MAJOR
Drilling Group International Inc.

2001 Annual Report

"Building on our progress this year, we will continue to focus on our most profitable markets, delivering sustainable growth and shareholder value as we move into

the future of drilling."

Francis P. McGuire
President and CEO

Corporate Profile

Major Drilling Group International Inc. is one of the world's largest contract drilling companies, with 33 field operations and/or offices in 15 countries around the globe. Major Drilling's subsidiary, UDR, is a recognized leader in the design and manufacture of state-of-the-art drill rigs for the mining industry. The Company also offers environmental and geotechnical contract drilling services.

Major Drilling is a leader in providing specialized contract drilling services in some of the world's harshest environments, consistently delivering the highest quality work, on time and on budget. The Company will continue to position itself for the future by deploying specialized and innovative solutions to the mining industry's most complex and challenging drilling requirements.

Major Drilling's common shares trade on the Toronto Stock Exchange under the symbol MDI.

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Performance

HIGHLIGHTS

$ million (except earnings per share)

	FY 2001	FY 2000
Revenues	$ 129.9	$ 116.6
Gross profit	$ 36.2	$ 30.1
Cash flow (EBITDA) from continuing operations*	$ 13.6	$ 3.8
Net earnings (loss) from continuing operations*	$ 1.5	$ (6.1)
Net earnings (loss)	$ (9.3)	$ (0.2)
Net earnings (loss) per share from continuing operations*	$ 0.13	$ (0.55)
EBITDA per share from continuing operations*	$ 1.24	$ 0.34
Net earnings (loss) per share	$ (0.84)	$ (0.02)

** Before writedown for Ausdrill of $6.9 million and loss of $3.8 million from discontinued operations.*

and focus

2001 Performance

- Focus on specialized services contributed to 11.4% increase in revenue to $129.9 million.
- Gross margins for drilling and manufacturing increased to 27.9% from 25.8% in 2000.
- Gross profit up over 20% to $36.2 million, reflecting a combination of increased revenue and improved margins.
- Continuing focus on operations rationalization and cost control delivered a $4.7 million reduction in general and administrative expenses.
- Reintegration of UDR supports the drill fleet standardization initiative as well as contributing positive cash flow and earnings in fiscal 2001.

2002 Focus

- Continue to exploit Major Drilling's competitive advantage by aggressively marketing specialized drilling services.
- Improve gross margins by reducing repair and maintenance costs through rationalization of Canadian and Australian maintenance facilities.
- Drive down general and administrative costs through continuing cost control and rationalization of Canadian and Australian operations.
- Through UDR, expand Major Drilling's combination drill fleet in response to market demands and continue to implement standardization of the drill fleet to increase productivity, lower maintenance costs and reduce inventory.
- Reduce debt levels.

Message to

Fiscal 2001 was a year of challenge and significant progress for Major Drilling. We took disciplined, considered steps to create a stronger, more resilient company, well positioned for profitability through all phases of the metals price cycle. Also, we focused on proactively defining the future of drilling. This vision calls for us to grow our business better and smarter, in terms of services, geography and technology. We set our sights on that horizon in fiscal 2001, and, as a result, have entered fiscal 2002 with a much stronger sense of direction and purpose.

Strategic Initiatives

During the year, we launched a strategic reorganization of our operations, refocusing on how to best leverage our core competencies to deliver sustainable and profitable growth. Among our initiatives, we:

- ***Focused on increasing our share of the higher margin specialized drilling services market,*** which represented about 65 per cent of our metals and minerals drilling revenue in fiscal 2001. We are targeting large multinational mining companies with significant and continuing requirements for specialized drilling services. These companies have remained relatively active, despite current low metals prices, and have complex drilling requirements such as deep-hole drilling, directional drilling and mobilizations to remote locations or to high altitudes. Major Drilling is a market leader in this segment of the business with a proven breadth and depth of expertise that is difficult for small local drilling operations to match.
- ***Reintegrated the UDR manufacturing unit into our core operations*** to support our ongoing strategy of drill fleet standardization, as well as our focus on specialized drilling services. UDR is a recognized leader in the design and manufacture of combination drill rigs and ancillary safety equipment. In 1999, UDR was classified as a discontinued operation pending sale. However, within the context of our reorganization, we re-evaluated UDR's contribution to our operations, ultimately deciding that UDR had significant untapped synergies that were strategic to our long-term goals. In addition, following substantial restructuring and rationalization through fiscal 2000, I am very pleased to tell you that UDR contributed positive cash flow and earnings to our consolidated fiscal 2001 results.
- ***Initiated the standardization of Major's drilling fleet and the expansion of our combination drilling capability*** in response to market demands, especially in the specialized services segment of the market. The reintegration of UDR into our operations is pivotal to the execution of this strategy over the next several years. We are confident that drill rig standardization, as it is implemented, will deliver tangible benefits in terms of improved productivity, lower repair and maintenance costs and reduced inventory requirements.
- ***Continued our disciplined cost reduction and control program to improve the efficiency of our operations.*** Over the past 18 months a total of 10 branch offices in Australia, Indonesia, and Latin America have been shut down or substantially scaled back. These actions, coupled with a general tightening of cost control across all of Major's operations, resulted in a $4.7-million reduction in general and administrative expenses from last year's levels.
- ***Responded to changing market conditions and the shifting geographic focus of our customers.*** We expanded our operations in Argentina, Chile and Tanzania, regions with active exploration and development programs and strong demand for specialized drilling services. Operations in Peru and Central America were closed in response to inactivity and poor business conditions, resulting in a charge to discontinued operations of $3.8 million.
- ***Assessed the strategic fit of our investment in Ausdrill Ltd.*** As we renewed our focus on specialized drilling services in fiscal 2001, we determined that Ausdrill was not strategic to our long-term growth objectives. Consequently, the value of this investment was restated to its estimated net realizable market value, resulting in a non-cash charge to operations of $6.9 million.

Strong Continuing Operations

The early success of these initiatives was reflected in what I can best describe as a turnaround financial performance.

After two years of declining revenue, in fiscal 2001 we increased our revenue by 11 per cent to $129.9 million. Net earnings from continuing operations, prior to the write down of the investment in Ausdrill, totalled $1.5 million, or $0.13 per share, compared to a loss of $6.1 million, or $0.55 per share, last year. Cash flow (EBITDA) from continuing operations increased more than 3.5 times to $13.6 million, or $1.24 per share, compared to $3.8 million, or $0.34 per share, last year. This improved financial performance was achieved despite continuing weakness in metals prices.

Shareholders

A Positive Outlook

Although the downturn in the mining sector continues, we remain optimistic about long-term prospects for the industry. In the coming year, we intend to maintain our focus on marketing specialized drilling services, our core competency, to large multinational mining companies and in the world's more active mining regions, including Chile, Argentina and Tanzania.

As we implement our drill rig standardization program over the next several years, we expect it will deliver significant cost savings while supporting our marketing thrust. In addition, we expect continued progress on infrastructure cost reduction, as initiatives commenced in fiscal 2001 yield results in 2002 and beyond.

We will continue to manage our business based on the assumption that difficult markets still lie ahead. We will focus on improving margins, cutting infrastructure costs, reducing inventory and reducing debt levels. Major Drilling's commitment is to deliver profitability, regardless of where we are in the business cycle.

We have a clear vision of where we want to be and understand the challenges that we need to address to sustain our competitive edge and realize our full potential. I personally believe that Major is the future of drilling and that our growth prospects are excellent.

In closing, I would like to thank our employees for their continuing hard work and dedication, particularly during this past year. Major Drilling's leading position in the contract drilling industry is without a doubt the result of their tremendous commitment to quality and service.

I must also acknowledge our customers' continued loyalty and support. We continuously strive to deliver a service offering superior not only to that of our competitors', but also to our customers' own expectations. We take pride in helping our customers to grow their businesses, and will continue to focus on high-value products and services that help them to achieve their goals.

I would also like to express management's appreciation to you, our shareholders, for your continuing support as we implement a strategy designed to take your company to new levels of performance.

We believe we have established a foundation for creating sustainable shareholder value, and look forward to reporting on our progress as we move through 2002.

Francis P. McGuire
President and Chief Executive Officer

Major Drilling

"In fiscal 2001, we put our assets to work for us, completing a rigorous rationalization of operations that has returned UDR to profitability. With drill rig standardization, a key focus for 2002 and beyond, we are confident that UDR will significantly increase the long-term value of our Company."

