MAJOR

Partners on the Ground

President's Report to Shareholders – First Quarter 2014

During the quarter, the Company generated revenue of $108.2 million, down 54% from the record $237.6 million in revenue recorded in Q1 last year. Earnings before taxes for the quarter, excluding restructuring charges, were $5.8 million, and net earnings were $1.5 million, or $0.02 per share. This is down from net earnings of $31.9 million, or $0.40 per share, for the same quarter last year. EBITDA, excluding restructuring charges, decreased to $19.6 million for the quarter, as compared to $60.1 million last year. The overall gross margin percentage for the quarter was 32.5% as compared to 34.2% for the same period last year. Margins in this quarter remained historically strong, mainly due to cost cutting and increased productivity in the field as a result of experienced drill crews. However, going forward, further reductions in pricing will be more difficult to offset by gains in productivity.

Net capital expenditures for the quarter were $5.2 million as we purchased three rigs while retiring seven. General and Administrative costs were down 25% from the same quarter last year and 15% from the previous quarter three months ago.

Despite the difficult environment, we expect operations to generate positive cash flow in fiscal 2014. Major Drilling remains in excellent financial position with $61.1 million in cash and total debt of $30.6 million at the end of the quarter, for a net cash position of $30.5 million. During the quarter, our net cash decreased by $8.2 million as we paid our semi-annual dividend of $7.9 million and also paid last year's annual employee profit-share of $6.4 million, which varies year-to-year.

With the uncertainty around economic matters impacting the mining market, we continued to see some customers delaying or cancelling their exploration drilling plans. In a number of jurisdictions, uncertainty as to the policies of host governments or issues of land tenure also continues to have an impact on activity levels. These factors, combined with the fact that sources of funding for junior mining companies remain limited, have led to decreased activity in all regions.

Looking forward, the current environment will continue to significantly impact drilling in the short to medium-term, particularly on gold projects where we have a significant presence. Lower levels of demand have increased competitive pressures, which will impact pricing going forward. However, with the number of projects being either delayed or cancelled around the world, we believe that in the medium-term most commodities could face an imbalance between supply and demand, and that the need to develop resources in areas that are increasingly difficult to access will increase, which should increase demand for specialized drilling.

The Company continues to have a variable cost structure whereby most of its direct costs, including field staff, go up or down with contract revenue and a large part of the Company's other expenses relate to variable incentive compensation based on the Company's profitability. In fact, in the last twelve months, staffing is down by 45% or 2,300 positions. During the quarter, we incurred additional restructuring costs of $2.0 million relating to a further reduction of staff. Also, senior management's salaries and directors' fees were reduced during the quarter. At the same time, the Company's financial strength allows it to continue to invest in safety, to maintain its equipment in excellent condition, and to retain skilled employees, all of which are essential to react quickly when the industry recovers.

Given the Company's financial strength, the Board of Directors has declared a semi-annual dividend of $0.10 per common share, which will be paid on November 1, 2013 to shareholders of record as of October 10, 2013. This dividend is designated as an "eligible dividend" for Canadian tax purposes.

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

Francis P. McGuire
President & CEO

MAJOR

Partners on the Ground

Management's Discussion and Analysis

First Quarter Fiscal 2014

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIRST QUARTER FISCAL 2014

This Management's Discussion and Analysis ("MD&A") relates to the results of operations, financial condition and cash flows of Major Drilling Group International Inc. ("Major Drilling" or the "Company") as at and for the three-month period ended July 31, 2013. All amounts in this MD&A are in Canadian dollars, except where otherwise noted. These quarterly unaudited interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS").

This MD&A is a review of activities and results for the quarter ended July 31, 2013 as compared to the corresponding period in the previous year. Comments relate to, and should be read in conjunction with, the comparative unaudited interim condensed consolidated financial statements as at and for the three months ended July 31, 2013, 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, 2013.

This MD&A is dated August 30, 2013. Disclosure contained in this document is current to that date, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements about the Company's objectives, strategies, financial condition, results of operations, cash flows and businesses. These statements are "forward-looking" because they are based on current expectations, estimates, assumptions, risks and uncertainties. These forward-looking statements are typically identified by future or conditional verbs such as "outlook", "believe", "anticipate", "estimate", "project", "expect", "intend", "plan", and terms and expressions of similar import.

