Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Operations

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

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

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

(in thousands of Canadian dollars)
(unaudited)

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

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

For the three months ended July 31, 2012 and 2013

(in thousands of Canadian dollars)

(unaudited)

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

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

(in thousands of Canadian dollars)
(unaudited)

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

Major Drilling Group International Inc.
Interim Condensed Consolidated Balance Sheets

As at July 31, 2013 and April 30, 2013

(in thousands of Canadian dollars)

(unaudited)

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

1. NATURE OF ACTIVITIES

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

2. BASIS OF PRESENTATION

Statement of compliance

These Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies as outlined in the Company's annual Consolidated Financial Statements for the year ended April 30, 2013.

Basis of consolidation

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

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

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

Basis of preparation

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

3. FUTURE ACCOUNTING CHANGES

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

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

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

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

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

5. SEASONALITY OF OPERATIONS

The third quarter (November to January) is normally the Company's weakest quarter due to the shutdown of mining and exploration activities, often for extended periods over the holiday season, particularly in South and Central America.

6. PROPERTY PLANT & EQUIPMENT

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

7. INCOME TAXES

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

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

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

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

8. EARNINGS PER SHARE

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

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

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

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

9. SEGMENTED INFORMATION

The Company’s operations are divided into three geographic segments corresponding to its management structure, Canada - U.S., South and Central America, and Australia, Asia and Africa. The services provided in each of the reportable segments are essentially the same. The accounting policies of the segments are the same as those described in the Company’s annual Consolidated Financial Statements for the year ended April 30, 2013. Management evaluates performance based on earnings from operations in these three geographic segments before finance costs, general corporate expenses and income taxes. Data relating to each of the Company’s reportable segments is presented as follows:

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

9. SEGMENTED INFORMATION (Continued)

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

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

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

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

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

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

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

10. RESTRUCTURING CHARGE

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

11. FINANCIAL INSTRUMENTS

There are no significant changes to financial instruments compared to the Company's annual Consolidated Financial Statements for the year ended April 30, 2013 except for the following:

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

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

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

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

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

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

11. FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk

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

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

Liquidity risk

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

Non-derivative financial liabilities:

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

Derivative financial liabilities:

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