MAJOR DRILLING

2008 ANNUAL REPORT

Experience you can trust.
Conscientiousness you can rely on.

Groupe Forage MAJOR Drilling Group International Inc.

Corporate Profile

Major Drilling Group International Inc. is one of the world's largest drilling service companies primarily serving the mining industry. To support its customers' varied exploration drilling requirements, field operations and offices are maintained in Canada, U.S.A., South and Central America, Australia, Asia and Africa. Major Drilling provides all types of drilling services including surface and underground coring, directional, reverse circulation, RAB, geotechnical, environmental drilling and coal-bed methane and shallow gas.

Over the years, the Company has positioned itself as one of the largest specialized operators in the world by leveraging its main competitive advantages: specialized equipment; long standing relationships with the world's largest mining companies and access to capital and skilled personnel; with the Company's top level management having over 1,000 years of combined experience in the industry.

During the last several years, the Company has achieved strong growth while remaining focused on the long-term objective of building a solid company for the future. Our corporate strategy remains to: i) dominate specialized drilling and expand effective capacity; ii) modernize our conventional fleet and expand our footprint in strategic areas; iii) keep debt at minimum levels; and iv) be the best of class in safety and human resources.

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

Contents

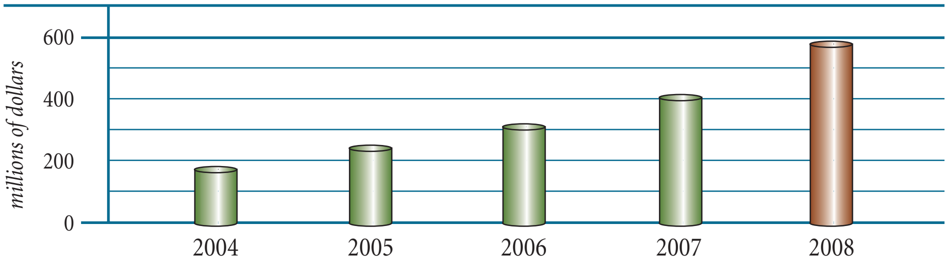
Below: UDR 1200 working on a coal seam gas project in Queensland, Australia.

Highlights

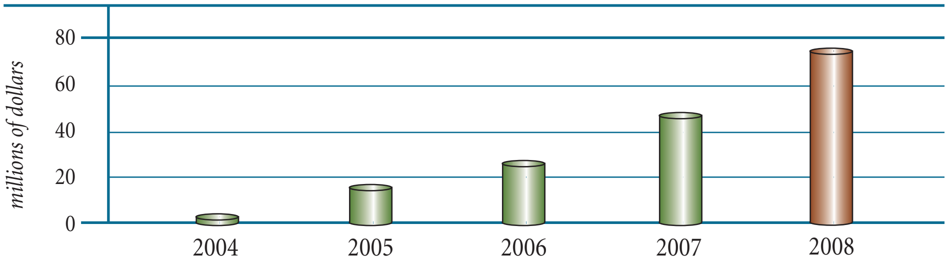
In millions of CND$ (except earnings per share)	2008	2007
Revenue	**$ 590.3**	$ 415.4
Gross margin	**33.1%**	32.0%
Earnings from continuing operations	**74.6**	46.5
Per share	**3.16**	2.01
Net earnings	**74.1**	58.8
Per share	**3.14**	2.54
Cash flow from continuing operations*	**109.1**	75.6

**before changes in non-cash operating working capital items*

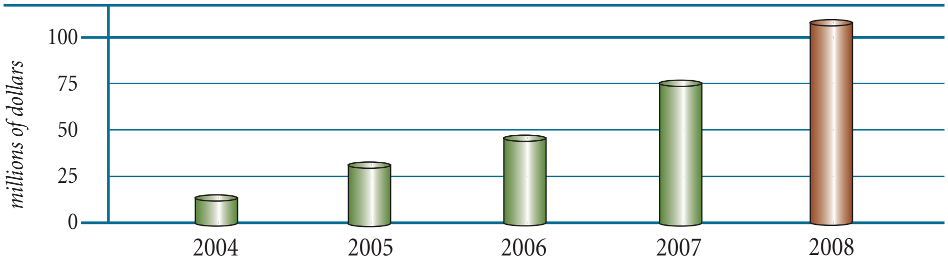
Revenue for the years ended April 30



Earnings from continuing operations April 30



Cash Flow* for the years ended April 30



**from operating activities before changes in non-cash operating working capital items*

Record Revenue

Annual revenue moved to a new record for the sixth consecutive year

60%+ Increase

Record earnings from continuing operations for fiscal 2008 ("FY 08") increased over 60 percent from the previous record set last year

Acquired

Purchased the exploration drilling company Harris y Cia Ltda. ("Harris"), a specialized drilling firm active in the northern region of Chile

Acquired

Purchased the assets of the exploration drilling company Paragon del Ecuador S.A.

R&D

Began R & D program aimed at enhancing safety and productivity while reducing training time

Message to Shareholders

Our results for fiscal 2008 were very robust. In fact, we are pleased to announce that annual revenue reached a new record for the sixth consecutive year – growing by more than 42 percent to $590.3 million. Earnings from continuing operations increased by 60 percent during the year, reaching a record $74.6 million and bolstering our already strong operating leverage. It is further reassuring that we did this while maintaining minimal debt.

Drilling services were much in demand this past year and the Company continues to see positive long-term prospects. Because of this, we continued to grow both organically and through acquisitions during fiscal 2008, including spending a record $70 million on capital expenditures and adding 61 new rigs to our fleet. This is in addition to the 18 rigs that were added through two acquisitions completed during the year. The funding for this unprecedented growth was done through internal cash flows. The Company's very healthy balance sheet boasts a modest total net debt level of $21.6 million, compared to over $287.9 million in shareholders' equity.

As in any service business, people are our most valuable asset. Our customers benefit from over 1,000 years of collective industry experience amassed by our 37 managers, from the CEO to the Branch Managers, with an average career in the industry of more than 27 years. Because of this, we are able to focus on our strategy of specialized and technically complex drilling. With more easily accessible mineral reserves being depleted, the ability to access

Left: A project begins in Bolivia.

Above: The use of rod handlers improves safety conditions.

increasingly remote and difficult locations with more specialized equipment is essential to the continued success of the industry – and we are well positioned to continue to do our part.

This year, we invested in two initiatives at the supervisor and driller levels to help position the Company for continued growth.

First, we substantially ramped up our training and recruitment efforts to enable us to continue our organic growth – growth that has led us to forecast another record capital expenditure budget of $80 million for fiscal 2009. Due in part to our organic growth, our number of hours worked in fiscal 2008 increased by more than 80 percent, while our revenue increased by 42 percent. While the costs associated with this substantial investment in training impacted somewhat on earnings growth, we are convinced that it will produce future benefits by giving us a strategic edge in the marketplace.

Second, given the fact that it takes a few years to train a driller, we started research and development initiatives aimed mostly at simplifying the drilling process while improving productivity. We are hopeful that these initiatives will provide the tools required for newer drillers to become more productive earlier in their careers, increasing our competitiveness through improved expertise and efficiency.

Employee safety and retention remain essential to maintaining our level of expertise. Through training and increased safe practices, the Company was able to reduce its accident frequency rate by almost half, all while having a somewhat less experienced workforce.

A key reason for this impressive safety achievement was the introduction of rod handlers to many of our drills. This helped reduce the number of hand and back injuries. As we grow, we intend to continue increasing the number of rod handlers in our fleet, becoming a dominant force for industry safety.

While continuing to be leaders in compensation, we have also maintained employee retention rates through the provision of high quality machinery, improved training and general improvements in the working environment.

All of these initiatives and benefits position the Company very well as the outlook continues to be very strong.

Despite recent volatility, gold and base metal prices remain at historically high levels. Demand for drilling services continues to outpace the sector's capacity to respond. Demand for the Company's services has increased as gold and base metal exploration and mining companies continue to compete for scarce drilling capacity. This has led to the current favorable pricing environment.

We express our ongoing appreciation to

Above: Dressed for the elements faced in the Arctic in Nunavut.

all of our more than 4,500 employees as they are an integral part of our success. We also extend our thanks to our clients for their trust and continued loyalty.

Finally, we wish to thank you, our investors, for your support. We believe that due to our diversification by country and type of minerals we drill for, our focus on specialized drilling, and our commitment to providing experienced drillers, your Company continues to provide its shareholders a lower risk, market proxy for the global minerals and metals sector.

David Tennant
Chairman of the Board

Francis McGuire
President and Chief Executive Officer

Review of Operations

Our Services

Major Drilling's business is primarily focused on mineral exploration drilling involving exploratory and definition drilling into soil and rock formations to obtain core and rock chip samples. The Company has grown to become the drilling contractor of choice to many of the world's largest mining and exploration companies through its focus on service and responsiveness to their drilling needs around the globe.

In order to service its global customers, the Company maintains operations in more than twenty countries on five continents. While Canada, Australia and the U.S. continue to be among the Company's largest operations, we substantially expanded our operations in Mexico and Chile during fiscal 2008. These five countries now make up approximately 70 percent of the Company's revenue. The balance of revenue is generated from the remaining countries thus helping the Company mitigate its local political risk.

Our decentralized operations allow for maximum branch autonomy, thus ensuring the flexibility to immediately respond to field and customer requirements. Our managers are familiar with more than just drilling. They are also knowledgeable about local conditions, infrastructure, regulations and the availability of people and support for projects. As such, our managers are in a position to discuss any topic that pertains to the local scene and are able to make effective decisions based on this complete picture.

Left: A project continues in Chile.

Above: *UDR 1200 at work in New South Wales, Australia.*
Below right: Foreman and driller discuss safety procedures.

While regional operations are independent, they also have access to the strengths of the organization as a whole. Whether the need be administration, staff, marketing, procurement, computer systems or equipment needs, support from Major Drilling Group is always available.

The Cycle

Mining companies go through two phases when carrying out exploration. In the first phase ("*Phase 1*"), drilling is undertaken on a general exploration program usually requiring one to three drills per project. At that point, mining companies are drilling holes at fairly large intervals in hopes of discovering a deposit-rich section of their property on which to focus their efforts. During this phase, budgets are usually the driving factor as the project managers try to gather as much information as possible within their budget, which means customers are more price sensitive. Typically, when a discovery is made, mining companies move into the second phase ("*Phase 2*") in which they require some four to ten drills per project. At that point, they become time sensitive and price is less of an issue for them as the information gathered through drilling becomes the crucial bottleneck in establishing their feasibility studies and engineering plans.

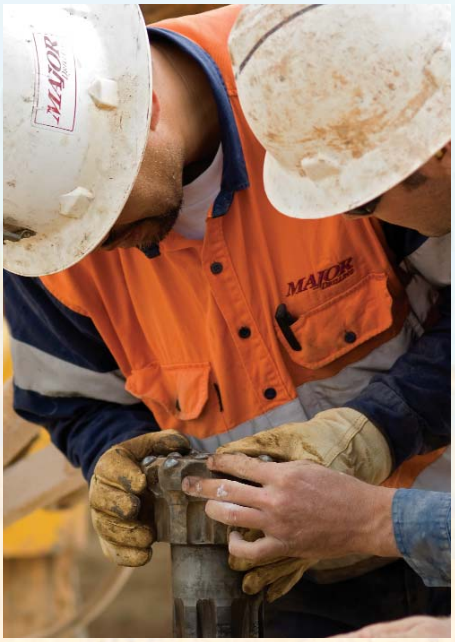
This year, most of the drilling carried out by the Company was in the Phase 1 category due to the fact that there have not been many large discoveries. This is one of the main reasons why most mineral commodities are facing tight supply issues in the face of increasing demand, and an indication that we are likely in a relatively early part of the mining cycle on most of these commodities. Phase 2 drilling will follow once significant discoveries are made.

