MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis "MD&A", prepared as of June 30, 2010, should be read together with the audited financial statements for the year ended April 30, 2010 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, assumptions, risks and uncertainties. Such statements include, but are not limited to: worldwide demand for gold and base metals and overall commodity prices, the level of activity in the minerals and metals industry and the demand for the Company's services, the Canadian and international economic environments, the Company's ability to attract and retain customers and to manage its assets and operating costs, sources of funding for its clients, particularly for junior mining companies, competitive pressures, currency movements, which can affect the Company's revenue in Canadian dollars, the geographic distribution of the Company's operations, the impact of operational changes, changes in jurisdictions in which the Company operates (including changes in regulation), failure by counterparties to fulfill contractual obligations, and other factors set forth from time to time in the Company's Annual Information Form, as such factors may be amended or updated in subsequent MD&As.

These factors and other risk factors, as described under "General Risks and Uncertainties" of the Company's Annual Information Form, represent risks the Company believes are material. 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, except in accordance with applicable securities laws. 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, the United States, 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, water-well and coal-bed methane and shallow gas.

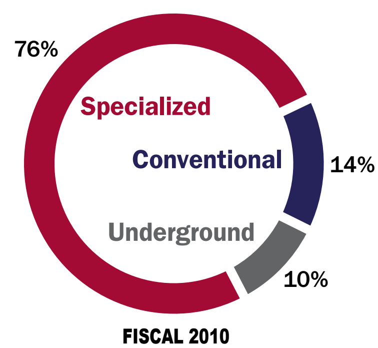
BUSINESS STRATEGY

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 class in safety and human resources. Also, the Company will seek to diversify by investing in energy and environmental drilling services that are complementary to its skill set.

The Company therefore categorizes its drilling services into three types: specialized drilling, conventional drilling and underground 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, and 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 tends to be 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 takes on greater importance in the latter stages of the mining cycle as clients develop underground mines.

Specialized projects tend to be more costly for customers than conventional projects. Due to the impact of the recent economic environment on many of our senior customers, some of these projects were either cancelled or very heavily cut back in the second half of fiscal 2009 and the first half of fiscal 2010. In the last quarter of fiscal 2010, general activity levels have begun to increase. However, the Company expects pricing to remain competitive until utilization rates pick up significantly, especially in conventional drilling. Over time, it is expected that many of the supply issues that face most commodities will come back into focus and that even with moderate growth in the world economy, the need to explore and develop mines will increase. It is believed that at that point, the need to develop resources in areas that are increasingly difficult to access will return, which should increase demand for specialized drilling.

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 the last few years, historically high prices for all commodities drove the industry to record levels of activity with worldwide mineral exploration expenditures in calendar 2008 surpassing US$14 billion[1].

The recent economic environment has impacted drilling, particularly on base metal projects with worldwide mineral exploration expenditures in calendar 2009 falling to US$8 billion[1]. Senior and intermediate base metal companies that were leveraged reduced their exploration spending in calendar 2009, in order to conserve cash. Many gold producers delayed exploration plans at that time due to the uncertainty in the economy. Sources of funding for junior mining companies were limited, and as such many junior projects, both in the base metals and gold sectors, were delayed or cancelled.

At the end of the fiscal year, the bulk of the increased activity was coming from intermediate mining companies and junior mining companies with advanced properties. While senior companies increased their exploration budgets for calendar 2010, spending had not yet rebounded to their pre-financial crisis levels. Early stage exploration companies had shown little increase in activity as they were still experiencing difficulties in getting financing. In the longer-term, the fundamental drivers of the business remain positive, with worldwide supply for most metals expected to tighten due to the continuing lack of significant discoveries. The prospects for gold related drilling, which generally accounts for approximately 50 percent of the drilling market, remains positive.

