

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

	Three months ended January 31		Nine months ended January 31	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
TOTAL REVENUE	\$ 182,188	\$ 107,720	\$ 560,194	\$ 345,018
DIRECT COSTS	135,068	83,847	387,520	259,512
GROSS PROFIT	<u>47,120</u>	<u>23,873</u>	<u>172,674</u>	<u>85,506</u>
OPERATING EXPENSES				
General and administrative	16,522	10,118	41,956	29,640
Other expenses	3,388	1,573	12,036	6,005
Loss (gain) on disposal of property, plant and equipment	635	391	1,316	(427)
Foreign exchange (gain) loss	(384)	1,028	(19)	(220)
Finance costs	874	265	2,660	876
Depreciation and amortization (note 15)	12,017	8,048	29,963	22,742
	<u>33,052</u>	<u>21,423</u>	<u>87,912</u>	<u>58,616</u>
EARNINGS BEFORE INCOME TAX	<u>14,068</u>	<u>2,450</u>	<u>84,762</u>	<u>26,890</u>
INCOME TAX - PROVISION (RECOVERY) (note 12)				
Current	(3,910)	597	13,377	9,447
Deferred	8,412	182	12,367	(683)
	<u>4,502</u>	<u>779</u>	<u>25,744</u>	<u>8,764</u>
NET EARNINGS	<u>\$ 9,566</u>	<u>\$ 1,671</u>	<u>\$ 59,018</u>	<u>\$ 18,126</u>
EARNINGS PER SHARE (note 13)				
Basic *	<u>\$ 0.12</u>	<u>\$ 0.02</u>	<u>\$ 0.79</u>	<u>\$ 0.25</u>
Diluted **	<u>\$ 0.12</u>	<u>\$ 0.02</u>	<u>\$ 0.78</u>	<u>\$ 0.25</u>

*Based on 78,948,691 and 71,579,811 daily weighted average shares outstanding for the quarter ended January 31, 2012 and 2011, respectively and on 75,078,293 and 71,451,882 daily weighted average shares outstanding for the fiscal year to date 2012 and 2011, respectively. The total number of shares outstanding on January 31, 2012 was 79,086,376.

** Based on 80,067,340 and 72,534,171 daily weighted average shares outstanding for the quarter ended January 31, 2012 and 2011, respectively, and on 76,046,641 and 72,042,816 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 (Loss)
(in thousands of Canadian dollars)
(unaudited)

	Three months ended January 31		Nine months ended January 31	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
NET EARNINGS	\$ 9,566	\$ 1,671	\$ 59,018	\$ 18,126
OTHER COMPREHENSIVE EARNINGS				
Unrealized gains (losses) on foreign currency translations (net of tax of \$0)	2,286	(4,315)	9,860	4,280
Unrealized loss on cash flow hedge (net of tax of \$0)	(119)	-	(119)	-
COMPREHENSIVE EARNINGS (LOSS)	\$ 11,733	\$ (2,644)	\$ 68,759	\$ 22,406

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

For the nine months ended January 31, 2011 and 2012

(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, 2010	\$ 144,919	\$ -	\$ 9,236	\$153,358	\$ -	\$307,513
Exercise of stock options	2,011	-	(599)	-	-	1,412
Share based payments reserve	-	-	1,906	-	-	1,906
Dividends	-	-	-	(5,243)	-	(5,243)
	<u>146,930</u>	<u>-</u>	<u>10,543</u>	<u>148,115</u>	<u>-</u>	<u>305,588</u>
Comprehensive earnings:						
Net earnings	-	-	-	18,126	-	18,126
Unrealized gains on foreign currency translations	-	-	-	-	4,280	4,280
Total comprehensive earnings	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,126</u>	<u>4,280</u>	<u>22,406</u>
BALANCE AS AT JANUARY 31, 2011	<u>\$ 146,930</u>	<u>\$ -</u>	<u>\$ 10,543</u>	<u>\$166,241</u>	<u>\$ 4,280</u>	<u>\$327,994</u>
BALANCE AS AT MAY 1, 2011	\$ 150,642	\$ -	\$ 10,280	\$170,425	\$ (3,662)	\$327,685
Exercise of stock options	2,022	-	(322)	-	-	1,700
Share issue (net of issue costs) (note 11)	76,439	-	-	-	-	76,439
Share based payments reserve	-	-	1,766	-	-	1,766
Dividends	-	-	-	(6,242)	-	(6,242)
	<u>229,103</u>	<u>-</u>	<u>11,724</u>	<u>164,183</u>	<u>(3,662)</u>	<u>401,348</u>
Comprehensive earnings:						
Net earnings	-	-	-	59,018	-	59,018
Unrealized gains on foreign currency translations	-	-	-	-	9,860	9,860
Unrealized loss on cash flow hedge	-	(119)	-	-	-	(119)
Total comprehensive earnings	<u>-</u>	<u>(119)</u>	<u>-</u>	<u>59,018</u>	<u>9,860</u>	<u>68,759</u>
BALANCE AS AT JANUARY 31, 2012	<u>\$ 229,103</u>	<u>\$ (119)</u>	<u>\$ 11,724</u>	<u>\$223,201</u>	<u>\$ 6,198</u>	<u>\$470,107</u>

