MAJOR

Drilling Group International Inc.

Investing in the Future...

1999 ANNUAL REPORT

Major Drilling Group International Inc.

Major Drilling Group International Inc. is the world's pre-eminent contract drilling provider to the metals and minerals sector. The Company primarily serves the mining industry but also provides environmental and geotechnical drilling services. Major Drilling maintains field operations and/or offices in 25 countries.

Major Drilling's objective is to continue growing by serving customers at all of their operations. Major Drilling provides services in some of the world's harshest operating conditions, yet consistently provides customers with the highest quality work, on time and on budget.

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

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...by expanding our markets and strengthening our team.

At a Glance

North American Operations

Bishop's Falls, Newfoundland
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Timmins, Ontario
North Bay, Ontario
Winnipeg, Manitoba
Thompson, Manitoba
Flin Flon, Manitoba
Yellowknife, Northwest Territories
Smithers, British Columbia
North Pole, Alaska
Ashland, Maine
Rocklin, California
Greenland

Latin American Operations

Hermosillo, Mexico
Iguala, Mexico
Puerto Ordaz, Venezuela
Bogota, Colombia
Georgetown, Guyana
Cayenne, French Guiana
Lima, Peru
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Nicaragua
Costa Rica

European Operations

Portugal
Italy
Turkey

African Operations

Bamako, Mali
Obuasi, Ghana
Mwanza, Tanzania

Milestones for Major Drilling Group International Inc.

March 1995

Major Drilling goes public on the TSE.

May 1997

Major Drilling acquires J.T. Thomas Drilling and gains access to previously untapped markets in northwest Canada.

August 1997

Major Drilling acquires Pontil Pty Limited, expanding Major's operations into Australia, Ghana and Indonesia. Provides the Company with expertise in directional drilling.

October 1997

Major Drilling acquires Wilson Drilling to further expand Major's operations in the Australian market.

HIGHLIGHTS

000's (except earnings per share)	FY 1999	FY 1998
Revenues	$ 130,820	$ 133,583
Cash flow (EBITDA) from continuing operations	$ 12,255	$ 24,193
Net earnings (loss)	($ 14,164)	$ 8,930
Net earnings from continuing operations	$ 1,930	$ 11,146
Earnings (loss) per share	($ 1.25)	$ 0.85
Earnings per share from continuing operations	$ 0.17	$ 1.06

Australian and Asian Operations

Mount Isa, Queensland
Kambalda, Western Australia
Cobar, New South Wales
Dubbo, New South Wales
Rosebery, Tasmania
Jakarta, Indonesia

February 1998

Major Drilling acquires Midwest Drilling to solidify Major as the dominant drilling contractor in the Canadian marketplace.

April 1998

Major Drilling finishes fiscal 1998 with record revenue of $134 million.

January 1999

Major Drilling launches marketing program aimed at the corporate level of the world's largest mining companies.

August 1999

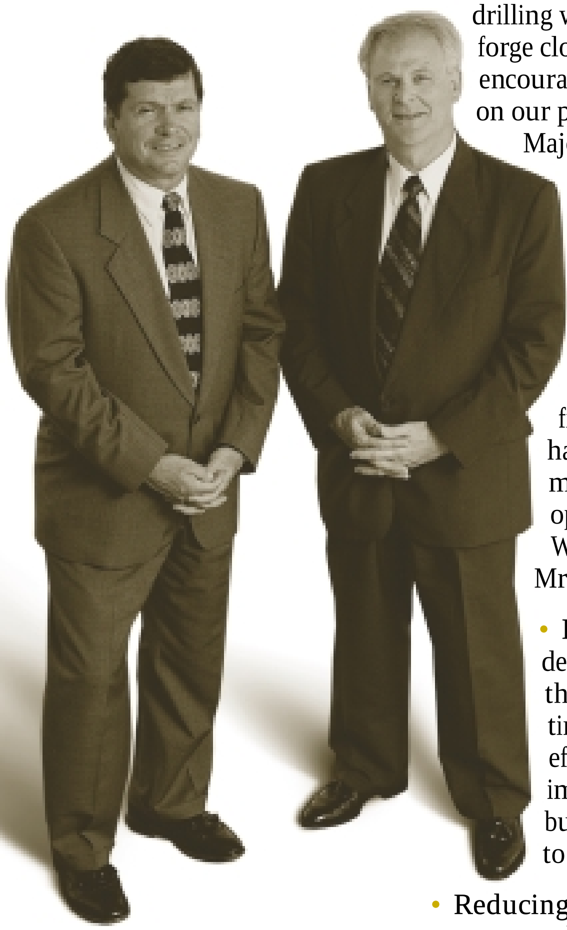
Major Drilling acquires Benoit Diamond Drilling (Tanzania) Limited of Mwanza,Tanzania.

Message to Shareholders

In the 1999 fiscal year, Major Drilling laid the foundations for long-term, profitable growth by investing in the future. We accomplished this in several ways:

- **Broadening the Company's international presence.** Major Drilling goes wherever our customers are. In fiscal 1999, we strengthened our services in the growth markets of Chile and Argentina. We entered Colombia and we further expanded our corporate structure into new European markets. This brings to 25 the number of countries in which we operate, positioning Major Drilling as the premier drilling contractor to the metals and minerals sector worldwide.

- **Implementing a new marketing initiative.** We developed a focused program to expand our market share with large, multinational mining companies. While Major Drilling may already provide drilling services at many of a mining company's existing operations, for reasons particular to that locale, the mining company may use a local drilling contractor when it enters a new territory. The marketing thrust aims to capture a larger share of drilling work at all of our customers' operations. To achieve this, Major Drilling will forge closer relationships with multinational mining companies at the corporate level to encourage them to call on us whenever they move into new areas. This initiative builds on our practice of applying the technical knowledge base and experience of the entire Major Drilling team to support and complement branch managers who have acquired contacts and understanding of the local market.



- **Building the management team.** Our strategy seeks to ensure that the management team and the corporate infrastructure are continuously strengthened to keep pace with the increased scale and international scope of the Company's expanding operations. The appointment of Michael A. Pavey as Chief Financial Officer during fiscal 1999 is consistent with this objective. Mr. Pavey brings to Major Drilling substantial experience in corporate planning, finance, regulation and mergers and acquisitions. He succeeds Paul Légère, who has been appointed Executive Vice-President. As part of the realignment of senior management, Mr. Légère will assume direct responsibility for Australia-Asia operations, as well as corporate procurement and inventory management. With his continued responsibility for management information systems, Mr. Légère will lead the integration of the Company's operations and systems.

- **Developing new business processes.** Major Drilling's growth has led to the development of new administrative systems to integrate corporate additions into the Company. On the administrative side, these processes aim to improve the timeliness of reporting, better manage global inventories, achieve management efficiencies and maximize procedural synergies. On the operational side, the improvements will maintain the relative autonomy of regional operations and business development initiatives to permit branch personnel to respond quickly to the demands of local markets.

- **Reducing costs.** We will intensify our initiatives to reduce general and administrative expenses and improve administrative effectiveness while maintaining our capacity for growth. General and administrative expenses for the fourth quarter of fiscal 1999 were 15% lower than for the same period last year.

These activities were given emphasis at a time when metal prices were declining to cyclical lows. This price erosion led to a significant cutback in global drilling activity. It also gave rise to changes in drilling objectives that varied according to the size of the mining company. Large, multinational producers, seeing little price incentive to develop new properties, de-emphasized exploratory drilling for undiscovered mineralization. Instead, they increasingly focused on optimizing output via definition drilling to more precisely develop the most economical mine plans for existing operations. Junior mining companies, in contrast, have a primary focus on exploration so their reduction in drilling was more substantial. Consequently, lower metal prices affected Major Drilling's operations less in North America and Australia, where many major mining companies continued to contract for definition drilling at existing operations. The most pronounced impact was in Latin America, where there was a higher proportion of exploratory drilling.

Overall, the industry-wide reduction in drilling activity reduced Major Drilling's revenue by 2% to $130.8 million. It also led to competitive pricing pressures which, together with startup costs of new Latin American operations, affected gross margins. Major Drilling's successful ongoing cost management program held general and administrative outlays to 1998 levels, despite a full year of administrative costs associated with the acquisitions made in fiscal 1998.