Gold

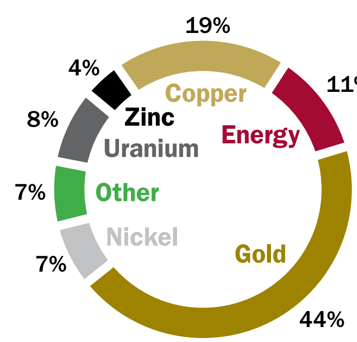
Drilling services for gold are always affected by overall commodity prices. However, Metals Economics Group ("MEG") is reporting that declining gold reserves replacement via exploration, since 1997, may result in gold supply shortages in the long-term, a fact that has been echoed by several senior gold mining companies. Increased production by the major gold producers over the past decade has resulted in a greater need to add to reserves in order to maintain a life-of-production that satisfies the long-term views of investors and market analysts. Although, as a group, the major producers successfully replaced almost twice their total production over the past ten years, almost all of these reserves' additions were achieved through acquisitions or by upgrading resources at existing projects and mines, and not through finding new significant discoveries.[1]

One of the realities is that future gold deposits will probably have to come from areas difficult to access, either in remote, politically sensitive areas, deeper in the ground or in higher altitudes. This should improve demand for specialized services in the future.

Base Metals

Drilling services for base metals are affected by overall commodity prices. Despite the recent economic environment, with the recent limited expansion of supply, and the emergence of China and India as major consumers of base metals, supply is expected to be stretched within the next several years. MEG reports that 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.

Revenue by Commodity



FISCAL 2010

[1] - Source : Metals Economics Group

BUSINESS ACQUISITIONS

SMD Services

Effective February 26, 2010 the Company acquired SMD Services based in Huntsville, Alabama. Through this purchase, Major Drilling entered the environmental drilling sector and acquired a small fleet of sonic, probe and auger drill rigs, as well as a skilled management team and personnel. The purchase price for the transaction was USD $2.0 million (CAD $2.1 million), including customary working capital adjustments, financed with cash. There is also a contingent consideration of USD $2.0 million to the purchase price, based on future earnings.

Forage à Diamant Benoît Ltée

Effective August 1, 2008 the Company acquired the assets of the exploration drilling company Forage à Diamant Benoît Ltée ("Benoît") based in Val-d'Or, Québec. Through this purchase Major Drilling has acquired 19 drill rigs, the majority of which have deep hole capacity and are fitted with rod handlers, which fits with the Company's strategic focus on specialized drilling. In addition to the rigs, this acquisition included support equipment and inventory, existing contracts, and personnel.

The purchase price for the transaction was CAD $23.1 million including customary working capital adjustments, financed by cash and debt.

OVERALL PERFORMANCE

Revenue for the fiscal year ended April 30, 2010 decreased 41 percent to $307.9 million from $523.0 million for the corresponding period last year. The first eight months of the year were marked by contract cancellations and delays in all regions due to the prevailing economic situation. Utilization rates and pricing dropped significantly, affecting both revenue and margins. In the last quarter of fiscal 2010, the Company started seeing a sequential recovery by region.

Gross margin for the year was down to 24.2 percent compared to 33.6 percent last year, due to significant reductions in pricing and severe weather issues in Australia, mitigated somewhat by improved productivity.

The combination of reduced revenue and margins produced a net loss of $0.5 million ($0.02 per share) compared to net earnings of $45.9 million ($1.94 per share) for last year.

SELECTED ANNUAL INFORMATION

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

Years ended April 30	2010	2009	2008
Revenue by region			
Canada-U.S.	**$ 103**	$ 167	$ 189
South and Central America	**108**	155	186
Australia, Asia and Africa	**97**	201	215
	308	523	590
Gross profit	**74**	176	195
Gross profit as a percentage of revenue	**24.2%**	33.6%	33.1%
(Loss) earnings from continuing operations	**-**	46	75
Per share (basic)	**$ (0.02)**	$ 1.94	$ 3.16
Per share (diluted)	**$ (0.02)**	$ 1.92	$ 3.12
Net (loss) earnings	**-**	46	74
Per share (basic)	**$ (0.02)**	$ 1.94	$ 3.14
Per share (diluted)	**$ (0.02)**	$ 1.92	$ 3.10
Total assets	**416**	469	427
Total long-term financial liabilities	**15**	24	28

RESULTS OF OPERATIONS

FISCAL 2010 COMPARED TO FISCAL 2009

Revenue for the fiscal year ended April 30, 2010 decreased 41 percent to $307.9 million from $523.0 million for the corresponding period last year. The first eight months of the year were marked by contract cancellations and delays due to the prevailing economic situation. Revenue growth was affected by the strengthening Canadian dollar against the U.S. dollar as compared to the same period last year. The unfavourable foreign exchange translation impact for the year, when comparing to the effective rates for the same period last year, is estimated at $12 million on revenue.