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

	Three months ended January 31		Nine months ended January 31	
	2012	2011	2012	2011
OPERATING ACTIVITIES				
Earnings before income tax	\$ 14,068	\$ 2,450	\$ 84,762	\$ 26,890
Operating items not involving cash				
Depreciation and amortization (note 15)	12,017	8,048	29,963	22,742
Loss (gain) on disposal of property, plant and equipment	635	391	1,316	(427)
Share based payments reserve	645	695	1,766	1,906
Finance costs recognized in earnings before income tax	874	265	2,660	876
	<u>28,239</u>	<u>11,849</u>	<u>120,467</u>	<u>51,987</u>
Changes in non-cash operating working capital items	17,672	7,080	(4,629)	(4,784)
Finance costs paid	(938)	(265)	(2,724)	(876)
Income taxes (paid) recovered	(4,915)	2,188	(16,240)	473
Cash flow from operating activities	<u>40,058</u>	<u>20,852</u>	<u>96,874</u>	<u>46,800</u>
FINANCING ACTIVITIES				
Repayment of long-term debt	(11,588)	(1,890)	(15,817)	(7,124)
Proceeds from long-term debt	-	-	25,000	-
Repayment of short-term debt	(5,141)	-	(5,141)	-
Proceeds from short-term debt	-	-	-	10,400
Issuance of common shares	1,035	132	78,139	1,412
Dividends paid	(6,242)	(5,243)	(11,525)	(9,993)
Cash flow (used in) from financing activities	<u>(21,936)</u>	<u>(7,001)</u>	<u>70,656</u>	<u>(5,305)</u>
INVESTING ACTIVITIES				
Business acquisitions (net of cash acquired) (note 16)	(7,960)	(30)	(74,479)	(2,567)
Acquisition of property, plant and equipment (net of direct financing)	(22,539)	(18,310)	(60,032)	(40,518)
Proceeds from disposal of property, plant and equipment	164	572	1,711	3,929
Cash flow used in investing activities	<u>(30,335)</u>	<u>(17,768)</u>	<u>(132,800)</u>	<u>(39,156)</u>
Effect of exchange rate changes	269	237	(828)	(404)
(DECREASE) INCREASE IN CASH	(11,944)	(3,680)	33,902	1,935
CASH, BEGINNING OF THE PERIOD	62,061	35,847	16,215	30,232
CASH, END OF THE PERIOD	\$ 50,117	\$ 32,167	\$ 50,117	\$ 32,167

Major Drilling Group International Inc.
Interim Condensed Consolidated Balance Sheets

As at January 31, 2012 and April 30, 2011

(in thousands of Canadian dollars)

(unaudited)

	January 31, 2012	April 30, 2011
ASSETS		
CURRENT ASSETS		
Cash	\$ 50,117	\$ 16,215
Trade and other receivables	122,722	100,300
Income tax receivable	4,719	2,720
Inventories	99,703	69,864
Prepaid expenses	6,635	8,439
	283,896	197,538
PROPERTY, PLANT AND EQUIPMENT (note 7)	315,160	235,473
DEFERRED INCOME TAX ASSETS	4,659	11,575
GOODWILL (note 8)	53,421	28,316
INTANGIBLE ASSETS (note 9)	7,370	1,235
	\$ 664,506	\$ 474,137
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	\$ 100,357	\$ 88,599
Income tax payable	4,789	4,297
Short-term debt	7,893	7,919
Current portion of long-term debt (note 10)	8,799	8,402
	121,838	109,217
CONTINGENT CONSIDERATIONS	2,760	2,612
LONG-TERM DEBT (note 10)	44,005	16,630
DEFERRED INCOME TAX LIABILITIES	25,344	17,993
DEFERRED REVENUE	452	-
	194,399	146,452
SHAREHOLDERS' EQUITY		
Share capital (note 11)	229,103	150,642
Reserves	(119)	-
Share based payments reserve	11,724	10,280
Retained earnings	223,201	170,425
Foreign currency translation reserve	6,198	(3,662)
	470,107	327,685
	\$ 664,506	\$ 474,137

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2012 AND 2011 (UNAUDITED)
(in thousands of Canadian dollars, except per share information)

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 maintains operations on every continent.

