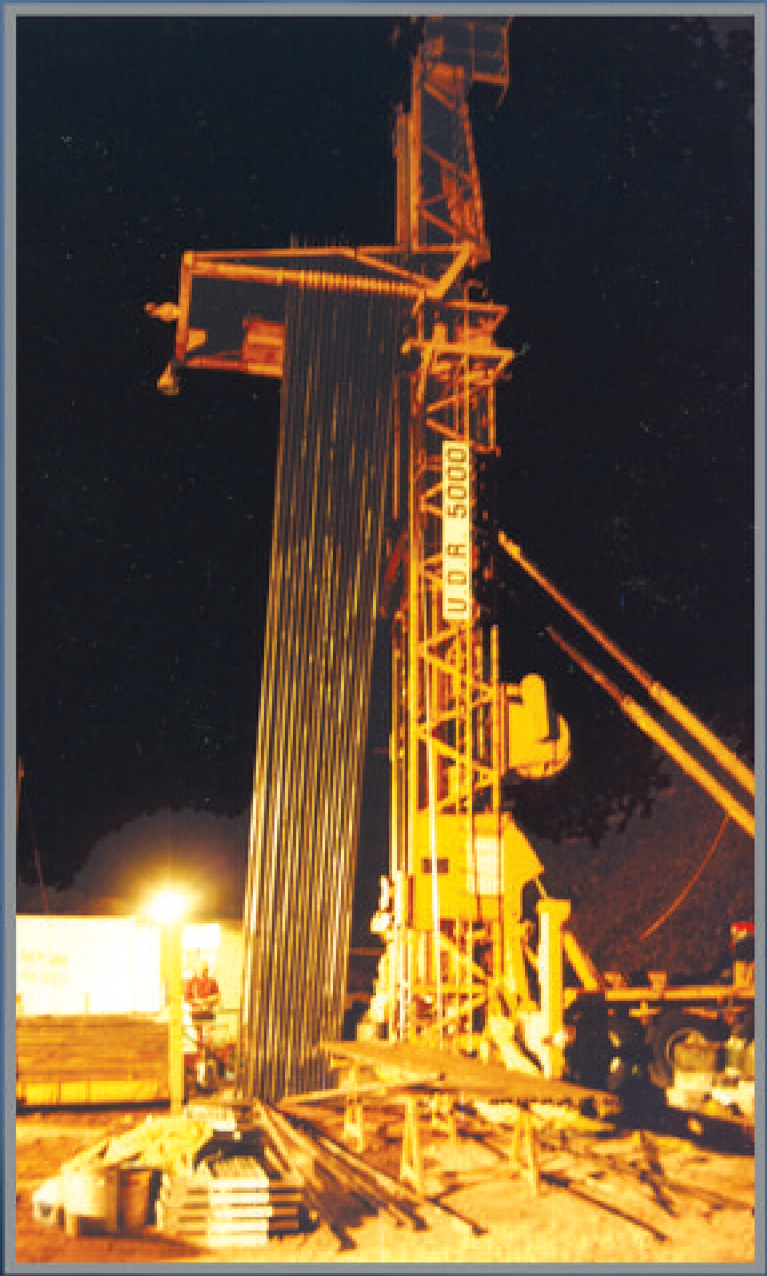
2005 Annual Report



Exploring the World for 25 Years

Groupe Forage MAJOR 25 Drilling Group International Inc.

Exploring the World for 25 Years

Corporate Profile

Launched in 1980, Major Drilling Group International Inc. began what has now become 25 years of growth by consistently delivering the highest quality work in some of the world's harshest environments. The Company has grown into one of the largest contract drilling companies in the world, serving the metals and minerals sector around the globe. With 31 field operations and/or offices in 16 countries, Major Drilling's primary focus is the mining sector. In the coming year, the Company will be initiating drilling services in the coal-bed methane and shallow gas segments of the energy sector, utilizing its larger multi-purpose combination drill rigs.

In 1997, the Company acquired its Australian based manufacturing division, Universal Drill Rigs ("UDR"). UDR is a recognized leader in the design and manufacture of state-of-the-art combination drill rigs and safety-related peripheral equipment. It has recently expanded its manufacturing operation into Chile to better service the Latin American market.

With base metal prices remaining at historically high levels and gold prices remaining firmly above US$400 per ounce, the outlook for the Company continues to be very positive. Exploration activity is increasingly focused on more and more remote locations. Major Drilling has moved to dominate specialized drilling services such as deep-hole drilling, arctic drilling, and high-altitude drilling as it moves into its next quarter century of service.

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

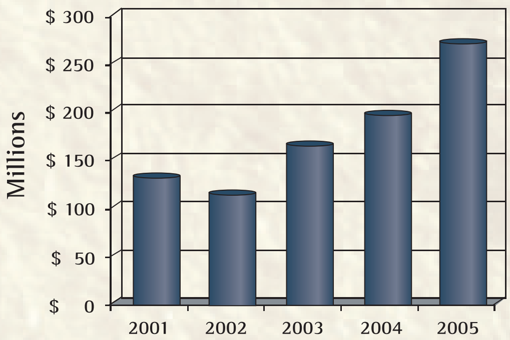
Table of Contents

Highlights

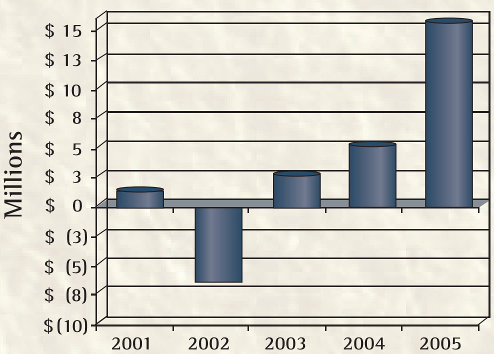
In millions of CDN$ (Except earnings per share)	**FY 2005**	FY 2004
Revenues	**$ 269.3**	$ 193.8
Gross margin	**26.7%**	24.1%
Cash flow from operations (before changes in non-cash operating working capital items)	**$ 31.7**	$ 14.2
Net earnings	**$ 15.5**	$ 4.9
Net earnings per share (basic)	**$ 0.71**	$ 0.25

- Record annual revenues for third consecutive year
- Record earnings
- Improving gross profit margins
- Acquisition of Australia's Raematt Drilling in May 2004
- Acquisition of U.S. based Dynatec Drilling division in March 2005
- New manufacturing facilities in Chile to service the Latin American market

Revenues for the year ended
April 30

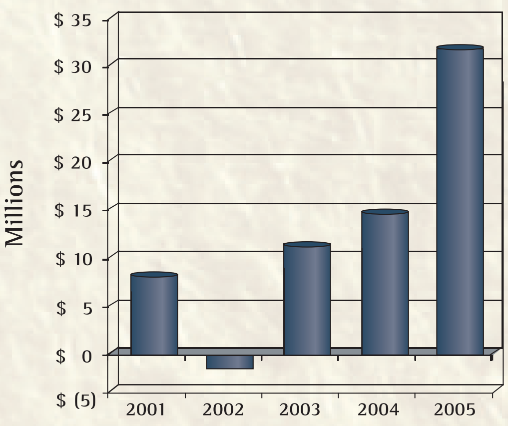


Earnings (loss) from continuing operations*
April 30



*before write down of investment, goodwill and non-controlling interest

Cash flow*
April 30



*from (used in) operating activities, before changes in non-cash operating working capital items

Message to Shareholders

Fiscal 2005 ("FY05"), marking Major Drilling's 25th anniversary, has certainly been an exciting and rewarding year. The Company posted record revenues approximately 40% above previous record levels and earnings almost 70% above previous record levels. The progression was steady every quarter, except for the usual slow third quarter, producing record revenues over previous quarters. With base metal prices reaching historically high levels and gold prices remaining above US$400, all regions of the Company's operations, led by South America, contributed to this strong performance.

We believe that we are still in the early stages of the cyclical upturn in the mining markets. In 1997, at the peak of the last cycle and before the emergence of China as a significant consumer of base metals, approximately US$5.2 billion was spent on non-ferrous metal exploration. After a five-year decline that bottomed out in 2002, exploration expenditures have started to recover and in 2004 moved up to US$3.2 billion in inflation adjusted dollars. The increased demand in China and India, the need for many mining companies to replenish reserves, and the strength of prices for both precious and base metals support the premise that we are still in the early stages of expansion in the mining cycle.

With the greatest operational challenge continuing to be the need to expand our pool of experienced drill crews and specialized rigs, the Company completed two acquisitions this year. In May 2004, the Company purchased the assets of Raematt Drilling, a specialized underground drilling contractor based in Victoria, Australia, acquiring not only a number of specialized deep-hole underground drill rigs, but also management personnel and several highly skilled drill crews. In March 2005, Major Drilling announced the acquisition of Dynatec's drilling division, operating primarily in the Western United States, an area where the Company did not have a presence. Again, not only did we acquire an excellent fleet of deep-hole rigs, Major Drilling also retained the management team, and gained access to a large pool of skilled and experienced drillers.

As we look forward, the fundamentals driving the business continue to be extremely encouraging. We continue to see the demand for drilling services stretching the Company's, and the industry's, ability to respond. Gold and base metal prices remain at high levels. With demand for drilling services leading to improved pricing, as well as the recent US acquisition that added an important presence in the mining regions of the American west, we expect increasingly strong performance in the coming year.

We would like to thank Frank McKenna, who, during the course of the year, stepped down as Chairman of the Board to take the position of Canadian Ambassador to the United States of America. His unfailing enthusiasm and drive will be missed.

Major Drilling's 2,300 employees continue to be the integral part of our strength, and we would like to express our ongoing appreciation to all. We also thank our clients for their continued loyalty over the last 25 years.

Finally, we wish to thank our investors for your support. Your Company continues to be a unique, lower risk, market proxy for the entire minerals and metals sector around the globe. Any of our drills can be utilized for exploration across a broad spectrum of metals and minerals, including gold, silver, diamonds, uranium, and base metals (nickel, copper, zinc, etc). With modest modifications, our larger drills can also be employed for exploration in the coal-bed methane and shallow gas niche markets. The Company benefits from increased exploration and development activity in any of these commodities. With strong fundamentals driving both gold and base metal drilling activity, we look forward to rewarding our investors with increasing shareholder value as we continue

Exploring the World for the next 25 years.

David Tennant
Chairman of the Board

Francis McGuire
President and Chief Executive Officer

Company History

Exploring the World for 25 Years

In March of 1995, Major Drilling Group International Inc. undertook its initial public offering, listing its shares on the Toronto Stock Exchange. However, the Company had its beginnings 15 years before that…..

The Early Years

In the first twenty years of its history, Major Drilling pursued a strategy of expanding geographically as a conventional drilling company. The Company acquired several mineral exploration drilling companies in Eastern Canada between 1980 and 1985. Its strategy in these acquisitions was to buy equipment at a reasonable price, strengthen the Company by adding talented and experienced personnel and increase the geographic reach and client diversity of its business.

- In 1980, the Company formed with the acquisition of Ideal Drilling (1980) Ltd., based in Bathurst, New Brunswick.
- In 1981, the Company acquired Dominik Drilling (1981) Inc., based in Val d'or, Quebec.
- In 1984, the Company acquired Hosking Diamond Drilling Ltd., located in Rouyn, Quebec.
- In 1984, Kennebec Drilling Ltd. and its wholly-owned subsidiary Maine Diamond Drilling, Inc. became affiliates of the Company.