Canada-U.S.

Canada-U.S. revenue decreased by 38 percent to $103.3 million compared to $167.2 million last year. In the first eight months of the year, both countries were affected by cancellations and decreased pricing. In the last quarter of fiscal 2010, utilization rates in Canada increased substantially while pricing remained relatively flat as compared to the same quarter last year.

Gross margins in Canada-U.S. decreased year-over-year as competitive pressures affected pricing and margins negatively, offset somewhat by productivity gains and cost cutting measures.

South and Central America

Revenue in South and Central America decreased by 31 percent to $107.4 million, compared to $155.2 million in the prior year period. Mexico, Chile and Argentina accounted for most of the reduction, although Chile and Argentina recovered during the second half of the year. The Company also started operations in Colombia during the year.

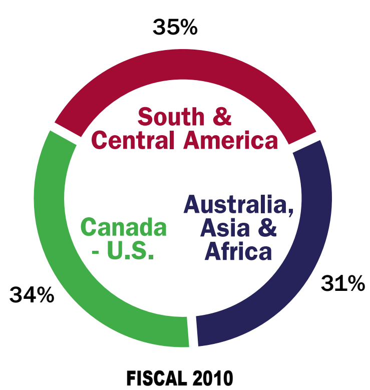
Margins in this geographic segment were significantly impacted compared to last year caused by competitive pressures on pricing and higher mobilization and repair costs relating to the ramp up near year end as the Company was gearing up for new contracts.

Australia, Asia and Africa

Revenue in Australia, Asia and Africa decreased 52 percent to $97.1 million from $200.6 million in the prior year period. Every country in this segment was affected by reduced pricing and utilization due to cancellation of drilling programs.

Gross margins decreased year-over-year affected by competitive pressures on pricing in all regions and weather related issues in Australia.

Revenue by Geographic Segment



Operating Expenses

General and administrative expenses decreased 29 percent to $33.4 million compared to $46.9 million for the same period last year. The decrease was due to cost cutting initiatives implemented in November 2008 and February 2009. With the increased activity experienced in the last quarter of the year, the Company expects general and administrative expenses in fiscal 2011 to be slightly higher as compared to fiscal 2010.

Other expenses were $5.0 million for the year compared to $12.5 million for the same period last year due primarily to lower incentive compensation expenses given the Company's decreased profitability in the current year.

Foreign exchange gain was $0.1 million for the year compared to a loss of $1.4 million in the prior year period as a result of favorable currency variations during the year on net monetary items.

Short-term interest revenue was $0.2 million for the year compared to an expense of $0.2 million last year, while interest expense on long-term debt was $1.1 million compared to $1.8 million for the same period last year due to reduced long-term debt levels.

Amortization expense decreased to $30.1 million for the year, compared to $32.2 million for the same period last year, as a result of equipment write-downs in the previous quarters.

This year, the Company recorded a restructuring charge of $1.2 million relating mainly to Australia compared to $9.0 million recorded last year, which included asset write-downs of $5.2 million and mostly retrenchment costs for the remaining amount. Also, the Company recorded a non-cash goodwill and intangible assets impairment charge of $1.5 million in Ecuador this year compared to $0.7 million last year.

The provision for income tax for the year was an expense of $2.9 million compared to $24.8 million for the prior year period. The tax expense for the year was impacted by the non-recognition or reversal of tax losses in Venezuela, Ecuador and South Africa and differences in tax rates between regions.

Net loss for the year was $0.5 million or $0.02 per share ($0.02 per share diluted) compared to earnings of $45.9 million or $1.94 per share ($1.92 per share diluted) for the same period last year.

SUMMARY ANALYSIS

FISCAL 2009 COMPARED TO FISCAL 2008

Revenue for the fiscal year ended April 30, 2009 decreased 11.4 percent to $523.0 million from $590.3 million for the 2008 fiscal year. The first six months were marked by strong growth followed by cancellations and delays in the second half of the year due to the prevailing economic situation.