At Major Drilling, we are committed to long-term profitable growth. We will focus on delivering positive results to the bottom line, even during cyclical downturns in the mining sectors we service, and superior results during upturns. This commitment demands that we maintain a strong discipline to deal quickly with under-performance in our operations and to ensure that we remain focused on key areas of excellence.

Following a strategic review of operations and business direction, we concluded that the Company's drill rig manufacturing operation, UDR Group Limited, no longer constitutes a core business of Major Drilling. Rather than continue investing in an operation that falls outside of our principal area of expertise, we have retained an investment banking firm to find a buyer.

We have provided $16.1 million to cover 1999 operating losses, future operating losses, and the cost of this planned divestiture and the shutdown of our operations in Brazil in the Company's financial statements for fiscal 1999. This results in a loss after discontinued operations for the year of $14.2 million or $1.25 per share. Excluding the loss associated with this provision, earnings from continuing operations were $1.9 million or $0.17 per share.

Over the near term, we will focus on the following areas:

- **Management of our current drilling business.** We will continue to integrate recent acquisitions into Major Drilling and find new ways to maximize efficiency, achieve economies of scale and control costs.
- **Further development of marketing initiatives.** We will reach out to mining companies, offering them the best drilling services in the industry at the most competitive prices anywhere in the world.
- **Seeking new acquisitions.** Major Drilling will proceed with its growth plan, principally through strategic acquisitions of drilling firms. Acquisition criteria include strategic fit, the degree to which Major Drilling's reach in the industry will be extended, and expected immediate contributions to cash flow and earnings. The current period – a low point in the industry business cycle – is a particularly opportune time to review acquisition possibilities.
- **Maintaining focus on drilling.** By focusing our resources on Major Drilling's primary competency of contract drilling, the Company will be best positioned to increase shareholder value.

Looking ahead, Major Drilling will emerge from the current industry slowdown in a stronger competitive position. Acquisitions are integrating well into the Company, new markets have been staked out and our strategic marketing initiative will continue building market share through geographic diversification to meet the needs of our customers.

We expect, and are planning for, continued difficult markets in the mining sector over the near term. Nonetheless, we are confident that tight cost controls, coupled with improving operations in Latin America and Australia, will result in higher margins and a profitable fiscal 2000.

We would like to express our sincere appreciation to Major Drilling's employees, who have consistently delivered quality results at work sites ranging from frozen tundra to equatorial jungles. We also thank our Board of Directors for providing invaluable advice and guidance as the Company expands. And to our investors, we look forward to rewarding your support with increased shareholder value in the years ahead.

Ron J. Goguen

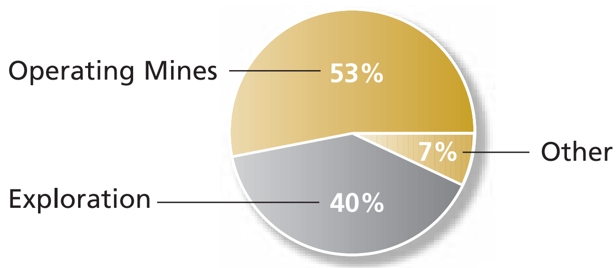
Ronald J. Goguen
President and CEO

Frank McKenna

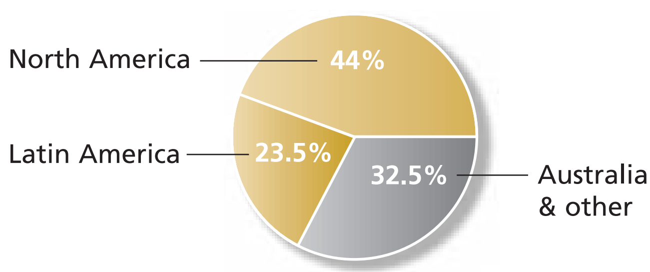
Frank McKenna
Chairman

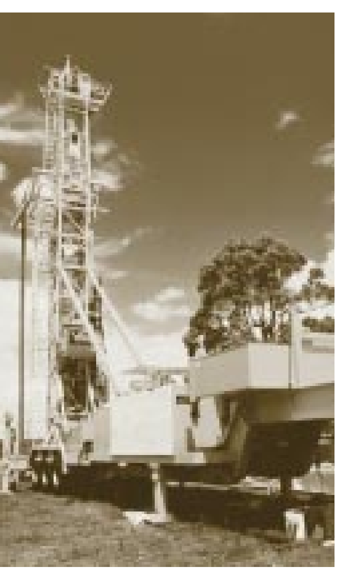
Major Drilling delivers results anywhere in the world …

Mining companies typically progress through several drilling phases in bringing an ore body into production – from exploratory drilling to discover new deposits, to development and definition drilling at operating mines to define ore bodies and expand reserves. The chart below shows the proportion of Major Drilling revenues in fiscal 1999 that came from each of these drilling phases, as well as from other sectors such as construction and environmental drilling.



Major Drilling segments activities into three geographic regions.
This chart illustrates the relative revenue contribution from each region in fiscal 1999.





Our customers

Major Drilling provides drilling services to almost all of the large multinational mining companies. Most have mining operations located on several different continents. These customers, many of which are well-known public companies, include, among others:

noranda BARRICK PLACER DOME Pure Gold BHP INCO

North America

Major Drilling operates throughout Canada and the U.S., with sites from Newfoundland to California to Alaska.

The range of venues, tasks and working conditions varies widely. At new undeveloped properties in remote regions, crews conduct exploratory surface drilling to establish the existence and extent of mineralization. Established mines, by contrast, require development drilling to gather data to continue mining a known deposit. They also perform definition drilling to assist in the development of the most economical mine plan. This can take place both on the surface and underground.

Each operation poses distinct challenges and demands innovative solutions in both logistics management and drilling methods. For example, at Voisey's Bay, Newfoundland, the remoteness of the site requires personnel and equipment to be transported by helicopter. In Greenland, -40°C temperatures require extensive thermal equipment, ranging from specially aspirated coil stoves for heating drilling fluid to heavy-duty vehicle block heaters. In the Northwest Territories, softening of the tundra in summer requires all personnel and equipment to be transported by helicopter. A contract near Las Vegas, Nevada called for highly accurate directional drilling, requiring specialized personnel to be flown in from one of our branches in Australia and equipment transported from a Major Drilling branch in California.

North American operating locations and mineral targets included the following:

- Ontario – Underground and surface definition drilling for nickel, copper and gold
- Quebec – Underground and surface development and definition drilling for copper, zinc, gold, lead, asbestos, niobium and limestone
- Manitoba – Underground and surface exploratory and development drilling for nickel, copper and zinc
- Saskatchewan – Surface drilling for uranium
- New Brunswick – Surface exploratory drilling for copper, zinc and lead
- Newfoundland and Labrador – Surface exploratory and development drilling for nickel and copper
- Northwest Territories – Surface exploratory drilling for diamonds, base metals and gold
- Northeastern U.S. – Surface drilling for wollastonite and talc
- Nevada – Directional surface drilling
- Alaska – Surface exploratory drilling for gold

"Major Drilling crews achieved high productivity, a perfect safety record and a spotless environmental record. We have been extremely pleased with the Company's performance on our drilling programs since 1992 and we look forward to continued excellence in 1999 and beyond."

Jon A. Carlson
BHP Diamonds Inc.

Latin America

Here, extremes in topography and climate are the challenge.

Terrain varies from hot, impenetrable jungle to frigid, windswept mountainsides. The Andes Mountains pose particular challenges because of thin air at higher altitudes. Work locations at elevations of 17,000 feet require special heavy-duty hydraulic equipment. In addition, the Andes are an arid mountain chain and water needed for drilling must be transported to the site.

In fiscal 1999, much of Major Drilling's activity in Latin America focused on a portion of the Pascua gold deposit on the border between Chile and Argentina. There were considerable challenges reaching depths of 600 feet when Major Drilling began work on the property. We brought in nine rigs and by fiscal year-end had drilled to depths of over 1,500 feet. Through innovative techniques and drilling expertise, Major Drilling worked with the client to significantly reduce costs and drill to target depths.

