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

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

(unaudited)

	Three months ended October 31		Six months ended October 31	
	2014	2013	**2014**	2013
TOTAL REVENUE	**$ 87,192**	$ 92,268	**$ 154,743**	$ 200,479
DIRECT COSTS	**66,456**	62,257	**117,340**	135,346
GROSS PROFIT	**20,736**	30,011	**37,403**	65,133
OPERATING EXPENSES				
General and administrative	**11,261**	12,269	**22,240**	25,316
Other expenses	**1,673**	1,018	**2,544**	2,083
(Gain) loss on disposal of property, plant and equipment	**(2,015)**	263	**(2,030)**	433
Foreign exchange loss	**1,445**	780	**1,518**	2,004
Finance costs	**190**	224	**394**	538
Depreciation of property, plant and equipment	**12,609**	12,801	**25,962**	25,976
Amortization of intangible assets	**527**	342	**848**	684
Impairment of goodwill	**-**	12,057	**-**	12,057
Restructuring charge	**2,830**	678	**3,421**	2,712
	28,520	40,432	**54,897**	71,803
LOSS BEFORE INCOME TAX	**(7,784)**	(10,421)	**(17,494)**	(6,670)
INCOME TAX - PROVISION (RECOVERY) (note 7)				
Current	**4,187**	4,684	**4,515**	8,475
Deferred	**(1,823)**	3,995	**(4,530)**	2,433
	2,364	8,679	**(15)**	10,908
NET LOSS	**$ (10,148)**	$ (19,100)	**$ (17,479)**	$ (17,578)
LOSS PER SHARE (note 8)				
Basic	**$ (0.13)**	$ (0.24)	**$ (0.22)**	$ (0.22)
Diluted	**$ (0.13)**	$ (0.24)	**$ (0.22)**	$ (0.22)

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

(in thousands of Canadian dollars)

(unaudited)

	Three months ended October 31		Six months ended October 31	
	2014	2013	**2014**	2013
NET LOSS	**$ (10,148)**	$ (19,100)	**$ (17,479)**	$ (17,578)
OTHER COMPREHENSIVE EARNINGS				
Items that may be reclassified subsequently to profit or loss				
Unrealized gains on foreign currency translations (net of tax)	**8,846**	9,677	**6,346**	4,580
COMPREHENSIVE LOSS	**$ (1,302)**	$ (9,423)	**$ (11,133)**	$ (12,998)

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

For the six months ended October 31, 2013 and 2014

(in thousands of Canadian dollars)

(unaudited)

	Share capital	Share-based payments reserve	Retained earnings	Foreign currency translation reserve	Total
BALANCE AS AT MAY 1, 2013	$ 230,985	$ 14,204	$283,088	$ 10,052	$538,329
Share-based payments reserve	-	981	-	-	981
Dividends	-	-	(7,916)	-	(7,916)
	230,985	15,185	275,172	10,052	531,394
Comprehensive loss:					
Net loss	-	-	(17,578)	-	(17,578)
Unrealized gains on foreign currency translations	-	-	-	4,580	4,580
Total comprehensive loss	-	-	(17,578)	4,580	(12,998)
BALANCE AS AT OCTOBER 31, 2013	$ 230,985	$ 15,185	$257,594	$ 14,632	$518,396
BALANCE AS AT MAY 1, 2014	**$ 230,985**	**$ 15,937**	**$211,945**	**$ 25,480**	**$484,347**
Exercise of stock options	**46**	**(12)**	**-**	**-**	**34**
Share issue (note 10)	**8,689**	**-**	**-**	**-**	**8,689**
Share-based payments reserve	**-**	**702**	**-**	**-**	**702**
Dividends	**-**	**-**	**(8,014)**	**-**	**(8,014)**
	239,720	**16,627**	**203,931**	**25,480**	**485,758**
Comprehensive loss:					
Net loss	**-**	**-**	**(17,479)**	**-**	**(17,479)**
Unrealized gains on foreign currency translations	**-**	**-**	**-**	**6,346**	**6,346**
Total comprehensive loss	**-**	**-**	**(17,479)**	**6,346**	**(11,133)**
BALANCE AS AT OCTOBER 31, 2014	**$ 239,720**	**$ 16,627**	**$186,452**	**$ 31,826**	**$474,625**

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

(in thousands of Canadian dollars)

(unaudited)

