

Major Drilling Sees Recovery in Fourth Quarter

MONCTON, New Brunswick (June 8, 2010) – Major Drilling Group International Inc. (TSX: MDI) today reported results for its fourth quarter of fiscal year 2010, ended April 30, 2010.

Financial Highlights

\$ millions (except earnings per share)	<u>Q4-10</u>	<u>Q4-09</u>	<u>Fiscal 2010</u>	<u>Fiscal 2009</u>
Revenue	\$97.4	\$66.4	\$307.9	\$523.0
Gross profit	22.4	17.8	74.4	175.6
As percentage of sales	23.0%	26.8%	24.2%	33.6%
Net earnings (loss)	3.2	(4.6)	(0.5)	45.9
Earnings (loss) per share - basic	0.14	(0.19)	(0.02)	1.94
Cash flow from continuing operations (*)	9.4	2.8	30.6	87.7

(*) before changes in non-cash working capital items

- Major Drilling posted quarterly revenue of \$97.4 million, up 47 percent from the \$66.4 million recorded for the same quarter last year.
- Net earnings were \$3.2 million or \$0.14 per share for the quarter compared to a net loss of \$4.6 million or \$0.19 per share for the prior year quarter.

“We continue to see a sequential recovery by region. Six months ago, we saw activity increase primarily in Chile and Argentina. In this past quarter, Canada posted a strong recovery with a revenue increase of more than 125 percent over the same period last year. Overall, revenue increased by 47 percent. Currently, we are seeing a much more general resumption of activities around the world and if customers move forward with their stated plans, we expect year-over-year growth to continue at a similar pace for the upcoming year. The quarter-over-quarter increase in revenue came from improved rig utilization as pricing remains very competitive. This growth is despite the unfavorable year-over-year foreign exchange translation, which reduced our revenue in Canadian dollars by more than \$10 million,” said Francis McGuire, President and CEO of Major Drilling. “During the quarter, the Company had net earnings of \$3.2 million or \$0.14 per share.”

“At this point, the bulk of the increased activity is coming from intermediate mining companies and junior mining companies with advanced properties. While senior companies have increased their exploration budgets for calendar 2010, spending has not yet rebounded to their pre-financial

crisis levels. Early stage exploration companies have shown little increase in activity as they are still experiencing difficulties in getting financing,” said Mr. McGuire.

“Margins in this quarter were affected by training, mobilization and setup costs in both the mineral and energy sectors but should improve as the year goes by. Also, in Australia, we are working our way out of some low-margin contracts while heavy rain and client delays continued to have a very negative impact on our Australian energy operations with 180 drill days lost during the quarter.”

“Although this has been a very difficult year, we ended the year with break-even profitability while maintaining our core capabilities and financial strength, which positions us well for the anticipated upcoming increase in activity.”

“Looking ahead to fiscal 2011, we have a positive but cautious view. Our global utilization rates are expected to continue to improve as each month goes by. Some of our regions have reached high levels of utilization, which could lead to a more positive pricing environment. Most of our other regions should see a pickup in utilization but pricing is likely to remain competitive.”

“Net capital expenditures for the quarter were \$7.3 million for a total of \$24.5 million for fiscal 2010. In the quarter, we purchased 2 additional rigs while retiring 10 rigs through our modernization program. The Company expects to spend \$50 million in capital expenditures in fiscal 2011, with the intent of purchasing 50 rigs that are much better tailored to the market. We expect that 30 of the rigs will replace older rigs that had very low utilization rates. During the quarter, we also added a significant amount of support vehicles and equipment to meet these changing patterns of demand and our new safety standards. Through this, we plan to continue our efforts to improve rig utilization and reliability.”

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

“When we experience significant increases in activity, the Company always has a temporary drain on cash due to working capital requirements as more rigs are started. This occurred this quarter as cash levels, net of long-term debt, dropped to \$6.3 million. Cash levels should rebuild as receivables are collected,” stated Mr. McGuire.

