Major Drilling Group International Inc.
Consolidated Statements of Operations

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

	Three months ended July 31	
	2009	2008
TOTAL REVENUE	**$ 62,489**	$ 178,215
DIRECT COSTS	**45,259**	114,911
GROSS PROFIT	**17,230**	63,304
OPERATING EXPENSES		
General and administrative	**8,872**	13,378
Other expenses	**885**	3,825
Foreign exchange (gain) loss	**(680)**	167
Interest revenue	**(69)**	(75)
Interest expense on long-term debt	**303**	601
Amortization	**7,727**	7,596
Restructuring charge (note 5)	**1,220**	-
Goodwill impairment (note 6)	**2,032**	-
	20,290	25,492
(LOSS) EARNINGS BEFORE INCOME TAX	**(3,060)**	37,812
INCOME TAX - (RECOVERY) PROVISION		
Current	**(285)**	10,108
Future	**521**	1,374
	236	11,482
NET (LOSS) EARNINGS	**$ (3,296)**	**$ 26,330**
(LOSS) EARNINGS PER SHARE		
Basic *	**$ (0.14)**	$ 1.11
Diluted **	**$ (0.14)**	$ 1.10

*Based on 23,716,073 and 23,707,043 daily weighted average shares outstanding for the fiscal year to date 2010 and 2009, respectively.
The total number of shares outstanding on July 31, 2009 was 23,716,073.

**Based on 23,861,826 and 24,026,276 daily weighted average shares outstanding for the fiscal year to date 2010 and 2009, respectively.

Major Drilling Group International Inc.
Consolidated Statements of Comprehensive (Loss) Earnings
(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2009	2008
NET (LOSS) EARNINGS	**$ (3,296)**	$ 26,330
OTHER COMPREHENSIVE (LOSS) EARNINGS		
Unrealized (losses) gains on translating financial statements of self-sustaining foreign operations	**(24,428)**	2,900
COMPREHENSIVE (LOSS) EARNINGS	**$ (27,724)**	$ 29,230

Consolidated Statements of Retained Earnings
(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2009	2008
RETAINED EARNINGS, BEGINNING OF THE PERIOD	**$ 218,983**	$ 182,533
Net (loss) earnings	**(3,296)**	26,330
RETAINED EARNINGS, END OF THE PERIOD	**$ 215,687**	$ 208,863

Consolidated Statements of Accumulated Other Comprehensive Loss
(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2009	2008
ACCUMULATED OTHER COMPREHENSIVE LOSS, BEGINNING OF THE PERIOD	**$ (5,079)**	$ (44,552)
Unrealized (losses) gains on translating financial statements of self-sustaining foreign operations	**(24,428)**	2,900
ACCUMULATED OTHER COMPREHENSIVE LOSS, END OF THE PERIOD	**$ (29,507)**	$ (41,652)

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

	Three Months Ended July 31	
	2009	2008
OPERATING ACTIVITIES		
Net (loss) earnings	**$ (3,296)**	$ 26,330
Operating items not involving cash		
Amortization	**7,727**	7,596
Loss on disposal of property, plant and equipment	**67**	812
Future income tax	**521**	1,374
Stock-based compensation	**505**	398
Goodwill impairment (note 6)	**2,032**	-
	7,556	36,510
Changes in non-cash operating working capital items	**(538)**	(18,401)
Cash flow from operating activities	**7,018**	18,109
FINANCING ACTIVITIES		
Repayment of long-term debt	**(3,076)**	(3,042)
Repayment of demand credit facilities	**-**	(583)
Issuance of common shares	**-**	7
Dividend paid	**(4,743)**	-
Cash flow used in financing activities	**(7,819)**	(3,618)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment, net of direct financing	**(3,304)**	(18,891)
Proceeds from disposal of property, plant and equipment	**895**	472
Cash flow used in investing activities	**(2,409)**	(18,419)
OTHER ACTIVITIES		
Foreign exchange translation adjustment	**(2,673)**	4
DECREASE IN CASH	**(5,883)**	(3,924)
CASH POSITION, BEGINNING OF THE PERIOD	**58,035**	20,695
CASH POSITION, END OF THE PERIOD	**$ 52,152**	$ 16,771

Major Drilling Group International Inc.
Consolidated Balance Sheets

As at July 31, 2009 and April 30, 2009

(in thousands of Canadian dollars)

(unaudited)

ASSETS	July 2009	April 2009
CURRENT ASSETS		
Cash	**$ 52,152**	$ 58,035
Accounts receivable	**44,902**	52,538
Income tax receivable	**8,166**	6,014
Inventories	**65,311**	72,764
Prepaid expenses	**5,666**	3,478
Future income tax assets	**912**	2,644
	177,109	195,473
PROPERTY, PLANT AND EQUIPMENT	**220,689**	240,224
FUTURE INCOME TAX ASSETS	**3,359**	1,403
GOODWILL AND INTANGIBLE ASSETS (note 9)	**26,692**	32,072
	$ 427,849	$ 469,172