Such forward-looking statements are subject to a number of risks and uncertainties that include, but are not limited to: cyclical downturn, competitive pressures, dealing with business and political systems in a variety of jurisdictions, repatriation of property in other jurisdictions, payment of taxes in various jurisdictions, exposure to currency movements, inadequate or failed internal processes, people or systems or from external events, dependence on key customers, safety performance, expansion and acquisition strategy, legal and regulatory risk, corruption, bribery and fraud by employees or agents, extreme weather conditions and the impact of natural or other disasters, specialized skills and cost of labour increases, equipment and parts availability and reputational risk. These factors and other risk factors, as described under "General Risks and Uncertainties" of the Company's Annual Information Form, represent risks the Company believes are material. Actual results could be materially different from expectations if known or unknown risks affect the business, or if estimates or assumptions turn out to be inaccurate. The Company does not guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place reliance on these forward-looking statements.

The Company disclaims any intention and assumes no obligation to update any forward-looking statement, even if new information becomes available, as a result of future events or for any other reasons, except in accordance with applicable securities laws. Risks that could cause the Company's actual results to materially differ from its current expectations are also discussed in this MD&A.

Additional information relating to the Company, including the Company's Annual Information Form for the most recently completed financial year, can be found on the SEDAR website at www.sedar.com.

CORPORATE OVERVIEW

Major Drilling Group International Inc. is one of the world's largest drilling service companies primarily serving the mining industry. To support its customers' varied exploration drilling requirements, Major Drilling maintains field operations and offices in Canada, the United States, South and Central America, Australia, Asia, and Africa. Major Drilling provides all types of drilling services including surface and underground coring, directional, reverse circulation, sonic, geotechnical, environmental, water-well, 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 prudent debt levels and remaining best in class in safety and human resources. The Company will also seek to diversify by investing in energy and underground drilling services that are complementary to its skill set.

The Company categorizes its mineral drilling services into three types: specialized drilling, conventional drilling and underground drilling.

Specialized drilling can be defined as any drilling project that, by virtue of its scope, technical complexity or location, creates significant barriers to entry for smaller drilling companies. This would include, for example, deep-hole drilling, directional drilling, and mobilizations to remote locations or high altitudes. Because significant ore bodies are getting more difficult to find, the Company expects specialized drilling services to continue to fuel future growth, and over the next two decades, the Company believes these skills will be in greater and greater demand.

Conventional drilling tends to be more affected by the industry cycle as the barriers to entry are not as significant as with specialized drilling. This part of the industry is highly fragmented and has numerous competitors. Because the Company offers only limited differentiation in this sector, it is not its priority for investment.

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.

Gold has always been a significant driver in the mining industry accounting for 40 to 50% of the exploration spend carried on around the world. Exploration activity generally varies up or down with the trend in gold prices.

The demand for base metals is dependent on economic activity. In the longer-term, the fundamental drivers of base metals remain positive, with worldwide supply for most metals expected to tighten and higher demand coming from the emergence of the BRIC countries (Brazil, Russia, India and China) over the last 10 years. As these countries continue to urbanize, the requirement for base metals will continue to increase at the same time as the easily accessible reserves are being depleted.

One of the realities of the mining industry is that future mineral deposits will have to come from areas difficult to access, either in remote or politically sensitive areas, deeper in the ground or at higher altitudes. This should improve demand for specialized services in the future.

In terms of customer base, the Company has two categories of customers: senior and intermediate companies with operating mines, and junior exploration companies.

Most senior and intermediate mining companies remain committed to the large majority of their projects in order to replace their reserves. For the most part, these mining companies are in a much better financial position than three years ago, during the financial crisis. Large base metal producers will need to expand existing mines and develop new ones to meet the world's growth, especially in emerging markets. Activity from senior gold producers is likely to show greater volatility as gold prices vary, which will impact their exploration budgets.