All regions were affected by cancellations and delays. Canada-U.S. revenue grew in the first half of the year due to additional equipment and improved pricing while contract cancellations and delays impacted revenue in the second half in both countries. Revenue in South and Central America was affected by a complete halt of operations in Venezuela and Ecuador due to political issues, and a slowdown in Mexico due to contract cancellations and delays. Revenue in Australia, Asia and Africa was affected by a slowdown in Australia due to contract cancellations and delays, and the shutdown of operations in Armenia.

Gross margin for the year was up to 33.6 percent compared to 33.1 percent for the 2008 fiscal year, due mainly to an improved pricing environment in the first half of the year mitigated by reduced pricing as a result of increased competitive pressures and delays in the second half.

During the 2009 fiscal year, the Company recorded a restructuring charge of $9.0 million to account for asset write-downs of $5.2 million and mostly retrenchment costs for the remaining amount. Also, the Company recorded a non-cash goodwill and intangible assets impairment charge of $0.7 million.

The combination of reduced revenue and restructuring charges produced net earnings of $45.9 million ($1.94 per share) compared to $74.1 million ($3.14 per share) for the 2008 fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMARY ANALYSIS

FOURTH QUARTER RESULTS ENDED APRIL 30, 2010

Total revenue for the fourth quarter was $97.4 million up some 47 percent from the $66.4 million recorded for the prior year period, with almost all of the increase coming from Canada, Chile and Argentina. Revenue growth was affected by the strengthening Canadian dollar against the U.S. dollar as compared to the same period last year. The unfavourable foreign exchange translation impact for the year, when comparing to the effective rates for the same period last year, is estimated at over $10 million on revenue.

Revenue from Canada-U.S. drilling operations was up 90 percent to $37.3 million for the quarter compared to $19.6 million for the same period last year. Canada was responsible for most of this increase as utilization rates increased substantially in this region while pricing remained relatively flat as compared to the same quarter last year.

In South and Central America, revenue for the quarter was $38.5 million, up 74 percent from the $22.1 million recorded in the prior year quarter. Most of the increase came from Chile and Argentina while we are starting to see early signs of recovery in Mexico.

Australian, Asian and African drilling operations reported revenue of $21.6 million, down some 13 percent from the $24.7 million reported in the same period last year. Cancellation of drilling programs and severe weather issues impacted revenue in Australia. Mongolian revenue was up slightly during its usually slow winter period. Activity is expected to pick up in that country for the summer season, as mining companies re-engage following clarification of the government's mining policies.

The overall gross margin percentage for the quarter was 23.0 percent, down from 26.8 percent for the same period last year. Margins were impacted by costs related to the ramp up of operations as the Company was gearing up for new contracts. Higher mobilization costs combined with training costs for additional personnel added a layer of costs. In Australia the Company is also working its way out of some low-margin contracts while heavy rain continued to affect its energy operations during February and March.

General and administrative costs were $8.5 million for the quarter, compared to $9.4 million for the prior year period. The decrease was due to cost cutting initiatives implemented last year.

Other expenses were $1.2 million for the quarter compared to $1.8 million for the same period last year. The reduction primarily relates to last year's legal and input tax settlements, which did not recur this year.

Foreign exchange loss was flat compared to the prior year period at $0.5 million. This loss was due to exchange rate variations on monetary working capital items.

Short-term interest revenue was $0.1 million for the quarter compared to nil last year, while interest on long-term debt was $0.3 million compared to $0.4 million for the prior year quarter.

Amortization expense decreased to $7.3 million for the quarter compared to $8.0 million for the same quarter last year, as a result of equipment write-downs in the previous quarters.

During the quarter, the Company had a recovery on goodwill impairment of $0.5 million relating to the reversal of a liability related to its previous acquisition in Ecuador. In last year's quarter, the Company recorded a restructuring charge of $2.1 million consisting primarily of retrenchment costs following staff reduction initiatives.

The Company's tax expense was $2.0 million for the quarter compared to $0.2 million for the same period last year. The tax expense for the quarter was impacted by the non-recognition of tax losses in certain jurisdictions and non-deductible expenses.