Specialized Services

The lack of large discoveries confirms our thesis that the attractive deposits will be in increasingly remote locations, deeper in the ground and in areas difficult to access. It also validates our strategy of focusing on projects that have these characteristics, which is where we conduct what we refer to as "specialized drilling". Specialized drilling can be defined as any drilling project that, by virtue of its scope, technical complexity or location, creates significant barriers to entry for smaller drilling companies. This would include, for example, deep-hole drilling,

directional drilling, or mobilizations to remote locations or high altitudes. Over the years, the Company has positioned itself as one of the largest specialized operators in the world by leveraging its main competitive advantages: skilled personnel; specialized equipment; long standing relationships with the world's largest mining companies and access to capital. Because significant ore bodies are getting more difficult to find, the Company expects specialized drilling services to continue to fuel future growth, and over the next two decades, we believe these skills will be in increasingly greater demand.

Preparing for our Future



Above: Checking the RC drill bit before drilling begins.

The significant growth in Major Drilling Group International Inc. operations globally in the last few years has created opportunities for employees all over the world. Our expansion strategy calls for sending experienced expatriate drillers into new areas to train local employees to take their place. There are frequently language and cultural issues that must be addressed along the way, but Major employees have risen to these challenges and developed unique ways to address them. As a result, opportunities for locals abound.

Australia has designed an entire protocol to introduce drillers hired from other cultures into Australian culture and society. Employees from these countries are taught where to buy familiar food, how to shop for other supplies and how to conduct banking in Australia. While these employees become acclimatized to local culture, they are often housed with others from their home countries so cultural ties are not lost.

In other locations, the need to supply trained operators quickly led to concentrated training efforts. In Mexico, the supply of trained local drillers nearly doubled from calendar 2005 to calendar 2006, and then doubled again in calendar 2007. Such rapid growth required new methods and again Major employees rose to the task, developing tools to support that growth. Major Mexico produced an orientation video that introduced employees to the Company, illustrated the correct way to work around drills and covered other important safety practices. This video was bolstered by an additional twelve training videos to establish a common skill level for all employees. This video library is now the planned standard for all Latin American operations.

Our Canadian operation has taken the initiative to form a contract with a college in Saskatchewan to provide students from Northern Saskatchewan's aboriginal groups with six weeks of training in preparation for work on drilling rigs across Canada. The candidates are pre-screened and interviewed to determine their aptitude for working in the rigorous conditions found in exploration camps across Canada. The program has been so successful that former students have returned to the college to assist instructors in training.

In Mongolia our operation developed a drilling dictionary that translates common drilling terms from English into Mongolian to facilitate communication. This dictionary, along with company-supplied translators and English lessons for Mongolian employees, accelerated the training for our locals in that area. As a result, the Mongolian operation has become an exporter of drillers to operations in Australia and Armenia.

Like every modern, growing company, Major Drilling Group International Inc. has embraced technology for help in providing standard consistent training. The Canadian operations alone, in the first three months of 2008, completed over 5,400 online safety courses as part of an effort to deliver standard training to a widely dispersed population. Students can access training on the web anywhere, from a library in their small town to dedicated computers installed in our branch offices.

Our plans for future improvements include a global standard induction program so every employee on every drill around the world has best-practice knowledge to let them begin working safely their first day in the field. Major Drilling is also developing a structured driller training program to address a continuing driller shortage in the industry. This structured plan will provide a roadmap to employees who wish to advance to driller, while minimizing the time required in doing so.

As we develop new tools and techniques for managing our growth, we continue to excel using more traditional methods of training and development. At operations in Indonesia, we recently surpassed one million man-hours without an accident and were

CONSCIENTIOUSNESS YOU CAN RELY ON.

Above: A long line being delivered into the worker's hand.
Right: An underground operation in Orange, New South Wales, Australia.

rated the safest of twenty-one contractors on the project for calendar 2007. This same project received the highest rating of five stars from safety and quality auditors, NOSA (National Occupational Safety Association). Hard work, good management and a commitment to maintaining standards, which led to this achievement, are qualities we plan to sustain company-wide, even as we continue to search for innovative ways to train, develop and promote the over 4,500 outstanding employees in our global workforce.

Management Team

The management team of Major Drilling Group International Inc., from the CEO to the Branch Managers, represent over 1,000 years of combined experience in the drilling industry, which is an average of over 27 years per individual. The combination of this experience and our new generation of managers is what allows the Company to consistently deliver high quality drilling services in some of the world's most remote and harshest environments. Experience you can trust.

Francis McGuire – ***Director, President and Chief Executive Officer***

Winner of Atlantic Business Magazine's Top CEO for 2008, Mr. McGuire has been with Major Drilling since August 2000. Prior to that, from 1998 to August 2000, he served as Vice President, Business Development of MITI Information Technology Inc. Mr. McGuire has also served as Deputy Minister of the Department of Economic Development and Tourism of New Brunswick and holds a Masters of Arts in International Studies, Trade and Economics from Johns Hopkins University, a diploma in European Politics from the Institut d'Etudes Politiques in Paris and a Bachelor of Arts from Dalhousie University. Mr. McGuire is also a Fellow at the University of New Brunswick's McCain Institute for Business Leadership.

Denis Larocque – ***Chief Financial Officer***

Mr. Larocque joined Major Drilling in September 1994. Throughout Major Drilling's period of geographic expansion, when the Company grew from a privately owned Canadian company to a publicly traded multinational with a presence on five continents, Mr. Larocque was involved in the acquisition and branch office setup in countries like Australia, Argentina, Chile, Mongolia, and many more. Mr. Larocque is a Chartered Accountant and holds a Bachelor of Business Administration, major in Accounting, from Laval University. Prior to joining the Company, Mr. Larocque worked for an accounting firm affiliated with BDO Dunwoody.

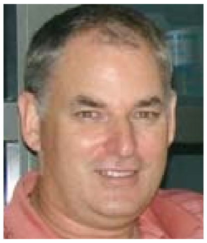
Michael Jagoe – ***Executive Vice President***

Prior to joining Major Drilling, Mr. Jagoe served successively as Regional Director of the Americas, Regional Director of Europe, Vice President Products and Vice President Contracting for Boart Longyear Company. He also held the position of Global Coring Director. Mr. Jagoe's appointment as Executive Vice President in 2006 brings to Major Drilling over thirty years experience in contracting and associated products worldwide. Mr. Jagoe holds a M.Sc. Degree in Industrial Engineering and a B.Sc. Degree in Mechanical Engineering from the University of Witwatersrand in South Africa, and a diploma in Executive Development from the International Institute for Management Development in Lausanne, Switzerland.

Robert Morgan – ***Vice President, Business Development and Latin American Operations***

Mr. Morgan joined the Company in 1980 after obtaining a Bachelor of Science Degree (Geology and Business Administration) from St. Francis Xavier University in 1976. Mr. Morgan started his career with the Company as a drilling supervisor and advanced first to regional manager, then to Vice President of Operations, and, most recently, to Vice President, Business Development and Latin American Operations. Mr. Morgan also held the position of President – Canadian Diamond Drilling Association from 2001 to 2002.

Robert Newburn – ***Vice President, North American and African Operations***



Mr. Newburn joined the Company in 2002 as Area Manager for the Townsville branch in Australia and in 2003 was promoted to his current position. Mr. Newburn brings over thirty years of experience in drilling operation management to this position, starting as a driller assistant in 1978 and progressing through to senior supervisor in various countries, gaining experience and knowledge of the drilling industry before switching to product sales and management. In 1994 Mr. Newburn became the Contracts Area Manager for Boart Longyear and then held the position of Australian Contracts Manager for that company before joining Major Drilling.

Raymond Baldry – ***Vice President, Australian and Asian Operations***

Mr. Baldry started in the drilling industry in 1985 as a driller's assistant, progressing to driller and field supervisor, which allowed him to gain a wealth of knowledge in all aspects of drilling techniques. In 1997, Major Drilling Group International Inc. acquired the company in Australia where Mr. Baldry held the position of Branch Manager and he has since held several management positions within the group. These have included Operations Manager Australia, International Operations Manager (Asia & Africa) and most recently General Manager Australia, before taking up the position of Vice President - Australian and Asian Operations.

James Gibson – ***Vice President of Legal Affairs, General Counsel, and Corporate Secretary***

Mr. Gibson joined Major Drilling Group in 1995 as General Counsel, having been engaged in the private practice of law for the previous eight years. He was promoted to the position of Vice President of Legal Affairs in 2006. Mr. Gibson holds a Bachelor of Science degree from Dalhousie University and a Bachelor of Law degree from the University of New Brunswick.

David Balser – ***Vice President, Finance***

Mr. Balser obtained his Chartered Accounting designation in 1991. He joined Major Drilling Group in 2005 as International Controller, bringing 14 years of experience in public practice, manufacturing and the construction industry. He was then promoted to Corporate Controller and to his current position in 2007. Mr. Balser holds a Bachelor of Commerce degree from Mount Allison University.

Management's Discussion & Analysis

The following discussion and analysis, prepared as of June 30, 2008, should be read together with the audited financial statements for the year ended April 30, 2008 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

This MD&A contains forward-looking statements about the Company's objectives, strategies, financial condition, results of operations, cash flows and businesses. For a full discussion of forward-looking statements, see the forward-looking statements section of this report.

Forward-Looking Statements

Securities laws encourage companies to disclose forward-looking information in order for investors to have a better understanding of a company's future prospects and make informed investment decisions.

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

Actual results could be materially different from expectations if known or unknown risks affect the business, or if estimates or assumptions turn out to be inaccurate. The Company does not guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place reliance on these forward-looking statements.

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

Additional information relating to the Company, including the Company's Annual Information Form for the most recently completed financial year, can be found on SEDAR at www.sedar.com.

Corporate Overview

Major Drilling Group International Inc. is one of the world's largest drilling service companies primarily serving the mining industry. To support its customers' varied exploration drilling requirements, Major Drilling maintains field operations and offices in Canada - U.S., South and Central America, Australia, Asia and Africa. Major Drilling provides all types of drilling services including surface and underground coring, directional, reverse circulation, RAB, geotechnical, environmental drilling and coal-bed methane and shallow gas.

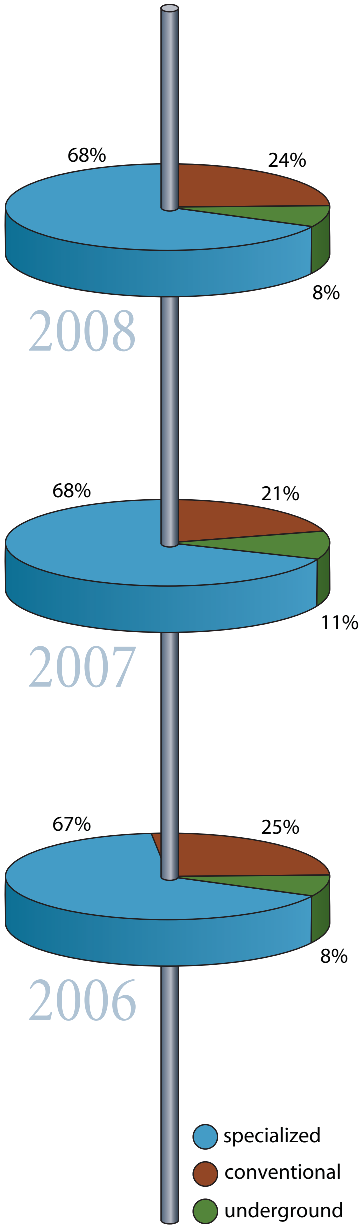
Business Strategy

Major Drilling continues to base its business premise on the following: mining companies continue to deplete the more easily accessible mineral reserves around the world and attractive deposits will be in increasingly remote locations, areas difficult to access and/or deep in the ground. For this reason, Major Drilling's strategy is to focus its services on projects that have these characteristics, calling these services "specialized drilling". Over the years, the Company has positioned itself as one of the largest specialized operators in the world by leveraging its main competitive advantages: skilled personnel; specialized equipment; long standing relationships with the world's largest mining companies and access to capital.

Although the Company's main focus remains specialized services, it also intends to continue to modernize its conventional fleet and expand its footprint in strategic areas while maintaining minimum debt levels and remaining best of the class in safety and human resources.

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

Drilling Revenue by type



Specialized drilling can be defined as any drilling project that, by virtue of its scope, technical complexity or location, creates significant barriers to entry for smaller drilling companies. This would include, for example, deep-hole drilling, directional drilling, or mobilizations to remote locations or high altitudes. Because significant ore bodies are getting more difficult to find, the Company expects specialized drilling services to continue to fuel future growth, and over the next two decades, we believe these skills will be in greater and greater demand.

