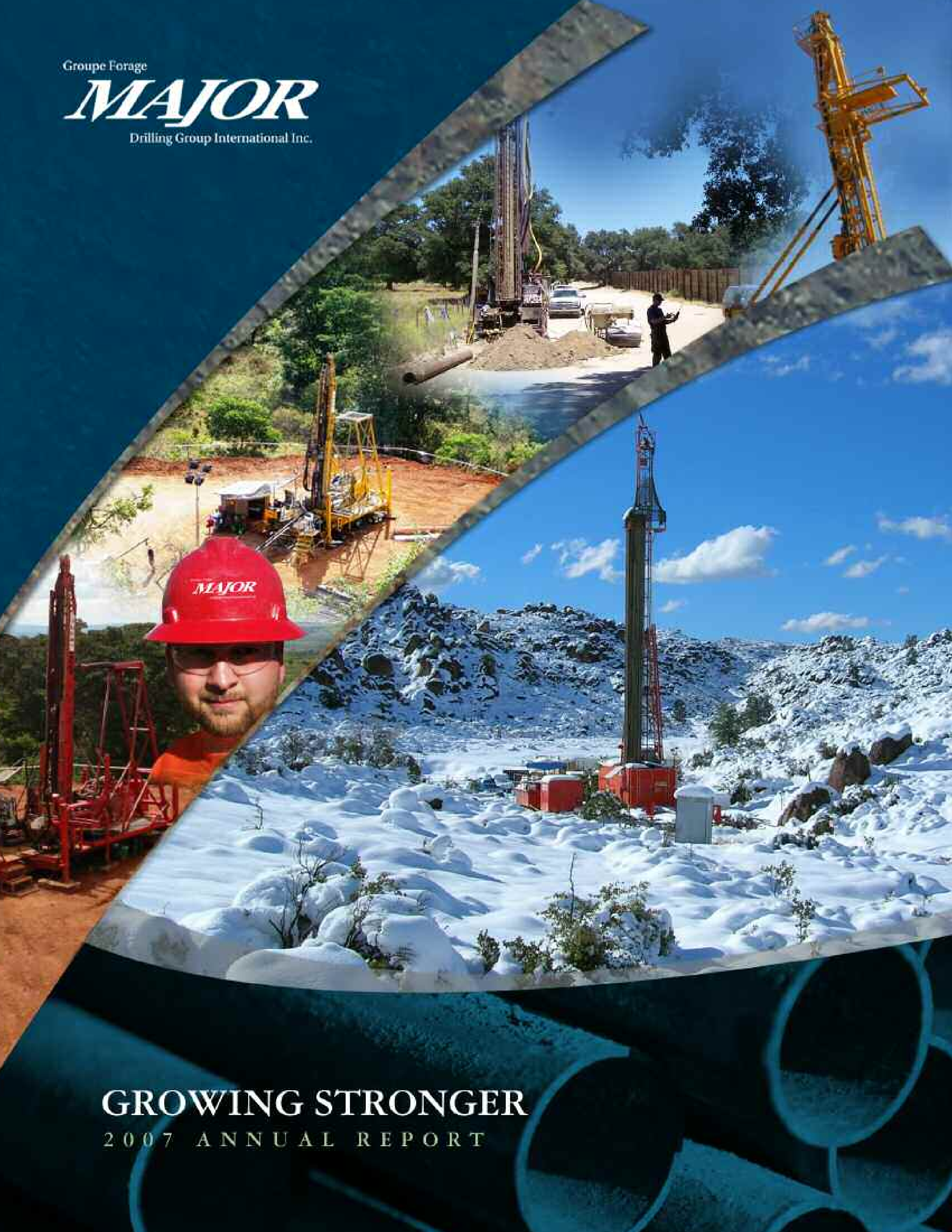
Groupe Forage
MAJOR
Drilling Group International Inc.
MAJOR
GROWING STRONGER
2007 ANNUAL REPORT

CORPORATE PROFILE

Founded in 1980, Major Drilling Group International Inc. has consistently delivered high quality drilling services in some of the world's most remote and harshest environments. The Company has grown into one of the largest contract drilling companies in the world, serving the metals and minerals sector around the globe. With 32 field operations and/or offices in 20 countries, Major Drilling's primary focus is the mining sector; however, the Company has also initiated drilling services in the coal-bed methane and shallow gas segments of the energy sector.

In 2006, the Company made the strategic decision to focus its corporate resources on its core business, mineral exploration contract drilling, and in June of that year completed the sale of its Australian and Chilean based manufacturing division, Universal Drill Rigs ("UDR").

The fundamental drivers of the Company's business continue to be strong and show no signs of significant changes. The demand for drilling services continues to increase as gold, silver, nickel, copper, zinc and uranium prices are at historically high levels and well above economic thresholds for exploration. The Company's strong operational leverage continues as it invests in future growth, with heavy investments in staff training and safety.

Major Drilling's common shares trade on the Toronto Stock Exchange under the symbol MDI and are part of the S&P/TSX Composite Index.

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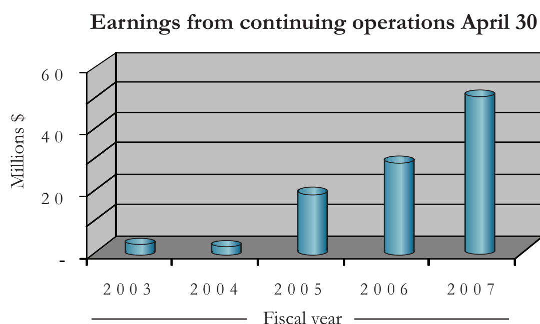
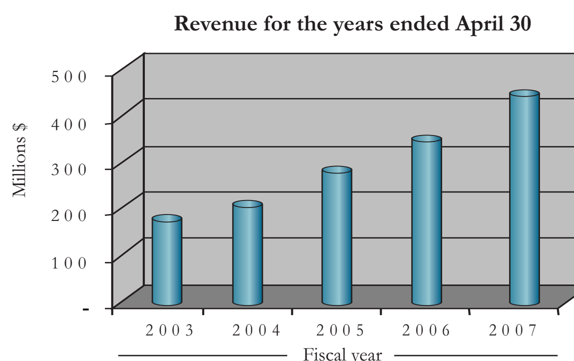
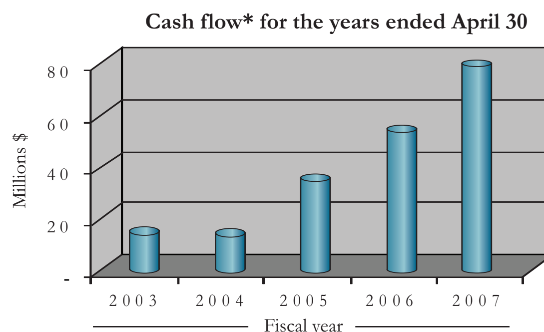
Highlights

In millions of CND$ (Except earnings per share)	FY 2007	FY 2006
Revenue	$ 415.4	$ 316.5
Gross margin	32.0%	28.6%
Earnings from continuing operations	46.5	25.2
Per share	*2.01*	*1.11*
Net earnings	58.8	28.6
Per share	*2.54*	*1.26*
Cash flow from continuing operations (before changes in non-cash operating working capital items)	75.6	46.8

- Fifth consecutive year of record annual revenue;
- Record annual earnings from continuing operations, up over 84% from the previous record set last year;
- Capital expenditures at a record of $49.5 million in fiscal 2007 and expected to grow to some $65 million in the upcoming year;
- Purchased the drilling assets of the Longstaff group, giving the Company a strong presence in South Africa, Namibia and Botswana;
- Subsequent to the fiscal year end, Standard and Poors Canadian Index Operation added Major Drilling to the S&P/TSX Composite and Global Mining Indexes.







* from operating activities before changes in non-cash operating working captal items

MESSAGE TO SHAREHOLDERS

Fiscal 2007 was a very rewarding year. Annual revenue moved to a new record for the fifth consecutive year at $415.4 million, an increase of 31 percent over the previous record of $316.5 million. Earnings from continuing operations increased over 84 percent to $46.5 million, from the previous record of $25.2 million in the prior year.

Fiscal 2007 was noteworthy for many reasons. In June, we made the strategic decision to focus solely on our core business, drilling, selling the manufacturing division and recording a gain of $12.3 million on discontinued operations, bringing total profits for the year to $58.8 million.

In 2007, our Company made record investments in capital equipment and in training to ensure the continuity of our aggressive internal growth strategy. Our capital expenditures for fiscal 2007 were $49.5 million, up from the previous record of $33.5 million in fiscal 2006. In the coming year, we plan to spend a further $65 million to pursue our internal growth strategy.

With our human resource initiative, we were able to grow our number of hours worked to 6.4 million from 5.2 million the previous year. Additionally, while recruiting a large number of new employees, we also improved our safety record, reducing our incident frequency rate from 1.4 to 0.99.

In December, we announced the purchase of the drilling assets of the Longstaff group, giving the Company a strong presence in the Republic of South Africa, Namibia and Botswana. Together with our existing branch in Tanzania, we are now poised to participate in the strong growth in mineral activity that is expected in sub-Saharan Africa.

The Company was the driving force in the completion of the Environmental Excellence in Exploration (E3) guidelines on behalf of the Canadian Diamond Drilling Association (CDDA). Major Drilling will be implementing this standard in its operations around the globe.

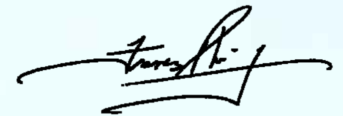
The outlook for the Company remains strong. Demand for our services continues to increase faster than we can expand. Despite increasing exploration efforts on the part of mining companies, there have been few world class or major discoveries since 1999 in any of the mineral commodity groups. Consequently, each commodity group will need to maintain their exploration levels for the foreseeable future. As they begin to discover meaningful levels of resources, they will then have to engage in a significant period of enhanced infill drilling. As a service company, we are affected to a lesser degree than the mining companies by short-term swings in commodity prices. Although we can expect mineral commodity prices to fluctuate, substantial drops in commodity prices would be required before mining companies significantly reduced their efforts to replace reserves.

Subsequent to the year end, in June 2007, our Company was added to the Standard and Poors/TSX Composite Index, significantly increasing the visibility of the Company.

We would like to express our ongoing appreciation to all of our employees, as they continue to be the integral part of our strength and success. We also extend our thanks to our clients for their continued loyalty.

Finally, we wish to thank you, our investors, for your support. Your Company continues to be a unique, diversified, market proxy for the minerals and metals sector around the globe.

David Tennant
Chairman of
the Board



Francis McGuire
President and
Chief Executive Officer

OUR OPERATIONS

Fiscal 2007 has been another rewarding year as Major Drilling enjoyed its fifth consecutive year of record revenue and earnings. All indications are that it is still early in the exploration cycle, with most industry watchers calling for the supply of metals to remain relatively tight for the foreseeable future as mining companies continue to search for significant discoveries. The number of large projects (with six drills or more) is still very low compared to the last cyclical peak in the late 1990's, confirming this lack of significant discoveries. The majority of projects the Company is involved with have two to three drills on the property in the exploration phase. When mining companies have success in their initial exploration programs, it generally leads them to increase the number of rigs in order to conduct a feasibility study and define reserves. At that point, the information available from drilling becomes even more critical.

Another indicator that it is still early in the exploration cycle is the fact that metal prices (whether gold, copper, nickel, zinc, etc…) are well above economic thresholds under which exploration would stop or significantly slow. Most base metal prices are more than double what mines are calling for to move ahead with mine development. This means that a price correction would not necessarily have a significant impact on the exploration programs carried out by the senior and well-funded intermediate mining companies. Through its strategy of focusing on specialized drilling, the Company continues to concentrate on building and maintaining a customer base comprised of these types of companies, as they offer the best long-term prospects. This approach facilitates more stability in the future, should funding for juniors diminish.

