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Drilling Group International Inc.

NEWS RELEASE

Major Drilling Reports Third Quarter Results

MONCTON, New Brunswick (March 8, 2010) – Major Drilling Group International Inc. (TSX: MDI) today reported results for its third quarter of fiscal 2010, ended January 31, 2010.

Highlights

$ millions of Canadian dollars (except earnings per share)	Q3-10	Q3-09	YTD-10	YTD-09
Revenue	$72.5	$87.4	$210.5	$456.6
Gross profit	12.0	24.1	52.0	157.8
As percentage of sales	16.5%	27.6%	24.7%	34.6%
Net (loss) earnings, after restructuring and impairment charges	(4.5)	(5.1)	(3.7)	50.5
Net (loss) earnings per share - basic	(0.19)	(0.21)	(0.16)	2.13
Cash flow from continuing operations before changes in working capital	1.3	9.4	21.2	84.9

- Major Drilling posted quarterly revenue of $72.5 million, down 17 percent from the $87.4 million recorded for the same quarter last year.

- Gross margin percentage for the quarter was 16.5 percent compared to 27.6 percent for the corresponding period last year. This quarter was impacted by higher mobilization, repair and training costs due to a ramp up for the fourth quarter.

- Net loss was $4.5 million or $0.19 per share for the quarter, compared to a loss of $5.1 million or $0.21 per share for the prior year quarter. Last year's loss included restructuring and impairment charges of $5.6 million net of tax.

- The Company remains in an excellent financial position following recent turbulent times. Total cash level, net of long-term debt stands at $26.6 million at quarter-end. Cash on hand at quarter-end was $53.7 million while total debt was $27.1 million.

- The Company has declared a semi-annual dividend of $0.20 per share to be paid on May 3, 2010.

"The quarter ended on a good note as the month of January was significantly more active than January last year, which bodes well for the upcoming fourth quarter and calendar 2010. However, November and December of 2009 were still affected by reduced levels of activity from

larger mining companies when compared to November and December 2008, as in 2008 companies were still completing their exploration programs before the downturn fully took hold in January 2009. Consequently, and as a result of the fact that mining companies shut down operations, often for extended periods, over the holidays, we had expected a loss in this quarter. Also, due to the higher startups in January, the Company incurred significant training, mobilization and setup costs in both the mineral and energy sectors, which reduced margins significantly in the third quarter. In Australia, weather delayed startups further compounding margin performance," said Francis McGuire, President and CEO of Major Drilling.

"Most senior and intermediate companies have increased their exploration budgets for calendar 2010, although some remain conservative. Junior mining companies with advanced gold or base metal properties continue to be active and in most cases have ramped up their efforts. However, early stage exploration companies are still experiencing difficulties in getting financing," said Mr. McGuire.

"Looking ahead to our fourth quarter and fiscal 2011, we have a positive but cautious view. We continue to see a noticeable increase in inquiries from intermediate and senior customers, and if customers move forward with their stated plans, we should see utilization rates gradually improve as each month goes by. This increase in utilization gives us considerable leverage to increase revenue and profits as we move forward."

"We expect pricing to remain competitive, at least for the first half of the calendar year. One of the challenges that is re-emerging in our sector is the shortage of experienced drill crews in the industry, a factor that will put some pressure on productivity and margins as we go forward. In Australia, we will be working our way out of some low margin contracts over the next few months while heavy rain will continue to affect our energy operations during February and March."

"The Company is in an excellent financial position following turbulent times, with total cash level, net of long-term debt standing at $26.6 million at quarter-end. Despite the difficult environment, the Company continued to generate positive cash flow from operations," stated Mr. McGuire.

"Capital expenditures for the quarter were $10.1 million. We purchased 7 additional rigs while retiring 14 rigs through our modernization program. We added 3 of those new rigs to our energy division as we continued to broaden our footprint in the coal and coal seam gas sector. We also added 4 rigs to our mineral division as certain types of rigs are in high demand in certain regions. We plan to continue our efforts to improve rig availability and reliability, and consequently we intend to upgrade part of our already modern fleet through the replacement of some 30 rigs over the next 12 months."