LIABILITIES	July 2009	April 2009
CURRENT LIABILITIES		
Accounts payable and accrued charges	**$ 39,437**	$ 47,691
Income tax payable	**1,371**	1,719
Current portion of long-term debt	**11,938**	15,049
Future income tax liabilities	**1,092**	1,071
	53,838	65,530
LONG-TERM DEBT	**21,098**	23,507
FUTURE INCOME TAX LIABILITIES	**14,786**	14,789
	89,722	103,826
SHAREHOLDERS' EQUITY		
Share capital	**142,233**	142,233
Contributed surplus	**9,714**	9,209
Retained earnings	**215,687**	218,983
Accumulated other comprehensive loss	**(29,507)**	(5,079)
	338,127	365,346
	$ 427,849	$ 469,172

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, 2009, 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, 2009 contained in the Company's 2009 annual report.

2. CHANGES IN ACCOUNTING POLICIES

Goodwill and Intangible Assets

Effective May 1, 2009 the Company adopted the new CICA Handbook Section 3064, Goodwill and Intangible Assets, which establishes standards for recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous CICA Handbook Section 3062. The adoption of this new standard did not have a material impact on the Company's consolidated financial statements.

3. FUTURE ACCOUNTING CHANGES

Business combinations

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces Section 1581 of the same title. This Section applies prospectively to business combinations for which the date of acquisition is in fiscal years beginning on or after January 1, 2011. The Section establishes standards for accounting for a business combination. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

Consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and Section 1602, Non-Controlling Interests, which together replace Section 1600, Consolidated Financial Statements. These sections apply to interim and annual consolidated financial statements for fiscal years beginning on or after January 1, 2011. They establish standards for the preparation of consolidated financial statements and accounting for a non-controlling interest in a subsidiary in the consolidated financial statements subsequent to a business combination. The Company is currently evaluating the impact of the adoption of these new Sections on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board ("AcSB") confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In April 2008, the AcSB issued an IFRS Omnibus Exposure draft proposing that publicly accountable enterprises be required to apply

3. FUTURE ACCOUNTING CHANGES (Continued)

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 in the process of developing a conversion implementation plan and assessing the impacts of the conversion on the consolidated financial statements and disclosures of the Company.

4. SEASONALITY OF OPERATIONS

The Company's operations tended to exhibit a seasonal pattern whereby its fourth quarter (February to April) was its strongest. With the exception of the third quarter, the Company has, over the past several years, exhibited comparatively less seasonality in quarterly revenue. 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. With the current economic and industry downturn ongoing, it is not yet clear whether or not the Company's revenue will return to more historical seasonal patterns, or whether a recent lack of seasonality will continue.

5. RESTRUCTURING CHARGE

The Company initiated a restructuring plan in fiscal year 2009 to standardize the drilling equipment fleet and reduce operating costs by rationalizing the workforce and business locations. These initiatives have generated a total restructuring charge of $10,263, of which $1,220 was expensed in the first quarter ending July 31, 2009, the balance having been previously expensed.

The current quarter charges include $594 for severance, $204 for lease terminations and $422 for other relocation expenses mainly relating to the closure of two regional offices in Australia.

On July 31, 2009, accounts payable included $1,110 of restructuring charges not paid.

6. GOODWILL IMPAIRMENT

During the quarter, the Company recorded a net non-cash goodwill impairment charge of $2,032. This eliminated goodwill of $3,722 recorded on the Paragon del Ecuador S.A. acquisition offset by a reduction of a holdback of $1,690, which was a contingent consideration to the purchase price and dependant on the political situation in Ecuador. The goodwill impairment charge resulted from political issues and uncertainty still affecting the mining industry in Ecuador and therefore the inability of this region to generate the expected revenue.

(in thousands of Canadian dollars)

7. BUSINESS ACQUISITION

Effective August 1, 2008 the Company acquired the assets of the exploration drilling company Forage à Diamant Benoît Ltée ("Benoît") based in Val-d'Or, Québec. Through this purchase, Major Drilling acquired 19 drill rigs, support equipment and inventory, existing contracts and personnel. The purchase price for the transaction was $23,117, including customary working capital adjustments, financed by cash and debt.