The 90's – International Expansion

In the early 90's, the Company expanded into Mexico and South America. Moving into these markets required the Company to reconsider its expansion through acquisition strategy because there were few local drilling companies that met its standards. Instead of purchasing local drilling companies, as it had done in the United States and Canada, the Company incorporated foreign subsidiaries and grew them organically.

- In 1990, the Company acquired PC Exploration Inc. ("PCX"), which now carries on business under the name Major Drilling USA, Inc. in the Western USA. By acquiring PCX, the Company added an environmental and geotechnical drilling business in the US.
- In 1992, the Company incorporated Majortec Perforaciones S.A. in Venezuela.
- In 1993, the Company established Major Drilling de Mexico S.A. de C.V.
- In 1995, the Company incorporated in the Guiana Shield Region of South America.
- In 1996, the Company incorporated in Argentina.

Beginning in 1997, the Company began to focus on expanding its Canadian operations beyond Eastern Canada and also looked to Australia, with its strong tradition in the mining sector.

- In 1997, the Company acquired the J.T. Thomas group of companies, which operated primarily in British Columbia and Northwest Territories.
- In 1997, the Company also acquired the Australian based mineral exploration drilling company Pontil Pty. Limited, which now carries on business in Australia under the name Major Drilling Pty. Limited. This company, through a subsidiary, also carries on business in Indonesia.
- Also in 1997, the Company entered the manufacturing and distribution business after acquiring control of Mining World Limited, an Australian company which now carries on business under the name UDR Group Limited.
- In 1998, the Company acquired KL Drilling Services Pty. Ltd., a Western Australian based manufacturer of exploration drill rigs that had previously been UDR's main competitor in the multi-purpose rig market.
- In 1998, the Company commenced drilling operations in Chile.

- Also in 1998, the Company completed the acquisition of the Midwest group of companies. The Canadian operations, Ideal, Dominik, J.T. Thomas and Midwest, now carry on business under the name of Major Drilling Group International Inc., which remains one of the largest drilling operations in Canada.
- In 1999, the Company acquired a Tanzanian company that now carries on business under the name Major Drilling Tanzania Limited.

Moving into the 21st Century

In 2000, Major Drilling shifted its focus from geographical expansion to a strategy of dominating specialized drilling. The shift in strategy was based on the realization that most of the ore bodies that will be discovered and explored over the next decade will be difficult to access.

The Company then began a substantial build up of its specialized capabilities and its specialized fleet, complimented with strategic acquisitions of specialized drilling firms.

- In 2001, the Company acquired, from Ausdrill Limited, certain drilling assets and contracts located in Eastern Australia and New Zealand.
- In 2002, the Company incorporated a subsidiary in Mongolia, Major Drilling Mongolia XXK.
- In 2003, the Company incorporated a subsidiary in Turkey, Major Drilling Turkey.
- In 2004, the Company acquired the drill rigs, related equipment, inventory and drilling contracts of Raematt Drilling Pty. Ltd. in Australia.
- In 2005, the Company acquired the drill rigs, related equipment, inventory and drilling contracts of Dynatec Corporation Drilling Service, in the Western United Sates.

With the acquisition of the Raematt and Dynatec assets, the Company also acquired a full complement of highly skilled drill crews and management personnel. Dynatec has allowed the Company to establish a presence in a large and important North American mining region.

The Company has entered Fiscal 2006 (“FY06”) with a very positive outlook, underpinned by very strong growth fundamentals for both gold and base metals. As the Company enters its next “**25 years of Exploring the World**”, it is with a strong sense of its strategic direction and an unwavering focus on building shareholder value.

Report on Operations

How We Operate

At the root of Major Drilling's success in the global drilling services marketplace is our commitment to provide high quality, reliable, safe and timely service to our customers. Bringing a potential new mine site to the point of a completed feasibility study as quickly and reliably as possible is extremely important to our customers, as this study enables them to obtain the financing needed to commence operations and thus start delivering profits to their operating bottom line.

Major Drilling prides itself on performing drilling jobs that successfully reach the target depth, provide quality samples for analysis, and are completed on time or ahead of schedule. To accomplish this, we have well-trained and experienced drillers backed by a fully equipped local operating branch near each of our larger job sites. Our personnel have extensive experience drilling in a wide range of geographic locations and operating environments; at high altitudes, in the desert, the arctic, the tropics, on the surface or underground, and in temperatures that can range from -40°C to +40°C.

Our drilling services provide mining companies with the crucial "underground eyes" they must have to operate their businesses. Mining companies typically progress through several drilling phases in developing an ore body into an operating mine – from exploratory drilling to discover new deposits, to development and definition drilling at operating mines to expand reserves and better define ore bodies.

The sample material retrieved from the drilled holes is first used to verify the presence of a target ore body during the exploration phase. Additional in fill drilling then quantifies the size, shape and grade of the entire ore body. This information is incorporated into the mine feasibility study in order to obtain the financing for the mine development and ore processing mill. Once a mine is in operation, surface or underground drilling is done on an ongoing basis, which may continue for many years, to confirm the direction and slope of the producing ore body, and thus guide ongoing production work and expansion of the mine.

In summary, the highly technical mineral core-sample drilling work done by Major Drilling provides mining companies with the objective data they must have to find new ore bodies, to quantify their size and quality, to obtain financing to establish a mine, and then to guide the operation and expansion of the mine over its years of production.

Managing Transitions

The Company and industry are currently in the early stages of a cyclical upturn. US$5.2 billion was spent on exploration in 1997, at the peak of the last cycle, while some US$3.2 billion in inflation adjusted dollars were spent in 2004. Exploration expenditures are expected to grow another 15 to 25% in 2005, according to the Metals Economics Group. Through the long downturn from 1998 to 2002, the Company rationalized various operations, becoming stronger in preparation for a recovery in the sector. General and administrative expenses as a percentage of revenues continued to decline to a record 10.4% in 2005, significantly better than the 17.3% recorded at the last cyclical peak (see table page 42). Margins and earnings per share continue to improve to levels in line with those at the beginning of the last recovery. With revenues at $269.3 million in fiscal 2005, the Company has built a platform for long-term growth by shifting its focus to specialized drilling.

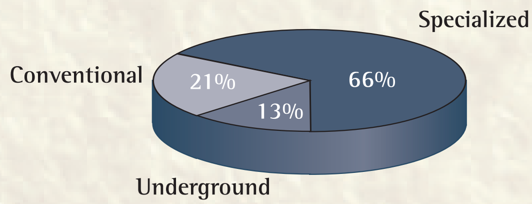
Specialized drilling: Specialized drilling can be defined as any drilling project that by virtue of its scope, technical complexity and location, creates significant barriers to entry for smaller general drilling companies. This would include deep-hole drilling, directional drilling, and mobilizations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

With a strategy of dominating specialized drilling, Major Drilling has positioned itself as the largest specialized operator in the world. In this way, the Company has leveraged its main competitive advantages, skilled personnel, specialized equipment, long standing relationships with the world's largest mining companies and access to capital.

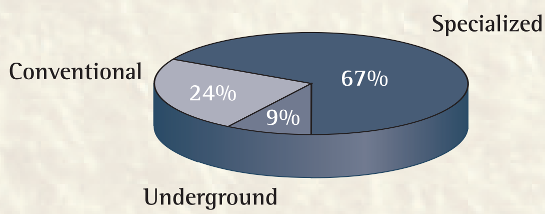
Conventional surface drilling: This type of drilling usually follows the highs and lows of the mining cycle as it has a large greenfields component. Though the Company does not intend to increase the size of its conventional fleet, it will invest in its modernization as well as take advantage of the cyclical upturn.

Underground drilling: Every strong mining exploration cycle typically leads to several good years of underground drilling, as economical mining deposits move into the development phase. Underground drilling has constituted a relatively stable portion of the Company's revenue in recent years. The Company expects this type of drilling to grow as the exploration cycle leads to the development of new mines.

Drilling Revenue
FY 2005



Drilling Revenue
FY 2004



Report on Operations

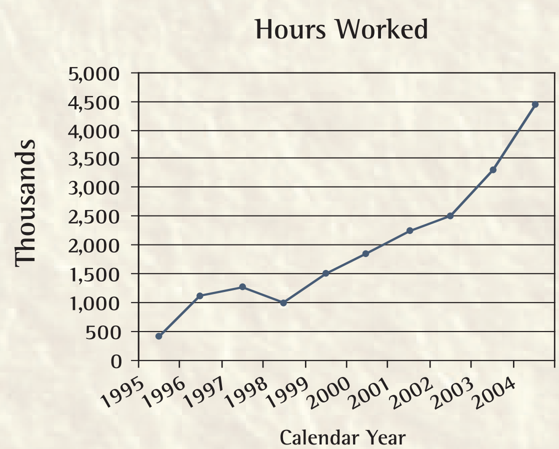
Our People

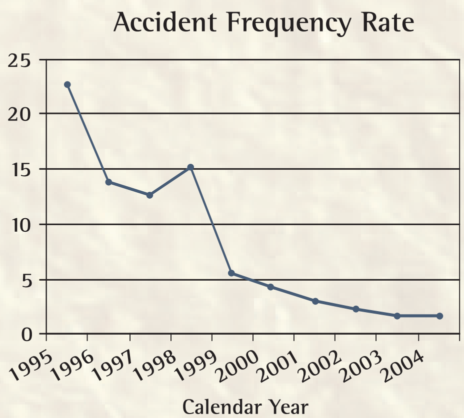
Safety

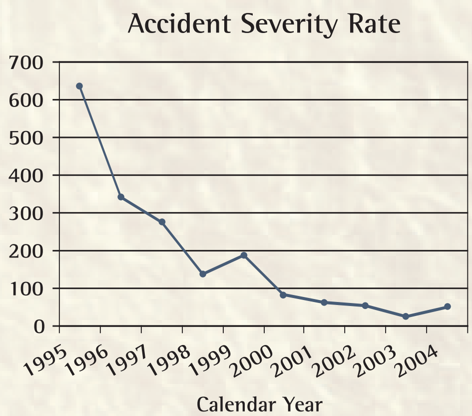
Mineral exploration drilling is, by any measure, a physically and technically demanding undertaking. For this reason, Major Drilling places a premium on the safety and well-being of our employees in the field. Good safety is good business, and at Major Drilling our standards, through a comprehensive health, safety and environment program, are second to none.

With more than 2,000 employees in the field worldwide, we invest heavily each year in training to improve our people's skills, abilities, and safety awareness, enabling them to skillfully and safely guide our business on the front lines. Our drill site operators receive advanced training in first aid, high-altitude work, jungle and malaria precautions and the handling of chemicals in conditions of extreme heat and cold.

In 2004 – 2005, we continue to see a significant increase in our work efforts. Hours worked have grown from 3.5 million in the previous year to 4.7 million in 2004 – 2005. With this ramp up in activities, our excellent accident frequency rate has continued to improve from 1.7 in calendar 2003, to 1.6 in calendar 2004. We have seen a small increase in our severity rate, which increased from 25.0 in calendar 2003, to 52.4 in calendar 2004, but remains at historically low levels. We continue to invest heavily in training and safety in all regions of the globe.







In 2004-2005 we launched a safe driving campaign in all of our branches across the world, responding to the challenge that many incidents do not occur on the job site, which is well supervised, but during travel periods. Our employees remain our most important asset. Protecting them, and helping them protect themselves, on the job site and on the roads is our top priority.