“Finally, as announced on March 31, 2010, we are very pleased to welcome SMD Services and its employees into the Major Drilling group. While being a start up venture, SMD provides an excellent platform for growth in the environmental drilling sector. Through this purchase, we acquired 8 drill rigs, including some sonic drills. The addition of sonic drilling expertise will enhance our specialized drilling capabilities globally,” stated Mr. McGuire. “The Company continues to seek acquisitions that complement our specialized drilling strategy, increase our diversification or expand our geographic footprint.”

Fourth quarter 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. Also, in Australia, the Company is 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.

Year ended April 30, 2010

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. revenue decreased by 38 percent to \$103.3 million compared to \$167.2 million last year with both countries affected by cancellations and decreased pricing.

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.

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 the cancellation of drilling programs.

Gross margins for the year were 24.2 percent compared to 33.6 percent last year due mainly to significantly reduced pricing.

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.

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.

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 income tax provision 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.

Some of the statements contained in this press release may be forward-looking statements, such as, but not limited to, those relating 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 as may be set forth, as well as objectives or goals, and including words to the effect that the Company or management expects a stated condition to exist or occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements by reason of factors such as, but not limited to, the factors set out in the discussion starting on pages 19 to 22 of the 2009 Annual Report entitled "General Risks and Uncertainties", as updated by the section entitled "General Risks and Uncertainties" in the discussion on pages 9, 10, 11 and 12 of the Company's third quarter 2010 MD&A, and such other documents as available on SEDAR at www.sedar.com. All such factors should be considered carefully when making decisions with respect to the Company. The Company does not undertake to update any forward-looking statements, including those statements that are incorporated by reference herein, whether written or oral, that may be made from time to time by or on its behalf, except in accordance with applicable securities laws.

Based in Moncton, New Brunswick, Major Drilling Group International Inc. is one of the world's largest metals and minerals contract drilling service companies. To support its customers' mining

operations and mineral exploration activities, Major Drilling maintains operations in Canada, the United States, South and Central America, Australia, Indonesia, Mongolia, and Africa.

Financial statements are attached.

*Major Drilling will provide a simultaneous webcast of its quarterly conference call on **Wednesday, June 9, 2010 at 9:00 AM (EDT)**. To access the webcast please go to the webcast section of Major Drilling's website at www.majordrilling.com and click the attached link, or go directly to the CNW Group website at www.newswire.ca for directions. Participants will require Windows MediaPlayer, which can be downloaded prior to accessing the call. Please note that this is listen only mode.*

-- 30 --

For further information:

Denis Larocque, Chief Financial Officer

Tel: (506) 857-8636

Fax: (506) 857-9211

ir@majordrilling.com

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

	Twelve months ended April 30		Three months ended April 30	
	2010	2009	2010	2009
TOTAL REVENUE	\$ 307,856	\$ 522,986	\$ 97,368	\$ 66,400
DIRECT COSTS	233,483	347,352	74,996	48,594
GROSS PROFIT	74,373	175,634	22,372	17,806
OPERATING EXPENSES				
General and administrative	33,437	46,866	8,507	9,394
Other expenses	5,000	12,508	1,172	1,769
Foreign exchange (gain) loss	(138)	1,441	525	487
Interest (revenue) expense	(214)	224	(86)	4
Interest expense on long-term debt	1,068	1,833	255	418
Amortization	30,058	32,235	7,275	8,019
Restructuring charge (note 5)	1,220	9,043	-	2,124
Goodwill and intangible assets impairment (note 6)	1,519	732	(513)	-
	71,950	104,882	17,135	22,215
EARNINGS (LOSS) BEFORE INCOME TAX	2,423	70,752	5,237	(4,409)
INCOME TAX - PROVISION (RECOVERY)				
Current	5,946	23,489	2,732	812
Future	(3,059)	1,328	(720)	(620)
	2,887	24,817	2,012	192
NET (LOSS) EARNINGS	\$ (464)	\$ 45,935	\$ 3,225	\$ (4,601)
<u>(LOSS) EARNINGS PER SHARE</u>				
Basic *	\$ (0.02)	\$ 1.94	\$ 0.14	\$ (0.19)
Diluted **	\$ (0.02)	\$ 1.92	\$ 0.13	\$ (0.19)

*Based on 23,726,437 and 23,710,649 daily weighted average shares outstanding for the fiscal year to date 2010 and 2009, respectively and on 23,747,573 and 23,715,343 daily weighted average shares for the quarter ended April 30, 2010 and 2009, respectively. The total number of shares outstanding on April 30, 2010 was 23,747,573.