Paul E. Légère
Executive Vice-President

Worldwide

NORTH AMERICAN DRILLING OPERATIONS

Bishops Falls, *Newfoundland*
Beresford, *New Brunswick*
Val d'Or, *Québec*
Thetford Mines, *Québec*
Timmins, *Ontario*
Winnipeg, *Manitoba*
Thompson, *Manitoba*
Flin Flon, *Manitoba*
Yellowknife, *Northwest Territories*
Smithers, *British Columbia*
North Pole, *Alaska*
Ashland, *Maine*
Rocklin, *California*

LATIN AMERICAN DRILLING OPERATIONS

Hermosillo, *Mexico*
Puerto Ordaz, *Venezuela*
Cayenne, *French Guiana*
Coquimbo, *Chile*
Mendoza, *Argentina*
Dominican Republic
Hastings, *Barbados*

AFRICAN DRILLING OPERATIONS

Mwanza, *Tanzania*

AUSTRALIAN DRILLING OPERATIONS

Mount Isa, *Queensland*
Kambalda, *Western Australia*
Cobar, *New South Wales*
Dubbo, *New South Wales*

OTHER DRILLING OPERATIONS

Irian Jaya, *Indonesia*
Greenland
Turkey
Portugal

MANUFACTURING OPERATIONS

Miramichi, *Canada*
Santiago, *Chile*
Perth, *Australia*
Brisbane, *Australia*

North America

Strong revenue growth, driven by increased sales of specialized, higher margin drilling services and diamond, platinum and gold activity in western Canada, Alaska and the Arctic, offset competitive pressures on non-specialized drilling services in central and eastern Canada.

Latin America

Growth in Chile and Argentina served to offset the closure of Peruvian and Central American operations. Major Drilling focused its efforts on markets where it can exploit its competitive advantages. Several significant contracts were secured in this market from an expanded client base, utilizing Major Drilling's specialized high altitude and combination drilling capabilities.

Australasia and Africa

Revenue growth in this market was driven by increased demand in Tanzania and Indonesia which offset a reduction in revenue in Australia, which continues to be impacted by low metals prices. Major Drilling wrote down its investment in Ausdrill as the operation is no longer considered strategic to Major's long-term growth objectives.

UDR

UDR, Major Drilling's drill rig manufacturing division, continued to make good progress. Despite year-over-year revenue remaining relatively flat, rationalization and restructuring of its Australian operations led to substantially improved margins. Longer term, UDR will play an integral role in the Company's program to standardize the drill rig fleet and expand its combination drill rig capabilities.

Paul E. Légère
Executive Vice-President

Report on

"Despite a slowdown in several Latin American markets, Major Drilling was able to expand its operations by signing new contracts in Chile with a number of solid, blue chip mining companies."

Robert H. Morgan
Vice-President of Operations

Delivering solutions for all phases of drilling...

In the metals and minerals industry, there are three phases of drilling that mining companies typically undertake to bring an ore body into production:

- *Exploratory drilling,* where a company seeks to identify a mineralized target;
- *Development drilling,* involving extensive, systematic drilling to delineate the economic potential of an ore body; and
- *Definition drilling,* an ongoing detailed drilling program either from the surface or underground used to further define the ore body for engineering and operational mine plan purposes.

In all three phases, the most common non-production drilling methods are reverse circulation drilling and diamond drilling.

Reverse circulation drilling is primarily employed in the exploratory, and to some degree, developmental drilling phases. It is ideal for environments where the rock formations are either heavily oxidized or highly fractured and where water supplies are limited. This method of drilling uses a down hole hammer driven by high pressure air to break up the rock into chips, which are then circulated through the annulus of the dual wall drill pipe back to the surface for collection and analysis.

Diamond drilling enables the drilling team to collect a continuous core sample that is then analyzed to determine mineral content at precise locations. This method, which is the most accurate form of sampling, is employed extensively around the world and it can be used on both the surface and in underground mines. Unlike reverse circulation, the diamond drilling method requires a constant flow of water to cool the drill bit which can be difficult to supply at high altitudes, in desert environments or in fractured rock formations.

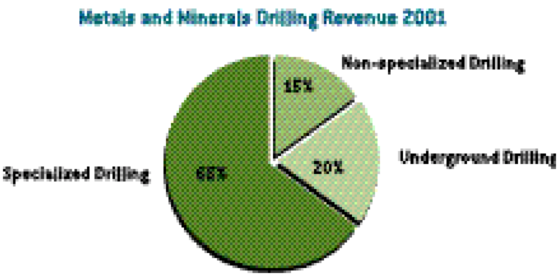
A leading manufacturer of specialized combination drill rigs...

Through the UDR manufacturing division, Major Drilling is a leader in the manufacture of specialized combination drill rigs that are capable of both reverse circulation and diamond core drilling. Major's combination drill rigs allow the driller to start drilling with the faster, less expensive, reverse circulation drilling method and to switch to the more accurate, solid core-sample drilling once the target has been reached. Operations in Australia, Africa and Asia currently make extensive use of combination drill rigs. Reverse circulation drilling is gaining acceptance in Latin American markets, an area of significant growth potential for combination rigs.

Operations

Major Drilling's Global Operations

In fiscal 2001, total drilling revenue increased 13 per cent to $115.7 million from $102.5 million last year, with increased revenue in all geographic regions of the Company's operations. Specialized drilling services represented about 65 per cent of metals and minerals drilling revenue, compared to non-specialized drilling services, which made up 15 per cent of metals and minerals drilling revenue. Underground drilling services accounted for the remaining 20 per cent of metals and minerals drilling revenue this year. The weightings in the chart below reflect Major's marketing focus on senior multinational mining companies, which continue to be relatively active, developing large, high-quality, low-cost ore bodies, often in difficult and remote locations.



Also, during the year, the Company capitalized on the geographic shifts in the marketplace by reducing and redeploying key staff, equipment and inventories from inactive branches, such as Central America and Peru, to markets with a growing demand for specialized drilling services, such as Chile and Tanzania. The chart above illustrates the relative revenue contribution for fiscal 2001 from each of the three regions in Major Drilling's global operations, and its manufacturing division.

Major Drilling continued to position itself for the future by deploying specialized and innovative solutions to its customers' most complex requirements. As a result, the Company works with some of the world's top multinational mining companies, many of which have operations located on several continents. These include:

"Major Drilling provides excellent equipment and service at a competitive price. They have proven to be innovative problem solvers with an exemplary commitment to environmental and safety standards."

E.W. Yarrow
President
Hudson Bay Exploration and Development Co. Ltd.

Robert H. Morgan
Vice-President of Operations

North America

Canada and the United States continue to represent Major Drilling's most important geographic market. Drilling revenue in this region was $51.1 million, a 17 per cent increase from last year's levels. Specialized services, which represented about 54 per cent of metals and minerals drilling revenue in the region, drove revenue growth, with increased exploration, definition and development drilling in western Canada, Alaska and the Arctic related to gold, diamonds and precious group metals (palladium, platinum). The Canadian directional drilling division, established last year, also contributed to the region's revenue growth, securing several significant contracts. Underground drilling represented 24 per cent of regional metals and minerals drilling revenue with 22 per cent of metals and minerals drilling revenue related to non-specialized drilling. Environmental and geotechnical drilling represented about 11 per cent of total drilling revenue in the region.

Central and eastern Canada were areas of intense competition, particularly for non-specialized drilling in and around established mining camps. This resulted in reduced revenue and decreased gross margins in these areas of Canada, and overall reduced margins for North America compared to last year.

The remote locations that typically require specialized drilling, logistics and mobilization services are areas of future growth in North America. To date, the Company has been making good progress in western Canada, Alaska and the Arctic.

With the intensifying competitive pressures in the region, the Company will focus its marketing efforts on its specialized services. The rationalization of the Canadian repair and maintenance infrastructure and the continuing move towards fleet standardization to reduce costs and improve margins will be key operational priorities in FY02.

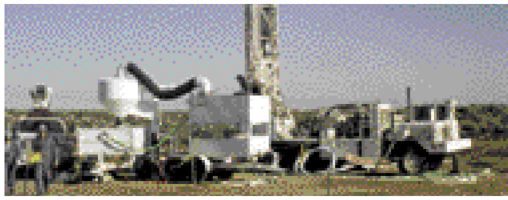
Highlights - North American Operations

Location	Method	Mine Property Status	Commodity	Specialization
Newfoundland	Surface Diamond Core Drilling	Exploration	Copper, Lead, Zinc	–
New Brunswick	Surface Diamond Core Drilling	Exploration	Copper, Lead, Zinc	Deep Hole Drilling
Québec	Surface and Underground Diamond Core Drilling	Definition, Development, Exploration	Gold, Copper, Lead, Zinc, Asbestos Niobium, Limestone	Directional Drilling Heliportable Rigs
Ontario	Surface and Underground Diamond Core Drilling	Definition, Development, Exploration	Gold, Nickel, Copper, Zinc Platinum, Palladium	Grade Control Directional Drilling Deep Hole Drilling Heliportable Rigs
Manitoba	Surface and Underground Diamond Core Drilling	Definition, Development, Exploration	Gold, Nickel, Copper, Lead, Zinc, Diamonds, Platinum, Palladium	Deep Hole Drilling Heliportable Rigs Directional Drilling
Saskatchewan	Surface and Underground Diamond Core Drilling	Exploration	Uranium	–
Northwest Territories & Nunavut	Surface Diamond Core Drilling, Reverse Circulation Drilling	Definition, Development, Exploration	Gold, Diamonds Platinum, Palladium	Arctic Drilling, RC Drilling Heliportable Rigs
Alaska	Surface and Underground Diamond Core Drilling	Definition, Exploration	Lead, Zinc Gold	Heliportable Rigs
Northeastern US	Surface Diamond Core Drilling	Exploration	Wollastonite, Talc	–
Nevada	Surface Diamond Core Drilling	Development	Gold	Deep Hole Drilling

Latin America

Major Drilling made good progress in Latin America despite the rationalization of the Central American and Peruvian offices. Drilling revenue increased to $32.3 million from $29.4 million last year and gross margins improved modestly. With significant proportions of high altitude and combination drilling activity, specialized services represented 84 per cent of total drilling revenue in the region. Underground drilling represented 10 per cent of regional drilling revenue with non-specialized drilling providing the remaining 6 per cent.

