**49,452**	**7,574**	**57,026**
BALANCE AS AT OCTOBER 31, 2011	**$ 227,824**	**$ 11,323**	**$213,635**	**$ 3,912**	**$456,694**

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Cash Flows
(in thousands of Canadian dollars)
(unaudited)

	Three months ended October 31		Six months ended October 31	
	2011	2010	**2011**	2010
OPERATING ACTIVITIES				
Earnings before income tax	**$ 44,439**	$ 16,946	**$ 70,694**	$ 24,440
Operating items not involving cash				
Depreciation and amortization (note 14)	**9,366**	7,547	**17,946**	14,694
Loss (gain) on disposal of property, plant and equipment	**81**	(706)	**681**	(818)
Share based payments reserve	**567**	695	**1,121**	1,211
Finance costs recognized in earnings before income tax	**964**	325	**1,786**	611
	55,417	24,807	**92,228**	40,138
Changes in non-cash operating working capital items	**(13,468)**	(8,594)	**(22,301)**	(11,864)
Finance costs paid	**(964)**	(325)	**(1,786)**	(611)
Income taxes paid	**(6,312)**	(1,822)	**(11,325)**	(1,715)
Cash flow from operating activities	**34,673**	14,066	**56,816**	25,948
FINANCING ACTIVITIES				
Repayment of long-term debt	**(2,039)**	(2,953)	**(4,229)**	(5,234)
Proceeds from long-term debt	**15,000**	-	**25,000**	-
Proceeds from short-term debt	**-**	-	**-**	10,400
Issuance of common shares	**77,104**	1,146	**77,104**	1,280
Dividends paid	**-**	-	**(5,283)**	(4,750)
Cash flow from (used in) financing activities	**90,065**	(1,807)	**92,592**	1,696
INVESTING ACTIVITIES				
Business acquisitions (net of cash acquired) (note 15)	**(66,519)**	(185)	**(66,519)**	(2,537)
Acquisition of property, plant and equipment	**(16,083)**	(13,289)	**(37,493)**	(22,208)
Proceeds from disposal of property, plant and equipment	**863**	2,817	**1,547**	3,357
Cash flow used in investing activities	**(81,739)**	(10,657)	**(102,465)**	(21,388)
Effect of exchange rate changes	**(730)**	(973)	**(1,097)**	(641)
INCREASE IN CASH	**42,269**	629	**45,846**	5,615
CASH, BEGINNING OF THE PERIOD	**19,792**	35,218	**16,215**	30,232
CASH, END OF THE PERIOD	**$ 62,061**	$ 35,847	**$ 62,061**	$ 35,847

Major Drilling Group International Inc.
Interim Condensed Consolidated Balance Sheets

As at October 31, 2011 and April 30, 2011

(in thousands of Canadian dollars)

(unaudited)

	October 31, 2011	April 30, 2011
ASSETS		
CURRENT ASSETS		
Cash	**$ 62,061**	$ 16,215
Trade and other receivables	**158,364**	100,300
Income tax receivable	**4,083**	2,720
Inventories	**90,831**	69,864
Prepaid expenses	**6,702**	8,439
	322,041	197,538
PROPERTY, PLANT AND EQUIPMENT (note 6)	**302,674**	235,473
DEFERRED INCOME TAX ASSETS	**6,007**	11,575
GOODWILL (note 7)	**60,502**	28,316
INTANGIBLE ASSETS (note 8)	**1,126**	1,235
	$ 692,350	$ 474,137
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	**$ 124,128**	$ 88,599
Income tax payable	**12,895**	4,297
Short-term debt	**12,788**	7,919
Current portion of long-term debt (note 9)	**8,884**	8,402
	158,695	109,217
CONTINGENT CONSIDERATIONS	**2,740**	2,612
LONG-TERM DEBT (note 9)	**55,538**	16,630
DEFERRED INCOME TAX LIABILITIES	**18,683**	17,993
	235,656	146,452
SHAREHOLDERS' EQUITY		
Share capital (note 10)	**227,824**	150,642
Share based payments reserve	**11,323**	10,280
Retained earnings	**213,635**	170,425
Foreign currency translation reserve	**3,912**	(3,662)
	456,694	327,685
	$ 692,350	$ 474,137

1. NATURE OF ACTIVITIES

Major Drilling Group International Inc. ("the Company") is incorporated under the Canada Business Corporations Act and has its head office at 111 St. George Street, Suite 100, Moncton, NB, Canada. The Company's common shares are listed on the Toronto Stock Exchange ("TSX"). The principal source of revenue consists of contract drilling for companies primarily involved in mining and mineral exploration. The Company has operations in Canada, the United States, South and Central America, Australia, Asia and Africa.

