



President's Report to Shareholders – First Quarter 2012

For the first quarter of fiscal 2012, the Company had net earnings of \$17.9 million, or \$0.25 per share, compared to net earnings of \$5.1 million, or \$0.07 per share, recorded for the first quarter of fiscal 2011. Total revenue this quarter was \$164.2 million, up 50% from the \$109.5 million recorded last year. Cash flow generated from operations during the quarter was \$36.8 million, an increase of 140% over the \$15.3 million generated for the same quarter last year.

Margins for the quarter improved significantly to 31.4%, up from both the 24.2% recorded in the first quarter of last year, and the 25.4% recorded in the fourth quarter of fiscal 2011. This margin increase was influenced primarily by three factors. First, ramp-up costs such as mobilization and up front purchases have now normalized. Second, our efforts on training and recruitment have allowed us to increase the number of shifts in the field this quarter. Third, the contracts that were signed or renewed this quarter reflected the stronger pricing environment. The next period in which a significant number of renewals are expected to occur is at the end of the calendar year.

Activity levels continue to be robust in every region. We continue to be successful in delivering growth as well as diversifying the scope of our drilling services. While drilling for gold remains our most important contributor, accounting for 48% of our revenue, today 17% of our revenue comes from energy, coal and environmental drilling, and drilling for base metals and uranium accounts for the remaining 35% of our revenue.

Despite the recent events in the global economy, we have not seen our customers modify their activity patterns. Most of our senior and intermediate customers are in a much better financial position than 3 years ago and many of our junior customers have recently raised money. In addition, the price of gold is double what it was in 2008, the price of copper is close to historic highs, and both are well above average costs of production. 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.

Net capital expenditures for the quarter were \$20.7 million as we purchased 21 rigs while retiring 10 rigs through our modernization program. During the quarter, we also added a significant amount 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.

When we experience significant increases in activity, the Company's working capital requirements increase. These working capital requirements, combined with our investments in capital expenditures during the quarter, brought our net debt levels, net of cash, to \$21.1 million. Our goal remains to keep relatively low debt levels.

Looking at the balance of fiscal 2012, assuming that customers move forward with their stated plans, we expect to 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.

The Company has determined that it is appropriate to increase our semi-annual dividend to \$0.08 per common share, which will be paid on November 1, 2011 to shareholders of record as of October 10, 2011. This dividend represents an increase of 9.1% from our previous dividend, and 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 2012

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIRST QUARTER FISCAL 2012

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

This MD&A is a review of activities and results for the quarter ended July 31, 2011 as compared to the corresponding period in the previous year. Comments relate to, and should be read in conjunction with, the comparative unaudited consolidated interim financial statements as at and for the three months ended July 31, 2011, and also in conjunction with the audited consolidated financial statements and Management's Discussion and Analysis contained in the Company's annual report for the fiscal year ended April 30, 2011.

This MD&A is dated August 31, 2011. Disclosure contained in this document is current to that date, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

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

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

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

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

CORPORATE OVERVIEW

Major Drilling Group International Inc. is one of the world's largest drilling service companies primarily serving the mining industry. To support its customers' varied exploration drilling requirements, Major Drilling maintains field operations and offices in Canada, the United States, South and Central America, Australia, Asia, and Africa. Major Drilling provides all types of drilling services including surface and underground coring, directional, reverse circulation, sonic, RAB, geotechnical, environmental, water-well, and coal-bed methane and shallow gas.

BUSINESS STRATEGY

Major Drilling continues to base its business premise on the following: mining companies continue to deplete the more easily accessible mineral reserves around the world and attractive deposits will be in increasingly remote locations, areas difficult to access and/or deep in the ground. For this reason, Major Drilling's strategy is to focus its services on projects that have these characteristics, calling these services "specialized drilling". Over the years, the Company has positioned itself as one of the largest specialized operators in the world by leveraging its main competitive advantages: skilled personnel, specialized equipment, long-standing relationships with the world's largest mining companies and access to capital.

Although the Company's main focus remains specialized services, it also intends to continue to modernize its conventional fleet and expand its footprint in strategic areas while maintaining minimum debt levels and remaining best in class in safety and human resources. The Company will also seek to diversify by investing in energy and environmental drilling services that are complementary to its skill set.

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

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

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

Underground drilling takes on greater importance in the latter stages of the mining cycle as clients develop underground mines.

INDUSTRY OVERVIEW

The metals and minerals drilling industry is reliant primarily on demand from two metal groups, gold on the one hand and base metals on the other. Each commodity group is influenced by distinct market forces. The strength of demand is determined by commodity price levels and the availability of capital to finance exploration and development programs. Despite the recent events in the global economy, as of the date of the MD&A customers had not modified their activity patterns. Most senior and intermediate mining companies are in much better financial position than three years ago and many junior companies have recently raised money. In addition, the price of gold is double what it was in 2008, the price of copper is close to historic highs, and both are well above average costs of production.

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

Gold

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

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

Base Metals

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

OVERALL PERFORMANCE

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

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

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

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

RESULTS OF OPERATIONS – FIRST QUARTER ENDED JULY 31, 2011

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

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

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

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

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

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

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

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

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

SUMMARY OF QUARTERLY RESULTS⁽¹⁾

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

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

⁽²⁾ Adjusted to reflect the 3 for 1 share split completed in fiscal 2011.

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

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Cash flow from operations (before changes in non-cash operating working capital items, interest and income taxes) was \$36.8 million for the quarter compared to \$15.3 million generated in the same period last year.

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

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

Financing Activities

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

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

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

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

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

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

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital, capital expenditure, dividend and debt obligations. As at July 31, 2011, the Company had unused borrowing capacity under its credit facilities of \$29.9 million and cash of \$19.8 million, for a total of \$49.7 million in available funds.

Investing Activities

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

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

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

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

OUTLOOK

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

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

FOREIGN EXCHANGE

Year-over-year revenue comparisons continue to be affected by the variations of the Canadian dollar against the U.S. dollar. The unfavourable impact of U.S. dollar exchange translation, for the quarter, when comparing to the effective rates for the same period last year, is estimated at \$4 million on revenue but negligible on net earnings.

COMPREHENSIVE EARNINGS

The consolidated statements of other comprehensive earnings for the quarter include \$1.8 million in unrealized gains on translating the financial statements of the Company's foreign operations compared to a gain of \$5.6 million for the same period last year. The change relates to translating the net assets of the Company's foreign operations, which have a functional currency other than the Canadian dollar, to the Company's Canadian dollar currency presentation.