During the year, the Company was successful in broadening its client base, including Phelps Dodge, Falconbridge, and Breakwater Resources as new clients in the region, just as several large projects were scaling back.



Highlights - Latin American Operations

Location	Method	Mine Property Status	Commodity	Specialization
Chile	Surface and Underground Diamond Core Drilling, Reverse Circulation Drilling	Definition, Development, Exploration	Gold, Copper, Zinc, Silver	High Altitude Combination RC/Core
Argentina	Surface Diamond Core Drilling, Reverse Circulation Drilling	Development, Exploration	Gold	Combination RC/Core
French Guiana	Surface Diamond Core Drilling Reverse Circulation Drilling	Exploration	Gold	–
Mexico	Surface and Underground Diamond Core Drilling	Definition, Development, Exploration	Gold, Copper	Large Diameter Drilling
Venezuela	Surface Diamond Core Drilling	Development, Exploration	Gold	–

Australasia and Africa

Overall drilling revenue in Australasia and Africa increased 9 per cent to $32.3 million for FY 01. Similar to North America, Australia has an established and diverse mining industry, where companies mine substantial quantities of gold, nickel, copper, zinc and coal. In FY01, sales in Australia were down compared to last year due to the competitive nature of the market. This reduction was offset by strong growth in specialized services revenue in Indonesia and particularly in Tanzania. With specialized services providing 59 per cent of the region's drilling revenue, gross margins improved significantly over last year's performance. Underground drilling provided 22 per cent of drilling revenue in the region and non-specialized drilling provided the remaining 19 per cent of regional revenue.

Highlights - Australasian and African Operations

Location	Method	Mine Property Status	Commodity	Specialization
Queensland and Northern Territories	Surface and Underground Diamond Core Drilling, Reverse Circulation Drilling	Definition, Exploration	Gold, Copper, Zinc	Directional Drilling
New South Wales	Surface and Underground Diamond Core Drilling, Reverse Circulation Drilling	Definition, Development, Exploration	Gold, Copper, Lead, Zinc, Silver	Directional Drilling
Western Australia	Surface and Underground Diamond Core Drilling	Definition	Gold, Nickel, Copper	–
Indonesia	Surface and Underground Diamond Core Drilling, Reverse Circulation Drilling	Definition	Gold, Copper	High Altitude Large Diameter Holes
Tanzania	Surface Diamond Core Drilling, Reverse Circulation Drilling	Definition, Development, Exploration	Gold	Combination RC/Core Deep Hole

Manufacturing

UDR made strong progress through the year. Combination rig sales and the manufacture and installation of ancillary safety equipment such as automated drill rod handlers, made a significant contribution to UDR's revenues for the year. In addition, UDR's Australian shops remained busy with major overhauls and rebuilds of customer owned drill rigs. Improved manufacturing margins, coupled with substantial cost reductions achieved through the restructuring and rationalizing of its sales and corporate offices, generated a positive cash flow and earnings contribution to Major Drilling's consolidated financial results.

With the reintegration of UDR , a key initiative in FY02 will be the rationalization of the repair and maintenance infrastructures of Major's Australian based contract drilling subsidiary, Major Pontil, with UDR's Australian operations.

Management's Discussion

"Major Drilling made good progress with its cost containment program in 2001. Moving forward, management's efforts will continue to be directed at rationalizing its operations and responding rapidly to changing market conditions."

Michael A. Pavey
Chief Financial Officer

	2001	2000	1999	1998	1997
			(thousands of Canadian dollars) (as restated)		
Revenue by region					
Canada-US	$ 51,078	$ 43,491	$ 57,588	$ 59,128	$ 36,377
Latin America	32,289	29,375	23,304	28,546	34,691
Australasia and Africa	32,293	29,588	42,442	36,034	–
Manufacturing revenues	26,323	20,594	21,638	22,833	–
	141,983	123,048	144,972	146,541	71,068
Eliminations	(12,090)	(6,466)	(4,200)	–	–
Total	**129,893**	**116,582**	**140,772**	**146,541**	**71,068**
Gross profit	36,208	30,113	36,552	45,861	24,942
Gross profits as a percentage of revenues	27.9%	25.8%	26.0%	31.3%	35.1%
General and administrative expenses	**21,721**	**26,421**	**26,251**	**25,327**	**11,123**
As a percentage of contract revenues	16.7%	22.7%	18.6%	17.3%	15.7%
Other expenses (income)	**862**	**(75)**	**1,958**	**(1,947)**	**369**
Interest	**3,433**	**3,261**	**2,763**	**1,012**	**427**
Amortization	**7,005**	**8,157**	**7,804**	**6,726**	**2,751**
Earnings (loss) from continuing operations (before write down of investment)	**1,483**	**(6,077)**	**(302)**	**8,466**	**5,579**
Write down of investment	**6,928**	–	–	–	–
Net (loss) earnings from continuing operations	**(5,445)**	**(6,486)**	**(5,592)**	**8,466**	**5,579**
Net (loss) recovery from discontinued operations	**(3,823)**	**5,883**	**(13,861)**	**465**	**3,646**
Net (loss) earnings	**(9,268)**	**(194)**	**(14,163)**	**8,931**	**9,225**
Cash flow (EBITDA) from continuing operations (before write down of investment)	**$ 13,625**	**$ 3,767**	**$ 8,343**	**$ 22,481**	**$ 13,450**

and Analysis

Overview

In the financial year ended April 30, 2001 (FY01) Major Drilling Group International Inc. faced continuing weakness in the metals and minerals sector. In the first half of calendar 2000, metals and minerals prices exhibited some recovery from cyclical lows but slipped back in the latter part of the year, reflecting recessionary concerns in major world economies.

This difficult business environment led many mining companies to scale back their exploration activities and this trend has continued into fiscal 2001. According to Metals Economics Group, total estimated worldwide exploration budgets for nonferrous metals for calendar 2000 were down 50 per cent to US$2.6 billion from their peak of US$5.2 billion in 1997, and down more modestly from US$2.8 billion in 1999.

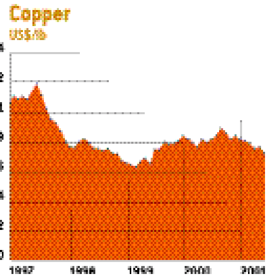
In spite of these challenging markets, Major Drilling was successful in increasing revenue over 11 per cent to $129.9 million in FY01 from $116.6 million in fiscal 2000 (FY00). Increased revenue, coupled with a strategic reorganization of operations and a continuing focus on cost reduction produced a substantial improvement in financial performance from continuing operations. Net earnings from continuing operations, before the write down of the investment in Ausdrill, were $1.5 million, or $0.13 per share, up $7.6 million from a loss of $6.1 million, or $0.55 per share, in FY00. Cash flow (EBITDA) from continuing operations, before the write down of investment, increased more than 3.5 times to $13.6 million, or $1.24 per share, from $3.8 million, or $0.34 per share, in FY00.

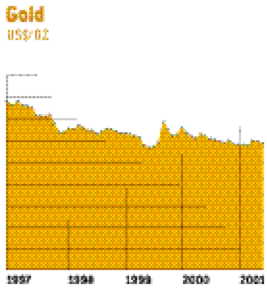
As part of its strategic reorganization, Major Drilling:

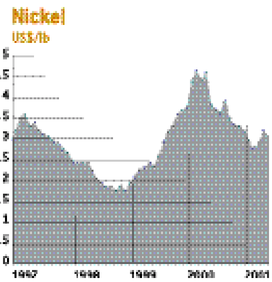
- Reintegrated the operations of Australian based UDR Group Inc. and Canadian based Universal Drill Rigs Inc. (UDR) back into its operations, bringing positive cash flow and earnings to the consolidated financial results. UDR had previously been treated as a discontinued operation pending sale in FY99.
- Determined that its investment in Ausdrill was no longer strategic to the Company's long-term objectives, taking a non-cash write down of $6.9 million to reflect the estimated current net realizable value of the Ausdrill shares.
- Addressed inactivity and poor business conditions in Central America and Peru by discontinuing operations in these regions.

Information in the five-year summary, opposite, has been adjusted for comparative purposes to exclude discontinued operations and to include the reintegrated UDR operations.

Revenue







Total revenue from drilling and manufacturing for FY01 increased 11 per cent to $129.9 million from revenue of $116.6 million in FY00. Revenue from manufacturing was essentially flat at $14.2 million compared to $14.1 million last year. Drilling revenue was up 13 per cent to $115.7 million compared to $102.5 million last year.

Definition and development contract drilling services represented about 61 per cent of drilling revenue compared to 55 per cent last year. Revenue from exploratory drilling represented 34 per cent of drilling revenue, down from 37 per cent in FY00. Construction and geotechnical drilling contracts provided approximately 5 per cent of drilling revenue, down from 8 per cent of total drilling revenue last year.