At the completion of this very satisfying year, Major continues to base its business premise on the following: *mining companies continue to deplete the more easily accessible mineral reserves around the world and attractive deposits will be in increasingly remote locations, areas difficult to access and/or deep in the ground.* For this reason, in 2001, the Company made the decision to focus its services on projects that had these characteristics, calling these services "specialized drilling". Therefore, the Company categorizes its drilling services into three types: specialized drilling, conventional drilling and underground drilling.

Specialized drilling can be defined as any drilling project that, by virtue of its scope, technical complexity or location, creates significant barriers to entry for smaller drilling companies. This would include, for example, deep-hole drilling, directional drilling, or mobilizations to remote locations or high altitudes, all of which usually result in higher pricing and margins. Because significant ore bodies are getting more difficult to find, the Company expects specialized drilling services to continue to fuel future growth, and over the next two decades, we believe these skills will be in greater and greater demand.

Conventional drilling is much more affected by the industry cycle as the barriers to entry are not as significant as with specialized drilling. This means there are a lot of small drill operators in this sector. Because the Company cannot offer much differentiation in this sector, it is not its priority for investment.

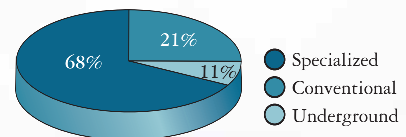
Underground drilling is as cyclical as conventional drilling activity, but usually lags three to four years behind, while clients develop underground mines. While underground drilling remains relatively flat, conventional drilling is growing with the cycle, and specialized drilling is growing structurally.

The main part of Major's strategy is to dominate specialized drilling, and the Company has positioned itself as one of the largest specialized operators in the world. In this way, the Company has leveraged its main competitive advantages: skilled personnel; specialized equipment; long standing relationships with the world's largest mining companies and access to capital. Since fiscal 2001, the Company has invested $230 million in capital, mainly pursuing this strategy, and expects to invest an additional $65 million in fiscal 2008.

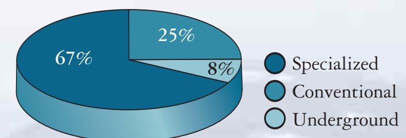
The Company operates in three geographic areas - Canada-U.S., South and Central America, and Australasia/Africa.

In Canada-U.S., the Company's focus on specialized drilling continues due to the intense competition in conventional drilling, particularly in Canada. No specific commodity group dominates revenue in this region as the Company drills for gold, base metals, diamonds and uranium. The Company had five energy capable rigs operating in the U.S. by year end as we continue to focus on shallow gas while still maintaining the flexibility to redeploy these rigs to the mining sector should there be a slow down in the energy field, which was the case in the fourth quarter.

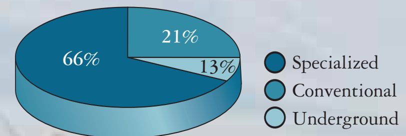
Drilling Revenue FY 2007



Drilling Revenue FY 2006



Drilling Revenue FY 2005



OUR OPERATIONS

South and Central America includes operations in Mexico, Chile, Argentina, Venezuela, Guyana Shield and most recently Ecuador. Due to relatively less competition in these countries, the Company typically conducts a higher proportion of conventional drilling than in other regions, while still being able to obtain good pricing. This region's activity continues to be dominated by gold and silver. In 2007, the growth in this region was driven primarily by Mexico, while Chile, Argentina, and Venezuela also made strong contributions.

Australasian/African drilling operations include Australia, Indonesia, Mongolia and southern Africa. Tanzania grew its revenue by 88 percent and the Company completed an acquisition, in December, 2006, of operations in South Africa, Botswana and Namibia, which accounted for 80 percent of the segment's growth in fiscal 2007. The Company added these operations with the view of undertaking further expansion in this part of the continent, based on the belief that southern Africa should be a region of growth for some years to come. In Australia, there is a much higher proportion of underground drilling than in any other region, which means slower margin growth as demand for underground drilling activity tends to increase further on in the cycle. The Company had up to four rigs operating in the energy field in Australia during the year. Elsewhere in the region, Indonesia showed moderate growth, while Mongolian revenue showed no growth due to uncertainty relating to government mining policies.

Although the Company has not yet achieved the margin performance recorded during the last cyclical peak, overall margins continued to improve in 2007. The Company has set a framework for continued long-term improvement in margin performance through improved labour productivity, more favorable contract structures and "pass throughs" for many uncontrollable costs.

Some of our customers:

BARRICK

By focusing on specialized drilling and by ensuring that adequate financing to grow the business is available, the Company is well positioned to continue to take advantage of this structural and cyclical upturn. At the same time, the Company remains an excellent proxy for investors looking to invest in the resource sector without taking a position on a specific project, company or commodity.

SAFETY

With operations in 20 countries, Major Drilling continues to globalize its Environment Health and Safety department, striving to reduce the frequency and severity of workplace injuries. Major Drilling continues to be an industry leader by embracing and investing in tomorrow's technology for training, equipment and best operating and management practices. With more than 3,000 employees in the field, we continue to invest heavily in our most important resource, people, with training to improve skills, abilities, and safety awareness, providing employees with the tools necessary to return from work safely every day, injury and accident free. Once again, the Company had a significant increase of total hours worked year-over-year, due to the continued ramp up of drilling activities globally. Hours worked increased from 5.2 million in calendar 2005 to over 6.4 million in calendar 2006, an increase of 23.1 percent. The decrease in the Company's accident frequency and severity rates have continued to reflect the effectiveness of its Health and Safety program and its continued focus on safety. The emphasis on injury reduction and investment in training and safety will continue in all operations globally. Protecting our people, and helping them protect themselves, on the job site and on the roads, will remain a top priority.

ENVIRONMENT & COMMUNITY

As a mineral exploration drilling services company with operations around the world, Major Drilling undertakes to eliminate damage to the environment. Our goal is to understand and respect the environment, land, cultures and social economic structures of the communities in which we operate. The Company continues to reduce its environmental footprint to protect and preserve the environmental integrity of the locations in which we work. Major Drilling pools strategic planning, operational expertise, cutting-edge technology and innovative processes in an effort to further reduce its environmental impact. The Company continues to work with the Canadian Diamond Drilling Association and the Prospectors and Developers Association of Canada, and is a driving force within the E3 working group, an industry led effort to establish national guidelines for environmental protection in the Canadian mining industry.

MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion and analysis, prepared as of June 30, 2007, should be read together with the audited financial statements for the year ended April 30, 2007 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

This MD&A contains forward-looking statements about the Corporation's objectives, strategies, financial condition, results of operations, cash flows and businesses. For a full discussion of forward-looking statements, see the forward-looking statements section of this report.

FORWARD-LOOKING STATEMENTS

Securities laws encourage companies to disclose forward-looking information in order for investors to have a better understanding of a company's future prospects and make informed investment decisions.

This MD&A contains forward-looking statements about the Company's objectives, strategies, financial condition, results of operations, cash flows and businesses. These statements are "forward-looking" because they are based on current expectations, estimates and assumptions about the markets in which the Company operates, the world economic climate as it relates to the mining industry, the Canadian economic environment and the Company's ability to attract and retain customers and to manage its assets and operating costs.

Actual results could be materially different from expectations if known or unknown risks affect the business, or if estimates or assumptions turn out to be inaccurate. The Company does not guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place reliance on these forward-looking statements.

The Company disclaims any intention and assumes no obligation to update any forward-looking statement, even if new information becomes available, as a result of future events or for any other reasons. Risks that could cause the Company's actual results to materially differ from its current expectations are discussed in this MD&A.

Additional information relating to the Company, including the Company's Annual Information Form for the most recently completed financial year, can be found on SEDAR at www.sedar.com.

CORPORATE OVERVIEW

Major Drilling Group International Inc. is one of the world's largest drilling service companies primarily serving the mining industry. To support its customers' varied exploration drilling requirements, Major Drilling maintains field operations and offices in Canada, the United States, Mexico, South and Central America, Australia, Indonesia, Africa and Mongolia. Major Drilling provides all types of drilling services including surface and underground coring, directional, reverse circulation, RAB, geotechnical, environmental drilling and coal-bed methane and shallow gas.

INDUSTRY OVERVIEW

The metals and minerals drilling industry is reliant primarily on demand from two metal groups, gold on the one hand and base metals on the other. Each commodity group is influenced by distinct market forces. In a positive commodity pricing regime, either one of these metal groups can, by itself, bring the contract drilling sector to capacity. Worldwide mineral exploration expenditures in calendar 2006 were US$7.5 billion, above 1997 peak levels of US$5.2 billion (nominal). In 1997, growth in mineral exploration was primarily driven by gold mining and exploration companies, but in calendar 2006 both gold and base metal mining companies expanded exploration budgets.

Going forward, a number of large mining companies have released plans to maintain or increase their exploration budgets in 2007, with some releasing multi-year exploration plans showing gradual increases over the next three to five years. Also, junior mining companies' ability to raise capital shows no signs of slowing and many have the funds to carry out their exploration program in calendar 2007 and beyond. The Metals Economics Group ("MEG"), a recognized authority on mining industry intelligence, expects to see a continued increase in worldwide exploration spending in calendar 2007, albeit at a more moderate rate than seen in the past few years. Major Drilling is well positioned to benefit from the cyclical upturn for gold and base metals through its global reach, expertise and strong balance sheet.

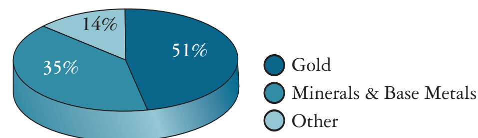
Gold

Drilling services for gold are always affected by overall commodity prices. However, MEG is reporting that declining gold reserves replacement via exploration, since 1997, may result in gold supply shortages in the long term. Especially evident from their analysis is that the number of recently discovered large deposits of more than 2.5 million oz (a size senior mining companies would consider developing) is not adequate to replace the seniors' gold production. The discovery rate of major gold deposits has declined in each of the last eight years. Historically, only about half of feasibility-stage projects reach production within ten years.

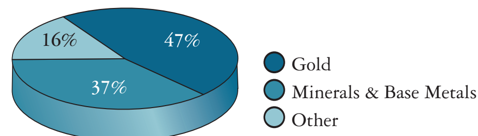
Base Metals

Drilling services for base metals are always affected by overall commodity prices. However, with low levels of exploration in the recent past limiting the expansion of supply, and the emergence of China and India as major consumers of base metals, supply is expected to fall short of demand over the next several years, which should increase demand for exploration drilling services in the mining industry. MEG reports that even if the recovery in exploration spending produces a number of new large-scale projects, the time required to take a project from discovery through to production ensures that any new discoveries will not benefit global supply for years. During this time, definition drilling is required to establish mine plans in order to bring these discoveries into production.

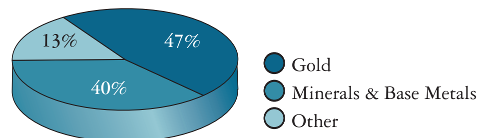
Drilling Revenue FY 2007 by Commodity



Drilling Revenue FY 2006 by Commodity



Drilling Revenue FY 2005 by Commodity



BUSINESS ACQUISITIONS

Effective December 1, 2006, the Company entered into an agreement to purchase the assets of the Longstaff group's drilling operations in southern Africa. These include the operations of Raldril (Pty) Limited in South Africa, RA Longstaff (Botswana) (Pty) Ltd in Botswana, and R.A. Longstaff Namibia (Pty) Limited in Namibia.

These businesses operate in regions where Major Drilling did not previously have a presence. Through this purchase the Company acquired 55 conventional drill rigs, together with related support equipment, inventory, and contracts. These assets have given Major Drilling the physical capacity to expand further throughout other parts of southern Africa, which is considered to be an area of continuing growth in the industry.

