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

	Three months ended July 31	
	2008	2007
TOTAL REVENUE	**$ 178,215**	$ 143,420
DIRECT COSTS	**114,911**	95,776
GROSS PROFIT	**63,304**	47,644
OPERATING EXPENSES		
General and administrative	**13,378**	10,026
Other expenses	**3,825**	3,527
Foreign exchange loss	**167**	979
Interest revenue	**(75)**	(348)
Interest expense on long-term debt	**601**	724
Amortization	**7,596**	6,059
	25,492	20,967
EARNINGS BEFORE INCOME TAX AND DISCONTINUED OPERATIONS	**37,812**	26,677
INCOME TAX - PROVISION		
Current	**10,108**	7,570
Future	**1,374**	283
	11,482	7,853
EARNINGS FROM CONTINUING OPERATIONS	**26,330**	18,824
GAIN FROM DISCONTINUED OPERATIONS	**-**	111
NET EARNINGS	**$ 26,330**	$ 18,935
EARNINGS PER SHARE FROM CONTINUING OPERATIONS		
Basic *	**$ 1.11**	$ 0.80
Diluted **	**$ 1.10**	$ 0.79
EARNINGS PER SHARE		
Basic *	**$ 1.11**	$ 0.81
Diluted **	**$ 1.10**	$ 0.80

*Based on 23,707,043 and 23,433,503 daily weighted average shares outstanding for the fiscal year to date 2009 and 2008, respectively. The total number of shares outstanding on July 31, 2008 was 23,707,173.

**Based on 24,026,276 and 23,806,479 daily weighted average shares outstanding for the fiscal year to date 2009 and 2008, respectively.

Major Drilling Group International Inc.
Consolidated Statements of Comprehensive Earnings

(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2008	2007
NET EARNINGS	**$ 26,330**	$ 18,935
OTHER COMPREHENSIVE EARNINGS (LOSS)		
Unrealized gains (losses) on translating financial statements of self-sustaining foreign operations	**2,900**	(7,131)
COMPREHENSIVE EARNINGS	**$ 29,230**	$ 11,804

Consolidated Statements of Retained Earnings

(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2008	2007
RETAINED EARNINGS, BEGINNING OF THE PERIOD	**$ 182,533**	$ 108,438
Net earnings	**26,330**	18,935
RETAINED EARNINGS, END OF THE PERIOD	**$ 208,863**	$ 127,373

Consolidated Statements of Accumulated Other Comprehensive Loss

(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2008	2007
ACCUMULATED OTHER COMPREHENSIVE LOSS, BEGINNING OF THE PERIOD	**$ (44,552)**	$ (30,383)
Unrealized gains (losses) on translating financial statements of self-sustaining foreign operations	**2,900**	(7,131)
ACCUMULATED OTHER COMPREHENSIVE LOSS, END OF THE PERIOD	**$ (41,652)**	$ (37,514)

Major Drilling Group International Inc.
Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2008	2007
OPERATING ACTIVITIES		
Earnings from continuing operations	**$ 26,330**	$ 18,824
Operating items not involving cash		
Amortization	**7,596**	6,059
Loss on disposal of capital assets	**812**	104
Future income tax	**1,374**	283
Stock-based compensation	**398**	921
	36,510	26,191
Changes in non-cash operating working capital items	**(18,401)**	(10,337)
Cash flow from operating activities	**18,109**	15,854
FINANCING ACTIVITIES		
Repayment of long-term debt	**(3,042)**	(5,159)
Repayment of demand loans	**(583)**	-
Issuance of common shares	**7**	1,863
Discontinued operations	**-**	(3,096)
Cash flow used in financing activities	**(3,618)**	(6,392)
INVESTING ACTIVITIES		
Acquisition of capital assets, net of direct financing	**(18,891)**	(14,531)
Proceeds from disposal of capital assets	**472**	720
Cash flow used in investing activities	**(18,419)**	(13,811)
OTHER ACTIVITIES		
Foreign exchange translation adjustment	**4**	(92)
DECREASE IN CASH	**(3,924)**	(4,441)
CASH POSITION, BEGINNING OF THE PERIOD	**20,695**	25,022
CASH POSITION, END OF THE PERIOD	**$ 16,771**	$ 20,581