North American drilling operations generated revenue of $51.1 million in FY01, up over 17 per cent from $43.5 million last year. This improvement was due to increased activity in western Canada, the Arctic and

Michael A. Pavey
Chief Financial Officer

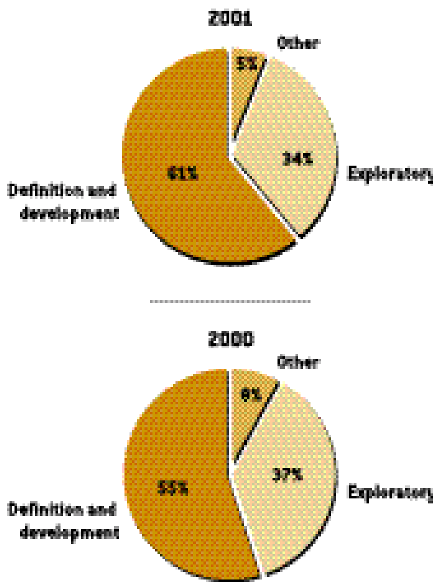
With the current geographic distribution of operations, Major Drilling's operations exhibit a strong seasonal pattern. The Company's fourth quarter (February to April) is traditionally its strongest. Activity increases in northern and central Canada where winter roads permit access to remote exploration sites. During this same period of time, South America is in the summer season, which provides the best drilling conditions and the greatest activity levels for high altitude drilling in that region. The third quarter (November to January) is typically Major Drilling's weakest period of revenue generation. This is due to a seasonal shutdown of mining and exploration activities for extended periods, particularly in Latin America over the Christmas and New Years' holiday season.

Alaska, related to gold, diamond, and precious metals (palladium and platinum) exploration and mine development activity. The proportion of revenue from exploratory drilling increased to about 39 per cent of drilling revenue in the region from 16 per cent last year. Definition and development drilling decreased to 49 per cent of revenue in the region compared to 68 per cent last year. Drilling related to construction and geotechnical activity accounted for 12 per cent of revenue in the region compared to 16 per cent in FY00.

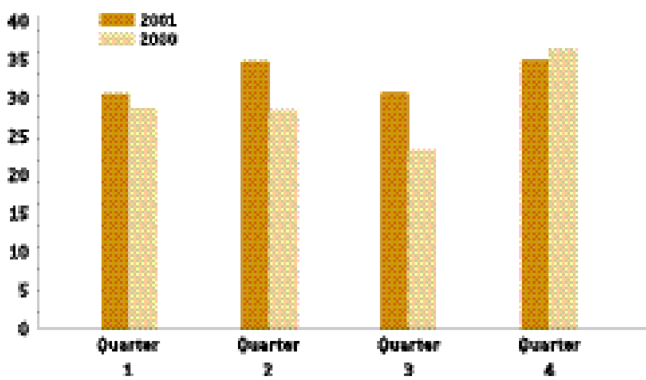
Drilling revenue in Australasian and African based operations (Australia, Indonesia and Tanzania), increased to $32.3 million from $29.6 million in FY00, driven by a doubling of revenue from a full year of operations in Tanzania. Exploratory drilling represented about 19 per cent of drilling revenue for the year compared to 27 per cent last year. Definition and development drilling provided 81 per cent of revenue in the region up from 69 per cent in FY00. Drilling related to construction and geotechnical activity accounted for 4 per cent of revenue in the region last year.

Latin American revenue increased to $32.3 million in FY01 from $29.4 million last year. This increase was driven primarily by a few significant projects with high-quality, low-cost ore bodies. While these projects scaled back their level of activity in the latter part of the year, the Company has successfully broadened its client base in the region. Exploratory drilling represented about 6 per cent of revenue in the region in FY 01 compared to 71 per cent in FY00, and definition and development drilling represented about 94 per cent of revenue in FY01 compared to 29 per cent in FY00.

Drilling Revenue Distribution



Quarterly Sales
(millions of CDN$)



Gross Profit

The Company's gross profit was $36.2 million for FY01, up 20 per cent from $30.1 million last year. This increase resulted from increased revenue coupled with improved gross margin percentages. Gross margins expressed as a percentage of sales were 27.9 per cent in FY 01 compared to 25.8 per cent in FY 00. Gross margin percentages for manufacturing improved substantially to 26.8 per cent in FY01 compared to 12.0 per cent last year, reflecting the rationalization of that operation.

With the increase in contract drilling revenue, drilling gross profit increased $1.8 million year over year, despite a reduction in gross profit percentage to 25.8 per cent in FY01 from 27.3 per cent in FY00. Gross profit percentage for drilling decreased in North America, reflecting increased competition, particularly in and around established mining centers. This decline was partially offset by improved gross profit percentages in the Latin American and Australasian/African regions.

Generally, higher margins are available where more complex drilling requirements create significant barriers to entry for small, local contract drilling operations. These include applications such as deep-hole surface or underground drilling, directional drilling, drilling at high altitudes, helicopter mobilizations or mobilizations to remote locations These types of specialized services represented about 65 per cent of Major's metals and minerals drilling revenue for FY01.

Underground drilling contracts are typically longer term because of the cost and logistical difficulties of changing out drilling equipment in an underground environment, but also attract lower margins than specialized services. Underground drilling contracts represented about 20 per cent of metals and minerals drilling revenue in FY01. Standard surface drilling in and around established mining camps is highly competitive since there are few barriers to entry for small, local contract drillers. These types of contracts represented about 15 per cent of metals and minerals drilling revenue in FY01.

As part of its longer term, strategic direction, Major Drilling is focusing its marketing efforts as well as the standardization of its drill rigs and expansion of its combination drill rig fleet primarily on the specialized services sector of the contract drilling market.

Operations and Product Development

During the year, Major Drilling continued to rationalize operations in its contract drilling and manufacturing divisions in response to changing market conditions and the shifting focus of mining companies on different geographic regions.

In the contract drilling division, operations were scaled back in Venezuela, French Guiana and Colombia. Operations in Peru and Central America were shut down due to inactivity and poor business conditions, which resulted in a charge to discontinued operations of $3.8 million. Operations expanded in Argentina, Chile and Tanzania, regions with strong mining activity and growing requirements for specialized drilling services.

In the manufacturing division, the Australian operations were significantly restructured, with the move of UDR's head office to Perth from Brisbane and the elimination of four sales offices. The combination of substantially improved margins and reduced overheads resulted in a positive cash flow and earnings contribution from UDR. The combination reverse circulation and diamond core drill rigs and ancillary safety equipment designed and manufactured by UDR are enjoying growing recognition by the mining and drilling community and are pivotal to Major Drilling's strategy of drill rig fleet standardization. As a result of Major Drilling's focus on specialized drilling services, and the improved profitability of the operation, UDR was reintegrated into Major Drilling's consolidated financial statements in the third quarter of FY01.

General and Administrative

General and administrative expenses were reduced by over 17 per cent to $21.7 million in FY01 from $26.4 million in FY00. As part of Major Drilling's ongoing focus on cost reduction, contract drilling branch offices in Venezuela, French Guiana, and Colombia were scaled back in response to market conditions in these regions. The office in Jakarta was closed and Indonesian operations are now being supported from Australia. In addition, the operations in Peru and Central America were eliminated due to poor business conditions.

UDR's Australian operations were restructured and rationalized as previously noted. The reduction of staff and of regional sales offices significantly contributed to the decrease in overall general and administrative expenses.

Other Expenses

Other expenses increased $0.9 million in FY01 compared to the prior year, primarily due to losses on disposal of capital assets and short-term investments.

Write down of Investment

Major Drilling began the acquisition of shares in Ausdrill, an Australian-based contract drilling company, in 1997. In the third quarter of FY01, following a strategic review of this investment, management concluded that integration of Ausdrill's operations was unlikely. Consequently, the carrying value of Major's investment in Ausdrill was written down to its estimated net realizable value of $1.7 million. This resulted in a non-cash charge to operations of $6.9 million.

Income Taxes

Income tax expense for the year was $1.7 million, compared to a tax credit of $1.2 million in FY00, reflecting the year-over-year increase in pre-tax income from continuing operations.

Liquidity and Capital Resources

The Company's ongoing requirements for cash consist principally of amounts required for working capital, to finance capital expenditures and to fund debt service requirements. Earnings from continuing operations before income taxes, interest, depreciation and amortization (EBITDA), before the non-cash write down of investment, was $13.6 million, or $1.24 per share, in FY01 compared to $3.8 million, or $0.34 per share, in FY00.

Working Capital

Major Drilling's working capital requirements are determined primarily by drilling activity levels, and the resulting levels and rates of turnover of its accounts receivable and inventories. Because of the seasonal nature of the business, with the highest level of sales in the fourth quarter, accounts receivable tend to peak at year-end. Despite the 11 per cent increase in annual sales, accounts receivable at year end decreased to $23.0 million from $26.6 million at the prior year end. Inventories declined modestly to $33.0 million compared to $33.5 million at the prior year end.