Net earnings were $3.2 million or $0.14 per share ($0.13 per share diluted) for the quarter compared to a net loss of $4.6 million or $0.19 per share ($0.19 per share diluted) for the prior year quarter.

SUMMARY OF QUARTERLY RESULTS *(in $000 CAD, except per share)*

	Fiscal 2009				Fiscal 2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	$ 178,215	$ 191,010	$ 87,361	$ 66,400	**$ 62,489**	**$ 75,528**	**$ 72,471**	**$ 97,368**
Gross profit	63,304	70,438	24,086	17,806	**17,230**	**22,792**	**11,979**	**22,372**
Gross margin	35.5%	36.9%	27.6%	26.8%	**27.6%**	**30.2%**	**16.5%**	**23.0%**
Net earnings (loss)	26,330	29,276	(5,070)	(4,601)	**(3,296)**	**4,060**	**(4,453)**	**3,225**
Per share - basic	1.11	1.23	(0.21)	(0.19)	**(0.14)**	**0.17**	**(0.19)**	**0.14**
Per share - diluted	1.10	1.22	(0.21)	(0.19)	**(0.14)**	**0.17**	**(0.19)**	**0.13**

The geographic distribution of the Company's operations, as well as the timing of the recent economic downturn, has impacted its historical seasonal revenue patterns. Historically, the Company's fourth quarter was its strongest, followed by its second and first quarters. The third quarter (November to January) is normally the Company's weakest quarter due to the shutdown of mining and exploration activities, often for extended periods over the holiday season, particularly in South and Central America. With the exception of the third quarter, the Company has, over the past several years, exhibited comparatively less seasonality in quarterly revenue, since a relatively higher proportion of drilling revenue was generated in regions with more temperate or tropical climates that were not impacted by winter weather conditions. Additionally, strong cyclical growth had tended to mute normal seasonal patterns. With the recent economic and industry downturn, it is not yet clear whether the Company's revenue will return to more historical seasonal patterns, or the recent lack of seasonality will continue.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Operating cash flow (before changes in non-cash working capital) was $30.6 million for the fiscal year ended April 30, 2010, representing a decrease of 65 percent from the $87.7 million generated last year, which is a direct result of cancellations and delays of drilling programs combined with price reductions.

The change in non-cash operating working capital items was an outflow of $9.9 million in fiscal 2010 compared to an inflow of $28.9 million for the same period last year. The change in non-cash operating working capital in fiscal 2010 was primarily impacted by:

- An increase in accounts receivable of $14.5 million due to increased activity in the fourth quarter as compared to the same period last year; and
- An increase in accounts payable of $9.8 million due to increased activity as compared to last year.

Financing Activities

Total long-term debt decreased by $14.7 million during the year from $38.6 million at April 30, 2009 to $23.9 million at April 30, 2010. The decrease is primarily due to debt repayments of $11.5 million and a reversal of a liability related to its previous acquisition in Ecuador of $2.2 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 period, the Company was, and continues to be, in compliance with all covenants and other conditions imposed by its debt agreements.

In the third quarter of fiscal 2010, the Company reviewed its available credit facilities and decided to reduce its operating facility from $30.0 million to $25.0 million and its facility available for financing the cost of equipment purchases or acquisition costs of related businesses from $65.0 million to $45.0 million. This reduction in financing facilities was made at the sole discretion of the Company in order to reduce financing costs.

The credit facilities related to operations total $26.6 million ($25.0 million from a Canadian chartered bank and $1.6 million in credit facilities in Chile and Australia) and are primarily secured by corporate guarantees of companies within the group. The Company has a credit facility of $0.7 million for credit cards for which interest rate and repayment are as per cardholder agreements. At April 30, 2010, the Company had utilized $1.1 million of these lines for stand-by letters of credit.

A second facility is a $45.0 million facility for financing the cost of equipment purchases or acquisition costs of related businesses. At April 30, 2010, the Company had utilized $20.6 million of this line. Draws on this line can be amortized over five years.

The Company also has various other loans and capital lease facilities related to equipment purchases that totaled $10.0 million at April 30, 2010, of which $3.3 million was utilized and matures through 2012.

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital, capital expenditure, dividend and debt obligations. As at April 30, 2010, the Company had unused borrowing capacity under its credit facilities of $56.5 million and cash of $30.2 million, for a total of $86.7 million in available funds.