GENERAL RISKS AND UNCERTAINTIES

A complete discussion of general risks and uncertainties may be found in the Company's Annual Information Form for the fiscal year ended April 30, 2011, which can be found on the SEDAR website at www.sedar.com, and which continue to apply to the business of the Company. The Company is not aware of any significant changes to risk factors from those disclosed at that time.

OFF BALANCE SHEET ARRANGEMENTS

Except for operating leases discussed in the annual MD&A for the year ended April 30, 2011, where there were no significant changes, the Company does not have any other off balance sheet arrangements.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes in the Company's internal controls over financial reporting during the period beginning on May 1, 2011 and ended on July 31, 2011 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

INTERNATIONAL FINANCIAL REPORTING STANDARDS UPDATE

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

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

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

OUTSTANDING SHARE DATA

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

ADDITIONAL INFORMATION

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

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	
	2011	2010
TOTAL REVENUE	\$ 164,152	\$ 109,480
DIRECT COSTS	112,653	82,948
GROSS PROFIT	51,499	26,532
OPERATING EXPENSES		
General and administrative	12,318	9,553
Other expenses	2,603	2,072
Loss (gain) on disposal of property, plant and equipment	600	(112)
Foreign exchange loss	321	92
Finance costs	822	286
Depreciation and amortization (note 15)	8,580	7,147
	25,244	19,038
EARNINGS BEFORE INCOME TAX	26,255	7,494
INCOME TAX - PROVISION (RECOVERY) (note 12)		
Current	5,984	2,943
Deferred	2,379	(583)
	8,363	2,360
NET EARNINGS (note 15)	\$ 17,892	\$ 5,134
<u>EARNINGS PER SHARE (note 13)</u>		
Basic *	\$ 0.25	\$ 0.07
Diluted **	\$ 0.25	\$ 0.07

*Based on 72,040,376 and 71,354,739 daily weighted average shares outstanding for the fiscal year to date 2012 and 2011, respectively. The total number of shares outstanding on July 31, 2011 was 72,040,376.

**Based on 72,920,523 and 71,749,419 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 July 31	
	<u>2011</u>	<u>2010</u>
NET EARNINGS	\$ 17,892	\$ 5,134
OTHER COMPREHENSIVE EARNINGS		
Unrealized gains on foreign currency translation (net of tax of \$0)	<u>1,809</u>	<u>5,637</u>
COMPREHENSIVE EARNINGS	<u>\$ 19,701</u>	<u>\$ 10,771</u>

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

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

	<u>Share capital</u>	<u>Share based payments reserve</u>	<u>Retained earnings</u>	<u>Foreign currency translation reserve</u>	<u>Total</u>
BALANCE AS AT MAY 1, 2010	\$ 144,919	\$ 9,236	\$ 153,358	\$ -	\$ 307,513
Exercise of stock options	134	-	-	-	134
Share based payments reserve	-	516	-	-	516
	<u>145,053</u>	<u>9,752</u>	<u>153,358</u>	<u>-</u>	<u>308,163</u>
Comprehensive earnings:					
Net earnings	-	-	5,134	-	5,134
Unrealized gains on foreign currency translations	-	-	-	5,637	5,637
Total comprehensive earnings	<u>-</u>	<u>-</u>	<u>5,134</u>	<u>5,637</u>	<u>10,771</u>
BALANCE AS AT JULY 31, 2010	<u>\$ 145,053</u>	<u>\$ 9,752</u>	<u>\$ 158,492</u>	<u>\$ 5,637</u>	<u>\$ 318,934</u>
BALANCE AS AT APRIL 30, 2011	\$ 150,642	\$ 10,280	\$ 170,425	\$ (3,662)	\$ 327,685
Share based payments reserve	-	554	-	-	554
	<u>150,642</u>	<u>10,834</u>	<u>170,425</u>	<u>(3,662)</u>	<u>328,239</u>
Comprehensive earnings:					
Net earnings	-	-	17,892	-	17,892
Unrealized gains on foreign currency translations	-	-	-	1,809	1,809
Total comprehensive earnings	<u>-</u>	<u>-</u>	<u>17,892</u>	<u>1,809</u>	<u>19,701</u>
BALANCE AS AT JULY 31, 2011	<u>\$ 150,642</u>	<u>\$ 10,834</u>	<u>\$ 188,317</u>	<u>\$ (1,853)</u>	<u>\$ 347,940</u>

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

	Three months ended July 31	
	2011	2010
OPERATING ACTIVITIES		
Earnings before income tax	\$ 26,255	\$ 7,494
Operating items not involving cash		
Depreciation and amortization (note 15)	8,580	7,147
Loss (gain) on disposal of property, plant and equipment	600	(112)
Share based payments reserve	554	516
Finance costs	822	286
	36,811	15,331
Changes in non-cash operating working capital items	(8,833)	(3,270)
Finance costs paid	(822)	(286)
Income taxes (paid) received	(5,013)	107
Cash flow from operating activities	22,143	11,882
FINANCING ACTIVITIES		
Repayment of long-term debt	(2,190)	(2,281)
Proceeds from long-term debt	10,000	-
Proceeds from short-term debt	-	10,400
Issuance of common shares	-	134
Dividends paid	(5,283)	(4,750)
Cash flow from financing activities	2,527	3,503
INVESTING ACTIVITIES		
Business acquisitions (net of cash acquired) (note 16)	-	(2,352)
Acquisition of property, plant and equipment	(21,410)	(8,919)
Proceeds from disposal of property, plant and equipment	684	540
Cash flow used in investing activities	(20,726)	(10,731)
Effect of exchange rate changes	(367)	332
INCREASE IN CASH	3,577	4,986
CASH, BEGINNING OF THE PERIOD	16,215	30,232
CASH, END OF THE PERIOD	\$ 19,792	\$ 35,218

Major Drilling Group International Inc.
Interim Condensed Consolidated Balance Sheets

As at July 31, 2011, April 30, 2011 and May 1, 2010

(in thousands of Canadian dollars)

(unaudited)

