2010 ANNUAL REPORT

Groupe Forage
MAJOR
Drilling Group International Inc.

CORPORATE PROFILE

Major Drilling Group International Inc. "the Company" 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, South and Central America, Australia, Asia and Africa. Major Drilling provides all types of drilling services including surface and underground coring, directional, reverse circulation, RAB, geotechnical, environmental, water-well and coal-bed methane and shallow gas.

Over the years, the Company has positioned itself as one of the largest specialized operators in the world by leveraging its main competitive advantages: specialized equipment, long standing relationships with the world's largest mining companies, access to capital and skilled personnel. This positioning is strengthened with the Company's senior management who have experienced several economic and mining industry cycles.

During the last several years, the Company has achieved strong growth while remaining focused on the long-term objective of building a solid company for the future.

Our corporate strategy remains to:

i) dominate specialized drilling and expand effective capacity;

ii) modernize our conventional fleet and expand our footprint in strategic areas;

iii) diversify our services within the drilling field;

iv) keep debt at minimum levels; and

v) be the best of class in safety and human resources.

Major Drilling's common shares trade on the Toronto Stock Exchange under the symbol MDI and are included in the TSX Composite Index.

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HIGHLIGHTS 2010

In millions of Canadian dollars (except earnings per share)	2010	2009
Revenue	$307.9	$523.0
Gross margins	24.2%	33.6%
Net earnings (loss)	(0.5)	45.9
Earnings (loss) per share - basic	(0.02)	1.94
Cash flow from continuing operations*	30.6	87.7
Net cash position (net of debt)	6.3	19.4

*before changes in non-cash operating working capital items

CHALLENGING FISCAL 2010

Revenue down 41%, however:

- Generated cash from operations of $31 million
- Maintained semi-annual dividend of $0.20 per share
- Entered environmental drilling sector with SMD acquisition
- Continued to upgrade rig fleet
- Remained debt free, net of cash

LOOKING AHEAD TO FISCAL 2011

- Utilization rates picking up
- Pricing stabilized, should gradually improve
- Plan to spend $50 million in capital expenditures
- Half of operating rigs now have rod handlers

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MESSAGE TO SHAREHOLDERS

Fiscal year 2010 was a difficult year for the industry and this was no different for Major Drilling. The Metals Economics Group reports that total exploration spending fell from an all time high of $14 billion to $8 billion.

Management and the Board of Major Drilling have always recognized that the mining industry is subject to large swings in activity levels. Even at the height of activity, we were mindful to prepare for such changes. We managed our balance sheet carefully, entering the year with $19.4 million in net cash. We kept a very flexible variable cost structure and had invested heavily in our fleet during the good years in order to be able to carry through any downturn.

During the first half of the fiscal year, we continued to face very weak activity levels and, with over-capacity throughout our industry, we also faced a very competitive pricing environment with prices sometimes dropping to levels not seen since the 1980's.

In the first half of the fiscal year, activity levels were down by more than 60 percent and capital spending was cut to only $7.5 million. General and Administrative expenses were reduced by 35 percent, including salary cuts shared by both management and the Directors. Through work-sharing, a diminution of hours and flexible work assignments, we saw our number of full-time equivalent employees drop from 4,400 to 2,100.

By mid-fiscal 2010 however, we began to see the signs of a pick-up in activities in regions such as Canada, Chile and Argentina. By the time we reached the end of this fiscal year on April 30, 2010, activity levels were picking up in most of the regions where we operate.

This downturn, which had its roots more in a crisis of confidence and liquidity rather than in supply/demand imbalances, was shorter than those of the past. Thankfully, we have been able to maintain our key personnel with our full-time equivalent employee number reaching 3,100 at year end. We want to express our sincere gratitude to all those employees of Major Drilling who have helped us through this difficult year, for their dedication, flexibility and driving spirit.

During the year, we continued to pursue our efforts to diversify in areas where our core competencies lie. We invested further in energy and during the year entered into the area of environmental drilling with the purchase of SMD Services of Huntsville, Alabama. Through this relatively small purchase, we now have individuals that will allow us to grow aggressively in this sector. During the year, we also began operations in Colombia and this branch should become profitable in the current fiscal year.

Despite a small loss for the year, activity levels picked up in the fourth quarter of fiscal 2010 and we were able to return to profitability despite significant investments in the quarter for training, safety, rig mobilizations and rig preparation costs. In the last half of fiscal 2010, our capital expenditures increased, totalling $25 million for the year as we continue to pursue our goal of dominating specialized drilling.

While the fiscal year ended April 30, 2010 was difficult, Major Drilling is well positioned for the future. We have maintained our core competencies, we have a positive net cash position, we have an enthusiastic work force

Francis McGuire, President & CEO

Denis Larocque, Chief Financial Officer

and we continue to invest in our already very modern fleet.

In September 2009 and March 2010, the Company announced the third and fourth of its semi-annual dividend payments. The ongoing dividend is a reflection of the Company's ability to generate positive cash from operations even during as extreme a downturn as we have recently experienced.

We believe that the supply and reserve challenges will continue to fuel activity in the mining sector. We also continue to believe that as exploration activity begins to pick up, greater and greater emphasis will be put on developing mineral resources in areas that are difficult to access. This will increase the need for more sophisticated specialized drilling. Just as we had positioned our operations in anticipation of a downturn, the Company has positioned itself to take full advantage of long-term growth in specialized drilling.

Finally, we wish to thank our customers and our shareholders for your support. The last year has been challenging for all of us, especially for our investors. We believe that the Company is well positioned to take advantage of the opportunities that we now see available.

David Tennant
Chairman of the Board

Francis McGuire
President and Chief Executive Officer

REPORT ON OPERATIONS

IT'S ALL ABOUT OUR CUSTOMERS

Major Drilling Group International Inc. has always been, and will continue to be, committed to a proactive and innovative approach to its people, equipment and safety. This affords us the competitive advantage that enables us to respond quickly and effectively to our customers' needs.

A global drilling company servicing customers around the world, Major Drilling had its beginning in the drilling industry in 1980 in Bathurst, New Brunswick. It is now one of the world's largest metals and minerals contract drilling service companies, operating in 15 countries. The Major Drilling fleet now boasts 525 drills, 45 percent of which are specialized. We have extensive experience to mobilize to other parts of the globe to meet specific customers' needs.

Our decentralized operations allow for maximum local autonomy, giving us the flexibility to respond to customer requirements. Our managers and supervisors are in a position to find effective solutions to customer challenges.

While regional operations are somewhat independent, they also have access to the strengths of the organization as a whole. Whether it be unusual operational circumstances, procurement, equipment or administration, support from Major Drilling Group is always available.

Providing quality work for our clients and getting the job done are our top priorities. Senior management throughout Major Drilling bring over 1,000 years of experience into the customer relationship. Equally important to the organization are our strong relationships between the local communities, our clients and our employees. These are the building blocks for our success at Major Drilling, showcasing us as an international leader in the industry.

OUR PEOPLE ARE THE KEY TO OUR CUSTOMERS' SUCCESS

Harsh elements and challenging environments are part of our day-to-day operations. At Major Drilling, our managers are adept at choosing the proper support equipment and the right people to manage these conditions. Precise planning ensures the most effective and safest possible operation. On-site adaptability means having skilled and versatile personnel to perform specialized functions.

A good example of this is the Ivanhoe Mines' Oyu Tolgoi Project in Mongolia. We had to mobilize several rigs in a short amount of time in the middle of the Gobi Desert for a deep-drilling campaign that involved both diamond and reverse circulation drilling. We brought in our Australian crews to help with the RC drilling combined with our Canadian crews, which had operated in severe winter conditions in Northern Canada. Through the years, the knowledge was passed to our local Mongolian crews and now, most of our drillers in Mongolia are Mongolian citizens. "Our drillers as well as the rest of our team are willing to give everything they've got to get a good core recovery and satisfy the customer," says Bob Morgan, Vice President, Business Development and Latin American Operations for Major Drilling. "Drillers really want a project to succeed. Of course, all of us want to succeed – but our drillers seem to be super-focused on that prize."

A CULTURE OF SAFETY

Safety is a constant within the Company. Major Drilling's entire working culture is based first and foremost on ensuring a safe working environment for our employees. At Major, it begins from the time an employee enters the Company with our induction training. This covers theoretical training for drilling, practical safety, first aid and defensive driving. All of Major Drilling's employees are trained with the "Take 5" program, which is designed to identify and control hazards encountered on-site, especially when performing non-routine tasks. Take 5 has five basic tenets:

- Think Through the Task
- Look for the Risk
- Assess the Risk
- Remove or Manage the Risk
- Do the Job Safely

All of the hard work and commitment is likely best summed up with a comment from a project geologist for HudBay, Joshua Miller, who says, "I have been working closely with Major for the past few months and they've been nothing but helpful and accommodating. Major makes my job easier by making safety a number one priority."

An innovative grassroots training program for supervisors is in the process of being introduced throughout the Company. Additionally, many Major employees participate and lead in various industry associations around the globe, graphically demonstrating the firm's commitment to understanding and growing our industry.

Safety is also of primary consideration whenever we purchase new equipment or work through new processes. Major Drilling Group International Inc. is constantly making recommendations to its suppliers to incorporate new safety features into equipment upgrades. We have high expectations for our suppliers with regard to safety. We continue to invest heavily in equipment to ensure that employees are both secure and efficient. Major has incorporated automated rod handling into half of its working fleet and continues to aim for even more. The use of rod handlers greatly reduces hand and finger injuries as well as back injuries related to manually lifting drill pipe.

Dedication to protecting workers means the Company spends the time, resources and energy required to make sure that crews go home safely at the end of each shift. The drillers, often in charge of day-to-day operations on a project, take personal responsibility for safety at their drill site. Every employee has the right and the responsibility to return from work injury free everyday.