With the current volatility in the financial markets, many junior mining companies are experiencing financing difficulties and slowing down their exploration efforts. Junior mining companies can account for some 50% of the market in cyclical upturns. While some of the more advanced projects are expected to be able to obtain financing as needed, it will be necessary for investors to once again support exploration projects in order for drilling activities to regain the momentum that they had at their peak.

OVERALL PERFORMANCE

With the uncertainty around economic matters impacting the mining market, the Company continued to see some customers delaying or cancelling their exploration drilling plans. In a number of jurisdictions, uncertainty as to the policies of host governments or issues of land tenure also continues to have an impact on activity levels. These factors, combined with the fact that sources of funding for junior mining companies remain limited, have led to decreased activity in all regions and as a result revenue decreased by 54% during the quarter to $108.2 million.

The overall gross margin percentage for the quarter was 32.5%, down from 34.2% for the same period last year, but still a historically strong margin. Reduced pricing due to increased competitive pressures and delays impacted margins, however the Company has been able to recapture some of this loss through productivity gains and cost cutting.

The Company recorded a restructuring charge of $2.0 million consisting primarily of retrenchment costs following additional staff reduction initiatives implemented during the quarter across the Company.

Net earnings (including restructuring charge) were $1.5 million or $0.02 per share for the quarter, compared to net earnings of $31.9 million or $0.40 per share for the prior year quarter.

Given the Company's financial strength, the Board of Directors has declared a semi-annual dividend of $0.10 per common share, which will be paid on November 1, 2013 to shareholders of record as of October 10, 2013. This dividend is designated as an "eligible dividend" for Canadian tax purposes.

RESULTS OF OPERATIONS – FIRST QUARTER ENDED JULY 31, 2013

Total revenue for the quarter was $108.2 million, down 54% from the record revenue of $237.6 million recorded in the same quarter last year. Uncertainty around economic matters impacting the mining market caused some customers to delay or cancel their exploration drilling plans, which impacted the quarter's results compared to last year. In a number of jurisdictions, uncertainty as to the policies of host governments or issues of land tenure also had an impact on quarter results. Also, many junior customers have scaled back or suspended drilling activities as compared to last year.

Revenue for the quarter from Canada-U.S. drilling operations decreased by 53% to $53.4 million compared to the same period last year. Although Canadian revenue was down 43% compared to the same quarter last year, U.S. operations were more affected, in part due to the scale down of its environmental division.

South and Central American revenue was down 69% to $21.7 million for the quarter, compared to the same quarter last year. All of the countries in this region, particularly Mexico, Chile and Argentina, were affected by a reduction in work by juniors and the cancellation or reduction of projects. Additionally, in Colombia, geopolitical factors have slowed exploration efforts of many mining companies.

Australian, Asian and African operations reported revenue of $33.1 million, down 40% from the same period last year. Three main factors affected the region's revenue: 1) Australia, where projects have been cancelled due to high costs being incurred by mining companies and new mining taxes, 2) Mongolia, which is affected by political uncertainty around mining laws, and 3) Tanzania, where the Company is closing its operations.

The overall gross margin percentage for the quarter was 32.5%, down from 34.2% for the same period last year, but still a historically strong margin. Reduced pricing due to increased competitive pressures and delays impacted margins, however the Company has been able to recapture some of this loss through productivity gains and cost cutting.

General and administrative costs were down 25% from last year at $13.0 million for the quarter compared to $17.3 million in the same period last year. With the decrease in activity, the Company has reduced its general and administrative costs by implementing reductions of salaried employees, restructuring certain branches, and reducing management salaries.

Other expenses for the quarter were $1.1 million, down from $5.3 million in the same quarter last year, due primarily to lower incentive compensation expenses given the Company's decreased profitability.

During the quarter, the Company incurred a loss on exchange of $1.2 million compared to a gain on exchange of $1.4 million last year. This year's loss on exchange was primarily due to monetary items in Chile, Australia and Argentina where currencies had significant variances during the quarter.

The Company recorded a restructuring charge of $2.0 million consisting primarily of retrenchment costs following additional staff reduction initiatives implemented during the quarter across the Company.