MANAGEMENT'S DISCUSSION & ANALYSIS

In addition to purchasing the drilling assets, Major Drilling retained the operations' management teams, and the employees, including a large number of experienced drillers. Revenue for calendar 2006 was approximately US$14 million.

The purchase price for the transaction, which closed on December 22, 2006, including post closing adjustments, was $15.4 million.

DISCONTINUED OPERATIONS

During the first quarter of this year, the Company announced the sale of its manufacturing division, UDR, to Sandvik AB. The Company made the strategic decision to focus its corporate resources on the mineral drilling business, where it competes as one of the world's largest contract drillers. Also, the Company made the strategic decision to close its operations in China in July, 2006. The Company opened a branch in China with the goal of quickly developing a large pool of Chinese drillers. Having shown little progress in building a pool of local drillers in China, the Company decided to close the operation. Chinese operations were previously reported within the Australasian and African segment.

Gain from discontinued operations was $12.3 million or $0.53 per share compared to a gain of $3.4 million or $0.15 per share last year. Discontinued operations include the sale of the manufacturing division and the termination of operations in China. Gain from discontinued operations in fiscal 2007 largely reflects the gain of $15.6 million (after income taxes) from the sale of the manufacturing division, partially offset by a loss in the Chinese operations after close down and bad debt provisions.

SELECTED ANNUAL INFORMATION

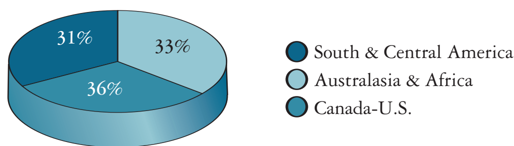
Years ended April 30
(in millions of Canadian dollars, except per share information)

	2007	2006 (reclassified)	2005 (reclassified)
Revenue by region			
Canada-U.S.	$ 151	$ 119	$ 82
South and Central America	127	81	62
Australasia and Africa	137	116	102
	415	316	246
Gross profit	133	90	66
Gross profit as a percentage of revenue	32.0%	28.6%	26.9%
Earnings from continuing operations	47	25	15
Per share (basic)	$ 2.01	$ 1.11	$ 0.66
Per share (diluted)	$ 1.98	$ 1.09	$ 0.65
Net earnings	59	29	16
Per share (basic)	$ 2.54	$ 1.26	$ 0.71
Per share (diluted)	$ 2.50	$ 1.23	$ 0.70
Total assets	328	270	254
Total long-term financial liabilities	19	24	35

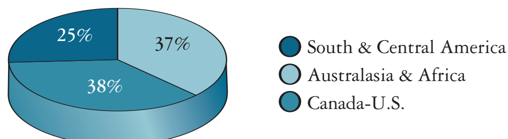
OVERALL PERFORMANCE

During the first quarter of 2007, the Company sold its manufacturing division and closed its operations in China. These operations have now been accounted for as discontinued operations. All financial references in this document are to continuing operations, unless otherwise noted. In addition, the results for 2006 have been reclassified to conform to this presentation.

Drilling Revenue FY 2007 by Region



Drilling Revenue FY 2006 by Region



Revenue for the fiscal year ending April 30, 2007 increased 31.2 percent to $415.4 million from $316.5 million for the corresponding period last year. Almost half of this increase in revenue is related to South and Central America, with the remainder coming from Canada-U.S. and Australasia/Africa. Gross margins for the year were 32.0 percent compared to 28.6 percent last year, due mainly to an improving pricing environment and despite increased investments in training and increased labour and materials cost.

The combination of strong revenue growth and improved margins produced record earnings, from continuing operations, of $46.5 million ($2.01 per share), an increase of over 84 percent or $21.3 million, compared to earnings, from continuing operations, of $25.2 million ($1.11 per share) recorded in fiscal 2006.

RESULTS OF OPERATIONS

FISCAL 2007 COMPARED TO FISCAL 2006

Revenue for the fiscal year ending April 30, 2007 increased 31.2 percent to $415.4 million from $316.5 million for last year. Gross margins for the year were 32.0 percent compared to 28.6 percent last year, due mainly to an improving pricing environment and improvements in driller productivity. With the increase in revenue and improved gross margins, gross profit for the year increased by 47.2 percent to $133.1 million compared to $90.4 million for the prior year.

Canada-U.S.

Canada-U.S. drilling revenue increased by 27.0 percent to $151.2 million compared to $119.1 million last year with both countries contributing. The industry continues to experience difficulty in meeting demand, having the effect of improving both utilization and pricing. In the U.S., the Company added four specialized energy capable rigs during the year.

Gross margins in Canada-U.S. showed good improvement year-over-year as increased demand for drilling services muted competitive pressures, improving the pricing environment. Margin growth was slowed somewhat by increased labour costs as this region continues to face labour availability issues.

South and Central America

Revenue in South and Central America increased by 56.3 percent or $45.9 million to $127.4 million, compared to $81.5 million in fiscal 2006. Mexico accounted for almost half of the growth while Chile, Argentina and Venezuela also made strong contributions.

This region showed the largest improvement in gross margins of all the regions as strong demand drove prices upward. The Company's training and recruiting efforts in this region have proven to be rewarding, with increased labour productivity and rig utilization.

MANAGEMENT'S DISCUSSION & ANALYSIS

Australasia and Africa
Revenue from drilling in Australasia and Africa increased 18.1 percent to $136.8 million from $115.8 million in fiscal 2006. With the combination of the Tanzanian revenue increase of 88 percent and the recent acquisitions in South Africa, Namibia and Botswana, Africa accounted for 80 percent of the growth in this segment. Australian and Indonesian revenue was up slightly while Mongolian revenue showed no growth due to uncertainty relating to government mining policies.

Gross margins in the region showed good improvement year-over-year driven primarily by Australia where pricing, labour productivity and rig utilization improved, and Mongolia's improved productivity.

Operating Expenses
General and administrative expenses increased to $33.8 million compared to $28.6 million for the same period last year. This increase is primarily due to additions to the management team to accommodate growth, administrative salary increases and the African acquisition. General and administrative expenses were 8.1 percent of revenue as compared to 9.0 percent in fiscal 2006.

Other expenses were $9.3 million for the year compared to $5.6 million for the same period last year due, in part, to an increase in incentive provisions as a result of improved profitability and increased provision for bad debt and legal matters.

Foreign exchange loss was $0.8 million compared to $1.0 million in the prior year period.

Short-term interest revenue was $0.7 million for the year compared to an expense of $0.9 million last year as the Company's cash position continued to improve, while interest on long-term debt was $2.6 million in fiscal 2007 compared to $2.7 million last year.

Amortization expense increased to $20.5 million compared to $17.2 million last year, as a result of increased investment in equipment.

The provision for income tax for the year was $20.2 million compared to $9.1 million for the prior year reflecting the increase in pre-tax earnings. The effective tax rate for the year increased compared to the prior year as the Company was still utilizing non-tax effected losses during fiscal 2006 which have now been fully utilized.

Earnings from continuing operations were $46.5 million or $2.01 per share ($1.98 per share diluted) compared to $25.2 million or $1.11 per share ($1.09 per share diluted) last year.

Gain from discontinued operations was $12.3 million or $0.53 per share compared to a gain of $3.4 million or $0.15 per share last year. Gain from discontinued operations for fiscal 2007 largely reflects the gain from the sale of the manufacturing division, partially offset by a loss in the Chinese operations after close down costs. Gain from discontinued operations for fiscal 2006 represents operating results from the discontinued operations that have been reclassified from continuing operations.

Net earnings were $58.8 million or $2.54 per share ($2.50 per share diluted) compared to $28.6 million or $1.26 per share ($1.23 per share diluted) for last year.

SUMMARY ANALYSIS FISCAL 2006 COMPARED TO FISCAL 2005
Total revenue for the fiscal year ended April 30, 2006 ("FY06") was $316.5 million, up 28.5 percent over the $246.3 million reported for fiscal year ended April 30, 2005 ("FY05"). All of the Company's operating divisions participated in this growth, led by Canada-U.S., where revenue increased over 45 percent compared to the prior year, due largely to the acquisition of the U.S. based drilling operation acquired in March of 2005.

Gross margins for FY06 were 28.6 percent up from the 26.9 percent in FY05. The Company continued to make gradual progress in expanding its gross margin percentage, despite increased labour and materials costs, through ongoing cost control, increasing labour productivity, and an improving pricing environment.

Increased revenue and strengthening margins combined to lift gross profit in FY06 to $90.4 million, almost 37 percent above the prior year. This improvement in gross profit was also reflected in the bottom line, as FY06 marked the second consecutive year of record breaking earnings from continuing operations at $25.2 million or $1.11 per share, a 73.8 percent increase over FY05.

SUMMARY ANALYSIS FOURTH QUARTER RESULTS ENDED APRIL 30, 2007

Total revenue for the fourth quarter was $129.0 million, up 44.9 percent from the $89.0 million recorded for the prior year period. Year-over-year revenue and profit comparisons were not materially affected by the variations of the Canadian dollar against either the U.S. or Australian dollar.

Revenue from Canada-U.S. drilling operations was up $13.4 million or 40 percent to $47.0 million for the quarter compared to $33.6 million for the same period last year. In Canada, improved winter conditions, as compared to last year, allowed early startups in most of our contracts. Last year, warm weather conditions had slowed the development of the winter roads required to gain access to many project sites, which caused delays or cancellation of a certain number of projects. In the U.S., the Company only had three of the five capable rigs working in the energy sector during the quarter as customers in that sector trimmed their exploration and development programs in light of lower natural gas prices and reduced cash flows. The Company was able to take advantage of growing opportunities in the mineral sector with the remaining energy capable rigs.

In South and Central America, revenue for the quarter was $41.1 million, up 57.5 percent from $26.1 million recorded in the prior year quarter. This strong year-over-year quarterly growth was driven primarily by very strong demand in Mexico and Chile. Also, operations in Venezuela made a significant contribution to the region's growth.

Australasian and African drilling operations reported revenue of $40.9 million, up some 40 percent from $29.2 million reported in the same period last year. Nearly half of this growth is attributable to the African acquisition. Australia, Indonesia and Tanzania showed good revenue growth in the quarter compared to the same period last year. Mongolian revenue was down more than 20 percent as the mining industry in that country continues to struggle with uncertainty relating to government mining policies.

The overall gross margin percentage for the quarter was 33.7 percent, up from 29.2 percent for the same period last year. Gross margin percentages improved year-over-year in all three regions due to generally improved pricing and better weather conditions overall compared to the same period last year.

General and administrative costs were $10.2 million for the quarter, compared to $7.7 million for the prior year period. The increase was primarily due to the African acquisition, additions to the management team to accommodate growth and the increased compliance costs relating to Ontario Bill 198.

Other expenses were $2.2 million for the quarter compared to $0.3 million for the same period last year, due to higher incentive compensation expenses given the Company's improved profitability in the current year and losses on disposal of assets. Last year, gain on sale of assets more than offset bonus provisions.

Foreign exchange loss was $0.5 million for the quarter compared to $0.2 million for the prior year period.

Short-term interest revenue was $0.4 million for the quarter compared to an expense of $0.3 million last year, while interest on long-term debt was $0.7 million compared to $0.5 million for the prior year quarter.

Amortization expense increased to $5.9 million for the quarter compared to $4.3 million for the same quarter last year, as a result of increased investment in equipment.

MANAGEMENT'S DISCUSSION & ANALYSIS

The Company's tax expense was $6.6 million for the quarter, reflecting the Company's profitability, compared to $3.3 million for the same period last year.

Earnings from continuing operations for the quarter were $17.8 million or $0.77 per share ($0.75 per share diluted) compared to $9.3 million or $0.40 per share ($0.39 per share diluted) in the prior year period.