2. BASIS OF PRESENTATION

Statement of compliance

International Financial Reporting Standards ("IFRS") require entities that adopt IFRS to make an explicit and unreserved statement, in their first annual IFRS financial statements, of compliance with IFRS. The Company will make this statement when it issues its financial statements for the year ending April 30, 2012. These financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Company expects to adopt in its consolidated financial statements for the year ending April 30, 2012.

Basis of consolidation

The Interim Condensed Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Intra-group transactions, balances, income and expenses are eliminated on consolidation, where appropriate.

Basis of preparation

The Interim Condensed Consolidated Financial Statements have been prepared based on the accounting policies presented in the first quarter Notes to Interim Condensed Consolidated Financial Statements for the three months ended July 31, 2011.

3. FUTURE ACCOUNTING CHANGES

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 *(as amended in 2010) Financial Instruments*
IFRS 10 *Consolidated Financial Statements*
IFRS 11 *Joint Arrangements*
IFRS 12 *Disclosure of Interests in Other Entities*
IFRS 13 *Fair Value Measurement*
IAS 1 *Presentation of Financial Statements*
IAS 12 *(amended) Income Taxes – recovery of underlying assets*
IAS 19 *Employee Benefits*
IAS 27 *(reissued) Separate Financial Statements*
IAS 28 *(reissued) Investments in Associates and Joint Ventures*

The Company is currently evaluating the impact of applying these standards to its Consolidated Financial Statements.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Significant areas requiring the use of management estimates relate to the useful lives of property, plant and equipment for amortization purposes, property, plant and equipment and inventory valuation, determination of income and other taxes, assumptions used in compilation of share based payments, fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities, and impairment testing of goodwill and intangible assets.

The Company applied judgment in determining the functional currency of the Company and its subsidiaries, determination of cash generating units ("CGUs"), the degree of componentization of property, plant and equipment, and the recognition of provisions and accrued liabilities.

(in thousands of Canadian dollars, except per share information)

5. FIRST TIME ADOPTION OF IFRS

For the overall impact of IFRS on the opening balance sheet as at transition date, including a discussion of the optional exemptions taken and the applicable mandatory exceptions, refer to Note 6 in the first quarter Notes to Interim Condensed Consolidated Financial Statements for the three months ended July 31, 2011.

The following reconciliations present the adjustments made to the Company's previous GAAP financial results of operations and financial position to comply with IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). A discussion of transitional adjustments follows the reconciliations.

IFRS Consolidated Balance Sheet
As at October 31, 2010

ASSETS	Previous GAAP	Opening IFRS restatements *	(a) Adjustments	(b) Share based payments reserve	(c) Deferred share units	(d) Contingent consideration	(e) Fair value as deemed cost	(f) Building componentization	IFRS
CURRENT ASSETS									
Cash	$ 35,847	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 35,847
Trade and other receivables	85,563	-	-	-	-	-	-	-	85,563
Income tax receivable	6,575	-	-	-	-	-	-	-	6,575
Inventories	64,447	-	-	-	-	-	-	-	64,447
Prepaid expenses	6,689	-	-	-	-	-	-	-	6,689
	199,121	-	-	-	-	-	-	-	199,121
PROPERTY, PLANT AND EQUIPMENT	223,646	(11,877)	-	-	-	-	363	57	212,189
DEFERRED INCOME TAX ASSETS	9,683	469	-	-	-	-	(77)	(8)	10,067
GOODWILL	26,321	2,011	-	-	-	794	-	-	29,126
INTANGIBLE ASSETS	1,052	-	-	-	-	-	-	-	1,052
	$ 459,823	$ (9,397)	$ -	$ -	$ -	$ 794	$ 286	$ 49	$ 451,555
LIABILITIES									
CURRENT LIABILITIES									
Trade and other payables	$ 65,956	$ (35)	$ -	$ -	$ 20	$ -	$ -	$ -	$ 65,941
Income tax payable	6,486	-	-	-	-	-	-	-	6,486
Short-term debt	11,148	-	-	-	-	-	-	-	11,148
Current portion of long-term debt	7,048	-	-	-	-	-	-	-	7,048
	90,638	(35)	-	-	20	-	-	-	90,623
CONTINGENT CONSIDERATION	-	2,011	-	-	-	794	-	-	2,805
LONG-TERM DEBT	11,741	-	-	-	-	-	-	-	11,741
DEFERRED INCOME TAX LIABILITIES	17,163	(617)	-	-	-	-	17	12	16,575
	119,542	1,359	-	-	20	794	17	12	121,744
SHAREHOLDERS' EQUITY									
Share capital	143,715	2,484	599	-	-	-	-	-	146,798
Share based payments reserve	12,049	(1,906)	(599)	304	-	-	-	-	9,848
Retained earnings	220,255	(55,667)	-	(304)	(20)	-	269	37	164,570
Foreign currency translation reserve	(35,738)	44,333	-	-	-	-	-	-	8,595
	340,281	(10,756)	-	-	(20)	-	269	37	329,811
	$ 459,823	$ (9,397)	$ -	$ -	$ -	$ 794	$ 286	$ 49	$ 451,555