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

Underground drilling is as cyclical as conventional drilling activity, and takes on greater importance in the latter stages of the mining cycle as clients develop underground mines. While growth in underground drilling remains relatively flat, conventional drilling is growing in parallel with the current industry cycle, while specialized drilling is growing structurally.

Industry Overview

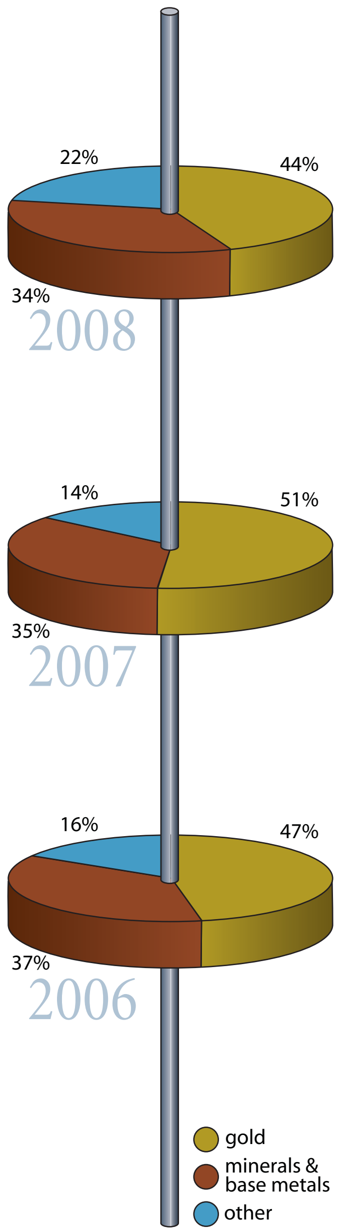
The metals and minerals drilling industry is reliant primarily on demand from two metal groups, gold on the one hand and base metals on the other. Each commodity group is influenced by distinct market forces. In a positive commodity pricing regime, either one of these metal groups can, by itself, bring the contract drilling sector to capacity. Worldwide mineral exploration expenditures in calendar 2007 surpassed US$10 billion, above 1997 peak levels of US$5.2 billion (nominal). In 1997, growth in mineral exploration was primarily driven by gold mining and exploration companies, but in calendar 2007, gold, base metal and uranium mining companies expanded exploration budgets.

Several large mining companies have released plans to maintain or increase their exploration budgets in calendar 2008, with some releasing multi-year exploration plans showing gradual increases over the next three to five years. Also, many junior mining companies have the funds to carry out their exploration program in calendar 2008 and beyond. The Metals Economics Group ("MEG"), a recognized authority on mining industry intelligence, expects to see a continued increase in worldwide exploration spending in calendar 2008, albeit at a more moderate rate than seen in the past few years. Major Drilling is well positioned to benefit from the cyclical upturn for gold and base metals through its global reach, expertise and strong balance sheet.

Gold

Drilling services for gold are always affected by overall commodity prices. However, MEG is reporting that declining gold reserves replacement via exploration, since 1997, may result in gold supply shortages in the long term. Especially evident from their analysis is that the number of recently discovered large deposits of more than 2.5 million oz. (a size senior mining companies would consider

Drilling Revenue
by commodity



developing) is not adequate to replace the seniors' gold production. The discovery rate of major gold deposits has declined in each of the last nine years. Historically, only about half of feasibility-stage projects reach production within ten years.

Base Metals

Drilling services for base metals are always affected by overall commodity prices. However, with low levels of exploration in the recent past limiting the expansion of supply, and the emergence of China and India as major consumers of base metals, supply is expected to fall short of demand over the next several years, which should increase demand for exploration drilling services in the mining industry. MEG reports that even if the recovery in exploration spending produces a number of new large-scale projects, the time required to take a project from discovery through to production ensures that any new discoveries will not benefit global supply for years. During this time, definition drilling is required to establish mine plans in order to bring these discoveries into production. Most observers believe that a slowdown in the U.S. economy would have only a small impact on the demand for base metals as problems on the supply side and continued demand from China and India should keep prices above levels required for exploration. Worldwide drilling demand from uranium companies is expected to continue in calendar 2008 given the number of projects moving into the pre-feasibility stage, although uranium projects in some regions might be affected by regulatory delays.

Business Acquisitions

Harris y Cia Ltda.

Effective September 1, 2007, the Company purchased the exploration drilling company Harris y Cia Ltda. ("Harris").

Through this purchase, Major Drilling acquired 11 drill rigs conducting mainly specialized drilling in the active northern region of Chile. In addition, the acquisition included all support equipment, inventory, an office and repair facilities. Major Drilling's existing operations were largely in central and southern Chile and as such this acquisition provided attractive synergies to assist the Company in fulfilling its strategy of fully servicing the Chilean specialized drilling market.

As part of this acquisition, Major Drilling also acquired Harris' existing contracts and retained key management personnel, as well as the other employees, including a number of experienced drillers.

The purchase price for the transaction was US$23.9 (CND$25.2) million, including customary working capital adjustments, financed with cash and debt.

Paragon del Ecuador S.A.

Effective October 25, 2007, the Company purchased the assets of the exploration drilling company Paragon del Ecuador S.A.

Paragon was the largest mineral exploration drilling contractor in Ecuador, operating 7 drill rigs. In addition to the rigs, this acquisition involved support equipment and inventory, existing contracts, and personnel.

The purchase price for the transaction was US$6.0 (CND$5.8) million, subject to various holdbacks and was financed with cash and debt. At year-end, a mining mandate was adopted by the government, effective April 18, 2008, ordering the halt of mining activities in the country, including drilling and exploration for a period of 180 days while a new mining law is drafted and adopted. The Company is presently looking at redeploying its Ecuadorian rigs elsewhere in the region as demand continues to be strong. Also, holdbacks against the original purchase price for a total of US$2.0 million, the release of which are conditional on a number of factors, including local contracts not being materially impacted by mining law changes, were put in place to mitigate the country risk associated with this acquisition.

Longstaff Group of Companies

Effective December 1, 2006, the Company purchased the assets of the Longstaff Group's drilling operations in southern Africa. These include the operations of Raldril (Pty) Limited in South Africa, RA Longstaff (Botswana) (Pty) Ltd in Botswana, and R.A. Longstaff Namibia (Pty) Limited in Namibia.

These businesses operate in regions where Major Drilling did not previously have a presence. Through this purchase the Company acquired 55 conventional drill rigs, together with related support equipment, inventory, and contracts. These assets have given Major Drilling the physical capacity to expand further throughout other parts of southern Africa, which is considered to be an area of continuing growth in the industry.

In addition to purchasing the drilling assets, Major Drilling retained the operations' management teams, and the employees, including a large number of experienced drillers.

The purchase price for the transaction, which closed on December 22, 2006, including post closing adjustments, was $15.4 million.

Discontinued Operations

During the first quarter of fiscal 2007, the Company announced the sale of its manufacturing division, UDR, to Sandvik AB. The Company made the strategic decision to focus its corporate resources on the mineral drilling business, where it competes as one of the world's largest contract drillers. The Company also made the strategic decision to close its operations in China in the first quarter of fiscal 2007. Chinese operations were previously reported within the Australian, Asian and African segment.

Loss from discontinued operations was $0.5 million or $0.02 per share compared to a gain of $12.3 million or $0.53 per share last year. Discontinued operations include last year's sale of the manufacturing division and the termination of operations in China. Gain from discontinued operations for fiscal 2007 largely reflected the gain of $15.6 million (after income taxes) from the sale of the manufacturing division, partially offset by a loss in the Chinese operations after close-down provisions.

Overall Performance

Revenue for the fiscal year ending April 30, 2008 increased 42.1 percent to $590.3 million from $415.4 million for the corresponding period last year. Revenue growth was negatively impacted by the strengthening Canadian dollar against the U.S. dollar as compared to the same period last year. The unfavourable foreign exchange translation impact for the year, when comparing to the effective rates for the same period last year, is estimated at $42 million on revenue.

All regions contributed to growth. Australia, Asia and Africa accounted for 45 percent of the Company's total growth, with the African acquisition, better rig utilization in Australia and a new operation in Armenia accounting for most of the region's growth. South and Central America accounted for one third of the Company's growth driven primarily by good internal growth in Mexico, Chile and Argentina and by new acquisitions in Chile and Ecuador. Finally, Canada-U.S. accounted for the rest of the Company's growth, all of it internal with additional equipment and improved pricing contributing.

Gross margins for the year were 33.1 percent compared to 32.0 percent last year, with the increase due mainly to an improving pricing environment, and despite increased investments in training and increased labour and materials cost. With the increase in revenue and improving gross margins, gross profit for the year increased by 46.8 percent to $195.4 million compared to $133.1 million for the prior year.

Selected Annual Information

For the years ended April 30	2008	2007	2006
(in millions of Canadian dollars, except per share information)			*reclassified*
Revenue by region			
Canada-U.S.	**$ 189**	$ 151	$ 119
South and Central America	**186**	127	81
Australia, Asia and Africa	**215**	137	116
	590	**415**	**316**
Gross profit	**195**	**133**	**90**
Gross profit as a percentage of revenue	**33.1%**	32.0%	28.6%
Earnings from continuing operations	**75**	**47**	**25**
Per share (basic)	**$ 3.16**	$ 2.01	$ 1.11
Per share (diluted)	**$ 3.12**	$ 1.98	$ 1.09
Net earnings	**74**	**59**	**29**
Per share (basic)	**$ 3.14**	$ 2.54	$ 1.26
Per share (diluted)	**$ 3.10**	$ 2.50	$ 1.23
Total assets	**$ 427**	**$ 328**	**$ 270**
Total long-term financial liabilities	**$ 28**	**$ 19**	**$ 24**

The combination of strong revenue growth and improved margins produced record earnings, from continuing operations, of $74.6 million ($3.16 per share), an increase of over 60 percent or $28.1 million, compared to earnings from continuing operations of $46.5 million ($2.01 per share) recorded in fiscal 2007.

Results of Operations

Fiscal 2008 Compared to Fiscal 2007

Revenue for the fiscal year ended April 30, 2008 increased 42.1 percent to $590.3 million from $415.4 million for the corresponding period last year. Gross margins for the year were 33.1 percent compared to 32.0 percent last year, due mainly to an improving pricing environment. With the increase in revenue and improving gross margins, gross profit for the year increased by 46.8 percent to $195.4 million compared to $133.1 million for the prior year.

Canada-U.S.

Canada-U.S. revenue increased by 25.0 percent to $189.0 million compared to $151.2 million last year. Improved pricing, additional equipment, and better utilization contributed to the growth in that region.

Gross margins in Canada-U.S. improved slightly year-over-year as increased demand for drilling services improved the pricing environment but margin growth was slowed by increased labour costs as this region continues to face labour availability issues.

South and Central America

Revenue in South and Central America increased by 46.4 percent or $59.1 million to $186.5 million, compared to $127.4 million in fiscal 2007. Revenue growth was driven primarily by good internal growth in Mexico, Chile and Argentina and by new acquisitions in Chile and Ecuador.

This region showed the largest improvement in gross margins of all the regions as strong demand drove prices upward. The Company's training and recruiting efforts in this region have been successful, with increased labour productivity and rig utilization.

Australia, Asia and Africa

Revenue in Australia, Asia and Africa increased 57.0 percent to $214.8 million from $136.8 million in fiscal 2007. Australia and the new African operations accounted for 67 percent of the growth in this segment. As well, all other countries in the region grew their revenue and the Company commenced operations in Armenia.

Gross margins in the region decreased slightly year-over-year as good pricing and productivity improvements in Australia and Mongolia were offset by lower margins in Africa and in the Armenian start-up.

Operating Expenses

General and administrative expenses increased to $44.8 million compared to $33.8 million for the same period last year. This increase is primarily due to additions to the management team to accommodate growth and additional safety and training efforts, the African, Ecuadorian and Chilean

acquisitions, and overall cost increases due to increased volume. General and administrative expenses improved to 7.6 percent of revenue as compared to 8.1 percent in fiscal 2007.

Other expenses were $13.6 million for the year compared to $9.3 million for the same period last year due primarily to higher incentive compensation expenses given the Company's improved profitability in the current year, and losses on disposal of assets, offset by a reduction in the provision for doubtful accounts.