PAYMENTS DUE BY PERIOD *(in $000's)*

Contractual obligations	Total	Less than 1 year	2-3 years	4-5 years
Long-term debt	$ 23,928	$ 8,887	$ 12,156	$ 2,885
Purchasing commitments	2,526	2,526	-	-
Operating leases	4,151	1,561	2,122	468
Total contractual obligations	**$ 30,605**	**$ 12,974**	**$ 14,278**	**$ 3,353**

Capital Expenditures

Capital expenditures were $24.5 million ($24.5 million net of financing) for the year ended April 30, 2010 compared to $55.2 million ($54.7 million net of financing) for the same period last year.

During the year, the Company added 14 drill rigs through its capital expenditure program and 8 drill rigs through acquisitions while retiring or disposing of 32 drill rigs through its modernization program. This brings the total drill rig count to 525 at year end.

The Company expects to spend $50 million in capital expenditures in fiscal 2011, with the intent to purchase 50 rigs that are much better tailored for the market. It is expected that 30 of the rigs will replace older rigs that had very low utilization rates. The Company also intends to add support vehicles and equipment to the operations to meet the changing patterns of demand and its new safety standards. Through this, the Company plans to continue its efforts to improve rig utilization and reliability.

OUTLOOK

Many of the supply issues that face most commodities are coming back into focus and with moderate growth in the world economy, the need to explore and develop mines will increase. At that point, it is expected that the need to develop resources in areas that are increasingly difficult to access will return, which should further increase demand for specialized drilling.

At the end of the fiscal year, the bulk of the increased activity was coming from intermediate mining companies and junior mining companies with advanced properties. While senior companies increased their exploration budgets for calendar 2010, they had not yet rebounded to their pre-financial crisis levels. Early stage exploration companies had shown little increase in activity as they were still experiencing difficulties in getting financing. In the longer-term, the fundamental drivers of the business remain positive, with worldwide supply for most metals expected to tighten due to the continuing lack of significant discoveries. The prospects for gold related drilling, which generally accounts for approximately 50 percent of the drilling market, remains positive.

Looking ahead to fiscal 2011, the Company has a positive but cautious view. Its global utilization rates are expected to continue to improve as each month goes by. Some of its regions have reached high levels of utilization, which could lead to a more positive pricing environment. Most of its other regions should see a pickup in utilization but pricing is likely to remain challenging.

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

The Company remains in an excellent financial position and remained debt-free, net of cash, at year end. Total cash level, net of long-term debt, stood at $6.3 million at year end. With significant increases in activity, the Company always has a temporary drain on cash due to working capital requirements as more rigs are started. Cash levels should rebuild as receivables are collected.

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 in growth of revenue and operating expenses have been impacted by the falling U.S. dollar against the Canadian dollar.

During fiscal 2010, approximately 26 percent of revenue generated was in Canadian dollars, 10 percent in Australian dollars with most 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 $12 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 net earnings for the year was $2 million.

CHANGES IN ACCOUNTING POLICIES

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

FUTURE ACCOUNTING CHANGES

Business Combinations

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

Consolidated Financial Statements and Non-Controlling Interests

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

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Accounting Standards Board ("AcSB") confirmed that Canadian reporting issuers will be required to report under International Financial Reporting Standards ("IFRS") effective January 1, 2011. Reporting issuers will be required to provide IFRS comparative information for the previous year. The Company will begin issuing interim and annual financial statements under IFRS for the fiscal year beginning May 1, 2011. The transition date of May 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. The Company expects the transition to IFRS to impact financial reporting, business processes and information systems.

The Company launched its conversion project in 2008. The Company is following the key events timeline proposed by the AcSB to obtain training and thorough knowledge of IFRS, finalize assessment of accounting policies with reference to IFRS and plan for convergence to be ready for the 2011 changeover.