**Based on 23,917,678 daily weighted average shares outstanding for the fiscal year to date 2009 and on 23,965,511 daily weighted average shares outstanding for the fourth quarter ended April 30, 2010.

For the year ended April 30, 2010 and quarter ended April 30, 2009 the exercise of stock options would have been anti-dilutive.

Major Drilling Group International Inc.
Consolidated Statements of Comprehensive (Loss) Earnings

(in thousands of Canadian dollars)
(unaudited)

	Twelve months ended April 30		Three months ended April 30	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
NET (LOSS) EARNINGS	\$ (464)	\$ 45,935	\$ 3,225	\$ (4,601)
OTHER COMPREHENSIVE (LOSS) EARNINGS				
Unrealized (loss) gain on translating financial statements of self-sustaining foreign operations	<u>(39,254)</u>	<u>39,473</u>	<u>(14,277)</u>	<u>997</u>
COMPREHENSIVE (LOSS) EARNINGS	<u>\$ (39,718)</u>	<u>\$ 85,408</u>	<u>\$ (11,052)</u>	<u>\$ (3,604)</u>

Consolidated Statements of Retained Earnings

(in thousands of Canadian dollars)
(unaudited)

	Twelve months ended April 30	
	<u>2010</u>	<u>2009</u>
RETAINED EARNINGS, BEGINNING OF THE YEAR	\$ 218,983	\$ 182,533
Net (loss) earnings	<u>(464)</u>	<u>45,935</u>
Dividends	<u>(9,494)</u>	<u>(9,485)</u>
RETAINED EARNINGS, END OF THE YEAR	<u>\$ 209,025</u>	<u>\$ 218,983</u>

**Consolidated Statements of Accumulated Other
Comprehensive Loss**

(in thousands of Canadian dollars)
(unaudited)

	Twelve months ended April 30	
	<u>2010</u>	<u>2009</u>
ACCUMULATED OTHER COMPREHENSIVE LOSS, BEGINNING OF THE YEAR	\$ (5,079)	\$ (44,552)
Unrealized (losses) gains on translating financial statements of self-sustaining foreign operations	<u>(39,254)</u>	<u>39,473</u>
ACCUMULATED OTHER COMPREHENSIVE LOSS, END OF THE YEAR	<u>\$ (44,333)</u>	<u>\$ (5,079)</u>

Major Drilling Group International Inc. Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)
(unaudited)