	<u>July 31, 2011</u>	<u>April 30, 2011</u>	<u>May 1, 2010</u>
ASSETS			
CURRENT ASSETS			
Cash	\$ 19,792	\$ 16,215	\$ 30,232
Trade and other receivables	109,045	100,300	62,128
Income tax receivable	3,053	2,720	10,053
Inventories	73,244	69,864	63,170
Prepaid expenses	7,880	8,439	4,813
	<u>213,014</u>	<u>197,538</u>	<u>170,396</u>
PROPERTY, PLANT AND EQUIPMENT (note 7)	248,647	235,473	198,935
DEFERRED INCOME TAX ASSETS	7,947	11,575	9,379
GOODWILL (note 8)	28,673	28,316	26,475
INTANGIBLE ASSETS (note 9)	1,043	1,235	1,074
	<u>\$ 499,324</u>	<u>\$ 474,137</u>	<u>\$ 406,259</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	\$ 85,931	\$ 88,599	\$ 53,992
Income tax payable	5,601	4,297	2,830
Short-term debt	8,032	7,919	-
Current portion of long-term debt (note 10)	8,251	8,402	8,887
	<u>107,815</u>	<u>109,217</u>	<u>65,709</u>
CONTINGENT CONSIDERATION	2,626	2,612	2,011
LONG-TERM DEBT (note 10)	24,597	16,630	15,041
DEFERRED INCOME TAX LIABILITIES	16,346	17,993	15,985
	<u>151,384</u>	<u>146,452</u>	<u>98,746</u>
SHAREHOLDERS' EQUITY			
Share capital (note 11)	150,642	150,642	144,919
Share based payments reserve	10,834	10,280	9,236
Retained earnings	188,317	170,425	153,358
Foreign currency translation reserve	(1,853)	(3,662)	-
	<u>347,940</u>	<u>327,685</u>	<u>307,513</u>
	<u>\$ 499,324</u>	<u>\$ 474,137</u>	<u>\$ 406,259</u>

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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 condensed consolidated financial statements have been prepared on the historical cost basis, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

3. FUTURE ACCOUNTING CHANGES

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for accounting periods beginning in later periods. The standards impacted that are applicable to the Company are as follows:

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3. FUTURE ACCOUNTING CHANGES (Continued)

IFRS 9 Financial Instruments (“IFRS 9”)

IFRS 9 was issued in November 2009 and will replace IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”). The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements (“IFRS 10”)

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities* and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 11 Joint Arrangements (“IFRS 11”)

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31 *Interests in Joint Ventures*. IFRS 11 divides joint arrangements into two types, each having its own accounting model. A ‘joint operation’ continues to be accounted for using proportional consolidation, whereas a ‘joint venture’ must be accounted for using equity accounting. IFRS 11 is effective for fiscal years beginning on or after January 1, 2013.

IFRS 12 Disclosure of Interests in Other Entities (“IFRS 12”)

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 13 Fair Value Measurements (“IFRS 13”)

IFRS 13 is a new standard meant to clarify the definition of fair value, provide guidance on measuring fair value and improve disclosure requirements related to fair value measurement. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash is comprised of cash on hand and demand deposits in banks, cashable at any time.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company’s designation of such instruments. Settlement date accounting is used.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Asset/Liability</u>	<u>Classification</u>	<u>Measurement</u>
Cash	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Short and long-term debt	Other financial liabilities	Amortized cost

Transaction costs are included in the initial carrying value of financial instruments, except those classified as fair value through profit or loss, and are amortized into income using the effective interest method.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Other financial liabilities - Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Embedded derivatives - Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IAS 39 (e.g. financial liabilities) are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value.

Revenue recognition

Revenue from drilling contracts is recognized based on the terms of customer contracts that generally provide for revenue recognition on the basis of actual meters drilled at contract rates or fixed monthly charges or a combination of both. Revenue from ancillary services, primarily relating to extra services to the customer, is recorded when the services are rendered. Revenue is recognized when collection is reasonably assured.

Earnings per share

Basic earnings per share are calculated by dividing net earnings (loss) by the weighted average number of common shares outstanding during the year.

Diluted earnings per share are determined as net earnings (loss) divided by the weighted average number of diluted common shares for the year. Diluted common shares reflect the potential dilutive effect of exercising stock options.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

The Company maintains an inventory of operating supplies, drill rods and drill bits. Inventories are valued at the lower of cost and net realizable value, determined on a first in, first out (“FIFO”) basis. The value of used inventory items is considered minimal therefore they are not valued, except for drill rods, which, if still considered usable, are valued at 50% of cost.

Property, plant and equipment

Property, plant and equipment (“PP&E”) are measured at cost, less accumulated depreciation and impairment losses. Depreciation, calculated principally on the straight-line method, is charged to operations at rates based upon the estimated useful life of each depreciable asset. When significant components of an item of PP&E have different useful lives, they are accounted for as separate assets. The following rates apply to those assets being amortized on the straight-line method:

	<u>Residual value (%)</u>	<u>Useful life (years)</u>
Buildings	0	15-20
Drilling equipment	0-15	5-15
Automotive and off-road equipment	0-10	5-10
Other (office, computer and shop equipment)	0	5-15

Land and assets under construction not available for use are not amortized. Costs for repairs and maintenance are charged to operations as incurred. Subsequent costs are included in the assets carrying value when it is probable that future economic benefits associated with it will flow to the entity and when they are ready for their intended use. Subsequent costs are amortized over the useful life of the asset and replaced components are de-recognized. Amortization methods, residual values and useful lives are re-assessed at minimum on an annual basis.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as trade and other payables.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized as borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and any equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), then the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), as appropriate, with the corresponding gain or loss being recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contingent liabilities acquired in a business combination - Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 and the amount initially recognized less cumulative amortization recognized in accordance with IAS 18 *Revenue*.

Goodwill

Goodwill represents the excess of the purchase price of business acquisitions, including acquisition costs, over the fair value of the identifiable net assets acquired. The value of goodwill is tested for impairment at least annually. Any impairment loss identified by this test would be reported in earnings (loss) for the period during which the loss occurred.

Intangible assets

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses. Intangible assets include customer relationships and a non-compete agreement, which are amortized on a straight-line basis over a three and five-year period, respectively.

Impairment of long-lived assets

At the end of each reporting period, the Company assesses whether there are any indicators that the carrying values of its long-term assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

At the end of each reporting period the Company assesses whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that asset.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Income taxes

Current - The tax currently receivable or payable is based on taxable profit for the year and any adjustments resulting from prior years. Taxable profit differs from profit as reported in the consolidated statement of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred - The Company follows the liability method of accounting for corporate income taxes. This method takes a balance sheet approach and focuses on the amount of income taxes payable or receivable that will arise if an asset is realized or a liability is settled for its carrying amount. These resulting assets and liabilities, referred to as "deferred income tax assets and liabilities", are computed and recognized based on carry forwards of unused tax losses, unused tax credits and the differences between the carrying amount of balance sheet items and their corresponding tax values using the enacted, or substantively enacted, income tax rates in effect when the assets are realized or the liabilities are settled.