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 Interim Condensed Consolidated Financial Statements have been prepared based on the accounting policies presented in the first quarter Notes to Interim Condensed Consolidated Financial Statements for the three months ended July 31, 2011.

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2012 AND 2011 (UNAUDITED)
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3. FUTURE ACCOUNTING CHANGES

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

IFRS 7 (*as amended in 2011*) *Financial Instruments: Disclosures*
IFRS 9 (*as amended in 2010*) *Financial Instruments*
IFRS 10 *Consolidated Financial Statements*
IFRS 11 *Joint Arrangements*
IFRS 12 *Disclosure of Interests in Other Entities*
IFRS 13 *Fair Value Measurement*
IAS 1 *Presentation of Financial Statements*
IAS 12 (*amended*) *Income Taxes – recovery of underlying assets*
IAS 19 *Employee Benefits*
IAS 27 (*reissued*) *Separate Financial Statements*
IAS 28 (*reissued*) *Investments in Associates and Joint Ventures*
IAS 32 (*amended*) *Financial Instruments: Presentation*

The Company is currently evaluating the impact of applying these standards to its Consolidated Financial Statements.

4. SIGNIFICANT NEW ACCOUNTING POLICIES

Derivative financial instruments

The Company has entered into a derivative financial instrument, in the form of an interest rate swap, to manage its exposure to interest rate risk. The derivative is initially recognized at fair value at the date the derivative contract is executed and is subsequently re-measured to fair value at each reporting date. The resulting gain or loss is recognized in comprehensive earnings unless the derivative is considered to be ineffective, in which event it is recognized in profit or loss.

Hedge accounting

The Company designates the derivative as a cash flow hedge. At the inception of the hedge, and on an ongoing basis, the Company documents whether the hedging instrument used in the hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Cash flow hedge

The effective portion of changes in the fair value of the derivative is deferred in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is terminated, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time is recognized immediately in profit or loss.

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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5. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The preparation of financial statements in conformity with IFRSs 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, determination of cash generating units (“CGUs”), the degree of componentization of property, plant and equipment, and the recognition of provisions and accrued liabilities.

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2012 AND 2011 (UNAUDITED)
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6. FIRST TIME ADOPTION OF IFRS

For the overall impact of IFRS on the opening balance sheet as at transition date, including a discussion of the optional exemptions taken and the applicable mandatory exceptions, refer to Note 6 in the first quarter Notes to Interim Condensed Consolidated Financial Statements for the three months ended July 31, 2011.

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 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). A discussion of transitional adjustments follows the reconciliations.

IFRS Consolidated Balance Sheet
As at January 31, 2011

ASSETS	Previous GAAP	Opening IFRS restatements *	(a) Adjustments	(b) Share based payments reserve	(c) Deferred share units	(d) Contingent consideration	(e) Fair value as deemed cost	(f) Building componentization	IFRS
CURRENT ASSETS									
Cash	\$ 32,167	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,167
Trade and other receivables	70,999	-	-	-	-	-	-	-	70,999
Income tax receivable	4,784	-	-	-	-	-	-	-	4,784
Inventories	67,155	-	-	-	-	-	-	-	67,155
Prepaid expenses	5,345	-	-	-	-	-	-	-	5,345
	180,450	-	-	-	-	-	-	-	180,450
PROPERTY, PLANT AND EQUIPMENT	229,995	(11,877)	-	-	-	-	544	85	218,747
DEFERRED INCOME TAX ASSETS	10,643	469	-	-	-	-	(116)	(12)	10,984
GOODWILL	25,559	2,011	-	-	-	741	-	-	28,311
INTANGIBLE ASSETS	1,499	-	-	-	-	-	-	-	1,499
	\$ 448,146	\$ (9,397)	\$ -	\$ -	\$ -	\$ 741	\$ 428	\$ 73	\$ 439,991
LIABILITIES									
CURRENT LIABILITIES									
Trade and other payables	\$ 57,898	\$ (35)	\$ -	\$ -	\$ 26	\$ -	\$ -	\$ -	\$ 57,889
Income tax payable	7,481	-	-	-	-	-	-	-	7,481
Short-term debt	11,129	-	-	-	-	-	-	-	11,129
Current portion of long-term debt	6,701	-	-	-	-	-	-	-	6,701
	83,209	(35)	-	-	26	-	-	-	83,200
CONTINGENT CONSIDERATION	-	2,011	-	-	-	741	-	-	2,752
LONG-TERM DEBT	10,178	-	-	-	-	-	-	-	10,178
DEFERRED INCOME TAX LIABILITIES	16,441	(617)	-	-	-	-	25	18	15,867
	109,828	1,359	-	-	26	741	25	18	111,997
SHAREHOLDERS' EQUITY									
Share capital	143,847	2,484	599	-	-	-	-	-	146,930
Share based payments reserve	12,605	(1,906)	(599)	443	-	-	-	-	10,543
Retained earnings	221,919	(55,667)	-	(443)	(26)	-	403	55	166,241
Foreign currency translation reserve	(40,053)	44,333	-	-	-	-	-	-	4,280
	338,318	(10,756)	-	-	(26)	-	403	55	327,994
	\$ 448,146	\$ (9,397)	\$ -	\$ -	\$ -	\$ 741	\$ 428	\$ 73	\$ 439,991