The bulk of Major Drilling's work in Latin America is diamond core drilling. Major Drilling complements this service with reverse circulation drilling in countries such as Honduras and combination reverse circulation/core drilling in Argentina. Large diameter core sizes are used for core sampling and where fractured rock and sand make core recovery difficult, it requires muds and polymers to stabilize hole walls.

Listed below are the types of drilling activity carried out in Latin America in fiscal 1999:

- Chile – Underground and surface definition drilling
- Argentina – Surface exploratory drilling
- French Guiana – Surface exploratory drilling
- Mexico – Surface exploratory and development drilling
- Honduras – Surface exploratory drilling
- Peru – Surface exploratory and development drilling
- Columbia – Surface exploratory and development drilling
- Venezuela – Surface exploratory and development drilling

"Major Drilling has proven it has the financial resources, proper equipment and experienced people to undertake Barrick Gold's Pascua/Lama surface and underground deep core drilling project on the border of Chile and Argentina. Major Drilling overcame harsh weather and very difficult ground conditions at an altitude of 17,000 feet, and delivered first class results."

Bill Mounts
Barrick Gold

Australia and other

Major Drilling initiated its presence in Australia in 1997 by acquiring two drilling companies. This mining market is characterized by a mix of operating mines and new properties where development is just beginning. Mining companies extract a diverse array of minerals that include gold, nickel, copper, zinc, lead and coal.

In fiscal 1999, much of our activity was in the eastern and southern part of the country, serving a broad range of mining clients. Much of our current work consists of definition drilling underground and around open pit mines that have reached their economic limit as surface operations. We assist the client in determining the feasibility of extending these operations underground.

These sites use a number of exploration methods. Reverse circulation drilling is used to proceed quickly through rock where it is known that little mineralization exists. Once the target ore body is reached, the rig switches to diamond drilling to obtain core samples. In addition, directional drilling is sometimes used to reach defined targets at depth or to make pilot holes for mine shaft development work.

In 1997, Major Drilling gained leading-edge directional drilling technology with the acquisition of Australia-based Pontil Pty Limited. With the assistance of geological data and our unique software package, Major Drilling can plot a deep hole and hit the target with high accuracy. Major Drilling is the only company offering this complete service. As near-surface deposits are mined out, demand for this capability is expected to increase.

Australia is the location of UDR Group Limited, Major Drilling's manufacturing unit. A review of the Company's strategic direction led to the decision to focus on the central business of contract drilling, supporting the mining operations and mineral exploration activities of our customers. As a result, we have decided to sell UDR Group and an investment banking firm has been retained for that purpose.

Australia is also used as a base of operations for several other locations, including:

- Indonesia – Underground development and definition drilling
- Ghana – Surface exploratory drilling

"Major Drilling's capable team and state-of-the-art equipment delivered excellent results in both distance drilled and percentage of cores recovered. A good measure of our progress is due to the efficiency of Major Drilling."

Luis Mauro Ferriera Gomes
Noranda Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

The fiscal year ended April 30, 1999 (FY 99) was one of change and adaptation to weak market conditions as mineral and metals prices slipped to cyclical lows. This led mining companies to reassess and reduce their requirements for contract drilling services.

Major Drilling's most immediate goal was to structure its operations to maintain profitability in this market while preparing itself for an eventual turnaround in drilling activity.

The decisive action taken by the Company included reducing costs, closing the unprofitable Brazilian operation and putting its manufacturing operation, UDR Group Limited, up for sale. The Company recorded a loss of $14.2 million or $1.25 per share after booking a provision of $16.1 million for discontinued operations pending disposition of UDR. These discontinued operations are excluded from continuing operations and prior period information has been adjusted for comparative purposes. Earnings from continuing operations were $1.9 million or $0.17 per share.

	1999	1998	1997	1996	1995
	(thousands of Canadian dollars) (as restated)				
Contract revenues by region					
Canada-U.S.	$57,588	$59,128	$36,377	$25,852	$25,804
Latin America	30,790	38,421	52,478	26,916	19,852
Australia & other	42,442	36,034	–	–	–
Total	130,820	133,583	88,855	52,768	45,656
Gross profits as a percentage of contract revenues	26.0%	32.3%	35.5%	34.1%	37.1%
General and administrative expenses	20,539	20,484	12,855	9,975	7,459
As a percentage of contract revenues	15.7%	15.3%	14.5%	18.9%	16.3%
Other expenses (income)	1,213	(1,540)	291	(1,098)	219
Interest	1,604	917	611	1,102	970
Depreciation	7,166	5,994	2,751	2,138	2,178
Net earnings from continuing operations	1,930	11,146	9,381	4,049	4,567
Net (loss) from discontinued operations	(16,094)	(2,216)	(155)	–	–
Net earnings (loss)	(14,164)	8,930	9,226	4,049	4,567
Cash flow (EBITDA) from continuing operations	$12,255	$24,193	$18,375	$9,115	$9,247

Revenues

Although detailed market information is not available, it is generally accepted that drilling activity worldwide is down considerably from fiscal 1998 (FY 98). Demand for exploratory drilling is more significantly impacted by declining mineral and metals prices than drilling at operating mines. At operating mines, low commodity prices create pressure to develop the most economic mine plans and thus the need for continued development and definition drilling to assist in the development of those plans. Drilling services at or around operating mines represented some 53% of the Company's revenues, while exploratory drilling represented 40% and other sectors (construction and environmental) represented 7% of revenues in FY 99.

Overall sales were down 2% from the prior year. The acquisitions in FY 98 of Pontil Pty Limited (Australia) in the first quarter (Q1), the assets of Icehill Pty Limited (Wilson Drilling, Australia) in Q2 FY 98, and Midwest Drilling (Canada) in Q4 helped the Company to maintain its revenue level through this difficult period. These operations generated an additional $19.5 million in revenues in FY 99 above the $48.4 million in the partial reporting periods of the previous year for these operations.

On a regional basis, Canada-U.S. operations, excluding Midwest Drilling, experienced lower revenues compared to last year. Revenues were down $14.5 million or 31%. Lower levels of exploration activity for diamonds in the Northwest Territories as mines came on stream, and for gold and base metals in eastern Canada (due to low metals prices), were the main reasons for lower activity in Canada. In FY 98, the Company closed its Montana operations which had been operating at a loss. This resulted in a significant improvement to margins and permitted U.S. operations to return to profitability in FY 99.

The Company's Latin American operations experienced lower revenues as compared to last year. Revenues were down $7.6 million or 20%. These lower revenues were due primarily to the fact that Latin American operations have historically been more focused on exploratory drilling. Although most of the countries in the region showed lower revenues, the Company is encouraged by significantly higher sales volumes in its Chilean and Argentinian operations, which experienced strong growth.

This growth came from a few very significant projects with strong economic fundamentals. At these projects, we were able to dislodge other established drilling contractors and become the primary contractor by outperforming our competition and reducing drilling costs for our customers. Revenues generated from the Chilean and Argentinian operations in FY 99 were $13.9 million as compared to $3.8 million for the prior year, an increase of 267%, and represented some 45% of Latin American revenues in FY 99.

Drilling revenues in the Australia-based operations remained relatively stable at $42.4 million for FY 99 compared to the 10-month period of FY 98 when revenues were $36.0 million.

Gross Profit

The Company's gross profit as a percentage of sales was 26% in FY 99 versus 32% in FY 98. The main reason for the reduction related to the Latin American operations, which experienced pricing pressures and higher costs associated with the startup of new operations in Chile and Argentina. Margins in the Australia-based operations were also down due to pricing pressures and startup costs at new underground operations. Typically, the costs associated with startups create pressure on gross margins and, consequently, the Company expects to see improved margins as these operations mature.

General and Administration Expenses

General and administrative expenses (G&A) were $20.5 million in FY 99 and FY 98. G&A was held flat despite the fact that Midwest Drilling was included for an additional nine months in FY 99, and as such, would have increased administrative expenses by some $3.7 million based on its rate of spending when acquired in FY 98. Significant cost-saving measures were taken (primarily staff reductions), enabling the Company to reduce the potential administrative costs at Midwest by half, or $1.9 million. The remainder of the Midwest increase was offset by cost savings of $0.9 million achieved with the shutdown, at the end of FY 98, of the Montana operations, and other cost-cutting measures taken in Latin America during the year. The extra costs of operating the Australian drilling companies for the full year in FY 99 were for the most part offset by cost-cutting measures within these operations.