"We would like to note that we have suffered no injuries, nor damage from the destructive earthquake in Chile. We expect to have some minor and very temporary disruptions to our operations as a result of transportation and supply challenges over the next month or so."

"Given the Company's continued ability to generate cash, even in difficult times, the Company is pleased to announce that today its Board of Directors declared a cash dividend of $0.20 per

common share payable on May 3, 2010 to shareholders of record as of April 9, 2010. This dividend is designated as an "eligible dividend" for Canadian tax purposes," said Mr. McGuire. "Finally, I would like to take this opportunity to thank Derek Pannell, who is stepping down as a Director, for his years of service to the Company. I would also like to welcome Jean Desrosiers, Vice-President - Mining Operations for Xstrata - Zinc, to the Board."

Third quarter ended January 31, 2010

Total revenue for the third quarter was $72.5 million compared to $87.4 million recorded for the prior year period. November and December revenue was down significantly, impacted by early shutdowns for the holidays from an already low level of activity compared to the same period last year. However, January revenue was significantly higher than last year as activity levels picked up. The unfavorable foreign exchange translation impact for the quarter, when compared to the effective rates for the same period last year, is estimated at $5 million on revenue.

Revenue from Canada-U.S. drilling operations was down 23 percent to $21.8 million for the quarter compared to $28.4 million for the same period last year. U.S. operations continued to be significantly impacted by delays and cancellations while Canada saw an increase in revenue during the quarter.

In South and Central America, revenue for the quarter was $26.5 million, up 13 percent from $23.5 million recorded in the prior year quarter. Increased activity in Chile and Argentina more than offset a decrease in activity in Mexico.

Australian, Asian and African drilling operations reported revenue of $24.2 million, down some 32 percent from $35.5 million reported in the same period last year. All regions were still impacted by low levels of activity and pricing. Also, in Australia, heavy rain affected the startup of operations in January, mainly in our energy sector on the East coast.

The overall gross margin percentage for the quarter was 16.5 percent as compared to 27.6 percent for the same period last year. Margins were considerably impacted by costs relating to the ramp up of operations as the Company was gearing up for new contracts. Higher mobilization costs combined with additional personnel being trained added a layer of costs this quarter. Also, with the low levels of activity in the past 12 months, the Company had stored several rigs that had to be re-commissioned for the upcoming quarter bringing higher repair and maintenance costs. Finally, significantly reduced pricing as compared to last year, due to competitive pressures, impacted margins.

General and administrative costs were $7.9 million for the quarter, down 30 percent compared to $11.3 million in the same period last year. The decrease was due to cost cutting initiatives implemented in November 2008 and February 2009.

Other expenses were $1.8 million for the quarter compared to $2.0 million for the same period last year. The reduction primarily relates to lower incentive compensation expenses given the Company's decreased profitability as compared to the same period last year, offset by write-downs of fixed assets.

Foreign exchange loss was $0.2 million for the quarter compared to a gain of $0.7 million for the prior year period. The loss was due to exchange rate variations on foreign currency monetary working capital items.
Short-term interest expense was nil for the quarter compared to nil last year, while interest on long-term debt was $0.2 million compared to $0.5 million for the prior year quarter.

Amortization expense decreased to $7.3 million for the quarter compared to $8.5 million for the same quarter last year, as a result of equipment write-downs in the previous quarters.

In last year's third quarter, the Company recorded a restructuring charge of $6.9 million to account for retrenchment costs of $1.7 million and asset write-downs of $5.2 million. Also at that time, the Company recorded a non-cash goodwill and intangible asset impairment charge of $0.7 million.

The Company's tax recovery was $1.0 million for the quarter compared to a recovery of $0.1 million for the same period last year. The tax recovery for this quarter was impacted by the non-recognition or reversal of tax losses in Ecuador and South Africa.