Capital Expenditures

Although Major Drilling's business is not considered capital intensive, there is a continuing need to purchase, refurbish and replace drill rigs and related equipment. Net capital expenditures (capital expenditures net of proceeds from sale of capital assets) totaled $8.9 million in FY01, compared to $4.0 million in FY00. Net capital expenditures over the next several years are expected to be in the range of $5.0 – $7.0 million annually with the focus of these expenditures on combination drill rigs.

Credit Facilities

A Canadian chartered bank has made available three credit facilities to the Company. The maximum amount available under these facilities is $48.0 million and is available subject to the Company meeting certain covenants relating primarily to its financial position.

The first facility is a $16.0 million operating line secured by the Company's trade accounts receivable and inventories. At April 30, 2001, with its receivables at their seasonal high, the Company had utilized $10.5 million of this line.

The second facility is a $4.0 million revolving term line for equipment acquisition in Canada. It can be divided into term loans with amortization of up to five years at the Company's option. At April 30, 2001, $2.1 million of this equipment line had been drawn.

The third facility is a $28.0 million term line established to assist in acquisitions of similar businesses. At April 30, 2001 this line was fully drawn. Of this facility, $19.0 million will be amortized over a five-year period, commencing in FY02. The $9.0 million balance of this facility matures in FY04.

In addition, Major Drilling's Australian operations have total operating lines of $2.1 million with $1.7 million drawn at April 30 2001.

Risks and Uncertainties

The most significant operating risk affecting the Company is the potential downturn in demand for the Company's services due to decreased activity in the minerals and metals industry. Within this sector, there was some temporary price recovery for base metals early in calendar 2000. However, it was not sufficient to cause mining companies to expand their exploration and contract drilling budgets. Metals Economics Group has indicated that calendar 2000 marked the third consecutive year of declining exploration and development budgets for non-ferrous metals in the mining industry with budgets falling by about 7 per cent in calendar 2000 from the previous year and 50 per cent from 1997.

With gold prices under continuing pressure, the proportion of global exploration capital directed at gold, which had previously represented about half of total exploration capital, declined to 40 per cent in 2000. Gold traded in the range of US$256 to US$292 per ounce through FY01, below the price range of US$300-325 per ounce considered necessary to allow junior mining companies access to the capital required for gold exploration.

To mitigate the risks involved in the current market down cycle, the Company has aggressively implemented a number of measures including:

- Shut down operations in Peru and Central America and rationalized or scaled back 10 branch offices throughout its operations, resulting in a $4.7 million reduction in G & A expense compared to last year.
- Focused on the higher margin specialized drilling services, where the Company has a distinct competitive advantage over small, local contract drillers.
- Targeted those geographic regions with significant and growing requirements for specialized drilling services, such as Chile, Tanzania, and the Arctic.
- Initiated standardization of the drilling fleet over the next several years, which will provide significant savings in repair, maintenance and inventory costs.

A substantial portion of the Company's business is conducted in foreign markets. The Company limits its exposure to foreign exchange risks associated with the currencies of developing countries through a policy of contracting in US dollars where legally permitted.

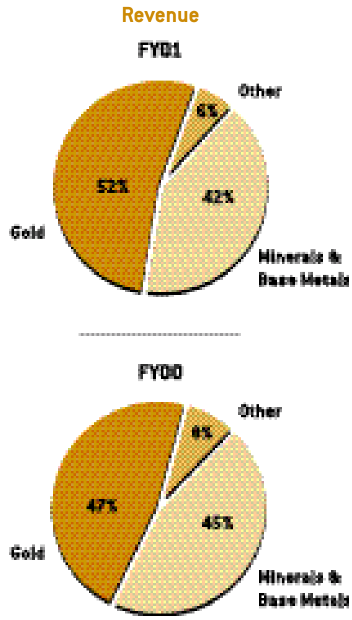
From time to time, a significant portion of the Company's overall revenue and net income may be dependent on a few key contracts. There can be no guarantee that, upon the expiration or termination of a key contract, the Company will obtain sufficient replacement contracts to maintain the existing revenue and income levels. The Company does provide specialized drilling services that can be difficult to replace. In addition, Major Drilling is actively seeking to expand its client base and geographic field of operations to mitigate its exposure to any single client, commodity or mining region.

Outlook

Major Drilling's performance is strongly tied to the financial performance of the international metals and minerals sector. Within this sector, there had been some base metal price recovery in the first half of calendar 2000. Concerns of global recession that emerged late in 2000 stalled that price recovery and metals prices fell back from their earlier highs. A policy of monetary easing by the central banks through the first half of 2001 is expected to stimulate global economic growth through the latter half of 2001. Stronger economic conditions should be positive for the metals and minerals sector and subsequently for contract drilling services.

Gold prices continue below US$300 per ounce and it is unclear when prices will stabilize at a level sufficient to allow junior mining companies to obtain financing for gold exploration. Consequently, the Company continues to focus most of its marketing efforts in the precious metals segment of the industry on large multinational firms that own and are developing low-cost, high-quality ore bodies. These companies are continuing their drilling programs and in some cases are increasing drilling expenditures. In FY01 gold related drilling represented 52 per cent of Major's drilling revenue compared to 47 per cent in FY00. The Company expects gold related drilling to continue to represent a significant component of revenue in FY02.

The timing of recovery of the metals and minerals sector continues to be uncertain, and the business environment challenging. To address these conditions, in the year ahead Major Drilling will continue to focus on marketing its specialized service capabilities, rationalization of its operations and infrastructure, tight cost control and cash management.



This discussion and analysis of Major Drilling's financial condition and results of operations should be read in conjunction with its consolidated financial statements and accompanying notes from fiscal 2001 and 2000.

This annual report may contain forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the Company's business and results of operations. By their nature, these risks and uncertainties could cause actual results to differ materially from those indicated. Such factors include, without limitation, the various factors set forth in the Management's Discussion and Analysis and as discussed in public disclosure documents filed with Canadian regulatory authorities.

Major Drilling disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Management's Responsibility

In management's opinion, the accompanying consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of appropriately selected, Canadian generally accepted accounting principles and policies, consistently applied and summarized in the consolidated financial statements. Since a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgment and with all information available up to June 1, 2001. Management is responsible for all information in the annual report. Financial operating data in the report are consistent, where applicable, with the consolidated financial statements.

To meet its responsibility for reliable and accurate financial statements, management has established systems of internal control which are designed to provide reasonable assurance that financial information is relevant, reliable and accurate, and that assets are safeguarded and transactions are executed in accordance with management's authorization.

The consolidated financial statements have been examined by Deloitte & Touche LLP, independent chartered accountants. The external auditors' responsibility is to express a professional opinion on the fairness of management's consolidated financial statements. The auditors' report outlines the scope of their examination and sets forth their opinion.

The audit committee of the board of directors is comprised of independent directors. The audit committee meets regularly with management and the external auditors to satisfy itself that each is properly discharging its responsibilities, and to review the consolidated financial statements. The audit committee reports its findings to the board of directors for consideration when approving the consolidated financial statements for issuance to the shareholders. The audit committee also recommends, for review by the board of directors and approval of shareholders, the appointment of the external auditors. The external auditors have full and free access to the audit committee.

Francis P. McGuire
President and Chief Executive Officer

Michael A. Pavey
Chief Financial Officer

June 1, 2001

Auditors' Report

To the Shareholders of Major Drilling Group International Inc.

We have audited the consolidated balance sheets of Major Drilling Group International Inc. as at April 30, 2001 and 2000 and the consolidated statements of operations and retained earnings and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants
Halifax, Nova Scotia

June 1, 2001

Consolidated Statements of Operations and Retained Earnings

Years ended April 30, 2001 and 2000
(in thousands of Canadian dollars, except per share information)

	2001	2000
TOTAL REVENUE	$129,893	$116,582
DIRECT COSTS	93,685	86,469
GROSS PROFIT	36,208	30,113
OPERATING EXPENSES		
General and administrative	21,721	26,421
Other expenses	862	(75)
Interest	3,433	3,261
Amortization	7,005	8,157
	33,021	37,764
OPERATING INCOME (LOSS)	3,187	(7,651)
WRITE DOWN OF INVESTMENT	6,928	–
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(3,741)	(7,651)
INCOME TAXES - PROVISION (RECOVERY) (note 14)		
Current	1,877	492
Future	(173)	(1,657)
	1,704	(1,165)
	(5,445)	(6,486)
NON CONTROLLING INTEREST	–	409
LOSS FROM CONTINUING OPERATIONS	(5,445)	(6,077)
(LOSS) RECOVERY FROM DISCONTINUED OPERATIONS (note 11)	(3,823)	5,883
NET LOSS	(9,268)	(194)
RETAINED EARNINGS, BEGINNING OF THE YEAR	17,438	17,632
RETAINED EARNINGS, END OF THE YEAR	$ 8,170	$ 17,438
EARNING (LOSS) PER SHARE		
Loss from continuing operations	$ (0.50)	$ (0.55)
Net loss	$ (0.84)	$ (0.02)

Consolidated Balance Sheets

As at April 30, 2001 and 2000
(in thousands of Canadian dollars)