Environment

As a mineral exploration drilling service company with operations around the world, we accept a unique responsibility to protect and preserve the environmental integrity of the locations in which the Company works.

Major Drilling pools strategic planning, operational expertise, cutting-edge technology and innovative processes in an effort to manage the impact we make on the environment. Our guiding principle is to understand local needs and conditions in order to avoid irreparable environmental damage. The Company continues to work with the Canadian Diamond Drilling Association and the Prospectors and Developers Association of Canada, and is a driving force within the E3 working group, an industry lead effort to establish national guidelines for environmental protection in the Canadian mining industry.

Management's Discussion and Analysis

The following discussion and analysis, prepared as of May 27, 2005, should be read together with the audited financial statements for the year ended April 30, 2005 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

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

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

Additional information relating to the Corporation, including the Corporation's Annual Information Form for the year ended April 30, 2005, 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 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, Asia, Africa and Australia. Major Drilling provides various drilling services including surface and underground coring, directional, reverse circulation, RAB, geotechnical, and environmental drilling. Revenues from drilling represented 91% of the Company's total revenues for the year ended April 30, 2005.

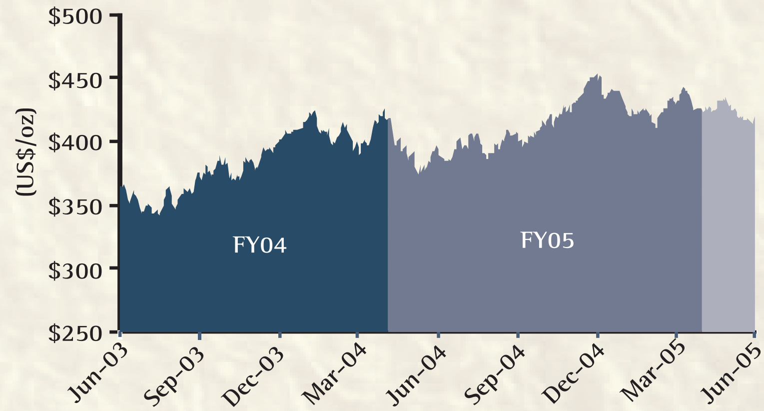
The Company also manufactures and sells "state-of-the-art" drills and drilling equipment, which are used by mining and mineral exploration companies around the world, through its UDR Group subsidiaries. The Company has manufacturing facilities in Australia and Chile. For the year ended April 30, 2005, revenues from manufacturing represented 9% of the Company's total revenues.

Industry Overview

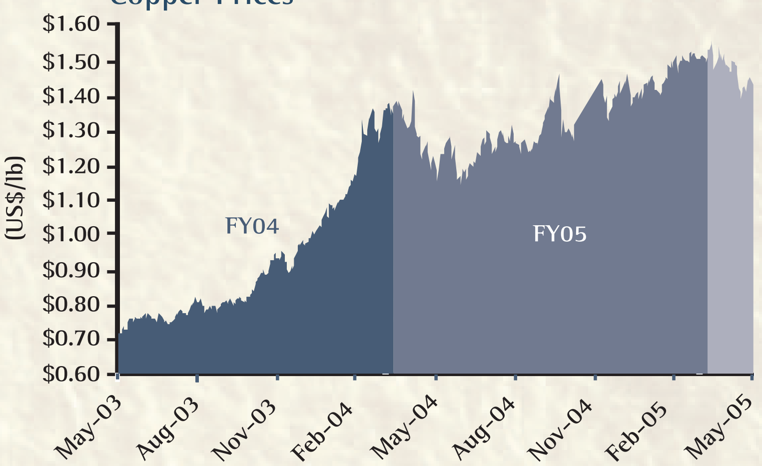
The metals and minerals drilling industry is reliant on demand from two primary categories of commodities: gold and base metals. In a positive commodity pricing regime, either one of these metal groups can, by itself, bring the contract drilling sector to capacity. With the low levels of exploration carried out over the last five years, and the emergence of China as a major consumer of base metals, supply is expected to fall short of demand over the next several years, which will increase demand for exploration drilling services in the mining industry.

According to Metals Economics Group, worldwide non-ferrous metal exploration expenditures in 2004 reached US$3.8 billion, still well below 1997 levels in excess of US$5 billion. In 1997, mineral exploration growth was primarily driven by gold companies, but in calendar 2004 exploration growth was being carried out by both gold and base-metal mining companies.

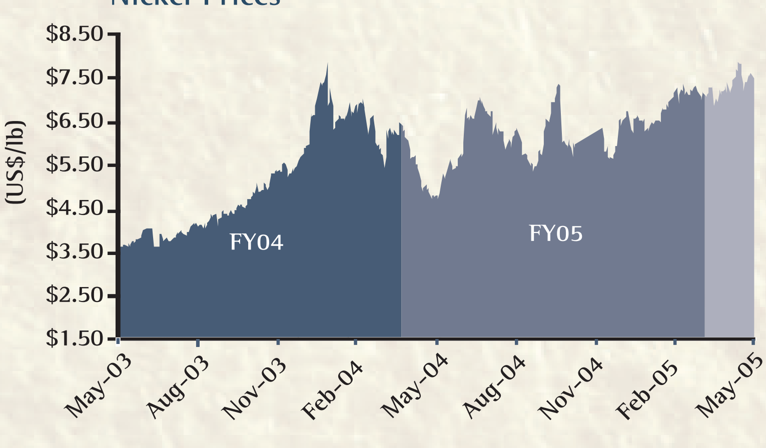
Gold Prices



Copper Prices



Nickel Prices



Business Strategy and Competitive Strengths

As the Company has grown over the last four years, management has remained focused on its long-term strategic direction:

- **Dominate specialized drilling and expand effective capacity:** Services such as deep-hole drilling, directional drilling and mobilizations to difficult environments and remote locations have the greatest growth potential, allowing Major Drilling to exploit its primary competitive advantages – specialized equipment, skilled and innovative personnel, long-term customer relationships, financial capacity and global reach, all significant barriers to entry for smaller locally based firms.

- **Utilize and rationalize conventional capacity while improving efficiency:** With a focus on greenfield exploration, conventional drilling is typically the most affected by industry downturns and upturns.

- **Tactically expand underground capacity, especially in high margin specialized services:** Underground drilling contracts are typically of longer duration than surface drilling contracts, providing some stability to the Company's revenue stream. These contracts also provide a tactical point of entry that can often expand to encompass all of a client's drilling requirements.

- **Build and maintain a highly cost effective organization and a standardized fleet while working toward reduced long-term debt as the cycle progresses:** The rationalization of the fleet and acquisition of new equipment with an emphasis on state-of-the-art specialized equipment will improve productivity, safety and reduce operating costs and inventory requirements.
  The Company will continue to put greater emphasis on long-term debt reduction as the cycle progresses.

Acquisitions

Raematt Drilling
Effective May 15, 2004, the Company purchased the assets of Raematt Drilling, an underground drilling contractor based in Victoria, Australia. Through this purchase Major Drilling has acquired not only a number of specialized deep-hole underground drill rigs, together with support equipment and inventory, but also several highly skilled drill crews.

In this transaction, contracts valued in excess of A$14 million were taken over by the Company. The purchase price for the transaction was $6.6 million financed with a note payable of $1.9 million to the previous owner and $4.7 million in debt. This purchase is very much in line with the Company's long-term strategy of growing its specialized services.

Dynatec Corporation Drilling Services Division
Effective March 15, 2005, the Company purchased the assets of Dynatec Corporation's Drilling Services Division operating in the Western United States (Arizona, Idaho, Oregon, Nevada, Utah, Wyoming as well as West Virginia), areas where Major Drilling did not previously have a presence. Through this purchase Major Drilling acquired more than 30 drill rigs, including 18 specialized surface drill rigs, together with related support equipment and inventory.

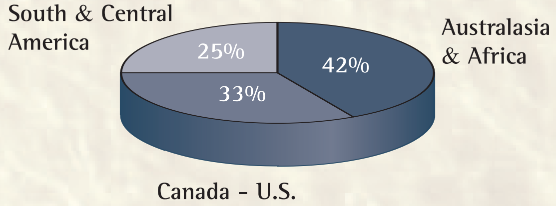
Through this acquisition, the Company gained access to a large pool of skilled and experienced drillers, established a presence in a large and important North American mining region, and took over an operation with approximately US$30 million in projected revenues over the following twelve-month period.

The purchase price for the transaction was $20.2 million. The purchase was financed through the issue of $6.2 million of Major Drilling common stock out of treasury (527,485 shares, based on a volume weighted average price for the five trading days prior to the execution of the agreement) and $14.0 million of debt.

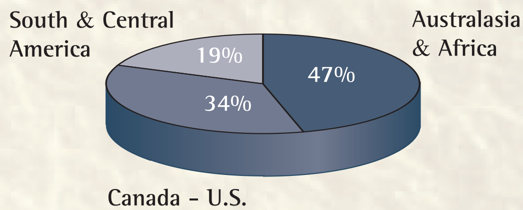
Selected Annual Information

Years ended April 30 (in thousands of Canadian dollars)	**2005**	2004	2003
Revenues by region			
Canada-U.S.	**$ 82,099**	$ 60,825	$ 59,360
South and Central America	**62,418**	32,551	25,119
Australasia and Africa	**101,763**	82,537	60,033
	246,280	175,913	144,512
Manufacturing revenues, net of eliminations	**23,011**	17,919	17,656
	269,291	193,832	162,168
Gross profit	**71,975**	46,718	39,571
Gross profit as a percentage of revenue	**26.7%**	24.1%	24.4%
Earnings from continuing operations (before non-controlling interest)	**15,508**	4,998	2,769
Net earnings	**15,538**	4,904	2,319
Total assets	**255,857**	198,844	157,919
Total long-term financial liabilities	**37,727**	21,817	21,614

Drilling Revenue by Region
FY 2005



Drilling Revenue by Region
FY 2004



Results of Operations

Fiscal 2005 Compared to Fiscal 2004

Total revenues reached record levels for the third consecutive year with revenue for the fiscal year ended April 30, 2005 at $269.3 million, up 39.0% over the $193.8 million reported for last year. Drilling revenues increased by $70.4 million to $246.3 million from $175.9 million in fiscal 2004. All regions of the Company's operations participated in this exceptional growth, which was driven by the continuing strong cyclical recovery in the metals and minerals sector. Third party sales from the manufacturing division increased by 28.5% to $23.0 million compared to $17.9 million last year.

Canada-U.S.

Canada-U.S. drilling revenues increased by 35.0% to $82.1 million compared to $60.8 million last year, reflecting increased demand for drilling services, improved pricing, and, to a lesser extent (given that it was only included for one eighth of the year), the acquisition of Dynatec's drilling assets and operations in mid-March 2005.

Gross margins in the Canada-U.S. region showed the largest improvement of all the regions, although the gross profit percentage was still the lowest of all the Company's segments. For the first eight months of the year, the margins for the region were held back by several lower priced, long-term contracts. The termination or successful renegotiation of these contracts at the end of calendar 2004, combined with a generally improving pricing regime in the face of continuing strong demand for drilling services in Canada, and strong performance from the Company's newly acquired operations in the U.S. was responsible for the improvement in the region's margin in the fourth quarter of the year.

South and Central America

Revenues in South and Central America increased by 91.4% or $29.8 million to $62.4 million compared to $32.6 million in fiscal 2004. This exceptional performance was driven by strong growth across all of the Company's operations, with Mexico accounting for almost 45% of the region's growth. Venezuela, Argentina and Chile also showed increased revenue and the Company added new operations in Suriname.