The Company's primary differences arise between the tax carrying value and net book value of property, plant and equipment. Management reduces the carrying value of the deferred income tax assets by a valuation allowance when it is not probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Translation of foreign currencies

The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

Items included in the financial statements of each of the Company's subsidiaries are measured using the functional currency. The majority of the Company's subsidiaries have a functional currency of U.S. dollars, Canadian dollars or Australian dollars. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the statement of operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

For the purposes of the consolidated financial statements, the assets and liabilities of the Company's foreign operations (with functional currencies other than Canadian dollars) are translated into Canadian dollars using exchange rates at the end of the period. Income and expense items are

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

translated at the average rates of exchange for the period. The resulting translation adjustments are recognized in other comprehensive income within the foreign currency translation reserve. Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in other comprehensive income and foreign currency translation reserve.

Share-based payments

The Company uses the fair value method to measure compensation expense at the date of grant of stock options to employees and directors. The fair value of each tranche for all option grants is determined using the Black-Scholes option pricing model, which considers estimated forfeitures at time of grant, and each tranche is amortized separately to earnings on a graded vesting basis over the vesting period with an offset to the share based payments reserve. When options are exercised, the corresponding share based payments reserve and the proceeds received by the Company are credited to share capital.

The Company records the fair value of deferred share units as compensation expense, with offset to accrued liabilities.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts - Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Restructurings - A restructuring provision is recognized when the Company has developed a detailed formal plan for restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

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5. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that are not readily apparent from other sources, which affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reported periods. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results could 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.

Management determines the estimated useful lives of its property, plant and equipment based on historical experience of the actual lives of property, plant and equipment of similar nature and functions, and reviews these estimates at the end of each reporting period.

Management reviews the condition of inventories at the end of each reporting period and recognizes a provision for slow-moving and obsolete items of inventory when they are no longer suitable for use. Management's estimate of the net realizable value of such inventories is based primarily on sales prices and current market conditions.

Amounts used for impairment calculations are based on estimates of future cash flows of the Company. By their nature, the estimates of cash flows, including the estimates of future revenue, operating expenses, utilization, discount rates and market pricing are subject to measurement uncertainty. Accordingly, the impact in the consolidated financial statements of future periods could be material.

Property, plant and equipment are aggregated into CGUs based on their ability to generate largely independent cash inflows and are used for impairment testing. The determination of the Company's CGUs is subject to management's judgment.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the probability that they will be realized from future taxable earnings.

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5. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS (Continued)

Compensation costs accrued for long-term share-based payment plans are subject to the estimation of what the ultimate payout will be using the Black Scholes pricing model, which is based on significant assumptions such as volatility, dividend yield and expected term.

The amount recognized as provisions and accrued liabilities, including legal, contractual, constructive and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements.

Judgments

The Company applied judgment in determining the functional currency of the Company and its subsidiaries. Functional currency was determined based on the currency that mainly influences sales prices, labour, materials and other costs of providing services.

Property, plant and equipment and goodwill are aggregated into CGUs based on their ability to generate largely independent cash inflows and are used for impairment testing. The determination of the Company's CGUs is subject to management's judgment with respect to the lowest level at which independent cash inflows are generated.

The Company has applied judgment in determining the degree of componentization of property, plant and equipment. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and has a separate useful life has been identified as a separate component and is depreciated separately.

The Company has applied judgment in recognizing provisions and accrued liabilities, including judgment as to whether the Company has a present obligation (legal or constructive) as a result of a past event; whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and whether a reliable estimate can be made of the amount of the obligation.

6. FIRST TIME ADOPTION OF IFRS

As disclosed in Note 2, these interim condensed consolidated financial statements represent the Company's initial presentation of the financial results of operations and financial position under IFRS for the period ended July 31, 2011 in conjunction with the Company's annual audited consolidated financial statements to be issued under IFRS as at and for the year ending April 30, 2012. As a result, these interim condensed consolidated financial statements have been prepared in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1") and with IAS 34 as issued by the IASB. Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian GAAP.

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6. FIRST TIME ADOPTION OF IFRS (Continued)

IFRS 1 requires the presentation of comparative information as at the May 1, 2010 transition date and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transition, the provisions of IFRS 1 allow for certain mandatory exceptions and optional exemptions for first-time adopters to alleviate the retrospective application of specific IFRSs.

Exceptions and exemptions applied

IFRS 1 First-Time Adoption of IFRS - IFRS 1 provides entities adopting IFRS for the first time, a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS on the date of transition.

The following are the optional exemptions that the Company has applied:

- Business combinations – This exemption allows the Company to not apply IFRS 3(R), *Business Combinations*, retrospectively to business combinations that occurred before the date of transition.
- Share-based payments election – This exemption allows the Company to not apply IFRS 2, *Share-Based Payments* (“IFRS 2”) to equity settled awards that were granted on or before November 7, 2002 or those granted after this date that had vested before the date of transition. The Company also did not apply IFRS 2 to cash settled awards that were settled before the date of transition to IFRS.
- Foreign currency translation adjustment (“CTA”) – This election allows the Company, on the date of transition, to record the CTA from all foreign operations, calculated under previous GAAP, to retained earnings and reset the CTA balance to nil.
- Fair value revaluation as deemed cost – This election allows the Company to measure certain items of property, plant and equipment at the date of transition at their fair value, and to use that fair value as deemed cost at that date.

The remaining IFRS 1 exemptions and exceptions were not applicable or material to the preparation of the Company’s consolidated balance sheet at the date of transition to IFRS on May 1, 2010.

The following mandatory exception is applicable to the Company:

- Estimates – in accordance with IFRS 1, hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except when necessary to reflect any differences in accounting policies between Canadian GAAP and IFRS.

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6. FIRST TIME ADOPTION OF IFRS (Continued)

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. A discussion of transitional adjustments follows the reconciliations.