Net earnings (including restructuring charge) were $1.5 million or $0.02 per share for the quarter, compared to net earnings of $31.9 million or $0.40 per share for the same quarter last year.

SUMMARY OF QUARTERLY RESULTS

(in $000 CAD, except per share)	Fiscal 2012			Fiscal 2013				Fiscal 2014
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Revenue	$ 213,854	$ 182,188	$ 237,238	$ 237,565	$ 199,637	$ 123,189	$ 135,537	$ 108,211
Gross profit	74,055	47,120	78,452	81,278	66,699	29,275	43,087	35,122
Gross margin	34.6%	25.9%	33.1%	34.2%	33.4%	23.8%	31.8%	32.5%
Net earnings	31,560	9,566	30,731	31,875	22,349	(4,288)	2,174	1,522
Per share - basic	0.43	0.12	0.39	0.40	0.28	(0.05)	0.03	0.02
Per share - diluted	0.42	0.12	0.38	0.40	0.28	(0.05)	0.03	0.02

With the exception of the third quarter, the Company exhibits comparatively less seasonality in quarterly revenue than in the past. The third quarter (November to January) is normally the Company's weakest quarter due to the shutdown of mining and exploration activities, often for extended periods over the holiday season, particularly in South and Central America.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Cash flow from operations (before changes in non-cash operating working capital items, interest and income taxes) was $18.9 million for the quarter compared to $60.8 million generated in the same period last year.

The change in non-cash operating working capital items was an outflow of $9.6 million for the quarter compared to an outflow of $19.7 million for the same period last year. The outflow in non-cash operating working capital in the quarter ended July 31, 2013 was primarily impacted by:

- A decrease in accounts payable of $22.2 million, including a $6.4 million employee profit-share payment made in July;
- A decrease in accounts receivable of $13.1 million;
- A decrease in inventory of $3.8 million; and
- An increase in prepaid expenses of $4.3 million.

Financing Activities

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

<u>Operating Credit Facilities</u>

The credit facilities related to operations total $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 July 31, 2013, the Company had utilized $2.0 million of these lines mostly for stand-by letters of credit. The Company also has a credit facility of $4.0 million for credit cards for which interest rate and repayment are as per cardholder agreements.

<u>Long-Term Debt</u>

Total long-term debt decreased by $13.1 million during the quarter to $30.6 million at July 31, 2013. Debt repayments were $13.1 million during the quarter.

As of July 31, 2013, the Company had the following long-term debt facilities:

- $15.8 million non-revolving facility for financing the acquisition of Bradley Group. 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 July 31, 2013, this line had not been utilized.

- $8.1 million non-revolving facility. This facility carries a fixed interest rate of 5.9% and is amortized over ten years ending in August 2021.

- $5.3 million note payable, carrying interest at a fixed rate of 4% repayable over the next two years ending in September 2014.

- The Company also has various other loans and capital lease facilities related to equipment purchases that totaled $1.4 million at July 31, 2013, which were fully drawn and mature through 2017.

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital, capital expenditure, dividend and debt obligations. As at July 31, 2013, the Company had unused borrowing capacity under its credit facilities of $76.3 million and cash of $61.1 million, for a total of $137.4 million in available funds.

Investing Activities

Capital expenditures were $5.2 million for the quarter ended July 31, 2013 compared to $23.4 million for the same period last year.

During the quarter, the Company added three drill rigs through its capital expenditure program while retiring or disposing of seven drill rigs through its modernization program. This brings the total drill rig count to 736 at quarter-end. The disposal of equipment generated proceeds of $1.8 million during the quarter compared to $0.3 million for the same period last year.

OUTLOOK

The current economic environment will continue to significantly impact drilling in the short to medium-term, particularly on gold projects where the Company has a significant presence. Also, lower levels of demand have increased competitive pressures, which will impact pricing going forward. With the number of projects being either delayed or cancelled around the world, the Company believes that in the medium-term, most commodities could face an imbalance between supply and demand, and that the need to develop resources in areas that are increasingly difficult to access will increase, which should increase demand for specialized drilling.