Resulting net loss for the quarter was $4.5 million or $0.19 per share ($0.19 per share diluted) compared to $5.1 million or $0.21 per share ($0.21 per share diluted) for the same period last year.

Year to date ended January 31, 2010

Revenue for the nine-month period ending January 31, 2010 decreased 54 percent to $210.5 million from $456.6 million for the corresponding period last year. The unfavorable foreign exchange translation impact for the year, when compared to the effective rates for the same period last year, is estimated at less than $2 million on revenue.

Canada-U.S. revenue decreased by 55 percent to $66.1 million compared to $147.6 million last year with both countries affected by cancellations and decreased pricing.

Revenue in South and Central America decreased by 48 percent to $68.9 million, compared to $133.1 million in the prior year period. Mexico, Chile and Argentina accounted for most of the reduction.

Revenue in Australia, Asia and Africa decreased 57 percent to $75.5 million from $175.8 million in the prior year period. Every country in this segment was affected by reduced pricing and utilization due to cancellation of drilling programs.

Gross margins for the nine-month period were 24.7 percent compared to 34.6 percent last year due mainly to significantly reduced pricing.

General and administrative expenses decreased 34 percent to $24.9 million compared to $37.5 million for the same period last year. The decrease was due to cost cutting initiatives implemented in November 2008 and February 2009.

Other expenses were $3.8 million for the nine-month period compared to $10.7 million for the same period last year due primarily to lower incentive compensation expenses given the Company's decreased profitability in the current year.

Foreign exchange gain was $0.7 million for the nine-month period compared to a loss of $1.0 million in the prior year period as a result of favorable currency variations.

Short-term interest revenue was $0.1 million for the nine-month period compared to an expense of $0.2 million last year, while interest expense on long-term debt was $0.8 million compared to $1.4 million for the same period last year.

Amortization expense decreased to $22.8 million for the nine-month period, compared to $24.2 million for the same period last year, as a result of equipment write-downs in the previous quarters.

The provision for income tax for the nine-month period was an expense of $0.9 million compared to $24.6 million for the prior year period. The tax expense for the year was impacted by the non-recognition or reversal of tax losses in Ecuador and differences in tax rates between regions.

Net loss for the nine-month period was $3.7 million or $0.16 per share ($0.15 per share diluted) compared to earnings of $50.5 million or $2.13 per share ($2.11 per share diluted) for the same period last year.

Some of the statements contained in this press release may be forward-looking statements, such as, but not limited to, those relating to worldwide demand for gold and base metals and overall commodity prices, the level of activity in the minerals and metals industry and the demand for the Company's services, the Canadian and international economic environments, the Company's ability to attract and retain customers and to manage its assets and operating costs, sources of funding for its clients, particularly for junior mining companies, competitive pressures, currency movements, which can affect the Company's revenue in Canadian dollars, the geographic distribution of the Company's operations, the impact of operational changes, changes in jurisdictions in which the Company operates (including changes in regulation), failure by counterparties to fulfill contractual obligations, and other factors as may be set forth, as well as objectives or goals, and including words to the effect that the Company or management expects a stated condition to exist or occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements by reason of factors such as, but not limited to, the factors set out in the discussion starting on pages 19 to 22 of the 2009 Annual Report entitled "General Risks and Uncertainties", as updated by the section entitled "General Risks and Uncertainties" in the discussion on pages 9, 10, 11 and 12 of the Company's third quarter 2010 MD&A, and such other documents as available on SEDAR at www.sedar.com. All such factors should be considered carefully when making decisions with respect to the Company. The Company does not undertake to update any forward-looking statements, including those statements that are incorporated by reference herein, whether written or oral, that may be made from time to time by or on its behalf, except in accordance with applicable securities laws.

Based in Moncton, New Brunswick, Major Drilling Group International Inc. is one of the world's largest metals and minerals contract drilling service companies. To support its customers' mining operations and mineral exploration activities, Major Drilling maintains operations in Canada, the United States, South and Central America, Australia, Indonesia, Mongolia, and Africa.