Major Drilling Group International Inc.
Consolidated Balance Sheets

As at July 31, 2008 and April 30, 2008

(in thousands of Canadian dollars)

(unaudited)

ASSETS	July 2008	April 2008
CURRENT ASSETS		
Cash	$ 16,771	$ 20,695
Accounts receivable	104,018	103,555
Income tax receivable	4,206	3,218
Inventories (note 6)	77,987	75,094
Prepaid expenses	10,859	6,280
Future income tax assets	2,349	3,948
	216,190	212,790
CAPITAL ASSETS	210,918	199,007
FUTURE INCOME TAX ASSETS	1,414	334
GOODWILL	15,316	14,837
	$ 443,838	$ 426,968

LIABILITIES	July 2008	April 2008
CURRENT LIABILITIES		
Demand loan	$ 1,596	$ 2,179
Accounts payable and accrued charges	63,258	73,870
Income tax payable	9,985	10,541
Current portion of long-term debt	11,998	11,798
Future income tax liabilities	1,106	1,177
Liabilities of discontinued operations (note 7)	1,953	2,028
	89,896	101,593
LONG-TERM DEBT	25,379	28,317
FUTURE INCOME TAX LIABILITIES	11,022	9,152
	126,297	139,062
SHAREHOLDERS' EQUITY		
Share capital	142,147	142,140
Contributed surplus	8,183	7,785
Retained earnings	208,863	182,533
Accumulated other comprehensive loss	(41,652)	(44,552)
	317,541	287,906
	$ 443,838	$ 426,968

1. BASIS OF PRESENTATION

These interim consolidated financial statements were prepared using accounting policies and methods consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended April 30, 2008, except for the adoption of new accounting policies as disclosed in Note 2 below. These interim consolidated financial statements conform in all respects to the requirements of Canadian generally accepted accounting principles for annual financial statements, with the exception of certain note disclosures. As a result, these interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes for the year ended April 30, 2008 contained in the Company's 2008 annual report.

2. CHANGES IN ACCOUNTING POLICIES

The Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031, Inventories, replacing Section 3030, Inventories, Section 3862, Financial Instruments – Disclosures, Section 3863, Financial Instruments – Presentation, and Section 1535, Capital Disclosures, on May 1, 2008.

Section 3031, Inventories, provides more guidance on the determination of the cost of inventory and the subsequent recognition of inventory as an expense, as well as requiring additional associated disclosures. The new standard also allows for the reversal of any write-down's previously recognized. The adoption of this policy had no material effect on the Company's consolidated financial statements. (see Note 6 – Inventory)

Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital. As the standards relate only to disclosure requirements, they have had no effect on financial results. (see Note 8 – Capital Management and Note 9 – Financial Instruments)

3. FUTURE ACCOUNTING CHANGES

Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning May 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

IFRS

In February 2008, the Accounting Standards Board ("AcSB") confirmed that the use of IFRS will be required in 2011 for publically accountable enterprises in Canada. In April 2008, the AcSB issued an IFRS Omnibus Exposure draft proposing that publically accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011 for companies with a calendar year end, therefore the transition date for the Company is May 1, 2011. This will require the restatement, for comparative purposes, of amounts reported by the Company for its year ended April 30, 2011, and of the opening balance sheet as at May 1, 2010. The Company is currently assessing the effect that this transition will have on its operations and financial reporting.

4. SEASONALITY OF OPERATIONS

The Company's operations tended to exhibit a seasonal pattern whereby its fourth quarter (February to April) was it's strongest. With the exception of the third quarter, the Company now 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.

5. BUSINESS ACQUISITIONS

Effective September 1, 2007 the Company acquired the exploration drilling company Harris y Cia Ltda. ("Harris") in Chile. Through this purchase, Major Drilling acquired 11 drill rigs, support equipment, inventory, an office and repair facilities. As part of this acquisition, the Company also acquired Harris' existing contracts and retained key management personnel, as well as the other employees, including a number of experienced drillers. The purchase price for the transaction was US$23,934 (C$25,203), including customary working capital adjustments, financed with cash.