	2001	2000
ASSETS		
CURRENT ASSETS		
Cash	$ 2,538	$ 5,913
Marketable securities	1,057	1,587
Accounts receivable	23,024	26,579
Income taxes recoverable	1,460	2,014
Inventories	32,973	33,512
Prepaid expenses	1,930	1,805
	62,982	71,410
CAPITAL ASSETS (note 4)	74,983	74,420
LONG-TERM INVESTMENTS (note 5)	1,859	8,108
FUTURE INCOME TAX ASSETS (note 14)	2,072	2,897
GOODWILL AND OTHER (note 6)	4,137	4,478
	$ 146,033	$ 161,313
LIABILITIES		
CURRENT LIABILITIES		
Demand loans (note 7)	$ 11,615	$ 12,997
Accounts payable and accrued charges	16,534	18,496
Current portion of long-term debt (note 8)	5,425	2,148
Current liabilities of discontinued operations (note 11)	–	114
	33,574	33,755
LONG-TERM DEBT (note 8)	27,974	31,301
	61,548	65,056
SHAREHOLDERS' EQUITY		
Share capital (note 9)	82,780	83,323
Contributed surplus	1,388	1,065
Retained earnings	8,170	17,438
Cumulative translation adjustments	(7,853)	(5,569)
	84,485	96,257
	$ 146,033	$ 161,313

Contingencies and commitments (notes 12 and 13)

APPROVED BY THE BOARD OF DIRECTORS

Ronald J. Goguen
Director

H L Doane

H. Lawrence Doane
Director

Consolidated Statements of Cash Flows

Years ended April 30, 2001 and 2000
(in thousands of Canadian dollars)

	2001	2000
OPERATING ACTIVITIES		
Net loss from continuing operations	$ (5,445)	$ (6,077)
Operating items not involving cash		
Amortization	7,005	8,157
Loss (gain) on disposal of assets	97	(51)
Write down of investment	6,928	–
Future income taxes	(173)	(1,657)
Non controlling interest	–	(409)
	8,412	(37)
Changes in non-cash operating working capital items (note 10)	2,602	6,541
Cashflow from continuing operations	11,014	6,504
(Loss) recovery from discontinued operations	(3,823)	5,883
Discontinued items not involving (requiring) cash	1,026	(6,087)
Cashflow from operating activities	8,217	6,300
FINANCING ACTIVITIES		
Additional long-term financing	1,370	5,422
Repayment of long-term debt	(2,678)	(5,738)
(Decrease) increase in demand loans	(1,382)	3,838
Repurchase of common shares	(221)	–
Cashflow from financing activities	(2,911)	3,522
INVESTING ACTIVITIES		
Business acquisitions	–	(1,658)
Acquisition of long-term investments	(1,133)	(1,712)
Acquisition of capital assets	(10,791)	(5,749)
Proceeds from disposal of capital assets	3,440	1,854
Cashflow from investing activities	(8,484)	(7,265)
OTHER ACTIVITIES		
Foreign exchange translation adjustment	(197)	(2,431)
	(197)	(2,431)
(DECREASE) INCREASE IN CASH	(3,375)	126
CASH POSITION, BEGINNING OF THE YEAR	5,913	5,787
CASH POSITION, END OF THE YEAR	$ 2,538	$ 5,913

Notes to Consolidated Financial Statements

YEARS ENDED APRIL 30, 2001 AND 2000

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

1. NATURE OF ACTIVITIES

The Company is incorporated under the Canada Business Corporations Act. The principal sources of revenue consist of contract drilling for companies involved in mining and mineral exploration and the manufacturing and distribution of drilling supplies and drill rigs. The Company has operations in Canada, United States, Mexico, South America, Australia, Europe, Asia and Africa.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its subsidiaries. Certain subsidiaries have been accounted for as discontinued operations (note 11).

Measurement uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from these estimates.

Revenue recognition

Revenues from drilling contracts are recognized on the basis of actual footage drilled for each contract. Revenues for manufacturing under contract are recognized on a percentage of completion basis. Other revenues from manufacturing and distribution are recognized as the goods are shipped. Revenues from ancillary services are recorded when the services are rendered.

Earnings (loss) per share

Earnings (loss) per share are calculated using the weighted daily average number of shares outstanding during the year.

Fully diluted earnings (loss) per share

Fully diluted earnings (loss) per share figures for fiscal 2001 and 2000 were not disclosed since the exercise of stock options would have been anti-dilutive.

Marketable securities

Marketable securities are valued at the lower of cost and fair market value.

Inventories

The Company maintains an inventory of operating supplies, drill rods, drill bits, raw materials for manufacturing, and work in progress. Inventories are valued at the lower of cost and replacement cost.

Capital assets

Capital assets are stated at cost. Amortization, calculated principally on the straight-line method, is charged to operations at rates based upon the estimated useful life of each depreciable asset. The following rates apply to those assets being amortized on the straight-line method:

	Residual Value (%)	Useful Life (years)
Buildings	–	15 - 20
Drilling equipment	0 - 15	5 - 15
Automotive and off-road equipment	0 - 10	5 - 10
Other	–	5 - 15

Costs for repairs and maintenance are charged to operations as incurred. Significant improvements are capitalized and amortized over the useful life of the asset.

Long-term investments

Long-term investments are accounted for using the cost method and have been written down to reflect other than temporary impairments in values.

Goodwill

Goodwill is accounted for at cost and is amortized using the straight-line method over a period of 25 years. The amortization period of 25 years is based on management's evaluation of the estimated economic life of the goodwill and the proper matching of costs against revenues. Management periodically evaluates the carrying value of the goodwill to determine if a permanent impairment has occurred. Management's evaluation is based upon a comparison of the discounted expected future operating cash flows with the carrying value of goodwill. Based on its evaluation, management does not believe that goodwill is impaired.

Future income taxes

The Company follows the liability method for corporate income taxes. This method takes a balance sheet approach and focuses on the amount of income taxes payable or receivable that will arise if an asset is realized or a liability is settled for its carrying amount. These assets and liabilities, referred to as "future income tax assets and liabilities", are computed based on differences between the carrying amount of balance sheet items and their corresponding tax values using the enacted or substantively enacted income tax rate in effect at the balance sheet date. The Company's primary differences arise between capital cost allowance claimed and amortization charged, inventory allowances claimed for tax purposes by foreign subsidiaries, and the tax benefit of non-capital losses carried forward.

Translation of foreign currencies

All amounts are presented in Canadian dollars. The financial statements include companies that have operations in the United States, Mexico, Venezuela, Chile, Australia and Indonesia, which are classified as self-sustaining foreign operations. The assets and liabilities of self-sustaining foreign operations are translated at the exchange rate in effect at the balance sheet date. Revenue and expense items of such operations are translated at average rates of exchange for the year. The change in the amount during each year primarily reflects the relative strength of the Canadian dollar against the Australian dollar and the change in the net investment in Australia. The resulting foreign currency translation gain or loss is reported as a separate component of shareholders' equity.

Tanzania and all other Latin American subsidiaries are classified as integrated foreign operations. The financial statements of integrated foreign operations are translated as follows: monetary items are translated at the rate of exchange in effect at the balance sheet date; non-monetary items are translated at historical rates; revenue and expense items are translated at the average rate of exchange for the year; and depreciation is translated at historical rates. Gains or losses resulting from these translations are accounted for in operations.

As a result of changes in the economic performance of the subsidiary in Chile, it was determined effective May 1, 2000, that Major Drilling Chile S.A. commenced operating as a self-sustaining foreign operation. Accordingly, the accounts of this subsidiary have been translated using the method outlined above for self-sustaining operations. This change in the method of translation has been applied prospectively and the resulting translation gains (losses) have been recorded as a separate component of shareholders' equity.

2000 figures

Certain of the 2000 figures have been reclassified to conform with the 2001 presentation.

3. BUSINESS ACQUISITION

Effective August 1, 1999, the Company acquired the shares of Benoit Diamond Drilling Ltd. (Tanzania), formerly the Tanzanian subsidiary of Canadian-based Forage à Diamant Benoit Ltée.

The acquisition was accounted for using the purchase method of accounting and the results of operations were consolidated from August 1, 1999. Total assets acquired at fair market value were as follows:

Assets acquired for cash:	
Inventories	$ 506
Capital assets	1,152
Total assets	$ 1,658

4. CAPITAL ASSETS

	2001 Cost	2001 Accumulated Amortization	2001 Net Value	2000 Cost	2000 Accumulated Amortization	2000 Net Value
Land	$ 1,673	$ –	$ 1,673	$ 1,476	$ –	$ 1,476
Buildings	8,246	847	7,399	7,897	742	7,155
Drilling equipment	72,088	21,681	50,407	69,836	20,171	49,665
Automotive and off-road equipment	17,030	8,771	8,259	18,188	8,923	9,265
Other	12,994	5,749	7,245	11,829	4,970	6,859
	$ 112,031	$ 37,048	$ 74,983	$ 109,226	$ 34,806	$ 74,420

5. LONG-TERM INVESTMENTS

	2001	2000
Ausdrill Limited	$ 1,651	$ 7,919
Other	208	189
	$ 1,859	$ 8,108

6. GOODWILL AND OTHER

Goodwill is primarily related to the acquisition of subsidiaries. The unamortized balance at April 30, 2001 is $2,517 (2000 - $2,743).