Gain from discontinued operations was nil compared to $2.4 million or $0.11 per share for the same period last year. Discontinued operations include the sale of the manufacturing division and the termination of operations in China. The loss from discontinued operations in the fourth quarter of 2007 reflects ongoing costs as the Company was closing down its Chinese operations. Gain from discontinued operations for the fourth quarter of 2006 represents operating results from the discontinued operations that have been reclassified from continuing operations.

Net earnings were $17.8 million or $0.77 per share ($0.75 per share diluted) compared to $11.7 million or $0.51 per share ($0.50 per share diluted) for the same period last year.

The geographic distribution of the Company's growth is having an impact on its historical seasonal patterns. With the exception of the third quarter, the Company exhibits comparatively less seasonality in quarterly revenue than in the past since a relatively higher proportion of drilling revenue is coming from regions with more temperate or tropical climates that are not impacted by winter weather conditions, and strong cyclical growth tends to mute normal seasonal patterns. Historically, the Company's operations tended to exhibit a seasonal pattern whereby its fourth quarter (February to April) was its strongest. The third quarter (November to January) is normally the Company's weakest quarter due to the shutdown of mining and exploration activities, often for extended periods over the holiday season, particularly in South and Central America.

SUMMARY OF QUARTERLY RESULTS

As reclassified (in $000 Cnd, except per share)

	Fiscal 2006				Fiscal 2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	$83,310	$85,763	$58,448	$88,956	$94,451	$101,845	$90,092	$129,049
Gross profit	25,305	26,450	12,723	25,938	30,504	33,824	25,222	43,520
Gross margin	30.4%	30.8%	21.8%	29.2%	32.3%	33.2%	28.0%	33.7%
Earnings (loss)								
from continuing operations	7,694	9,288	(1,036)	9,293	10,050	12,959	5,737	17,800
Per share - basic	0.34	0.41	(0.05)	0.40	0.44	0.56	0.25	0.77
Per share - diluted	0.33	0.40	(0.05)	0.39	0.43	0.55	0.24	0.75
Net earnings (loss)	8,351	9,287	(685)	11,689	22,883	13,109	5,002	17,809
Per share - basic	0.37	0.41	(0.03)	0.51	0.99	0.57	0.22	0.77
Per share - diluted	0.36	0.40	(0.03)	0.50	0.97	0.56	0.21	0.75

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

The Company generated $75.6 million in operating cash flows, before changes in non-cash working capital, in the fiscal year ended April 30, 2007, an increase of $28.8 million from the $46.8 million generated last year, reflecting the improvement in both revenue and gross margins.

Working capital increased $22.2 million to $86.0 million at April 30, 2007 compared to $63.8 million at April 30, 2006. This increase was due primarily to: (i) an increase in cash (net of demand loans) of $29.8 million; (ii) an increase in accounts receivable of $22.3 million due to increased volumes; (iii) an increase in inventory of $5.9 million due to increased volume, partially offset by: (a) a net decrease of working capital of $16.7 million from the discontinued operations and (b) an increase in accounts payable of $15.0 million related to increased volumes.

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital, capital expenditure and debt obligations. As at April 30, 2007, the Company had unused borrowing capacity under its credit facilities of $93.8 million and cash of $25.0 million, for a total of $118.8 million.

Financing Activities

Total net debt (net of cash) decreased by $32.8 million during the year from $39.6 million at April 30, 2006 to $6.8 million at April 30, 2007. The decrease is primarily due to: (i) debt repayments of $16.9 million and (ii) increase in net cash of $29.8 million, partially offset by additional debt of $12.7 million to finance capital expenditures.

Under the terms of certain of the Company's debt agreements, the Company must satisfy certain financial covenants. Such agreements also limit, among other things, the Company's ability to incur additional indebtedness, create liens, engage in mergers or acquisitions and make dividend and other payments. During the year, the Company was, and continues to be, in compliance with all covenants and other conditions imposed by its debt agreements.

The credit facilities related to operations total $30.6 million ($30.0 million from a Canadian chartered bank and $0.6 million credit facilities available in Chile and Australia) and are secured by fixed and floating charges on selected Canadian capital assets, a general assignment of book debts, inventories and corporate guarantees of companies within the group. The Company has a credit facility of $1.7 million for credit cards for which interest rate and repayment are as per cardholder agreement. At April 30, 2007, the Company had utilized $1.1 million of these lines, compared to $16.7 million at April 30, 2006.

A second facility is a $65.0 million facility for financing the cost of equipment purchases or acquisition cost of related businesses. At April 30, 2007, the Company had utilized $4.3 million of this line. Draws on this line can be amortized over five years.

The third facility is a US$6.2 million non-revolving term facility established to assist in the acquisition of Dynatec's Drilling Division, based in the United States. This facility is being amortized over a five-year period, which commenced in June 2005.

	Payments Due by Period (in $000's)				
Contractual obligations	Total	Less than 1 year	2 - 3 years	4 - 5 years	After 5 years
Long-term debt	$ 31,785	$ 13,649	$ 16,162	$ 1,911	$ 63
Operating leases	6,846	2,070	2,881	1,516	379
Purchasing commitments	15,842	8,523	7,319	-	-
Total contractual obligations	$ 54,473	$ 24,242	$ 26,362	$ 3,427	$ 442

MANAGEMENT'S DISCUSSION & ANALYSIS

The Company also has other various loans and capital leases related to equipment purchases that totalled $20.6 million at April 30, 2007. These loans mature through 2011.

Investing Activities

Capital expenditures were $49.5 million ($36.8 million net of financing) for the year ended April 30, 2007 compared to $32.5 million ($27.4 million net of financing) for the same period last year. It is expected that net capital expenditures will increase to $65 million in fiscal 2008 as the Company continues to invest internally in the face of growing demand.

OUTLOOK

The outlook for metal prices remains encouraging. The fundamental demand drivers in global markets show no signs of major change and most industry watchers are calling for the supply of metals to remain relatively tight for the foreseeable future as mineral companies continue to search for significant discoveries. The Metals Economics Group, a recognized authority on mining industry intelligence, expects to see a continued increase in worldwide exploration spending in calendar 2007, albeit at a more moderate rate than seen in the past few years. The Company continued to see an overall increase in demand for its services throughout the year, creating a favourable pricing environment for the upcoming year.

Looking at fiscal 2008, the Company expects its growth to come from three main drivers: from additional investments in people and equipment, price increases and from Africa. The Company also continues to seek acquisitions that will either enhance its strategy of dominating specialized drilling or that will expand its geographical footprint. Given the strong demand and the Company's favourable financial position, net capital expenditures are expected to grow from a record $49.5 million in fiscal 2007 to some $65 million in the upcoming year. With the additional rigs, the Company will be maximizing its ability to train and recruit drilling crews, and significant investments in training will have some moderating effect on the rate of growth in margins.

On pricing, the Company continues to see an overall increase in demand for its services, creating a favourable pricing environment for the upcoming year. In Africa, where pricing still lags somewhat behind other regions, utilization is growing faster than expected as the Company is having success in recruiting drillers to double shift rigs. This year, the Company expects to reach its objective of doubling revenue from its African acquisitions compared to pre-acquisition levels, a year earlier than initially expected.

Overall margin performance is also expected to continue to improve gradually through the coming year, although at a more moderate rate than seen in the past year. Finally, the Company still expects the normal seasonal pull back in the third quarter.

FOREIGN EXCHANGE

The Company's reporting currency is the Canadian dollar, however a significant portion of the Company's revenue and operating expenses outside of Canada are denominated in U.S. dollars and Australian dollars. The year-over-year comparisons of growth of revenue and operating expenses have been somewhat impacted by the rising Canadian dollar against both the U.S. and Australian dollars.

During fiscal 2007, approximately 22 percent of revenue generated was in Canadian dollars, 15 percent in Australian dollars with almost all of the balance being in U.S. dollars. Since most of the input costs related to this revenue is denominated in the same currency as the revenue, the impact on earnings is somewhat muted.

The estimated total unfavourable foreign exchange ("FX") impact on revenue for the year compared to last year was $11.8 million. Net earnings however, remained less impacted by currency fluctuations during the year as a large proportion of costs are typically incurred in the same currency as revenue. The estimated total unfavourable FX impact on earnings from continuing operations for the year was $1.8 million.

Foreign exchange had a very small unfavourable impact on the balance sheet of approximately $0.1 million reflected in the cumulative translation adjustment account. This impact was due to unfavourable variation in the U.S. dollar against the Canadian dollar offset by a favourable variation in the Australian dollar against the Canadian dollar.

CRITICAL ACCOUNTING ESTIMATES

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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include, but are not limited to, the useful lives of capital assets for amortization purposes, inventory valuation, valuation of future income taxes, assumptions used in compilation of stock-based compensation, and amounts recorded as accrued liabilities. Actual results could differ materially from those estimates and assumptions.

As of April 30, 2007, capital assets with a carrying value of $158.8 million, represented almost 50 percent of total assets. As such, the estimates used in accounting for the related depreciation and amortization charges have a material impact on the Company's financial condition and earnings.

Inventory represented 16 percent of total assets at April 30, 2007. Although the Company can redeploy remote inventory to other regions in the event of a downturn in a particular region, this can prove to be costly. For this reason, the Company takes a conservative approach in deferring and amortizing procurement costs and duties related to inventory.

OFF BALANCE SHEET ARRANGEMENTS

Except for operating leases disclosed in Note 14 “Commitments” of the consolidated financial statements and presented as contractual obligations in the liquidity section herein, the Company does not have any other off balance sheet arrangements.

GENERAL RISKS AND UNCERTAINTIES

Cyclical Downturn

The most significant operating risk affecting the Company is the potential downturn in demand for its services due to a decrease in activity in the minerals and metals industry. To mitigate this risk, the Company is exploiting its competitive advantage in specialized drilling and continues to explore opportunities to rationalize its regional infrastructures. In the last cyclical market downturn, the Company realized that specialized services were not as affected by decreases in metal and mineral prices compared to its traditional services. Consequently, the Company’s addition of rigs and acquisitions of businesses have been focused on specialized drilling services. At the same time, the Company continues to make progress with its initiative to standardize its fleet, which, over the next several years, will provide significant savings in repair, maintenance and inventory costs.

MANAGEMENT'S DISCUSSION & ANALYSIS

As the Company moves deeper into the mining cycle and activity levels increase, the requirement for working capital, particularly with respect to accounts receivable and inventory, expands. While receivables from senior and larger intermediate mining exploration companies remain a significant component of total receivables, accounts receivable from junior mining companies typically increase as a proportion of total receivables. In many cases, capital markets are the only source of funds available to these juniors and any change in the outlook for the sector or the lack of success of a specific exploration program can quickly impair the ability of these juniors to raise capital to pay for their drilling programs. The Company manages this potential risk by closely monitoring accounts receivable aging, and the level of junior financing activity in the capital markets, and requiring, in some instances, deposits or letters of credit, as considered appropriate.

Levels of inventory typically increase as a result of increased activity levels. In addition to direct volume related increases however, inventory levels also increase due to an expansion of activity in remote locations at the end of long supply chains where it is necessary to increase inventory to ensure an acceptable level of continuing service, which is part of the Company's competitive advantage. In the event of a sudden downturn of activities related either to a specific project or to the sector as a whole, it is more difficult and costly to redeploy this remote inventory to other regions where it can be consumed. In order to minimize its exposure to this risk, the Company works closely with its customers to anticipate and plan for scheduled reductions in their drilling programs and with its suppliers to set up consignment arrangements where possible. The Company also closely monitors its inventory levels in these remote operations and attempts to appropriately balance its exposure to inventory risk against the risk of loss of productivity as a result of insufficient drilling consumables or spares when required.