	Three months ended October 31		Six months ended October 31	
	2014	2013	**2014**	2013
OPERATING ACTIVITIES				
Loss before income tax	**$ (7,784)**	$ (10,421)	**$ (17,494)**	$ (6,670)
Operating items not involving cash				
Depreciation and amortization	**13,136**	13,143	**26,810**	26,660
(Gain) loss on disposal of property, plant and equipment	**(2,015)**	263	**(2,030)**	433
Share-based payments reserve	**347**	451	**702**	981
Impairment of goodwill	**-**	12,057	**-**	12,057
Restructuring charge	**1,953**	-	**1,953**	665
Finance costs recognized in loss before income tax	**190**	224	**394**	538
	5,827	15,717	**10,335**	34,664
Changes in non-cash operating working capital items	**3,596**	9,683	**2,401**	107
Finance costs paid	**(187)**	(217)	**(388)**	(527)
Income taxes paid	**(2,009)**	(3,109)	**(4,209)**	(9,460)
Cash flow from operating activities	**7,227**	22,074	**8,139**	24,784
FINANCING ACTIVITIES				
Increase in demand loan	**658**	-	**658**	-
Repayment of demand loan	**-**	-	**(3,354)**	-
Repayment of long-term debt	**(4,760)**	(3,968)	**(6,499)**	(17,034)
Issuance of common shares	**25**	-	**34**	-
Dividends paid	**-**	-	**(7,916)**	(7,916)
Cash flow used in financing activities	**(4,077)**	(3,968)	**(17,077)**	(24,950)
INVESTING ACTIVITIES				
Business acquisition (note 10)	**(20,891)**	-	**(20,891)**	(205)
Acquisition of property, plant and equipment (net of direct financing) (note 6)	**(2,912)**	(6,005)	**(10,057)**	(11,209)
Proceeds from disposal of property, plant and equipment	**5,246**	1,067	**15,880**	2,883
Cash flow used in investing activities	**(18,557)**	(4,938)	**(15,068)**	(8,531)
Effect of exchange rate changes	**985**	897	**815**	1,510
(DECREASE) INCREASE IN CASH	**(14,422)**	14,065	**(23,191)**	(7,187)
CASH, BEGINNING OF THE PERIOD	**65,475**	61,059	**74,244**	82,311
CASH, END OF THE PERIOD	**$ 51,053**	$ 75,124	**$ 51,053**	$ 75,124

Major Drilling Group International Inc.
Interim Condensed Consolidated Balance Sheets
As at October 31, 2014 and April 30, 2014

(in thousands of Canadian dollars)

(unaudited)

	October 31, 2014	April 30, 2014
ASSETS		
CURRENT ASSETS		
Cash	$ 51,053	$ 74,244
Trade and other receivables	72,369	66,211
Income tax receivable	9,494	12,179
Inventories	77,542	81,308
Prepaid expenses	4,699	4,690
	215,157	238,632
PROPERTY, PLANT AND EQUIPMENT	287,803	307,288
DEFERRED INCOME TAX ASSETS	7,374	5,825
GOODWILL	65,041	38,056
INTANGIBLE ASSETS	1,212	1,923
	$ 576,587	$ 591,724
LIABILITIES		
CURRENT LIABILITIES		
Demand loan	$ 1,236	$ 3,909
Trade and other payables	49,345	52,155
Income tax payable	818	3,416
Current portion of long-term debt	6,507	9,655
	57,906	69,135
CONTINGENT CONSIDERATION (note 10)	11,500	-
LONG-TERM DEBT	11,055	14,187
DEFERRED INCOME TAX LIABILITIES	21,501	24,055
	101,962	107,377
SHAREHOLDERS' EQUITY		
Share capital	239,720	230,985
Share-based payments reserve	16,627	15,937
Retained earnings	186,452	211,945
Foreign currency translation reserve	31,826	25,480
	474,625	484,347
	$ 576,587	$ 591,724

1. NATURE OF ACTIVITIES

Major Drilling Group International Inc. (the "Company" or "Major Drilling") 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, Mexico, South America, 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, 2014.

On December 4, 2014 the Board of Directors authorized the financial statements for issue.

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 when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statements 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, 2014, 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, 2014.