During fiscal 1999, the Company made a loan to a company controlled by the former President and Chief Executive Officer of which $1,620 (2000 - $1,735) including interest was outstanding at April 30, 2001. The loan is repayable on demand, bears interest at 1.5% over the prime rate and is secured by a personal guarantee and by General Security Agreements signed by both the former President and the Company. In April 2000, the Company entered into an agreement with the company controlled by the former President to purchase land and a building for $850, financed by assuming a mortgage on the building of $360, a cash payment of $240 and the remaining balance being applied to interest on the loan. The Company had previously rented this building for use as its head office.

7. DEMAND CREDIT FACILITIES

The Company has credit facilities available of $18,000 bearing interest at the bank's prime lending rate plus 0.5% or the bankers' acceptance rate plus 1.625%. The demand loans are primarily secured by fixed and floating charges on selected Canadian capital assets, a general assignment of book debts, inventories, corporate guarantees of companies within the group and a letter of undertaking agreeing not to assign or pledge the Company's shares in Ausdrill. The demand loans in Australia amounting to $2,078 (2000 - $2,504) are secured by Australian accounts receivable, and selected land and buildings in Australia.

8. LONG-TERM DEBT

	2001	2000
Non-revolving acquisition loan (authorized $28,000), of which $19,000 is due in quarterly installments ($750 due July 31, October 31, January 31 and $1,550 due April 30) through 2006, and $9,000 matures Nov 2, 2003, bearing interest at the lower of the bank's prime rate plus 1% or the bankers' acceptance rate plus 2.125%, secured by the shares of two wholly owned subsidiaries.	$ 28,000	$ 28,000
Term loans, bearing interest at rates ranging from 1.9% to 9%, payable in monthly installments of $11, maturing through 2013, secured by certain capital assets.	2,759	1,125
Term loans - US$347 (2000 - US$492), with interest at rates ranging from 9.29% to 11.4%, payable in monthly installments of US$15, secured by certain equipment, maturing through 2005.	535	728
Term loan - US$235 (2000 - US$292), payable in monthly installments of US$7 including principal and interest, at US prime plus 1%, secured by deeds of trust and security agreements, maturing in 2005.	362	432
Term loans - A$2,221 (2000 – A$3,664), payable in monthly installments of A$151 interest included, at rates ranging from 4.34% to 12.2%, secured by mortgage debentures over land, buildings and other assets, maturing in 2004.	1,743	3,164
	33,399	33,449
Current portion	5,425	2,148
	$ 27,974	$ 31,301

The above loans are secured by various debentures and mortgages, which are based on certain covenants primarily relating to the financial position of the Company. The security for the debentures and mortgages include fixed and floating charges against the assets, assignments of book debts, inventories and a pledge of common shares of a subsidiary. The required annual principal repayments on long-term debt are as follows:

2002	$ 5,425
2003	4,404
2004	13,219
2005	4,030
2006	3,862
Thereafter	2,459
	$ 33,399

9. SHARE CAPITAL

Authorized

Unlimited number of common shares, without nominal or par value.

	2001	2000
Issued and fully paid 10,974,873 common shares (2000 - 11,040,073)	$ 82,780	$ 83,323

Common shares

During 2001, the Company repurchased 65,200 of its common shares on the open market. The excess of the stated capital of the shares repurchased over the cost of repurchase was credited to contributed surplus ($323).

Stock options - employees and directors

The Company has issued stock options under its employee incentive compensation plan. Issuance of options under the plan is determined annually by the compensation committee appointed by the Company's Board of Directors. A summary of the status of the Company's stock option plan as at April 30, 2001 and 2000 and of changes during the years ending on those dates is presented below:

	2001		2000	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year	797,417	$ 8.73	515,317	$ 10.83
Options granted	478,200	3.60	327,500	5.55
Options cancelled	(100,000)	18.75	(45,400)	9.67
Outstanding at end of year	1,175,617	$ 5.80	797,417	$ 8.73

The following table summarizes information on stock options outstanding at April 30, 2001:

Range of Exercise Prices	Outstanding at April 30, 2001	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Exercisable at April 30, 2001	Weighted Average Exercise Price
$2.30 - $5.00	430,700	9.2	$ 3.20	144,400	$ 3.20
$5.25 - $10.00	671,467	7.2	5.99	531,467	6.00
$18.65 - $26.50	73,450	6.2	19.24	73,450	19.24
	1,175,617	7.9	$ 5.80	749,317	$ 6.76

10. ADDITIONAL INFORMATION TO THE STATEMENTS OF CASHFLOWS

Changes in non-cash operating working capital

	2001	2000
Accounts receivable	$ 2,934	$ (460)
Inventories	(135)	5,291
Accounts payable and accrued charges	(1,392)	1,546
Income taxes	601	252
Other items	594	(88)
	$ 2,602	$ 6,541

Interest and income taxes paid

	2001	2000
Interest paid	$ 3,431	$ 3,228
Income taxes paid	$ 1,323	$ 283

11. DISCONTINUED OPERATIONS

In April 1999, the Company made the decision to sell the UDR group of companies, which manufactures drill rigs and distributes supplies to the mining and drilling industries. In January 2001, the decision was made to retain and reintegrate UDR, thus the results of operations of this business are included in continuing operations in 2001. The 2000 comparative figures have been reclassified to reflect this decision.

In January 2001, the Company decided to close down its drilling operations in Central America and Peru due to poor results and business conditions in those countries.

The loss from operations of the discontinued operations amounted to $2,937 prior to measurement date, including write down of future tax benefits of $746. Transaction and disposition costs amounted to an additional $1,000. Most assets in these operations were transferred to other subsidiaries. The net loss from discontinued operations of 2001 includes a recovery of $114 of the original provision related to UDR, recorded in 1999.

Revenues for Central America and Peru's operations were $396 for the fiscal year ended April 30, 2001 and $5,792 for the year ended April 30, 2000.

12. CONTINGENCIES

The Minister of Revenue for the Province of Quebec has issued a reassessment for $855, including interest relating to the reasonableness of management fees paid by a predecessor company to a related party for the years 1987, 1988 and 1989. Management is appealing this reassessment and no liability has been recorded in these financial statements as management, based on the advice and information provided by legal counsel, is of the opinion that the Corporation has a strong defense. The Minister of Revenue is withholding a $208 tax refund until such time as the dispute is settled.

The Company is involved in various legal claims and legal notices arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these other matters will not have a material adverse effect on the Company's financial position, results of operations, or cash flows. Any amounts awarded as a result of these actions will be reflected in the year settled.

13. COMMITMENTS

The Company is committed to a lease agreement with a company controlled by the Co-chairman of the board of directors to pay annual rent of $47 until the year 2003. The Company also has various commitments, primarily for rental of premises, with arms-length parties as follows: 2002 - $1,384, 2003 - $721, 2004 - $428, 2005 - $16.

14. INCOME TAXES

Income taxes vary from the amount that would be determined by applying the combined statutory Canadian corporate income tax rate to loss from continuing operations before income taxes, with details as follows:

	2001	2000
Net loss before income taxes	$ (3,741)	$ (7,651)
Statutory Canadian corporate income tax rate	44%	44%
Expected income tax recoveries based on statutory rates	$ (1,646)	$ (3,366)
Non-recognition of tax benefits related to foreign subsidiaries' losses	1,570	3,266
Recovery of income taxes arising from the recognition of previously unrecorded tax benefits	–	(1,661)
Non-recognition of tax benefits related to write-down of investments	3,048	–
Lower effective foreign tax rates and other	(1,268)	596
Total income tax provision (recovery)	$ 1,704	$ (1,165)

Significant components of the Company's future income tax assets and liabilities are as follows:.

	2001	2000
Loss carryforwards tax affected	$ 6,004	$ 7,513
Carrying value of assets in excess of their tax value	(3,932)	(4,616)
Net future income tax assets	$ 2,072	$ 2,897

15. FINANCIAL INSTRUMENTS

Recognized financial instruments

The carrying values of cash, temporary investments, accounts receivable and accounts payable approximate their fair value due to the relatively short period to maturity of the instruments. The book value of long-term debt approximates its fair market value. The fair market value was established using discounted cash flow analysis, based on current borrowing rates for similar types of financing arrangements.

Concentration of credit risk

The Company provides credit to its customers in the normal course of its operations. It carries out, on a continuing basis, credit checks on its customers and maintains provisions for contingent credit losses. The Company also minimizes its credit risk by dealing with a large number of customers in various countries. The Company has one customer which represents greater than 10% of its revenues. The five largest customers account for 39.8% (2000 - 38%) of the total revenues.

Currency risk

A significant portion of the Company's operations are located outside of Canada. In several countries, foreign currency exposure is minimized by operating as a self-sustaining operation. In certain developing countries, the Company mitigates its risk of large foreign currency fluctuations by conducting business primarily in US dollars. Monetary assets denominated in foreign currencies are exposed to foreign currency fluctuations.

Interest rate risk

The long-term debt of the Company generally bears a floating rate of interest which exposes the Company to interest rate fluctuations. The Company has partially mitigated this risk through utilization of a $9,000 interest rate swap fixed at 6.4% which matures in 2004.