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

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2012 AND 2011 (UNAUDITED)
(in thousands of Canadian dollars, except per share information)

6. FIRST TIME ADOPTION OF IFRS (Continued)

IFRS Consolidated Statement of Operations

For the three months ended January 31, 2011

		(c)	(d)	(f)	(g)	
	Previous GAAP	Share based payments	Deferred share units	Fair value as deemed cost	Building componentization	IFRS
TOTAL REVENUE	\$ 107,720	\$ -	\$ -	\$ -	\$ -	\$ 107,720
DIRECT COSTS	83,847	-	-	-	-	83,847
GROSS PROFIT	23,873	-	-	-	-	23,873
OPERATING EXPENSES						
General and administrative	10,112	-	6	-	-	10,118
Other expenses	1,434	139	-	-	-	1,573
Loss on disposal of property, plant and equipment	391	-	-	-	-	391
Foreign exchange loss	1,028	-	-	-	-	1,028
Finance costs	265	-	-	-	-	265
Depreciation and amortization	8,257	-	-	(181)	(28)	8,048
	21,487	139	6	(181)	(28)	21,423
EARNINGS (LOSS) BEFORE INCOME TAX	2,386	(139)	(6)	181	28	2,450
INCOME TAX - PROVISION (RECOVERY)						
Current	597	-	-	-	-	597
Deferred	125	-	-	47	10	182
	722	-	-	47	10	779
NET EARNINGS (LOSS)	\$ 1,664	\$ (139)	\$ (6)	\$ 134	\$ 18	\$ 1,671

IFRS Consolidated Statement of Operations

For the nine months ended January 31, 2011

		(c)	(d)	(f)	(g)	
	Previous GAAP	Share based payments	Deferred share units	Fair value as deemed cost	Building componentization	IFRS
TOTAL REVENUE	\$ 345,018	\$ -	\$ -	\$ -	\$ -	\$ 345,018
DIRECT COSTS	259,512	-	-	-	-	259,512
GROSS PROFIT	85,506	-	-	-	-	85,506
OPERATING EXPENSES						
General and administrative	29,614	-	26	-	-	29,640
Other expenses	5,562	443	-	-	-	6,005
Gain on disposal of property, plant and equipment	(427)	-	-	-	-	(427)
Foreign exchange gain	(220)	-	-	-	-	(220)
Finance costs	876	-	-	-	-	876
Depreciation and amortization	23,371	-	-	(544)	(85)	22,742
	58,776	443	26	(544)	(85)	58,616
EARNINGS (LOSS) BEFORE INCOME TAX	26,730	(443)	(26)	544	85	26,890
INCOME TAX - PROVISION (RECOVERY)						
Current	9,447	-	-	-	-	9,447
Deferred	(854)	-	-	141	30	(683)
	8,593	-	-	141	30	8,764
NET EARNINGS (LOSS)	\$ 18,137	\$ (443)	\$ (26)	\$ 403	\$ 55	\$ 18,126

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2012 AND 2011 (UNAUDITED)
(in thousands of Canadian dollars, except per share information)

6. FIRST TIME ADOPTION OF IFRS (Continued)

IFRS Consolidated Statement of Comprehensive Earnings (Loss)

For the three months ended January 31, 2011

	Previous GAAP	(b) Share based payments reserve	(c) Deferred share units	(e) Fair value as deemed cost	(f) Building componentization	IFRS
NET EARNINGS (LOSS)	\$ 1,664	\$ (139)	\$ (6)	\$ 134	\$ 18	\$ 1,671
OTHER COMPREHENSIVE EARNINGS						
Unrealized loss on foreign currency translation (net of tax of \$0)	(4,315)	-	-	-	-	(4,315)
COMPREHENSIVE EARNINGS (LOSS)	\$ (2,651)	\$ (139)	\$ (6)	\$ 134	\$ 18	\$ (2,644)

IFRS Consolidated Statement of Comprehensive Earnings (Loss)