5. BUSINESS ACQUISITIONS (Continued)

Net assets acquired at fair market value at acquisition are as follows:

Assets & liabilities acquired		
Cash	$	**1,149**
Accounts receivable		**631**
Inventories		**1,060**
Capital assets		**9,621**
Future income tax assets		**2,328**
Goodwill		**11,570**
Accounts payable		**(1,156)**
Net assets	$	**25,203**
Consideration		
Cash	$	**25,203**

Effective October 25, 2007 the Company acquired the assets of the exploration drilling company Paragon del Ecuador S.A. ("Paragon") in Ecuador. Through this purchase, Major Drilling acquired 7 drill rigs, support equipment and inventory, existing contracts and personnel. The purchase price for the transaction was US$5,999 (C$5,805), subject to various holdbacks, financed by cash and debt.

Net assets acquired at fair market value at acquisition are as follows:

Assets acquired		
Inventories	$	**586**
Capital assets		**2,023**
Goodwill		**3,196**
Net assets	$	**5,805**
Consideration		
Cash	$	**3,871**
Long-term debt		**1,934**
	$	**5,805**

6. INVENTORY

The cost of inventory recognized as an expense and included in cost of goods sold for the three months ended July 31, 2008 was $37,450. During the period, there were no significant write-downs of inventory as a result of net realizable value being lower than cost and no inventory write-downs recognized in previous years were reversed.

The Company's credit facility related to operations is in part secured by a general assignment of the Company's inventory.

7. DISCONTINUED OPERATIONS

On June 7, 2006, the Company sold its manufacturing subsidiary ("UDR") for A$46.8 million (C$39.2 million). The consideration for the sale was A$43.3 million (C$36.2 million) cash and a holdback paid in December 2007 in the amount of A$3.5 million (C$3.2 million). The net gain before income taxes was C$22.2 million. UDR previously constituted the Company's entire manufacturing segment. The Company made the strategic decision to focus its corporate resources on the mineral drilling business, where it competes as one of the world's largest contract drillers.

The gain from discontinued operations was nil for the quarter (2008 - $111). Current liabilities from discontinued operations consists of income tax payable for $1,953 as at July 31, 2008 ($2,028 as at April 30, 2008).

8. CAPITAL MANAGEMENT

The Company includes shareholders' equity (excluding accumulated other comprehensive loss), long-term borrowings and demand loan net of cash in the definition of capital.

Total managed capital was as follows:

	July 2008	April 2008
Demand loan	**$ 1,596**	$ 2,179
Long-term debt	**37,377**	40,115
Share capital	**142,147**	142,140
Contributed surplus	**8,183**	7,785
Retained earnings	**208,863**	182,533
Cash	**(16,771)**	(20,695)
	$ 381,395	$ 354,057

The Company's objective when managing its capital structure is to maintain financial flexibility in order to: i) preserve access to capital markets; ii) meet financial obligations and iii) finance internally generated growth and potential new acquisitions. To manage its capital structure, the Company may adjust spending, issue new shares, issue new debt or repay existing debt.

8. CAPITAL MANAGEMENT (Continued)

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.

In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary, dependent on various factors.

The Company's objectives with regards to capital management remain unchanged from 2008.

9. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, accounts receivable, demand loans and accounts payable approximate their fair value due to the relatively short period to maturity of the instruments. Long-term debt has a carrying value of $37,377 as at July 31, 2008 (April 30, 2008 - $40,115) and also approximates its fair market value.

Risk management

The Company is exposed to various risks related to its financial assets and liabilities. There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks, or the methods used to measure them, from previous periods, unless otherwise stated in this note.

Credit risk

The Company is exposed to credit risk from its accounts receivable. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. It carries out, on a continuing basis, credit checks on its customers and maintains provisions for contingent credit losses. The Company also diversifies its credit risk by dealing with a large number of customers in various countries. Demand for the Company's drilling services depends upon the level of mineral exploration and development activities conducted by mining companies, particularly with respect to gold, nickel and copper. The Company's five largest customers account for 22% (18% in 2008) of total revenue, with no one customer representing more than 10% of its revenue for 2009 or 2008.

The carrying amounts for accounts receivable are net of allowances for doubtful accounts, which are estimated based on aging analysis of receivables, past experience, specific risks associated with the customer and other relevant information. The maximum exposure to credit risk is the carrying value of the financial assets.