Lower levels of demand have significantly increased competitive pressures and will likely continue to have an impact for the remainder of calendar 2013. Despite lower pricing levels, the Company maintained good margin performance thanks to the improved productivity of its crews and to the cost-cutting measures that have been implemented. However, going forward, further reductions in pricing will be more difficult to offset by gains in productivity.

The Company continues to have a variable cost structure whereby most of its direct costs, including field staff, go up or down with contract revenue and a large part of the Company's other expenses relates to variable incentive compensation based on the Company's profitability. At the same time, the Company's financial strength allows it to continue to invest in safety, to maintain its equipment in excellent condition, and to retain skilled employees, all of which are essential to react quickly when the industry recovers.

Despite the difficult environment, the Company expects operations to generate positive cash flow in fiscal 2014. Major Drilling remains debt free, net of cash, with a net cash position of $30.5 million at the end of the quarter.

FOREIGN EXCHANGE

Year-over-year revenue comparisons can be affected by the variations of the Canadian dollar against the U.S. dollar and other functional reporting currencies. The impact of foreign exchange translation for the quarter was negligible on both revenue and net earnings.

COMPREHENSIVE EARNINGS

The consolidated statements of comprehensive earnings for the quarter include $5.0 million in unrealized losses on translating the financial statements of the Company's foreign operations compared to a gain of $7.7 million for the same period last year. The change relates to translating the net assets of the Company's foreign operations, which have a functional currency other than the Canadian dollar, to the Company's Canadian dollar currency presentation.

GENERAL RISKS AND UNCERTAINTIES

A complete discussion of general risks and uncertainties may be found in the Company's Annual Information Form for the fiscal year ended April 30, 2013, which can be found on the SEDAR website at www.sedar.com. The Company is not aware of any significant changes to risk factors from those disclosed at that time.

OFF BALANCE SHEET ARRANGEMENTS

Except for operating leases discussed in the annual MD&A for the year ended April 30, 2013, where there were no significant changes, the Company does not have any other off balance sheet arrangements.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes in the Company's disclosure and internal controls over financial reporting during the period beginning on May 1, 2013 and ended on July 31, 2013 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

OUTSTANDING SHARE DATA

As of August 30, 2013, there were 79,161,378 common shares issued and outstanding in the Company. This is the same number as reported in our annual MD&A (reported as of June 8, 2013).

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 July 31	
	2013	2012
TOTAL REVENUE	**$ 108,211**	$ 237,565
DIRECT COSTS	**73,089**	156,287
GROSS PROFIT	**35,122**	81,278
OPERATING EXPENSES		
General and administrative	**13,047**	17,299
Other expenses	**1,065**	5,270
Loss on disposal of property, plant and equipment	**170**	8
Foreign exchange loss (gain)	**1,224**	(1,369)
Finance costs	**314**	738
Depreciation of property, plant and equipment	**13,175**	12,122
Amortization of intangible assets	**342**	1,065
Restructuring charge (note 10)	**2,034**	-
	31,371	35,133
EARNINGS BEFORE INCOME TAX	**3,751**	46,145
INCOME TAX - PROVISION (RECOVERY) (note 7)		
Current	**3,791**	13,509
Deferred	**(1,562)**	761
	2,229	14,270
NET EARNINGS	**$ 1,522**	$ 31,875
EARNINGS PER SHARE (note 8)		
Basic	**$ 0.02**	$ 0.40
Diluted	**$ 0.02**	$ 0.40

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Comprehensive Earnings

(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2013	2012
NET EARNINGS	**$ 1,522**	$ 31,875
OTHER COMPREHENSIVE (LOSS) EARNINGS		
Items that may be reclassified subsequently to profit or loss		
Unrealized (losses) gains on foreign currency translations (net of tax)	**(5,029)**	7,651
Unrealized loss on interest rate swap (net of tax)	**(68)**	(144)
COMPREHENSIVE (LOSS) EARNINGS	**$ (3,575)**	$ 39,382

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

For the three months ended July 31, 2012 and 2013

(in thousands of Canadian dollars)

(unaudited)