Major Drilling's training has always had a safety focus, ensuring that crews do jobs safely and efficiently. "Having well trained, safety-focused employees leads to success for everyone," says Major Drilling's President and CEO, Francis McGuire. "Success for our customers. Success for our stakeholders. Success for our people. It's truly a win-win scenario built on a solid foundation of safety, innovation and responsible governance."

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis "MD&A", prepared as of June 30, 2010, should be read together with the audited financial statements for the year ended April 30, 2010 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 Company'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, assumptions, risks and uncertainties. Such statements include, but are not limited to: worldwide demand for gold and base metals and overall commodity prices, the level of activity in the minerals and metals industry and the demand for the Company's services, the Canadian and international economic environments, the Company's ability to attract and retain customers and to manage its assets and operating costs, sources of funding for its clients, particularly for junior mining companies, competitive pressures, currency movements, which can affect the Company's revenue in Canadian dollars, the geographic distribution of the Company's operations, the impact of operational changes, changes in jurisdictions in which the Company operates (including changes in regulation), failure by counterparties to fulfill contractual obligations, and other factors set forth from time to time in the Company's Annual Information Form, as such factors may be amended or updated in subsequent MD&As.

These factors and other risk factors, as described under "General Risks and Uncertainties" of the Company's Annual Information Form, represent risks the Company believes are material. 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, except in accordance with applicable securities laws. 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, South and Central America, Australia, Asia and Africa. Major Drilling provides all types of drilling services including surface and underground coring, directional, reverse circulation, RAB, geotechnical, environmental, water-well and coal-bed methane and shallow gas.

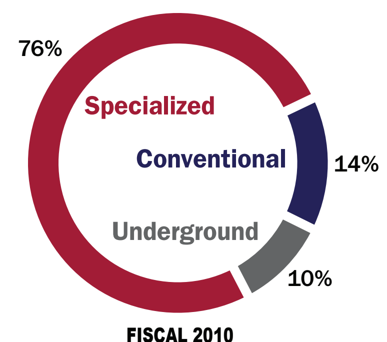
BUSINESS STRATEGY

Major Drilling 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, Major Drilling's strategy is to focus its services on projects that have these characteristics, calling these services "specialized drilling". Over the years, the Company has positioned itself as one of the largest specialized operators in the world by leveraging its main competitive advantages: skilled personnel, specialized equipment, long standing relationships with the world's largest mining companies, and access to capital.

Although the Company's main focus remains specialized services, it also intends to continue to modernize its conventional fleet and expand its footprint in strategic areas while maintaining minimum debt levels and remaining best of class in safety and human resources. Also, the Company will seek to diversify by investing in energy and environmental drilling services that are complementary to its skill set.

The Company therefore categorizes its drilling services into three types: specialized drilling, conventional drilling and underground drilling.

Revenue by Type



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, and mobilizations to remote locations or high altitudes. 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 tends to be more affected by the industry cycle as the barriers to entry are not as significant as with specialized drilling. This part of the industry is highly fragmented and has numerous competitors. Because the Company offers only limited differentiation in this sector, it is not its priority for investment.

Underground drilling takes on greater importance in the latter stages of the mining cycle as clients develop underground mines.

Specialized projects tend to be more costly for customers than conventional projects. Due to the impact of the recent economic environment on many of our senior customers, some of these projects were either cancelled or very heavily cut back in the second half of fiscal 2009 and the first half of fiscal 2010. In the last quarter of fiscal 2010, general activity levels have begun to increase. However, the Company expects pricing to remain competitive until utilization rates pick up significantly, especially in conventional drilling. Over time, it is expected that many of the supply issues that face most commodities will come back into focus and that even with moderate growth in the world economy, the need to explore and develop mines will increase. It is believed that at that point, the need to develop resources in areas that are increasingly difficult to access will return, which should increase demand for specialized drilling.

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 the last few years, historically high prices for all commodities drove the industry to record levels of activity with worldwide mineral exploration expenditures in calendar 2008 surpassing US$14 billion[1].

The recent economic environment has impacted drilling, particularly on base metal projects with worldwide mineral exploration expenditures in calendar 2009 falling to US$8 billion[1]. Senior and intermediate base metal companies that were leveraged reduced their exploration spending in calendar 2009, in order to conserve cash. Many gold producers delayed exploration plans at that time due to the uncertainty in the economy. Sources of funding for junior mining companies were limited, and as such many junior projects, both in the base metals and gold sectors, were delayed or cancelled.

At the end of the fiscal year, the bulk of the increased activity was coming from intermediate mining companies and junior mining companies with advanced properties. While senior companies increased their exploration budgets for calendar 2010, spending had not yet rebounded to their pre-financial crisis levels. Early stage exploration companies had shown little increase in activity as they were still experiencing difficulties in getting financing. In the longer-term, the fundamental drivers of the business remain positive, with worldwide supply for most metals expected to tighten due to the continuing lack of significant discoveries. The prospects for gold related drilling, which generally accounts for approximately 50 percent of the drilling market, remains positive.

Gold

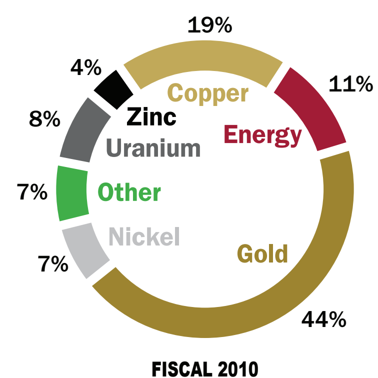
Drilling services for gold are always affected by overall commodity prices. However, Metals Economics Group ("MEG") is reporting that declining gold reserves replacement via exploration, since 1997, may result in gold supply shortages in the long-term, a fact that has been echoed by several senior gold mining companies. Increased production by the major gold producers over the past decade has resulted in a greater need to add to reserves in order to maintain a life-of-production that satisfies the long-term views of investors and market analysts. Although, as a group, the major producers successfully replaced almost twice their total production over the past ten years, almost all of these reserves' additions were achieved through acquisitions or by upgrading resources at existing projects and mines, and not through finding new significant discoveries.[1]

One of the realities is that future gold deposits will probably have to come from areas difficult to access, either in remote, politically sensitive areas, deeper in the ground or in higher altitudes. This should improve demand for specialized services in the future.

Base Metals

Drilling services for base metals are affected by overall commodity prices. Despite the recent economic environment, with the recent limited expansion of supply, and the emergence of China and India as major consumers of base metals, supply is expected to be stretched within the next several years. MEG reports that 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.

Revenue by Commodity



[1] - Source : Metals Economics Group

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS ACQUISITIONS

SMD Services

Effective February 26, 2010 the Company acquired SMD Services based in Huntsville, Alabama. Through this purchase, Major Drilling entered the environmental drilling sector and acquired a small fleet of sonic, probe and auger drill rigs, as well as a skilled management team and personnel. The purchase price for the transaction was USD $2.0 million (CAD $2.1 million), including customary working capital adjustments, financed with cash. There is also a contingent consideration of USD $2.0 million to the purchase price, based on future earnings.

Forage à Diamant Benoît Ltée

Effective August 1, 2008 the Company acquired the assets of the exploration drilling company Forage à Diamant Benoît Ltée ("Benoît") based in Val-d'Or, Québec. Through this purchase Major Drilling has acquired 19 drill rigs, the majority of which have deep hole capacity and are fitted with rod handlers, which fits with the Company's strategic focus on specialized drilling. In addition to the rigs, this acquisition included support equipment and inventory, existing contracts, and personnel.

The purchase price for the transaction was CAD $23.1 million including customary working capital adjustments, financed by cash and debt.

OVERALL PERFORMANCE

Revenue for the fiscal year ended April 30, 2010 decreased 41 percent to $307.9 million from $523.0 million for the corresponding period last year. The first eight months of the year were marked by contract cancellations and delays in all regions due to the prevailing economic situation. Utilization rates and pricing dropped significantly, affecting both revenue and margins. In the last quarter of fiscal 2010, the Company started seeing a sequential recovery by region.

Gross margin for the year was down to 24.2 percent compared to 33.6 percent last year, due to significant reductions in pricing and severe weather issues in Australia, mitigated somewhat by improved productivity.

The combination of reduced revenue and margins produced a net loss of $0.5 million ($0.02 per share) compared to net earnings of $45.9 million ($1.94 per share) for last year.

SELECTED ANNUAL INFORMATION

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

Years ended April 30	2010	2009	2008
Revenue by region			
Canada-U.S.	**$ 103**	$ 167	$ 189
South and Central America	**108**	155	186
Australia, Asia and Africa	**97**	201	215
	308	523	590
Gross profit	**74**	176	195
Gross profit as a percentage of revenue	**24.2%**	33.6%	33.1%
(Loss) earnings from continuing operations	**-**	46	75
Per share (basic)	**$ (0.02)**	$ 1.94	$ 3.16
Per share (diluted)	**$ (0.02)**	$ 1.92	$ 3.12
Net (loss) earnings	**-**	46	74
Per share (basic)	**$ (0.02)**	$ 1.94	$ 3.14
Per share (diluted)	**$ (0.02)**	$ 1.92	$ 3.10
Total assets	**416**	469	427
Total long-term financial liabilities	**15**	24	28

RESULTS OF OPERATIONS

FISCAL 2010 COMPARED TO FISCAL 2009

Revenue for the fiscal year ended April 30, 2010 decreased 41 percent to $307.9 million from $523.0 million for the corresponding period last year. The first eight months of the year were marked by contract cancellations and delays due to the prevailing economic situation. Revenue growth was affected by the strengthening Canadian dollar against the U.S. dollar as compared to the same period last year. The unfavourable foreign exchange translation impact for the year, when comparing to the effective rates for the same period last year, is estimated at $12 million on revenue.

Canada-U.S.

Canada-U.S. revenue decreased by 38 percent to $103.3 million compared to $167.2 million last year. In the first eight months of the year, both countries were affected by cancellations and decreased pricing. In the last quarter of fiscal 2010, utilization rates in Canada increased substantially while pricing remained relatively flat as compared to the same quarter last year.