3. APPLICATION OF NEW AND REVISED IFRS

The following IASB standards, now in effect, have had no significant impact on the Company's Consolidated Financial Statements:

IAS 32 *(amended) Financial Instruments: Presentation*
IAS 36 *(amended) Impairment of Assets*
IAS 39 *(amended) Financial Instruments: Recognition and Measurement*
IFRIC 21 *Levies*

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

IFRS 9 *(as amended in 2014) Financial Instruments*
IFRS 10 *(amended) Consolidated Financial Statements*
IFRS 11 *(amended) Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
IFRS 15 *Revenue from Contracts with Customers*
IAS 16 *(amended) Property, Plant and Equipment*
IAS 27 *(amended) Separate Financial Statements*
IAS 28 *(amended) Investments in Associates and Joint Ventures*
IAS 38 *(amended) Intangible Assets*

The Company is currently in the process of assessing the impact of the adoption of these standards on the 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 contingent considerations, 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 October 31, 2014 were $3,124 (2013 - $6,005) and for the six months ended October 31, 2014 were $10,269 (2013 - $11,209). The Company obtained direct financing of $212 for the three and six months ended October 31, 2014 and nil for the three and six months ended October 31, 2013.

7. INCOME TAXES

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

	Q2 2015	Q2 2014	**YTD 2015**	YTD 2014
Loss before income tax	**$ (7,784)**	$(10,421)	**$ (17,494)**	$ (6,670)
Statutory Canadian corporate income tax rate	**27%**	28%	**27%**	28%
Expected income tax recovery based on statutory rate	**(2,102)**	(2,918)	**(4,723)**	(1,868)
Non-recognition of tax benefits related to losses	**2,814**	1,005	**3,564**	1,081
Other foreign taxes paid	**77**	77	**171**	202
Rate variances in foreign jurisdictions	**(19)**	1,390	**(276)**	1,844
Permanent differences	**95**	3,308	**434**	3,668
De-recognition of previously recognized tax losses	**-**	4,536	**-**	4,536
Other	**1,499**	1,281	**815**	1,445
Income tax expense (recovery) recognized in net loss	**$ 2,364**	$ 8,679	**$ (15)**	$ 10,908

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

7. INCOME TAXES (Continued)

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.

8. LOSS PER SHARE

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

	Q2 2015	Q2 2014	**YTD 2015**	YTD 2014
Net loss	**$ (10,148)**	$ (19,100)	**$ (17,479)**	$ (17,578)
Weighted average shares outstanding – basic (000's)	**80,124**	79,161	**79,643**	79,161
Net effect of dilutive securities:				
Stock options (000's)	**-**	-	**-**	-
Weighted average number of shares – diluted (000's)	**80,124**	79,161	**79,643**	79,161
Loss per share:				
Basic	**$ (0.13)**	$ (0.24)	**$ (0.22)**	$ (0.22)
Diluted	**$ (0.13)**	$ (0.24)	**$ (0.22)**	$ (0.22)

There were no anti-dilutive options for the three and six months ended October 31, 2014 and 2013.

The total number of shares outstanding on October 31, 2014 was 80,135,883 (2013 - 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, 2014. Management evaluates performance based on (loss) 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)

	Q2 2015	Q2 2014	**YTD 2015**	YTD 2014
Revenue				
Canada – U.S.	**$ 49,813**	$ 43,665	**$ 86,232**	$ 97,032
South and Central America	**23,331**	17,524	**37,436**	39,262
Australia, Asia and Africa	**14,048**	31,079	**31,075**	64,185
	$ 87,192	$ 92,268	**$ 154,743**	$ 200,479
Earnings (loss) from operations				
Canada – U.S.	**$ 2,580**	$ 4,161	**$ 1,967**	$ 11,524
South and Central America	**(794)**	(14,486)	**(5,512)**	(16,573)
Australia, Asia and Africa	**(6,528)**	2,250	**(8,810)**	3,697
	(4,742)	(8,075)	**(12,355)**	(1,352)
Eliminations	**-**	(133)	**-**	(285)
	(4,742)	(8,208)	**(12,355)**	(1,637)
Finance costs	**190**	224	**394**	538
General corporate expenses*	**2,852**	1,989	**4,745**	4,495
Income tax	**2,364**	8,679	**(15)**	10,908
Net loss	**$(10,148)**	$(19,100)	**$ (17,479)**	$ (17,578)

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

Canada – U.S. includes revenue of $29,187 and $24,442 for Canadian operations for the three months ended October 31, 2014 and 2013, respectively, and $51,637 and $62,786 for the six months ended October 31, 2014 and 2013, respectively.