	Share capital	Reserves	Share-based payments reserve	Retained earnings	Foreign currency translation reserve	Total
BALANCE AS AT MAY 1, 2012	$ 230,763	$ 121	$ 11,797	$246,809	$ (1,791)	$487,699
Share-based payments reserve	(93)	-	860	-	-	767
	230,670	121	12,657	246,809	(1,791)	488,466
Comprehensive earnings:						
Net earnings	-	-	-	31,875	-	31,875
Unrealized gains on foreign currency translations	-	-	-	-	7,651	7,651
Unrealized loss on interest rate swap	-	(144)	-	-	-	(144)
Total comprehensive earnings	-	(144)	-	31,875	7,651	39,382
BALANCE AS AT JULY 31, 2012	$ 230,670	$ (23)	$ 12,657	$278,684	$ 5,860	$527,848
BALANCE AS AT MAY 1, 2013	**$ 230,985**	**$ 40**	**$ 14,204**	**$283,088**	**$ 10,012**	**$538,329**
Share-based payments reserve	**-**	**-**	**530**	**-**	**-**	**530**
	230,985	**40**	**14,734**	**283,088**	**10,012**	**538,859**
Comprehensive loss:						
Net earnings	**-**	**-**	**-**	**1,522**	**-**	**1,522**
Unrealized loss on foreign currency translations	**-**	**-**	**-**	**-**	**(5,029)**	**(5,029)**
Unrealized loss on interest rate swap	**-**	**(68)**	**-**	**-**	**-**	**(68)**
Total comprehensive loss	**-**	**(68)**	**-**	**1,522**	**(5,029)**	**(3,575)**
BALANCE AS AT JULY 31, 2013	**$ 230,985**	**$ (28)**	**$ 14,734**	**$284,610**	**$ 4,983**	**$535,284**

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

(unaudited)

	Three months ended July 31	
	2013	2012
OPERATING ACTIVITIES		
Earnings before income tax	**$ 3,751**	$ 46,145
Operating items not involving cash		
Depreciation and amortization	**13,517**	13,187
Loss on disposal of property, plant and equipment	**170**	8
Share-based payments reserve	**530**	767
Restructuring charge	**665**	-
Finance costs recognized in earnings before income tax	**314**	738
	18,947	60,845
Changes in non-cash operating working capital items	**(9,576)**	(19,695)
Finance costs paid	**(310)**	(735)
Income taxes paid	**(6,351)**	(7,889)
Cash flow from operating activities	**2,710**	32,526
FINANCING ACTIVITIES		
Repayment of long-term debt	**(13,066)**	(1,564)
Dividends paid	**(7,916)**	(7,123)
Cash flow used in financing activities	**(20,982)**	(8,687)
INVESTING ACTIVITIES		
Payment of consideration for previous business acquisition	**(205)**	(813)
Acquisition of property, plant and equipment (note 6)	**(5,204)**	(23,401)
Proceeds from disposal of property, plant and equipment	**1,816**	268
Cash flow used in investing activities	**(3,593)**	(23,946)
Effect of exchange rate changes	**613**	(395)
DECREASE IN CASH	**(21,252)**	(502)
CASH, BEGINNING OF THE PERIOD	**82,311**	37,237
CASH, END OF THE PERIOD	**$ 61,059**	$ 36,735

Major Drilling Group International Inc.
Interim Condensed Consolidated Balance Sheets
As at July 31, 2013 and April 30, 2013
(in thousands of Canadian dollars)
(unaudited)

	July 31, 2013	April 30, 2013
ASSETS		
CURRENT ASSETS		
Cash	**$ 61,059**	$ 82,311
Trade and other receivables	**84,572**	98,079
Income tax receivable	**10,711**	10,013
Inventories	**83,674**	88,118
Prepaid expenses	**10,380**	6,119
	250,396	284,640
PROPERTY, PLANT AND EQUIPMENT	**325,832**	339,971
DEFERRED INCOME TAX ASSETS	**6,358**	5,601
GOODWILL	**51,878**	52,736
INTANGIBLE ASSETS	**2,938**	3,279
	$ 637,402	$ 686,227
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	**$ 42,602**	$ 73,315
Income tax payable	**3,275**	5,020
Current portion of long-term debt	**8,991**	9,097
	54,868	87,432
CONTINGENT CONSIDERATION	**150**	231
LONG-TERM DEBT	**21,604**	34,497
DEFERRED INCOME TAX LIABILITIES	**25,496**	25,738
	102,118	147,898
SHAREHOLDERS' EQUITY		
Share capital	**230,985**	230,985
Reserves	**(28)**	40
Share-based payments reserve	**14,734**	14,204
Retained earnings	**284,610**	283,088
Foreign currency translation reserve	**4,983**	10,012
	535,284	538,329
	$ 637,402	$ 686,227