Foreign exchange loss was $2.1 million compared to $0.8 million in the prior year period as a result of unfavourable variation in the U.S. dollar against the Canadian dollar.

Short-term interest revenue was $0.2 million for the year compared to $0.7 million last year, while interest expense on long-term debt was $2.4 million in fiscal 2008 compared to $2.6 million last year.

Amortization expense increased to $27.0 million compared to $20.5 million last year, as a result of increased investment in equipment.

The provision for income tax for the year was $31.1 million compared to $20.2 million for the prior year reflecting the increase in pre-tax earnings. The Company's effective tax rate for fiscal 2008 was 29.4% versus 30.3% for fiscal 2007. The reduction in the Company's effective tax rate can be attributed to decreases in corporate income tax rates in Canada and Mongolia, and an increase in income taxed in lower rate jurisdictions.

Earnings from continuing operations were $74.6 million or $3.16 per share ($3.12 per share diluted) compared to $46.5 million or $2.01 per share ($1.98 per share diluted) last year.

Loss from discontinued operations was $0.5 million or $0.02 per share compared to a gain of $12.3 million or $0.53 per share last year. Discontinued operations include last year's sale of the manufacturing division and the termination of operations in China. Gain from discontinued operations for fiscal 2007 largely reflects the gain of $15.6 million (after income taxes) from the sale of the manufacturing division, partially offset by a loss in the Chinese operations after close-down provisions.

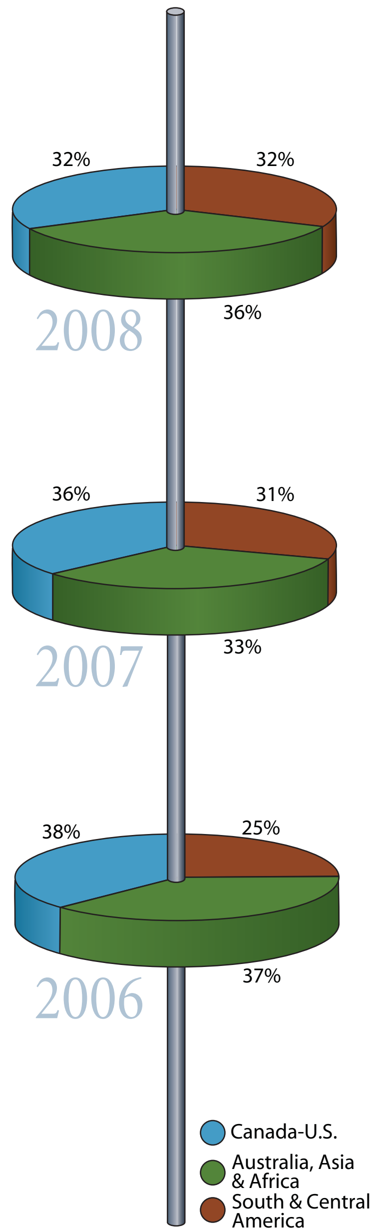
Net earnings were $74.1 million or $3.14 per share ($3.10 per share diluted) compared to $58.8 million or $2.54 per share ($2.50 per share diluted) for last year.

Summary Analysis Fiscal 2007 Compared to Fiscal 2006

Revenue for the fiscal year ending April 30, 2007 increased 31.2 percent to $415.4 million from $316.5 million for the corresponding period last year. Almost half of this increase in revenue is related to South and Central America, with the remainder coming from Canada-U.S. and Australia, Asia and Africa. Gross margins for the year were 32.0 percent compared to 28.6 percent the previous year, due mainly to an improving pricing environment and despite increased investments in training and increased labour and materials cost.

The combination of strong revenue growth and improved margins produced record earnings from continuing operations of $46.5 million ($2.01 per share), an increase of over 84 percent or $21.3 million,

Drilling Revenue
by region



compared to earnings from continuing operations of $25.2 million ($1.11 per share) recorded in fiscal 2006.

Summary Analysis Fourth Quarter Results Ended April 30, 2008

Total revenue for the fourth quarter was $170.0 million, up 31.8 percent from the $129.0 million recorded for the prior year period. Revenue growth was affected by the strengthening Canadian dollar against the U.S. dollar as compared to the same period last year. The unfavourable foreign exchange translation impact for the quarter, when comparing to the effective rates for the same period last year, is estimated at $16 million on revenue.

Revenue from Canada-U.S. drilling operations was up $5.5 million or 11.7 percent to $52.5 million for the quarter compared to $47.0 million for the same period last year. Improved pricing and better winter conditions at the end of the quarter, as compared to last year, contributed to the improved performance of the region.

In South and Central America, revenue for the quarter was $60.4 million, up 47.0 percent from $41.1 million recorded in the prior year quarter. This strong year-over-year quarterly growth was driven primarily by strong demand in Mexico, Chile (including the Harris acquisition) and Argentina. Operations in Venezuela and Ecuador were impacted by political decisions near the end of the quarter, which limited their contribution.

Australian, Asian and African drilling operations reported revenue of $57.1 million, up some 39.6 percent from $40.9 million reported in the same period last year. Revenue growth in the region came mainly from Africa, Australia and a new operation in Armenia. Mongolian revenue was flat as the mining industry in that country continues to struggle with uncertainty relating to government mining policies.

The overall gross margin percentage for the quarter was 35.0 percent, up from 33.7 percent for the same period last year. Gross margin percentages improved year-over-year in Canada-U.S. and South and Central America due to generally improved pricing, better equipment and better drilling conditions in Canada in April. However, weather negatively affected productivity in February and our energy rigs had low levels of utilization in both Australia and the U.S. throughout the quarter. In Africa, operational and management issues affected results as the Company continues with the integration of its acquisition in the region, which is taking longer than anticipated to produce expected returns. The Company has made several management and operational changes in the region and expects results to improve in the coming quarters.

General and administrative costs were $12.7 million for the quarter, compared to $10.2 million for the prior year period. The increase was due to the administrative costs relating to the acquisitions in Chile and Ecuador, additions to management to accommodate growth and overall cost increases due to increased volume. The Company added significant additional resources on safety and training, particularly in the second half of the year. In addition, the Company has started a new research and development program with the goal of finding new ways to enhance productivity and safety.

Other expenses were $3.2 million for the quarter compared to $2.2 million for the same period last year, due to higher incentive compensation expenses given the Company's improved profitability in the current year and losses on disposal of assets.

Foreign exchange loss was nil for the quarter compared to $0.5 million for the prior year period.

Short-term interest expense was $0.2 million for the quarter compared to revenue of $0.4 million last year, while interest on long-term debt was $0.5 million compared to $0.7 million for the prior year quarter.

Amortization expense increased to $7.5 million for the quarter compared to $5.9 million for the same quarter last year, as a result of increased investment in equipment.

The Company's tax expense was $10.1 million for the quarter, reflecting the Company's profitability, compared to $6.6 million for the same period last year.

Earnings from continuing operations for the quarter were $25.3 million or $1.07 per share ($1.05 per share diluted) compared to $17.8 million or $0.77 per share ($0.75 per share diluted) in the prior year period.

Gain from discontinued operations was $0.1 million compared to nil for the same period last year.

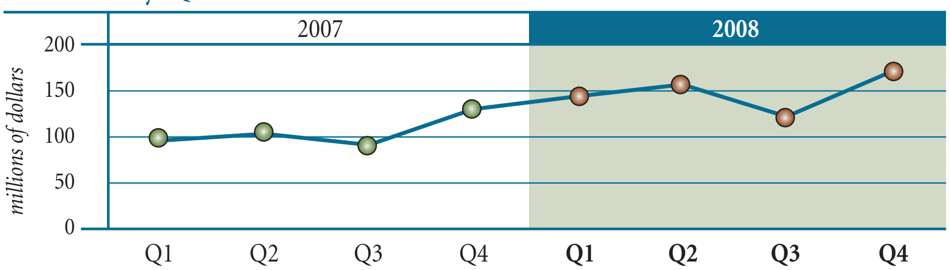
Net earnings were $25.4 million or $1.07 per share ($1.05 per share diluted) compared to $17.8 million or $0.77 per share ($0.75 per share diluted) for the same period last year.

With the exception of the third quarter, the Company exhibits comparatively less seasonality in quarterly revenue than in the past since a relatively higher proportion of drilling

Summary of Quarterly Results

	Fiscal 2007				Fiscal 2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
(in thousands of Canadian dollars, except per share information)								
Revenue	$ 94,451	$101,845	$ 90,092	$129,049	**$143,420**	**$156,136**	**$120,758**	**$169,995**
Gross profit	30,504	33,824	25,222	43,520	**47,644**	**54,665**	**33,712**	**59,420**
Gross margin	32.3%	33.2%	28.0%	33.7%	**33.2%**	**35.0%**	**27.9%**	**35.0%**
Earnings from continuing operations	10,050	12,959	5,737	17,800	**18,824**	**22,815**	**7,670**	**25,286**
Per share – basic	0.44	0.56	0.25	0.77	**0.80**	**0.97**	**0.32**	**1.07**
Per share – diluted	0.43	0.55	0.24	0.75	**0.79**	**0.95**	**0.32**	**1.05**
Net earnings	22,883	13,109	5,002	17,809	**18,935**	**22,563**	**7,236**	**25,361**
Per share – basic	0.99	0.57	0.22	0.77	**0.81**	**0.96**	**0.31**	**1.07**
Per share – diluted	0.97	0.56	0.21	0.75	**0.80**	**0.94**	**0.30**	**1.05**

Revenue by Quarter



revenue is coming from regions with more temperate or tropical climates that are not impacted by winter weather conditions, and strong cyclical growth tends to mute normal seasonal patterns. 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.

Liquidity and Capital Resources

Operating Activities

The Company generated $109.1 million in operating cash flows, before changes in non-cash working capital, in the fiscal year ended April 30, 2008, an increase of $33.5 million from the $75.6 million generated last year, reflecting the improvement in both revenue and gross margins.

Working capital increased $25.2 million to $111.2 million at April 30, 2008 compared to $86.0 million at April 30, 2007. This increase was due primarily to (i) an increase in accounts receivable of $25.0 million due to increased volumes and (ii) an increase in inventory of $24.1 million due to increased volume and the Company has also increased inventory levels to guard against supply interruptions; partially offset by an increase in accounts payable of $19.4 million related to increased volumes.

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital, capital expenditure and debt obligations. As at April 30, 2008, the Company had unused borrowing capacity under its credit facilities of $72.4 million and cash of $20.7 million, for a total of $93.1 million.

Financing Activities

Total long-term debt increased by $8.3 million during the year from $31.8 million at April 30, 2007 to $40.1 million at April 30, 2008. The increase is primarily due to additional debt of $24.0 million to finance business acquisitions and capital expenditures offset by debt repayments of $14.1 million.

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

The credit facilities related to operations total $32.4 million ($30.0 million from a Canadian chartered bank and $2.4 million in credit facilities available in Chile and Australia) and are secured by fixed and floating charges on selected Canadian capital assets, a general assignment of book debts, inventories and corporate guarantees of companies within the group. The Company has a credit facility of $1.7 million for credit cards for which interest rate and repayment are as per cardholder agreement. At April 30, 2008, the Company had utilized $5.1 million of these lines.

A second facility is a $65.0 million facility for financing the cost of equipment purchases or acquisition costs of related businesses. At April 30, 2008, the Company had utilized $22.0 million of this line. Draws on this line can be amortized over five years.

The third facility is a US$4.2 million non-revolving term facility established to assist in the 2005 acquisition of Dynatec's Drilling Division, based in the United States. This facility is being amortized over a five-year period, which commenced in June 2005.

The Company also has other various loans and capital lease facilities related to equipment purchases that totaled $17.1 million at April 30, 2008, of which $13.9 million were utilized and mature through 2011.

Capital Expenditures

Capital expenditures were $70.0 million ($68.1 million net of financing) for the year ended April 30, 2008 compared to $49.5 million ($36.8 million net of financing) for the same period last year. It is expected that net capital expenditures will grow to $80 million in fiscal 2009 as the Company continues to invest internally in the face of growing demand.

During the year, the Company added 61 drill rigs through its capital expenditure program and 18 drill rigs through acquisitions while retiring or disposing of 15 rigs through its modernization program. This brings the total rig count to 534 at year-end.