* total of May 1, 2010 transitional adjustments to re-state previous GAAP to IFRS

(in thousands of Canadian dollars, except per share information)

5. FIRST TIME ADOPTION OF IFRS (Continued)

IFRS Consolidated Statement of Operations
For the three months ended October 31, 2010

	Previous GAAP	(b) Share based payments	(c) Deferred share units	(e) Fair value as deemed cost	(f) Building componentization	IFRS
TOTAL REVENUE	$ 127,818	$ -	$ -	$ -	$ -	$ 127,818
DIRECT COSTS	92,717	-	-	-	-	92,717
GROSS PROFIT	35,101	-	-	-	-	35,101
OPERATING EXPENSES						
General and administrative	9,946	-	23	-	-	9,969
Other expenses	2,125	235	-	-	-	2,360
Gain on disposal of property, plant and equipment	(706)	-	-	-	-	(706)
Foreign exchange gain	(1,340)	-	-	-	-	(1,340)
Finance costs	325	-	-	-	-	325
Depreciation and amortization	7,759	-	-	(182)	(30)	7,547
	18,109	235	23	(182)	(30)	18,155
EARNINGS (LOSS) BEFORE INCOME TAX	16,992	(235)	(23)	182	30	16,946
INCOME TAX - PROVISION (RECOVERY)						
Current	5,907	-	-	-	-	5,907
Deferred	(335)	-	-	47	6	(282)
	5,572	-	-	47	6	5,625
NET EARNINGS (LOSS)	$ 11,420	$ (235)	$ (23)	$ 135	$ 24	$ 11,321

IFRS Consolidated Statement of Operations
For the six months ended October 31, 2010

	Previous GAAP	(b) Share based payments	(c) Deferred share units	(e) Fair value as deemed cost	(f) Building componentization	IFRS
TOTAL REVENUE	$ 237,298	$ -	$ -	$ -	$ -	$ 237,298
DIRECT COSTS	175,665	-	-	-	-	175,665
GROSS PROFIT	61,633	-	-	-	-	61,633
OPERATING EXPENSES						
General and administrative	19,502	-	20	-	-	19,522
Other expenses	4,128	304	-	-	-	4,432
Gain on disposal of property, plant and equipment	(818)	-	-	-	-	(818)
Foreign exchange gain	(1,248)	-	-	-	-	(1,248)
Finance costs	611	-	-	-	-	611
Depreciation and amortization	15,114	-	-	(363)	(57)	14,694
	37,289	304	20	(363)	(57)	37,193
EARNINGS (LOSS) BEFORE INCOME TAX	24,344	(304)	(20)	363	57	24,440
INCOME TAX - PROVISION (RECOVERY)						
Current	8,850	-	-	-	-	8,850
Deferred	(979)	-	-	94	20	(865)
	7,871	-	-	94	20	7,985
NET EARNINGS (LOSS)	$ 16,473	$ (304)	$ (20)	$ 269	$ 37	$ 16,455

(in thousands of Canadian dollars, except per share information)

5. FIRST TIME ADOPTION OF IFRS (Continued)

IFRS Consolidated Statement of Comprehensive Earnings (Loss)
For the three months ended October 31, 2010

	Previous GAAP	(b) Share based payments reserve	(c) Deferred share units	(e) Fair value as deemed cost	(f) Building componentization	IFRS
NET EARNINGS (LOSS)	$ 11,420	$ (235)	$ (23)	$ 135	$ 24	$ 11,321
OTHER COMPREHENSIVE EARNINGS						
Unrealized gain on foreign currency translation (net of tax of $0)	2,958	-	-	-	-	2,958
COMPREHENSIVE EARNINGS (LOSS)	$ 14,378	$ (235)	$ (23)	$ 135	$ 24	$ 14,279

IFRS Consolidated Statement of Comprehensive Earnings (Loss)
For the six months ended October 31, 2010