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

These Interim Condensed Consolidated 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 as outlined in the Company's annual Consolidated Financial Statements for the year ended April 30, 2013.

Basis of consolidation

These 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

These Interim Condensed Consolidated Financial Statements have been prepared based on the historical cost basis except for certain financial instruments that are measured at fair value, using the same accounting policies and methods of computation as presented in the Company's annual Consolidated Financial Statements for the year ended April 30, 2013, with the exception of the impact of certain amendments to accounting standards or new interpretations issued by the IASB, which were applicable for fiscal years beginning on or after January 1, 2013. The adoption of these amendments and standards has not had a material impact on the accounting policies, methods of computation or presentation applied by the Company.

3. FUTURE ACCOUNTING CHANGES

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

IFRS 9 *(as amended in 2010) Financial Instruments*
IAS 32 *(amended) Financial Instruments: Presentation*
IAS 36 *Impairment of Assets*
IAS 39 *Financial Instruments: Recognition and Measurement*

The adoption of the above standards is not expected to have a significant impact on the Company's Consolidated Financial Statements.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The preparation of financial statements in conformity with International Financial Reporting Standards ("IFRS") 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, the 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. SEASONALITY OF OPERATIONS

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.

6. PROPERTY PLANT & EQUIPMENT

Capital expenditures for the three months ended July 31, 2013 were $5,204 (2012 - $23,401). The Company did not obtain direct financing in either quarter.

7. INCOME TAXES

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

	2014 Q1	2013 Q1
Earnings before income tax	**$ 3,751**	$ 46,145
Statutory Canadian corporate income tax rate	**28%**	29%
Expected income tax expense based on statutory rate	**$ 1,050**	$ 13,382
Non-recognition of tax benefits related to losses	**76**	315
Other foreign taxes paid	**125**	355
Rate variances in foreign jurisdictions	**454**	119
Other	**524**	99
	$ 2,229	$ 14,270

The Company periodically assesses its liabilities and contingencies for all tax years open to audit based upon the latest information available. For those matters where it is probable that an adjustment will be made, the Company records its best estimate of these tax liabilities, including related interest charges. Inherent uncertainties exist in estimates of tax contingencies due to changes in tax laws. While management believes they have adequately provided for the probable outcome of these matters, future results may include favorable or unfavorable adjustments to these estimated tax liabilities in the period the assessments are made, or resolved, or when the statutes of limitations lapse.

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

8. EARNINGS PER SHARE

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

	2014 Q1	2013 Q1
Net earnings for the period	**$ 1,522**	$ 31,875
Weighted average shares outstanding – basic (000's)	**79,161**	79,147
Net effect of dilutive securities:		
Stock options (000's)	**31**	637
Weighted average number of shares – diluted (000's)	**79,192**	79,784
Earnings per share:		
Basic	**$ 0.02**	$ 0.40
Diluted	**$ 0.02**	$ 0.40

The calculation of the diluted earnings per share for the three months ended July 31, 2013 excludes the effect of 2,815,212 options as they were anti-dilutive. There were no anti-dilutive options for the three months ended July 31, 2012.

The total number of shares outstanding on July 31, 2013 was 79,161,378.