9. FINANCIAL INSTRUMENTS (Continued)

As at July 31, 2008, 95.4% of the Company's trade receivables are aged as current and 1% of the receivables are impaired.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. This risk is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Company does not enter into derivatives to manage credit risk.

Interest rate risk

The demand loan and long-term debt of the Company bears a floating rate of interest, which exposes the Company to interest rate fluctuations.

As at July 31, 2008 the Company has estimated that a one percentage point increase or decrease in interest rates would have caused a corresponding quarterly increase or decrease in net income of approximately $59.

Foreign currency risk

Foreign exchange risk arises as the Company has operations located internationally where local operational currency is not the same as the functional currency of the Company.

A significant portion of the Company's operations are located outside of Canada. The accounting impact of foreign currency exposure is minimized since the operations are classified as self-sustaining operations. In certain developing countries, the Company mitigates its risk of large exchange rate fluctuations by conducting business primarily in U.S. dollars. U.S. dollar revenue exposure is partially mitigated by offsetting U.S. dollar labour and material expenses. Monetary assets denominated in foreign currencies are exposed to foreign currency fluctuations.

9. FINANCIAL INSTRUMENTS (Continued)

Based on the Company's foreign currency net exposures as at July 31, 2008, and assuming that all other variables remain constant, a 10% rise or fall in the Canadian dollar against the other foreign currencies would have resulted in increases (decreases) in the net income and comprehensive earnings as follows:

	Increase (decrease) in net income	
	Canadian dollar appreciates 10%	Canadian dollar depreciates 10%
Argentine Peso	**$ 163**	**$ (163)**
Australian Dollar	**(190)**	**190**
Chilean Peso	**(744)**	**744**
Mexican Peso	**451**	**(451)**
US Dollar	**(526)**	**526**

	Increase (decrease) in comprehensive earnings	
	Canadian dollar appreciates 10%	Canadian dollar depreciates 10%
Australian Dollar	**$ (4,376)**	**$ 4,376**
US Dollar	**(19,548)**	**19,548**

Liquidity risk

Liquidity risk arises from the Company's management of working capital, the finance charges and principal repayments on its debt instruments. It is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 8 – Demand Credit Facilities, of the Company's 2008 annual report, are details of undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

9. FINANCIAL INSTRUMENTS (Continued)

Total financial liabilities, by due date, as at July 31, 2008 are as follows:

	Total	0-1 year	2-3 years	4-5 years	5 + years
Demand loan	$ 1,596	$ 1,596	$ -	$ -	$ -
Accounts payable & accrued charges	63,258	63,258	-	-	-
Long-term debt	37,377	11,998	16,083	8,130	1,166
	$ 102,231	$ 76,852	$ 16,083	$ 8,130	$ 1,166

10. SEGMENTED INFORMATION

	2009 YTD	2008 YTD
Revenue		
Canada - U.S.	$ 55,568	$ 49,337
South and Central America	55,288	42,461
Australia, Asia and Africa	67,359	51,622
	$ 178,215	$ 143,420
Earnings from operations		
Canada - U.S.	$ 14,998	$ 11,190
South and Central America	15,845	11,875
Australia, Asia and Africa	12,266	9,789
	43,109	32,854
Eliminations	(302)	(292)
	42,807	32,562
Interest expense, net	526	376
General corporate expenses	4,469	5,509
Income tax	11,482	7,853
Earnings from continuing operations	26,330	18,824
Gain from discontinued operations	-	111
Net earnings	$ 26,330	$ 18,935

11. SUBSEQUENT EVENT

On August 1, 2008, the Company completed the purchase of the exploration drilling company Forage à Diamant Benoit Ltée ("Benoit") based in Val-d'Or, Québec.

Through this purchase Major Drilling acquired 19 drill rigs, the majority of which have deep hole capacity and are fitted with rod handlers, which fits with the Company's strategic focus on specialized drilling. In addition to the rigs, this acquisition involved support equipment and inventory, existing contracts, and personnel, including a number of experienced drillers. Subsequent to the acquisition, Major Drilling has a total fleet of 42 mineral exploration drill rigs in Québec.

Management anticipates that the operations of Benoit will produce additional annual revenue of approximately $26 million for the twelve months subsequent to the acquisition.

The purchase price for the transaction was $21.0 million, financed with cash.

The transaction closed on August 1, 2008.