IFRS Opening Consolidated Balance Sheet
As at May 1, 2010

ASSETS	(a)	(b)	(c)	(d)	(e)	(f)	IFRS
	Previous GAAP	Adjustments	Foreign currency translation reserve	Share based payments reserve	Deferred share units	Contingent consideration	Fair value as deemed cost
CURRENT ASSETS							
Cash	\$ 30,232	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,232
Trade and other receivables	62,128	-	-	-	-	-	62,128
Income tax receivable	10,053	-	-	-	-	-	10,053
Inventories	63,170	-	-	-	-	-	63,170
Prepaid expenses	4,813	-	-	-	-	-	4,813
	170,396	-	-	-	-	-	170,396
PROPERTY, PLANT AND EQUIPMENT	210,812	-	-	-	-	-	198,935
DEFERRED INCOME TAX ASSETS	8,910	-	-	-	-	-	9,379
GOODWILL	24,464	-	-	-	-	2,011	26,475
INTANGIBLE ASSETS	1,074	-	-	-	-	-	1,074
	\$ 415,656	\$ -	\$ -	\$ -	\$ -	2,011	\$ (11,408) \$ 406,259
LIABILITIES							
CURRENT LIABILITIES							
Trade and other payables	\$ 54,027	\$ -	\$ -	\$ -	\$ (35)	\$ -	\$ 53,992
Income tax payable	2,830	-	-	-	-	-	2,830
Current portion of long-term debt	8,887	-	-	-	-	-	8,887
	65,744	-	-	-	(35)	-	65,709
CONTINGENT CONSIDERATION	-	-	-	-	-	2,011	2,011
LONG-TERM DEBT	15,041	-	-	-	-	-	15,041
DEFERRED INCOME TAX LIABILITIES	16,602	1,713	-	-	-	-	15,985
	97,387	1,713	-	-	(35)	2,011	(2,330) 98,746
SHAREHOLDERS' EQUITY							
Share capital	142,435	2,484	-	-	-	-	144,919
Share based payments reserve	11,142	(2,484)	-	578	-	-	9,236
Retained earnings	209,025	(1,713)	(44,333)	(578)	35	-	153,358
Foreign currency translation reserve	(44,333)	-	44,333	-	-	-	-
	318,269	(1,713)	-	-	35	-	(9,078) 307,513
	\$ 415,656	\$ -	\$ -	\$ -	\$ -	2,011	\$ (11,408) \$ 406,259

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6. FIRST TIME ADOPTION OF IFRS (Continued)

IFRS Consolidated Balance Sheet

As at July 31, 2010

ASSETS	Previous GAAP	Opening IFRS restatements *	(a) Adjustments	(c) Share based payments reserve	(d) Deferred share units	(e) Contingent consideration	(f) Fair value as deemed cost	(g) Building componentization	IFRS
CURRENT ASSETS									
Cash	\$ 35,218	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,218
Trade and other receivables	69,923	-	-	-	-	-	-	-	69,923
Income tax receivable	8,045	-	-	-	-	-	-	-	8,045
Inventories	63,491	-	-	-	-	-	-	-	63,491
Prepaid expenses	9,523	-	-	-	-	-	-	-	9,523
	186,200	-	-	-	-	-	-	-	186,200
PROPERTY, PLANT AND EQUIPMENT	216,773	(11,877)	-	-	-	-	181	27	205,104
DEFERRED INCOME TAX ASSETS	9,064	469	-	-	-	-	(39)	(7)	9,487
GOODWILL	25,249	2,011	-	-	-	828	-	-	28,088
INTANGIBLE ASSETS	1,185	-	-	-	-	-	-	-	1,185
	\$ 438,471	\$ (9,397)	\$ -	\$ -	\$ -	\$ 828	\$ 142	\$ 20	\$ 430,064
LIABILITIES									
CURRENT LIABILITIES									
Trade and other payables	\$ 56,350	\$ (35)	\$ -	\$ -	\$ (3)	\$ -	\$ -	\$ -	\$ 56,312
Income tax payable	3,872	-	-	-	-	-	-	-	3,872
Short-term debt	10,624	-	-	-	-	-	-	-	10,624
Current portion of long-term debt	8,383	-	-	-	-	-	-	-	8,383
	79,229	(35)	-	-	(3)	-	-	-	79,191
CONTINGENT CONSIDERATION	-	2,011	-	-	-	828	-	-	2,839
LONG-TERM DEBT	13,360	-	-	-	-	-	-	-	13,360
DEFERRED INCOME TAX LIABILITIES	16,342	(617)	-	-	-	-	8	7	15,740
	108,931	1,359	-	-	(3)	828	8	7	111,130
SHAREHOLDERS' EQUITY									
Share capital	142,569	2,484	599	-	-	-	-	-	145,652
Share based payments reserve	11,589	(1,906)	(599)	69	-	-	-	-	9,153
Retained earnings	214,078	(55,667)	-	(69)	3	-	134	13	158,492
Foreign currency translation reserve	(38,696)	44,333	-	-	-	-	-	-	5,637
	329,540	(10,756)	-	-	3	-	134	13	318,934
	\$ 438,471	\$ (9,397)	\$ -	\$ -	\$ -	\$ 828	\$ 142	\$ 20	\$ 430,064

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

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6. FIRST TIME ADOPTION OF IFRS (Continued)

IFRS Consolidated Balance Sheet

As at April 30, 2011

ASSETS	Previous GAAP	Opening IFRS restatements *	(a) Adjustments	(c) Share based payments reserve	(d) Deferred share units	(e) Contingent consideration	(f) Fair value as deemed cost	(g) Building componentization	IFRS
CURRENT ASSETS									
Cash	\$ 16,215	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	16,215
Trade and other receivables	100,300	-	-	-	-	-	-	-	100,300
Income tax receivable	2,720	-	-	-	-	-	-	-	2,720
Inventories	69,864	-	-	-	-	-	-	-	69,864
Prepaid expenses	8,439	-	-	-	-	-	-	-	8,439
	197,538	-	-	-	-	-	-	-	197,538
PROPERTY, PLANT AND EQUIPMENT	246,509	(11,877)	-	-	-	-	726	115	235,473
DEFERRED INCOME TAX ASSETS	11,279	469	-	-	-	-	(155)	(18)	11,575
GOODWILL	25,704	2,011	-	-	-	601	-	-	28,316
INTANGIBLE ASSETS	1,235	-	-	-	-	-	-	-	1,235
	\$ 482,265	\$ (9,397)	\$ -	\$ -	\$ -	\$ 601	\$ 571	\$ 97	\$ 474,137
LIABILITIES									
CURRENT LIABILITIES									
Trade and other payables	\$ 88,618	\$ (35)	\$ -	\$ -	\$ 16	\$ -	\$ -	\$ -	88,599
Income tax payable	4,297	-	-	-	-	-	-	-	4,297
Short-term debt	7,919	-	-	-	-	-	-	-	7,919
Current portion of long-term debt	8,402	-	-	-	-	-	-	-	8,402
	109,236	(35)	-	-	16	-	-	-	109,217
CONTINGENT CONSIDERATION	-	2,011	-	-	-	601	-	-	2,612
LONG-TERM DEBT	16,630	-	-	-	-	-	-	-	16,630
DEFERRED INCOME TAX LIABILITIES	18,552	(617)	-	-	-	-	33	25	17,993
	144,418	1,359	-	-	16	601	33	25	146,452
SHAREHOLDERS' EQUITY									
Share capital	146,600	2,484	1,558	-	-	-	-	-	150,642
Share based payments reserve	13,183	(1,906)	(1,558)	561	-	-	-	-	10,280
Retained earnings	226,059	(55,667)	-	(561)	(16)	-	538	72	170,425
Foreign currency translation reserve	(47,995)	44,333	-	-	-	-	-	-	(3,662)
	337,847	(10,756)	-	-	(16)	-	538	72	327,685
	\$ 482,265	\$ (9,397)	\$ -	\$ -	\$ -	\$ 601	\$ 571	\$ 97	\$ 474,137