	Twelve months ended April 30		Three months ended April 30	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES				
Net (loss) earnings	\$ (464)	\$ 45,935	\$ 3,225	\$ (4,601)
Operating items not involving cash				
Amortization	30,058	32,235	7,275	8,019
Restructuring charge (note 5)	-	5,194	-	-
Loss (gain) on disposal of property, plant and equipment	662	832	(272)	(129)
Future income tax (recovery)	(3,059)	1,328	(720)	(620)
Stock-based compensation	1,933	1,424	448	151
Goodwill and intangible assets impairment (note 6)	1,519	732	(513)	-
	<u>30,649</u>	<u>87,680</u>	<u>9,443</u>	<u>2,820</u>
Changes in non-cash operating working capital items	<u>(9,872)</u>	<u>28,944</u>	<u>(21,434)</u>	<u>(2,208)</u>
	<u>20,777</u>	<u>116,624</u>	<u>(11,991)</u>	<u>612</u>
Changes in non-cash operating working capital items from discontinued operations	-	(1,898)	-	-
Cash flow from (used in) operating activities	<u>20,777</u>	<u>114,726</u>	<u>(11,991)</u>	<u>612</u>
FINANCING ACTIVITIES				
Repayment of long-term debt	(11,522)	(14,457)	(2,496)	(5,363)
Acquisition of long-term debt	-	10,000	-	-
Repayment of demand credit facilities	-	(2,179)	-	-
Issuance of common shares	202	94	174	66
Dividends paid	(9,488)	(4,742)	-	-
Cash flow used in financing activities	<u>(20,808)</u>	<u>(11,284)</u>	<u>(2,322)</u>	<u>(5,297)</u>
INVESTING ACTIVITIES				
Business acquisition (net of cash acquired) (note 7)	(1,974)	(21,867)	(1,974)	-
Acquisition of property, plant and equipment, net of direct financing	(24,532)	(54,698)	(7,250)	(6,410)
Proceeds from disposal of property, plant and equipment	2,932	4,800	1,322	1,760
Cash flow used in investing activities	<u>(23,574)</u>	<u>(71,765)</u>	<u>(7,902)</u>	<u>(4,650)</u>
OTHER ACTIVITIES				
Foreign exchange translation adjustment	(4,198)	5,663	(1,244)	611
(DECREASE) INCREASE IN CASH	(27,803)	37,340	(23,459)	(8,724)
CASH POSITION, BEGINNING OF THE PERIOD	58,035	20,695	53,691	66,759
CASH POSITION, END OF THE PERIOD	\$ 30,232	\$ 58,035	\$ 30,232	\$ 58,035

Major Drilling Group International Inc.
Consolidated Balance Sheets

As at April 30, 2010 and April 30, 2009

(in thousands of Canadian dollars)

(unaudited)

ASSETS	April	April
	2010	2009
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	793	2,644
	<u>171,189</u>	<u>195,473</u>
PROPERTY, PLANT AND EQUIPMENT	210,812	240,224
FUTURE INCOME TAX ASSETS	8,117	1,403
GOODWILL AND INTANGIBLE ASSETS (note 9)	25,538	32,072
	<u>\$ 415,656</u>	<u>\$ 469,172</u>
 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	8,887	15,049
Future income tax liabilities	819	1,071
	<u>66,563</u>	<u>65,530</u>
LONG-TERM DEBT	15,041	23,507
FUTURE INCOME TAX LIABILITIES	15,783	14,789
	<u>97,387</u>	<u>103,826</u>
 SHAREHOLDERS' EQUITY		
Share capital	142,435	142,233
Contributed surplus	11,142	9,209
Retained earnings	209,025	218,983
Accumulated other comprehensive loss	(44,333)	(5,079)
	<u>318,269</u>	<u>365,346</u>
	<u>\$ 415,656</u>	<u>\$ 469,172</u>

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIODS ENDED APRIL 30, 2010 AND 2009
(in thousands of Canadian dollars)

1. BASIS OF PRESENTATION

These interim consolidated financial statements were prepared using accounting policies and methods consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended April 30, 2009, except for the adoption of new accounting policies as disclosed in Note 2 below. These interim consolidated financial statements conform in all respects to the requirements of Canadian generally accepted accounting principles for annual financial statements, with the exception of certain note disclosures. As a result, these interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes for the year ended April 30, 2009 contained in the Company's 2009 annual report.

2. CHANGES IN ACCOUNTING POLICIES

Goodwill and intangible assets

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

3. FUTURE ACCOUNTING CHANGES

Business combinations

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

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

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIODS ENDED APRIL 30, 2010 AND 2009
(in thousands of Canadian dollars)

3. FUTURE ACCOUNTING CHANGES (Continued)

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

4. SEASONALITY OF OPERATIONS

The Company's operations tended to exhibit a seasonal pattern whereby its fourth quarter (February to April) was its strongest. With the exception of the third quarter, the Company has, over the past several years, exhibited comparatively less seasonality in quarterly revenue. The third quarter (November to January) is normally the Company's weakest quarter due to the shutdown of mining and exploration activities, often for extended periods over the holiday season, particularly in South and Central America. With the recent economic and industry downturn, it is not yet clear whether or not the Company's revenue will return to more historical seasonal patterns, or whether a recent lack of seasonality will continue.