Gross margins in Canada-U.S. decreased year-over-year as competitive pressures affected pricing and margins negatively, offset somewhat by productivity gains and cost cutting measures.

South and Central America

Revenue in South and Central America decreased by 31 percent to $107.4 million, compared to $155.2 million in the prior year period. Mexico, Chile and Argentina accounted for most of the reduction, although Chile and Argentina recovered during the second half of the year. The Company also started operations in Colombia during the year.

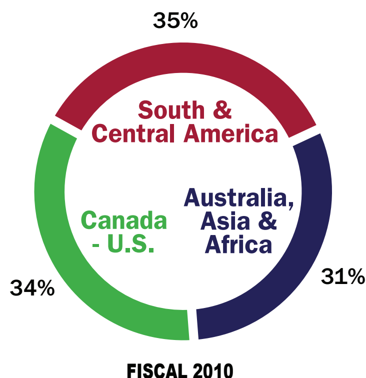
Margins in this geographic segment were significantly impacted compared to last year caused by competitive pressures on pricing and higher mobilization and repair costs relating to the ramp up near year end as the Company was gearing up for new contracts.

Australia, Asia and Africa

Revenue in Australia, Asia and Africa decreased 52 percent to $97.1 million from $200.6 million in the prior year period. Every country in this segment was affected by reduced pricing and utilization due to cancellation of drilling programs.

Gross margins decreased year-over-year affected by competitive pressures on pricing in all regions and weather related issues in Australia.

Revenue by Geographic Segment



Operating Expenses

General and administrative expenses decreased 29 percent to $33.4 million compared to $46.9 million for the same period last year. The decrease was due to cost cutting initiatives implemented in November 2008 and February 2009. With the increased activity experienced in the last quarter of the year, the Company expects general and administrative expenses in fiscal 2011 to be slightly higher as compared to fiscal 2010.

Other expenses were $5.0 million for the year compared to $12.5 million for the same period last year due primarily to lower incentive compensation expenses given the Company's decreased profitability in the current year.

Foreign exchange gain was $0.1 million for the year compared to a loss of $1.4 million in the prior year period as a result of favorable currency variations during the year on net monetary items.

Short-term interest revenue was $0.2 million for the year compared to an expense of $0.2 million last year, while interest expense on long-term debt was $1.1 million compared to $1.8 million for the same period last year due to reduced long-term debt levels.

Amortization expense decreased to $30.1 million for the year, compared to $32.2 million for the same period last year, as a result of equipment write-downs in the previous quarters.

This year, the Company recorded a restructuring charge of $1.2 million relating mainly to Australia compared to $9.0 million recorded last year, which included asset write-downs of $5.2 million and mostly retrenchment costs for the remaining amount. Also, the Company recorded a non-cash goodwill and intangible assets impairment charge of $1.5 million in Ecuador this year compared to $0.7 million last year.

The provision for income tax for the year was an expense of $2.9 million compared to $24.8 million for the prior year period. The tax expense for the year was impacted by the non-recognition or reversal of tax losses in Venezuela, Ecuador and South Africa and differences in tax rates between regions.

Net loss for the year was $0.5 million or $0.02 per share ($0.02 per share diluted) compared to earnings of $45.9 million or $1.94 per share ($1.92 per share diluted) for the same period last year.

SUMMARY ANALYSIS

FISCAL 2009 COMPARED TO FISCAL 2008

Revenue for the fiscal year ended April 30, 2009 decreased 11.4 percent to $523.0 million from $590.3 million for the 2008 fiscal year. The first six months were marked by strong growth followed by cancellations and delays in the second half of the year due to the prevailing economic situation.

All regions were affected by cancellations and delays. Canada-U.S. revenue grew in the first half of the year due to additional equipment and improved pricing while contract cancellations and delays impacted revenue in the second half in both countries. Revenue in South and Central America was affected by a complete halt of operations in Venezuela and Ecuador due to political issues, and a slowdown in Mexico due to contract cancellations and delays. Revenue in Australia, Asia and Africa was affected by a slowdown in Australia due to contract cancellations and delays, and the shutdown of operations in Armenia.

Gross margin for the year was up to 33.6 percent compared to 33.1 percent for the 2008 fiscal year, due mainly to an improved pricing environment in the first half of the year mitigated by reduced pricing as a result of increased competitive pressures and delays in the second half.

During the 2009 fiscal year, the Company recorded a restructuring charge of $9.0 million to account for asset write-downs of $5.2 million and mostly retrenchment costs for the remaining amount. Also, the Company recorded a non-cash goodwill and intangible assets impairment charge of $0.7 million.

The combination of reduced revenue and restructuring charges produced net earnings of $45.9 million ($1.94 per share) compared to $74.1 million ($3.14 per share) for the 2008 fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMARY ANALYSIS

FOURTH QUARTER RESULTS ENDED APRIL 30, 2010

Total revenue for the fourth quarter was $97.4 million up some 47 percent from the $66.4 million recorded for the prior year period, with almost all of the increase coming from Canada, Chile and Argentina. Revenue growth was affected by the strengthening Canadian dollar against the U.S. dollar as compared to the same period last year. The unfavourable foreign exchange translation impact for the year, when comparing to the effective rates for the same period last year, is estimated at over $10 million on revenue.

Revenue from Canada-U.S. drilling operations was up 90 percent to $37.3 million for the quarter compared to $19.6 million for the same period last year. Canada was responsible for most of this increase as utilization rates increased substantially in this region while pricing remained relatively flat as compared to the same quarter last year.

In South and Central America, revenue for the quarter was $38.5 million, up 74 percent from the $22.1 million recorded in the prior year quarter. Most of the increase came from Chile and Argentina while we are starting to see early signs of recovery in Mexico.

Australian, Asian and African drilling operations reported revenue of $21.6 million, down some 13 percent from the $24.7 million reported in the same period last year. Cancellation of drilling programs and severe weather issues impacted revenue in Australia. Mongolian revenue was up slightly during its usually slow winter period. Activity is expected to pick up in that country for the summer season, as mining companies re-engage following clarification of the government's mining policies.

The overall gross margin percentage for the quarter was 23.0 percent, down from 26.8 percent for the same period last year. Margins were impacted by costs related to the ramp up of operations as the Company was gearing up for new contracts. Higher mobilization costs combined with training costs for additional personnel added a layer of costs. In Australia the Company is also working its way out of some low-margin contracts while heavy rain continued to affect its energy operations during February and March.

General and administrative costs were $8.5 million for the quarter, compared to $9.4 million for the prior year period. The decrease was due to cost cutting initiatives implemented last year.

Other expenses were $1.2 million for the quarter compared to $1.8 million for the same period last year. The reduction primarily relates to last year's legal and input tax settlements, which did not recur this year.

Foreign exchange loss was flat compared to the prior year period at $0.5 million. This loss was due to exchange rate variations on monetary working capital items.

Short-term interest revenue was $0.1 million for the quarter compared to nil last year, while interest on long-term debt was $0.3 million compared to $0.4 million for the prior year quarter.

Amortization expense decreased to $7.3 million for the quarter compared to $8.0 million for the same quarter last year, as a result of equipment write-downs in the previous quarters.

During the quarter, the Company had a recovery on goodwill impairment of $0.5 million relating to the reversal of a liability related to its previous acquisition in Ecuador. In last year's quarter, the Company recorded a restructuring charge of $2.1 million consisting primarily of retrenchment costs following staff reduction initiatives.

The Company's tax expense was $2.0 million for the quarter compared to $0.2 million for the same period last year. The tax expense for the quarter was impacted by the non-recognition of tax losses in certain jurisdictions and non-deductible expenses.

Net earnings were $3.2 million or $0.14 per share ($0.13 per share diluted) for the quarter compared to a net loss of $4.6 million or $0.19 per share ($0.19 per share diluted) for the prior year quarter.

SUMMARY OF QUARTERLY RESULTS *(in $000 CAD, except per share)*

	Fiscal 2009				Fiscal 2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	$ 178,215	$ 191,010	$ 87,361	$ 66,400	**$ 62,489**	**$ 75,528**	**$ 72,471**	**$ 97,368**
Gross profit	63,304	70,438	24,086	17,806	**17,230**	**22,792**	**11,979**	**22,372**
Gross margin	35.5%	36.9%	27.6%	26.8%	**27.6%**	**30.2%**	**16.5%**	**23.0%**
Net earnings (loss)	26,330	29,276	(5,070)	(4,601)	**(3,296)**	**4,060**	**(4,453)**	**3,225**
Per share - basic	1.11	1.23	(0.21)	(0.19)	**(0.14)**	**0.17**	**(0.19)**	**0.14**
Per share - diluted	1.10	1.22	(0.21)	(0.19)	**(0.14)**	**0.17**	**(0.19)**	**0.13**

The geographic distribution of the Company's operations, as well as the timing of the recent economic downturn, has impacted its historical seasonal revenue patterns. Historically, the Company's fourth quarter was its strongest, followed by its second and first quarters. The third quarter (November to January) is normally the Company's weakest quarter due to the shutdown of mining and exploration activities, often for extended periods over the holiday season, particularly in South and Central America. With the exception of the third quarter, the Company has, over the past several years, exhibited comparatively less seasonality in quarterly revenue, since a relatively higher proportion of drilling revenue was generated in regions with more temperate or tropical climates that were not impacted by winter weather conditions. Additionally, strong cyclical growth had tended to mute normal seasonal patterns. With the recent economic and industry downturn, it is not yet clear whether the Company's revenue will return to more historical seasonal patterns, or the recent lack of seasonality will continue.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Operating cash flow (before changes in non-cash working capital) was $30.6 million for the fiscal year ended April 30, 2010, representing a decrease of 65 percent from the $87.7 million generated last year, which is a direct result of cancellations and delays of drilling programs combined with price reductions.