Outlook

Demand from gold projects is expected to continue to be strong in calendar 2008 as gold prices should remain well above the economical thresholds required for sustained exploration. Worldwide drilling demand from uranium companies is expected to continue in 2008 given the number of projects moving into the pre-feasability stage, although uranium projects in some regions may be affected by regulatory delays. On base metals, problems on the supply side due to the lack of new discoveries and shortages of equipment and labour should keep prices above levels required for exploration. In addition, most observers believe that a slowdown in the U.S. economy would have only a small impact on the demand for base metals as continued demand from China and India should continue to be the driver.

In terms of customer base, most senior and intermediate mining companies, which represent the majority of the Company's customers, have increased their 2008 exploration budgets from 2007. Most of the junior companies that we work for have raised substantial amounts of cash, which should carry their exploration programs through the next six to eight quarters. While financial markets may become more selective in their future support for junior mining, projects with good fundamentals are expected to find financing. The need to replace depleting reserves will continue to be the key driver in the industry.

Looking at fiscal 2009, the Company expects its revenue growth to come from two main drivers: from additional investments in people and equipment and price increases. The Company also continues to seek acquisitions that will either enhance its strategy of dominating specialized drilling or that will expand its geographical footprint. Given the strong demand and the Company's favourable financial position, net capital expenditures are expected to reach $80 million in the upcoming year subject to delivery schedules. In addition, the Company started a new research and development program with the goal of finding new ways to enhance productivity and safety. Labour availability will remain the Company's greatest challenge, and we will continue to

Contractual Obligations

Payments Due by Period	Total	< 1 year	2-3 years	4-5 years	> 5 years
(in thousands of Canadian dollars)					
Long-term debt	$ 40,115	$ 11,798	$ 17,802	$ 8,168	$ 2,347
Purchasing commitments	16,660	16,660	–	–	–
Operating leases	7,694	3,111	3,098	1,411	74
Total contractual obligations	$ 64,469	$ 31,569	$ 20,900	$ 9,579	$ 2,421

increase our investments in training but we expect competition for experienced drillers to intensify as the year goes on. In parts of our African region, where pricing has lagged, we expect to continue to improve rig availability and pricing. These initiatives should improve profitability of the region as we move through the year. Finally, we continue to be mindful of the impact that governments can have on exploration activities in various countries as governments seek to share in the benefits of this commodity boom.

Overall margin performance is also expected to continue to improve gradually through the coming year as prices and productivity should improve. Finally, the Company still expects the normal seasonal pull back in the third quarter.

Foreign Exchange

The Company's reporting currency is the Canadian dollar, however a significant portion of the Company's revenue and operating expenses outside of Canada are denominated in U.S. and Australian dollars. The year-over-year comparisons of growth of revenue and operating expenses have been impacted by the rising Canadian dollar against the U.S. dollar.

During fiscal 2008, approximately 20 percent of revenue generated was in Canadian dollars, 14 percent in Australian dollars with almost all of the balance being in U.S. dollars. Since most of the input costs related to this revenue is denominated in the same currency as the revenue, the impact on earnings is somewhat muted.

The estimated total unfavourable FX impact on revenue for the year compared to last year was $42 million. Net earnings however, remained less impacted by currency fluctuations during the year as a large proportion of costs are typically incurred in the same currency as revenue. The estimated total unfavourable FX impact on earnings from continuing operations for the year was $7.3 million.

Changes in Accounting Policies

Financial Instruments and Comprehensive Income

The Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861, Financial Instruments – Disclosure and Presentation, and Section 3865, Hedges, on May 1, 2007.

As a result of the adoption of Section 1530, Comprehensive Income, the Company now presents Consolidated Statements of Comprehensive Earnings, which consists of net earnings and other comprehensive loss representing gains and losses from the translation of the Company's self-sustaining foreign operations. Accumulated other comprehensive loss ("AOCL") is presented as a separate component of the shareholders' equity section in the Consolidated Balance Sheets. Previously, these gains and losses were deferred in cumulative translation adjustments within shareholders' equity and are now the only element included in AOCL.

As a result of adopting CICA Section 3855, Financial Instruments – Recognition and Measurement, financial assets classified as loans and receivables and financial liabilities classified as other liabilities have to be measured initially at fair value. The adoption of CICA Section 3855 has not resulted in any changes to the carrying values of financial instruments.

The Company's financial assets and financial liabilities are classified and measured in the table below.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them.

The Company does not currently have derivatives and therefore the adoption of CICA Handbook Section 3865, Hedges, has had no impact on the Company's financial statements.

Asset/Liability	Classification	Measurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Assets of discontinued operations	Loans and receivables	Amortized cost
Demand loan	Other financial liabilities	Amortized cost
Accounts payable and accrued charges	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost
Liabilities of discontinued operations	Other financial liabilities	Amortized cost

In accordance with CICA Handbook Section 3855, a search for embedded derivatives in our contracts as at January 1, 2008 was conducted. There were no embedded features identified that require separate presentation from the related host contract.

Accounting Standards Pending Adoption

Inventories

In June 2007, the CICA issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning May 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. The Company does not expect that the adoption of this Section will have a material effect on its consolidated financial statements.

Financial Instruments

In December 2006, the CICA issued Section 3862, Financial Instruments – Disclosures, Section 3863, Financial Instruments – Presentation, and Section 1535, Capital Disclosures. All three Sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, the Company will adopt the new standards for its fiscal year beginning May 1, 2008. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on Capital Disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital. As the standards relate only to disclosure requirements, they will have no effect on financial statements.

Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning May 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

IFRS

Effective January 1, 2011, International Financial Reporting Standards will replace Canadian GAAP. The Accounting Standards Board has released an exposure draft that outlines the standards. We are currently assessing the effect that this transition will have on our operations and financial reporting.

Critical Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include, but are not limited to, the useful lives of capital assets for amortization purposes, inventory valuation, valuation of future income taxes, assumptions used in compilation of stock-based compensation, fair value of assets acquired and liabilities assumed in business acquisitions, and amounts recorded as accrued liabilities. Actual results could differ materially from those estimates and assumptions.

As of April 30, 2008, capital assets with a carrying value of $199.0 million, represented almost 50 percent of total assets. As such, the estimates used in accounting for the related

depreciation and amortization charges have a material impact on the Company's financial condition and earnings.

Inventory represented almost 18 percent of total assets at April 30, 2008. Although the Company can redeploy remote inventory to other regions in the event of a downturn in a particular region, this can prove to be costly. The Company continues to monitor realizable value of inventory, especially in remote locations.

Off Balance Sheet Arrangements

Except for operating leases disclosed in Note 15 "Commitments" of the consolidated financial statements and presented as contractual obligations in the liquidity section herein, the Company does not have any other off balance sheet arrangements.

General Risks and Uncertainties

The risks described below do not include all possible risks and there may be other risks of which management is currently not aware.

Cyclical Downturn

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

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

Levels of inventory typically increase as a result of increased activity levels. In addition to direct volume related increases however, inventory levels also increase due to an expansion of activity in remote locations at the end of long supply chains where it is necessary to increase inventory to ensure an acceptable level of continuing service, which is part of the Company's competitive advantage. In the event of a sudden downturn of activities related either to a specific project or to the sector as a whole, it is more difficult and costly to redeploy this remote inventory to other regions where it can be consumed. In order to attempt to minimize its exposure to this risk, the Company works closely with its customers to anticipate and plan for scheduled reductions in their drilling programs. The Company also closely monitors its inventory levels in these remote operations and attempts to appropriately balance its exposure to inventory risk against the risk of loss of productivity as a result of insufficient drilling consumables or spares when required.

Country Risk

Major Drilling is committed to utilizing its expertise and technology in exploration areas around the world. With this comes the risk of dealing with business and political systems in a variety of jurisdictions. Unanticipated economic, political, tax related, regulatory or legal changes (or changes in interpretation) could have a material negative impact on operations and assets. The risks include, but are not limited to, military repression, extreme fluctuations in currency exchange rates and high rates of inflation, changes in mining or investment policies or shifts in political attitude that may adversely affect the business. With rising commodity prices, there is an emergence of a trend by some governments to increase their participation in the benefits of these rising prices, most notably in South America and Mongolia,

through increased taxation, expropriation, or otherwise. This could negatively impact the level of foreign investment in mining and exploration activities and thus drilling demand in these regions. Such events could result in temporary reductions in revenue and transition costs as equipment is shifted to other locations. The Company continually monitors these developments and has developed contingency plans to minimize the possible negative impacts in such regions to the extent reasonably possible. Generally, country risks may become a more significant factor in the years to come.

The Company employs individuals who have experience working in the international arena, and attempts to assess the current and potential risks, at the time and into the near future, before commencing operations in a new jurisdiction. Because our assets are mobile, management attempts to mitigate this risk by deciding when and where to locate and relocate its assets.

Taxes

The Company is subject to many different forms of taxation in various jurisdictions throughout the world, including but not limited to, income tax, withholding tax, commodity tax and social security and other payroll related taxes, which may lead to disagreements with tax authorities regarding the application of tax law.

Tax law and administration is extremely complex and often requires us to make subjective determinations. The computation of income, payroll and other taxes involves many factors, including the interpretation of tax legislation in various jurisdictions in which we are subject to ongoing tax assessments. Our estimate of tax related assets, liabilities, recoveries and expenses incorporates significant assumptions. These assumptions include, but are not limited to, the tax rates in various jurisdictions, the effect of tax treaties between jurisdictions and taxable income projections. To the extent that such assumptions differ from actual results, we may have to record additional tax expenses and liabilities, including interest and penalties.

Foreign Currency

The Company conducts a significant proportion of its business outside of Canada and consequently has exposure to currency movements, principally in U.S. and Australian dollars. In order to reduce its exposure to foreign exchange risks associated with currencies of developing countries, where a substantial portion of the Company's business is conducted, the Company has adopted a policy of contracting in U.S. dollars, where practical and legally permitted.

Foreign exchange translations can have a great impact on year-to-year comparisons because of the geographic distribution of the Company's activities. Year-over-year revenue comparisons have been affected by the rising Canadian dollar against the U.S. dollar. Margin performance however is less affected by currency fluctuations as a large proportion of costs are typically in the same currency as revenue. In future quarters, year-to-year comparisons of revenue could be significantly affected by changes in foreign exchange rates.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and/or systems or from external events. Operational risk is present in all of the Company's business activities, and incorporates exposure relating to fiduciary breaches, regulatory compliance failures, legal disputes, business disruption, pandemics, technology failures, processing errors, business integration, theft and fraud, damage to physical assets and employee safety. The Company manages operational risk by attempting to ensure that effective infrastructure, controls, systems and individuals are in place. This is supported by strong principles of governance, an employee code of ethics and business conduct, audits, and other compliance related activities.

Dependence on Key Customers

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

Safety

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

Expansion and Acquisition Strategy

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

Legal and Regulatory Risk

Regulatory risk incorporates exposure relating to the risk of non-compliance with applicable legislation and regulatory directives. Legal risk incorporates non-compliance with legal requirements, including the effectiveness of preventing or handling litigation. Local management is responsible for managing day-to-day regulatory risk. In meeting this responsibility, local management receives advice and assistance from such corporate oversight functions as legal, compliance and audit. Compliance and audit test the extent to which operations meet regulatory requirements, as well as the effectiveness of internal controls. Internal and external counsel work with local management to identify areas of potential legal risk. The General Counsel is involved in the management of any significant litigation matters.

Extreme Weather Conditions and the Impact of Natural or Other Disasters

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

Specialized Skills and Cost of Labour Increases

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

The Company also relies on an experienced management team across the Company to carry on its business. A departure of several members of the management team at one time could have an adverse financial impact on operations. The Company is addressing this issue by remaining a leader on compensation, which is designed to attract, motivate, reward, and retain the broad-based management talent critical to the Company's achievement of its objectives.

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

Equipment and Parts Availability

The Company's ability to expand its operations and provide reliable service is dependant upon timely delivery of new equipment and replacement parts from fabricators and suppliers. A lack of skilled labour to build equipment, combined with new competitors entering the mineral drilling sector, is placing a strain on some manufacturers. This has substantially increased the order time on new equipment and increased uncertainty surrounding final delivery dates. Significant delays in the arrival of new equipment from expected dates may constrain future growth and the financial performance of the Company. The Company attempts to mitigate this risk by maintaining strong relations with key fabricators and suppliers.