The conversion project consists of four primary phases:

1. The scoping and planning phase, which involves establishing a project management team, mobilizing organizational support for the conversion plan, obtaining stakeholder support for the project, identifying major areas affected and developing a project charter, developing an implementation plan and communication strategy, was completed in mid 2009 and served as the basis for the planning of future phases.
2. We are near completion in the detailed assessment phase, which will result in accounting policies and transitional exemption decisions, quantification of financial statement impact, preparation of shell financial statements and identification of business processes and resources impacted. The Company will continue to monitor changes in IFRS throughout the duration of the implementation process and assess their impacts on the Company and its reporting.
3. The operations implementation phase has started and includes the design of business, reporting and system processes to support the compilation of IFRS compliant financial data for the opening balance sheet at May 1, 2010, fiscal 2011 and thereafter. This phase also includes ongoing training, testing of the internal control environment and updated processes for disclosure controls and procedures.
4. Post implementation will include sustainable IFRS compliant financial data and processes for fiscal 2011 and beyond.

The Company has engaged and will continue to engage in dialogue with the Company's independent auditors in all phases of the conversion project.

In light of the IFRS requirements, the Company has implemented the majority of the systems that will support the compilation of the IFRS compliant financial data for the opening balance sheet as at May 1, 2010, fiscal 2011 and thereafter. These systems include new functionalities in the consolidation system, a uniform fixed assets module and a stock-based compensation plan management system. Other enhancements to our current systems have also been implemented to ensure future compliance. The implementation phase also includes ongoing training for key personnel, identification and documentation of impact and required changes to, and ensuring the effectiveness of, the Company's internal control environment and disclosure controls and procedures. This stage of phase 3 will be conducted throughout fiscal 2011. The post implementation phase will include sustainable IFRS compliant financial data and processes for fiscal 2012 and beyond.

The Company is in the process of quantifying the impacts expected on its consolidated financial statements. The following is a discussion of some of the general issues facing the Company related to the accounting standards identified as most likely to have a significant financial statement impact.

IFRS 1 – First-Time Adoption of IFRS

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of May 1, 2010, the date of the first comparative balance sheet presented under IFRS. However, IFRS 1 provides entities adopting IFRS for the first time a number of optional exemptions and mandatory exemptions, in certain areas, to the general requirement for full retrospective application of IFRS on the date of transition.

The following are the optional exemptions that the Company is considering:

- *Business combination election* – This election allows the Company to adopt IFRS 3(R) prospectively from the date of transition.

- *Share-based payments election* – This election enables the Company to adopt IFRS 2, share-based payments, from the date of transition to IFRS.
- *Foreign currency translation adjustment (CTA)* – This election allows the Company on its date of transition to record its CTA from all its foreign operations to retained earnings and reset the CTA balance to nil.

The remaining optional exemptions are not expected to be significant to the Company's adoption of IFRS.

IFRS 2 – Share Based Payments

The Company's policy under Canadian GAAP is to use the straight-line method to account for options that vest over time. Under IFRS, for graded-vesting features, IFRS requires each instalment to be treated as a separate share option grant, because each instalment has a different vesting period, and hence the fair value of each instalment will differ.

In addition, Canadian GAAP permits companies to either estimate the forfeitures at the grant date or record the entire expense as if all share-based payments vest and then record forfeitures as they occur. IFRS requires that forfeitures be estimated at the time of grant to eliminate distortion of remuneration expense recognized during the vesting period. The estimate should be revised if subsequent information indicates that actual forfeitures are likely to differ from previous estimates.

IAS 12 – Income Taxes

While the overall methodology for recording deferred taxes is consistent between Canadian GAAP and IFRS, there are several differences that may have an impact on the Company's financial statements.

IAS 16 – Property, Plant and Equipment

Under Canadian GAAP, costs incurred for plant and equipment on initial recognition are allocated to significant components when practicable. Under IFRS, costs incurred for plant and equipment on initial recognition are allocated to significant components, capitalized and depreciated separately over the estimated useful lives of each component. Practicability of allocating to significant components is not considered under IFRS. Costs incurred subsequent to the initial purchase of property, plant and equipment are capitalized when it is probable that future economic benefits will flow to the Company over a period and the costs can be measured reliably. Upon capitalization, the carrying amount of components replaced, if any, are written off.

IAS 21 – Effects of Changes in Foreign Exchange Rates

The underlying concepts of functional currency and reporting currency are broadly consistent between Canadian GAAP and IFRS. However, IFRS rules differ in the determination of functional currency. Under IFRS, the functional currencies of some subsidiaries may change on transition.