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

Assets acquired and liabilities assumed		
Accounts receivable	**$**	**5,055**
Prepaid expenses		**241**
Inventories		**533**
Property, plant and equipment		**7,489**
Intangible assets		**2,350**
Goodwill (not tax deductible)		**13,223**
Accounts payable		**(884)**
Income tax payable		**(2,842)**
Future income tax liability		**(2,048)**
Net assets	**$**	**23,117**
Consideration		
Cash	**$**	**21,867**
Accounts payable		**500**
Long-term debt		**750**
	$	**23,117**

8. INVENTORY

The cost of inventory recognized as an expense and included in direct cost for the three months ended July 31, 2009 was $9,493. 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 periods were reversed.

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

9. GOODWILL AND INTANGIBLE ASSETS

	July 2009	April 2009
Goodwill	**$ 25,222**	$ 30,470
Intangible assets	**1,470**	1,602
	$ 26,692	$ 32,072

(in thousands of Canadian dollars)

9. GOODWILL AND INTANGIBLE ASSETS (Continued)

Intangible assets include the carrying value of customer relationships and a non-compete agreement, which are amortized on a straight-line basis over four and three years respectively.

Changes in the goodwill and intangible assets balance were as follows for the three months ending July 31, 2009:

	2010 YTD	2009 YTD
Balance at beginning of the period	**$ 32,072**	$ 14,837
Amortization of intangible assets	**(132)**	-
Goodwill adjustment (note 6)	**(1,690)**	-
Goodwill impairment (note 6)	**(2,032)**	-
Goodwill acquired	**-**	321
Effect of foreign currency exchange rate changes	**(1,526)**	158
	$ 26,692	$ 15,316

10. CAPITAL MANAGEMENT

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

Total managed capital was as follows:

	July 2009	April 2009
Long-term debt	**$ 33,036**	$ 38,556
Share capital	**142,233**	142,233
Contributed surplus	**9,714**	9,209
Retained earnings	**215,687**	218,983
Cash	**(52,152)**	(58,035)
	$ 348,518	$ 350,946

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.

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.

10. CAPITAL MANAGEMENT (Continued)

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 2009.

11. FINANCIAL INSTRUMENTS

Fair value
The carrying values of cash, accounts receivable and accounts payable and accrued charges approximate their fair value due to the relatively short period to maturity of the instruments. Long-term debt has a carrying value of $33,036 as at July 31, 2009 (April 30, 2009 - $38,556) 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 dealing only 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 34% (22% in 2009) of total quarterly revenue, with no one customer representing more than 10% of its revenue for 2010 or 2009.

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.

As at July 31, 2009, 68.1% of the Company's trade receivables are aged as current (under 30 days) and 4.2% of the trade 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.

(in thousands of Canadian dollars)

11. FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

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

As at July 31, 2009 the Company has estimated that a one percentage point increase in interest rates would have caused a quarterly decrease in net income of approximately $66 and a one percentage decrease in interest rates would have caused a quarterly increase in net income of $66.

Foreign currency risk

Foreign currency 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.

Based on the Company's foreign currency net monetary exposures as at July 31, 2009, 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 earnings and comprehensive earnings as follows:

	Increase (decrease) in net earnings	
	Canadian dollar appreciates 10%	Canadian dollar depreciates 10%
Indonesian Rupiah	**$ (199)**	**$ 199**
US Dollar	**141**	**(141)**

	Increase (decrease) in comprehensive earnings	
	Canadian dollar appreciates 10%	Canadian dollar depreciates 10%
Australian Dollar	**$ (3,533)**	**$ 3,533**
US Dollar	**(21,791)**	**21,791**

Liquidity risk

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

(in thousands of Canadian dollars)

11. FINANCIAL INSTRUMENTS (Continued)

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.

Total financial liabilities, by due date, as at July 31, 2009 are as follows:

	Total	1 year	2-3 years	4-5 years	5+ years
Accounts payable & accrued charges	$ 39,437	$ 39,437	$ -	$ -	$ -
Long-term debt	33,036	11,938	14,635	6,463	-
	$ 72,473	$ 51,375	$ 14,635	$ 6,463	$ -

12. SEGMENTED INFORMATION

	2010 YTD	2009 YTD
Revenue		
Canada - U.S.	$ 20,188	$ 55,568
South and Central America	18,243	55,288
Australia, Asia and Africa	24,058	67,359
	$ 62,489	$ 178,215
Earnings (loss) from operations		
Canada - U.S.	$ 1,613	$ 14,998
South and Central America	1,906	15,845
Australia, Asia and Africa	(704)	12,266
	2,815	43,109
Eliminations	(324)	(302)
	2,491	42,807
Interest expense, net	234	526
General corporate expenses	2,065	4,469
Restructuring charge	1,220	-
Goodwill impairment	2,032	-
Income tax	236	11,482
Net (loss) earnings	$ (3,296)	$ 26,330

Goodwill impairment relates to the South and Central America segment (see Note 6 - Goodwill Impairment).