Reputational Risk

Negative publicity, whether true or not, regarding practices, actions or inactions, could cause a decline in the Company's value, liquidity, or customer base. Reputational risk cannot be managed in isolation from other types of risk, since all risks can have an impact on reputation. Every employee and representative of the Company has a responsibility to contribute positively to the Company's reputation. This means that ethical practices are to be followed at all times, that interaction with the Company's stakeholders is positive, and that the Company complies with applicable policies, legislation, and regulations.

Disclosure Controls

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to the Company's management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

Management, including the CEO and the CFO, does not expect that the Company's disclosure controls will prevent or detect all errors and all fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

The Company's CEO and the CFO have evaluated the effectiveness of the Company's disclosure controls and concluded that, subject to the inherent limitations noted above, those disclosure controls were effective for the year ended April 30, 2008.

Internal Controls over Financial Reporting

The Company's CEO and CFO are responsible for designing internal controls over financial reporting ("ICFR") or causing them to be designed under their supervision. The Company's ICFR are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparations of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

As discussed above, the inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected. Therefore, no matter how well designed, ICFR has inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

During fiscal 2008, management, including its CEO and CFO, evaluated the existence and design of the Company's ICFR and confirm there were no changes to the ICFR that have occurred during the year which materially affected, or are reasonably likely to materially affect, the Company's ICFR. The Company continues to review and document its Disclosure Controls and its ICFR, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that its systems evolve with the business.

Outstanding Share Data

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

(amounts in thousands)	**As at June 30, 2008**	As at June 30, 2007
Common shares	**23,707**	23,407
Stock options outstanding	**590**	831

Management's Responsibility

Management is responsible for presentation and preparation of the annual consolidated financial statements, management's discussion and analysis (MD&A) and all other information in this annual report.

In management's opinion, the accompanying consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of appropriately selected, Canadian generally accepted accounting principles and policies, consistently applied and summarized in the consolidated financial statements.

The MD&A has been prepared in accordance with the requirements of Canadian securities regulators. Management has designed and evaluated the effectiveness of its disclosure controls and procedures.

Since a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements and the MD&A necessarily involves the use of estimates and approximations. These have been made using careful judgment and with all information available up to June 6, 2008. The MD&A also includes information regarding the estimated impact of current transactions and events, sources of liquidity, operating trends and risks and uncertainties. Actual results in the future may differ materially from management's present assessment of this information because future events may not occur as expected. Financial operating data in the report are consistent, where applicable, with the consolidated financial statements.

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

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

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

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

Francis P. McGuire
President & Chief Executive Officer

Denis Larocque
Chief Financial Officer

June 6, 2008

Auditors' Report

To the Shareholders of Major Drilling Group International Inc.

We have audited the consolidated balance sheets of Major Drilling Group International Inc. as at April 30, 2008 and 2007 and the consolidated statements of operations and comprehensive earnings, retained earnings, accumulated other comprehensive loss, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated 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 consolidated 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, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Saint John, New Brunswick

June 6, 2008

Consolidated Statements of Operations

For the years ended April 30, 2008 and 2007	2008	2007
(in thousands of Canadian dollars, except per share information)		
TOTAL REVENUE	**$ 590,309**	$ 415,437
DIRECT COSTS	**394,868**	282,367
GROSS PROFIT	**195,441**	133,070
OPERATING EXPENSES		
General and administrative	**44,813**	33,821
Other expenses	**13,606**	9,252
Foreign exchange loss	**2,142**	828
Interest revenue	**(153)**	(729)
Interest expense on long-term debt	**2,403**	2,615
Amortization	**26,962**	20,526
	89,773	66,313
EARNINGS BEFORE INCOME TAX AND DISCONTINUED OPERATIONS	**105,668**	66,757
INCOME TAX - PROVISION *(note 16)*		
Current	**27,315**	13,932
Future	**3,758**	6,279
	31,073	20,211
EARNINGS FROM CONTINUING OPERATIONS	**74,595**	46,546
(LOSS) GAIN FROM DISCONTINUED OPERATIONS *(note 13)*	**(500)**	12,257
NET EARNINGS	**$ 74,095**	$ 58,803
EARNINGS PER SHARE FROM CONTINUING OPERATIONS *(note 17)*		
Basic	**$ 3.16**	$ 2.01
Diluted	**$ 3.12**	$ 1.98
EARNINGS PER SHARE *(note 17)*		
Basic	**$ 3.14**	$ 2.54
Diluted	**$ 3.10**	$ 2.50

Consolidated Statements of Comprehensive Earnings, Retained Earnings & Accumulated Other Comprehensive Loss

Consolidated Statements of Comprehensive Earnings

For the years ended April 30, 2008 and 2007

(in thousands of Canadian dollars)

	2008	2007
NET EARNINGS	**$ 74,095**	$ 58,803
OTHER COMPREHENSIVE LOSS		
Unrealized losses on translating financial statements of self-sustaining foreign operations	**(14,169)**	(134)
COMPREHENSIVE EARNINGS	**$ 59,926**	$ 58,669

Consolidated Statements of Retained Earnings

For the years ended April 30, 2008 and 2007

(in thousands of Canadian dollars)

	2008	2007
RETAINED EARNINGS, BEGINNING OF THE YEAR	**$ 108,438**	$ 49,635
Net earnings	**74,095**	58,803
RETAINED EARNINGS, END OF THE YEAR	**$ 182,533**	$ 108,438

Consolidated Statements of Accumulated Other Comprehensive Loss

For the years ended April 30, 2008 and 2007

(in thousands of Canadian dollars)

	2008	2007
ACCUMULATED OTHER COMPREHENSIVE LOSS, BEGINNING OF THE YEAR	**$ (30,383)**	$ (30,249)
Unrealized losses on translating financial statements of self-sustaining foreign operations	**(14,169)**	(134)
ACCUMULATED OTHER COMPREHENSIVE LOSS, END OF THE YEAR	**$ (44,552)**	$ (30,383)

Consolidated Balance Sheets

As at April 30, 2008 and 2007 *(in thousands of Canadian dollars)*	2008	2007
ASSETS		
CURRENT ASSETS		
Cash	**$ 20,695**	$ 25,022
Accounts receivable	**103,555**	78,613
Income tax receivable	**3,218**	1,610
Inventories	**75,094**	50,976
Prepaid expenses	**6,280**	6,545
Future income tax assets *(note 16)*	**3,948**	1,730
Assets of discontinued operations *(note 13)*	**–**	3,253
	212,790	167,749
CAPITAL ASSETS *(note 6)*	**199,007**	158,771
FUTURE INCOME TAX ASSETS *(note 16)*	**334**	619
GOODWILL AND OTHER ASSETS *(note 7)*	**14,837**	1,240
	$ 426,968	$ 328,379
LIABILITIES		
CURRENT LIABILITIES		
Demand loan *(note 8)*	**$ 2,179**	$ –
Accounts payable and accrued charges	**73,870**	54,484
Income tax payable	**10,541**	4,121
Current portion of long-term debt *(note 9)*	**11,798**	13,649
Future income tax liabilities *(note 16)*	**1,177**	–
Liabilities of discontinued operations *(note 13)*	**2,028**	9,463
	101,593	81,717
LONG-TERM DEBT *(note 9)*	**28,317**	18,136
FUTURE INCOME TAX LIABILITIES *(note 16)*	**9,152**	7,020
DEFERRED GAIN *(note 10)*	**–**	519
	139,062	107,392
SHAREHOLDERS' EQUITY		
Share capital *(note 11)*	**142,140**	137,703
Contributed surplus	**7,785**	5,229
Retained earnings	**182,533**	108,438
Accumulated other comprehensive loss	**(44,552)**	(30,383)
	287,906	220,987
	$ 426,968	$ 328,379

contingencies and committments (notes 14 and 15)

Approved by the Board of Directors

David Tennant
Chairman of the Board

David Hope
Chairman of the Audit Committee

Consolidated Statements of Cash Flows

For the years ended April 30, 2008 and 2007	2008	2007
(in thousands of Canadian dollars)		
OPERATING ACTIVITIES		
Earnings from continuing operations	**$ 74,595**	$ 46,546
Operating items not involving cash		
Amortization	**26,962**	20,526
Loss on disposal of capital assets	**1,218**	977
Future income tax	**3,758**	6,279
Stock-based compensation	**2,556**	1,265
	109,089	75,593
Changes in non-cash operating working capital items *(note 12)*	**(28,483)**	(14,509)
	80,606	61,084
Loss from discontinued operations, adjusted for non-cash items	**(614)**	(1,271)
Changes in non-cash operating working capital items from discontinued operations	**(917)**	3,154
Cash flow from operating activities	**79,075**	62,967
FINANCING ACTIVITIES		
Repayment of long-term debt	**(14,080)**	(16,863)
Additional long-term debt	**20,000**	459
Increase in (repayment of) demand loans	**2,179**	(16,721)
Issuance of common shares	**4,437**	2,653
Discontinued operations	**(3,061)**	–
Cash flow from (used in) financing activities	**9,475**	(30,472)
INVESTING ACTIVITIES		
Net proceeds from sale of discontinued operations	**–**	28,717
Business acquisitions (net of cash acquired) *(note 5)*	**(27,925)**	(13,058)
Acquisition of capital assets, net of direct financing *(note 6)*	**(68,101)**	(36,803)
Proceeds from disposal of capital assets	**3,647**	3,040
Discontinued operations	**–**	687
Cash flow used in investing activities	**(92,379)**	(17,417)
OTHER ACTIVITIES		
Foreign exchange translation adjustment	**(498)**	(2,043)
(DECREASE) INCREASE IN CASH	**(4,327)**	13,035
CASH POSITION, BEGINNING OF THE YEAR	**25,022**	11,987
CASH POSITION, END OF THE YEAR	**$ 20,695**	$ 25,022

additional information (note 12)

Notes to Consolidated Financial Statements

For the years ended April 30, 2008 and 2007
(in thousands of Canadian dollars, except per share information)

1. Nature of activities

The Company is incorporated under the Canada Business Corporations Act. The principal source of revenue consists of contract drilling for companies primarily involved in mining and mineral exploration. The Company has operations in Canada-U.S., South and Central America, Australia, Asia and Africa.

2. Significant accounting policies

Principles of consolidation

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

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reported periods. Actual results could differ from these estimates.

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

Revenue recognition

Revenue from drilling contracts is recognized based on the terms of customer contracts that generally provide for revenue on the basis of actual meters drilled at contract rates or fixed monthly charges or a combination of both. Revenue from ancillary services, primarily relating to extra services to the customer, is recorded when the services are rendered. Revenue is recognized when collection is reasonably assured.

Earnings per share

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

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

Inventories

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

Capital assets

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

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

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

Goodwill

Goodwill and other assets include goodwill from acquisitions. Goodwill represents the excess of the purchase price, including acquisition costs, over the fair value of the identifiable net assets acquired. The value of goodwill is tested for impairment at least annually. Any impairment loss revealed by this test would be reported in earnings for the period during which the loss occurred.

Notes to Consolidated Financial Statements

2. Significant accounting policies (continued)

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

Future income taxes
The Company follows the liability method of accounting for corporate income taxes. This method takes a balance sheet approach and focuses on the amount of income taxes payable or receivable that will arise if an asset is realized or a liability is settled for its carrying amount. These resulting assets and liabilities, referred to as "future income tax assets and liabilities", are computed based on differences between the carrying amount of balance sheet items and their corresponding tax values using the enacted, or substantively enacted, income tax rates in effect when the differences are expected to reverse. The Company's primary differences arise between the tax carrying value and net book value of capital assets. Management reduces the carrying value of the future income tax assets by a valuation allowance when it is more likely than not that some portion of the asset will not be realized.

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

Stock-based compensation
The Company uses the fair value method for accounting for stock-based compensation as defined by accounting principles generally accepted in Canada. Stock-based compensation awards expense is calculated using the Black-Scholes option pricing model and is charged to operations on a grade vesting basis over the vesting period with an offsetting credit to contributed surplus.

The Company records the fair value of the deferred share units as compensation expense.