	Previous GAAP	(b) Share based payments reserve	(c) Deferred share units	(e) Fair value as deemed cost	(f) Building componentization	IFRS
NET EARNINGS (LOSS)	$ 16,473	$ (304)	$ (20)	$ 269	$ 37	$ 16,455
OTHER COMPREHENSIVE EARNINGS						
Unrealized gain on foreign currency translation (net of tax of $0)	8,595	-	-	-	-	8,595
COMPREHENSIVE EARNINGS (LOSS)	$ 25,068	$ (304)	$ (20)	$ 269	$ 37	$ 25,050

Adjustments required to transition to IFRS:

a) Adjustments - Subsequent to the release of the April 30, 2011 annual consolidated financial statements, management identified adjustments required for a component of deferred tax and classification of a component of stock based payments in the Company's April 30, 2010, July 31, 2010 and April 30, 2011 historical annual and interim consolidated financial statements.

b) Share based payments - The Company's policy under Canadian GAAP was to use the straight-line method to account for options that vest in installments over time. Under IFRS, each installment is accounted for as a separate share option grant with its own distinct vesting period, hence the fair value of each tranche differs. In addition, Canadian GAAP permits companies to either estimate the forfeitures at the grant date or record the entire expense as if all share based payments vest and then record forfeitures as they occur. IFRS requires that forfeitures be estimated at the time of grant to eliminate distortion of remuneration expense recognized during the vesting period. The estimate is revised if subsequent information indicates that actual forfeitures are likely to differ from previous estimates.

5. FIRST TIME ADOPTION OF IFRS (Continued)

c) Deferred Share Units ("DSUs") - The Company's policy under Canadian GAAP was to value the DSUs using the intrinsic value at each reporting date. Under IFRS we use the fair value, which is affected by changes in underlying volatility of the stock as well as changes in the stock price.

d) Contingent consideration - Under Canadian GAAP, contingent consideration is recognized as part of the purchase cost when it can be reasonably estimated at the acquisition date and the outcome of the contingency can be determined beyond reasonable doubt. Under IFRS, contingent consideration, regardless of probability considerations, is recognized at fair value at the acquisition date. The Company has booked contingent considerations for the SMD Services and the North Star Drilling acquisitions.

e) Fair value as deemed cost - The Company has applied the IFRS 1 exemption as described in the "exceptions and exemptions applied" section presented in the first quarter Notes to Interim Condensed Consolidated Financial Statements for the three months ended July 31, 2011.

f) Building componentization - Under Canadian GAAP, costs incurred for property, plant and equipment on initial recognition are allocated to significant components when practicable. Under IFRS, costs incurred for plant and equipment on initial recognition are allocated to significant components, capitalized and depreciated separately over the estimated useful lives of each component. Practicability of allocating costs to significant components is not considered under IFRS. Costs incurred subsequent to the initial purchase of property, plant and equipment are capitalized when it is probable that future economic benefits will flow to the Company and the costs can be measured reliably. Upon capitalization, the carrying amount of components replaced, if any, are written off. The Company has componentized buildings.

(in thousands of Canadian dollars, except per share information)

6. PROPERTY, PLANT AND EQUIPMENT

Changes in the property, plant and equipment balance were as follows for the periods:

Cost

	Land	Buildings	Drills	Auto	Other	Total
Balance as at April 30, 2011	**$ 1,375**	**$ 11,201**	**$ 257,838**	**$ 91,977**	**$ 25,501**	**$ 387,892**
Additions	-	117	26,321	9,101	2,101	37,640
Disposals	-	-	(4,890)	(1,747)	(27)	(6,664)
Business acquisitions	367	12,468	41,274	14,627	2,170	70,906
Effect of exchange rate changes and other	31	25	(16,693)	4,136	(205)	(12,706)
Balance as at October 31, 2011	**$ 1,773**	**$ 23,811**	**$ 303,850**	**$ 118,094**	**$ 29,540**	**$ 477,068**

Accumulated Depreciation

	Land	Buildings	Drills	Auto	Other	Total
Balance as at April 30, 2011	**$ -**	**$ (2,791)**	**$ (84,421)**	**$ (48,095)**	**$ (17,112)**	**$ (152,419)**
Disposals	-	-	3,183	1,234	19	4,436
Depreciation	-	(344)	(9,874)	(6,540)	(709)	(17,467)
Business acquisitions	-	(3,086)	(12,676)	(10,153)	(1,769)	(27,684)
Effect of exchange rate changes and other	-	23	18,679	716	(678)	18,740
Balance as at October 31, 2011	**$ -**	**$ (6,198)**	**$ (85,109)**	**$ (62,838)**	**$ (20,249)**	**$ (174,394)**

	Land	Buildings	Drills	Auto	Other	Total
Net book value April 30, 2011	**$ 1,375**	**$ 8,410**	**$ 173,417**	**$ 43,882**	**$ 8,389**	**$ 235,473**
Net book value October 31, 2011	**$ 1,773**	**$ 17,613**	**$ 218,741**	**$ 55,256**	**$ 9,291**	**$ 302,674**

There were no impairments recorded as at October 31, 2011, April 30, 2011 or October 31, 2010. The Company has assessed whether there is any indication that an impairment loss recognized in prior periods for property, plant and equipment may no longer exist or may have decreased. There were no impairments requiring reversal as at October 31, 2011, April 30, 2011 or October 31, 2010.