Financial statements are attached.

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

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

	Nine months ended January 31		Three months ended January 31	
	2010	2009	**2010**	2009
TOTAL REVENUE	**$ 210,488**	$ 456,586	**$ 72,471**	$ 87,361
DIRECT COSTS	**158,487**	298,758	**60,492**	63,275
GROSS PROFIT	**52,001**	157,828	**11,979**	24,086
OPERATING EXPENSES				
General and administrative	**24,930**	37,472	**7,932**	11,300
Other expenses	**3,828**	10,739	**1,796**	2,043
Foreign exchange (gain) loss	**(663)**	954	**166**	(674)
Interest (revenue) expense	**(128)**	220	**(33)**	13
Interest expense on long-term debt	**813**	1,415	**239**	471
Amortization	**22,783**	24,216	**7,343**	8,463
Restructuring charge (note 5)	**1,220**	6,919	**-**	6,919
Goodwill and intangible assets impairment (note 6)	**2,032**	732	**-**	732
	54,815	82,667	**17,443**	29,267
(LOSS) EARNINGS BEFORE INCOME TAX	**(2,814)**	75,161	**(5,464)**	(5,181)
INCOME TAX - PROVISION (RECOVERY)				
Current	**3,214**	22,677	**1,912**	(230)
Future	**(2,339)**	1,948	**(2,923)**	119
	875	24,625	**(1,011)**	(111)
NET (LOSS) EARNINGS	**$ (3,689)**	$ 50,536	**$ (4,453)**	$ (5,070)
(LOSS) EARNINGS PER SHARE				
Basic *	**$ (0.16)**	$ 2.13	**$ (0.19)**	$ (0.21)
Diluted **	**$ (0.15)**	$ 2.11	**$ (0.19)**	$ (0.21)

*Based on 23,719,622 and 23,709,136 daily weighted average shares outstanding for the fiscal year to date 2010 and 2009, respectively and on 23,723,932 and 23,711,073 daily weighted average shares for the quarter ended January 31, 2010 and 2009, respectively. The total number of shares outstanding on January 31, 2010 was 23,747,573.

**Based on 23,874,652 and 23,945,107 daily weighted average shares outstanding for the fiscal year to date 2010 and 2009, respectively and on 23,938,688 and 23,812,526 daily weighted average shares outstanding for the third quarter ended January 31, 2010 and 2009, respectively.

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

(in thousands of Canadian dollars)
(unaudited)

	Nine months ended January 31		Three months ended January 31	
	2010	2009	**2010**	2009
NET (LOSS) EARNINGS	**$ (3,689)**	$ 50,536	**$ (4,453)**	$ (5,070)
OTHER COMPREHENSIVE (LOSS) EARNINGS				
Unrealized (losses) gains on translating financial statements of self-sustaining foreign operations	**(24,975)**	38,476	**(959)**	4,123
COMPREHENSIVE (LOSS) EARNINGS	**$ (28,664)**	$ 89,012	**$ (5,412)**	$ (947)

Consolidated Statements of Retained Earnings

(in thousands of Canadian dollars)
(unaudited)

	Nine months ended January 31	
	2010	2009
RETAINED EARNINGS, BEGINNING OF THE PERIOD	**$ 218,983**	$ 182,533
Net (loss) earnings	**(3,689)**	50,536
Dividend	**(4,745)**	(4,742)
RETAINED EARNINGS, END OF THE PERIOD	**$ 210,549**	$ 228,327

Consolidated Statements of Accumulated Other Comprehensive Loss

(in thousands of Canadian dollars)
(unaudited)

	Nine months ended January 31	
	2010	2009
ACCUMULATED OTHER COMPREHENSIVE LOSS, BEGINNING OF THE PERIOD	**$ (5,079)**	$ (44,552)
Unrealized (losses) gains on translating financial statements of self-sustaining foreign operations	**(24,975)**	38,476
ACCUMULATED OTHER COMPREHENSIVE LOSS, END OF THE PERIOD	**$ (30,054)**	$ (6,076)