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

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6. FIRST TIME ADOPTION OF IFRS (Continued)

IFRS Consolidated Statement of Operations

For the three months ended July 31, 2010

	Previous GAAP	(c) Share based payments	(d) Deferred share units	(f) Fair value as deemed cost	(g) Building componentization	IFRS
TOTAL REVENUE	\$ 109,480	\$ -	\$ -	\$ -	\$ -	\$ 109,480
DIRECT COSTS	82,948	-	-	-	-	82,948
GROSS PROFIT	26,532	-	-	-	-	26,532
OPERATING EXPENSES						
General and administrative	9,556	-	(3)	-	-	9,553
Other expenses	2,003	69	-	-	-	2,072
Gain on disposal of property, plant and equipment	(112)	-	-	-	-	(112)
Foreign exchange loss	92	-	-	-	-	92
Finance costs	286	-	-	-	-	286
Depreciation and amortization	7,355	-	-	(181)	(27)	7,147
	19,180	69	(3)	(181)	(27)	19,038
EARNINGS (LOSS) BEFORE INCOME TAX	7,352	(69)	3	181	27	7,494
INCOME TAX - PROVISION (RECOVERY)						
Current	2,943	-	-	-	-	2,943
Deferred	(644)	-	-	47	14	(583)
	2,299	-	-	47	14	2,360
NET EARNINGS (LOSS)	\$ 5,053	\$ (69)	\$ 3	\$ 134	\$ 13	\$ 5,134

IFRS Consolidated Statement of Operations

For the twelve months ended April 30, 2011

	Previous GAAP	(c) Share based payments	(d) Deferred share units	(f) Fair value as deemed cost	(g) Building componentization	IFRS
TOTAL REVENUE	\$ 482,276	\$ -	\$ -	\$ -	\$ -	\$ 482,276
DIRECT COSTS	361,857	-	-	-	-	361,857
GROSS PROFIT	120,419	-	-	-	-	120,419
OPERATING EXPENSES						
General and administrative	40,947	-	16	-	-	40,963
Other expenses	7,021	561	-	-	-	7,582
Gain on disposal of property, plant and equipment	(377)	-	-	-	-	(377)
Gain on sale of investment	(313)	-	-	-	-	(313)
Foreign exchange gain	(892)	-	-	-	-	(892)
Finance costs	1,275	-	-	-	-	1,275
Depreciation and amortization	31,759	-	-	(726)	(114)	30,919
	79,420	561	16	(726)	(114)	79,157
EARNINGS (LOSS) BEFORE INCOME TAX	40,999	(561)	(16)	726	114	41,262
INCOME TAX - PROVISION (RECOVERY)						
Current	13,548	-	-	-	-	13,548
Deferred	(108)	-	-	188	42	122
	13,440	-	-	188	42	13,670
NET EARNINGS (LOSS)	\$ 27,559	\$ (561)	\$ (16)	\$ 538	\$ 72	\$ 27,592

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6. FIRST TIME ADOPTION OF IFRS (Continued)

IFRS Consolidated Statement of Comprehensive Earnings (Loss)

For the three months ended July 31, 2010

	Previous GAAP	(c) Share based payments reserve	(d) Deferred share units	(f) Fair value as deemed cost	(g) Building componentization	IFRS
NET EARNINGS (LOSS)	\$ 5,053	\$ (69)	\$ 3	\$ 134	\$ 13	\$ 5,134
OTHER COMPREHENSIVE EARNINGS						
Unrealized gain on foreign currency translation (net of tax of \$0)	5,637	-	-	-	-	5,637
COMPREHENSIVE EARNINGS (LOSS)	\$ 10,690	\$ (69)	\$ 3	\$ 134	\$ 13	\$ 10,771

IFRS Consolidated Statement of Comprehensive Earnings (Loss)

For the twelve months ended April 30, 2011

	Previous GAAP	(c) Share based payments reserve	(d) Deferred share units	(f) Fair value as deemed cost	(g) Building componentization	IFRS
NET EARNINGS (LOSS)	\$ 27,559	\$ (561)	\$ (16)	\$ 538	\$ 72	\$ 27,592
OTHER COMPREHENSIVE LOSS						
Unrealized loss on foreign currency translation (net of tax of \$0)	(3,662)	-	-	-	-	(3,662)
COMPREHENSIVE EARNINGS (LOSS)	\$ 23,897	\$ (561)	\$ (16)	\$ 538	\$ 72	\$ 23,930

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 Companies April 30, 2010, July 31, 2010 and April 30, 2011 historical annual and interim consolidated financial statements.
- b) Foreign currency translation reserve – The Company has applied the IFRS 1 exemption as described in the “exceptions and exemptions applied” section above.
- c) 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.

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6. FIRST TIME ADOPTION OF IFRS (Continued)

- d) 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.
- e) 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.
- f) Fair value as deemed cost - The Company has applied the IFRS 1 exemption as described in the “exceptions and exemptions applied” section above.
- g) 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.