Capital expenditures were $16,230 and $13,289 for the three months ended October 31, 2011 and 2010 respectively, and $37,640 and $22,258 for the six months ended October 31, 2011 and 2010, respectively. The Company obtained direct financing of $147 for the three and six months ended October 31, 2011 (three months ended October 31, 2010 – nil; six months ended October 31, 2010 - $50).

(in thousands of Canadian dollars, except per share information)

7. GOODWILL

Changes in the goodwill balance were as follows:

Balance as at April 30, 2011	**$**	**28,316**
Goodwill on acquisition (note 15)		32,387
Effect of movement in exchange rates		(201)
Balance as at October 31, 2011	**$**	**60,502**

For a full discussion on allocation of goodwill to CGUs, refer to Note 8 in the first quarter Notes to Interim Condensed Consolidated Financial Statements for the three months ended July 31, 2011.

8. INTANGIBLE ASSETS

Changes in the intangible assets balance were as follows:

Balance as at April 30, 2011	**$**	**1,235**
Intangible assets on acquisition (note 15)		342
Amortization		(479)
Effect of movement in exchange rates		28
Balance as at October 31, 2011	**$**	**1,126**

(in thousands of Canadian dollars, except per share information)

9. LONG-TERM DEBT

	October 31, 2011	April 30, 2011
Revolving equipment and acquisition loan (authorized $50,000), bearing interest at either the bank's prime rate plus 0.75% or the bankers' acceptance rate plus 2.25% for Canadian dollar draws, and either the bank's U.S. dollar base rate in Canada plus 0.75% or the bank's LIBOR plus 2.25% for U.S. dollar draws, interest only payments required until maturity, maturing in September 2016, secured by corporate guarantees of companies within the group.	**$ 21,224**	$ -
Non-revolving term loan, bearing interest at either the bank's prime rate plus 0.75% or the bankers' acceptance rate plus 2.25% for Canadian dollar draws, and either the bank's U.S. dollar base rate in Canada plus 0.75% or the bank's LIBOR plus 2.25% for U.S. dollar draws, payable in monthly installments of $417, maturing in September 2016, secured by corporate guarantees of companies within the group.	**24,583**	-
Revolving/non-revolving equipment and acquisition loan (authorized $45,000), bearing interest at either the bank's prime rate plus 1.0% or the bankers' acceptance rate plus 2.5% for Canadian dollar draws, and either the bank's U.S. dollar base rate in Canada plus 1.0% or the bank's LIBOR plus 2.5% for U.S. dollar draws, secured by corporate guarantees of companies within the group. This facility was refinanced in September 2011.	**-**	24,552
Term loan bearing interest at 5.9%, payable in monthly installments of $84, unsecured, maturing in August 2021.	**9,833**	-
Term loans bearing interest at rates ranging from 0% to 6.99%, payable in monthly installments of $35, secured by certain equipment, maturing through 2016.	**782**	480
Note payable bearing interest at 4%, repayable over three years, maturing in September 2014.	**8,000**	-
	64,422	25,032
Current portion	**8,884**	8,402
	$ 55,538	$ 16,630

(in thousands of Canadian dollars, except per share information)

9. LONG TERM DEBT (Continued)

The required annual principal repayments per remaining fiscal years on long-term debt are as follows:

2012	**$ 3,204**
2013	**8,770**
2014	**8,635**
2015	**9,088**
2016	**5,648**
2017 and beyond	**29,077**
	$ 64,422

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. The Company, at all times, was in compliance with all covenants and other conditions imposed by its debt agreements.

10. SHARE CAPITAL

On March 9, 2011, the Company announced a stock split for the issued and outstanding common shares on a three for one basis. The record date for the stock split was March 23, 2011. All share and stock option numbers have been retroactively adjusted to reflect the stock split to provide more comparable information.