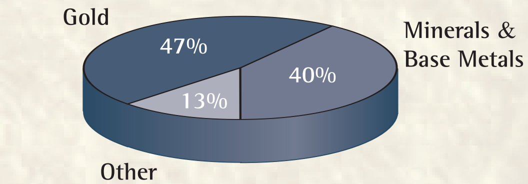
Margins showed good improvement over last year leading all regions in margin percentage. South and Central America typically has the highest proportion of specialized drilling, commanding higher margins.

Management's Discussion and Analysis

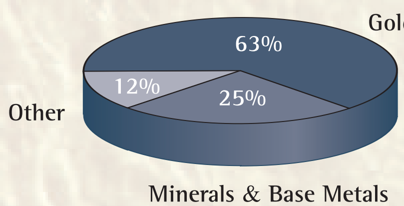
Australasia and Africa
Revenues from drilling in Australasia and Africa increased 23.4% to $101.8 million from $82.5 million in fiscal 2004. Revenues in Australia were up over 53% compared to the prior year, due to both the acquisition of Raematt drilling operations in mid-May of 2004 and strong ongoing demand for drilling services in the balance of Australia's drilling operations. In Mongolia, revenues decreased approximately 15% from fiscal 2004 levels, reflecting a more seasonal pattern of operations, with reduced drilling activity through the Mongolian winter, as that branch transitioned from a single to a multiple client operation. Indonesian drilling revenues increased 13.5% compared to the prior year while Tanzania showed strong growth with revenues up some 68% compared to last year.

Australasian and African gross profit percentages decreased slightly compared to the previous year due to the shift of revenue in the region. In Mongolia, where margins are typically higher, the scaling back of operations to a more typical seasonal pattern through the winter had the effect of reducing both the contribution to revenue and gross margins to the region. Margins in Australia increased slightly while they remained flat in Indonesia and Tanzania.

Drilling Revenue by Commodity FY 2005



Drilling Revenue by Commodity FY 2004



Manufacturing
Revenue from third party sales increased 28.5% to $23.0 million compared to $17.9 million last year. This increase was mainly due to two factors: i) reduced sales to the Company's drilling division, which freed up manufacturing capacity to respond to increased third party demand, and ii) the start up of drill rig manufacturing operations in Chile to service the Latin American market in March of this year.

Manufacturing margins decreased slightly due to higher input costs and start up costs related to the Chilean manufacturing operation.

Operating Expenses
General and administrative expenses increased to $28.1 million compared to $24.1 million last year due, in part, to the acquisition of the Raematt and Dynatec Drilling Division's assets and operations, and new operations in Suriname, which, in total, represented about 30% of the increased costs in the year. The balance of the cost increase was attributable to the substantially increased level of activity in the rest of the Company's operations. General and administrative expenses were 10.4% of revenues compared to 12.4% of revenues in fiscal 2004.

Other expenses increased to $3.6 million from $2.6 million in fiscal 2004, due primarily to an increase in incentive provisions as a result of improved profitability.

Foreign exchange loss was $0.7 million for the year compared to a gain on exchange of $0.5 million in fiscal 2004. The earnings impact of foreign exchange relates primarily to certain operating items denominated in currencies other than Canadian, U.S. and Australian dollars.

Interest expense increased to $2.4 million for the year compared to $1.9 million last year due to the debt financing related to the acquisitions of Raematt and Dynatec's Drilling Division, direct investment in additional equipment, and higher working capital requirements associated with the substantial increase in sales volumes through the year.

Amortization expense increased to $14.1 million from $10.5 million last year as a result of the acquisitions of the Raematt and Dynatec assets and investments in equipment.

The income tax provision for fiscal 2005 was $7.5 million compared to $3.2 million for last year reflecting the increased profitability of the Company.

Summary Analysis Fiscal 2004 Compared to Fiscal 2003

Total revenue for the fiscal year ended April 30, 2004 ("FY04") was $193.8 million, up 20% over the $162.2 million reported for the fiscal year ended April 30, 2003 ("FY03"). Drilling revenues increased by $31.4 million to $175.9 million from $144.5 million in FY03. Third party sales from manufacturing were essentially flat at $17.9 million compared to $17.7 million in FY03 as a significant portion of the Company's manufacturing capacity was directed at inter-company sales to the drilling division. Inter-company drill sales were $5.2 million higher in FY04 compared to FY03.

With the increased level of sales in FY04, gross profit was $46.7 million compared to $39.6 million in FY03. Gross margin percentage for the year was basically flat at 24.1 % compared to 24.4 % in FY03. Demand from both senior and junior gold companies was strong in the second half of the fiscal year, putting a strain on operations in both the third and fourth quarters. In the third quarter of FY04, the Company prepared a record number of drills to respond to increased demand in the fourth quarter and beyond. A number of "moth-balled" drill rigs were brought back into service, significantly increasing repair and mobilization costs in that quarter. This increased level of demand also created pressure on the availability of experienced drill crews, and less experienced drillers were pressed into service resulting in lower labour productivity, and negatively impacting margins.

While the increased demand allowed the Company to increase prices, gross margin percentages in all regions were impacted by labor availability and productivity issues and the costs of reconditioning previously idle rigs. Costs associated with recruitment, training and safety also increased year over year. To some extent, the Company sacrificed productivity for growth in FY04. As the new crews settled in, productivity began to improve over the next several quarters.

Summary Analysis Fourth Quarter Results Ended April 30, 2005

Total revenue for the quarter was $82.8 million, up $20.1 million from $62.7 million recorded in the fourth quarter last year. Contract drilling revenue was up 31.8% to $75.9 million for the period compared to $57.6 million for the prior year quarter. Manufacturing revenues from third party sales increased 35.3% to $6.9 million compared to $5.1 million for the same period last year due primarily to the start up of drill rig manufacturing operations in Chile to service the Latin American market in March of this year. The overall gross margin percentage for the quarter improved by 18% to 29.4%, compared to 25.0% for the same period last year. With the increase in sales volume, gross profit for the quarter increased $8.7 million or 55.4% to $24.4 million from $15.7 million for the same quarter last year.

South and Central American operations continued their strong revenue growth rate, leading all of the Company's operating regions. Revenues for the quarter were $20.0 million, up 42.9% from the $14.0 million for the prior year quarter. This growth was driven primarily by Mexico with sales up 86.1% over the prior year quarter, operations in Chile with sales growth of 41.4%, and the addition of the operation in Suriname in May of 2004. The gross margin percentage in South and Central American operations improved modestly compared to the prior year quarter.

Revenue for the quarter from Canada-U.S. drilling operations increased by 32.4% to $28.2 million compared to $21.3 million for the same period last year. U.S. operations accounted for some 70% of this growth reflecting the acquisition, on March 15, 2005 of Dynatec's drilling assets and operations. Canada-U.S. drilling operations posted a significant improvement in its gross margin percentage due to the termination or renegotiation of several large, low margin contracts at the end of 2004, a generally improving pricing regime in the face of continuing strong demand for drilling services in Canada, and strong performance from the Company's newly acquired operations in the U.S.

Australasian/African drilling operations posted revenue growth of 23.7%, with revenues of $27.7 million compared to $22.4 million in the prior year quarter. Drilling revenues in Australia were up over 78% compared to the same quarter last year, reflecting both strong ongoing demand for drilling services and the acquisition of Raematt's operations in mid-May of 2004. In Mongolia, revenues decreased 31.6% from the prior year quarter reflecting a more typical pattern of seasonal operations, with reduced drilling activity through the Mongolian winter, as that branch transitioned from a single to a multiple client operation. Tanzania showed strong growth with revenues up some 140% compared to the same period last year. The gross margin percentage for Australasia was basically flat compared to the prior year quarter with significant improvement in gross margin percentages in Australia and more modest improvement in Indonesia, offset by the seasonal erosion of margins in Mongolia.

General and administrative costs were $7.8 million for the quarter, compared to $6.6 million in the same period last year. The increase in cost was due, in part, to the integration of the administrative infrastructures associated with the acquisition of the Raematt operations in May 2004, the Dynatec drilling operations in mid-March 2005, and the establishment of new operations in Suriname in May 2004 which, in the aggregate, constituted about half of the increase. The balance of the cost increase was driven by the significant increase in business volume in the rest of the Company's operations.

Other expenses for the quarter increased to $1.4 million, up from $0.7 million in the prior year quarter, due to an increase in incentive provisions as a result of improved profitability in this quarter, and the recognition, in the prior year quarter, of bad debt recovery that was not replicated in this quarter. Foreign exchange loss in the quarter was $0.1 million compared to a gain of $0.4 million in the prior year quarter. Interest expense in the quarter was $0.8 million compared to $0.4 million last year due to the debt financing related to the Raematt and Dynatec acquisitions, direct investment in additional equipment, and higher working capital requirements associated with the substantial increase in sales volumes. Depreciation expense was $4.0 million for the quarter compared to $3.1 million for the same quarter last year, as a result of the increased direct investment in equipment and the additional depreciation expense associated with assets purchased in the Dynatec and Raematt acquisitions. The provision for income tax was $2.4 million in the quarter compared to $0.7 million for the prior year quarter, reflecting the increased profitability of the operations, partially offset by the recognition of previously non-tax effected losses in Canada.

Summary of Quarterly Results

FISCAL 2005

(in thousands of Canadian dollars, except per share)	Q1-05	Q2-05	Q3-05	Q4-05	Total
Revenue	$ 66,203	$ 67,208	$ 53,060	$ 82,820	$ 269,291
Gross profit	17,672	18,819	11,130	24,354	71,975
Gross margin	26.7%	28.0%	21.0%	29.4%	26.7%
Net earnings (loss)	3,811	4,716	(1,195)	8,206	15,538
Per share - basic	0.18	0.22	(0.05)	0.37	0.71
Per share - diluted	0.17	0.21	(0.05)	0.36	0.70
Cash flow from operations*	7,972	8,901	3,517	11,299	31,689

FISCAL 2004

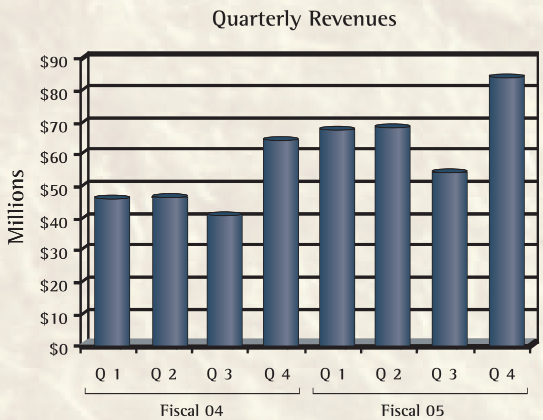
(as re-stated in thousands of Canadian dollars, except per share)	Q1-04	Q2-04	Q3-04	Q4-04	Total
Revenue	$ 45,149	$ 46,321	$ 39,631	$ 62,731	$ 193,832
Gross profit	11,479	11,649	7,929	15,661	46,718
Gross margin	25.4%	25.1%	20.0%	25.0%	24.1%
Net earnings (loss)	1,232	2,278	(3,000)	4,394	4,904
Per share - basic	0.08	0.11	(0.14)	0.20	0.25
Per share - diluted	0.08	0.11	(0.14)	0.20	0.24
Cash flow from (used in) operations*	3,696	4,163	(235)	6,577	14,201

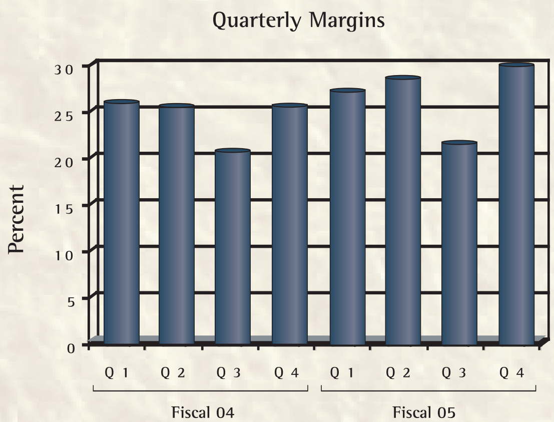
* before non-cash operating working capital items

The Company's operations exhibit a seasonal pattern that reflects the current geographic distribution of its operations. Its fourth quarter (February to April) is typically the Company's strongest as activity increases in Northern and Central Canada, where winter roads permit access to remote exploration sites. During this period, South America is in the summer season, which provides the best drilling conditions and the greatest activity levels for high-altitude drilling in that region. The third quarter (November to January) is normally the Corporation's weakest quarter due to the shutdown of mining and exploration activities for extended periods over the holiday season, particularly in South and Central America.