Other Expenses (Income)

Net other expenses were $1.2 million in FY 99 versus a gain of $1.5 million in FY 98. The main factors for the increase in other expenses were bad debts, up $2.3 million from the previous year, and the gain on the sale of the Montana operations in FY 98, which amounted to $1.2 million. The high level of the bad debt expenses reflects the steep drop in junior exploration companies' funding capacity which began in the first half of FY 98. Prior to FY 99, the Company had not experienced any significant bad debts. Measures have been taken to centralize much of the credit-granting functions in order to reduce credit risks going forward.

Loss from Discontinued Operations

As noted above, the Company took decisive action during the year to close its money-losing Brazilian operations and to put its manufacturing operations up for sale. The latter action will permit the Company to focus on its core strengths. The closure of the Brazilian operations was seen as an essential step in returning Latin American operations to profitability. While we believe that the longer term outlook for Brazil is positive, current business practices in Brazil are to award drilling contracts in reals. In order to control the foreign exchange risk associated with the currencies of developing countries, the Company has a policy, where it is legal to do so, of only accepting payment in $US.

Income Taxes

Income taxes decreased to $1.6 million in FY 99 from $6.1 million in FY 98, reflecting the decrease in pretax income in FY 99. The Company's effective tax rate in FY 99 was 44.6%, compared to 35.5% in FY 98. The lower effective rate in FY 98 was due primarily to the utilization of prior-year losses for tax purposes and lower effective income tax rates for foreign subsidiaries.

Liquidity and Capital Resources

The Company's ongoing requirements for cash consist principally of amounts required for working capital, to finance capital expenditures and to fund debt service obligations. Earnings from continuing operations before income taxes, interest, and depreciation and amortization (EBITDA) were $12.3 million ($1.08 per share), down from $24.2 million ($2.30 per share) in FY 98, but still significantly positive despite the current difficult market conditions. Proceeds from the eventual sale of the manufacturing business will be used to reduce debt and for other general corporate purposes. The Company will consider issuing additional capital stock, if needed, to take advantage of acquisition or other investment opportunities that may emerge where management believes that such acquisitions will satisfy the Company's acquisition criteria, particularly in terms of being immediately cash-flow positive.

Working Capital

The Company's working capital needs are principally determined by the levels and turnover of its inventory and accounts receivable. During FY 99, the Company made considerable progress in reducing its level of accounts receivable. Due primarily to significant shifts in its business activity within its geographic segments, the reduction in its supplies inventory was not as large as anticipated. The Company is organizing its information systems and staffing structure to strengthen the management of its inventories. These changes, coupled with changes to its procurement processes, are seen as the foundation needed to reduce inventory levels without impacting customer service.

Capital Expenditures and Depreciation

The Company's business is not considered capital intensive, although there is a continuing need to purchase, refurbish and replace drilling rigs and related equipment. In the last few years, capital expenditures have been focused on expanding operations. This year, although the Company had a much larger operating base, it significantly reduced its capital expenditures from the level of capital expenditure of the prior year. It is anticipated that it will continue this reduction in capital spending in FY 00.

Borrowing Capacity

A Canadian chartered bank has made available three credit facilities to the Company. The maximum amount available under these facilities is $60.0 million and is subject to the Company meeting certain covenants primarily relating to its financial position. The first facility is a $16.0 million operating line secured by the Company's trade accounts receivable and Canadian inventory up to $7.5 million. The second facility is a $4.0 million revolving term line that can be divided into term loans with amortization of up to five years. The third facility is a $40.0 million revolving term line established to assist in acquisitions of similar businesses. Outstanding balances on this third line may be carved out in $1.0 million increments into separate term loans with amortization of up to five years, or remain revolving with a 366-day term and no set principal repayment requirements. The Company had utilized $7.5 million of its $16.0 million operating line, $1.2 million of its $4.0 million revolving term line, and $23.0 million of its $40.0 million acquisition line at April 30, 1999. In addition, Pontil Pty Limited has an operating line of $2.0 million of which $1.7 million had been utilized at April 30, 1999.

Year 2000 Compliance

Year 2000 (Y2K) compliance refers to the risk that computers and other devices may fail to recognize the year 2000 if their program logic uses two digits to represent the year. The Company has conducted a review of critical financial and management information systems and has completed most of the required upgrades. The Company is taking the opportunity during the upgrade process to significantly improve its management information system. The Y2K upgrades are to be completed by September 1999. The Company does not anticipate that the costs associated with upgrading financial and management information systems for Y2K compliance will have a material earnings impact.

The Company has initiated formal communications with significant suppliers to determine the extent to which it is vulnerable to those third parties' failure to properly address the Y2K issue. The Company does not anticipate any significant impact from the Y2K issue on its suppliers, but, because of the nature of the problem, it cannot completely eliminate the possibility.

Foreign Exchange

A significant portion of Major's operations is located outside of Canada. The Company limits its exposure to foreign exchange risks associated with the currencies of developing countries through a policy of contracting in US dollars where legally permitted. The Company also has exposure to the Australian currency through its Australian operations, but these operations are considered self-sustaining.

Outlook

The Company expects and is planning for continued difficult markets in the metal and mining sector that will continue to put pressure on the Company's revenues and gross margin levels. There have been some initial indications of price improvements in base metals such as copper and nickel as a result of closure of uneconomic operations and expected increased demand for metals as the Asian economies recover. If sustained, these could increase the demand for contract drilling services in the medium to longer term.

Gold prices, however remain under heavy pressure as many central banks reevaluate their policy relating to holding gold. Some banks have liquidated, or plan to liquidate substantial portions of their reserves. Gold prices tracking through 20-year lows have, and likely will continue to, force the closure of gold mining operations made uneconomic by the current pricing regime, and are expected to significantly reduce gold exploration activity for all but the most promising of ore bodies.

Approximately 53% of Major's sales in FY 99 were from producing operations, with gold mining operations constituting about 40% of this total. Exploratory drilling represented about 40% of sales in FY 99 and gold exploratory drilling revenues constituted about 50% of this total.

While Major Drilling has a substantial exposure to the gold mining sector, a significant proportion of that exposure is concentrated with strong multinational clients with low-cost, high-quality ore bodies. Publicly available industry or corporate information is projecting target total cash costs of $200 US per oz. or lower for many of these mining operations in calendar 1999. In these situations, where the fundamental economics of the mine or ore body are not in question, low gold prices will likely drive the need for more extensive development and definition drilling to help develop the most economic mining plans. The Company is anticipating significant development/definition drilling activity in the gold sector in Chile and Argentina, and exploratory drilling in Peru in the near term.

Under these market conditions, the Company anticipates continued pressure on revenues for drilling services. In this environment, the Company will be focusing on tight cost and inventory control and cash management.

MANAGEMENT'S RESPONSIBILITY

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 generally accepted accounting principles and policies consistently applied, except for early adoption of future income tax reporting recommendations (note 11) and summarized in the consolidated financial statements. Since a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgment and with all information available up to July 23, 1999. Management is responsible for all information in the annual report. 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. The audit committee reports its findings to the board of directors for consideration when approving the consolidated financial statements 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.

Ronald J. Goguen
President & Chief Executive Officer

Paul E. Légère
Executive Vice-President

July 23, 1999

AUDITORS' REPORT

To the Shareholders of Major Drilling Group International Inc.

We have audited the consolidated balance sheet of Major Drilling Group International Inc. as at April 30, 1999 and the consolidated statements of earnings, retained earnings and cash flow for the year 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 audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

The 1998 figures presented for comparative purposes are based upon financial statements which were reported on by other auditors.