On September 28, 2011, the Company issued a total of 5,900,000 Subscription Receipts at a price of $11.90 per Subscription Receipt for aggregate gross proceeds of $70,210. These Subscription Receipts were subsequently converted to 5,900,000 common shares in the Company upon the closing of the acquisition by the Company of Bradley Group Limited on September 30, 2011. The Company used the net proceeds of the offering to fund a portion of the purchase price in connection with the acquisition. On October 25, 2011, the Company issued a further 885,000 common shares for further aggregate gross proceeds of $10,531 as a result of the exercise by the underwriters of an over allotment option to purchase an additional 885,000 common shares of the Company for $11.90 per share. The Company will use the net proceeds from the over allotment exercise for general corporate purposes.

Authorized
Unlimited number of fully paid common shares, without nominal or par value, carry one vote per share and carry a right to dividends.

(in thousands of Canadian dollars, except per share information)

10. SHARE CAPITAL (Continued)

The movement in the Company's issued and outstanding share capital during the period is as follows:

	Number of shares (000's)		Share capital
Balance as at April 30, 2011	**72,040**	**$**	**150,642**
Exercise of stock options	85		743
Share issue (net of issue costs)*	6,785		76,439
Balance as at October 31, 2011	**78,910**	**$**	**227,824**

*share issue costs total $4,302

11. INCOME TAXES

The income tax expense for the period can be reconciled to accounting profit as follows:

	2012 Q2	2011 Q2	**2012 YTD**	2011 YTD
Earnings before income tax	**$ 44,439**	$ 16,946	**$ 70,694**	$ 24,440
Statutory Canadian corporate income tax rate	**29%**	30%	**29%**	30%
Expected income tax expense based on statutory rate	**$ 12,887**	$ 5,084	**$ 20,501**	$ 7,332
Non-recognition of tax benefits related to losses	**265**	31	**313**	253
Other foreign taxes paid	**236**	154	**287**	209
Rate variances in foreign jurisdictions	**(190)**	(342)	**(488)**	(948)
Other	**(319)**	698	**629**	1,139
	$ 12,879	$ 5,625	**$ 21,242**	$ 7,985

(in thousands of Canadian dollars, except per share information)

12. EARNINGS PER SHARE

All of the Company's earnings are attributable to common shares therefore net earnings are used in determining earnings per share.

	2012 Q2	2011 Q2	**2012 YTD**	2011 YTD
Net earnings for the period	**$ 31,560**	$ 11,321	**$ 49,452**	$ 16,455
Weighted average shares outstanding - basic (000's)	**74,246**	71,152	**73,143**	71,388
Net effect of dilutive securities:				
Stock options	**662**	925	**901**	478
Weighted average number of shares - diluted (000's)	**74,908**	72,077	**74,044**	71,866
Earnings per share:				
Basic	**$ 0.43**	$ 0.16	**$ 0.68**	$ 0.23
Diluted	**$ 0.42**	$ 0.16	**$ 0.67**	$ 0.23

The calculation of the diluted earnings per share for the three months ended October 31, 2011 and 2010 exclude the effect of 313,502 options and 899,205 options, respectively, and the six months ended October 31, 2011 and 2010 exclude the effect of 93,304 options and 1,019,205 options, respectively, as they are anti-dilutive.

13. SEGMENTED INFORMATION

The Company's operations are divided into three geographic segments corresponding to its management structure, Canada - U.S., South and Central America, and Australia, Asia and Africa. The services provided in each of the reportable drilling segments are essentially the same. The accounting policies of the segments are the same as those described in Note 4 presented in the first quarter Notes to Interim Condensed Consolidated Financial Statements for the three months ended July 31, 2011. Management evaluates performance based on earnings from operations in these three geographic segments before finance costs and income tax. Data relating to each of the Company's reportable segments is presented as follows:

(in thousands of Canadian dollars, except per share information)

13. SEGMENTED INFORMATION (Continued)

	2012 Q2	2011 Q2	**2012 YTD**	2011 YTD
Revenue				
Canada - U.S.	**$ 84,151**	$ 50,569	**$ 145,589**	$ 91,020
South and Central America	**68,062**	42,043	**119,354**	82,060
Australia, Asia and Africa	**61,641**	35,206	**113,063**	64,218
	$ 213,854	$ 127,818	**$ 378,006**	$ 237,298
Earnings from operations				
Canada - U.S.	**$ 18,929**	$ 9,541	**$ 28,915**	$ 15,146
South and Central America	**16,591**	4,614	**27,190**	9,135
Australia, Asia and Africa	**13,811**	6,449	**24,869**	7,612
	49,331	20,604	**80,974**	31,893
Eliminations	**(59)**	(234)	**(84)**	(465)
	49,272	20,370	**80,890**	31,428
Finance costs	**964**	325	**1,786**	611
General corporate expenses *	**3,869**	3,099	**8,410**	6,377
Income tax	**12,879**	5,625	**21,242**	7,985
Net earnings	**$ 31,560**	$ 11,321	**$ 49,452**	$ 16,455