16. SEGMENTED INFORMATION

The Company's drilling operations are divided into three geographic segments. The reportable geographic segments are Canada-US, Latin America, and Australia and other. The services provided in each of the reportable drilling segments are essentially the same. In fiscal 2001, with the reintegration of the UDR Group of companies, the manufacturing segment qualifies as a reportable segment. The segment disclosure for 2000 has been restated to incorporate the manufacturing segment. The accounting policies of the segments are the same as those described in note 2. Management evaluates performance based on profit or loss from operations in these four segments before interest and income taxes. Presented below is data relating to each of the Company's reportable segments.

	2001	2000
Revenues - drilling		
Canada-US	$ 51,078	$ 43,491
Latin America	32,289	29,375
Australia and other	32,293	29,588
	115,660	102,454
Revenues - manufacturing	26,323	20,594
	141,983	123,048
Eliminations	(12,090)	(6,466)
	$ 129,893	$ 116,582
Earnings from operations - drilling		
Canada-US	$ 3,753	$ 4,696
Latin America	490	339
Australia and other	4,838	699
Earnings (loss) from operations - manufacturing	1,695	(5,525)
	10,776	209
Eliminations	100	(98)
	10,876	111
Interest expense, net	3,433	3,261
General corporate expenses	4,256	4,092
Write down of investment	6,928	–
Income taxes	1,704	(1,165)
Loss from operations	$ (5,445)	$ (6,077)

	2001	2000
Identifiable assets - drilling		
Canada-US	$ 39,752	$ 43,833
Latin America	40,404	53,108
Australia and other	32,459	29,897
Identifiable assets - manufacturing	18,791	15,749
	131,406	142,587
Eliminations	(3,210)	(3,173)
Unallocated and corporate assets	17,837	21,899
	$ 146,033	$ 161,313
Depreciation - drilling		
Canada - US	$ 2,395	$ 2,455
Latin America	2,038	2,141
Australia and other	1,766	2,736
Depreciation - manufacturing	469	671
	6,668	8,003
Non-identifiable and corporate assets	337	154
	$ 7,005	$ 8,157

Canada-US and manufacturing amounts include revenues in 2001 of $58,084 (2000 - $48,379) for Canadian operations and capital assets and goodwill as at April 30, 2001, of $30,068 and $1,743 respectively (2000 - $29,843 and $1,819).

Latin American amounts include drilling revenues in 2001 of $24,816 (2000 - $20,177) for Chilean operations and capital assets as at April 30, 2001, of $5,121 (2000 - $4,355).

Shareholder

DIRECTORS

John H. Schiavi
Jonathan Goodman
David B. Tennant
Harry R. Steele
John D. Harvey
H. Lawrence Doane
David A. Fennell
Frank McKenna
Ronald J. Goguen

TRANSFER AGENT

CIBC Mellon Trust Company

AUDITOR

Deloitte & Touche LLP

CORPORATE OFFICE

Major Drilling Group International Inc.
111 St. George Street, Suite 200
Moncton, New Brunswick, Canada E1C 1T7
Tel.: 506-857-8636 Toll-free: 866-264-3986
Fax: 506-857-9211
Web site: www.majordrilling.com
E-mail: info@majordrilling.com

OFFICERS

Francis P. McGuire
President and
Chief Executive Officer

Robert H. Morgan
Vice-President of Operations

Paul E. Légère
Executive Vice-President

James A. Gibson
General Counsel and Secretary

Michael A. Pavey
Chief Financial Officer

ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders of **Major Drilling Group International Inc.** will be held at:

TSE Conference Centre
2 First Canadian Place
Toronto, Ontario
September 12, 2001 at 12:00 p.m.

John H. Schiavi
President,
Schiavi Enterprises

Jonathan Goodman
President and CEO,
Dynamic Mutual Funds Ltd.

David B. Tennant
Partner,
McCarthy Tétrault

Harry R. Steele
Chairman and CEO,
Newfoundland Capital
Corporation Limited

John D. Harvey
former President,
Noranda Exploration
Company

Information

WORLDWIDE OPERATIONS OF MAJOR DRILLING GROUP INTERNATIONAL INC.

NORTH AMERICAN DRILLING OPERATIONS

Forage Major Ideal Drilling
Beresford, NB
Tel.: 506-542-9876
Fax: 506-542-4442

Forage Major Ideal Drilling (Nfld) Ltd.
Bishops Falls, NF
Tel.: 709-258-5144
Fax: 709-258-5207

Forage Major Kennebec Drilling Ltd.
Thetford Mines, QC
Tel.: 418-338-3141
Fax: 418-335-2894

Forage Major Dominik Drilling
Val d'Or, QC
Tel.: 819-824-6839
Fax: 819-824-4217

Forage Major Dominik Drilling
Timmins, ON
Tel.: 705-235-4545
Fax: 705-235-4612

Major Directional Drilling
Winnipeg, MB
Tel.: 204-885-7532
Fax: 204-888-4767

Major Midwest Drilling
Winnipeg, MB
Tel.: 204-885-7532
Fax: 204-888-4767

Major Midwest Drilling
Flin Flon, MB
Tel.: 204-687-3483
Fax: 204-687-5739

Major Midwest Drilling
Thompson, MB
Tel.: 204-677-3260
Fax: 204-677-9852

Major Drilling Group International Inc.
Smithers, BC
Tel.: 250-847-4361
Fax: 250-847-5039

Major Drilling Group International Inc.
Yellowknife, NT
Tel.: 867-873-4037
Fax: 867-873-6803

Major Alaska Drilling Inc.
North Pole, AK
Tel.: 907-488-9805
Fax: 907-488-9806

Maine Diamond Drilling Inc.
Ashland, ME
Tel.: 207-435-4202
Fax: 207-435-6400

PC Exploration Inc.
Rocklin, CA
Tel.: 916-434-4200
Fax: 916-434-4206

LATIN AMERICAN DRILLING OPERATIONS

Major Drilling International Inc.
Hastings, Christ Church
Barbados
Tel.: 246-228-6141
Fax: 246-228-6141

Major Drilling de Mexico, S.A. de C.V.
Hermosillo, Sonora, Mexico
Tel.: 52-62-51-02-65
Fax: 52-62-51-02-62

Majortec Perforaciones S.A.
Puerto Ordaz, Venezuela
Tel.: 58-2-86-922-2297
Fax: 58-2-86-923-4594

Major Perforaciones S.A.
Mendoza, Argentina
Tel.: 54-261-4810-162
Fax: 54-261-4811-884

Forage Major Guyane SARL
Cayenne, French Guiana
Tel.: 594-35-28-26
Fax: 594-35-38-16

Major Drilling Chile S.A.
Coquimbo, Chile
Tel.: 56-51-241-815
Fax: 56-51-241-593

Dominican Republic
OFFICE SITUATED IN MEXICO

AUSTRALIAN DRILLING OPERATIONS

Major Pontil Pty Limited
Dubbo, NSW
Tel.: 61-2-6884-2722
Fax: 61-2-6884-2697

Major Pontil Pty Limited
Cobar, NSW
Tel.: 61-2-6836-3622
Fax: 61-2-6836-1304

Major Pontil Pty Limited
Mount Isa, QLD
Tel.: 61-7-4743-0218
Fax: 61-7-4743-8586

Major Pontil Pty Limited
Kambalda, WA
Tel.: 61-8-9027-0170
Fax: 61-8-9027-0171

AFRICAN DRILLING OPERATIONS

Major Drilling Tanzania Limited
Mwanza, Tanzania
Tel.: 255-28-2-560207
Fax: 255-28-2-561395

OTHER OPERATIONS

PT Pontil Indonesia
Irian Jaya, Indonesia
Tel.: 62-901-351-040
Fax: 62-901-351-039

Greenland
OFFICE SITUATED IN WINNIPEG, MB

Turkey

Portugal

MANUFACTURING OPERATIONS

Universal Drill Rigs Inc.
Miramichi, NB, Canada
Tel.: 506-778-9700
Fax: 506-778-9709

Universal Drill Rigs Chile S.A.
Santiago, Chile
Tel.: 56-2-624-1450
Fax: 56-2-624-1477

UDR Group Limited
Perth, WA, Australia
Tel.: 61-8-9351-9666
Fax: 61-8-9351-9555

UDR Group Limited
Brisbane, QLD, Australia
Tel.: 61-7-3715-4700
Fax: 61-7-3715-4747

H. Lawrence Doane
former partner, Doane Raymond

David A. Fennell
Chairman and CEO, Hope Bay Gold Corporation Inc.

Frank McKenna
Co-Chairman, Major Drilling Group International Inc., Counsel, McInnes Cooper and former Premier of New Brunswick

Ronald J. Goguen
Co-Chairman and former President and CEO, Major Drilling Group International Inc., President, Blue Chip Investments Inc.

MAJOR
Drilling Group International Inc.

Corporate Office:
111 ST. GEORGE STREET, SUITE 200, MONCTON, NB CANADA E1C 1T7

Tel.: 506-857-8636
Toll-free: 866-264-3986
Fax: 506-857-9211
www.majordrilling.com