Deloitte & Touche LLP

DELOITTE & TOUCHE, LLP
Chartered Accountants
Moncton, New Brunswick

July 23, 1999

CONSOLIDATED STATEMENT OF EARNINGS

Year ended April 30, 1999 (in thousands of Canadian dollars, except per share information)

	1999	1998
	(restated-notes 10 & 11)	
TOTAL CONTRACT REVENUE	$130,820	$133,583
DIRECT CONTRACT COSTS	96,813	90,446
GROSS PROFIT	34,007	43,137
OPERATING EXPENSES		
General and administrative expenses	20,539	20,484
Other expenses (income)	1,213	(1,540)
Interest on long-term debt	1,604	917
Depreciation and amortization	7,166	5,994
	30,522	25,855
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	3,485	17,282
INCOME TAXES (note 16)		
Current	1,066	5,237
Future	489	899
	1,555	6,136
EARNINGS FROM CONTINUING OPERATIONS	1,930	11,146
LOSS FROM DISCONTINUED OPERATIONS (note 10)	16,094	2,216
NET (LOSS) EARNINGS	($14,164)	$8,930
EARNINGS PER SHARE (note 17)		
Earnings from continuing operations	$0.17	$1.06
Net (loss) earnings	($1.25)	$0.85

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended April 30, 1999 (in thousands of Canadian dollars)

	1999	1998
OPENING BALANCE, as previously reported	$33,221	$23,659
Retroactive restatements (note 11)	(1,425)	(793)
OPENING BALANCE, as restated	31,796	22,866
Net (loss) earnings	(14,164)	8,930
CLOSING BALANCE	$17,632	$31,796

Consolidated Balance Sheet

As at April 30, 1999 (in thousands of Canadian dollars)

	1999	1998
	(restated-notes 10 & 11)	
ASSETS		
CURRENT ASSETS		
Cash	$9,570	$5,481
Temporary investments	1,692	1,455
Accounts receivable (note 4)	24,211	30,338
Income taxes recoverable	2,223	-
Inventories	24,513	25,261
Prepaid expenses	1,428	2,004
Current assets of discontinued operations (note 10)	15,509	19,228
	79,146	83,767
CAPITAL ASSETS (note 5)	75,857	72,514
LONG-TERM ASSETS OF DISCONTINUED OPERATIONS (note 10)	6,935	8,983
LONG-TERM INVESTMENT (note 6)	7,142	2,420
GOODWILL	1,901	2,605
	$170,981	$170,289
LIABILITIES		
CURRENT LIABILITIES		
Demand loans (note 7)	$9,159	$3,200
Accounts payable	14,221	20,548
Income taxes payable	-	3,461
Current portion of long-term debt (note 8)	3,666	2,945
Current liabilities of discontinued operations (note 10)	11,779	8,604
	38,825	38,758
LONG-TERM DEBT (note 8)	27,903	11,748
FUTURE INCOME TAXES	1,345	847
LONG-TERM LIABILITIES OF DISCONTINUED OPERATIONS (note 10)	2,804	1,284
	70,877	52,637
SHAREHOLDERS' EQUITY		
Capital stock (note 9)	83,323	88,975
Contributed surplus	1,065	-
Retained earnings	17,632	31,796
Cumulative translation adjustment	(1,916)	(3,119)
	100,104	117,652
	$170,981	$170,289

Contingencies and contractual agreements (notes 12 & 13)

APPROVED BY THE BOARD OF DIRECTORS

Ronald J. Goguen, Director

H. L. Doane, Director

CONSOLIDATED STATEMENT OF CASH FLOW

Year ended April 30, 1999 (in thousands of Canadian dollars)

	1999	1998
		(restated-notes 10 & 11)
OPERATING ACTIVITIES		
Net earnings from continuing operations	$1,930	$11,146
Operating items not involving cash and cash equivalents:		
Depreciation and amortization	7,166	5,994
(Gain) loss on disposal of assets	176	(1,084)
Future income taxes	489	899
	9,761	16,955
Changes in non-cash operating working capital items (note 14)	(5,259)	(3,702)
Cash flow from continuing operations	4,502	13,253
Loss from discontinued operations	(16,094)	(2,216)
Discontinued items not involving (requiring) cash and cash equivalents	11,061	(4,800)
Cash flow from discontinued operations	(5,033)	(7,016)
Cash flow from operations	(531)	6,237
FINANCING ACTIVITIES		
Additional long-term financing	20,510	20,231
Repayment of long-term debt	(3,862)	(16,201)
Issuance of common shares	-	53,085
Repurchase of common shares	(4,586)	-
	12,062	57,115
INVESTING ACTIVITIES		
Business acquisitions excluding cash acquired	597	(45,053)
Business acquisitions subsequently discontinued	-	(13,192)
Acquisition of long term investment	(4,496)	(2,529)
Acquisition of capital assets	(10,958)	(17,923)
Proceeds from disposal of capital assets	966	2,355
	(13,891)	(76,342)
OTHER ACTIVITIES		
Foreign exchange translation adjustment	490	(467)
	490	(467)
DECREASE IN CASH AND CASH EQUIVALENTS	(1,870)	(13,457)
OPENING CASH AND CASH EQUIVALENTS POSITION	2,281	15,738
ENDING CASH AND CASH EQUIVALENTS POSITION (note 15)	$411	$2,281

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 1999 (in thousands of Canadian dollars except number of common shares and common share prices)

1. STATUS AND NATURE OF ACTIVITIES

The Company is incorporated under the Canada Business Corporations Act. The principal source of revenue consists of drilling for mineral exploration. The Company has operations in Canada, United States, Central and South America, Australia, Europe, Indonesia, Turkey, Mali and Ghana.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

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

Certain subsidiaries included in these financial statements have a different year end than Major Drilling Group International Inc. Accordingly, adjustments have been made to reflect the operations on an April 30th year-end basis. Some subsidiaries have been accounted for as discontinued operations (note 10).

Measurement uncertainty

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 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.

Recognition of revenue

Revenues from drilling contracts are recognized on the basis of actual footage drilled for each contract. Revenue from ancillary services are recorded when the services are rendered.

Earnings per share

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

Temporary investments

Temporary investments are valued at the lower of cost and fair market value.

Inventories

The Company maintains an inventory of operating supplies, drilling rods and drill bits. The inventories are valued at the lower of cost and replacement cost.

Depreciation of capital assets

Capital assets are stated at cost. Depreciation, 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 depreciated on the straight-line method:

	Residual value	Useful life
Buildings	-	15 - 20 years
Drilling equipment	0 - 15%	5 - 15 years
Automotive and off-road equipment	0 - 10%	5 - 10 years
Other	-	5 - 15 years

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

Goodwill

Goodwill is accounted for at cost and is amortized using the straight-line method over a period of 25 years. The amortization period of 25 years is based on management's evaluation of the estimated economic life of the goodwill and the proper matching of costs against revenues. Management periodically evaluates the carrying value of the goodwill to determine if a permanent impairment has occurred. Management's evaluation is based upon a comparison of the discounted expected future operating cash flows with the unamortized value of goodwill. Based on its evaluation, management does not believe that goodwill is impaired.

Future income taxes

The Company has adopted the liability method for corporate income taxes. This method has been recommended by the Canadian Institute of Chartered Accountants for fiscal years beginning on or after January 1, 2000, however, earlier application is encouraged. 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 assets and liabilities, referred to as "future income tax assets and liabilities", are to be computed based on differences between the carrying amount of balance sheet items and their corresponding tax values using the enacted income tax rate in effect at the balance sheet date. The Company's primary differences arise between capital cost allowance claimed and depreciation charged, and inventory allowances claimed for tax purposes by foreign subsidiaries.

Translation of foreign currency

All amounts are represented in Canadian dollars. The financial statements include companies that have operations in the United States and Australia, which 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 corporations 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.

Latin American subsidiaries are classified as integrated foreign operations. The financial statements of integrated foreign operations are translated as follows: monetary items are translated at the rate of exchange in effect at the balance sheet date; non-monetary items are translated at historical rates; revenue and expense items are translated at the average rate of exchange for the year; and depreciation is translated at historical rates. Gains or losses resulting from these translations are accounted for in net earnings.

3. BUSINESS ACQUISITIONS

J.T. Thomas Enterprises Ltd.