For the nine months ended January 31, 2011

	Previous GAAP	(b) Share based payments reserve	(c) Deferred share units	(e) Fair value as deemed cost	(f) Building componentization	IFRS
NET EARNINGS (LOSS)	\$ 18,137	\$ (443)	\$ (26)	\$ 403	\$ 55	\$ 18,126
OTHER COMPREHENSIVE EARNINGS						
Unrealized gain on foreign currency translation (net of tax of \$0)	4,280	-	-	-	-	4,280
COMPREHENSIVE EARNINGS (LOSS)	\$ 22,417	\$ (443)	\$ (26)	\$ 403	\$ 55	\$ 22,406

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 Company's April 30, 2010, July 31, 2010 and April 30, 2011 historical annual and interim consolidated financial statements.
- b) 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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FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2012 AND 2011 (UNAUDITED)
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6. FIRST TIME ADOPTION OF IFRS (Continued)

- c) 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.
- d) 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.
- e) Fair value as deemed cost - The Company has applied the IFRS 1 exemption as described in the “exceptions and exemptions applied” section presented in the first quarter Notes to Interim Condensed Consolidated Financial Statements for the three months ended July 31, 2011.
- f) 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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FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2012 AND 2011 (UNAUDITED)
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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 April 30, 2011	\$ 1,375	\$ 11,201	\$ 257,838	\$ 91,977	\$ 25,501	\$ 387,892
Additions	-	127	45,397	11,811	3,138	60,473
Disposals	-	-	(6,085)	(2,582)	(47)	(8,714)
Business acquisitions	367	9,382	28,727	4,474	401	43,351
Effect of exchange rate changes and other	36	89	2,016	4,691	(141)	6,691
Balance as at January 31, 2012	\$ 1,778	\$ 20,799	\$ 327,893	\$ 110,371	\$ 28,852	\$ 489,693
Accumulated Depreciation	Land	Buildings	Drills	Auto	Other	Total
Balance as at April 30, 2011	\$ -	\$ (2,791)	\$ (84,421)	\$ (48,095)	\$ (17,112)	\$ (152,419)
Disposals	-	-	3,725	1,923	39	5,687
Depreciation	-	(594)	(16,438)	(9,968)	(1,388)	(28,388)
Effect of exchange rate changes and other	-	5	753	564	(735)	587
Balance as at January 31, 2012	\$ -	\$ (3,380)	\$ (96,381)	\$ (55,576)	\$ (19,196)	\$ (174,533)
Net book value April 30, 2011	\$ 1,375	\$ 8,410	\$ 173,417	\$ 43,882	\$ 8,389	\$ 235,473
Net book value January 31, 2012	\$ 1,778	\$ 17,419	\$ 231,512	\$ 54,795	\$ 9,656	\$ 315,160

There were no impairments recorded as at January 31, 2012, April 30, 2011 or January 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 January 31, 2012, April 30, 2011 or January 31, 2011.

Capital expenditures were \$22,833 and \$18,310 for the three months ended January 31, 2012 and 2011 respectively, and \$60,473 and \$40,568 for the nine months ended January 31, 2012 and 2011, respectively. The Company obtained direct financing of \$294 and \$441 for the three and nine months ended January 31, 2012, respectively (three months ended January 31, 2011 – nil; nine months ended January 31, 2011 - \$50).

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8. GOODWILL

Changes in the goodwill balance were as follows:

Balance as at April 30, 2011	\$ 28,316
Goodwill on acquisition (note 17)	25,088
Effect of movement in exchange rates	17
Balance as at January 31, 2012	<u>\$ 53,421</u>

For a full discussion on allocation of goodwill to cash generating units (“CGUs”), refer to Note 8 in the first quarter Notes to Interim Condensed Consolidated Financial Statements for the three months ended July 31, 2011.

Goodwill from the acquisition of Bradley Group Limited, as disclosed in Note 16, has not been allocated to a CGU since the value is preliminary.

9. INTANGIBLE ASSETS

Changes in the intangible assets balance were as follows:

Balance as at April 30, 2011	\$ 1,235
Intangible assets on acquisition (note 17)	7,666
Amortization	(1,575)
Effect of movement in exchange rates	44
Balance as at January 31, 2012	<u>\$ 7,370</u>