	Q2 2015	Q2 2014	**YTD 2015**	YTD 2014
Depreciation and amortization				
Canada – U.S.	**$ 6,440**	$ 5,662	**$ 12,484**	$ 11,472
South and Central America	**2,930**	2,980	**6,584**	5,994
Australia, Asia and Africa	**3,390**	3,970	**6,995**	8,093
Unallocated corporate assets	**376**	531	**747**	1,101
Total depreciation and amortization	**$ 13,136**	$ 13,143	**$ 26,810**	$ 26,660

	October 31, 2014	April 30, 2014
Identifiable assets		
Canada – U.S.	**$ 229,994**	$ 197,673
South and Central America	**182,503**	178,026
Australia, Asia and Africa	**116,980**	148,806
	529,477	524,505
Unallocated and corporate assets	**47,110**	67,219
	$ 576,587	$ 591,724

Canada – U.S. includes property, plant and equipment at October 31, 2014 of $87,721 (April 30, 2014 - $88,347) for Canadian operations.

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

10. BUSINESS ACQUISITION

Taurus Drilling Services

Effective August 1, 2014, the Company entered into the underground percussive/longhole drilling sector with its purchase of the operations of Taurus Drilling Services ("Taurus"), based in Canada and the United States.

The acquisition has been accounted for using the acquisition method and the results of this operation have been included in the Interim Condensed Consolidated Statements of Operations from the closing date. Through this purchase, which fits with the Company's strategic focus on specialized drilling, the Company acquired 39 underground drill rigs, support equipment and inventory, existing contracts and receivables, the operation's management team, and other employees, including experienced drillers.

The purchase price for the transaction was $29.6 million (consisting of $20.7 million in cash, $8.7 million in Major Drilling shares, and $0.2 million in assumption of debt), and an additional maximum amount of $11.5 million tied to performance. The additional payout period extends for three years, commencing on August 1, 2014, and payments are contingent on growing EBITDA run rates above current levels.

As the acquisition occurred early in the current quarter, the Company is in the process of finalizing the valuation of assets. As at October 31, 2014, the values allocated to net tangible and intangible assets are preliminary and are subject to adjustments as additional information is obtained.

Goodwill arising from this acquisition will represent the excess of the total consideration paid over the fair market value of the net assets acquired and the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Taurus and Major Drilling.

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

Assets acquired	
Trade and other receivables	$ 5,511
Inventories	606
Prepaid expenses	40
Property, plant and equipment	9,287
Goodwill	26,650
Trade and other payables	(1,014)
Total assets	**$ 41,080**
Consideration	
Cash	$ 20,680
Trade and other payable	211
Contingent consideration	11,500
Shares of Major Drilling	8,689
	$ 41,080

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

10. BUSINESS ACQUISITION (Continued)

The above consideration includes non-cash investing activities, which are not reflected in the Interim Condensed Consolidated Statements of Cash Flows, including the issuance of 966,495 shares of Major Drilling at $8.99 for a total of $8,689 and contingent consideration of $11,500.

The Company incurred acquisition-related costs of $308 relating to external legal fees and due diligence costs. These acquisition costs have been included in the other expense line of the Interim Condensed Consolidated Statements of Operations.

The revenue for the three months ended October 31, 2014 attributable to the additional business generated by Taurus was $11,151. Due to the integration of the Taurus acquisition with existing operations, it is impracticable to estimate the revenue and net income of the combined entity for the year as though the acquisition date was May 1, 2014.

11. FINANCIAL INSTRUMENTS

Fair value

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

	October 31, 2014	April 30, 2014
Long-term debt	**$ 17,562**	$ 23,842

During the current quarter, the Company entered into an amending agreement amending the current credit agreement with its lenders. As a result, the Company is in compliance with all covenants and other conditions imposed in this credit agreement.

Credit risk

As at October 31, 2014, 81.6% of the Company’s trade receivables were aged as current (April 30, 2014 - 79.8%) and 5.1% of the trade receivables were impaired (April 30, 2014 - 5.1%).

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

11. FINANCIAL INSTRUMENTS (Continued)

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

	October 31, 2014	October 31, 2013
Opening balance	**$ 3,016**	$ 2,790
Increase in impairment allowance	**1,258**	445
Recovery of amounts previously impaired	**(186)**	-
Write-off charged against allowance	**(814)**	(844)
Foreign exchange translation differences	**(52)**	14
Ending balance	**$ 3,222**	$ 2,405

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 US $12,922 as of October 31, 2014.

If the Canadian dollar moved by plus or minus 10% at October 31, 2014, the unrealized foreign exchange gain or loss recognized in net loss would move by approximately US $1,292.

Liquidity risk

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

	1 year	2-3 years	4-5 years	thereafter	Total
Demand loan	$ 1,236	$ -	$ -	$ -	$ 1,236
Trade and other payables	49,345	-	-	-	49,345
Long-term debt	6,761	7,473	2,149	1,942	18,325
	$ 57,342	$ 7,473	$ 2,149	$ 1,942	$ 68,906