With the exception of the third quarters, the Corporation has been growing rapidly over the last two years, which has muted the historical patterns of seasonality. In addition, a relatively higher proportion of drilling revenues has been coming from regions with more temperate or tropical climates that are not impacted by winter weather conditions.

With the exception of the third quarter (due to planned shutdowns related to the holiday season), margins in 2005 have been gradually improving quarter over quarter as productivity has increased, with new crews gaining experience, and prices have improved with strong demand created by both commodity groups (gold and base metals).





Liquidity and Capital Resources

Operating Activities

Cash flow from operations (before changes in non-cash operating working capital items) was $31.7 million up $17.5 million or 123% from $14.2 million generated in fiscal 2004, reflecting the improvement in both revenue and gross margins.

Working capital increased by $13.7 million, from $39.0 million at April 30, 2004 to $52.7 million at April 30, 2005. This increase was due primarily to i) an increase in inventory at April 30, 2005 of $8.6 million due to the aquisition of Dynatec's Drilling Division and Raematt; ii) an increase in accounts receivable of $21.4 million due to increased volumes partially offset by i) an increase in accounts payable of $9.3 million also related to increased volumes; and ii) a decrease of $4.0 million in net cash position.

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital, capital expenditure and debt obligations. As at April 30, 2005, the Company had unused borrowing capacity under its credit facilities of $15.1 million and cash of $6.5 million, for a total of $21.6 million.

Financing Activities

Total net debt (net of cash) increased by $24.8 million during fiscal 2005 from $32.6 million at April 30, 2004 to $57.4 million at April 30, 2005. Of this increase, $22.6 million is attributable to the acquisition of Dynatec's Drilling Division and Raematt. The balance of the increase is primarily made up of: i) additional debt of $7.2 million to finance capital expenditures and ii) a decrease in net cash of $4.0 million; offset in part by debt repayments of $7.6 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 year, the Company was, and continues to be, in compliance with all covenants and other conditions imposed by its debt agreements.

At April 30, 2005, the Company had 22.6 million common shares compared to 21.6 million last year. The increase was due to: i) the issuance of 527,485 shares to Dynatec Corporation USA as partial consideration of $6.2 million for the acquisition of their drilling division and; ii) the issuance of shares under the Stock Option Plan for net proceeds of $1.4 million during fiscal 2005.

During the year, the Corporation added two new credit facilities, totalling $16.7 million, through its primary banker, to assist in financing the Raematt and Dynatec's Drilling Division acquisitions. In addition, as of August 20, 2004, the Corporation has increased the capacity of two of its three existing credit facilities with its banker in order to finance working capital and capital expenditure requirements. The maximum amount available under these five facilities is $57.3 million and is available subject to the Corporation meeting certain covenants relating primarily to its financial position. The Corporation also has credit facilities available in Chile and Australia amounting to $1.5 million.

The operating facilities total $26.5 million ($25.0 million from the Canadian chartered bank, previously at $20.0 million) and are secured by fixed and floating charges on selected Canadian capital assets, a general assignment of book debts, inventories and corporate guarantees of companies within the group. At April 30, 2005, the Corporation had utilized $18.0 million of these lines, compared to $10.5 million at April 30, 2004.

The second facility is a $10.0 million (previously $5.0 million) term line for equipment acquisitions. At April 30, 2005, the Corporation had utilized $3.4 million of this line compared to $2.2 million at April 30, 2004. Draws on this line can be amortized over five years.

The third facility is a $5.6 million non-revolving term line established to assist in the acquisitions of similar businesses. This facility is being amortized over a four-year period which commenced in FY03.

The fourth facility is a $4.1 million non-revolving term line established to assist in the acquisition of Raematt Drilling. This facility is being amortized over a five-year period which commenced in June 2004.

The fifth facility is a US$10.0 million non-revolving term line established to assist in the acquisition of Dynatec's Drilling Division. This facility is being amortized over a five-year period which will commence in June 2005.

Contractual obligations

(in thousands of Canadian dollars)

	Payments Due by Period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Long-term debt	$ 46,020	$ 12,198	$ 24,129	$ 9,343	$ 350
Operating leases	5,271	1,767	1,868	966	670
Total contractual obligations	$ 51,291	$ 13,965	$ 25,997	$ 10,309	$ 1,020

The operating leases above consist of computer, vehicle and office premise leases.

Investing Activities

The Company made two acquisitions during the year, Raematt and Dynatec's Drilling Division, for a total purchase price of $26.8 million financed through long-term debt of $14.4 million, share issuance of $6.2 million, and short-term borrowings of $6.2 million.

In order to respond to increased demand for drilling services, net capital expenditures (capital expenditures net of proceeds on sale of capital assets) were $19.3 million for the year compared to $24.7 million for the same period last year. It is expected that net capital expenditures will remain at the same level in fiscal 2006 and then are expected to return to a maintenance level (approximately its depreciation expense) that allows the Corporation to replace and sustain its fleet of drill rigs and related equipment at the current levels.

Outlook

The outlook for Major Drilling continues to be very positive with base metal prices remaining at historically high levels and gold prices firmly above US$400 per ounce. Metals Economics Group is projecting non-ferrous metals global exploration expenditures in calendar 2005 to increase by 15 to 25% over 2004 levels. In response to this positive outlook, the Company is continuing to strengthen its existing operations and selectively expand into under-explored regions of the globe. The Company has entered China through the creation of a wholly owned foreign entity and plans to start operations with two rigs in the second quarter, expanding to six rigs by 2006 fiscal year-end. The Company is also increasing its focus on energy development in the United States and Australia and expects to increase the number of drills in the energy sector from its current level of five to nine by year-end.

The strong sales and earnings momentum enjoyed in 2005 is expected to continue in fiscal 2006. Overall margin performance is also expected to continue to improve gradually through the coming year with the normal seasonal pull back in the third quarter. The recent U.S. acquisition, increasing activity in Latin America, and continuing strong demand in all of the Company's other operating regions are expected to contribute to improving financial performance.

Foreign Exchange

The Corporation 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 other currencies in developing countries, where a substantial portion of the Corporation's business is conducted, the Corporation has adopted a policy of contracting in U.S. dollars, where legally permitted.

During the year, approximately 26% of revenues generated were in Canadian dollars, 30% in Australian dollars with almost all of the balance being in U.S. dollars. Since most of the input costs related to these revenues are denominated in the same currency as the revenue, the impact of currency movements on earnings is minimal.

Foreign exchange had an unfavourable impact on the balance sheet of $5.6 million reflected in the cumulative translation adjustment account. Most of that balance relates to U.S. dollars as the Company has net US$ based assets of approximately US$62 million (US$6 million of which was acquired in March 2005) and the U.S. currency lost approximately 10% of its value vs. the Canadian dollar from April 30, 2004 to April 30, 2005. The Australian dollar remained relatively stable during the year. The Company has net A$ based assets of A$44 million.

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 relate to the useful lives of capital assets for amortization purposes, inventory valuation, valuation of future income taxes, assumptions used in compilation of stock-based compensation, and amounts recorded as accrued liabilities. Actual results could differ materially from those estimates and assumptions.

As of April 30, 2005, capital assets with a carrying value of $120.3 million, represented 47% of total assets. As such, the estimates used in accounting for the related depreciation and amortization charges have a material impact on the Corporation's financial condition and earnings.

Inventory represents 22% of total assets at April 30, 2005. Although the Company can redeploy remote inventory to other regions in the event of a downturn in a particular region, this can prove to be costly. For this reason, the Company takes a conservative approach in deferring and amortizing procurement costs and duties related to inventory.

The Company has accumulated approximately $26.8 million in non-capital losses as at April 30, 2005. The Company has determined that it is more likely than not that the benefit of only some of these losses will be realized in the future. Therefore a valuation allowance has been provided against a portion of the Company's future tax assets based on a current assessment of recoverability of these future tax assets. If the Company's assessment changes, any increases or decreases in the valuation allowance will result in decreases or increases in net earnings, respectively.

Changes in Accounting Policies Including Initial Adoption

Stock-based Compensation
On May 1, 2004, the Company adopted the amended recommendations of the Canadian Institute of Chartered Accountants Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments". Under the amended standards of this section, the fair value of all stock-based awards granted are estimated using the Black-Scholes model and are recorded in operations over their vesting periods.

Previously, the Company provided note disclosure of pro-forma net earnings and pro-forma earnings per share as if the fair value method had been used to account for share purchase options granted to employees, Directors and Officers after January 1, 2002. The amended recommendations have been applied retroactively and prior periods have been restated from January 1, 2002. As a result, the April 30, 2004 Balance Sheet has been restated to reflect an increase of $779 in Contributed Surplus and a reduction to Retained Earnings in the same amount relating to options granted between January 1, 2002 and April 30, 2004. There is a charge to operations of $656 for the year ended April 30, 2005 ($566 and $213 for the years ended April 30, 2004 and 2003, respectively, as a result of the retroactive change in this policy).

Related Party Transactions

During the year, the Company carried out a number of transactions with various Directors in the normal course of business and these transactions were recorded at their exchange amount, which was estimated to approximate market value. These transactions were for consulting services in the amount of $35 (2004 - $511).

Off Balance Sheet Arrangements

Except for operating leases, disclosed in Note 13 "Commitments" of the consolidated financial statements as well as in the operating leases presented as contractual obligations in the liquidity section herein, the Company does not have any other off balance sheet arrangements.

General Risks and Uncertainties

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

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

Levels of inventory 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 Corporation's competitive advantage. In the event of a sudden downturn of activities related either to a specific project or to the sector as a whole, it is more difficult and costly to redeploy this remote inventory to other regions where it can be consumed. In order to minimize its exposure to this risk, the Corporation works closely with its customers to anticipate and plan for scheduled reductions in their drilling programs and with its suppliers to set up consignment arrangements where possible. The Corporation also closely monitors its inventory levels in these remote operations and attempts to appropriately balance its exposure to inventory risk against the risk of loss of productivity as a result of insufficient drilling consumables or spares when required.

Foreign Currency
The Corporation 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 the currencies of developing countries, where a substantial portion of the Corporation's business is conducted, the Corporation has adopted a policy of contracting in U.S. dollars, where legally permitted.