The change in non-cash operating working capital items was an outflow of $9.9 million in fiscal 2010 compared to an inflow of $28.9 million for the same period last year. The change in non-cash operating working capital in fiscal 2010 was primarily impacted by:

- An increase in accounts receivable of $14.5 million due to increased activity in the fourth quarter as compared to the same period last year; and
- An increase in accounts payable of $9.8 million due to increased activity as compared to last year.

Financing Activities

Total long-term debt decreased by $14.7 million during the year from $38.6 million at April 30, 2009 to $23.9 million at April 30, 2010. The decrease is primarily due to debt repayments of $11.5 million and a reversal of a liability related to its previous acquisition in Ecuador of $2.2 million.

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

In the third quarter of fiscal 2010, the Company reviewed its available credit facilities and decided to reduce its operating facility from $30.0 million to $25.0 million and its facility available for financing the cost of equipment purchases or acquisition costs of related businesses from $65.0 million to $45.0 million. This reduction in financing facilities was made at the sole discretion of the Company in order to reduce financing costs.

The credit facilities related to operations total $26.6 million ($25.0 million from a Canadian chartered bank and $1.6 million in credit facilities in Chile and Australia) and are primarily secured by corporate guarantees of companies within the group. The Company has a credit facility of $0.7 million for credit cards for which interest rate and repayment are as per cardholder agreements. At April 30, 2010, the Company had utilized $1.1 million of these lines for stand-by letters of credit.

A second facility is a $45.0 million facility for financing the cost of equipment purchases or acquisition costs of related businesses. At April 30, 2010, the Company had utilized $20.6 million of this line. Draws on this line can be amortized over five years.

The Company also has various other loans and capital lease facilities related to equipment purchases that totaled $10.0 million at April 30, 2010, of which $3.3 million was utilized and matures through 2012.

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital, capital expenditure, dividend and debt obligations. As at April 30, 2010, the Company had unused borrowing capacity under its credit facilities of $56.5 million and cash of $30.2 million, for a total of $86.7 million in available funds.

PAYMENTS DUE BY PERIOD *(in $000's)*

Contractual obligations	Total	Less than 1 year	2-3 years	4-5 years
Long-term debt	$ 23,928	$ 8,887	$ 12,156	$ 2,885
Purchasing commitments	2,526	2,526	-	-
Operating leases	4,151	1,561	2,122	468
Total contractual obligations	**$ 30,605**	**$ 12,974**	**$ 14,278**	**$ 3,353**

Capital Expenditures

Capital expenditures were $24.5 million ($24.5 million net of financing) for the year ended April 30, 2010 compared to $55.2 million ($54.7 million net of financing) for the same period last year.

During the year, the Company added 14 drill rigs through its capital expenditure program and 8 drill rigs through acquisitions while retiring or disposing of 32 drill rigs through its modernization program. This brings the total drill rig count to 525 at year end.

The Company expects to spend $50 million in capital expenditures in fiscal 2011, with the intent to purchase 50 rigs that are much better tailored for the market. It is expected that 30 of the rigs will replace older rigs that had very low utilization rates. The Company also intends to add support vehicles and equipment to the operations to meet the changing patterns of demand and its new safety standards. Through this, the Company plans to continue its efforts to improve rig utilization and reliability.

OUTLOOK

Many of the supply issues that face most commodities are coming back into focus and with moderate growth in the world economy, the need to explore and develop mines will increase. At that point, it is expected that the need to develop resources in areas that are increasingly difficult to access will return, which should further increase demand for specialized drilling.

At the end of the fiscal year, the bulk of the increased activity was coming from intermediate mining companies and junior mining companies with advanced properties. While senior companies increased their exploration budgets for calendar 2010, they had not yet rebounded to their pre-financial crisis levels. Early stage exploration companies had shown little increase in activity as they were still experiencing difficulties in getting financing. In the longer-term, the fundamental drivers of the business remain positive, with worldwide supply for most metals expected to tighten due to the continuing lack of significant discoveries. The prospects for gold related drilling, which generally accounts for approximately 50 percent of the drilling market, remains positive.

Looking ahead to fiscal 2011, the Company has a positive but cautious view. Its global utilization rates are expected to continue to improve as each month goes by. Some of its regions have reached high levels of utilization, which could lead to a more positive pricing environment. Most of its other regions should see a pickup in utilization but pricing is likely to remain challenging.

The expected increase in utilization and some increases in pricing should provide considerable leverage to increase revenue and profits. A shortage of experienced drill crews is re-emerging, a factor that will put some pressure on productivity and margins as we go forward.

The Company remains in an excellent financial position and remained debt-free, net of cash, at year end. Total cash level, net of long-term debt, stood at $6.3 million at year end. With significant increases in activity, the Company always has a temporary drain on cash due to working capital requirements as more rigs are started. Cash levels should rebuild as receivables are collected.

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. and Australian dollars. The year-over-year comparisons in growth of revenue and operating expenses have been impacted by the falling U.S. dollar against the Canadian dollar.

During fiscal 2010, approximately 26 percent of revenue generated was in Canadian dollars, 10 percent in Australian dollars with most 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 FX impact on revenue for the year compared to last year was $12 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 net earnings for the year was $2 million.

CHANGES IN ACCOUNTING POLICIES

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

FUTURE ACCOUNTING CHANGES

Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces Section 1581 of the same title. This Section applies prospectively to business combinations for which the date of acquisition is in fiscal years beginning on or after January 1, 2011. The Section establishes standards for accounting for a business combination.

Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and Section 1602, Non-Controlling Interests, which together replace Section 1600,

Consolidated Financial Statements. These sections apply to interim and annual consolidated financial statements for fiscal years beginning on or after January 1, 2011. They establish standards for the preparation of consolidated financial statements and accounting for a non-controlling interest in a subsidiary in the consolidated financial statements subsequent to a business combination. The Company is currently evaluating the impact of the adoption of these new sections on its consolidated financial statements.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Accounting Standards Board ("AcSB") confirmed that Canadian reporting issuers will be required to report under International Financial Reporting Standards ("IFRS") effective January 1, 2011. Reporting issuers will be required to provide IFRS comparative information for the previous year. The Company will begin issuing interim and annual financial statements under IFRS for the fiscal year beginning May 1, 2011. The transition date of May 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. The Company expects the transition to IFRS to impact financial reporting, business processes and information systems.

The Company launched its conversion project in 2008. The Company is following the key events timeline proposed by the AcSB to obtain training and thorough knowledge of IFRS, finalize assessment of accounting policies with reference to IFRS and plan for convergence to be ready for the 2011 changeover.

The conversion project consists of four primary phases:

1. The scoping and planning phase, which involves establishing a project management team, mobilizing organizational support for the conversion plan, obtaining stakeholder support for the project, identifying major areas affected and developing a project charter, developing an implementation plan and communication strategy, was completed in mid 2009 and served as the basis for the planning of future phases.
2. We are near completion in the detailed assessment phase, which will result in accounting policies and transitional exemption decisions, quantification of financial statement impact, preparation of shell financial statements and identification of business processes and resources impacted. The Company will continue to monitor changes in IFRS throughout the duration of the implementation process and assess their impacts on the Company and its reporting.
3. The operations implementation phase has started and includes the design of business, reporting and system processes to support the compilation of IFRS compliant financial data for the opening balance sheet at May 1, 2010, fiscal 2011 and thereafter. This phase also includes ongoing training, testing of the internal control environment and updated processes for disclosure controls and procedures.
4. Post implementation will include sustainable IFRS compliant financial data and processes for fiscal 2011 and beyond.

The Company has engaged and will continue to engage in dialogue with the Company's independent auditors in all phases of the conversion project.

In light of the IFRS requirements, the Company has implemented the majority of the systems that will support the compilation of the IFRS compliant financial data for the opening balance sheet as at May 1, 2010, fiscal 2011 and thereafter. These systems include new functionalities in the consolidation system, a uniform fixed assets module and a stock-based compensation plan management system. Other enhancements to our current systems have also been implemented to ensure future compliance. The implementation phase also includes ongoing training for key personnel, identification and documentation of impact and required changes to, and ensuring the effectiveness of, the Company's internal control environment and disclosure controls and procedures. This stage of phase 3 will be conducted throughout fiscal 2011. The post implementation phase will include sustainable IFRS compliant financial data and processes for fiscal 2012 and beyond.

The Company is in the process of quantifying the impacts expected on its consolidated financial statements. The following is a discussion of some of the general issues facing the Company related to the accounting standards identified as most likely to have a significant financial statement impact.

IFRS 1 – First-Time Adoption of IFRS

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of May 1, 2010, the date of the first comparative balance sheet presented under IFRS. However, IFRS 1 provides entities adopting IFRS for the first time a number of optional exemptions and mandatory exemptions, in certain areas, to the general requirement for full retrospective application of IFRS on the date of transition.

The following are the optional exemptions that the Company is considering:

- *Business combination election* – This election allows the Company to adopt IFRS 3(R) prospectively from the date of transition.

- *Share-based payments election* – This election enables the Company to adopt IFRS 2, share-based payments, from the date of transition to IFRS.
- *Foreign currency translation adjustment (CTA)* – This election allows the Company on its date of transition to record its CTA from all its foreign operations to retained earnings and reset the CTA balance to nil.

The remaining optional exemptions are not expected to be significant to the Company's adoption of IFRS.

IFRS 2 – Share Based Payments

The Company's policy under Canadian GAAP is to use the straight-line method to account for options that vest over time. Under IFRS, for graded-vesting features, IFRS requires each instalment to be treated as a separate share option grant, because each instalment has a different vesting period, and hence the fair value of each instalment will differ.

In addition, Canadian GAAP permits companies to either estimate the forfeitures at the grant date or record the entire expense as if all share-based payments vest and then record forfeitures as they occur. IFRS requires that forfeitures be estimated at the time of grant to eliminate distortion of remuneration expense recognized during the vesting period. The estimate should be revised if subsequent information indicates that actual forfeitures are likely to differ from previous estimates.