Effective May 1, 1997, the Company acquired the drilling rigs and related equipment owned by J.T. Thomas Enterprises Ltd. and the shares in several subsidiaries of that company whose assets consisted of drilling contracts and inventory. The subsidiary, J.T. Thomas Diamond Drilling (1980) Ltd., carries on business in British Columbia and the Yukon. J.T. Thomas Diamond Drilling Ltd. carries on business in Ontario and the Northwest Territories and J.T. Thomas Canadian Drilling Ltd. carries on business through its wholly owned subsidiaries J.T. Thomas de Mexico, S.A. de C.V., which conducts drilling in Mexico, and J.T. Thomas Perforaciones Canadienses Ltda., which conducts drilling in Costa Rica.

The purchase price was $13,500 paid by way of the issuance of 148,148 common shares in the Company at a deemed price of $13.50 per share, and the payment of $11,500 in cash. In addition, the Company incurred $71 in expenses relating to the acquisition. The acquisition was accounted for using the purchase method of accounting and the results of operations were consolidated from May 1, 1997. Net assets acquired at fair market value at acquisition were as follows:

Assets acquired	
Inventory	$3,070
Capital assets	8,430
Goodwill	2,071
Net assets	$13,571
Consideration	
Cash	$11,571
Common shares	2,000
	$13,571

The Company also issued 100,000 stock options to a shareholder of the previous owner. These options were exercised in August 1997 at a price of $13.50 per share.

UDR Group Limited (formerly Mining World Limited)

Effective July 4, 1997, the Company acquired control of Mining World Limited, an Australian publicly listed company, by virtue of acquiring in excess of 50% of the issued and outstanding ordinary shares in that company. The acquisition was made through a takeover bid launched on May 9, 1997, at a price of A$0.85 in cash for each of the ordinary shares of Mining World Limited not already held by the Company. The Company subsequently acquired the remaining shares at A$0.85 per share thereby meeting all the conditions of delisting the shares of Mining World Limited from the Australian Stock Exchange. During 1998, Mining World Limited changed its name to UDR Group Limited. Its subsidiaries also adopted the UDR name.

UDR Group Limited conducts, through its subsidiaries, two main businesses: the manufacturing of drill rigs (through its subsidiary UDR Equipment Pty Ltd.) and the distribution of supplies to the mining and drilling industries (through its UDR Consumables Pty Ltd. and UDR-Rockmore Pty Ltd. subsidiaries).

Mining World Limited also had another subsidiary, Rubicon Industrial Australia Pty Ltd. ("Rubicon"), which manufactured and distributed PVC and rubber hoses and related products to the mining and agricultural industries. As the Company was planning to sell Rubicon within one year, its net assets were accounted for as a temporary investment. The temporary investment had initially been evaluated at $12,000 however the final proceeds of disposal were $8,504, thereby resulting in $3,496 being reallocated to goodwill. Rubicon's operating loss for the period ($295) was excluded from the consolidated earnings and was reallocated to the cost of acquisition.

The acquisition of UDR Group Limited (formerly Mining World Limited) was accounted for using the purchase method of accounting and the results of operations were consolidated from July 4, 1997. The final purchase price allocation for the net assets acquired was as follows:

Assets acquired	
Cash	$2,179
Temporary investment-affiliate held for resale	8,504
Other current assets	19,616
Capital assets	1,090
Goodwill	7,815
	39,204
Liabilities assumed	
Current liabilities	13,164
Long-term debt	10,864
Deferred credits	179
Non-controlling interest	258
	24,465
Net assets on acquisition	14,739
Less: proceeds from disposal of Rubicon during the year	(8,504)
Net value	$6,235
Consideration	
Cash	$6,235

Effective April 1999, the Company decided to discontinue this operation (note 10).

Pontil Pty Limited

On June 17, 1997, the Company agreed to acquire all of the issued and outstanding shares of Australia based Pontil Pty Limited, a privately held mineral exploration drilling company conducting business both in Australia and Africa. The purchase price for the transaction was $10,912 plus acquisition costs of $19 with the purchase price consisting of the issuance of 205,385 common shares in the Company at a deemed price of $18.75 per share together with cash of $7,080.

Additionally, in consideration of one of the previous shareholders entering into an employment contract and remaining as an employee of Pontil and, at the discretion of the Company, as an officer of Pontil, the Company agreed to grant him stock options exercisable into 100,000 common shares of the Company, such options to be exercisable at a price of $18.75 per share for a period of three years. The transaction closed on August 28, 1997.

The acquisition was accounted for using the purchase method of accounting effective July 1, 1997 and the results of operations of Pontil were consolidated from that date on. Final details of the acquisition follow:

Assets acquired	
Current assets	$8,628
Capital assets	13,860
	22,488
Liabilities assumed	
Bank overdraft	125
Other current liabilities	5,655
Long-term debt	5,471
Deferred credits	306
	11,557
Net assets	$10,931
Consideration	
Cash	$7,080
Common shares	3,851
	$10,931

Icehill Pty Limited

On October 17, 1997, the Company acquired, through its wholly-owned subsidiary Pontil Pty Limited, the drilling rigs and related equipment of Australian-based Icehill Pty Limited, a privately held mineral exploration company. The consideration paid was $4,730 in cash. The acquisition was accounted for using the purchase method of accounting effective October 1, 1997 and the results of operations were included in the Company's financial results from that date on. Details of the acquisition are as follows:

Assets acquired	
Capital assets	$4,730
Consideration	
Cash	$4,730

Germac Enterprises Ltd. (Midwest Drilling)

Effective February 1, 1998, the Company acquired the drilling equipment and related assets owned by Germac Enterprises Ltd., a company operating a mineral drilling exploration business mainly in Manitoba, Saskatchewan and the Northwest Territories. As consideration for this acquisition, the Company paid $13,017 in cash including sales tax and acquisition expenses of $515.

In addition, the Company had accrued $1,800 in transaction and restructuring costs associated with this purchase. During fiscal 1999, the estimated transaction and restructuring costs were decreased to $1,175, reducing at the same time the goodwill value. At April 30, 1999, $315 of that accrual had been paid. The acquisition was accounted for using the purchase method of accounting and the results of operations were included in the Company's financial results from February 1, 1998. Net assets acquired at fair market value at acquisition were as follows:

	1999	1998
Assets acquired		
Current assets	$9,703	$9,703
Capital assets	10,707	10,707
Goodwill	-	625
	20,410	21,035
Liabilities assumed		
Bank overdraft	1,477	1,477
Other current liabilities	4,272	4,272
Long-term debt	469	469
	6,218	6,218
Net assets	$14,192	$14,817
Consideration		
Cash	$13,017	$13,017
Accrued liabilities	1,175	1,800
	$14,192	$14,817

4. ACCOUNTS RECEIVABLE

	1999	1998
Trade	$20,647	$29,456
Loan to related party	1,598	-
Other	1,966	882
	$24,211	$30,338

During the year, the Company loaned to a company controlled by the President and Chief Executive Officer $3,000, of which $1,598 including interest was outstanding at April 30, 1999. The loan is repayable on demand, bears interest at 1.5% over the prime rate and is secured by a personal guarantee and by general security agreements signed by both the President and Chief Executive Officer and the company.

5. CAPITAL ASSETS

	1999			1998
	Cost	Accumulated depreciation	Net value	Net value
Land	$1,468	$ -	$1,468	$1,420
Buildings	6,733	815	5,918	5,070
Drilling equipment	70,369	17,798	52,571	50,393
Automotive and off-road equipment	19,186	8,463	10,723	11,417
Other	7,650	2,473	5,177	4,214
	$105,406	$29,549	$75,857	$72,514

6. LONG-TERM INVESTMENT

Included in long-term investment is the Company's investment in Ausdrill Limited. The Company owns 10,287,731 shares (1998 – 3,163,273) of Ausdrill that are accounted for using the cost method. These shares have a market value of $5,000. Management's opinion is that the decline in the value of these shares is not permanent.

7. DEMAND CREDIT FACILITIES

The Company has credit facilities available of $18,000 bearing interest at the lower of the bank's prime lending rate and the bankers' acceptance rate.