Dependence on Key Contracts

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

Expansion and Acquisition Strategy

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

Extreme Weather Conditions and the Impact of Natural or Other Disasters

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

Specialized Skill and Knowledge

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

Disclosure Controls

The Chief Executive Officer and the Chief Financial Officer together with other management, after evaluating the effectiveness of the Company's disclosure controls and procedures as of April 30, 2005, have concluded that the Company's disclosure controls and procedures are adequate and effective.

Outstanding Share Data

The authorized capital of the Corporation consists of an unlimited number of common shares, which is currently the only class of voting equity securities. Holders of common shares are entitled to receive notice of, attend and vote at all meetings of the shareholders of the Corporation. Each common share carries the right to one vote in person or by proxy at all meetings of the shareholders of the Corporation. As of June 30, 2005 the Company's share capital was composed of the following:

(amounts in thousands)	**As at June 30, 2005**	As at June 30, 2004
Common shares	**22,584**	21,681
Stock options outstanding	**1,303**	1,315

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 May 27, 2005. The MD&A also includes information regarding the estimated impact of current transactions and events, sources of liquidity, operating trends and risks and uncertainties. Actual results in the future may differ materially from management's present assessment of this information because future events may not occur as expected. Financial operating data in the report are consistent, where applicable, with the consolidated financial statements.

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

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

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

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

Francis P. McGuire

President & Chief Executive Officer

Michael A. Pavey

Executive Vice President & Chief Financial Officer

May 27, 2005

Groupe Forage MAJOR 25 Drilling Group International Inc.

To the Shareholders of Major Drilling Group International Inc.

We have audited the consolidated balance sheets of Major Drilling Group International Inc. as at April 30, 2005 and 2004 and the consolidated statements of operations and retained earnings, 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 misstatements. 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, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants
Saint John, New Brunswick

May 27, 2005

Consolidated Statements of Operations and Retained Earnings

Years ended April 30, 2005 and 2004
(in thousands of Canadian dollars, except per share information)

	2005	2004 (change in accounting policy - note 3)
TOTAL REVENUE	**$ 269,291**	$ 193,832
DIRECT COSTS	**197,316**	147,114
GROSS PROFIT	**71,975**	46,718
OPERATING EXPENSES		
General and administrative	**28,093**	24,065
Other expenses	**3,565**	2,596
Foreign exchange loss (gain)	**737**	(522)
Interest on short-term debt	**701**	392
Interest on long-term debt	**1,722**	1,496
Amortization	**14,107**	10,511
	48,925	38,538
EARNINGS BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	**23,050**	8,180
INCOME TAXES - PROVISION (RECOVERY) (note 15)		
Current	**6,175**	5,130
Future	**1,367**	(1,948)
	7,542	3,182
EARNINGS BEFORE NON-CONTROLLING INTEREST	**15,508**	4,998
NON-CONTROLLING INTEREST	**30**	(94)
NET EARNINGS	**15,538**	4,904
RETAINED EARNINGS, BEGINNING OF THE YEAR	**5,455**	551
RETAINED EARNINGS, END OF THE YEAR	**$ 20,993**	$ 5,455
EARNINGS PER SHARE (note 16)		
Basic	**$ 0.71**	$ 0.25
Diluted	**$ 0.70**	$ 0.24

Consolidated Balance Sheets

Groupe Forage MAJOR 25 Drilling Group International Inc.

As at April 30, 2005 and 2004
(in thousands of Canadian dollars)

ASSETS

	2005	2004 (change in accounting policy - note 3)
CURRENT ASSETS		
Cash	**$ 6,523**	$ 3,089
Marketable securities	**210**	794
Accounts receivable	**58,104**	36,750
Income taxes receivable	**614**	661
Inventories (note 5)	**57,228**	45,955
Prepaid expenses	**3,436**	3,708
Future income tax assets (note 15)	**2,345**	850
	128,460	91,807
CAPITAL ASSETS (note 6)	**120,261**	99,614
FUTURE INCOME TAX ASSETS (note 15)	**5,112**	7,064
OTHER ASSETS	**2,024**	359
	$ 255,857	$ 198,844

LIABILITIES

	2005	2004
CURRENT LIABILITIES		
Demand loans (note 7)	**$ 17,951**	$ 10,520
Accounts payable and accrued charges	**42,473**	33,217
Income taxes payable	**3,102**	2,858
Current portion of long-term debt (note 8)	**12,198**	6,195
	75,724	52,790
LONG -TERM DEBT (note 8)	**33,822**	18,948
FUTURE INCOME TAX LIABILITIES (note 15)	**2,984**	1,760
DEFERRED GAIN (note 9)	**822**	979
NON-CONTROLLING INTEREST	**99**	130
	113,451	74,607
SHAREHOLDERS' EQUITY		
Share capital (note 10)	**132,423**	124,841
Contributed surplus	**2,823**	2,167
Retained earnings	**20,993**	5,455
Cumulative translation adjustments	**(13,833)**	(8,226)
	142,406	124,237
	$ 255,857	$ 198,844

Contingencies and commitments (notes 12 and 13)

Approved by the Board of Directors

David Tennant
Director

Jonathan Goodman
Director

Consolidated Statements of Cash Flows

Years ended April 30, 2005 and 2004
(in thousands of Canadian dollars)

	2005	2004 (change in accounting policy - note 3)
OPERATING ACTIVITIES		
Net Earnings	**$ 15,538**	$ 4,904
Operating items not involving cash		
Amortization	**14,107**	10,511
Loss on disposal of assets	**51**	75
Non-controlling interest	**(30)**	94
Future income taxes	**1,367**	(1,948)
Stock-based compensation	**656**	565
	31,689	14,201
Changes in non-cash operating working capital items (note 11)	**(16,662)**	(15,155)
Cash flow from (used in) operating activities	**15,027**	(954)
FINANCING ACTIVITIES		
Repayment of long-term debt	**(7,615)**	(14,120)
Additional long-term financing	**17,361**	1,550
Increase in (repayment of) demand loans	**7,431**	(317)
Issuance of common shares	**1,500**	27,365
Cash flow from financing activities	**18,677**	14,478
INVESTING ACTIVITIES		
Business acquisitions (note 4)	**(18,710)**	-
Acquisition of capital assets, net of direct financing (note 6)	**(14,067)**	(17,274)
Proceeds from disposal of capital assets	**1,945**	2,696
Other	**(206)**	(194)
Cash flow used in investing activities	**(31,038)**	(14,772)
OTHER ACTIVITIES		
Foreign exchange translation adjustment	**768**	(451)
INCREASE (DECREASE) IN CASH	**3,434**	(1,699)
CASH POSITION, BEGINNING OF THE YEAR	**3,089**	4,788
CASH POSITION, END OF THE YEAR	**$ 6,523**	$ 3,089

Years ended April 30, 2005 and 2004

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

1. Nature of Activities

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

2. Significant Accounting Policies

Principles of consolidation

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

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 revenues and expenses during the reported periods. Actual results could differ from these estimates.

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

Revenue recognition

Revenues from drilling contracts are recognized on the basis of actual meterage drilled for each contract. Revenues for manufacturing under contract are recognized on a percentage of completion basis using a standard markup on cost incurred to date. Other revenues from manufacturing and distribution are recognized as the goods are shipped. Revenues from ancillary services are recorded when the services are rendered. Revenues are recognized when collection is reasonably assured.

Earnings per share

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

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

Marketable securities

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

Inventories

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

Capital assets

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

	Residual value (%)	Useful life (years)
Buildings	0	15-20
Drilling equipment	0-15	5-15
Automotive and off-road equipment	0-10	5-10
Other (office, computer and shop equipment)	0	5-15

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

Notes to Consolidated Financial Statements

2. Significant Accounting Policies (Continued)

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

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

Future income taxes
The Company follows the liability method for corporate income taxes. This method takes a balance sheet approach and focuses on the amount of income taxes payable or receivable that will arise if an asset is realized or a liability is settled for its carrying amount. These resulting assets and liabilities, referred to as "future income tax assets and liabilities", are computed based on differences between the carrying amount of balance sheet items and their corresponding tax values using the enacted, or substantively enacted, income tax rates in effect when the differences are expected to reverse. The Company's primary differences arise between the tax carrying value and net book value of capital assets and finance costs, and the tax benefit of non-capital losses carried forward.

Translation of foreign currencies
All amounts are presented in Canadian dollars. The Company's international operations are classified as self-sustaining foreign operations. The assets and liabilities of self-sustaining foreign operations are translated at the exchange rate in effect at the balance sheet date. Revenue and expense items of such operations are translated at average rates of exchange for the year. The resulting foreign currency translation gain or loss is reported as a separate component of shareholders' equity. The change in the amount primarily reflects the relative strength of the Australian and U.S. dollars against the Canadian dollar and the change in the net investment in the self-sustaining foreign operations.

Stock-based compensation
The Company uses the fair value method for accounting for stock-based compensation as defined by accounting principles generally accepted in Canada. Stock-based compensation awards expense is calculated using the Black-Scholes option pricing model and is charged to operations on a straight-line 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.

2004 figures
Certain of the 2004 figures have been reclassified to conform with the 2005 presentation.

3. Change in Accounting Policy

Stock-based compensation
On May 1, 2004, the Company adopted the amended recommendations of the Canadian Institute of Chartered Accountants Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments". Under the amended standards of this section, the fair value of all stock-based awards granted are estimated using the Black-Scholes model and are recorded in operations over their vesting periods.

Previously, the Company provided note disclosure of pro-forma net earnings and pro-forma earnings per share as if the fair value method had been used to account for share purchase options granted to employees, directors and officers after January 1, 2002. The amended recommendations have been applied retroactively and prior periods have been restated from January 1, 2002. As a result, the April 30, 2004 Balance Sheet has been restated to reflect an increase of $779 in Contributed Surplus and a reduction to Retained Earnings in the same amount relating to options granted between January 1, 2002 and April 30, 2004. There is a charge to operations of $656 for the year ended April 30, 2005 ($566 and $213 for the years ended April 30, 2004 and 2003, respectively, as a result of the retroactive change in this policy).

4. Business Acquisitions

Raematt Drilling
Effective May 15, 2004, the Company acquired the drill rigs, related equipment, inventory and drilling contracts owned by Raematt Drilling for a total purchase price of $6,557.
Net assets acquired at fair market value at acquisition are as follows:

Assets acquired		
Inventories	$	832
Capital assets		4,243
Intangibles		1,482
Net assets	**$**	**6,557**
Consideration		
Cash	$	4,655
Note payable		1,902
	$	**6,557**

4. Business Acquisitions (Continued)

Dynatec Corporation Drilling Services Division
Effective March 15, 2005, the Company acquired the drill rigs, related equipment, inventory and drilling contracts owned by Dynatec Corporation Drilling Services Division for a total purchase price of $20,237. Net assets acquired at fair market value at acquisition are as follows:

Assets acquired	
Inventories	$ 8,359
Capital assets	13,843
	22,202
Liabilities assumed	
Long-term debt	1,965
Net assets	**$ 20,237**
Consideration	
Cash	$ 14,055
Common shares	6,182
	$ 20,237

5. Inventories

	2005	2004
Drilling parts and supplies	**$ 45,904**	$ 36,203
Manufacturing materials	**7,518**	6,819
Manufacturing work in progress	**3,806**	2,933
	$ 57,228	$ 45,955

6. Capital Assets

			2005			2004
	Cost	**Accumulated amortization**	**Net value**	Cost	Accumulated amortization	Net value
Land	**$ 1,210**	**$ -**	**$ 1,210**	$ 1,288	$ -	$ 1,288
Buildings	**3,784**	**637**	**3,147**	3,839	603	3,236
Drilling equipment	**114,783**	**26,732**	**88,051**	93,898	23,289	70,609
Automotive and off-road equipment	**33,492**	**12,644**	**20,848**	26,534	9,384	17,150
Other	**16,301**	**9,296**	**7,005**	15,427	8,096	7,331
	$ 169,570	**$ 49,309**	**$ 120,261**	$ 140,986	$ 41,372	$ 99,614

Capital expenditures were $21,237 and $27,381 for the years ended April 30, 2005 and 2004, respectively.
The Company obtained direct financing of $7,170 and $10,107 in the years ended April 30, 2005 and 2004, respectively.