IAS 12 – Income Taxes

While the overall methodology for recording deferred taxes is consistent between Canadian GAAP and IFRS, there are several differences that may have an impact on the Company's financial statements.

IAS 16 – Property, Plant and Equipment

Under Canadian GAAP, costs incurred for plant and equipment on initial recognition are allocated to significant components when practicable. Under IFRS, costs incurred for plant and equipment on initial recognition are allocated to significant components, capitalized and depreciated separately over the estimated useful lives of each component. Practicability of allocating to significant components is not considered under IFRS. Costs incurred subsequent to the initial purchase of property, plant and equipment are capitalized when it is probable that future economic benefits will flow to the Company over a period and the costs can be measured reliably. Upon capitalization, the carrying amount of components replaced, if any, are written off.

IAS 21 – Effects of Changes in Foreign Exchange Rates

The underlying concepts of functional currency and reporting currency are broadly consistent between Canadian GAAP and IFRS. However, IFRS rules differ in the determination of functional currency. Under IFRS, the functional currencies of some subsidiaries may change on transition.

IAS 36 – Impairment of Assets

Canadian GAAP generally uses a two-step approach to impairment testing while IFRS uses a one-step approach for both testing for and measurement of impairment. This may potentially result in more write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but would not be supported on a discounted cash flow basis.

In addition, IFRS requires the reversal of any previous impairment losses where circumstances leading to the original impairment have changed. Canadian GAAP prohibits reversal of impairment losses.

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 property, plant and equipment for amortization purposes, property, plant and equipment and inventory valuation, valuation of future income taxes, assumptions used in compilation of stock-based compensation, fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities and impairment testing of goodwill and intangible assets. Actual results could differ materially from those estimates and assumptions.

In light of the recent economic conditions, the Company has re-examined its critical accounting estimates.

As of April 30, 2010, property, plant and equipment with a carrying value of $210.8 million represented approximately 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 almost 15 percent of total assets at April 30, 2010. 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. The Company continues to monitor realizable value of inventory, especially in remote locations.

Particular attention was given to impairment testing of the Company's long-lived assets, goodwill and intangible assets. These assets are assessed for potential impairment at least annually or when events or changes in circumstances exist such that the carrying amount may not be recoverable. Such an assessment requires a comparison of the fair value of the respective reporting unit to its

carrying value. The estimate of fair value of a reporting unit is based on cash flows, growth projections, terminal values, discount rates and industry data. Any change in the estimates used could have a material impact on the calculation of fair value and the resulting impairment charge. Sensitivity analysis is performed when testing for impairment. Significant changes in the estimates and assumptions used in impairment testing will not impact cash flows generated from our operations.

OFF BALANCE SHEET ARRANGEMENTS

Except for operating leases disclosed in note 16 "Commitments" of the notes to 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

The risks described below and elsewhere in this MD&A do not include all possible risks, and there may be other risks of which management is currently not aware.

Cyclical Downturn

The most significant operating risk affecting the Company is a downturn in demand for its services due to a decrease in activity in the minerals and metals industry. In attempting to mitigate this risk, the Company is exploiting its competitive advantage in specialized drilling and continues to explore opportunities to diversify and to rationalize its regional infrastructures. In previous cyclical market downturns 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 generally been focused on specialized drilling services. The impact on the Company of a severe and persistent downturn in the minerals and metals industry (a possible outcome of the recent global economic conditions) may not be fully mitigated by the foregoing measures.

While receivables from senior and larger intermediate mining exploration companies remain a significant component of total receivables, accounts receivable from junior mining companies also have a tendency to increase during a cyclical downturn. 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. Credit and capital markets financing continue to be challenging for many mining companies, which could adversely impact exploration programs.

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.

Competitive Pressures

Pressures from competitors could result in decreased contract prices and put a strain on current growth rates. There can be no assurance that the Company's competitors will not be successful in capturing a share of the Company's present or potential customer base.

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, and changes in mining or investment policies or shifts in political attitude that may adversely affect the business. There has been an emergence of a trend by some governments to increase their participation in the benefits of rising commodity 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 reductions in revenue and transition costs as equipment is shifted to other locations.

Repatriation of Funds or Property

There is no assurance that any of the countries in which the Company operates or may operate in the future will not impose restrictions on the repatriation of funds or property to other jurisdictions.

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 practical and legally permitted.

Foreign exchange translations can have a great impact on year-to-year comparisons because of the geographic distribution of the Company's activities. Year-over-year revenue comparisons have been affected by the fluctuation in the Canadian dollar against the U.S. dollar. 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 periods, 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 and insurance coverage.

Dependence on Key Customers

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. Should one or more such customers terminate contracts with the Company, 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.

Safety

Failure to maintain a record of acceptable safety performance may have an adverse impact on the Company's ability to attract and retain customers. Most of the Company's customers consider safety and reliability two primary attributes when selecting a provider of drilling services. The Company continues to invest in training to improve skills, abilities and safety awareness.

Expansion and Acquisition Strategy

The Company intends to remain vigilant with regard to potentially strategic future 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 internal audit. Compliance and internal audit test the extent to which operations meet regulatory requirements, as well as the effectiveness of internal controls.

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 Skills and Cost of Labour Increases

Generally speaking, drilling activity related to metals and minerals is broadly linked to price trends in the metals and minerals sector. During periods of increased activity, such as that occurring as the industry last transitioned from a cyclical downturn to a cyclical upturn, a limiting factor in this industry was a shortage of qualified drillers. The Company addresses 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, African, Mongolian and Indonesian operations, and is expected to continue to play an important role.

The Company also relies on an experienced management team across the Company to carry on its business. A departure of several members of the management team at one time could have an adverse financial impact on operations.

A material increase in the cost of labour could materially affect gross margins and therefore the Company's financial performance.

Equipment and Parts Availability

The Company's ability to provide reliable service is dependent upon timely delivery of equipment and replacement parts from fabricators and suppliers. Any factor that substantially increases the order time on equipment and increases uncertainty surrounding final delivery dates may constrain future growth, existing operations, and the financial performance of the Company.

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.

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 and concluded that, subject to the inherent limitations noted above, those disclosure controls were effective for the year ended April 30, 2010.

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 has inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

During fiscal 2010, management, including its CEO and CFO, evaluated the existence and design of the Company's ICFR and confirm there were no changes to the ICFR that have occurred during the year that materially affected, or are reasonably likely to materially affect, the Company's ICFR. The Company continues to review and document its disclosure controls and its ICFR, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that its systems evolve with the business.

As of April 30, 2010, an evaluation was carried out, under the supervision of the CEO and CFO, of the effectiveness of the Company's ICFR as defined in NI 52-109. Based on this evaluation, the CEO and the CFO concluded that the design and operation of these ICFR were effective.

The evaluations were conducted in accordance with the framework and criteria established in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of NI 52-109.

OUTSTANDING SHARE DATA

The authorized capital of the Company 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 Company. Each common share carries the right to one vote in person or by proxy at all meetings of the shareholders of the Company. As at June 30, the Company's share capital was composed of the following:

SHARE CAPITAL
(amounts in thousands)

As at June 30	2010	2009
Common shares	**23,790**	23,716
Stock options outstanding	**1,167**	948

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 4, 2010. 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 McGuire
President and Chief Executive Officer

Denis Larocque
Chief Financial Officer

June 4, 2010

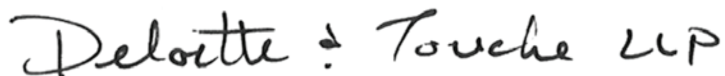
AUDITORS' REPORT

To the Shareholders of Major Drilling Group International Inc.

We have audited the consolidated balance sheets of Major Drilling Group International Inc. (the "Company") as at April 30, 2010 and 2009 and the consolidated statements of operations, comprehensive (loss) earnings, retained earnings, accumulated other comprehensive loss and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Saint John, New Brunswick

June 4, 2010

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended April 30, 2010 and 2009 *(in thousands of Canadian dollars, except per share information)*	2010	2009
TOTAL REVENUE	$ 307,856	$ 522,986
DIRECT COSTS	233,483	347,352
GROSS PROFIT	74,373	175,634
OPERATING EXPENSES		
General and administrative	33,437	46,866
Other expenses	5,000	12,508
Foreign exchange (gain) loss	(138)	1,441
Interest (revenue) expense	(214)	224
Interest expense on long-term debt	1,068	1,833
Amortization	30,058	32,235
Restructuring charge (note 5)	1,220	9,043
Goodwill and intangible assets impairment (note 6)	1,519	732
	71,950	104,882
EARNINGS BEFORE INCOME TAX	2,423	70,752
INCOME TAX - PROVISION (RECOVERY) (note 17)		
Current	5,946	23,489
Future	(3,059)	1,328
	2,887	24,817
NET (LOSS) EARNINGS	$ (464)	$ 45,935
(LOSS) EARNINGS PER SHARE (note 18)		
Basic	$ (0.02)	$ 1.94
Diluted	$ (0.02)	$ 1.92

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) EARNINGS, RETAINED EARNINGS AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Consolidated Statements of Comprehensive (Loss) Earnings

For the years ended April 30, 2010 and 2009
(in thousands of Canadian dollars)

	2010	2009
NET (LOSS) EARNINGS	$ (464)	$ 45,935
OTHER COMPREHENSIVE (LOSS) EARNINGS		
Unrealized (losses) gains on translating financial statements of self-sustaining foreign operations	(39,254)	39,473
COMPREHENSIVE (LOSS) EARNINGS	$ (39,718)	$ 85,408

Consolidated Statements of Retained Earnings

For the years ended April 30, 2010 and 2009
(in thousands of Canadian dollars)

	2010	2009
RETAINED EARNINGS, BEGINNING OF THE YEAR	$ 218,983	$ 182,533
Net (loss) earnings	(464)	45,935
Dividends	(9,494)	(9,485)
RETAINED EARNINGS, END OF THE YEAR	$ 209,025	$ 218,983