5. RESTRUCTURING CHARGE

The Company initiated a restructuring plan in fiscal year 2009 to standardize the drilling equipment fleet and reduce operating costs by rationalizing the workforce and business locations. These initiatives have generated a total restructuring charge of \$10,263, of which \$6,919 and \$2,124 were expensed in the third and fourth quarters respectively of fiscal year 2009 and \$1,220 was expensed in the first quarter of 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 first quarter of the current fiscal year, the Company recorded a net non-cash goodwill impairment charge of \$2,032. This eliminated goodwill of \$3,722 recorded on the Paragon del Ecuador S.A. acquisition offset by a reduction of a holdback of \$1,690, which was a contingent consideration to the purchase price and dependant on the political situation in Ecuador. In the fourth quarter of the current fiscal year, this impairment charge was reduced by \$513, to a total of \$1,519 for the current year, due to the write off of the remainder of the holdback. 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.

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIODS ENDED APRIL 30, 2010 AND 2009
(in thousands of Canadian dollars)

6. GOODWILL AND INTANGIBLE ASSETS IMPAIRMENT (Continued)

In the third quarter of 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 the second quarter of 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 the third quarter of 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	<u>(160)</u>
Net assets	<u>\$ 2,064</u>

Consideration

Cash	<u>\$ 2,064</u>
------	------------------------

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.

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIODS ENDED APRIL 30, 2010 AND 2009
(in thousands of Canadian dollars)

7. BUSINESS ACQUISITIONS (Continued)

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

Assets acquired and liabilities assumed	
Accounts receivable	\$ 5,055
Prepaid expenses	241
Inventories	533
Property, plant and equipment	7,489
Intangible assets	2,350
Goodwill (not tax deductible)	13,223
Accounts payable	(884)
Income tax payable	(2,842)
Future income tax liability	<u>(2,048)</u>
Net assets	<u>\$ 23,117</u>

Consideration	
Cash	\$ 21,867
Accounts payable	500
Long-term debt	<u>750</u>
	<u>\$ 23,117</u>

8. INVENTORY

The cost of inventory recognized as an expense and included in direct costs for the twelve and three months ended April 30, 2010 was \$65,204 and \$20,677 respectively. During the period, there were no significant write-downs of inventory as a result of net realizable value being lower than cost and no inventory write-downs recognized in previous years were reversed.

9. GOODWILL AND INTANGIBLE ASSETS

	<u>April 2010</u>	<u>April 2009</u>
Goodwill	\$ 24,464	\$ 30,470
Intangible assets	<u>1,074</u>	<u>1,602</u>
	<u>\$ 25,538</u>	<u>\$ 32,072</u>

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.

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIODS ENDED APRIL 30, 2010 AND 2009
(in thousands of Canadian dollars)

9. GOODWILL AND INTANGIBLE ASSETS (Continued)

Changes in the goodwill and intangible assets balance were as follows for the twelve and three months ending April 30, 2010 and 2009:

	<u>2010 YTD</u>	<u>2009 YTD</u>	<u>2010 Q4</u>	<u>2009 Q4</u>
Balance at beginning of the period	\$ 32,072	\$ 14,837	\$ 26,137	\$ 32,087
Amortization of intangible assets	(528)	(398)	(132)	(368)
Goodwill adjustment (note 6)	(2,203)	-	(513)	-
Goodwill impairment (note 6)	(1,519)	(732)	513	-
Goodwill and intangible assets acquired	249	15,573	249	642
Effect of foreign currency exchange rate changes	(2,533)	2,792	(716)	(289)
	<u>\$ 25,538</u>	<u>\$ 32,072</u>	<u>\$ 25,538</u>	<u>\$ 32,072</u>

10. CAPITAL MANAGEMENT

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

Total managed capital was as follows:

	<u>April 2010</u>	<u>April 2009</u>
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)
	<u>\$ 356,298</u>	<u>\$ 350,946</u>

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.