7. Demand Credit Facilities

The Company has credit facilities available in Canada of $25,000 bearing interest at the bank's prime lending rate or the bankers' acceptance rate plus 1.50%. The demand loans are primarily secured by fixed and floating charges on selected Canadian capital assets, a general assignment of book debts, inventories and corporate guarantees of companies within the group.

The Company also has credit facilities in Australia and Chile amounting to $1,494 (2004 - $1,657) bearing interest at rates ranging from 6.0% to 8.45% secured by accounts receivable, and selected land and buildings in Australia.

There was $17,951 (2004 - $10,520) drawn on these facilities as at April 30, 2005.

8. Long-Term Debt

	2005	2004
Non-revolving acquisition loan, payable in quarterly installments of $401 and maturing in September 2008, bearing interest at either the bank's prime rate plus 0.5% or the bankers' acceptance rate plus 2.0%.	**$ 5,620**	$ 7,225
Non-revolving loan – US$10,000, payable in monthly installments of US$167 and maturing in May 2010, bearing interest at either the US bank's prime rate plus 0.5% or the Bank's London Inter Bank Offer Rate, plus 2.0%.	**12,586**	-
Revolving equipment loan (authorized $10,000), bearing interest at either the bank's prime rate plus 0.5% or the bankers' acceptance rate plus 2.0%, payable in monthly installments of $72, maturing through 2010, secured by certain capital assets.	**3,350**	2,152
Term loans bearing interest at rates ranging from 0% to 7%, payable in monthly installments of $275, secured by certain equipment, primarily maturing through 2011.	**10,032**	3,435
Term loans - A$10,306 (2004 – A$9,819), payable in monthly installments of A$377, interest included, at rates ranging from 5.33% to 12.31%, secured by mortgage debentures over land, buildings and other assets, maturing through 2009.	**10,125**	9,740
Notes payable, bearing interest at rates ranging from prime less 1% to 7.5%, maturing through fiscal 2007.	**4,307**	2,591
	46,020	25,143
Current portion	**12,198**	6,195
	$ 33,822	$ 18,948

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

2006	$ 12,198	2009	$ 6,247
2007	14,041	2010	3,096
2008	10,088	Thereafter	350
			$ 46,020

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

9. Deferred Gain

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

10. Share Capital

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

Issued	2005	2004
22,571,617 common shares		
(2004 - 21,635,535)	$ 132,423	$ 124,841

Common shares
On March 15, 2005, the Company issued 527,485 common shares to Dynatec Corporation USA as a partial consideration for the acquisition of their drilling division.

Stock option plan
The Company has a Stock Option Plan for directors, executive officers and other employees of the Company. The Plan provides that the Board of Directors of the Company may grant options to purchase common shares on terms set out in the Plan. The aggregate number of common shares reserved for issuance under the Plan is limited to 3,000,000 common shares, provided that no options be issued if to do so would result in the number of outstanding stock options exceeding 15% of the total issued and outstanding shares of the Company. The exercise price for an option issued under the Plan is the fair market value of the common shares on the grant date of the option. Vested options are exercisable for a maximum period of ten years from the date of grant, subject to earlier termination if the optionee ceases to be a director or employee of the Company for any reason. The Plan also provides that no options may be issued to insiders (directors and officers) of the Company if to do so would result in the number of shares reserved for issuance pursuant to stock options granted to insiders exceeding 10% of the outstanding number of common shares. The Board of Directors determines vesting requirements.

Stock options - employees and directors
The Company has issued stock options under its Stock Option Plan. Issuance of options under the Plan is determined annually by the Company's Board of Directors. A summary of the status of the Company's Stock Option Plan, as at April 30, 2005 and 2004, and of changes during the years ending on those dates, is presented below:

	2005		2004	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year	1,389,453	$ 5.21	1,846,233	$ 4.40
Options granted	200,000	$ 9.32	247,000	$ 8.05
Options cancelled	(30,567)	$ 8.31	(51,918)	$ 5.22
Options exercised	(408,597)	$ 3.72	(651,862)	$ 4.01
Outstanding at end of year	1,150,289	$ 6.37	1,389,453	$ 5.21

The following table summarizes information on stock options outstanding at April 30, 2005:

Range of exercise prices	Outstanding at April 30, 2005	Weighted average remaining life (years)	Weighted average exercise price	Exercisable at April 30, 2005	Weighted average exercise price
$ 1.86 - $ 5.00	492,037	6.54	$ 3.32	492,037	$ 3.32
$ 5.25 - $ 9.32	605,802	6.95	$ 7.75	405,985	$ 7.16
$18.65 - $ 26.50	52,450	2.22	$ 18.95	52,450	$ 18.95
	1,150,289	6.56	$ 6.37	950,472	$ 5.82

10. Share Capital (Continued)

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

	2005	2004
Risk-free interest rate	**3.24%**	3.56%
Expected life (years)	**3 years**	3 years
Expected volatility	**55%**	57%
Expected dividend yield	**0%**	0%

Deferred Share Units

A Deferred Share Unit Plan (the "DSU Plan") was established for outside directors during the 2005 fiscal year. Each deferred share unit (DSU) represents the right to receive a cash payment, at such time as an outside director ceases to be a director, equal to the market value of the Company's share at the time of surrender. Under this plan, prior to the beginning of each fiscal year, Directors must elect the percentage of their total compensation as Directors that they wish to receive in DSU's in lieu of cash compensation. As at April 30, 2005 there were 1,346 units for a total value of $16 outstanding.

11. Additional Information to the Statements of Cash Flows

Changes in non-cash operating working capital	2005	2004
Accounts receivable	**$ (22,705)**	$ (6,167)
Inventories	**(5,396)**	(13,383)
Accounts payable and accrued charges	**10,060**	5,543
Income taxes	**470**	839
Other items	**909**	(1,987)
	$ (16,662)	$ (15,155)

Interest and income taxes paid	2005	2004
Interest paid	**$ 2,451**	$ 1,887
Income taxes paid	**$ 5,884**	$ 4,322

12. 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 in the year settled.

13. Commitments

The Company has various commitments, primarily for rental of premises, with arms-length parties as follows: 2006 - $1,767, 2007 - $1,232, 2008 - $636, 2009 - $543, 2010 - $423, thereafter - $670.

14. Related Party Transactions

During the year, the Company carried out a number of transactions with various Directors in the normal course of business and these transactions were recorded at their exchange amount, which was estimated to approximate market value. These transactions were for consulting services in the amount of $35 (2004 - $511).

15. Income Taxes

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

	2005	2004
Earnings before income taxes and non-controlling interest	**$ 23,050**	$ 8,180
Statutory Canadian corporate income tax rate	**35%**	36%
Expected income tax expense based on statutory rates	**$ 8,068**	$ 2,945
Non-recognition of tax benefits related to losses	**599**	385
Utilization of previously unrecognized losses	**(528)**	(1,727)
Other foreign taxes paid	**1,163**	636
Rate variances in foreign jurisdictions	**(771)**	105
Other	**(989)**	838
Total income tax provision	**$ 7,542**	$ 3,182

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

	2005	2004
Assets:		
Loss carry forwards tax effected	**$ 9,623**	$ 13,198
Finance costs	**489**	685
Deferred gain	**338**	370
Other	**1,148**	648
	11,598	14,901
Valuation allowance	**(4,141)**	(6,987)
	7,457	7,914
Liabilities:		
Capital assets	**(2,984)**	(1,760)
Net future income tax assets	**$ 4,473**	$ 6,154

Management reduced the carrying value of the future income tax assets by a valuation allowance as it is more likely than not that some portion of the asset will not be realized.

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

The Company has accumulated approximately $26,800 in non-capital losses, of which $20,300 are available to reduce future Canadian income taxes otherwise payable and $6,500 are available to reduce future income taxes otherwise payable in foreign jurisdictions. These losses, if unused, will expire as follows:

Date	Amount	Date	Amount	Date	Amount
2006	$ 72	2009	$ 5,687	2015	$ 1,808
2007	4,089	2010	2,051	2019	308
2008	6,565	2014	1,765	Indefinite	4,455
					$ 26,800

16. Earnings Per Share

Basic earnings per share is calculated using the weighted average number of shares outstanding of 21,847,865 for 2005 and 19,938,206 for 2004.

Net earnings and diluted earnings per share figures for fiscal 2005, based on 22,303,234 weighted average number of diluted common shares, were $0.71 and $0.70, respectively, and for 2004, based on 20,492,734 weighted average number of diluted common shares, $0.25 and $0.24, respectively.

17. Financial Instruments

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

Concentration of credit risk
The Company provides credit to its customers in the normal course of its operations. It carries out, on a continuing basis, credit checks on its customers and maintains provisions for contingent credit losses. The Company also minimizes 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 26% (32% in 2004) of the total revenues, with no one customer representing more than 10% of its revenues (in 2004 one customer represented 15% of revenues).

Currency risk
A significant portion of the Company's operations are located outside of Canada. The accounting impact of foreign currency exposure is minimized since the operations are 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 labor and material expenses. Monetary assets denominated in foreign currencies are exposed to foreign currency fluctuations.

Interest rate risk
The long-term debt of the Company generally bears a floating rate of interest, which exposes the Company to interest rate fluctuations.

18. Segmented Information

The Company has two reportable business segments, drilling and manufacturing. The Company's drilling operations are divided into three geographic segments. The reportable geographic segments are Canada - U.S., South and Central America (includes Turkey), and Australasia and Africa. The services provided in each of the reportable drilling segments are essentially the same. The accounting policies of the segments are the same as those described in note 2. Management evaluates performance based on profit or loss from operations in these four segments before interest and income taxes. Data relating to each of the Company's reportable segments is presented as follows:

	2005	2004
Revenues – drilling		
Canada – U.S.	**$ 82,099**	$ 60,825
South and Central America	**62,418**	32,551
Australasia and Africa	**101,763**	82,537
	246,280	175,913
Revenues – manufacturing	**32,027**	29,435
	278,307	205,348
Eliminations	**(9,016)**	(11,516)
	$ 269,291	$ 193,832
Earnings (loss) from operations – drilling		
Canada – U.S.	**$ 7,772**	$ (2,175)
South and Central America	**9,846**	3,070
Australasia and Africa	**10,263**	10,663
Earnings from operations - manufacturing	**3,135**	3,605
	31,016	15,163
Eliminations	**230**	(489)
	31,246	14,674
Interest	**2,423**	1,888
General corporate expenses	**5,773**	4,606
Income taxes	**7,542**	3,182
Non-controlling interest	**(30)**	94
Net earnings	**$ 15,538**	$ 4,904

	2005	2004
Identifiable assets – drilling		
Canada – U.S.	**$ 69,433**	$ 40,055
South and Central America	**65,928**	52,262
Australasia and Africa	**91,270**	79,159
Identifiable assets - manufacturing	**18,456**	13,951
	245,087	185,427
Eliminations	**(3,609)**	(3,469)
Unallocated and corporate assets	**14,379**	16,886
	$ 255,857	$ 198,844
Amortization – drilling		
Canada – U.S.	**$ 2,778**	$ 2,306
South and Central America	**2,787**	1,716
Australasia and Africa	**7,100**	5,200
Amortization - manufacturing	**328**	307
	12,993	9,529
Unallocated and corporate assets	**1,114**	982
	$ 14,107	$ 10,511

Canada – U.S. include revenues in 2005 of $69,901 (2004 - $56,134) for Canadian operations and capital assets at April 30, 2005 of $25,525 (2004 - $25,462).