Country Risk

Major Drilling is committed to utilizing its expertise and technology in exploration areas around the world. With this comes the risk of dealing with business and political systems in a variety of jurisdictions. Unanticipated economic, political, tax related, regulatory or legal changes (or changes in interpretation) could have a material negative impact on operations and assets. The risks include, but are not limited to, military repression, extreme fluctuations in currency exchange rates and high rates of inflation, changes in mining or investment policies or shifts in political attitude that may adversely affect the business. With rising commodity prices, there is an emergence of a trend by some governments to increase their participation in the benefits of these rising prices, most notably in South America and Mongolia, through increased taxation, expropriation, or otherwise. This could negatively impact the level of foreign investment in mining and exploration activities and thus drilling demand in these regions. Such events could result in temporary reductions in revenue and transition costs as equipment is shifted to other locations. The Company continually monitors these developments and has developed contingency plans to minimize the possible negative impacts in such regions to the extent reasonably possible.

The Company employs individuals who have experience working in the international arena, and attempts to assess the current and potential risks, at that time, before commencing operations in a new jurisdiction.

Taxes

The Company is subject to many different forms of taxation in various jurisdictions throughout the world, including, but not limited to, income tax, withholding tax, commodity tax and social security and other payroll related taxes, which may lead to disagreements with tax authorities regarding the application of tax law.

Tax law and administration is extremely complex and often requires us to make subjective determinations. The computation of income, payroll and other taxes involves many factors, including the interpretation of tax legislation in various jurisdictions in which we are subject to ongoing tax assessments. Our estimate of tax related assets, liabilities, recoveries and expenses incorporates significant assumptions. These assumptions include, but are not limited to, the tax rates in various jurisdictions, the effect of tax treaties between jurisdictions and taxable income projections. To the extent that such assumptions differ from actual results, we may have to record additional tax expenses and liabilities, including interest and penalties.

Foreign Currency

The Company conducts a significant proportion of its business outside of Canada and consequently has exposure to currency movements, principally in U.S. and Australian dollars. In order to reduce its exposure to foreign exchange risks associated with currencies of developing countries, where a substantial portion of the Company's business is conducted, the Company has adopted a policy of contracting in U.S. dollars, where legally permitted.

Foreign exchange translations now have a greater impact on year-to-year comparisons because of the changing geographic distribution of the Company's activities. With the most recent U.S. acquisition, as well as the significant growth in areas where revenue is denominated in U.S. dollars, U.S. dollar revenue has grown relative to revenue denominated in Canadian dollars. Year-over-year revenue comparisons have been affected by the rising Canadian dollar against both the U.S. and Australian dollars. Margin performance however is less affected by currency fluctuations as a large proportion of costs are typically in the same currency as revenue. In future quarters, year-to-year comparisons of revenue could be significantly affected by changes in foreign exchange rates.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and/or systems or from external events. Operational risk is present in all of the Company's business activities, and incorporates exposure relating to fiduciary breaches, regulatory compliance failures, legal disputes, business disruption, pandemics, technology failures, processing errors, business integration, theft and fraud, damage to physical assets and employee safety. The Company manages operational risk by attempting to ensure that effective infrastructure, controls, systems and individuals are in place. This is supported by strong principles of governance, an employee code of ethics and business conduct, audits, and other compliance related activities.

Dependence on Key Contracts

From time to time, the Company may be dependent on a small number of customers for a significant portion of overall revenue and net income. Upon the expiration or termination of such contracts, there can be no guarantee that the Company will obtain sufficient replacement contracts to maintain the existing revenue and income levels. Consequently, the Company continues to work to expand its client base and geographic field of operations to mitigate its exposure to any single client, commodity or mining region.

Expansion and Acquisition Strategy

The Company intends to continue its growth through acquisitions and internal expansion. It is not possible to ensure that future acquisition opportunities will exist on acceptable terms, or that newly acquired or developed entities will be successfully integrated into the Company's operations. Additionally, the Company cannot give assurances that it will be able to secure the necessary financing on acceptable terms to pursue this strategy.

Legal and Regulatory Risk

Regulatory risk incorporates exposure relating to the risk of non-compliance with applicable legislation and regulatory directives. Legal risk incorporates non-compliance with legal requirements, including the effectiveness of preventing or handling litigation. Local management is responsible for managing day-to-day regulatory risk. In meeting this responsibility, local management receives advice and assistance from such corporate oversight functions as legal, compliance and audit. Compliance and audit test the extent to which operations meet regulatory requirements, as well as the effectiveness of internal controls. Internal and external counsel work with local management to identify areas of potential legal risk. The General Counsel is involved in the management of significant litigation matters.

Extreme Weather Conditions and the Impact of Natural or Other Disasters

The Company operates in a variety of locations, some of which are prone to extreme weather conditions. From time to time these conditions, as well as natural or other disasters, could have an adverse financial impact on operations located in the regions where these conditions occur.

Specialized Skill and Knowledge

Generally speaking, drilling activity related to metals and minerals is broadly linked to price trends in the metals and minerals sector. One limiting factor in this industry, which has occurred as the industry has transitioned from a cyclical downturn to a cyclical upturn, is a shortage of qualified drillers. The Company is addressing this issue by attempting to become the "employer of choice" for drillers in the industry, as well as hiring and training more locally-based drillers. Historically, most of the Company's drillers have been Australian or Canadian. Development of local drillers has already had a positive impact in South American and Indonesian operations, and is expected to continue to play an important role in alleviating this factor.

Equipment and Parts Availability

The Company's ability to expand its operations and provide reliable service is dependant upon timely delivery of new equipment and replacement parts from fabricators and suppliers. A lack of skilled labour to build equipment, combined with new competitors entering the mineral drilling sector, is placing a strain on some manufacturers. This has substantially increased the order time on new equipment and increased uncertainty surrounding final delivery dates. Significant delays in the arrival of new equipment from expected dates may constrain future growth and the financial performance of the Company. The Company attempts to mitigate this risk by maintaining strong relations with key fabricators and suppliers.

Reputational Risk

Negative publicity, whether true or not, regarding practices, actions or inactions, could cause a decline in the Company's value, liquidity, or customer base. Reputational risk cannot be managed in isolation from other types of risk, since all risks can have an impact on reputation. Every employee and representative of the Company has a responsibility to contribute positively to the Company's reputation. This means that ethical practices are to be followed at all times, that interaction with the Company's stakeholders is positive, and that the Company complies with applicable policies, legislation, and regulations.

DISCLOSURE CONTROLS

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to the Company's management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

Management, including the CEO and the CFO, does not expect that the Company's disclosure controls will prevent or detect all errors and all fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

The Company's CEO and the CFO have evaluated the effectiveness of the Company's disclosure controls as at April 30, 2007 and concluded that, subject to the inherent limitations noted above, those disclosure controls were effective for the year then ended.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's CEO and CFO are responsible for designing internal controls over financial reporting ("ICFR") or causing them to be designed under their supervision. The Company's ICFR are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparations of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

As discussed above, the inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected. Therefore, no matter how well designed, ICFR have inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

During the last quarter of fiscal 2007, the Company completed a detailed evaluation of the design of ICFR using the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework. This exercise resulted in improvements being made to strengthen the portfolio of internal controls in all significant locations. Additional improvements will be made in fiscal 2008 to further enhance ICFR.

OUTSTANDING SHARE DATA

The authorized capital of the Corporation consists of an unlimited number of common shares, which is currently the only class of voting equity securities. Holders of common shares are entitled to receive notice of, attend and vote at all meetings of the shareholders of the Corporation. Each common share carries the right to one vote in person or by proxy at all meetings of the shareholders of the Corporation. As of June 30 the Company's share capital was composed of the following:

(amounts in thousands)	As at June 30, 2007	As at June 30, 2006
Common shares	23,407	23,073
Stock options outstanding	831	919

MANAGEMENT'S RESPONSIBILITY

Management is responsible for presentation and preparation of the annual consolidated financial statements, management's discussion and analysis ("MD&A") and all other information in this annual report.

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.

The MD&A has been prepared in accordance with the requirements of Canadian securities regulators. Management has designed and evaluated the effectiveness of its disclosure controls and procedures.

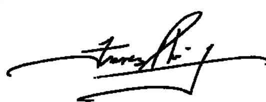
Since a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements and the MD&A necessarily involves the use of estimates and approximations. These have been made using careful judgment and with all information available up to June 8, 2007. The MD&A also includes information regarding the estimated impact of current transactions and events, sources of liquidity, operating trends and risks and uncertainties. Actual results in the future may differ materially from management's present assessment of this information because future events may not occur as expected. 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 and the MD&A. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements and the MD&A 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.

Major Drilling Group International Inc.'s Chief Executive Officer and Chief Financial Officer have certified Major Drilling Group International Inc.'s annual disclosure documents as required in Canada by the Canadian securities regulators.



Francis P. McGuire
President & Chief
Executive Officer

Denis Larocque
Chief Financial Officer

June 8, 2007

INDEPENDENT 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, 2007 and 2006 and the consolidated statements of operations and retained earnings, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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, 2007 and 2006 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

Deloitte & Touche LLP

Chartered Accountants
Saint John, New Brunswick

June 8, 2007

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

For the years ended April 30, 2007 and 2006 (in thousands of Canadian dollars, except per share information)	2007	2006 (reclassified - note 12)
TOTAL REVENUE	$ 415,437	$ 316,477
DIRECT COSTS	282,367	226,061
GROSS PROFIT	133,070	90,416
OPERATING EXPENSES		
General and administrative	33,821	28,634
Other expenses	9,252	5,604
Foreign exchange loss	828	1,001
Interest (revenue) expense – short-term	(729)	916
Interest expense on long-term debt	2,615	2,671
Amortization	20,526	17,207
	66,313	56,033
EARNINGS BEFORE INCOME TAX AND DISCONTINUED OPERATIONS	66,757	34,383
INCOME TAX - PROVISION (note 16)		
Current	13,932	5,165
Future	6,279	3,979
	20,211	9,144
EARNINGS FROM CONTINUING OPERATIONS	46,546	25,239
GAIN FROM DISCONTINUED OPERATIONS (note 12)	12,257	3,403
NET EARNINGS	58,803	28,642
RETAINED EARNINGS, BEGINNING OF THE YEAR	49,635	20,993
RETAINED EARNINGS, END OF THE YEAR	$ 108,438	$ 49,635
EARNINGS PER SHARE FROM CONTINUING OPERATIONS (note 17)		
Basic	$ 2.01	$ 1.11
Diluted	$ 1.98	$ 1.09
EARNINGS PER SHARE (note 17)		
Basic	$ 2.54	$ 1.26
Diluted	$ 2.50	$ 1.23

CONSOLIDATED BALANCE SHEETS

As at April 30, 2007 and 2006 (in thousands of Canadian dollars)	2007	2006 (reclassified - note 12)
ASSETS		
CURRENT ASSETS		
Cash	$ 25,022	$ 11,987
Accounts receivable	78,613	56,328
Income tax receivable	1,610	3,947
Inventories	50,976	45,054
Prepaid expenses	6,545	3,746
Future income tax assets (note 16)	1,730	3,647
Assets of discontinued operations (note 12)	3,253	20,923
	167,749	145,632
CAPITAL ASSETS (note 5)	158,771	117,887
FUTURE INCOME TAX ASSETS (note 16)	619	3,810
OTHER ASSETS (note 6)	1,240	1,049
ASSETS OF DISCONTINUED OPERATIONS (note 12)	-	1,898
	$ 328,379	$ 270,276
LIABILITIES		
CURRENT LIABILITIES		
Demand loans (note 7)	$ -	$ 16,721
Accounts payable and accrued charges	54,484	39,510
Income tax payable	4,121	2,953
Current portion of long-term debt (note 8)	13,649	12,220
Liabilities of discontinued operations (note 12)	9,463	10,396
	81,717	81,800
LONG-TERM DEBT (note 8)	18,136	22,651
FUTURE INCOME TAX LIABILITIES (note 16)	7,020	6,354
DEFERRED GAIN (note 9)	519	619
LIABILITIES OF DISCONTINUED OPERATIONS (note 12)	-	18
NON-CONTROLLING INTEREST OF DISCONTINUED OPERATIONS (note 12)	-	434
	107,392	111,876
SHAREHOLDERS' EQUITY		
Share capital (note 10)	137,703	135,050
Contributed surplus	5,229	3,964
Retained earnings	108,438	49,635
Cumulative translation adjustments	(30,383)	(30,249)
	220,987	158,400
Contigencies and commitments (notes 13 and 14)	$ 328,379	$ 270,276