*General corporate expenses include expenses for corporate offices and stock options

	2012 Q2	2011 Q2	**2012 YTD**	2011 YTD
Depreciation and amortization				
Canada - U.S.	**$ 4,054**	$ 2,274	**$ 7,395**	$ 4,566
South and Central America	**2,484**	2,133	**4,755**	4,034
Australia, Asia and Africa	**2,391**	2,571	**5,055**	5,280
Unallocated and corporate assets	**437**	569	**741**	814
	$ 9,366	$ 7,547	**$ 17,946**	$ 14,694

	October 31, 2011	April 30, 2011
Identifiable assets		
Canada - U.S.	**$ 239,691**	$ 134,666
South and Central America	**218,660**	189,083
Australia, Asia and Afirca	**169,851**	130,071
	628,202	453,820
Eliminations	**(1,185)**	439
Unallocated and corporate assets	**65,333**	19,878
	$ 692,350	$ 474,137

(in thousands of Canadian dollars, except per share information)

14. NET EARNINGS FOR THE YEAR

Net earnings for the year have been arrived at after charging various employee benefit expenses as follows. Direct costs include salaries and wages of $47,750 for the quarter ending October 31, 2011 ($31,383 for the quarter ending October 31, 2010) and other employee benefits of $9,314 for the quarter ending October 31, 2011 ($5,712 for the quarter ending October 31, 2010); general and administrative expense includes salaries and wages of $5,524 for the quarter ending October 31, 2011 ($4,249 for the quarter ending October 31, 2010) and other employee benefits of $890 for the quarter ending October 31, 2011 ($642 for the quarter ending October 31, 2010); other expenses include share based payments of $439 for the quarter ending October 31, 2011 ($619 for the quarter ending October 31, 2010).

Direct costs include salaries and wages of $87,080 for the six months ending October 31, 2011 ($59,993 for the six months ending October 31, 2010) and other employee benefits of $16,842 for the six months ending October 31, 2011 ($11,236 for the six months ending October 31, 2010); general and administrative expense includes salaries and wages of $10,705 for the six months ending October 31, 2011 ($8,250 for the six months ending October 31, 2010) and other employee benefits of $1,801 for the six months ending October 31, 2011 ($1,382 for the six months ending October 31, 2010); other expenses include share based payments of $862 for the six months ending October 31, 2011 ($1,092 for the six months ending October 31, 2010).

Amortization expense for intangible assets has been included in the line item "Depreciation and amortization" in the Interim Condensed Consolidated Statements of Operations with breakdown as follows:

	2012 Q2	2011 Q2	**2012 YTD**	2011 YTD
Depreciation of property, plant and equipment	**$ 9,078**	$ 7,415	**$ 17,467**	$ 14,430
Amortization of intangible assets	**288**	132	**479**	264
	$ 9,366	$ 7,547	**$ 17,946**	$ 14,694

15. BUSINESS ACQUISITIONS

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 $78,035, including customary working capital adjustments and net of cash acquired, financed with cash and debt.

(in thousands of Canadian dollars, except per share information)

15. BUSINESS ACQUISITIONS (continued)

The Company is in the process of finalizing the valuation of assets. As at October 31, 2011, the values allocated to net tangible and intangible assets are preliminary and are subject to adjustments as additional information is obtained.

The estimated net assets acquired at fair market value at acquisition are as follows:

Assets acquired		
Trade and other receivables (net)	$	24,224
Inventories		15,346
Prepaid expenses		540
Property, plant and equipment		45,755
Deferred income tax assets		350
Goodwill (not tax deductible)		30,363
Trade and other payables		(19,628)
Income tax payable		(1,313)
Short-term debt		(5,101)
Current portion of long-term debt		(125)
Long-term debt		(10,329)
Deferred income tax liability		(2,047)
Total assets	**$**	**78,035**
Consideration		
Cash	$	72,000
Long-term debt (holdback)		8,000
Trade and other payable		6,254
Less: Cash acquired		(8,219)
	$	**78,035**

The Corporation incurred acquisition-related costs of $544 relating to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in the other expense line of the Interim Condensed Consolidated Statements of Operations.

The revenue for the three months ended October 31, 2011 attributable to the additional business generated by Bradley was $11,434. It is impracticable to estimate the revenue and net income of the combined entity for the year as though the acquisition date was May 1, 2011.