Consolidated Statements of Accumulated Other Comprehensive Loss

For the years ended April 30, 2010 and 2009
(in thousands of Canadian dollars)

	2010	2009
ACCUMULATED OTHER COMPREHENSIVE LOSS, BEGINNING OF THE YEAR	$ (5,079)	$ (44,552)
Unrealized (losses) gains on translating financial statements of self-sustaining foreign operations	(39,254)	39,473
ACCUMULATED OTHER COMPREHENSIVE LOSS, END OF THE YEAR	$ (44,333)	$ (5,079)

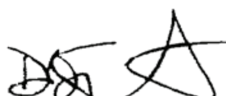
CONSOLIDATED BALANCE SHEETS

As at April 30, 2010 and 2009
(in thousands of Canadian dollars)

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash	$ 30,232	$ 58,035
Accounts receivable	62,128	52,538
Income tax receivable	10,053	6,014
Inventories	63,170	72,764
Prepaid expenses	4,813	3,478
Future income tax assets (note 17)	793	2,644
	171,189	195,473
PROPERTY, PLANT AND EQUIPMENT (note 9)	210,812	240,224
FUTURE INCOME TAX ASSETS (note 17)	8,117	1,403
GOODWILL AND INTANGIBLE ASSETS (note 10)	25,538	32,072
	$ 415,656	$ 469,172
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued charges	$ 54,027	$ 47,691
Income tax payable	2,830	1,719
Current portion of long-term debt (note 12)	8,887	15,049
Future income tax liabilities (note 17)	819	1,071
	66,563	65,530
LONG-TERM DEBT (note 12)	15,041	23,507
FUTURE INCOME TAX LIABILITIES (note 17)	15,783	14,789
	97,387	103,826
SHAREHOLDERS' EQUITY		
Share capital (note 13)	142,435	142,233
Contributed surplus	11,142	9,209
Retained earnings	209,025	218,983
Accumulated other comprehensive loss	(44,333)	(5,079)
	318,269	365,346
	$ 415,656	$ 469,172

contingencies and commitments (notes 15 and 16)

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, 2010 and 2009
(in thousands of Canadian dollars)

	2010	2009
OPERATING ACTIVITIES		
Net (loss) earnings	$ (464)	$ 45,935
Operating items not involving cash		
Amortization	30,058	32,235
Restructuring charge (note 5)	-	5,194
Loss on disposal of property, plant and equipment	662	832
Future income tax (recovery)	(3,059)	1,328
Stock-based compensation	1,933	1,424
Goodwill and intangible assets impairment (note 6)	1,519	732
	30,649	87,680
Changes in non-cash operating working capital items (note 14)	(9,872)	28,944
	20,777	116,624
Changes in non-cash operating working capital items from discontinued operations	-	(1,898)
Cash flow from operating activities	20,777	114,726
FINANCING ACTIVITIES		
Repayment of long-term debt	(11,522)	(14,457)
Acquisition of long-term debt	-	10,000
Repayment of demand credit facilities	-	(2,179)
Issuance of common shares	202	94
Dividends paid	(9,488)	(4,742)
Cash flow used in financing activities	(20,808)	(11,284)
INVESTING ACTIVITIES		
Business acquisition (net of cash acquired) (note 7)	(1,974)	(21,867)
Acquisition of property, plant and equipment, net of direct financing (note 9)	(24,532)	(54,698)
Proceeds from disposal of property, plant and equipment	2,932	4,800
Cash flow used in investing activities	(23,574)	(71,765)
OTHER ACTIVITIES		
Foreign exchange translation adjustment	(4,198)	5,663
(DECREASE) INCREASE IN CASH	(27,803)	37,340
CASH POSITION, BEGINNING OF THE YEAR	58,035	20,695
CASH POSITION, END OF THE YEAR	$ 30,232	$ 58,035

additional information (note 14)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2010 and 2009 (in thousands of Canadian dollars, except per share information)

1. NATURE OF ACTIVITIES

Major Drilling Group International Inc. (the "Company") is incorporated under the Canada Business Corporations Act. The principal source of revenue consists of contract drilling for companies primarily involved in mining and mineral exploration. The Company has operations in Canada, the United States, South and Central America, Australia, Asia and Africa.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its subsidiaries.

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 property, plant and equipment for amortization purposes, property, plant and equipment and inventory valuation, determination of income and other taxes, assumptions used in compilation of stock-based compensation, fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities, and impairment testing of goodwill and intangible assets.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

Asset/ Liability	Classification	Measurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Demand credit facility	Other financial liabilities	Amortized cost
Accounts payable and accrued charges	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

The Company has adopted the policy of amortizing transaction costs to net income using the effective interest method.

Revenue recognition

Revenue from drilling contracts is recognized based on the terms of customer contracts that generally provide for revenue on the basis of actual meters drilled at contract rates or fixed monthly charges or a combination of both. Revenue from ancillary services, primarily relating to extra services to the customer, 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 daily weighted 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 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 determined on a first in, first out (FIFO) basis. 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.

Property, plant and equipment

Property, plant and equipment 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill and intangible assets

Goodwill represents the excess of the purchase price of business acquisitions, including acquisition costs, over the fair value of the identifiable net assets acquired. The value of goodwill is 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.

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

Impairment of long-lived assets

The Company assesses long-lived assets for recoverability whenever indications of impairment exist. When the net recoverable value of a long-lived asset is less than its carrying 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 property, plant and equipment. 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 on the Statement of Accumulated Other Comprehensive Loss. The change in the amount primarily reflects the relative strength or weakness 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 Canadian generally accepted accounting principles. 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. CHANGES IN ACCOUNTING POLICIES

Goodwill and intangible assets

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

4. FUTURE ACCOUNTING CHANGES

Business combinations

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces Section 1581 of the same title. This Section applies prospectively to business combinations for which the date of acquisition is in fiscal years beginning on or after January 1, 2011. The Section establishes standards for accounting for a business combination.

Consolidated financial statements and non-controlling interests

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

International Financial Reporting Standards ("IFRS")

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

4. FUTURE ACCOUNTING CHANGES (continued)

full and without modification, on January 1, 2011 for companies with a calendar year end, therefore the transition date for the Company is May 1, 2011. This will require the restatement, for comparative purposes, of amounts reported by the Company for its year ended April 30, 2011, and of the opening balance sheet as at May 1, 2010. The Company is currently in the process of developing a conversion and implementation plan and assessing the impacts of the conversion on the consolidated financial statements and disclosures of the Company.

5. RESTRUCTURING CHARGE

The Company initiated a restructuring plan in fiscal year 2009 to standardize the drilling equipment fleet and reduce operating costs by rationalizing the workforce and business locations. These initiatives have generated a total restructuring charge of $10,263, of which $9,043 was expensed in fiscal year 2009 and $1,220 was expensed in the current fiscal year.

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

As of April 30, 2010, these charges had been fully paid.

6. GOODWILL AND INTANGIBLE ASSETS IMPAIRMENT

In the current fiscal year, the Company recorded a net non-cash goodwill impairment charge of $1,519. This eliminated goodwill of $3,722 recorded on the Paragon del Ecuador S.A. acquisition offset by a reduction of a holdback of $2,203, which was a contingent consideration to the purchase price and dependant on the political situation in Ecuador. The goodwill impairment charge resulted from the inability of this region to generate the expected revenue due to political issues and uncertainty that continues to affect the mining industry in Ecuador.

In fiscal year 2009, the Company recorded an impairment charge of $732. Of this amount, $350 relates to the value attributed to the acquired contracts, and recorded as intangible assets, from the Forage à Diamant Benoît Ltée purchase in fiscal year 2009. This impairment was required as the majority of these contracts had been completed early due to the economic conditions prevailing at that time. Goodwill of $382 from the Longstaff Group of Companies, purchased in 2007, had also been impaired due to the economic downturn and the inability of this region to generate the expected revenue.

7. BUSINESS ACQUISITIONS

SMD Services

Effective February 26, 2010 the Company acquired SMD Services based in Huntsville, Alabama. Through this purchase, Major Drilling entered the environmental drilling sector and acquired a small fleet of sonic, probe and auger drill rigs, as well as a skilled management team and personnel. The purchase price for the transaction was USD $1,953 (CAD $2,064), including customary working capital adjustments, financed with cash. There is also a contingent consideration of USD $2,000 to the purchase price, based on future earnings.

The Company is in the process of finalizing the valuation of assets. As at April 30, 2010, $1,815 of the purchase price was allocated to net tangible assets and $249 was allocated to goodwill. These values are preliminary and are subject to adjustments as additional information is obtained.

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

Assets acquired and liabilities assumed		
Cash	$	90
Accounts receivable		234
Prepaid expenses		46
Property, plant and equipment		1,605
Goodwill (not tax deductible)		249
Accounts payable		(160)
Net assets	$	2,064
Consideration		
Cash	$	2,064

Forage à Diamant Benoît Ltée

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

7. BUSINESS ACQUISITIONS (continued)

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

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

8. INVENTORY

The cost of inventory recognized as an expense and included in direct costs for the year ended April 30, 2010 was $65,204 (2009 - $81,590). During the year, there were no significant write-downs of inventory as a result of net realizable value being lower than cost and no inventory write-downs recognized in previous years were reversed.

9. PROPERTY, PLANT AND EQUIPMENT

	2010			2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Land	$ 1,542	$ -	$ 1,542	$ 1,672	$ -	$ 1,672
Buildings	10,442	2,363	8,079	9,203	1,736	7,467
Drilling equipment	217,025	61,722	155,303	229,632	56,220	173,412
Automotive and off-road equipment	75,551	40,444	35,107	79,949	36,568	43,381
Shop, camp and computer equipment	28,572	17,791	10,781	29,684	15,392	14,292
	$ 333,132	$ 122,320	$ 210,812	$ 350,140	$ 109,916	$ 240,224

Capital expenditures were $24,532 and $55,192 for the years ended April 30, 2010 and 2009, respectively. The Company did not obtain direct financing for the year ended April 30, 2010 but did obtain direct financing of $494 for the year ended April 30, 2009.