Major Drilling Group International Inc.
Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)
(unaudited)

	Nine months ended January 31		Three months ended January 31	
	2010	2009	**2010**	2009
OPERATING ACTIVITIES				
Net (loss) earnings	**$ (3,689)**	$ 50,536	**$ (4,453)**	$ (5,070)
Operating items not involving cash				
Amortization	**22,783**	24,216	**7,343**	8,463
Restructuring charge	**-**	5,194	**-**	5,194
Loss (gain) on disposal of property, plant and equipment	**934**	961	**933**	(203)
Future income tax	**(2,339)**	1,948	**(2,923)**	119
Stock-based compensation	**1,485**	1,273	**441**	175
Goodwill and intangible assets impairment (note 6)	**2,032**	732	**-**	732
	21,206	84,860	**1,341**	9,410
Changes in non-cash operating working capital items	**11,562**	31,152	**11,887**	33,604
	32,768	116,012	**13,228**	43,014
Changes in non-cash operating working capital items from discontinued operations	**-**	(1,898)	**-**	(1,898)
Cash flow from operating activities	**32,768**	114,114	**13,228**	41,116
FINANCING ACTIVITIES				
Repayment of long-term debt	**(9,026)**	(9,094)	**(2,557)**	(3,171)
Acquisition of long-term debt	**-**	10,000	**-**	-
Repayment of demand credit facilities	**-**	(2,179)	**-**	-
Issuance of common shares	**28**	28	**-**	-
Dividend paid	**(9,488)**	(4,742)	**(4,745)**	-
Cash flow used in financing activities	**(18,486)**	(5,987)	**(7,302)**	(3,171)
INVESTING ACTIVITIES				
Business acquisition	**-**	(21,867)	**-**	(62)
Acquisition of property, plant and equipment, net of direct financing	**(17,282)**	(48,288)	**(10,074)**	(14,324)
Proceeds from disposal of property, plant and equipment	**1,610**	3,040	**113**	1,147
Cash flow used in investing activities	**(15,672)**	(67,115)	**(9,961)**	(13,239)
OTHER ACTIVITIES				
Foreign exchange translation adjustment	**(2,954)**	5,052	**203**	3,027
(DECREASE) INCREASE IN CASH	**(4,344)**	46,064	**(3,832)**	27,733
CASH POSITION, BEGINNING OF THE PERIOD	**58,035**	20,695	**57,523**	39,026
CASH POSITION, END OF THE PERIOD	**$ 53,691**	$ 66,759	**$ 53,691**	$ 66,759

Major Drilling Group International Inc.
Consolidated Balance Sheets

As at January 31, 2010 and April 30, 2009

(in thousands of Canadian dollars)

(unaudited)

ASSETS	January 2010	April 2009
CURRENT ASSETS		
Cash	$ 53,691	$ 58,035
Accounts receivable	42,761	52,538
Income tax receivable	9,025	6,014
Inventories	65,349	72,764
Prepaid expenses	4,332	3,478
Future income tax assets	839	2,644
	175,997	195,473
PROPERTY, PLANT AND EQUIPMENT	218,797	240,224
FUTURE INCOME TAX ASSETS	7,103	1,403
GOODWILL AND INTANGIBLE ASSETS (note 9)	26,137	32,072
	$ 428,034	$ 469,172

LIABILITIES	January 2010	April 2009
CURRENT LIABILITIES		
Accounts payable and accrued charges	$ 49,185	$ 47,691
Income tax payable	1,633	1,719
Current portion of long-term debt	10,218	15,049
Future income tax liabilities	717	1,071
	61,753	65,530
LONG-TERM DEBT	16,903	23,507
FUTURE INCOME TAX LIABILITIES	15,928	14,789
	94,584	103,826
SHAREHOLDERS' EQUITY		
Share capital	142,261	142,233
Contributed surplus	10,694	9,209
Retained earnings	210,549	218,983
Accumulated other comprehensive loss	(30,054)	(5,079)
	333,450	365,346
	$ 428,034	$ 469,172

