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

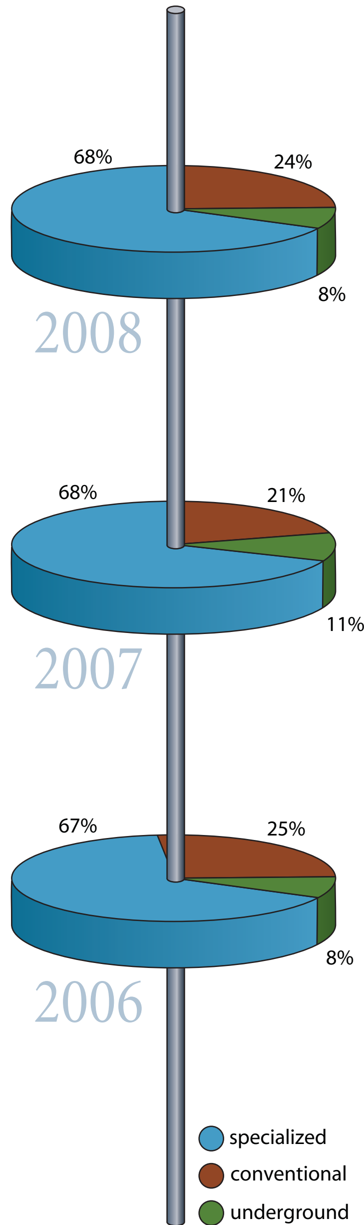
Major Drilling Group International Inc. is one of the world's largest drilling service companies primarily serving the mining industry. To support its customers' varied exploration drilling requirements, Major Drilling maintains field operations and offices in Canada - U.S., South and Central America, 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.



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.

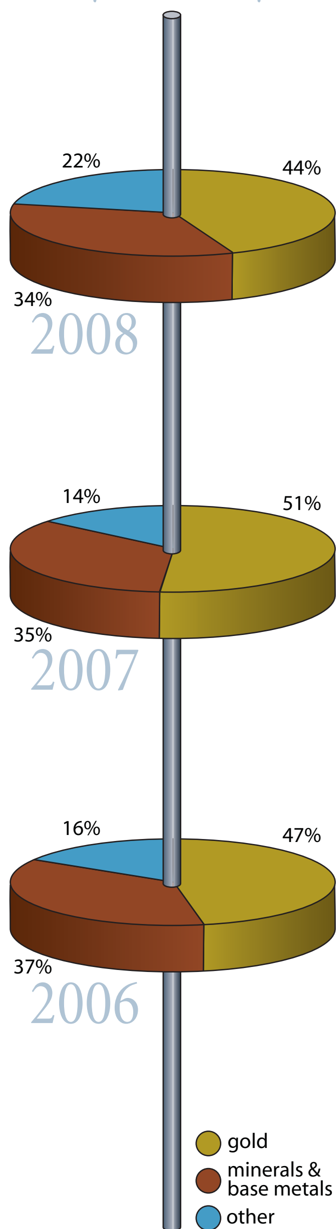
Industry Overview

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



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.

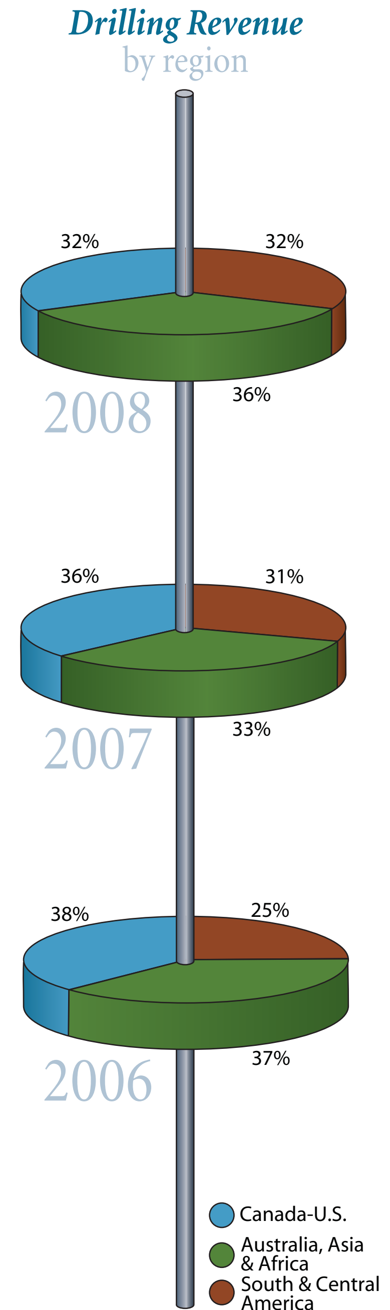
Loss from discontinued operations was $0.5 million or $0.02 per share compared to a gain of $12.3 million or $0.53 per share last year. Discontinued operations include last year's sale of the manufacturing division and the termination of operations in China. Gain from discontinued operations for fiscal 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,



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.

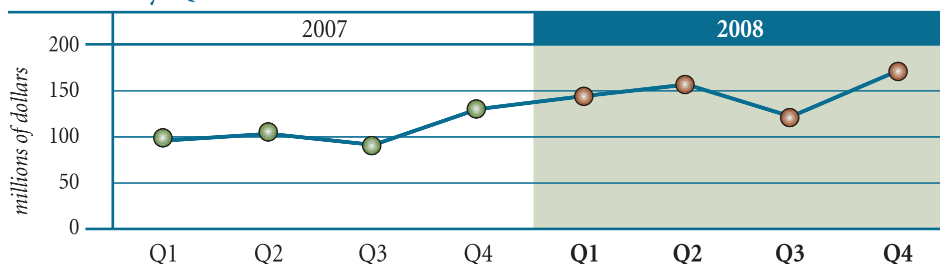
Net earnings were $25.4 million or $1.07 per share ($1.05 per share diluted) compared to $17.8 million or $0.77 per share ($0.75 per share diluted) for the same period last year.

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.

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

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

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