The demand loans are primarily secured by a deed of movable hypothecation (Quebec), a registered Province of Newfoundland demand debenture, a general assignment of book debts and/or Uniform Customs Code filings in the applicable Canadian and US jurisdictions, and security under section 427 of the Bank Act (Canada) with replacement cost fire insurance coverage on inventory and equipment. The demand loans in Australia are secured by Australian accounts receivable, and selected land and buildings in Australia.

8. LONG-TERM DEBT

	1999	1998
Revolving acquisition loan (authorized $40,000), maturing every 366 days, renewable annually, bearing interest at the lower of the bank's prime rate plus 0.5% or the bankers' acceptance rate plus 0.5%, secured by the shares of two wholly-owned subsidiaries. This loan can be converted to term debt at the Company's option, repayable over up to five years.	$23,000	$7,000
Term loans, bearing interest at rates ranging from prime rate plus 0.5% to 9%, payable in monthly installments of $52, maturing between the years 1999 and 2013, secured by capital assets.	1,605	1,711
Term loans - US$626 (1998 - US$821), with interest at rates ranging from prime plus 1% to 10.5%, payable in monthly installments of US$22, secured by equipment, maturing through 2003.	917	1,177
Term loan - US$345 (1998 - US$393), payable in monthly installments of US$7 including principal and interest at prime plus 1%, secured by deeds of trust and security agreements, maturing in 2004.	504	563
Term loans - A$5,750, payable in monthly installments of A$272 interest included at rates ranging from 6.9% to 12.2%, secured by mortgage debentures over land, buildings and other assets, maturing in 2002.	5,543	4,242
	31,569	14,693
Current portion	3,666	2,945
	$27,903	$11,748

The above loans are secured by various debentures and mortgages, which are based on certain covenants primarily relating to the financial position of the Company. The security for the debentures and mortgages include fixed and floating charges against the assets, assignments of book debts, section 427 of the Bank Act (Canada) security on inventories, life insurance proceeds and a pledge of common shares of PC Exploration, Inc.

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

2000	$3,666
2001	2,401
2002	1,099
2003	308
2004	142
Thereafter	23,953

9. CAPITAL STOCK AND WARRANTS

Authorized

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

	1999	1998
Issued and fully paid		
11,040,073 common shares (1998-11,819,073)	$83,323	$88,517
- warrants (1998 - 764,700)	-	458
	$83,323	$88,975

Common shares

During 1998, the Company issued 3,317,491 common shares by way of offerings and under the Company stock option and compensation option plans. The Company received net proceeds of $53,085. During the current year, the Company repurchased 779,000 of its shares on the open market. The capital stock of the Company is shown net of issue costs and underwriters' commissions of $3,080 (net of income tax benefit of $2,439).

Stock options - employees and directors

The Company has issued stock options under its employee incentive compensation plan. Issuance of options under the plan is determined annually by the compensation committee appointed by the Company's Board of Directors.

The option groups issued and/or outstanding at April 30, 1999 and related price and life information are as follows:

Options granted	Options outstanding	Exercise price	Remaining life (years)
438,550	328,467	$5.25 - $10.00	2.5 - 9
91,650	87,150	$18.65 - $26.50	8
100,000	100,000	$ 18.75	1
630,200	515,617		

Warrants - October 1996 issue

On October 3, 1996, 2,564,300 special warrants were issued under a special warrant indenture. Each special warrant was issued at $9.75, other than the 30,800 special warrants issued at $10.00 and sold to two executive officers. The portion of the issue price of each special warrant allocated to the common shares issuable upon the exercise of the special warrants was $9.45 per common share. In December 1996, each special warrant was exercised into one common share of the Company and one-half of a common share purchase warrant (a whole common share purchase warrant being referred to as a "warrant"). Each of the 1,282,150 warrants entitled the holder to purchase one common share at a price of $10.50 at any time on or before March 30, 1999.

10. DISCONTINUED OPERATIONS

In April 1999, the Company made the decision to sell the UDR group of companies within the next 12 months. UDR conducts two main businesses: the manufacturing of drill rigs and the distribution of supplies to the mining and drilling industries.

At the same time, the Company decided to close down its operations in Brazil due to unfavorable market conditions in that country.

As at April 30, 1999, the loss from operations of the discontinued operations amounted to $5,697 (net of income tax benefit of $475). As at April 30, 1998, this loss was $2,216 (net of income tax benefit of $364). At this time, management estimates its loss on disposal subsequent to the measurement date to be $10,397 (net of income tax benefit of $2,336) consisting of a provision for ongoing operations pending disposition and transaction and disposition costs.

Revenues for UDR, net of intercompany revenue, were $17,400 for the fiscal year ended April 30, 1999 and $22,900 for April 30, 1998. For Brazil, revenues were $200 for the fiscal year ended April 30, 1999 and $1,700 for April 30, 1998. The assets and liabilities of the discontinued operations have been segregated on the consolidated balance sheet.

11. RESTATEMENTS

The Company has elected early adoption of the new recommendations of the Canadian Institute of Chartered Accountants concerning accounting for corporate income tax. The new accounting recommendations were applied on a retroactive basis and, accordingly, comparative financial statements have been restated to reflect this change.

This restatement includes a reduction of opening retained earnings and an increase in opening future income taxes of $467 for fiscal 1999. The earnings for fiscal 1998 decrease by $120.

In addition, in order to recognize the tax benefit on previously incurred capital stock issue costs and underwriter commissions, opening future income taxes for fiscal 1999 have decreased by $1,472, share capital has been increased by $2,430 and opening retained earnings have been decreased by $958. The effect of this restatement on fiscal 1998 earnings is a reduction of $510. In prior years, these costs were netted against capital stock as incurred.

12. CONTINGENCIES

The Minister of Revenue for the Province of Quebec has issued a reassessment for $855 including interest relating to the reasonableness of management fees paid by a predecessor company to a related party for the years 1987, 1988 and 1989. Management is appealing this reassessment and no liability has been recorded. It is not possible at this time to determine the amount of taxes, if any, that may become payable.

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 other matters will not have a material adverse effect on the Company's financial position.

Any amounts awarded as a result of these actions will be reflected in the year settled.

13. CONTRACTUAL AGREEMENTS

The Company is committed to two lease agreements with a company controlled by the President and Chief Executive Officer to pay annual rents of $49 and $47 until the years 2000 and 2002 respectively. The Company also has various commitments with arms-length parties as follows:
2000 - $582, 2001 - $380, 2002 - $128

14. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	1999	1998
Accounts receivable	$6,406	$2,340
Inventories	817	(3,027)
Accounts payable	(7,099)	(3,227)
Income tax payable	(5,725)	1,332
Other items	342	(1,120)
	($5,259)	($3,702)

15. CASH AND CASH EQUIVALENTS

	1999	1998
Cash	$9,570	$5,481
Demand loans	(9,159)	(3,200)
	$411	$2,281

16. INCOME TAXES

The Company’s effective tax rate for 1999 is not materially different from the combined Canadian corporate tax rate of approximately 45%. In 1998, the Company’s effective tax rate was lower than the combined Canadian corporate tax rate, primarily due to the application of previously unrecorded losses for tax purposes, lower effective income tax rates on earnings of foreign subsidiaries, and other permanent differences.

17. EARNINGS PER SHARE

Fully diluted earnings per share

Fully diluted earnings per share figures for fiscal 1999 have not been disclosed since the exercise of stock options would be anti-dilutive. Fully diluted earnings per share figures for fiscal 1998 would have been $0.75 (restated) had all outstanding stock options, compensation options and warrants outstanding as at April 30, 1998 been exercised into common shares when granted or issued.

For the purposes of this calculation, the earnings applicable to common shares was increased by the interest, after income taxes ($442), calculated at 3% of the exercise price on the above instruments, and the number of common shares adjusted to reflect the additional weighted daily average that would have resulted on exercise (1,939,575 shares).

18. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000. If not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect the Company's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

19. FINANCIAL INSTRUMENTS

Recognized financial instruments

The carrying values of cash, accounts receivable and accounts payable approximate its 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 minimizes concentration of credit risk in relation to accounts receivable by undertaking transactions with a large number of customers.