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIODS ENDED APRIL 30, 2010 AND 2009
(in thousands of Canadian dollars)

10. CAPITAL MANAGEMENT (Continued)

In the third quarter of 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 fiscal 2009.

11. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, accounts receivable and accounts payable and accrued charges approximate their fair value due to the relatively short period to maturity of the instruments. Long-term debt has a carrying value of \$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. It carries out, on a continuing basis, credit checks on its customers and maintains provisions for contingent credit losses. The Company also diversifies its credit risk by dealing with a large number of customers in various countries. Demand for the Company's drilling services depends upon the level of mineral exploration and development activities conducted by mining companies, particularly with respect to gold, nickel and copper. The Company's five largest customers account for 27 percent (32 percent in 2009) of total quarterly revenue, with no one customer representing more than 10 percent 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 aged analyses 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.

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIODS ENDED APRIL 30, 2010 AND 2009
(in thousands of Canadian dollars)

11. FINANCIAL INSTRUMENTS (Continued)

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

Interest rate risk

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

As at April 30, 2010 the Company has estimated that a one percentage point increase in interest rates would have caused a quarterly decrease in net income of approximately \$53 and a one percentage decrease in interest rates would have caused a quarterly increase in net income of \$53.

Foreign currency risk

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

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

Based on the Company's foreign currency net monetary exposures and net assets as at April 30, 2010, and assuming that all other variables remain constant, a 10 percent 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:

	<u>Increase (decrease) in net earnings</u>	
	<u>Canadian dollar appreciates 10%</u>	<u>Canadian dollar depreciates 10%</u>
US Dollar	\$ 1,755	\$ (1,755)
Indonesian Rupiah	(184)	184
Mexican Peso	(412)	412
Mongolian Tugrik	(179)	179

	<u>Increase (decrease) in comprehensive earnings</u>	
	<u>Canadian dollar appreciates 10%</u>	<u>Canadian dollar depreciates 10%</u>
Australian Dollar	\$ (1,036)	\$ 1,036
US Dollar	(23,527)	23,527

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIODS ENDED APRIL 30, 2010 AND 2009
(in thousands of Canadian dollars)

11. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

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

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:

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

12. SEGMENTED INFORMATION

	<u>2010 YTD</u>	<u>2009 YTD</u>	<u>2010 Q4</u>	<u>2009 Q4</u>
Revenue				
Canada - U.S.	\$ 103,337	\$ 167,243	\$ 37,257	\$ 19,596
South and Central America	107,434	155,182	38,545	22,063
Australia, Asia and Africa	<u>97,085</u>	<u>200,561</u>	<u>21,566</u>	<u>24,741</u>
	<u>\$ 307,856</u>	<u>\$ 522,986</u>	<u>\$ 97,368</u>	<u>\$ 66,400</u>
Earnings (loss) from operations				
Canada - U.S.	\$ 10,098	\$ 38,186	\$ 4,704	\$ 46
South and Central America	10,884	36,568	5,484	3,977
Australia, Asia and Africa	<u>(3,823)</u>	<u>23,073</u>	<u>(1,506)</u>	<u>(4,489)</u>
	17,159	97,827	8,682	(466)
Eliminations	<u>(1,342)</u>	<u>(1,184)</u>	<u>(318)</u>	<u>(268)</u>
	15,817	96,643	8,364	(734)
Interest expense, net	854	2,057	169	422
General corporate expenses	9,801	14,059	3,471	1,129
Restructuring charge	1,220	9,043	-	2,124
Goodwill and intangible assets impairment	1,519	732	(513)	-
Income tax	<u>2,887</u>	<u>24,817</u>	<u>2,012</u>	<u>192</u>
Net (loss) earnings	<u>\$ (464)</u>	<u>\$ 45,935</u>	<u>\$ 3,225</u>	<u>\$ (4,601)</u>

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 6 – Goodwill and Intangible Assets Impairment).