3. Changes in accounting policies

The Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861, Financial Instruments – Disclosure and Presentation, and Section 3865, Hedges, on May 1, 2007.

As a result of the adoption of Section 1530, Comprehensive Income, the Company now presents Consolidated Statements of Comprehensive Earnings, which consists of net earnings and other comprehensive loss representing gains and losses from the translation of the Company's self-sustaining foreign operations. Accumulated other comprehensive loss ("AOCL") is presented as a separate component of the shareholders' equity section in the Consolidated Balance Sheets. Previously, these gains and losses were deferred in cumulative translation adjustments within shareholders' equity and are now the only element included in AOCL.

As a result of adopting CICA Section 3855, Financial Instruments – Recognition and Measurement, financial assets classified as loans and receivables and financial liabilities classified as other liabilities have to be measured initially at fair value. The adoption of CICA Section 3855 has not resulted in any changes to the carrying values of financial instruments.

The Company's financial assets and financial liabilities are classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Assets of discontinued operations	Loans and receivables	Amortized cost
Demand loan	Other financial liabilities	Amortized cost
Accounts payable & accrued charges	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost
Liabilities of discontinued operations	Other financial liabilities	Amortized cost

3. Changes in accounting policies (continued)

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

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them.

The Company does not currently have derivatives and therefore the adoption of CICA Handbook Section 3865, Hedges, has had no impact on the Company's financial statements.

In accordance with CICA Handbook Section 3855, a search for embedded derivatives in our contracts as at January 1, 2008 was conducted. There were no embedded features identified that require separate presentation from the related host contract.

4. Accounting standards pending adoption

Inventories

In June 2007, the CICA issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning May 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. The Company does not expect that the adoption of this Section will have a material effect on its consolidated financial statements.

Financial instruments

In December 2006, the CICA issued Section 3862, Financial Instruments – Disclosures, Section 3863, Financial Instruments – Presentation, and Section 1535, Capital Disclosures. All three Sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, the Company will adopt the new standards for its fiscal year beginning May 1, 2008. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on Capital Disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital. As the standards relate only to disclosure requirements they will have no effect on financial results.

Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning May 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

IFRS

Effective January 1, 2011, International Financial Reporting Standards will replace Canadian GAAP. The Accounting Standards Board has released an exposure draft that outlines the standards. We are currently assessing the effect that this transition will have on our operations and financial reporting.

Notes to Consolidated Financial Statements

5. Business acquisitions

Harris y Cia Ltda.

Effective September 1, 2007 the Company acquired the exploration drilling company Harris y Cia Ltda. ("Harris") in Chile. Through this purchase, Major Drilling acquired 11 drill rigs, support equipment, inventory, an office and repair facilities. As part of this acquisition, the Company also acquired Harris' existing contracts and retained key management personnel, as well as the other employees, including a number of experienced drillers. The purchase price for the transaction was US$23,934 (CND$25,203), including customary working capital adjustments, financed with cash. This transaction closed on September 10, 2007.

Net assets acquired at fair value at acquisition are as follows:

Assets & liabilities acquired		
Cash	$	**1,149**
Accounts receivable		**631**
Inventories		**1,060**
Capital assets		**9,621**
Future income tax assets		**2,328**
Goodwill		**11,570**
Accounts payable		**(1,156)**
Net assets	$	**25,203**
Consideration		
Cash	$	**25,203**

Paragon del Ecuador S.A.

Effective October 25, 2007 the Company acquired the assets of the exploration drilling company Paragon del Ecuador S.A. ("Paragon") in Ecuador. Through this purchase, Major Drilling acquired 7 drill rigs, support equipment and inventory, existing contracts and personnel. The purchase price for the transaction was US$5,999 (CND$5,805), subject to various holdbacks, financed by cash and debt. This transaction closed October 25, 2007.

Net assets acquired at fair value at acquisition are as follows:

Assets acquired		
Inventories	$	**586**
Capital assets		**2,023**
Goodwill		**3,196**
Net assets	$	**5,805**
Consideration		
Cash	$	**3,871**
Long-term debt		**1,934**
	$	**5,805**

Longstaff Group of Companies

Effective December 1, 2006, the Company acquired 55 conventional drill rigs, together with related support equipment, inventory, and contracts owned by the Longstaff group's drilling operations in southern Africa. These include the operations of Raldril (Pty) Limited in South Africa, RA Longstaff (Botswana) (Pty) Ltd in Botswana, and R.A. Longstaff Namibia (Pty) Limited in Namibia. The total purchase price including post closing adjustments was $15,417.

Net assets acquired at fair value at acquisition are as follows:

Assets acquired		
Inventories	$	**637**
Capital assets		**14,311**
Goodwill		**469**
Net assets	$	**15,417**
Consideration		
Cash	$	**13,058**
Accounts payable		**2,359**
	$	**15,417**

Notes to Consolidated Financial Statements

6. Capital assets

	2008			2007		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Land	**$ 1,590**	**$ –**	**$ 1,590**	$ 1,203	$ –	$ 1,203
Buildings	**7,178**	**1,170**	**6,008**	4,268	846	3,422
Drilling equipment	**182,703**	**43,464**	**139,239**	151,124	37,058	114,066
Automotive and off-road equipment	**65,782**	**28,028**	**37,754**	49,216	20,960	28,256
Other	**26,671**	**12,255**	**14,416**	22,791	10,967	11,824
	$ 283,924	**$ 84,917**	**$ 199,007**	$ 228,602	$ 69,831	$ 158,771

Capital expenditures were $70,043 and $49,468 for the years ended April 30, 2008 and 2007, respectively. The Company obtained direct financing of $1,942 and $12,665 in the years ended April 30, 2008 and 2007, respectively.

7. Goodwill and other assets

	2008	2007
Intangible assets	**$ –**	$ 774
Goodwill	**14,837**	466
	$ 14,837	$ 1,240

Changes in the goodwill balance were as follows for the fiscal year ended April 30:

	2008	2007
Balance at beginning of year	**$ 466**	$ –
Goodwill acquired during year	**14,766**	469
Effect of foreign currency exchange rate changes	**(395)**	(3)
	$ 14,837	$ 466

8. Demand credit facilities

The Company has credit facilities available in Canada of $30,000 bearing interest at the bank's prime lending rate or the bankers' acceptance fee plus 1% to 1.35% for Canadian dollar draws and the bank's U.S. dollar base rate in Canada or the bank's London interbank offer rate plus 1% to 1.35% for U.S. dollar draws. The demand loans are primarily secured by fixed and floating charges on selected Canadian capital assets, a general assignment of book debts, inventories and corporate guarantees of companies within the group. The Company has a credit facility of $1,700 for credit cards, with interest rates and repayments as per the cardholder agreement.

The Company also has credit facilities in Australia and Chile amounting to $2,388 (2007 - $1,967) bearing interest at rates ranging from 3.0% to 9.2% secured by accounts receivable, and selected land and buildings in Australia.

The balance drawn on these facilities as at April 30, 2008 was $2,179 (2007 - Nil). There were stand-by letters of credit outstanding for $1,771 (2007 - $1,099) on these facilities as at April 30, 2008.

Notes to Consolidated Financial Statements

9. Long-term debt

	2008	2007
Non-revolving loan – US$10,000, payable in monthly installments of US$167 and maturing in May 2010, bearing interest at 8.5%.	$ 4,223	$ 6,888
Revolving/non-revolving equipment and acquisition loan (authorized $65,000), bearing interest at either the bank's prime rate plus 0% to 0.4% or the bankers' acceptance rate plus 1.15% to 1.5% for Canadian dollar draws, and either the bank's US dollar base rate in Canadian plus 0% to 0.4% or the bank's London interbank offer rate plus 1.15% to 1.5% for US dollar draws, payable in monthly installments of $142, maturing through 2010, secured by certain capital assets.	22,036	2,250
Term loans bearing interest at rates ranging from 1.75% to 7.24%, payable in monthly installments of $278, secured by certain equipment, maturing through 2011.	7,248	12,637
Revolving/non-revolving term loans - A$4,835 (2007 – A$8,646) authorized A$8,310, payable in monthly installments of A$303, interest included, at rates ranging from 6.0% to 9.05%, secured by certain equipment, maturing through 2010.	4,581	8,010
Note payable, bearing interest at prime plus 1% maturing in May 2007.	–	2,000
Note payable, non-interest bearing maturing in October 2009.	2,027	–
	40,115	31,785
Current portion	11,798	13,649
	$ 28,317	$ 18,136

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

2009	$ 11,798
2010	11,889
2011	5,913
2012	4,128
2013	4,040
Thereafter	2,347
	$ 40,115

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

10. Deferred gain

In 2002, the Company sold two of its buildings as part of a sale/lease back arrangement. The net proceeds on these sales were $4,000, resulting in gains on sale of $1,280. The resultant gains had been deferred and were fully amortized during the current year.

11. Share capital

Authorized

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

Issued

	2008	2007
23,706,173 common shares (2007 – 23,386,278)	$ 142,140	$ 137,703

Stock option plan

The Company has a Stock Option Plan for directors, officers and other employees of the Company and its subsidiaries. The Plan provides that the Board of Directors of the Company, on the recommendation of the Compensation Committee, may grant options to purchase common shares on terms determined within the limitations of the Plan. The aggregate number of common shares reserved for issuance under the Plan is limited to up to 10% of the issued and outstanding shares at any time (representing up to 2,370,617 common shares as at April 30, 2008). As at April 30, 2008 (i) 2,304,848 common shares had been issued upon the exercise of options granted under the Plan (representing approximately 9.7% of the issued and outstanding common shares); (ii) 605,964 common shares were reserved for issuance in respect of outstanding options under the Plan (representing approximately 2.6% of the issued

11. Share capital (continued)

and outstanding common shares); and (iii) 1,764,653 common shares were available for issuance in respect of options that may be granted under the Plan (representing approximately 7.4% of the issued and outstanding common shares). The exercise price for an option issued under the Plan is determined by the Board and may not be less than the fair market value of the common shares on the grant date of the option, being the volume weighted average trading price of the common shares on the TSX for the last five trading days immediately preceding the date on which the option is granted rounded up to the nearest cent or, if the shares did not trade during such five trading days, the simple average of the closing bid and ask prices of the shares on the TSX during such five trading days. Options are exercisable for a maximum period of ten years from the date of grant, subject to earlier termination if the optionee ceases to be a director or employee of the Company for any reason, retires, dies or becomes disabled or there is a change of control of the Company. Options are not assignable. The Plan also provides that (i) the total number of options to be granted to any one participant may not exceed 5% of the issued and outstanding number of common shares; (ii) no options may be issued to insiders of the Company if to do so would result in the number of shares reserved for issuance pursuant to options granted to insiders exceeding 10% of the outstanding number of common shares; (iii) the number of options issued to insiders of the Company, within a one-year period, may not exceed 10% of the outstanding number of common shares; and (iv) the number of options issued to any one insider and such insider's associates, within a one-year period, may not exceed 5% of the outstanding number of common shares.

Stock options - employees and directors

The Company has issued stock options under its Stock Option Plan. Issuance of options under the Plan is determined annually by the Company's Board of Directors. A summary of the status of the Company's Stock Option Plan, as at April 30, 2008 and 2007, and of changes during the years ending on those dates, is presented below:

	2008		2007	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at beginning of year	**750,146**	**$ 12.64**	899,149	$ 8.77
Options granted	**212,000**	**$ 46.38**	209,000	$ 21.19
Options cancelled	**(36,287)**	**$ 9.25**	(19,565)	$ 9.23
Options exercised	**(319,895)**	**$ 13.87**	(338,438)	$ 7.84
Outstanding at end of year	**605,964**	**$ 24.00**	750,146	$ 12.64

The following table summarizes information on stock options outstanding at April 30, 2008:

Range of exercise prices	**Outstanding as at April 30, 2008**	**Weighted average remaining life (years)**	**Weighted average exercise price**	**Exercisable at April 30, 2008**	**Weighted average exercise price**
$1.86 - $7.00	**110,651**	**3.35**	**$ 3.74**	**110,651**	**$ 3.74**
$7.04 - $21.89	**259,244**	**7.31**	**$ 15.31**	**222,242**	**$ 14.41**
$22.58 - $59.16	**236,069**	**9.14**	**$ 43.02**	**67,856**	**$ 39.30**
	605,964	**7.30**	**$ 24.00**	**400,749**	**$ 15.68**

Notes to Consolidated Financial Statements

11. Share capital (continued)

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

	2008	2007
Risk-free interest rate	**4.29%**	4.06%
Expected life	**3 years**	3 years
Expected volatility	**40%**	45%
Expected dividend yield	**0%**	0%

Deferred share units

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

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

	2008	2007
	No. of units	No. of units
Outstanding at beginning of year	**5,019**	3,194
DSU's issued during year	**960**	1,825
DSU's redeemed during year	**(3,194)**	–
Outstanding at end of year	**2,785**	5,019

As at April 30, 2008 the total value of DSU's outstanding was $150 (2007 - $174).