20. SEGMENTED INFORMATION

The Company's operations are divided into three geographic segments. The geographic segments are Canada-U.S., Latin America, and Australia and other. 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 before interest and income taxes.

Presented below is data relating to each of the Company's geographic segments.

	1999	1998
Revenues		
Canada-U.S.	$57,588	$59,128
Latin America	30,790	38,421
Australia and other	42,442	36,034
	$130,820	$133,583
Earnings (loss) from continuing operations		
Canada-U.S.	$7,282	$12,118
Latin America	(205)	4,804
Australia and other	3,297	5,138
	10,374	22,060
Eliminations	(883)	(348)
	9,491	21,712
Interest expense, net	(1,604)	(917)
General corporate expenses and unallocated gain, net	(4,402)	(3,513)
Income taxes	(1,555)	(6,136)
Earnings from continuing operations	$1,930	$11,146
Identifiable assets		
Canada-U.S.	$51,789	$58,497
Latin America	48,294	43,032
Australia and other	29,779	28,579
	129,862	130,108
Eliminations	(3,855)	(1,565)
Non-identifiable and corporate assets	22,531	13,535
Assets from discontinued operations	22,443	28,211
	$170,981	$170,289

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

BOARD OF DIRECTORS

Front row: Paul E. Légère, Executive Vice-President, Major Drilling Group International Inc.; Ronald J. Goguen, President & Chief Executive Officer, Major Drilling Group International Inc.; Frank McKenna, Partner, McInnes Cooper & Robertson & former Premier of New Brunswick; John Schiavi, President, Schiavi Enterprises

Back row: Robert H. Morgan, Vice-President of Operations, Major Drilling Group International Inc.; John Harvey, former President, Noranda Exploration Company; H. Lawrence Doane, former Partner, Doane Raymond; David Fennell, Chairman and Chief Executive Officer, Cambiex Exploration Inc.; David Tennant, Partner, McCarthy Tétrault

MANAGEMENT TEAM

Front left to right: Robert H. Morgan, Vice-President of Operations;
Paul E. Légère, Executive Vice-President; Michael A. Pavey, Chief Financial Officer;
James A. Gibson, General Counsel and Secretary; Ronald J. Goguen, President & Chief Executive Officer

SHAREHOLDER INFORMATION

Directors

Ronald J. Goguen
Paul E. Légère
Robert H. Morgan
H. Lawrence Doane
John H. Schiavi
John D. Harvey
David B. Tennant
Frank McKenna
David A. Fennell

Transfer Agent

CIBC Mellon Trust Company

Auditors

Deloitte & Touche, LLP
Moncton, New Brunswick

Head Office

Major Drilling Group International Inc.
111 St. George Street, Suite 200
Moncton, New Brunswick, Canada E1C 1T7

Tel: 506-857-8636 Fax: 506-857-9211
Web site: www.majordrilling.com

Officers

Ronald J. Goguen
President and Chief Executive Officer

Paul E. Légère
Executive Vice-President

Michael A. Pavey
Chief Financial Officer

Robert H. Morgan
Vice-President of Operations

James A. Gibson
General Counsel and Secretary

Annual General Meeting

The Annual General Meeting of the shareholders of Major Drilling Group International Inc. will be held at:
The Ontario Club
Toronto, Ontario
September 15, 1999 at 4:00 pm

Worldwide Operations and Offices of Major Drilling Group International Inc.

Canadian Operations

Forage Major Ideal Drilling
Beresford, NB
Tel: 506-542-9876
Fax: 506-542-4442

Forage Major Ideal
Drilling (Nfld) Ltd.
Bishop's Falls, NF
Tel: 709-258-5144
Fax: 709-258-5207

Forage Major Kennebec
Drilling Ltd.
Thetford Mines, QC
Tel: 418-338-3141
Fax: 418-335-2894

Forage Major Dominik
Drilling
Val d'Or, QC
Tel: 819-824-6839
Fax: 819-824-4217

Forage Major Dominik
Drilling
Timmins, ON
Tel: 705-235-4545
Fax: 705-235-4612

Major Drilling Group
International Inc.
(Purchasing Dept.)
North Bay, ON
Tel: 705-472-5271
Fax: 705-472-5752

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

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

Midwest Drilling
Thompson, MB
Tel: 204-677-3260
Fax: 204-677-9852

Major Drilling
(formerly J. T. Thomas
Diamond Drilling (1980) Ltd.)
Smithers, BC
Tel: 250-847-4361
Fax: 250-847-5039

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

United States Operations

Major Alaska Drilling Inc.
North Pole, AK
Tel: 907-488-9805
Fax: 907-488-9806

Maine Diamond
Drilling Inc.
Ashland, ME
Tel: 207-435-4202
Fax: 207-435-6400

PC Exploration Inc.
Rocklin, CA
Tel: 916-434-4200
Fax: 916-434-4206

Barbados Operations

Major Drilling
International Inc.
Hasting, Christ Church
Barbados West Indies
Tel: 246-228-6141
Fax: 246-228-6141

Mexican Operations

Major Drilling de Mexico,
S.A. de C.V.
Hermosillo, Sonora, Mexico
Tel: 52-62-51-02-65
Fax: 52-62-51-02-62

Major Drilling de Mexico,
S.A. de C.V.
Iguala, Guerrero, Mexico
Tel: 52-733-3-02-44 or
Tel: 52-733-3-04-61

South American Operations

Majortec Perforaciones S.A.
Puerto Ordaz, Venezuela
Tel: 58-86-51-33-02
Fax: 58-86-51-13-01

Major Peru S.A.
Ate Vitarte, Lima, Peru
Tel: 511-326-1389 or 511-326-1891
Fax: 511-326-1494

Major Perforaciones S.A.
Mendoza, Argentina
Tel: 54-261-4810-162
Fax: 54-261-4811-884

Major Drilling
Guyana Limited
OFFICE SITUATED
IN FRENCH GUIANA

Forage Major Guyane SARL
Cayenne, French Guiana
Tel: 594-35-28-26
Fax: 594-35-38-16

Major Drilling Chile S.A.
Coquimbo, Chile
Tel: 56-51-241-815
Fax: 56-51-241-593

Major Drilling
International Inc. (Colombia)
Bogota, Colombia
Tel: 57-1-317-2482
Fax: 57-1-317-1796

Uruguay
OFFICE SITUATED
IN ARGENTINA

Central American Operations

Major Drilling
Honduras, S.A.
Tegucigalpa, MDC
Honduras
Tel: 504-236-6935
Fax: 504-236-5888

Costa Rica
OFFICE SITUATED IN
HONDURAS

Major Perforaciones
Nicaraguenses, S.A.
OFFICE SITUATED IN
HONDURAS

Dominican Republic
OFFICE SITUATED IN
MEXICO

Australian Operations

Pontil Pty Limited
Dubbo NSW, Australia
Tel: 61-2-6884-2722
Fax: 61-2-6884-2697

Pontil Pty Limited
Mt Isa, QLD, Australia
Tel: 61-7-4743-0218
Fax: 61-7-4743-8586

Pontil Pty Limited
Rosebery, TAS, Australia
Tel: 61-3-6473-1000
Fax: 61-3-6473-1800

Pontil Pty Limited
Kambalda, WA, Australia
Tel: 61-8-9027-0170
Fax: 61-8-9027-0171

Pontil Pty Limited
Cobar, NSW, Australia
Tel: 61-2-6836-3622
Fax: 61-2-6836-1304

African Operations

Pontil Pty Limited
Obuasi, Ghana
Tel: 873-68-505-1921
Fax: 873-68-505-1922

Malifor S.A.
Bamako, Mali
Tel: 223-77-44-43
Fax: 223-77-44-44

Benoit Diamond Drilling
(Tanzania) Limited
Mwanza, Tanzania
Tel: 255-68-560207
Fax: 255-68-560207

European Operations

Italy

Spain

Turkey

Portugal

Other Operations

Greenland
OFFICE SITUATED
IN WINNIPEG

PT Pontil Indonesia
Jakarta, Indonesia
Tel: 62-21-574-1232
Fax: 62-21-574-1232

Corporate Offices: 111 St. George Street, Suite 200, Moncton, NB E1C 1T7
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