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10. LONG-TERM DEBT

	<u>January 31, 2012</u>	<u>April 30, 2011</u>
Revolving equipment and acquisition loan (authorized \$50,000), bearing interest at either the bank's prime rate plus 0.75% or the bankers' acceptance rate plus 2.25% for Canadian dollar draws, and either the bank's U.S. dollar base rate in Canada plus 0.75% or the bank's LIBOR plus 2.25% for U.S. dollar draws, interest only payments required until maturity, maturing in September 2016, secured by corporate guarantees of companies within the group.	\$ 11,223	\$ -
Non-revolving term loan, bearing interest at either the bank's prime rate plus 0.75% or the bankers' acceptance rate plus 2.25% for Canadian dollar draws, and either the bank's U.S. dollar base rate in Canada plus 0.75% or the bank's LIBOR plus 2.25% for U.S. dollar draws, payable in monthly installments of \$417, maturing in September 2016, secured by corporate guarantees of companies within the group.	23,333	-
Revolving/non-revolving equipment and acquisition loan (authorized \$45,000), bearing interest at either the bank's prime rate plus 1.0% or the bankers' acceptance rate plus 2.5% for Canadian dollar draws, and either the bank's U.S. dollar base rate in Canada plus 1.0% or the bank's LIBOR plus 2.5% for U.S. dollar draws, secured by corporate guarantees of companies within the group. This facility was refinanced in September 2011.	-	24,552
Term loan bearing interest at 5.9%, payable in monthly installments of \$84, unsecured, maturing in August 2021.	9,584	-
Term loans bearing interest at rates ranging from 0% to 6.99%, payable in monthly installments of \$25, secured by certain equipment, maturing through 2016.	545	480
Note payable bearing interest at 4%, repayable over three years, maturing in September 2014.	8,000	-
Derivative financial instrument with a notional principal amount of \$23,333, swapping Canadian-Bankers' Acceptance-Canadian Dealer Offered Rate for an annual fixed rate of 3.665%, maturing in September 2016.	119	-
	<u>52,804</u>	<u>25,032</u>
Current portion	<u>8,799</u>	<u>8,402</u>
	<u>\$ 44,005</u>	<u>\$ 16,630</u>

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10. LONG TERM DEBT (Continued)

The required annual principal repayments per remaining fiscal years on long-term debt are as follows:

2012	\$ 1,584
2013	8,809
2014	8,598
2015	9,088
2016	4,402
2017 and beyond	<u>20,323</u>
	<u>\$ 52,804</u>

The Company hedges its exposure to floating rates under the non-revolving term loan via an interest rate swap, exchanging a variable rate interest payment for a fixed rate interest payment. The interest swap contract was entered into early in the current quarter. As at January 31, 2012 the swap is deemed effective and is recognized as a cash flow hedge.

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. The Company, at all times, was in compliance with all covenants and other conditions imposed by its debt agreements.

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.

On September 28, 2011, the Company issued a total of 5,900,000 Subscription Receipts at a price of \$11.90 per Subscription Receipt for aggregate gross proceeds of \$70,210. These Subscription Receipts were subsequently converted to 5,900,000 common shares in the Company upon the closing of the acquisition by the Company of Bradley Group Limited on September 30, 2011. The Company used the net proceeds of the offering to fund a portion of the purchase price in connection with the acquisition. On October 25, 2011, the Company issued a further 885,000 common shares for further aggregate gross proceeds of \$10,531 as a result of the exercise by the underwriters of an over allotment option to purchase an additional 885,000 common shares of the Company for \$11.90 per share. The Company is using the net proceeds from the over allotment exercise for general corporate purposes.

Authorized

Unlimited number of fully paid common shares, without nominal or par value, with each share carrying one vote and a right to dividends when declared.

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11. SHARE CAPITAL (Continued)

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 April 30, 2011	72,040	\$ 150,642
Exercise of stock options	261	2,022
Share issue (net of issue costs)*	6,785	76,439
Balance as at January 31, 2012	79,086	\$ 229,103

*share issue costs total \$4,302

12. INCOME TAXES

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

	<u>2012 Q3</u>	<u>2011 Q3</u>	<u>2012 YTD</u>	<u>2011 YTD</u>
Earnings before income tax	<u>\$ 14,068</u>	<u>\$ 2,450</u>	<u>\$ 84,762</u>	<u>\$ 26,890</u>
Statutory Canadian corporate income tax rate	29%	30%	29%	30%
Expected income tax expense based on statutory rate	\$ 4,080	\$ 735	\$ 24,581	\$ 8,067
Non-recognition of tax benefits related to losses	47	352	360	605
Other foreign taxes paid	273	62	560	271
Rate variances in foreign jurisdictions	(137)	(441)	(625)	(1,389)
Other	239	71	868	1,210
	<u>\$ 4,502</u>	<u>\$ 779</u>	<u>\$ 25,744</u>	<u>\$ 8,764</u>

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 recorded 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 statute of limitation lapses.