12. Additional information to the statements of cash flows

	2008	2007
Changes in non-cash operating working capital		
Accounts receivable	**$ (28,818)**	$ (21,787)
Inventories	**(26,062)**	(4,876)
Accounts payable and accrued charges	**20,789**	12,235
Income tax	**5,028**	3,432
Other items	**580**	(3,513)
	$ (28,483)	$ (14,509)
Interest and income tax paid		
Interest paid	**$ 2,250**	$ 1,886
Income tax paid	**$ 14,376**	$ 10,403

13. Discontinued operations

On June 7, 2006, the Company sold its manufacturing subsidiary ("UDR") for A$46.8 million (CND$39.2 million). The consideration for the sale was A$43.3 million (CND$36.2 million) cash and a holdback paid in December 2007 in the amount of A$3.5 million (CND$3.2 million). The net gain before income taxes was CND$22.2 million. UDR previously constituted the Company's entire manufacturing segment. The Company made the strategic decision to focus its corporate resources on the mineral drilling business, where it competes as one of the world's largest contract drillers.

The Company also made the strategic decision to close its operations in China in July, 2006. The Company opened a branch in China with the goal of quickly developing a large pool of Chinese drillers. Having shown little progress in building a pool of local drillers in China, the Company decided to close the operation. Chinese operations were previously reported within the Australian, Asian and African segment.

Notes to Consolidated Financial Statements

13. Discontinued operations (continued)

The (loss) gain from discontinued operations is summarized as follows:

	2008	2007
Revenue	$ –	$ 5,109
Loss before income tax	–	(2,538)
Net (loss) gain from disposal of discontinued operations, including write-down of assets, before income tax	(179)	21,430
Income tax expense	(321)	(6,635)
(Loss) gain from discontinued operations	$ (500)	$ 12,257

The assets and liabilities of discontinued operations are summarized as follows:

	2008	2007
Current Assets		
Other receivables	$ –	$ 3,253
Current Liabilities		
Accounts payable	$ –	$ 3,950
Income tax payable	2,028	5,513
	$ 2,028	$ 9,463

14. Contingencies

The Company is involved in various legal claims and legal notices arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations, or cash flows. Any amounts awarded as a result of these actions will be reflected when known.

15. Commitments

The Company has commitments with various suppliers for the purchase of drill rigs totaling $16,660 with delivery dates through mid next year.

The Company also has various commitments, primarily for rental of premises, with arms-length parties as follows: 2009 - $3,111, 2010 - $1,850, 2011 - $1,248, 2012 - $894, 2013 - $517, thereafter - $74.

16. Income tax

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

	2008	2007
Earnings before income tax and discontinued operations	$ 105,668	$ 66,757
Statutory Canadian corporate income tax rate	34%	35%
Expected income tax expense based on statutory rate	$ 35,927	$ 23,365
Non-recognition of tax benefits related to losses	373	866
Utilization of previously unrecognized losses	(244)	(478)
Other foreign taxes paid	1,598	1,637
Rate variances in foreign jurisdictions	(7,403)	(4,405)
Other	822	(774)
Total income tax provision	$ 31,073	$ 20,211

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

	2008	2007
Assets:		
Loss carry forwards tax effected	$ 2,032	$ 1,253
Finance costs	–	101
Inventory	1,172	–
Other	1,585	1,394
	4,789	2,748
Valuation allowance	(507)	(399)
	4,282	2,349
Liabilities:		
Capital assets	(9,152)	(7,020)
Inventory	(1,177)	–
Net future income tax liabilities	$ (6,047)	$ (4,671)

16. Income tax (continued)

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

The Company has accumulated approximately $6,135 in non-capital losses, of which $1,967 are available to reduce future Canadian income taxes otherwise payable and $4,168 are available to reduce future income taxes otherwise payable in foreign jurisdictions. These losses, if unused, will expire as follows:

Date	Amount
2010	$ 1,490
2012	82
2014	993
2015	630
2016 - 2018	262
Indefinite	2,678
	$ 6,135

The Company has accumulated approximately $3,384 (A$3,572) of capital losses that are available to reduce income taxes otherwise payable on capital gains realized in Australia. The benefit of these losses has not been recognized in the financial statements.

17. Earnings per share

	2008	2007
Earnings from continuing operations	$ 74,595	$ 46,546
(Loss) gain from discontinued operations	(500)	12,257
Net earnings	$ 74,095	$ 58,803
Divided by:		
Weighted average shares outstanding (000's)	23,577	23,136
Net effect of dilutive securities:		
Employees and Directors stock options (000's)	323	354
Adjusted weighted average shares and assumed conversions (000's)	23,900	23,490
Earnings per share from continuing operations:		
Basic	$ 3.16	$ 2.01
Diluted	$ 3.12	$ 1.98
Earnings per share:		
Basic	$ 3.14	$ 2.54
Diluted	$ 3.10	$ 2.50

The calculation of the diluted earnings per share for the years ended April 30, 2008 and 2007 exclude the effect of 70,334 options and 750 options, respectively, as they are anti-dilutive.

Notes to Consolidated Financial Statements

18. Financial instruments

Recognized financial instruments

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

Concentration of credit risk

The Company provides credit to its customers in the normal course of its operations. It carries out, on a continuing basis, credit checks on its customers and maintains provisions for contingent credit losses. The Company also 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 17% (19% in 2007) of total revenue, with no one customer representing more than 10% of its revenue for 2008 or 2007.

Currency risk

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

Interest rate risk

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

19. Segmented information

The Company's operations are divided into three geographic segments, Canada - U.S., South and Central America, Australia, Asia and Africa. The services provided in each of the reportable drilling segments are essentially the same. The accounting policies of the segments are the same as those described in note 2. Management evaluates performance based on earnings from operations in these three geographic segments before interest and income taxes. Data relating to each of the Company's reportable segments is presented as follows:

	2008	2007
Revenue		
Canada – U.S.	**$ 189,018**	$ 151,226
South and Central America	**186,491**	127,402
Australia, Asia and Africa	**214,800**	136,809
	$ 590,309	$ 415,437
Earnings from operations		
Canada – U.S.	**$ 37,818**	$ 29,658
South and Central America	**54,147**	31,741
Australia, Asia and Africa	**33,482**	19,706
	125,447	81,105
Eliminations	**(1,129)**	(1,231)
	124,318	79,874
Interest	**2,250**	1,886
General corporate expenses	**16,400**	11,231
Income taxes	**31,073**	20,211
Earnings from continuing operations	**$ 74,595**	$ 46,546
Identifiable assets		
Canada – U.S.	**$ 111,541**	$ 113,566
South and Central America	**160,707**	72,516
Australia, Asia and Africa	**144,929**	121,972
	417,177	308,054
Eliminations	**(2,490)**	(3,512)
Unallocated and corporate assets	**12,281**	20,584
Assets from discontinued operations	**–**	3,253
	$ 426,968	$ 328,379
Amortization		
Canada – U.S.	**$ 6,780**	$ 5,124
South and Central America	**5,207**	2,711
Australia, Asia and Africa	**11,361**	8,803
Unallocated and corporate assets	**3,614**	3,888
	$ 26,962	$ 20,526

Historical Summary

(in millions of Canadian dollars,except per share information)	**2008**	2007	2006	2005	2004	2003
			reclassified	*reclassified*	*reclassified*	*reclassified*
OPERATING SUMMARY						
Revenue by region						
Canada-U.S.	**$ 189**	$ 151	$ 119	$ 82	$ 61	$ 59
South and Central America	**186**	127	81	62	33	25
Australia, Asia and Africa	**215**	137	116	102	82	60
	590	**415**	**316**	**246**	**176**	**144**
Gross profit	**195**	**133**	**90**	**66**	**41**	**33**
Gross profits as a percentage of revenue	**33.1%**	32.0%	28.6%	26.9%	23.2%	22.7%
General and administrative expenses	**45**	34	29	25	22	15
G & A as a percentage of revenue	**7.6%**	8.1%	9.0%	10.2%	12.5%	10.4%
Earnings from continuing operations	**75**	47	25	15	2	3
Net earnings	**74**	59	29	16	5	2
Cash flow*	**109**	76	47	29	10	11
Earnings per share from continuing operations						
Basic	**3.16**	2.01	1.11	0.66	0.12	0.19
Diluted	**3.12**	1.98	1.09	0.65	0.12	0.19
Earnings per share						
Basic	**3.14**	2.54	1.26	0.71	0.25	0.15
Diluted	**3.10**	2.50	1.23	0.70	0.24	0.14

** from continuing operations before changes in non-cash working capital items*

Shareholder Information

Directors

Colin Benner

Mr. Benner is currently Vice Chairman and CEO of Skye Resources Inc., and serves on the boards of several Canadian mining companies. Prior to joining Skye Resources Inc., Mr. Benner was Vice Chairman and a director of Lundin Mining Corporation.

Edward Breiner

Mr. Breiner is President and CEO of Schramm, Inc., a manufacturer of mobile tophead rotary drill rigs, located in West Chester, Pennsylvania, USA. Mr. Breiner serves as a director on the board of the American Ground Water Trust, a non-profit organization that provides public education concerning the hydrologic, economic and environmental significance of ground water.

David Fennell

Mr. Fennell is currently a director and Chairman of the Board of Reunion Gold Corporation. Prior to this, Mr. Fennell was Executive Vice-Chairman and director for the combined entity of Hope Bay and Miramar.

David Hope

Mr. Hope retired in 2001 from Grant Thornton LLP where he was Executive Partner and CEO. He continued as the CEO of Grant Thornton Canada and a director of Grant Thornton International through 2002. He was named vice-chair of the Canadian Institute of Chartered Accountants in 2002 and began a two-year term as CICA chair in 2004, where he also previously chaired the Corporate Governance and Nominating Committee (2002-2004).

Francis McGuire

Prior to joining Major Drilling as President & CEO, Mr. McGuire served as Vice President, Business Development of MITI Information Technology Inc. from 1998 to August 2000. He has also served as Deputy Minister of the Department of Economic Development and Tourism of New Brunswick from 1987 to 1998.

Derek Pannell

Since 2006, Mr. Pannell has been a Managing Partner with Brookfield Asset Management, and he currently serves as a director of Teck Cominco, Agrium and Brookfield Infrastructure Partners, as well as Major Drilling. Prior to holding his current position, Mr. Pannell was President and CEO of Noranda and Falconbridge.

John Schiavi

Mr. Schiavi is President of Schiavi Enterprises, a diversified real estate holding company based in Oxford, Maine. Mr. Schiavi is also a director of Consumers Water Co., an investor owned water utility operating in seven states, and Northeast Bancorp of Maine.

David Tennant (Chairman)

Mr. Tennant is a senior partner and former co-head of the national business law group at McCarthy Tétrault, LLP, Canada's largest law firm.

Jo Mark Zurel

Mr. Zurel is currently President of Stonebridge Capital and a partner with Wave Venture Partners, both of which focus on providing venture capital to start-up and high-growth companies. He is a director of Fronteer Development Group, as well as a board member of several private companies and charities. Prior to this, from 1998 to 2006, he was Senior Vice-President and Chief Financial Officer of CHC Helicopter Corporation.

Corporate Office

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Web site: www.majordrilling.com
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Transfer Agent

CIBC Mellon Trust Company

Auditors

Deloitte & Touche LLP

Annual General Meeting

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

TSX Broadcast Centre
TSX Gallery
The Exchange Tower
130 King Street West
Toronto ON

September 9, 2008 at
10:00 am Eastern

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