Australasian and African and manufacturing amounts include revenues in 2005 of $81,749 (2004 - $63,121) for Australian and manufacturing operations and capital assets as at April 30, 2005 of $32,984 (2004 - $24,804).

Corporate Governance

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

The Major Drilling Board of Directors (the "Board") consists of nine members, only one of whom is an employee of the Corporation. Additionally, to further ensure Board independence, the Board has an independent Chairman, Mr. David Tennant. In fiscal 2005 the Board held seven meetings. The activities of the Board are supported by four committees, as more particularly set out and described below.

Audit Committee

The Audit Committee, during fiscal 2005, was comprised of Jonathan Goodman, Chairman, H. Lawrence Doane, and David Fennell, all of whom meet Audit Committee independence standards. Mr. Doane will be replaced on this committee upon his retirement from the Board in September 2005. The Committee meets with the Corporation's senior and financial management and with it's external auditors, separately, at least four times per year, in order to assist the Board of Directors in, among other duties: i) its oversight of the integrity of the financial statements of the Corporation; ii) its management of the effectiveness of the financial aspects of the governance structure of the Corporation; iii) its oversight of adherence to requisite legal and regulatory requirements and iv) its oversight of the performance of the Corporation's internal and external audit function. In the discharge of it's duties the Committee reviews, among other things, the Corporation's financial reporting practices and procedures, the Corporation's quarterly and annual financial statements prior to their release and filing with appropriate regulatory agencies, actual and prospective changes in significant accounting policies and their impact on the Corporation, and the adequacy of internal accounting and other control systems. The Committee is also responsible for the scope of pre-approved audit and non-audit services to be provided by the external auditors, ensuring external auditor independence, and, subject to shareholder approval, the appointment of, and remuneration for, the external auditors. The Committee held four meetings during fiscal 2005.

Compensation Committee

The Compensation Committee, during fiscal 2005, was comprised of H. Lawrence Doane, Chairman, David Tennant, and John Schiavi, all independent directors. In September 2005, David Tennant and H. Lawrence Doane will leave the Committee and be replaced by Colin Benner, Chairman, and Terry MacGibbon, both of whom are also independent directors. The Committee is responsible for approving corporate goals and objectives relating to CEO compensation, and for evaluating the CEO against those goals and objectives. The Committee also reviews the compensation programs and individual salaries for the Corporation's other executive officers and for its Directors, Committee members and Board and Committee Chairs. This responsibility includes approval of any employment contracts with, and salaries of, senior officers of the Corporation, bonuses, other payments, pension or benefit plans or programs to or for such officers, and any action that would materially increase or decrease a benefit to any such officer as well as responsibility for the administration and interpretation of the stock option plan or any other similar plan applicable to directors or officers. The Committee held three meetings during fiscal 2005.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee, during most of fiscal 2005, was comprised of Frank McKenna, Chairman (until his resignation on March 1, 2005), David Tennant, and Terry MacGibbon, all independent directors. Mr. Tennant and Mr. MacGibbon remain on the Committee and will be joined, in September 2005, by John Schiavi, also an independent director.
The Committee is responsible for assisting the Board in identifying qualified individuals as potential Directors, as well as determining the composition of the Board and its various committees. The Committee also facilitates the formal Board process for assessing the overall performance of the Board of Directors, as well as individual Board members for their contribution. This process is carried out through the analysis, by the Chairman of the Committee, of questionnaires, completed anonymously, whereby Board members evaluate the performance of the overall Board, other Directors, and themselves. The Committee believes that the Board of Directors is functioning efficiently and that all members of the Board contribute to effective management and to the strategic direction of the Corporation.
The Committee held one meeting during fiscal 2005.

Environment, Health and Safety Committee

The Environment, Health and Safety Committee, during fiscal 2005, was comprised of John Harvey, Chairman, David Fennell, and Colin Benner, all independent directors. The membership of this Committee is unchanged for fiscal 2006. The Committee is responsible for assisting the Board in matters of the Corporation related to environment, health and safety matters. As such, the Committee is mandated to satisfy itself that the Corporation has developed, is implementing, and is maintaining policies, practices and procedures that will ensure its compliance with legislation regulating health and safety, and the environment, in the various jurisdictions in which it conducts its business.
The Committee held two meetings during fiscal 2005.

General

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

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

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

Historical Summary

	2005	2004	2003	2002	2001	2000	1999	1998
			(in thousands of Canadian dollars, except per share information)					

Operating Summary

	2005	2004	2003	2002	2001	2000	1999	1998
Revenue by region								
Canada-U.S.	$ 82,099	$ 60,825	$ 59,360	$ 45,530	$ 51,078	$ 43,491	$ 57,588	$ 59,128
South and Central America	62,418	32,551	25,119	17,374	32,289	29,375	23,304	28,546
Australasia and Africa	101,763	82,537	60,033	35,738	32,293	29,588	42,442	36,034
Manufacturing revenues, net of eliminations	23,011	17,919	17,656	10,468	14,233	14,128	17,438	22,833
Total	**269,291**	**193,832**	**162,168**	**109,110**	**129,893**	**116,582**	**140,772**	**146,541**
Gross profit	**71,975**	**46,718**	**39,571**	**24,348**	**36,208**	**30,113**	**36,552**	**45,861**
Gross profit margin	26.7%	24.1%	24.4%	22.3%	27.9%	25.8%	26.0%	31.3%
General & admin expense	28,093	24,065	21,360	20,312	21,721	26,421	26,251	25,327
G & A as percent of revenue	10.4%	12.4%	13.2%	18.6%	16.7%	22.7%	18.6%	17.3%
Earnings (loss) from continuing operations (1)	15,508	4,998	2,769	(7,611)	1,483	(6,486)	(441)	8,680
Net earnings (loss)	15,538	4,904	2,319	(9,938)	(9,268)	(194)	(14,163)	8,931
Cash flow (2)	31,689	14,201	11,416	(1,815)	8,412	(37)	5,198	15,244
Net earnings (loss) per share								
Basic	0.71	0.25	0.15	(0.91)	(0.84)	(0.02)	(1.25)	0.85
Diluted	0.70	0.24	0.14	(0.91)	(0.84)	(0.02)	(1.25)	0.75

Balance Sheet Summary

	2005	2004	2003	2002	2001	2000	1999	1998
Current assets	128,460	91,807	70,372	58,118	62,982	71,410	79,146	82,989
Capital assets	120,261	99,614	83,442	76,332	74,983	74,420	78,608	74,285
Other assets	7,136	7,423	4,105	4,006	8,068	15,483	12,397	8,907
Current liabilities	75,724	52,790	45,148	27,407	33,574	33,755	39,177	35,454
Long-term debt	33,822	18,948	19,976	18,624	27,974	31,301	30,204	12,447
Other liabilities	3,905	2,869	1,638	910	-	-	505	625
Shareholders' equity	142,406	124,237	91,157	91,515	84,485	96,257	100,265	117,655

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

(2) from (used in) operating activities, before changes in non-cash operating working capital items

Shareholder Information

Groupe Forage MAJOR 25 Drilling Group International Inc.

Directors

Colin Benner

H. Lawrence Doane

David Fennell

Jonathan Goodman

John Harvey

Terry MacGibbon

Francis McGuire

John Schiavi

David Tennant

Officers

Francis McGuire
President and Chief Executive Officer

Michael Pavey
Executive Vice President and Chief Financial Officer

Robert Morgan
Vice President – Business Development
and Latin American Drilling Operations

Denis Larocque
Vice President - Finance

James Gibson
General Counsel and Secretary

Robert Newburn
Vice President - Drilling Division, North America

Robert Leibbrandt
General Manager, Drilling and Manufacturing Divisions,
Australasia and Africa

Transfer Agent

CIBC Mellon Trust Company

Auditors

Deloitte & Touche LLP

Corporate Office

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

Annual General Meeting

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

The Ontario Club
Engineers' Room
Commerce Court South
30 Wellington Street West – 5th Floor
Toronto, Ontario
September 8, 2005 at 11:00 am Eastern

Worldwide Operations of Major Drilling Group International Inc.

North American Drilling Operations

Canada

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

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

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

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

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

Bishop's Falls, NL
Tel: 709-258-5144
Fax: 709-258-5207

U.S.A.

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

Nana Major Drilling, LLC*
Salt Lake City, UT
Tel: 801-974-0645
Fax: 801-973-2994

Ashland, ME
Tel: 418-338-3141
Fax: 418-335-2894

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

Geotechnical Drilling Operations

Canada

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

U.S.A.

Rocklin, CA
Tel: 916-434-4200
Fax: 916-434-4206

* 50% ownership

South and Central American Drilling Operations

Barbados

Durants
Tel: 246-420-4363
Fax: 246-420-5200

Mexico

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

Chile

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

Guyana Shield & Turkey Regional Office

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

Venezuela

Puerto Ordaz
Tel: 58-286-922-2297
Fax: 58-286-923-4594

Argentina

Mendoza
Tel: 54-261-481-0162
Fax: 54-261-481-1884

French Guiana

Mont Joly
Tel: 594-594-35-28-26
Fax: 594-594-35-38-16

Suriname
Tel: 819-824-6749
Fax: 819-824-4217

Dominican Republic
Office situated in Mexico

Australasian/African Drilling Operations

Australia

Brisbane, QLD
Tel: 61-7-3715-4750
Fax: 61-7-3715-4760

Stawell, Victoria
Tel: 61-3-5358-5528
Fax: 61-3-5358-1047

Garbutt, QLD
Tel: 61-7-4774-8177
Fax: 61-7-4774-8110

Cobar, NSW
Tel: 61-2-6836-3622
Fax: 61-2-6836-1304

Kalgoorlie, WA
Tel: 61-8-9091-6966
Fax: 61-8-9091-7544

Indonesia

West Papua
Tel: 62-901-351-040
Fax: 62-901-351-039

Mongolia

Ulaanbaatar
Tel: 976-11-319951
Fax: 976-11-319950

Tanzania

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

Other Drilling Operations

Turkey

Cankaya/Ankara
Tel: 90-312-441-9692
Fax: 90-312-441-9658

China

Beijing
Tel: 86-10-5873-1947
Fax: 86-10-5873-1949

Manufacturing Operations

Universal Drill Rigs Chile S.A.
Santiago, Chile
Tel: 56-2-624-1450
Fax: 56-2-624-1447

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

Brisbane, QLD, Australia
Tel: 61-7-3715-4700
Fax: 61-7-3715-4747

UDR Canada
Tel: 506-779-8008
Fax: 506-779-8002