10. GOODWILL AND INTANGIBLE ASSETS

	2010	2009
Goodwill	$ 24,464	$ 30,470
Intangible assets	1,074	1,602
	$ 25,538	$ 32,072

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

Changes in the goodwill and intangible assets balance were as follows for the years ended April 30:

	2010	2009
Balance at beginning of the period	$ 32,072	$ 14,837
Amortization of intangible assets	(528)	(398)
Goodwill adjustment (note 6)	(2,203)	-
Goodwill and intangible assets impairment (note 6)	(1,519)	(732)
Goodwill and intangible assets acquired	249	15,573
Effect of foreign currency exchange rate changes	(2,533)	2,792
	$ 25,538	$ 32,072

11. DEMAND CREDIT FACILITIES

The Company has credit facilities available in Canada of $25,000 bearing interest at the bank's prime lending rate plus 0.85% or the bankers' acceptance fee plus 2.5% for Canadian dollar draws and the bank's U.S. dollar base rate in Canada plus 0.85% or the bank's London interbank offer rate ("LIBOR") plus 2.5% for U.S. dollar draws. The demand credit facilities are primarily secured by corporate guarantees of companies within the group. The Company has a credit facility of $687 for credit cards, with interest rates and repayments as per the cardholder agreement. The balance drawn on these facilities as at April 30, 2010 and 2009 were nil.

The Company also has credit facilities in Australia and Chile amounting to $1,585 (2009 - $1,228) bearing interest at rates ranging from 3.0% to 10.21% secured by accounts receivable, and selected land and buildings in Australia. There were stand-by letters of credit outstanding for $1,137 (2009 - $815) on these facilities as at April 30, 2010.

12. LONG-TERM DEBT

	2010	2009
Revolving/non-revolving equipment and acquisition loan (authorized $45,000), bearing interest at either the bank's prime rate plus 0.85% or the bankers' acceptance rate plus 2.5% for Canadian dollar draws, and either the bank's U.S. dollar base rate in Canada plus 0.85% or the bank's LIBOR plus 2.5% for U.S. dollar draws, payable in monthly installments of $525, maturing through 2014, secured by corporate guarantees of companies within the group.	$ 20,576	$ 27,148
Term loans bearing interest at rates ranging from 2.35% to 7.24%, payable in monthly installments of $157, secured by certain equipment, maturing through 2012.	1,930	6,092
Revolving/non-revolving term loans - A$721 (2009 – A$2,475) authorized A$7,790, payable in monthly installments of A$116, interest included, at rates ranging from 7.99% to 8.09%, secured by certain equipment, maturing through 2010.	672	2,145
Note payable, bearing interest at 6% and maturing in August 2010.	750	750
Note payable, non-interest bearing, repaid during the year.	-	2,421
	23,928	38,556
Current portion	8,887	15,049
	$ 15,041	$ 23,507

12. LONG-TERM DEBT (continued)

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

2011	$ 8,887
2012	6,404
2013	5,752
2014	2,754
2015	131
	$ 23,928

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.

13. SHARE CAPITAL

Authorized

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

Issued	2010	2009
23,747,573 common shares (2009 - 23,716,073)	**$ 142,435**	$ 142,233

Stock option plan

The Company has a Stock Option Plan "the Plan" for Directors, officers and other employees of the Company and its subsidiaries. The Plan provides that the Board of Directors of the Company, on the recommendation of the Compensation Committee, 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 limited to up to 10% of the issued and outstanding shares at any time (representing up to 2,374,757 common shares as at April 30, 2010). As at April 30, 2010: (i) 2,346,248 common shares had been issued upon the exercise of options granted under the Plan (representing approximately 9.9% of the issued and outstanding common shares); (ii) 952,963 common shares were reserved for issuance in respect of outstanding options under the Plan (representing approximately 4.0% of the issued and outstanding common shares); and (iii) 1,421,794 common shares were available for issuance in respect of options that may be granted under the Plan (representing approximately 6.0% of the issued and outstanding common shares). The exercise price for an option issued under the Plan is determined by the Board and may not be less than the fair market value of the common shares on the grant date of the option, being the volume weighted average trading price of the common shares on the TSX for the last five trading days immediately preceding the date on which the option is granted rounded to the nearest cent or, if the shares did not trade during such five trading days, the simple average of the closing bid and ask prices of the shares on the TSX during such five trading days.

Options are exercisable for a maximum period of 10 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, retires, dies or becomes disabled or there is a change of control of the Company. Options are not assignable. The Plan also provides that: (i) the total number of options to be granted to any one participant may not exceed 5% of the issued and outstanding number of common shares; (ii) 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 options granted to insiders exceeding 10% of the outstanding number of common shares; (iii) 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 (iv) the number of options issued to any one insider and such insider's associates, within a one-year period, may not exceed 5% of the outstanding number of common shares.

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, 2010 and 2009, and of changes during the years ending on those dates, is presented below:

	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year	**765,064**	**$ 26.12**	605,964	$ 24.00
Options granted	**274,400**	**21.96**	184,000	32.95
Options forfeited	**-**	**-**	(15,000)	34.93
Options expired	**(55,001)**	**33.10**	-	-
Options exercised	**(31,500)**	**6.42**	(9,900)	9.45
Outstanding at end of year	**952,963**	**25.17**	765,064	26.12

13. SHARE CAPITAL (continued)

The following table summarizes information on stock options outstanding at April 30, 2010:

Range of exercise prices	Outstanding at April 30, 2010	Weighted average remaining life (years)	Weighted average exercise price	Exercisable at April 30, 2010	Weighted average exercise price
$1.86 - $9.32	147,782	2.84	$ 5.54	147,782	$ 5.54
$12.97 - $32.95	634,112	7.99	23.76	359,712	25.13
$42.09 - $59.16	171,069	7.35	47.37	171,069	47.37
	952,963	7.08	25.17	678,563	26.47

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:

	2010	2009
Risk-free interest rate	**2.78%**	2.69%
Expected life	**4 years**	3 years
Expected volatility	**50%**	36%
Expected dividend yield	**1.95%**	1.22%

The weighted average grant date fair value of options granted during the year ended April 30, 2010 was $7.00 (2009 - $8.15). For the year ended April 30, 2010, the amount of compensation cost recognized in earnings and credited to contributed surplus was $1,933 (2009 - $1,424).

Deferred share units

A Deferred Share Unit Plan (the "DSU Plan") was established for outside Directors during the 2005 fiscal year and was subsequently expanded to include certain designated Officers. Each deferred share unit ("DSU") represents the right to receive a cash payment, at such time as an outside Director or designated Officer ceases to be a Director or employee (respectively), equal to the market value of the Company's shares 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. Designated Officers have the option to take a certain percentage of their annual bonus in DSU's.

The following table summarizes information on the DSU Plan at April 30:

	2010	2009
	Number of units	Number of units
Outstanding at beginning of year	**3,298**	2,785
DSU's issued during year	**9,760**	3,137
DSU's redeemed during year	**-**	(2,624)
Outstanding at end of year	**13,058**	3,298

As at April 30, 2010 the total value of DSU's outstanding was $221 (2009 - $47).

14. ADDITIONAL INFORMATION TO THE STATEMENTS OF CASH FLOWS

	2010	2009
Changes in non-cash operating working capital		
Accounts receivable	$ (14,467)	$ 63,860
Inventories	948	12,320
Accounts payable and accrued charges	9,751	(36,407)
Income tax	(3,624)	(14,924)
Other items	(2,480)	4,095
	$ (9,872)	$ 28,944
Interest and income tax paid		
Interest paid	$ 854	$ 2,057
Income tax paid	$ 8,874	$ 35,107

15. 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.

16. COMMITMENTS

The Company has commitments with various suppliers for the purchase of drill rigs and drilling supplies totaling $2,526 with delivery dates through July 2010.

The Company also has various commitments, primarily for rental of premises, with arms-length parties as follows: 2011 - $1,561, 2012 - $1,383, 2013 - $739, 2014 - $327, 2015 - $141.

17. INCOME TAXES

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:

	2010	2009
Earnings before income tax	$ 2,423	$ 70,752
Statutory Canadian corporate income tax rate	31%	32%
Expected income tax expense based on statutory rate	$ 751	$ 22,641
Non-recognition of tax benefits related to losses	1,029	2,233
Utilization of previously unrecognized losses	(17)	-
Other foreign taxes paid	618	822
Rate variances in foreign jurisdictions	(391)	(775)
Other	897	(104)
Total income tax provision	$ 2,887	$ 24,817

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

	2010	2009
Assets:		
Loss carry forwards tax effected	$ 9,604	$ 2,822
Other	1,004	1,225
	10,608	4,047
Less valuation allowance	1,698	-
	8,910	4,047
Liabilities:		
Property, plant and equipment	(15,451)	(14,490)
Inventory	(539)	(984)
Other	(612)	(386)
Net future income tax liabilities	$ (7,692)	$ (11,813)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. INCOME TAXES (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.

The Company has accumulated approximately $31,154 in non-capital losses, of which $161 are available to reduce future Canadian income taxes otherwise payable and $30,993 are available to reduce future income taxes otherwise payable in foreign jurisdictions. These losses, if unused, will expire as follows:

Date		Amount
2012	$	**737**
2013		**567**
2014		**1,288**
2015		**1,699**
2016		**15**
2017		**10**
2018		**53**
2019		**-**
2020		**420**
Indefinite		**26,365**
	$	**31,154**

The Company has accumulated approximately $3,096 (A$3,320) of capital losses that 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.