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7. 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 May 1, 2010	\$ 1,542	\$ 10,442	\$ 219,751	\$ 75,551	\$ 25,846	\$ 333,132
Additions	-	2,020	40,198	19,808	592	62,618
Disposals	(167)	(1,213)	(5,416)	(5,370)	-	(12,166)
Business acquisitions	-	-	7,459	2,143	19	9,621
Effect of movements in exchange rates	-	(48)	(4,154)	(155)	(956)	(5,313)
Balance as at April 30, 2011	1,375	11,201	257,838	91,977	25,501	387,892
Additions	-	-	16,249	4,479	682	21,410
Disposals	-	-	(2,793)	(483)	-	(3,276)
Effect of movements in exchange rates	3	63	(1,022)	107	534	(315)
Balance as at July 31, 2011	\$ 1,378	\$ 11,264	\$ 270,272	\$ 96,080	\$ 26,717	\$ 405,711

Accumulated Depreciation

	Land	Buildings	Drills	Auto	Other	Total
Balance as at May 1, 2010	\$ -	\$ (2,363)	\$ (74,610)	\$ (40,444)	\$ (16,780)	\$ (134,197)
Disposals	-	194	3,917	3,934	-	8,045
Depreciation	-	(668)	(17,096)	(11,125)	(1,272)	(30,161)
Effect of movements in exchange rates	-	46	3,368	(460)	940	3,894
Balance as at April 30, 2011	-	(2,791)	(84,421)	(48,095)	(17,112)	(152,419)
Disposals	-	-	1,603	389	-	1,992
Depreciation	-	(167)	(4,799)	(3,129)	(294)	(8,389)
Effect of movements in exchange rates	-	7	1,765	496	(516)	1,752
Balance as at July 31, 2011	\$ -	\$ (2,951)	\$ (85,852)	\$ (50,339)	\$ (17,922)	\$ (157,064)
Net book value May 1, 2010	\$ 1,542	\$ 8,079	\$ 145,141	\$ 35,107	\$ 9,066	\$198,935
Net book value April 30, 2011	\$ 1,375	\$ 8,410	\$ 173,417	\$ 43,882	\$ 8,389	\$235,473
Net book value July 31, 2011	\$ 1,378	\$ 8,313	\$ 184,420	\$ 45,741	\$ 8,795	\$248,647

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7. PROPERTY, PLANT AND EQUIPMENT (Continued)

There were no impairments recorded as at May 1, 2010, April 30, 2011 or July 31, 2011. 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 May 1, 2010, April 30, 2011 or July 31, 2011.

Capital expenditures were \$21,410 and \$8,969 for the periods ended July 31, 2011 and 2010, respectively. The Company did not obtain direct financing for the period ended July 31, 2011 but obtained direct financing of \$50 for the period ended July 31, 2010.

8. GOODWILL

Changes in the goodwill balance were as follows:

Balance as at May 1, 2010	\$ 26,475
Goodwill acquired	1,083
Effect of movement in exchange rates	758
Balance as at April 30, 2011	28,316
Effect of movement in exchange rates	357
Balance as at July 31, 2011	\$ 28,673

Allocation of goodwill to CGUs

The carrying amount of goodwill was allocated to CGUs as follows:

	<u>April 30, 2011</u>	<u>May 1, 2010</u>
Canada	\$ 13,223	\$ 13,223
Chile	12,182	11,004
Other	2,911	2,248
	\$ 28,316	\$ 26,475

Canada

The recoverable amount of the 'Canadian Branch' as a CGU is determined on a value-in-use calculation, which uses cash flow projections based on financial budgets and forward projections approved by management covering a five-year period, and a discount rate of 14% per annum. Cash flows beyond that period have been extrapolated using a steady 2% per annum growth rate. While the mining services market in Canada is cyclical in nature this organic growth rate has been achieved across two business cycles and is seen by management as a fair and conservative long-term average growth rate. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

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8. GOODWILL (Continued)

Chile

The recoverable amount of the ‘Chilean Branch’ as a CGU is determined on a value in use calculation, which uses cash flow projections based on financial budgets and forward projections approved by management covering a five-year period, and a discount rate of 15% per annum. Cash flows beyond that period have been extrapolated using a steady 2% per annum growth rate. While the mining services market in Chile is cyclical in nature this organic growth rate has been achieved across two business cycles and is seen by management as a fair and conservative long-term average growth rate. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

Key assumptions

The key assumptions in the value in use calculations for the Canadian and Chilean CGUs are as follows:

Revenue - The values assigned to the assumptions reflect past experience, except for peak revenue that is reasonably expected to be higher than the last peak during 2008 and 2009. The effect of the incorporation of the acquired drill fleets and significant levels of capital expenditure within both the Canadian and Chilean CGUs since 2007 that have been higher than the sustaining level, have provided both CGUs with the basis on which to grow. The growth expected is consistent with management’s plans for focusing operations in these markets and growing share in the specialized drilling market.

Gross margin – Management expects that gross margins will remain in a range in line with historically achieved levels.

9. INTANGIBLE ASSETS

Changes in the intangible assets balance were as follows:

Balance as at May 1, 2010	\$ 1,074
Intangible assets acquired	763
Amortization	(761)
Effect of movement in exchange rates	159
Balance as at April 30, 2011	1,235
Amortization	(191)
Effect of movement in exchange rates	(1)
Balance as at July 31, 2011	\$ 1,043

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10. LONG-TERM DEBT

In the first quarter of the current fiscal year, the Company increased its equipment and acquisition loan by \$10,000, bearing interest at prime plus 1%, with principle repayments commencing in the first quarter of fiscal 2013 and maturing August, 2017.

11. 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.

Authorized

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

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

	<u>Number of shares (000's)</u>		<u>Share capital</u>
Balance as at May 1, 2010	71,243	\$	144,919
Options exercised during the year	797		5,723
Balance as at April 30, 2011	72,040		150,642
Options exercised during the period	-		-
Balance as at July 31, 2011	72,040	\$	150,642

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12. INCOME TAXES

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

	<u>July 31, 2011</u>	<u>July 31, 2010</u>
Earnings before income tax	<u>\$ 26,255</u>	<u>\$ 7,494</u>
Statutory Canadian corporate income tax rate	29%	30%
Expected income tax expense based on statutory rate	\$ 7,614	\$ 2,248
Non-recognition of tax benefits related to losses	48	222
Other foreign taxes paid	51	55
Rate variances in foreign jurisdictions	(298)	(606)
Other	948	441
Total income tax provision	<u>\$ 8,363</u>	<u>\$ 2,360</u>

13. EARNINGS PER SHARE

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

	<u>July 2011</u>	<u>July 2010</u>
Net earnings for the period	<u>\$ 17,892</u>	<u>\$ 5,134</u>
Weighted average shares outstanding – basic (000's)	72,040	71,355
Net effect of dilutive securities:		
Stock options (000's)	<u>881</u>	<u>394</u>
Weighted average number of shares – diluted (000's)	<u>72,921</u>	<u>71,749</u>
Earnings per share:		
Basic	\$ 0.25	\$ 0.07
Diluted	\$ 0.25	\$ 0.07

The calculation of the diluted earnings per share for the periods ended July 31, 2011 and 2010 exclude the effect of 75,271 options and 577,735 options, respectively, as they are anti-dilutive.