Resource Drilling

Effective March 24, 2011, the Company acquired the assets of Resource Drilling, which provides contract drilling services in Mozambique, where Major Drilling did not previously have a presence. 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 drilling equipment, inventory, contracts and personnel. The purchase price for the transaction was USD $9,563 (CAD $9,345), including customary working capital adjustments, financed with cash.

(in thousands of Canadian dollars, except per share information)

15. BUSINESS ACQUISITIONS (Continued)

The net assets acquired at fair market value at acquisition are as follows:

Assets acquired		
Inventories	$	946
Prepaid expenses		23
Property, plant and equipment		6,010
Goodwill (not tax deductible)		2,024
Intangible assets		342
Total assets	**$**	**9,345**
Consideration		
Cash	$	3,947
Trade and other payables		5,398
	$	**9,345**

North Star Drilling

Effective June 30, 2010, the Company acquired the assets of North Star Drilling, which provides contract drilling services to the fresh water and geothermal markets in certain mid-western states in the US, and operates from its head office in Little Falls, Minnesota, as well as from satellite offices in Brainerd and Bemidji, Minnesota. 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 working capital, drilling equipment, contracts and personnel. The purchase price for the transaction, excluding contingent consideration, was USD $2,449 (CAD $2,567), including customary working capital adjustments of CAD $215, financed with cash. The contingent consideration of USD $750 to the purchase price is based on future earnings. The acquiree is expected to meet target earnings, with payments to be made over the next five years.

The net assets acquired at fair market value at acquisition are as follows:

Assets acquired and liabilities assumed		
Trade receivables (net)	$	776
Inventories		382
Prepaid expenses		18
Property, plant and equipment		1,078
Goodwill (not tax deductible)		1,083
Intangible assets		763
Trade and other payables		(779)
Net assets	**$**	**3,321**
Consideration		
Cash	$	2,567
Contingent consideration		754
	$	**3,321**

(in thousands of Canadian dollars, except per share information)

16. DIVIDENDS

The Company declared a dividend of $0.08 per common share paid on November 1, 2011 to shareholders of record as of October 10, 2011.

The Company declared two dividends during the previous year. The first dividend of $0.07333 per common share was paid on November 1, 2010 to shareholders of record as of October 8, 2010. The second dividend of $0.07333 per common share was paid on May 2, 2011 to shareholders of record as of April 8, 2011.

17. FINANCIAL INSTRUMENTS

There are no significant changes to financial instruments compared to the Company's 2011 annual financial statements prepared under previous GAAP except for the following:

Fair value

The carrying values of cash, trade and other receivables, demand credit facility and trade and other payables approximate their fair value due to the relatively short period to maturity of the instruments. The following table shows carrying values of short and long-term debt and contingent considerations and approximates their fair value, as most debts carry variable interest rates and the remaining fixed rate debts have been acquired recently and their carrying value continues to reflect fair value.

	October 31, 2011	April 30, 2011
Short-term debt	**$ 12,788**	$ 7,919
Contingent considerations	**2,740**	2,612
Long-term debt	**64,422**	25,032

Credit risk

As at October 31, 2011, 84.8% of the Company's trade receivables were aged as current and 0.3% of the trade receivables were impaired.

(in thousands of Canadian dollars, except per share information)

17. FINANCIAL INSTRUMENTS (Continued)

The movement in the allowance for impairment of trade receivables during the period was as follows:

Balance as at April 30, 2011	**$**	**982**
Increase in impairment allowance		376
Write-off charged against allowance		(526)
Recovery of amounts previously written off		(357)
Foreign exchange translation differences		17
Balance as at October 31, 2011	**$**	**492**

Foreign currency risk

The most significant carrying amounts of net monetary assets that: (1) are denominated in currencies other than the functional currency of the respective Company subsidiary; (2) cause foreign exchange rate exposure; and (3) may include intercompany balances with other subsidiaries, at the reporting dates are as follows:

	October 31, 2011	April 30, 2011
U.S. Dollars	**$ 35,388**	$ 14,605

If the Canadian dollar moved by plus or minus 10% at October 31, 2011, the unrealized foreign exchange gain or loss would move by approximately $3,539 (April 30, 2011 – $1,460).

Liquidity risk

The following table details the Company's contractual maturities for its financial liabilities.

	1 year	2-3 years	4-5 years	thereafter	Total
Trade and other payables	$124,128	$ -	$ -	$ -	$124,128
Short-term debt	12,788	-	-	-	12,788
Contingent considerations	996	1,744	-	-	2,740
Long-term debt	8,884	17,770	32,936	4,832	64,422
	$146,796	$ 19,514	$ 32,936	$ 4,832	$204,078