18. (LOSS) EARNINGS PER SHARE

		2010		2009
Net (loss) earnings	$	**(464)**	$	45,935
Divided by: Weighted average shares outstanding (000's)		**23,726**		23,711
Net effect of dilutive securities: Employees and Directors stock options (000's)		**172**		207
Adjusted weighted average shares and assumed conversions (000's)		**23,898**		23,918
(Loss) earnings per share:				
Basic	$	**(0.02)**	$	1.94
Diluted	$	**(0.02)**	$	1.92

The calculation of the diluted earnings per share for the years ended April 30, 2010 and 2009 exclude the effect of 355,069 options and 375,069 options, respectively, as they are anti-dilutive.

19. CAPITAL MANAGEMENT

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

Total managed capital was as follows as at April 30:

		2010		2009
Long-term debt	$	**23,928**	$	38,556
Share capital		**142,435**		142,233
Contributed surplus		**11,142**		9,209
Retained earnings		**209,025**		218,983
Cash		**(30,232)**		(58,035)
	$	**356,298**	$	350,946

19. CAPITAL MANAGEMENT (continued)

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

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

In the current fiscal year, the Company reviewed the available credit facilities and decided to reduce its operating facility from $30.0 million to $25.0 million and its facility available for financing the cost of equipment purchases or acquisition costs of related businesses from $65.0 million to $45.0 million. This reduction in total available funds of $25.0 million was made at the sole discretion of the Company in order to reduce financing costs.

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

The Company's objectives with regards to capital management remain unchanged from 2009.

20. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, accounts receivable, demand loan and accounts payable and accrued charges approximate their fair value due to the relatively short period to maturity of the instruments. Long-term debt has a carrying value of $23,928 as at April 30, 2010 (April 30, 2009 - $38,556) and also approximates its fair market value.

Risk management

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

Credit risk

The Company is exposed to credit risk from its accounts receivable. The Company has adopted a policy of dealing only with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company 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 25% (25% in 2009) of total revenue, with no one customer representing more than 10% of its revenue for 2010 or 2009.

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

As at April 30, 2010, 84.5% of the Company's trade receivables were aged as current (under 30 days) and 2.7% of the trade receivables were impaired.

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

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

Interest rate risk

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

As at April 30, 2010 the Company has estimated that a one percentage point increase in interest rates would have caused an annual decrease in net income of approximately $214 and a one percentage point decrease in interest rates would have caused an annual increase in net income of $214.

Foreign currency risk

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

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

20. FINANCIAL INSTRUMENTS (continued)

Based on the Company's foreign currency net monetary exposures as at April 30, 2010, and assuming that all other variables remain constant, a 10% rise or fall in the Canadian dollar against the other foreign currencies would have resulted in increases (decreases) in the net earnings and comprehensive earnings as follows:

Increase (decrease) in net earnings	Canadian dollar appreciates 10%	Canadian dollar depreciates 10%
U.S. Dollar	$ (284)	$ 284

Increase (decrease) in comprehensive earnings	Canadian dollar appreciates 10%	Canadian dollar depreciates 10%
Australian Dollar	$ (1,036)	$ 1,036
U.S. Dollar	$ (23,527)	$ 23,527

Liquidity risk

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

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Total financial liabilities, by due date, as at April 30, 2010 are as follows:

	Total	1 year	2-3 years	4-5 years
Accounts payable & accrued charges	$ 54,027	$ 54,027	$ -	$ -
Long-term debt	23,928	8,887	12,156	2,885
	$ 77,955	$ 62,914	$ 12,156	$ 2,885

21. SEGMENTED INFORMATION

The Company's operations are divided into three geographic segments, Canada - U.S., South and Central America, and Australia, Asia and Africa. The services provided in each of the reportable drilling segments are essentially the same. The accounting policies of the segments are the same as those described in Note 2. Management evaluates performance based on earnings 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:

	2010	2009
Revenue		
Canada – U.S.	$ 103,337	$ 167,243
South and Central America	107,434	155,182
Australia, Asia and Africa	97,085	200,561
	$ 307,856	$ 522,986
Earnings (loss) from operations		
Canada – U.S.	$ 10,098	$ 38,186
South and Central America	10,884	36,568
Australia, Asia and Africa	(3,823)	23,073
	17,159	97,827
Eliminations	(1,342)	(1,184)
	15,817	96,643
Interest expense, net	854	2,057
General corporate expenses	9,801	14,059
Restructuring charge	1,220	9,043
Goodwill and intangible assets impairment	1,519	732
Income tax	2,887	24,817
Net (loss) earnings	$ (464)	$ 45,935

21. SEGMENTED INFORMATION (continued)

	2010	2009
Identifiable assets		
Canada – U.S.	**$ 111,015**	$ 130,683
South and Central America	**159,526**	170,534
Australia, Asia and Africa	**103,365**	129,259
	373,906	430,476
Eliminations	**460**	(2,134)
Unallocated and corporate assets	**41,290**	40,830
	$ 415,656	$ 469,172
Amortization		
Canada – U.S.	**$ 9,456**	$ 9,218
South and Central America	**7,007**	7,046
Australia, Asia and Africa	**11,765**	13,315
Unallocated and corporate assets	**1,830**	2,656
	$ 30,058	$ 32,235

Canada – U.S. includes revenue in 2010 of $81,043 (2009- $100,370) for Canadian operations and property, plant and equipment at April 30, 2010 of $47,609 (2009- $50,109).

Goodwill and intangible assets impairment relates to the South and Central American segment for the current fiscal year and includes $382 of goodwill impairment relating to the Australia, Asia and African segment and $350 of intangible assets impairment relating to Canada – U.S. for the 2009 year (see Note 10 - Goodwill and Intangible Assets).

HISTORICAL SUMMARY

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

	2010	2009	2008	2007	2006 reclassified	2005 reclassified	2004 reclassified	2003 reclassified
OPERATING SUMMARY								
Revenue by region								
Canada – U.S.	**$ 103**	$ 167	$ 189	$ 151	$ 119	$ 82	$ 61	$ 59
South and Central America	**108**	155	186	127	81	62	33	25
Australia, Asia and Africa	**97**	201	215	137	116	102	82	60
	308	523	590	415	316	246	176	144
Gross profit	**74**	176	195	133	90	66	41	33
as a percentage of revenue	**24.2%**	33.6%	33.1%	32.0%	28.6%	26.9%	23.2%	22.7%
General and administrative expenses	**33**	47	45	34	29	25	22	15
as a percentage of revenue	**10.7%**	9.0%	7.6%	8.1%	9.0%	10.2%	12.5%	10.4%
(Loss) earnings from continuing operations	**-**	46	75	47	25	15	2	3
Net (loss) earnings	**-**	46	74	59	29	16	5	2
Cashflow (1)	**31**	88	109	76	47	29	10	11
(Loss) earnings per share from continuing operations								
Basic	**(0.02)**	1.94	3.16	2.01	1.11	0.66	0.12	0.19
Diluted	**(0.02)**	1.92	3.12	1.98	1.09	0.65	0.12	0.19
(Loss) earnings per share								
Basic	**(0.02)**	1.94	3.14	2.54	1.26	0.71	0.25	0.15
Diluted	**(0.02)**	1.92	3.10	2.50	1.23	0.70	0.24	0.14
EBITDA (2)	**33**	105	135	89	55	37	17	15
per share	**1.40**	4.43	5.72	3.85	2.42	1.69	0.84	0.94
Total net debt (net of cash)	**(6)**	(19)	22	7	40	57	33	32
BALANCE SHEET SUMMARY								
Cash, net of demand loans	**30**	58	19	25	(5)	(11)	(7)	(6)
Property, plant and equipment	**211**	240	199	159	118	119	99	82
Debt	**24**	39	40	32	35	46	25	26
Shareholders' equity	**318**	365	288	221	158	142	124	91

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

(2) *Non-GAAP measure:* Earnings before interest, income taxes, depreciation, amortization. (2010 includes $1.2 million in restructuring charges and $1.5 million of goodwill and intangible assets impairment - 2009 - $9.0 million and $ 0.7 million respectively)

SHAREHOLDER INFORMATION

DIRECTORS

David Tennant (Chairman)

Edward Breiner

Jean Desrosiers

David Fennell

David Hope

Francis McGuire

John Schiavi

Jo Mark Zurel

OFFICERS

Francis McGuire
President and Chief Executive Officer

Denis Larocque
Chief Financial Officer

James Gibson
VP Legal Affairs, General Counsel
and Corporate Secretary

David Balser
Vice President, Finance

Robert Morgan
Vice President, Business Development
and Latin American Operations

Robert Newburn
Vice President, North American
and African Operations

Ray Baldry
Vice President, Australian
and Asian Operations

TRANSFER AGENT

CIBC Mellon Trust Company

AUDITORS

Deloitte & Touche LLP

CORPORATE OFFICE

Major Drilling Group International Inc.

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E-mail: info@majordrilling.com

ANNUAL AND SPECIAL MEETING

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

TMX Broadcast Centre Gallery

The Exchange Tower
130 King Street West
Toronto, ON

September 9, 2010 at
10:00 am Eastern

WORLDWIDE OPERATIONS OF MAJOR DRILLING GROUP INTERNATIONAL INC.

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Val-d'Or, QC
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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

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

U.S.A.

Salt Lake City, UT
Tel: 801-974-0645
Fax: 801-973-2994

Nana Major Drilling, LLC*

Alaska
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Fax: 801-973-2994

Huntsville, AL
Tel: 256-852-7000
Fax: 256-852-7070

Sherwood, OR
Tel/Fax: 503-925-1133

* 50% ownership

SOUTH AND CENTRAL AMERICAN OPERATIONS

Barbados

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

Mexico

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

Chile

La Serena
Tel: 56-51-420-000
Fax: 56-51-420-049

Argentina

Mendoza
Tel: 54-261-491-3570
Fax: 54-261-491-3570 ext. 111

Guyana Shield & Suriname

Regional Office
Tel: 819-824-6749
Fax: 819-824-4217

Paramaribo
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Ecuador

Cuenca
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Fax: 593-7-280-5791

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La Estrella
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Office situated in Chile
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Kazakhstan

Almaty
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Mwanza
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