Approved by the Board of Directors

David Tennant
Chairman of the Board

David Hope
Chairman of the Audit Committee

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended April 30, 2007 and 2006 (in thousands of Canadian dollars)	2007	2006 (reclassified - note 12)
OPERATING ACTIVITIES		
Earnings from continuing operations	$ 46,546	$ 25,239
Operating items not involving cash		
Amortization	20,526	17,207
Loss (gain) on disposal of capital assets	977	(725)
Future income tax	6,279	3,979
Stock-based compensation	1,265	1,141
	75,593	46,841
Changes in non-cash operating working capital items (note 11)	(14,509)	(8,711)
	61,084	38,130
(Loss) earnings from discontinued operations, adjusted for non-cash items	(1,271)	3,403
Changes in non-cash operating working capital items from discontinued operations	3,154	(4,156)
Cash flow from operating activities	62,967	37,377
FINANCING ACTIVITIES		
Repayment of long-term debt	(16,863)	(14,733)
Additional long-term debt	459	2,052
Repayment of demand loans	(16,721)	(1,230)
Issuance of common shares	2,653	2,627
Cash flow used in financing activities	(30,472)	(11,284)
INVESTING ACTIVITIES		
Net proceeds from sale of discontinued operations	28,717	-
Business acquisitions (note 4)	(13,058)	-
Acquisition of capital assets, net of direct financing (note 5)	(36,803)	(27,379)
Proceeds from disposal of capital assets	3,040	5,504
Discontinued operations	687	(89)
Cash flow used in investing activities	(17,417)	(21,964)
OTHER ACTIVITIES		
Foreign exchange translation adjustment	(2,043)	1,335
INCREASE IN CASH	13,035	5,464
CASH POSITION, BEGINNING OF THE YEAR	11,987	6,523
CASH POSITION, END OF THE YEAR	$ 25,022	$ 11,987

1. NATURE OF ACTIVITIES

The Company is incorporated under the Canada Business Corporations Act. The principal source of revenue consists of contract drilling for companies primarily involved in mining and mineral exploration. The Company has operations in Canada-U.S., South and Central America and Australasia 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.

Use of estimates

The preparation of financial statements in conformity with Canadian 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 revenue and expenses during the reported periods. Actual results could differ from these estimates.

Significant areas requiring the use of management estimates relate to the useful lives of capital assets for amortization purposes, inventory valuation, determination of income and other taxes, assumptions used in compilation of stock-based compensation, and amounts recorded as accrued liabilities.

Revenue recognition

Revenue from drilling contracts is recognized on the basis of actual meterage drilled for each contract. Revenue from ancillary services is recorded when the services are rendered. Revenue is recognized when collection is reasonably assured.

Earnings per share

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

Diluted earnings per share are determined as net earnings divided by the weighted average number of diluted common shares for the year. Diluted common shares reflect the potential dilutive effect of exercising the stock options based on the treasury stock method.

Inventories

The Company maintains an inventory of operating supplies, drill rods and drill bits. Inventories are valued at the lower of cost and replacement cost, primarily using First in – First out (FIFO). The value of used inventory items is considered minimal, therefore they are not valued, except for drill rods, which, if still considered usable, are valued at 50% of cost.

Capital assets

Capital assets are valued 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	0	15-20
Drilling equipment	0-15	5-15
Automotive and off-road equipment	0-10	5-10
Other (office, computer and shop equipment)	0	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.

Intangible assets

Other assets include intangible assets from the acquisition of non-patented technology and processes resulting from the Raematt acquisition. The non-patented technology and processes are stated at the estimated value at the date of acquisition. Amortization is calculated on a straight-line basis over a useful life of five years. The value of the non-patented technology and processes will be tested for impairment at least annually. Any impairment loss revealed by this test would be reported in earnings for the period during which the loss occurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Other assets include goodwill from the acquisition of the Longstaff group's drilling operations in South Africa, Namibia and Botswana. Goodwill represents the excess of the purchase price, including acquisition costs, over the fair value of the identifiable net assets acquired. The value of goodwill will be tested for impairment at least annually. Any impairment loss revealed by this test would be reported in earnings for the period during which the loss occurred.

Asset valuation

The Company assesses long-lived assets for recoverability whenever indications of impairment exist. When the carrying value of a long-lived asset is less than its net recoverable value, as determined on an undiscounted basis, an impairment loss is recognized to the extent that its fair value, measured as the discounted cash flows over the life of the asset (when quoted market prices are not readily available), is below the asset's carrying value.

Future income taxes

The Company follows the liability method of accounting 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 resulting 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 rates in effect when the differences are expected to reverse. The Company's primary differences arise between the tax carrying value and net book value of capital assets and finance costs. Management reduces the carrying value of the future income tax assets by a valuation allowance when it is more likely than not that some portion of the asset will not be realized.

Translation of foreign currencies

All amounts are presented in Canadian dollars. The Company's international operations are 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 resulting foreign currency translation gain or loss is reported as a separate component of shareholders' equity. The change in the amount primarily reflects the relative strength of the Australian and U.S. dollars against the Canadian dollar and the change in the net investment in the self-sustaining foreign operations.

Stock-based compensation

The Company uses the fair value method for accounting for stock-based compensation as defined by accounting principles generally accepted in Canada. Stock-based compensation awards expense is calculated using the Black-Scholes option pricing model and is charged to operations on a grade vesting basis over the vesting period with an offsetting credit to contributed surplus.

The Company records the fair value of the deferred share units as compensation expense.

3. ACCOUNTING STANDARDS PENDING ADOPTION

The CICA has issued two new accounting standards: Section 1530, Comprehensive Income; and Section 3855, Financial Instruments – Recognition and Measurement. Effective May 1, 2007, the Company will apply these standards, summarized below.

Section 3855, Financial Instruments – Recognition and Measurement – This section describes the standards for recognizing and measuring financial instruments on the balance sheet and the standards for reporting gains and losses in the financial statements. Financial assets classified as loans and receivables and financial liabilities classified as other liabilities must be measured initially at fair value. The impact of the adoption of this new section on the consolidated financial statements is not expected to be material.

Section 1530, Comprehensive Income – A statement entitled "Consolidated Statement of Comprehensive Income" will be added to the Company's Consolidated Statement of Operations and Retained Earnings. Comprehensive income consists of net income plus "other comprehensive income." Other comprehensive income will include the unrealized exchange gains or losses arising from self-sustaining foreign operations. Accumulated other comprehensive income will be presented separately in shareholders' equity.

4. BUSINESS ACQUISITIONS

Effective December 1, 2006, the Company acquired 55 conventional drill rigs, together with related support equipment, inventory, and contracts owned by the Longstaff group's drilling operations in southern Africa. These include the operations of Raldril (Pty) Limited in South Africa, RA Longstaff (Botswana) (Pty) Ltd in Botswana, and R.A. Longstaff Namibia (Pty) Limited in Namibia. The total purchase price including post closing adjustments was $15,417.

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

Assets acquired	
Inventories	$ 637
Capital assets	14,311
Goodwill	469
Net assets	$ 15,417
Consideration	
Cash	$ 13,058
Accounts payable	2,359
	$ 15,417

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2007 Net value	Cost	Accumulated amortization	2006 Net value
Land	$ 1,203	$ -	$ 1,203	$ 994	$ -	$ 994
Buildings	4,268	846	3,422	3,629	703	2,926
Drilling equipment	151,124	37,058	114,066	116,234	28,535	87,699
Automotive and off-road equipment	49,216	20,960	28,256	34,218	15,058	19,160
Other	22,791	10,967	11,824	15,683	8,575	7,108
	$ 228,602	$ 69,831	$ 158,771	$ 170,758	$ 52,871	$ 117,887

Capital expenditures were $49,468 and $32,497 for the years ended April 30, 2007 and 2006, respectively. The Company obtained direct financing of $12,665 and $5,118 in the years ended April 30, 2007 and 2006, respectively.

6. OTHER ASSETS

	2007	2006
Intangible assets	$ 774	$ 1,049
Goodwill	466	-
	$ 1,240	$ 1,049

Changes in the goodwill balance were as follows for the fiscal year ended April 30, 2007:

	2007
Balance at beginning of year	$ -
Goodwill acquired during year	469
Effect of foreign currency exchange rate changes	(3)
	$ 466

7. DEMAND CREDIT FACILITIES

The Company has credit facilities available in Canada of $30,000 bearing interest at the bank's prime lending rate or the bankers' acceptance fee plus 1% to 1.35% for Canadian dollar draws and the bank's US dollar base rate in Canada or the bank's London Interbank Offer rate plus 1% to 1.35% for US dollar draws. The demand loans are primarily secured by fixed and floating charges on selected Canadian capital assets, a general assignment of book debts, inventories and corporate guarantees of companies within the group. The Company has a credit facility of $1,500 for credit cards, with interest rates and repayments as per the cardholder agreement.

The Company also has credit facilities in Australia and Chile amounting to $1,967 (2006 - $1,837) bearing interest at rates ranging from 3.0% to 9.2% secured by accounts receivable, and selected land and buildings in Australia.

The balance drawn on these facilities as at April 30, 2007 was nil (2006 - $16,721). There were stand-by letters of credit outstanding for $1,099 (2006 - $279) on these facilities as at April 30, 2007.

8. LONG-TERM DEBT

	2007	2006
Non-revolving acquisition loan, payable in quarterly installments of $401 and maturing in the current year, bearing interest at either the bank's prime rate plus 0.5% or the bankers' acceptance rate plus 2.0%.	$ -	$ 2,214
Non-revolving loan – US$10,000, payable in monthly installments of US$167 and maturing in May 2010, bearing interest at 8.5%.	6,888	9,126
Revolving/non-revolving equipment and acquisition loan (authorized $65,000), bearing interest at either the bank's prime rate plus 0% to 1.4% or the bankers' acceptance rate plus 1.15% to 1.5% for Canadian dollar draws, and either the bank's US dollar base rate in Canadian plus 0% to 1.4% or the bank's London Interbank Offer rate plus 1.15% to 1.5% for US dollar draws, payable in monthly installments of $62, maturing through 2010, secured by certain capital assets.	2,250	3,899
Term loans bearing interest at rates ranging from 1.75% to 7.24%, payable in monthly installments of $416, secured by certain equipment, maturing through 2012.	12,637	10,520
Term loans - A$8,646 (2006 – A$7,236), payable in monthly installments of A$445, interest included, at rates ranging from 5.33% to 8.09%, secured by certain equipment, maturing through 2010.	8,010	6,138
Notes payable, bearing interest at prime plus 1% maturing in May 2007.	2,000	2,974
	31,785	34,871
Current portion	13,649	12,220
	$ 18,136	$ 22,651

8. LONG-TERM DEBT (CONTINUED)

The required annual principal repayments on long-term debt are as follows:

2008	$ 13,649
2009	9,210
2010	6,952
2011	1,748
2012	163
Thereafter	63
	$ 31,785

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.

9. DEFERRED GAIN

In 2002, the Company sold two of its buildings as part of a sale/lease back arrangement. The net proceeds on these sales were $4,000, resulting in gains on sale of $1,280. The resultant gains have been deferred and are being amortized over 10 years, the length of the leases.

