The following discussion and analysis, prepared as of June 30, 2009, should be read together with the audited financial statements for the year ended April 30, 2009 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. 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, Indonesia, Mongolia, 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.

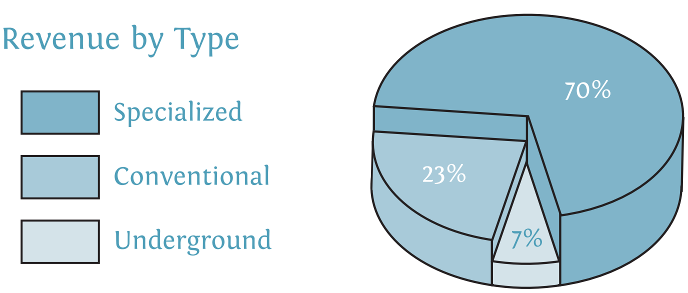
BUSINESS STRATEGY

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 the class in safety and human resources.

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

Revenue by Type



Fiscal 2009

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 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 takes on greater importance in the latter stages of the mining cycle as clients develop underground mines. While growth in underground drilling is relatively flat, conventional drilling grows in parallel with the industry cycle, while specialized drilling grows structurally.

Specialized projects tend to be more costly for customers than conventional projects. Due to the impact of the current 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. The Company expects this trend to continue through fiscal 2010, but in the longer-term, 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 a positive commodity pricing regime, either one of these metal groups can, by itself, stimulate significant demand for drilling services. In the last few years, historically high commodity prices in all commodities drove the industry to record levels of activity with worldwide mineral exploration expenditures in calendar 2008 surpassing US$14 billion.

The current economic environment has impacted, and will continue to impact, drilling in the short to medium-term, particularly on base metal projects. Senior and intermediate base metal companies that are leveraged have also reduced their exploration spending for 2009, in order to conserve cash. Many gold producers have delayed exploration plans due to the uncertainty in the economy. Sources of funding for junior mining companies are limited, and as such many junior projects, both in the base metals and gold sectors, have been delayed or cancelled.

In the longer-term, the fundamental drivers of our 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 50 percent of the drilling market, remains positive.

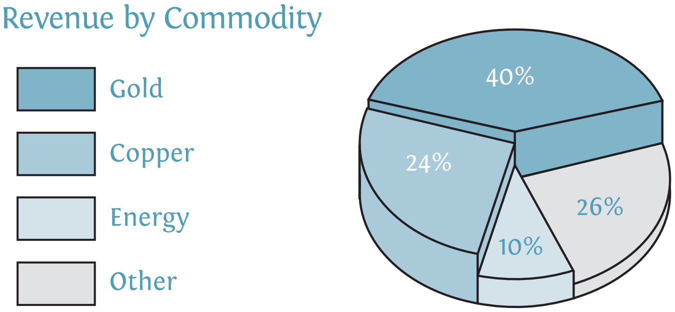
Gold

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. 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 10 years. Historically, only about half of feasibility-stage projects reach production within 10 years.

Base Metals

Drilling services for base metals are affected by overall commodity prices. Despite the current economic environment, 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 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 2009

BUSINESS ACQUISITIONS

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 drills 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 CDN$23.1 million including customary working capital adjustments, financed by 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, and personnel.

The purchase price for the transaction was US$6.0 (CDN$5.8) million, subject to various holdbacks and was financed with cash and debt. 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. The Company has redeployed some of its Ecuadorian rigs elsewhere in the region until such a time as drilling activities resume, which is expected within the coming months. 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.

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 (CDN$25.2) million, including customary working capital adjustments, financed with cash.

OVERALL PERFORMANCE

Revenue for the fiscal year ended April 30, 2009 decreased 11.4 percent to $523.0 million from $590.3 million for the corresponding period last 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 last 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 last year.