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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>2012 Q3</u>	<u>2011 Q3</u>	<u>2012 YTD</u>	<u>2011 YTD</u>
Net earnings for the period	\$ 9,566	\$ 1,671	\$ 59,018	\$ 18,126
Weighted average shares outstanding - basic (000's)	78,949	71,580	75,078	71,452
Net effect of dilutive securities:				
Stock options	1,118	954	969	591
Weighted average number of shares - diluted (000's)	80,067	72,534	76,047	72,043
Earnings per share:				
Basic	\$ 0.12	\$ 0.02	\$ 0.79	\$ 0.25
Diluted	\$ 0.12	\$ 0.02	\$ 0.78	\$ 0.25

There were no anti-dilutive options for the three months ended January 31, 2012 and 2011 and the nine months ended January 31, 2012 while the calculation of diluted earnings per share for the nine months ended January 31, 2011 exclude the effect of 30,543 options as they were anti-dilutive.

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 presented in the first quarter Notes to Interim Condensed Consolidated Financial Statements for the three months ended July 31, 2011. Management evaluates performance based on earnings from operations in these three geographic segments before finance costs and income tax. Data relating to each of the Company's reportable segments is presented as follows:

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14. SEGMENTED INFORMATION (Continued)

	<u>2012 Q3</u>	<u>2011 Q3</u>	<u>2012 YTD</u>	<u>2011 YTD</u>
Revenue				
Canada - U.S.	\$ 69,805	\$ 38,191	\$ 215,394	\$ 129,211
South and Central America	59,168	36,836	178,522	118,896
Australia, Asia and Africa	53,215	32,693	166,278	96,911
	<u>\$ 182,188</u>	<u>\$ 107,720</u>	<u>\$ 560,194</u>	<u>\$ 345,018</u>
Earnings from operations				
Canada - U.S.	\$ 5,491	\$ 1,503	\$ 34,406	\$ 16,649
South and Central America	9,560	1,400	36,750	10,535
Australia, Asia and Africa	5,405	2,996	30,274	10,608
	<u>20,456</u>	<u>5,899</u>	<u>101,430</u>	<u>37,792</u>
Eliminations	<u>(10)</u>	<u>(235)</u>	<u>(93)</u>	<u>(700)</u>
	<u>20,446</u>	<u>5,664</u>	<u>101,337</u>	<u>37,092</u>
Finance costs	874	265	2,660	876
General corporate expenses *	5,504	2,949	13,915	9,326
Income tax	4,502	779	25,744	8,764
Net earnings	<u>\$ 9,566</u>	<u>\$ 1,671</u>	<u>\$ 59,018</u>	<u>\$ 18,126</u>

*General corporate expenses include expenses for corporate offices, stock options and certain un-allocated costs

Depreciation and amortization				
Canada - U.S.	\$ 4,970	\$ 2,815	\$ 12,365	\$ 7,381
South and Central America	2,716	2,227	7,471	6,261
Australia, Asia and Africa	3,189	2,668	8,244	7,948
Unallocated and corporate assets	1,142	338	1,883	1,152
	<u>\$ 12,017</u>	<u>\$ 8,048</u>	<u>\$ 29,963</u>	<u>\$ 22,742</u>

	<u>January 31, 2012</u>	<u>April 30, 2011</u>
Identifiable assets		
Canada - U.S.	\$ 239,730	\$ 134,666
South and Central America	202,127	189,083
Australia, Asia and Africa	175,914	130,071
	<u>617,771</u>	<u>453,820</u>
Eliminations	(1,606)	439
Unallocated and corporate assets	48,341	19,878
	<u>\$ 664,506</u>	<u>\$ 474,137</u>

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15. NET EARNINGS FOR THE YEAR

Net earnings for the year have been arrived at after charging various employee benefit expenses as follows.

	<u>2012 Q3</u>		<u>2011 Q3</u>		<u>2012 YTD</u>		<u>2011 YTD</u>
Direct costs:							
Salaries and wages	\$ 47,750	\$	31,383	\$	87,080	\$	91,376
Other employee benefits	9,314		5,712		16,842		16,948
General and administrative expenses:							
Salaries and wages	5,524		4,249		10,705		12,499
Other employee benefits	890		642		1,801		2,024
Other expenses:							
Share based payments	439		619		862		1,711

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>2012 Q3</u>		<u>2011 Q3</u>		<u>2012 YTD</u>		<u>2011 YTD</u>
Depreciation of property, plant and equipment	\$ 10,921	\$	7,910	\$	28,388	\$	22,340
Amortization of intangible assets	1,096		138		1,575		402
	<u>\$ 12,017</u>	\$	<u>8,048</u>	\$	<u>29,963</u>	\$	<u>22,742</u>

16. BUSINESS ACQUISITIONS

Bradley Group Limited

Effective September 30, 2011, the Company acquired all the issued and outstanding shares of Bradley Group Limited (“Bradley”), which provides a unique opportunity to further the Company’s corporate strategy of focusing on specialized drilling, expanding its geographic footprint in areas of high growth and of maintaining a balance in the mix of drilling services. 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 the assets acquired (indicated below), contracts and personnel. The purchase price for the transaction was CAD \$78,060, including customary working capital adjustments and net of cash acquired, financed with cash and debt.