10. SHARE CAPITAL

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

Issued	2007	2006
23,386,278 common shares (2006 - 23,047,840)	$ 137,703	$ 135,050

Stock option plan
The Company has a Stock Option Plan for directors, executive officers and other employees of the Company. The Plan provides that the Board of Directors of the Company may grant options to purchase common shares on terms determined within the limitations of the Plan. The aggregate number of common shares reserved for issuance under the Plan is currently limited to 3,000,000 common shares, provided that no options be issued if to do so would result in the number of outstanding stock options exceeding 15% of the total issued and outstanding shares of the Company. The exercise price for an option issued under the Plan is the fair market value of the common shares on the grant date of the option, as determined pursuant to the Plan. Options are exercisable for a maximum period of ten years from the date of grant, subject to earlier termination if the optionee ceases to be a director or employee of the Company for any reason. The Plan also provides that: (i) no options may be issued to insiders of the Company if to do so would result in the number of shares reserved for issuance pursuant to stock options granted to insiders exceeding 10% of the outstanding number of common shares; (ii) the number of options issued to insiders of the Company, within a one-year period, may not exceed 10% of the outstanding number of common shares; and (iii) the number of options issued to any one insider, and such insider's associates, within a one-year period, may not exceed 15% of the outstanding number of common shares. The Board of Directors, on the recommendation of the Compensation Committee, determines vesting requirements.

Stock options - employees and directors
The Company has issued stock options under its Stock Option Plan. Issuance of options under the Plan is determined annually by the Company's Board of Directors. A summary of the status of the Company's Stock Option Plan, as at April 30, 2007 and 2006, and of changes during the years ending on those dates, is presented as follows:

10. SHARE CAPITAL (CONTINUED)

	2007 Number of options	Weighted average exercise price	2006 Number of options	Weighted average exercise price
Outstanding at beginning of year	899,149	$ 8.77	1,150,289	$ 6.37
Options granted	209,000	$ 21.19	246,000	$ 13.76
Options cancelled	(19,565)	$ 9.23	(20,917)	$ 9.30
Options exercised	(338,438)	$ 7.84	(476,223)	$ 5.52
Outstanding at end of year	750,146	$ 12.64	899,149	$ 8.77

The following table summarizes information on stock options outstanding at April 30, 2007:

Range of exercise prices	Outstanding at April 30, 2007	Weighted average remaining life (years)	Weighted average exercise price	Exercisable at April 30, 2007	Weighted average exercise price
$1.86 - $4.78	125,786	4.67	$ 2.82	125,786	$ 2.82
$5.25 - $12.97	339,592	6.50	$ 10.08	290,923	$ 9.59
$16.21 - $26.50	284,768	8.56	$ 20.03	103,656	$ 18.99
	750,146	6.98	$ 12.64	520,365	$ 9.83

The Company's calculations of stock-based compensation for options granted were made using the Black-Scholes option-pricing model with weighted average assumptions as follows:

	2007	2006
Risk-free interest rate	4.06%	3.38%
Expected life	3 years	3 years
Expected volatility	45%	52%
Expected dividend yield	0%	0%

Deferred share units

A Deferred Share Unit Plan (the "DSU Plan") was established for outside directors during the 2005 fiscal year. Each deferred share unit ("DSU") represents the right to receive a cash payment, at such time as an outside director ceases to be a director, equal to the market value of the Company's share price at the time of surrender. Under this plan, prior to the beginning of each fiscal year, Directors must elect the percentage of their total compensation as Directors that they wish to receive in DSU's in lieu of cash compensation. As at April 30, 2007 there were 5,019 units (2006 - 3,194) for a total value of $174 outstanding (2006 - $81).

11. ADDITIONAL INFORMATION TO THE STATEMENTS OF CASH FLOWS

Changes in non-cash operating working capital

	2007	2006
Accounts receivable	$ (21,787)	$ (7,288)
Inventories	(4,876)	(5,221)
Accounts payable & accrued charges	12,235	9,547
Income tax	3,432	(3,078)
Other items	(3,513)	(2,671)
	$ (14,509)	$ (8,711)

Interest and income tax paid

	2007	2006
Interest paid	$ 1,886	$ 3,631
Income tax paid	$ 10,403	$ 8,356

12. DISCONTINUED OPERATIONS

On June 7, 2006, the Company sold its manufacturing subsidiary ("UDR") for A$46.8 million (C$39.2 million). The consideration for the sale was A$43.3 million (C$36.2 million) cash and a holdback due in 18 months in the amount of A$3.5 million (C$3.0 million). The net gain before income taxes is C$22.2 million, being the proceeds of C$39.2 million less the book value of the assets of C$13.3 million and expenses relating to the sale of C$3.7 million. UDR previously constituted the Company's entire manufacturing segment. The Company made the strategic decision to focus its corporate resources on the mineral drilling business, where it competes as one of the world's largest contract drillers.

The gain from discontinued operations of UDR is summarized as follows:

	2007	2006
Revenue	$ 4,291	$ 31,800
Earnings before income tax	42	4,896
Gain from disposal of discontinued operations before income tax	22,229	-
Income tax expense	(6,635)	(1,037)
Gain from discontinued operations	$ 15,636	$ 3,859

The Company made the strategic decision to close its operations in China in July, 2006. The Company opened a branch in China with the goal of quickly developing a large pool of Chinese drillers. Having shown little progress in building a pool of local drillers in China, the Company decided to close the operation. Chinese operations were previously reported within the Australasian and African segment.

The loss from discontinued operations of the branch in China is summarized as follows:

	2007	2006
Revenue	$ 818	$ 2,051
Loss	(2,580)	(456)
Loss on disposition including write down of assets	(799)	-
Loss from discontinued operations	$ (3,379)	$ (456)

12. DISCONTINUED OPERATIONS (CONTINUED)

The assets and liabilities of discontinued operations of UDR and China are summarized as follows:

	UDR	China	April 2007	UDR	China	April 2006
Current Assets						
Accounts receivable	$ -	$ -	$ -	$ 3,462	$ 1,144	$ 4,606
Other receivable	3,236	-	3,236	2,586	23	2,609
Inventories	-	-	-	13,587	-	13,587
Other assets	-	17	17	113	8	121
	$ 3,236	$ 17	$ 3,253	$ 19,748	$ 1,175	$ 20,923
Long-Term Assets						
Capital assets	$ -	$ -	$ -	$ 1,167	$ 731	$ 1,898
Current Liabilities						
Accounts payable	$ 3,907	$ 43	$ 3,950	$ 9,161	$ 329	$ 9,490
Income tax payable	5,513	-	5,513	895	11	906
	$ 9,420	$ 43	$ 9,463	$ 10,056	$ 340	$ 10,396
Long-Term Liabilities	$ -	$ -	$ -	$ 18	$ -	$ 18
Non-Controlling Interest	$ -	$ -	$ -	$ 434	$ -	$ 434

The comparative figures have been reclassified to reflect the discontinuation of these components.

13. CONTINGENCIES

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 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 when known.

14. COMMITMENTS

The Company, as part of the sale of its manufacturing division, UDR, entered into a Strategic Cooperation and Supply Agreement with Sandvik AB. Pursuant to this Agreement and subject to certain carry-over rights, the Company is required to make minimum purchases from Sandvik of certain products and services totaling at least A$10.5 million during the first year of the Agreement, A$9.2 million during the second year, and A$7.9 million during the third year. The third year commitment will be increased by A$1.0 million should certain products be available. Additionally, the minimum purchase amounts are subject to downward adjustments if certain products are not available, and/or if there are significant decreases in annual worldwide exploration expenditures.

The Company also has various commitments, primarily for rental of premises, with arms-length parties as follows: 2008 - $2,070, 2009 - $1,748, 2010 - $1,133, 2011 - $770, 2012 - $746, thereafter - $379.

15. RELATED PARTY TRANSACTIONS

During the previous year, the Company carried out a number of transactions with various Directors in the normal course of business and these transactions were recorded at their exchange amount, which was estimated to approximate market value. These transactions were for consulting services in the amount of $7. There were no such transactions carried out in the current year.

16. INCOME TAX

Income taxes vary from amounts that would be determined by applying the combined statutory Canadian corporate income tax rate to earnings before income tax and non-controlling interest, with details as follows:

	2007	2006
Earnings before income tax and discontinued operations	$ 66,757	$ 34,383
Statutory Canadian corporate income tax rate	35%	35%
Expected income tax expense based on statutory rate	$ 23,365	$ 12,034
Non-recognition of tax benefits related to losses	866	748
Utilization of previously unrecognized losses	(478)	(3,399)
Other foreign taxes paid	1,637	1,001
Rate variances in foreign jurisdictions	(4,405)	(2,478)
Other	(774)	1,238
Total income tax provision	$ 20,211	$ 9,144

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

	2007	2006
Assets:		
Loss carry forwards tax effected	$ 1,253	$ 6,486
Finance costs	101	296
Deferred gain	14	221
Other	1,380	1,319
	2,748	8,322
Valuation allowance	(399)	(865)
	2,349	7,457
Liabilities:		
Capital assets	(7,020)	(6,354)
Net future income tax (liabilities) assets	$ (4,671)	$ 1,103

16. INCOME TAX (CONTINUED)

The recognition and measurement of the current and future tax assets and liabilities involves dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions and in the assessment of the recoverability of future tax assets. Potential liabilities are recognized for anticipated tax audit issues in various tax jurisdictions based on the Company's estimate of whether, and the extent to which, additional taxes will be due. If payment of the accrued amounts ultimately proves to be unnecessary, the elimination of the liabilities would result in tax benefits being recognized in the period when the Company determines the liabilities no longer exist. If the estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to expense will result. In addition, a valuation allowance has been provided against a portion of the Company's future tax assets based on a current assessment of recoverability of these future tax assets. If the Company's assessment changes, any increases or decreases in the valuation allowance will result in decreases or increases in net earnings, respectively.

The Company has accumulated approximately $3,500 in non-capital losses, of which $1,730 are available to reduce future Canadian income taxes otherwise payable and $1,770 are available to reduce future income taxes otherwise payable in foreign jurisdictions. These losses, if unused, will expire as follows:

Date	Amount
2009	$ 326
2010	629
2012	82
2014	993
2015	630
2016	15
2017	10
Indefinite	815
	$ 3,500

The Company has accumulated approximately A$3,572 of capital losses, which are available to reduce income taxes otherwise payable on capital gains realized in Australia. The benefit of these losses has not been recognized in the financial statements.

17. EARNINGS PER SHARE

	2007	2006
Earnings available to common shareholders	$ 58,803	$ 28,642
Divided by:		
Weighted average shares outstanding (000's)	23,136	22,782
Net effect of dilutive securities:		
Employees and Directors' stock options (000's)	354	446
Adjusted weighted average shares and assumed conversions (000's)	23,490	23,228
Basic earnings per share	$ 2.54	$ 1.26
Diluted earnings per share	$ 2.50	$ 1.23

The calculation of the diluted earnings per share for the years ended April 30, 2007 and 2006 excluded the effect of 750 options and 41,950 options, respectively, as they were anti-dilutive.

18. FINANCIAL INSTRUMENTS

Recognized financial instruments

The carrying values of cash, accounts receivable, demand loans and accounts payable approximate their fair value due to the relatively short period to maturity of the instruments. 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 diversifies its credit risk by dealing with a large number of customers in various countries. Demand for the Company's drilling services depends upon the level of mineral exploration and development activities conducted by mining companies, particularly with respect to gold, nickel and copper. The Company's five largest customers account for 19% (26% in 2006) of total revenue, with no one customer representing more than 10% of its revenue for 2007 or 2006.

18. FINANCIAL INSTRUMENTS (CONTINUED)

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

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.