9. 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 segments are essentially the same. The accounting policies of the segments are the same as those described in the Company's annual Consolidated Financial Statements for the year ended April 30, 2013. Management evaluates performance based on earnings from operations in these three geographic segments before finance costs, general corporate expenses and income taxes. Data relating to each of the Company's reportable segments is presented as follows:

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

9. SEGMENTED INFORMATION (Continued)

		2014 Q1		2013 Q1
Revenue				
Canada – U.S.	**$**	**53,367**	$	112,837
South and Central America		**21,738**		69,413
Australia, Asia and Africa		**33,106**		55,315
	$	**108,211**	$	237,565
Earnings from operations				
Canada – U.S.	**$**	**7,363**	$	25,426
South and Central America		**(2,087)**		16,583
Australia, Asia and Africa		**1,447**		8,928
		6,723		50,937
Eliminations		**(152)**		(228)
		6,571		50,709
Finance costs		**314**		738
General corporate expenses*		**2,506**		3,826
Income tax		**2,229**		14,270
Net earnings	**$**	**1,522**	$	31,875

*General and corporate expenses include expenses for corporate offices and stock options. Amounts presented in the previous period under general corporate expenses have been allocated to other segments consistent with current year presentation.

Canada – U.S. includes revenue for the period ended July 31, 2013 of $38,345 (July 31, 2012 - $67,025) for Canadian operations.

		2014 Q1		2013 Q1
Depreciation and amortization				
Canada – U.S.	**$**	**5,809**	$	5,480
South and Central America		**3,014**		3,212
Australia, Asia and Africa		**4,123**		4,027
Unallocated corporate assets		**571**		468
Total depreciation and amortization	**$**	**13,517**	$	13,187

		July 31, 2013		April 30, 2013
Identifiable assets				
Canada – U.S.	**$**	**239,435**	$	243,027
South and Central America		**211,222**		224,878
Australia, Asia and Africa		**158,122**		165,318
		608,779		633,223
Eliminations		**(38)**		(38)
Unallocated and corporate assets		**28,661**		53,042
	$	**637,402**	$	686,227

Canada – U.S. includes property, plant and equipment at July 31, 2013 of $93,718 (April 30, 2013 - $97,110) for Canadian operations.

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

10. RESTRUCTURING CHARGE

Restructuring charge of $2,034 consists of employee severance charges relating to the restructuring plan implemented in some of the Company's operations in the previous quarter and continued in the current quarter.

11. FINANCIAL INSTRUMENTS

There are no significant changes to financial instruments compared to the Company's annual Consolidated Financial Statements for the year ended April 30, 2013 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 long-term debt and contingent consideration, which approximates their fair values, 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. The fair value of the interest rate swap included in long-term debt is measured using quoted interest rates.

	July 31, 2013	April 30, 2013
Contingent consideration	**$ 150**	$ 231
Long-term debt	**30,595**	43,594

Credit risk

As at July 31, 2013, 85.1% of the Company's trade receivables were aged as current (April 30, 2013 - 86.0%) and 3.8% of the trade receivables were impaired (April 30, 2013 – 3.1%).

The movement in the allowance for impairment of trade receivables during the three month periods were as follows:

	July 31, 2013	July 31, 2012
Opening balance	**$ 2,790**	$ 2,236
Increase in impairment allowance	**203**	38
Foreign exchange translation differences	**(41)**	25
Ending balance	**$ 2,952**	$ 2,299

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

11. FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk

The carrying amounts of net monetary assets that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; (ii) cause foreign exchange rate exposure; and (iii) may include intercompany balances with other subsidiaries, is USD $1,777 as of July 31, 2013.

If the Canadian dollar moved by plus or minus 10% at July 31, 2013, the unrealized foreign exchange gain or loss recognized in net earnings would move by approximately $178.

Liquidity risk

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

Non-derivative financial liabilities:

	1 year	2-3 years	4-5 years	thereafter	Total
Trade and other payables	$ 42,602	$ -	$ -	$ -	$ 42,602
Contingent consideration	150	-	-	-	150
Long-term debt	9,016	15,510	2,958	3,083	30,567
	$ 51,768	$ 15,510	$ 2,958	$ 3,083	$ 73,319

Derivative financial liabilities:

	1 year	2-3 years	4-5 years	thereafter	Total
Interest rate swap	$ (25)	$ 51	$ 2	$ -	$ 28