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14. 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. Management evaluates performance based on earnings from operations in these three geographic segments before finance costs and income taxes. Data relating to each of the Company's reportable segments is presented as follows:

	<u>July 31, 2011</u>	<u>July 31, 2010</u>
Revenue		
Canada – U.S.	\$ 61,438	\$ 40,451
South and Central America	51,292	40,017
Australia, Asia and Africa	51,422	29,012
	<u>\$ 164,152</u>	<u>\$ 109,480</u>
Earnings from operations		
Canada – U.S.	\$ 9,986	\$ 5,605
South and Central America	10,599	4,521
Australia, Asia and Africa	11,058	1,163
	<u>31,643</u>	<u>11,289</u>
Eliminations	<u>(25)</u>	<u>(231)</u>
	31,618	11,058
Finance costs	822	286
General corporate expenses*	4,541	3,278
Income tax	8,363	2,360
Net earnings	<u>\$ 17,892</u>	<u>\$ 5,134</u>

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

Depreciation and amortization		
Canada – U.S.	\$ 3,341	\$ 2,292
South and Central America	2,271	1,901
Australia, Asia and Africa	2,664	2,709
Unallocated corporate assets	304	245
Total depreciation and amortization	<u>\$ 8,580</u>	<u>\$ 7,147</u>

	<u>July 31, 2011</u>	<u>April 30, 2011</u>	<u>May 1, 2010</u>
Identifiable assets			
Canada – U.S.	\$ 146,976	\$ 134,666	\$ 103,998
South and Central America	193,905	189,083	157,937
Australia, Asia and Africa	139,396	130,071	102,574
	<u>480,277</u>	<u>453,820</u>	<u>364,509</u>
Eliminations	(1,263)	439	460
Unallocated and corporate assets	20,310	19,878	41,290
	<u>\$ 499,324</u>	<u>\$ 474,137</u>	<u>\$ 406,259</u>

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14. SEGMENTED INFORMATION (Continued)

Canada – U.S. includes revenue in July 31, 2011 of \$33,225 (July 31, 2010 - \$27,028) for Canadian operations and property, plant and equipment at July 31, 2011 of \$46,506 (April 30, 2011 - \$45,325; May 1, 2010 - \$38,699).

15. 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 \$39,331 for July 31, 2011 (\$27,838 for July 31, 2010) and other employee benefits of \$7,528 for July 31, 2011 (\$6,296 for July 31, 2010); general and administrative expense includes salaries and wages of \$5,181 for July 31, 2011 (\$4,002 for July 31, 2010) and other employee benefits of \$911 for July 31, 2011 (\$740 for July 31, 2010); other expenses include share-based payments of \$423 for July 31, 2011 (\$473 for July 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:

	<u>2011</u>	<u>2010</u>
Depreciation of property, plant and equipment	\$ 8,389	\$ 7,015
Amortization of intangible assets	191	132
	<u>\$ 8,580</u>	<u>\$ 7,147</u>

16. BUSINESS ACQUISITIONS

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 \$9,733 (CAD \$9,512), including customary working capital adjustments, financed with cash.

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

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16. BUSINESS ACQUISITIONS (Continued)

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

Assets acquired	
Inventories	\$ 946
Prepaid expenses	23
Property, plant and equipment	8,543
Total assets	<u>\$ 9,512</u>

Consideration	
Cash	\$ 1,209
Trade and other payables	8,303
	<u>\$ 9,512</u>

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 drilling equipment, contracts and personnel. The purchase price for the transaction was USD \$2,449 (CAD \$2,567), including customary working capital adjustments of CAD \$215, financed with cash. There is also a contingent consideration of USD \$750 to the purchase price, 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	<u>\$ 3,321</u>

Consideration	
Cash	\$ 2,567
Contingent consideration	754
	<u>\$ 3,321</u>

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17. DIVIDENDS

The Company has declared two semi-annual 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. These dividends are designated as an “eligible dividend” for Canadian tax purposes.

18. 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, accounts receivable, demand credit facility and accounts payable and accrued charges 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 also approximates their fair value as almost all debts carry variable interest rates.

	July 31, 2011	April 30, 2011	May 1, 2010
Short-term debt	\$ 8,032	\$ 7,919	\$ -
Contingent considerations	2,626	2,612	2,011
Long-term debt	32,848	25,032	23,928

Credit risk

As at July 31, 2011, 72.4% of the Company’s trade receivables were aged as current and 0.3% of the trade receivables were impaired.

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

Balance as at May 1, 2010	\$ 1,605
Increase in impairment allowance	493
Write-off charged against allowance	(1,125)
Foreign exchange translation differences	9
Balance as at April 30, 2011	982
Write-off charged against allowance	(526)
Recovery of amounts previously written off	(161)
Foreign exchange translation differences	17
Balance as at July 31, 2011	\$ 312

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18. FINANCIAL INSTRUMENTS (Continued)

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:

	July 31, 2011	April 30, 2011	May 1, 2010
U.S. Dollars	\$ 16,609	\$ 14,605	\$ 2,843

If the Canadian dollar moved by plus or minus 10% at July 31, 2011, the unrealized foreign exchange gain or loss would move by approximately \$1,661 (April 30, 2011 – \$1,460, May 1, 2010 - \$284).

Liquidity risk

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

	<u>1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>	<u>thereafter</u>	<u>Total</u>
Trade and other payables	\$ 85,931	\$ -	\$ -	\$ -	\$ 85,931
Contingent consideration	955	1,671	-	-	2,626
Short-term debt	8,032	-	-	-	8,032
Long-term debt	<u>8,251</u>	<u>15,032</u>	<u>7,565</u>	<u>2,000</u>	<u>32,848</u>
	<u>\$103,169</u>	<u>\$ 16,703</u>	<u>\$ 7,565</u>	<u>\$ 2,000</u>	<u>\$129,437</u>