19. SEGMENTED INFORMATION

The Company's operations are divided into three geographic segments, Canada - U.S., South and Central America and Australasia 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 2. Management evaluates performance based on profit or loss from operations in these three geographic segments before interest and income taxes. Data relating to each of the Company's reportable segments is presented as follows:

	2007	2006 (reclassified - note 12)
Revenue		
Canada – U.S.	$ 151,226	$ 119,127
South and Central America	127,402	81,501
Australasia and Africa	136,809	115,849
	$ 415,437	$ 316,477

	2007	2006 (reclassified note 12)
Earnings from operations		
Canada – U.S.	$ 29,658	$ 17,530
South and Central America	31,741	12,205
Australasia and Africa	19,706	15,631
	81,105	45,366
Eliminations	(1,231)	1,004
	79,874	46,370
Interest	1,886	3,587
General corporate expenses	11,231	8,400
Income tax	20,211	9,144
Earnings from continuing operations	$ 46,546	$ 25,239
Identifiable assets		
Canada – U.S.	$ 113,566	$ 71,112
South and Central America	72,516	72,162
Australasia and Africa	121,972	91,876
	308,054	235,150
Eliminations	(3,512)	(4,274)
Unallocated and corporate assets	20,584	16,579
Assets from discontinued operations	3,253	22,821
	$ 328,379	$ 270,276
Amortization		
Canada – U.S.	$ 5,124	$ 4,846
South and Central America	2,711	3,460
Australasia and Africa	8,803	6,301
Unallocated and corporate assets	3,888	2,600
	$ 20,526	$ 17,207

Canada – U.S. includes revenue in 2007 of $89,781 (2006 - $72,330) for Canadian operations and capital assets at April 30, 2007 of $24,795 (2006 - $23,372).

CORPORATE GOVERNANCE

Since 2002, there have been significant developments in the area of corporate governance throughout North America, including the *Sarbanes-Oxley Act of 2002*, adopted in the United States, and various initiatives of the members of the Canadian Securities Administrator that have been adopted in Canada. In light of these changes, the Company has undertaken a number of initiatives to enhance and protect the Corporation's integrity and promote its commitment to good corporate governance. The Corporation meets all of the CSA governance requirements contained in National Policy 58-201 *Corporate Governance Guidelines*.

The Major Drilling Board of Directors (the "Board") currently consists of nine members, only one of whom is an employee of the Corporation. Additionally, to further ensure Board independence, the Board has an independent Chairman, Mr. David Tennant. In fiscal 2007 the Board held six meetings. The activities of the Board are supported by four committees, as more particularly set out and described below.

AUDIT COMMITTEE

The Audit Committee, during fiscal 2007, was comprised of David Hope, Chairman, Jonathan Goodman, and David Fennell, all of whom meet Audit Committee independence standards. The Committee meets with the Corporation's senior and financial management and with its external auditors, separately, at least four times per year, in order to assist the Board of Directors in, among other duties: (i) its oversight of the integrity of the financial statements of the Corporation; (ii) its management of the effectiveness of the financial aspects of the governance structure of the Corporation; (iii) its oversight of adherence to requisite legal and regulatory requirements and (iv) its oversight of the performance of the Corporation's internal and external audit function. In the discharge of its duties the Committee reviews, among other things, the Corporation's financial reporting practices and procedures, the Corporation's quarterly and annual financial statements prior to their release and filing with appropriate regulatory agencies, actual and prospective changes in significant accounting policies and their impact on the Corporation, and the adequacy of internal accounting and other control systems. The Committee is also responsible for the scope of pre-approved audit and non-audit services to be provided by the external auditors, ensuring external auditor independence, and recommending to the Board, subject to shareholder approval, the appointment of, and remuneration for, the external auditors. The Committee held five meetings during fiscal 2007.

COMPENSATION COMMITTEE

The Compensation Committee, during fiscal 2007, was comprised of Colin Benner, Chairman, Terry MacGibbon, and John Schiavi, all independent Directors. The Committee is responsible for approving corporate goals and objectives relating to CEO compensation, and for evaluating the CEO against those goals and objectives. The Committee also reviews the compensation programs and individual salaries for the Corporation's other executive officers and for its Directors, Committee members and Board and Committee Chairs. This responsibility includes approval of any employment contracts with, and salaries of, senior officers of the Corporation, bonuses, other payments, pension or benefit plans or programs to or for such officers, and any action that would materially increase or decrease a benefit to any such officer as well as responsibility for the administration and interpretation of the stock option plan or any other similar plan applicable to Directors or officers. The Committee held three meetings during fiscal 2007.

CORPORATE GOVERNANCE AND NOMINATING COMMITTEE

The Corporate Governance and Nominating Committee, during fiscal 2007, was comprised of David Tennant, Chairman, John Schiavi, and Terry MacGibbon, all independent directors. The Committee is responsible for assisting the Board in identifying qualified individuals as potential Directors, as well as determining the composition of the Board and its various committees. The Committee also facilitates the formal Board process for assessing the overall performance of the Board of Directors, as well as individual Board members for their contribution. This process is carried out through the analysis, by the Chairman of the Committee, of questionnaires, completed anonymously, whereby Board members evaluate the performance of the overall Board, other Directors, management, and themselves. The Committee believes that the Board of Directors is functioning efficiently and that all members of the Board contribute to effective management and to the strategic direction of the Corporation. The Committee held two meetings during fiscal 2007.

ENVIRONMENT, HEALTH AND SAFETY COMMITTEE

The Environment, Health and Safety Committee, during the initial part of fiscal 2007, was comprised of John Harvey, Chairman, David Fennell, and Colin Benner, all independent Directors. As of September, 2006 John Harvey left the Committee when he retired as a Director, and was replaced on the Committee by Ed Breiner. David Fennell became Committee Chairman at that time. The Committee is responsible for assisting the Board in matters of the Corporation related to environment, health and safety matters. As such, the Committee is mandated to satisfy itself that the Corporation has developed, is implementing, and is maintaining policies, practices and procedures that will ensure its compliance with legislation regulating health and safety, and the environment, in the various jurisdictions in which it conducts its business. The Committee held two meetings during fiscal 2007.

GENERAL

In a continuing pursuit of Corporate Governance "best practices", the individual committees and the Board have developed and implemented Committee Charters, a Board of Directors mandate, an Auditor Fee Policy, and a Code of Ethics, all as disclosed on the Corporation's web site at www.majordrilling.com. The Corporation also has written position descriptions for its Chairman, the Chairs of each Committee, and for its Directors.

A portion of each Board meeting is dedicated to updating Directors on developments within the Corporation. At the end of each Board meeting there is an in camera session without the attendance of management.

Finally, the Corporation has adopted general whistleblowing procedures, which are contained in the Corporation's Code of Ethics and Business Conduct. Any reported violations of the Code of Ethics are to be handled promptly, professionally, and with as much confidentiality as possible, and individuals voicing concern in good faith about a violation or potential violation will not be disciplined or discriminated against in any way.

HISTORICAL SUMMARY

(in millions of Canadian dollars, except per share information)	2007	2006 reclassified	2005 reclassified	2004 reclassified	2003 reclassified	2002 reclassified
OPERATING SUMMARY						
Revenue by region						
Canada-U.S.	$ 151	$ 119	$ 82	$ 61	$ 59	$ 46
South and Central America	127	81	62	33	25	17
Australasia and Africa	137	116	102	82	60	36
	415	316	246	176	144	99
Gross profit	133	90	66	41	33	20
Gross profits as a percentage of revenue	32.0%	28.6%	26.9%	23.2%	22.7%	20.7%
General and administrative expenses	34	29	25	22	15	17
G & A as a percentage of revenue	8.1%	9.0%	10.2%	12.5%	10.4%	17.2%
Earnings (loss) from continuing operations (1)	47	25	15	2	3	(8)
Net earnings (loss)	59	29	16	5	2	(10)
Cash flow (2)	76	47	29	10	11	(2)
Net earnings (loss) per share from continuing operations						
Basic	2.01	1.11	0.66	0.12	0.19	(0.70)
Diluted	1.98	1.09	0.65	0.12	0.19	(0.70)
Net earnings (loss) per share						
Basic	2.54	1.26	0.71	0.25	0.15	(0.91)
Diluted	2.50	1.23	0.70	0.24	0.14	(0.91)

(1) before write down of investment, goodwill and non-controlling interest

(2) from continuing operations before changes in non-cash working capital items

SHAREHOLDER INFORMATION

Groupe Forage MAJOR Drilling Group International Inc.

DIRECTORS

Colin Benner

Edward Breiner

David Fennell

Jonathan Goodman

David Hope

Terry MacGibbon

Francis McGuire

John Schiavi

David Tennant

OFFICERS

Francis McGuire
President and Chief Executive Officer

Michael Jagoe
Executive Vice President

Denis Larocque
Chief Financial Officer

James Gibson
VP Legal Affairs, General Counsel and Secretary

David Balser
Vice President Finance

Robert Morgan
Vice President Business Development
and Latin American Operations

Robert Newburn
Vice President North American Operations

Robert Leibbrandt
Vice President Australasian,
Asian and African Operations

TRANSFER AGENT

CIBC Mellon Trust Company

AUDITORS

Deloitte & Touche LLP

CORPORATE OFFICE

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111 St. George Street, Suite 100
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Web site: www.majordrilling.com
E-mail: info@majordrilling.com

ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders of
Major Drilling Group International Inc. will be held at:
The Ontario Club
Austin Gallery
1 King West, 12th Floor
Toronto, Ontario
September 11, 2007 at 11:00 am Eastern

North American Drilling Operations

Canada
Winnipeg, MB
Tel: 204-885-7532
Fax: 204-888-4767

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Tel: 306-931-8705
Fax: 306-931-8095

Val d'Or, QC
Tel: 819-824-6839
Fax: 819-824-4217

Sudbury, ON
Tel: 705-560-5995
Fax: 705-560-0402

Flin Flon, MB
Tel: 204-687-3483
Fax: 204-687-5739

Yellowknife, NT
Tel: 867-873-4037
Fax: 867-873-6803

Newfoundland
Office situated in Sudbury

U.S.A.
Salt Lake City, UT
Tel: 801-974-0645
Fax: 801-973-2994

Nana Major Drilling, LLC*
Salt Lake City, UT
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Fax: 801-973-2994

Elko, NV
Tel: 775-738-1808
Fax: 775-753-5048

Geotechnical Drilling Operations

Canada
Thetford Mines, QC
Tel: 418-338-3141
Fax: 418-335-2894

South and Central American Drilling Operations

Barbados
Worthing
Tel: 246-434-2649
Fax: 246-435-0230

Mexico
Hermosillo
Tel: 52-662-251-0265
Fax: 52-662-251-0262

Chile
Coquimbo
Tel: 56-51-241-815
Fax: 56-51-241-593

Guyana Shield, Portugal & Ecuador
Regional Office
Tel: 819-824-6749
Fax: 819-824-4217

Venezuela
Puerto Ordaz
Tel: 58-286-994-5035
Fax: 58-286-994-5366

Argentina
Mendoza
Tel: 54-261-461-0162
Fax: 54-261-461-0165

French Guiana
Mont Joly
Tel: 819-824-6749
Fax: 819-824-4217

Bolivia
Office situated in Argentina

Dominican Republic
Office situated in Mexico

Australasian/ African Drilling Operations

Australia
Brisbane, QLD
Tel: 61-7-3850-4750
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Garbutt, QLD
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Fax: 61-7-4774-8110

Orange, NSW
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Fax: 61-2-6391-2301

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Fax: 61-8-9091-7544

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Jakarta
Tel: 62-21-574-1040
Fax: 62-21-574-0009

Mongolia
Ulaanbaatar
Tel: 976-11-7011-9951
Fax: 976-11-7011-9950

Tanzania
Mwanza
Tel: 255-28-2-560207
Fax: 255-28-2-561395

South Africa
Centurion
Tel: 27-12-6668793
Fax: 27-12-6668572

Namibia
Windhoek
Tel: 264-61-272037
Fax: 264-61-272741

Botswana
Francistown
Tel: 267-2414975
Fax: 267-2414962

* 50% ownership

WORLDWIDE OPERATIONS OF MAJOR DRILLING GROUP INTERNATIONAL INC.