1. BASIS OF PRESENTATION

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

2. CHANGES IN ACCOUNTING POLICIES

Goodwill and Intangible Assets

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

3. FUTURE ACCOUNTING CHANGES

Business combinations

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

Consolidated financial statements and non-controlling interests

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

International Financial Reporting Standards ("IFRS")

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

3. FUTURE ACCOUNTING CHANGES (Continued)

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

4. SEASONALITY OF OPERATIONS

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

5. RESTRUCTURING CHARGE

The Company initiated a restructuring plan in fiscal year 2009 to standardize the drilling equipment fleet and reduce operating costs by rationalizing the workforce and business locations. These initiatives have generated a total restructuring charge of $10,263, of which $6,919 and $2,124 were expensed in the third and fourth quarters respectively of fiscal year 2009 and $1,220 was expensed in the first quarter of the current fiscal year.

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

As of January 31, 2010, these charges had been fully paid.

6. GOODWILL AND INTANGIBLE ASSETS IMPAIRMENT

In the first quarter of the current fiscal year, the Company recorded a net non-cash goodwill impairment charge of $2,032. This eliminated goodwill of $3,722 recorded on the Paragon del Ecuador S.A. acquisition offset by a reduction of a holdback of $1,690, which was a contingent consideration to the purchase price and dependant on the political situation in Ecuador. The goodwill impairment charge resulted from political issues and uncertainty still affecting the mining industry in Ecuador and therefore the inability of this region to generate the expected revenue.

6. GOODWILL AND INTANGIBLE ASSETS IMPAIRMENT (Continued)

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

7. BUSINESS ACQUISITION

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

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

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

Consideration		
Cash	$	**21,867**
Accounts payable		**500**
Long-term debt		**750**
	$	**23,117**

8. INVENTORY

The cost of inventory recognized as an expense and included in direct costs for the nine and three months ended January 31, 2010 was $44,526 and $17,436 respectively. During the period, there were no significant write-downs of inventory as a result of net realizable value being lower than cost and no inventory write-downs recognized in previous years were reversed.

9. GOODWILL AND INTANGIBLE ASSETS

	January 2010	April 2009
Goodwill	**$ 24,959**	$ 30,470
Intangible assets	**1,178**	1,602
	$ 26,137	$ 32,072

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

Changes in the goodwill and intangible assets balance were as follows for the nine and three months ending January 31, 2010:

	2010 YTD	2009 YTD	**2010 Q3**	2009 Q3
Balance at beginning of the period	**$ 32,072**	$ 14,837	**$ 26,297**	$ 32,354
Amortization of intangible assets	**(396)**	(30)	**(132)**	(30)
Goodwill adjustment (note 6)	**(1,690)**	-	**-**	-
Goodwill impairment (note 6)	**(2,032)**	(732)	**-**	(732)
Goodwill and intangible assets acquired	**-**	14,931	**-**	174
Effect of foreign currency exchange rate changes	**(1,817)**	3,081	**(28)**	321
	$ 26,137	$ 32,087	**$ 26,137**	$ 32,087

10. CAPITAL MANAGEMENT

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

10. CAPITAL MANAGEMENT (Continued)

Total managed capital was as follows:

	January 2010	April 2009
Long-term debt	**$ 27,121**	$ 38,556
Share capital	**142,261**	142,233
Contributed surplus	**10,694**	9,209
Retained earnings	**210,549**	218,983
Cash	**(53,691)**	(58,035)
	$ 336,934	$ 350,946

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

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

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

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

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

11. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, accounts receivable and accounts payable and accrued charges approximate their fair value due to the relatively short period to maturity of the instruments. Long-term debt has a carrying value of $27,121 as at January 31, 2010 (April 30, 2009 - $38,556) and also approximates its fair market value.

11. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk
The Company is exposed to credit risk from its accounts receivable. The Company has adopted a policy of dealing only with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. It carries out, on a continuing basis, credit checks on its customers and maintains provisions for contingent credit losses. The Company also diversifies its credit risk by dealing with a large number of customers in various countries. Demand for the Company's drilling services depends upon the level of mineral exploration and development activities conducted by mining companies, particularly with respect to gold, nickel and copper. The Company's five largest customers account for 22 percent (28 percent in 2009) of total quarterly revenue, with no one customer representing more than 10 percent of its revenue for 2010 or 2009.

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

As at January 31, 2010, 76.4 percent of the Company's trade receivables are aged as current (less than 30 days) and 4.7 percent of the trade receivables are impaired.

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

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

As at January 31, 2010 the Company has estimated that a one percentage point increase in interest rates would have caused a quarterly decrease in net income of approximately $58 and a one percentage decrease in interest rates would have caused a quarterly increase in net income of $58.

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

11. FINANCIAL INSTRUMENTS (Continued)

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

Based on the Company's foreign currency net monetary exposures and net assets as at January 31, 2010, and assuming that all other variables remain constant, a 10 percent rise or fall in the Canadian dollar against the other foreign currencies would have resulted in increases (decreases) in the net earnings and comprehensive earnings as follows:

	Increase (decrease) in net earnings	
	Canadian dollar appreciates 10%	Canadian dollar depreciates 10%
US Dollar	**$ 359**	**$ (359)**
Indonesian Rupiah	**(196)**	**196**
Mexican Peso	**(409)**	**409**
Chilean Peso	**340**	**(340)**

	Increase (decrease) in comprehensive earnings	
	Canadian dollar appreciates 10%	Canadian dollar depreciates 10%
Australian Dollar	**$ (1,362)**	**$ 1,362**
US Dollar	**(25,059)**	**25,059**

Liquidity risk

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

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

Total financial liabilities, by due date, as at January 31, 2010 are as follows:

	Total	**1 year**	**2-3 years**	**4-5 years**	**5+ years**
Accounts payable & accrued charges	**$ 49,185**	**$ 49,185**	**$ -**	**$ -**	**$ -**
Long-term debt	**27,121**	**10,218**	**12,852**	**4,051**	**-**
	$ 76,306	**$ 59,403**	**$ 12,852**	**$ 4,051**	**$ -**

12. SEGMENTED INFORMATION

	2010 YTD	2009 YTD	**2010 Q3**	2009 Q3
Revenue				
Canada - U.S.	**$ 66,081**	$ 147,647	**$ 21,802**	$ 28,376
South and Central America	**68,889**	133,119	**26,486**	23,515
Australia, Asia and Africa	**75,518**	175,820	**24,183**	35,470
	$ 210,488	$ 456,586	**$ 72,471**	$ 87,361
Earnings (loss) from operations				
Canada - U.S.	**$ 5,394**	$ 38,142	**$ 13**	$ 3,286
South and Central America	**5,400**	32,591	**132**	2,778
Australia, Asia and Africa	**(2,317)**	27,562	**(2,883)**	124
	8,477	98,295	**(2,738)**	6,188
Eliminations	**(1,024)**	(916)	**(367)**	(313)
	7,453	97,379	**(3,105)**	5,875
Interest expense, net	**685**	1,635	**206**	484
General corporate expenses	**6,330**	12,932	**2,153**	2,921
Restructuring charge	**1,220**	6,919	**-**	6,919
Goodwill and intangible assets impairment	**2,032**	732	**-**	732
Income tax	**875**	24,625	**(1,011)**	(111)
Net (loss) earnings	**$ (3,689)**	$ 50,536	**$ (4,453)**	$ (5,070)

Goodwill and intangible assets impairment relates to the South and Central American segment for the current fiscal year and Canada – U.S. for the 2009 year (see Note 6 – Goodwill and Intangible Assets Impairment).