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16. BUSINESS ACQUISITIONS (Continued)

The Company is in the process of finalizing the valuation of assets. As at January 31, 2012, the values allocated to net tangible and intangible assets are preliminary and are subject to adjustments as additional information is obtained.

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

Assets acquired

Trade and other receivables (net)	\$ 23,978
Inventories	15,330
Prepaid expenses	540
Property, plant and equipment	45,884
Deferred income tax assets	350
Goodwill (not tax deductible)	23,064
Intangible assets	7,324
Trade and other payables	(19,057)
Income tax payable	(1,751)
Short-term debt	(5,101)
Current portion of long-term debt	(113)
Long-term debt	(10,352)
Deferred income tax liability	<u>(2,036)</u>
Total assets	<u>\$ 78,060</u>

Consideration

Cash	\$ 72,000
Long-term debt (holdback)	8,000
Less: Cash acquired	<u>(1,940)</u>
	<u>\$ 78,060</u>

The Corporation incurred acquisition-related costs of \$857 relating to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in the other expenses line of the Interim Condensed Consolidated Statements of Operations.

It is impracticable to estimate the revenue and net income attributed to the additional business generated by Bradley for the three months ended January 31, 2012, or of the combined entity for the year as though the acquisition date was May 1, 2011.

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 \$9,563 (CAD \$9,345), including customary working capital adjustments, financed with cash.

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16. BUSINESS ACQUISITIONS (Continued)

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

Assets acquired

Inventories	\$ 946
Prepaid expenses	23
Property, plant and equipment	6,010
Goodwill (not tax deductible)	2,024
Intangible assets	342
Total assets	<u>\$ 9,345</u>

Consideration

Cash	\$ 5,628
Trade and other payables	3,717
	<u>\$ 9,345</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 working capital, drilling equipment, contracts and personnel. The purchase price for the transaction, excluding contingent consideration, was USD \$2,449 (CAD \$2,567), including customary working capital adjustments of CAD \$215, financed with cash. The contingent consideration of USD \$750 to the purchase price is 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 declared two dividends during the year, \$0.08 per common share paid on November 1, 2011 to shareholders of record as of October 10, 2011, and \$0.09 per common share to be paid on May 2, 2012 to shareholders of record as of April 6, 2012.

The Company declared two 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.

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:

Risk management objectives

The Company's corporate treasury function monitors and manages the financial risks relating to the operations of the Company through analysis of the various exposures. When deemed appropriate, the Company uses financial instruments to hedge these risk exposures.

Interest rate risk management

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the Company by use of interest rate swap contracts when deemed appropriate.

Interest rate swap contract

Under the interest rate swap contract, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. This contract enables the Company to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt held.

The following table details the notional principal amount and the remaining term of the interest rate swap contract outstanding at the reporting date.

Remaining term	Notional principal amount	Fair value
56 months	\$ 23,333	\$ (119)

The interest rate swap settles on a monthly basis swapping Canadian-Bankers' Acceptance-Canadian Dealer Offered Rate for an annual fixed rate of 3.665%.

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18. FINANCIAL INSTRUMENTS (Continued)

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 short and long-term debt and contingent considerations and approximates their fair value, 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.

	<u>January 31, 2012</u>	<u>April 30, 2011</u>
Short-term debt	\$ 7,893	\$ 7,919
Contingent considerations	2,760	2,612
Long-term debt	52,804	25,032

Credit risk

As at January 31, 2012, 76.3% of the Company's trade receivables were aged as current and 1.3% 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 April 30, 2011	\$ 982
Increase in impairment allowance	1,443
Write-off charged against allowance	(518)
Recovery of amounts previously written off	(406)
Foreign exchange translation differences	48
Balance as at January 31, 2012	<u>\$ 1,549</u>

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:

	<u>January 31, 2012</u>	<u>April 30, 2011</u>
U.S. Dollars	\$ 37,021	\$ 14,605

If the Canadian dollar moved by plus or minus 10% at January 31, 2012, the unrealized foreign exchange gain or loss would move by approximately \$3,702 (April 30, 2011 – \$1,460).

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18. FINANCIAL INSTRUMENTS (Continued)

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	\$100,357	\$ -	\$ -	\$ -	\$100,357
Short-term debt	7,893	-	-	-	7,893
Contingent considerations	1,004	1,756	-	-	2,760
Long-term debt	8,799	17,760	21,662	4,583	52,804
	<u>\$118,053</u>	<u>\$ 19,516</u>	<u>\$ 21,662</u>	<u>\$ 4,583</u>	<u>\$163,814</u>