IAS 36 – Impairment of Assets

Canadian GAAP generally uses a two-step approach to impairment testing while IFRS uses a one-step approach for both testing for and measurement of impairment. This may potentially result in more write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but would not be supported on a discounted cash flow basis.

In addition, IFRS requires the reversal of any previous impairment losses where circumstances leading to the original impairment have changed. Canadian GAAP prohibits reversal of impairment losses.

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 property, plant and equipment for amortization purposes, property, plant and equipment and 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, amounts recorded as accrued liabilities and impairment testing of goodwill and intangible assets. Actual results could differ materially from those estimates and assumptions.

In light of the recent economic conditions, the Company has re-examined its critical accounting estimates.

As of April 30, 2010, property, plant and equipment with a carrying value of $210.8 million represented approximately 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 15 percent of total assets at April 30, 2010. 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.

Particular attention was given to impairment testing of the Company's long-lived assets, goodwill and intangible assets. These assets are assessed for potential impairment at least annually or when events or changes in circumstances exist such that the carrying amount may not be recoverable. Such an assessment requires a comparison of the fair value of the respective reporting unit to its carrying value. The estimate of fair value of a reporting unit is based on cash flows, growth projections, terminal values, discount rates and industry data. Any change in the estimates used could have a material impact on the calculation of fair value and the resulting impairment charge. Sensitivity analysis is performed when testing for impairment. Significant changes in the estimates and assumptions used in impairment testing will not impact cash flows generated from our operations.

OFF BALANCE SHEET ARRANGEMENTS

Except for operating leases disclosed in note 16 "Commitments" of the notes to 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 and elsewhere in this MD&A 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 a 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 diversify and to rationalize its regional infrastructures. In previous cyclical market downturns 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. The impact on the Company of a severe and persistent downturn in the minerals and metals industry (a possible outcome of the recent global economic conditions) may not be fully mitigated by the foregoing measures.

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 during a cyclical downturn. 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. Credit and capital markets financing continue to be challenging for many mining companies, which could adversely impact exploration programs.

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.

Competitive Pressures

Pressures from competitors could result in decreased contract prices and put a strain on current growth rates. There can be no assurance that the Company's competitors will not be successful in capturing a share of the Company's present or potential customer base.

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, and changes in mining or investment policies or shifts in political attitude that may adversely affect the business. There has been an emergence of a trend by some governments to increase their participation in the benefits of rising commodity 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 reductions in revenue and transition costs as equipment is shifted to other locations.

Repatriation of Funds or Property

There is no assurance that any of the countries in which the Company operates or may operate in the future will not impose restrictions on the repatriation of funds or property to other jurisdictions.

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 fluctuation in the 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 periods, 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 and insurance coverage.

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 in training to improve skills, abilities and safety awareness.

Expansion and Acquisition Strategy

The Company intends to remain vigilant with regard to potentially strategic future 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 internal audit. Compliance and internal audit test the extent to which operations meet regulatory requirements, as well as the effectiveness of internal controls.

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. During periods of increased activity, such as that occurring as the industry last transitioned from a cyclical downturn to a cyclical upturn, a limiting factor in this industry was a shortage of qualified drillers. The Company addresses 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, African, Mongolian and Indonesian operations, and is expected to continue to play an important role.

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.

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 provide reliable service is dependent upon timely delivery of equipment and replacement parts from fabricators and suppliers. Any factor that substantially increases the order time on equipment and increases uncertainty surrounding final delivery dates may constrain future growth, existing operations, and the financial performance of the Company.

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.

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, 2010.

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 2010, 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 that 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.

As of April 30, 2010, an evaluation was carried out, under the supervision of the CEO and CFO, of the effectiveness of the Company's ICFR as defined in NI 52-109. Based on this evaluation, the CEO and the CFO concluded that the design and operation of these ICFR were effective.

The evaluations were conducted in accordance with the framework and criteria established in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of NI 52-109.

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 at June 30, the Company's share capital was composed of the following:

SHARE CAPITAL
(amounts in thousands)

As at June 30	2010	2009
Common shares	**23,790**	23,716
Stock options outstanding	**1,167**	948