SELECTED ANNUAL INFORMATION

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

Years ended April 30	2009	2008	2007
Revenue by region			
Canada-U.S.	**$ 167**	$ 189	$ 151
South and Central America	**155**	186	127
Australia, Asia and Africa	**201**	215	137
	523	**590**	**415**
Gross profit	**176**	**195**	**133**
Gross profit as a percentage of revenue	**33.6%**	33.1%	32.0%
Earnings from continuing operations	**46**	**75**	**47**
Per share (basic)	**$ 1.94**	$ 3.16	$ 2.01
Per share (diluted)	**$ 1.92**	$ 3.12	$ 1.98
Net earnings	**46**	**74**	**59**
Per share (basic)	**$ 1.94**	$ 3.14	$ 2.54
Per share (diluted)	**$ 1.92**	$ 3.10	$ 2.50
Total assets	**$ 469**	**$ 427**	**$ 328**
Total long-term financial liabilities	**$ 24**	**$ 28**	**$ 19**

RESULTS OF OPERATIONS

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 corresponding period last 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.

Canada-U.S.

Canada-U.S. revenue decreased by 11.5 percent to $167.2 million compared to $189.0 million last year. Additional equipment and improved pricing contributed to the growth in the first half while contract cancellations and delays impacted revenue in the second half in both countries.

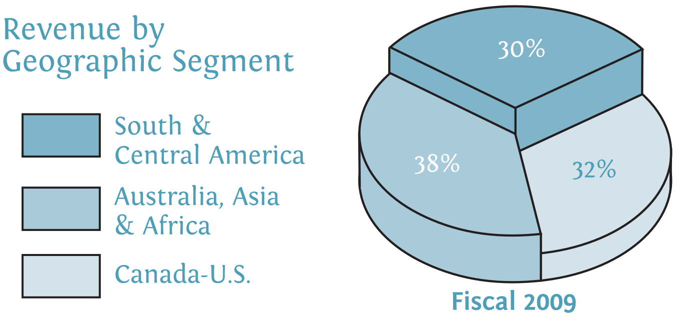
Gross margins in Canada-U.S. improved year-over-year as increased demand for drilling services in the first half of the year improved the pricing environment. In the second half, significant competitive pressures affected pricing and margins negatively, offset somewhat by productivity gains and cost cutting measures.

South and Central America

Revenue in South and Central America decreased by 16.8 percent to $155.2 million, compared to $186.5 million in fiscal 2008. A complete halt of operations in Venezuela and Ecuador due to political issues, and a slowdown in Mexico due to contract cancellations and delays impacted revenue in that segment.

Margins in this geographic segment were relatively flat for the year characterized by an increase in the first half of the year offset by a decrease caused by competitive pressures on pricing in the second half.

Revenue by Geographic Segment



Australia, Asia and Africa

Revenue in Australia, Asia and Africa decreased 6.6 percent to $200.6 million from $214.8 million in fiscal 2008. A slowdown in Australia due to contract cancellations and delays and the shutdown of operations in Armenia impacted revenue in that segment.

Gross margins decreased year-over-year, mostly affected by competitive pressures and weather related issues in Australia. Other regions in this geographic segment were relatively flat year-over-year.

Operating Expenses

General and administrative expenses increased to $46.9 million compared to $44.8 million for the same period last year. In the first half of the year, these expenses increased primarily due to additions to the management team to accommodate growth, additional safety and training efforts, the African, Ecuadorian and Chilean acquisitions, and overall cost increases due to increased volume. In the second half of the year, the Company implemented initiatives in order to reduce general and administrative expenses. With these steps, the Company expects general and administrative expenses in fiscal 2010 to be down by 25 percent as compared to fiscal 2009.

Other expenses were $12.5 million for the year compared to $13.6 million for the same period last year. Lower incentive compensation expenses given the Company's lower profitability in the current year was partially offset by an increase in the provision for doubtful accounts.

Foreign exchange loss was $1.4 million compared to $2.1 million in the prior year period as a result of exchange rate variations on monetary working capital items.

Short-term interest expense was $0.2 million for the year compared to revenue of $0.2 million last year, while interest on long-term debt was $1.8 million in fiscal 2009 compared to $2.4 million last year due to reduced long-term debt levels.

Amortization expense increased to $32.2 million compared to $27.0 million last year, as a result of increased investment in equipment and intangibles.

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 provision for income tax for the year was $24.8 million compared to $31.1 million for the prior year reflecting the decrease in pre-tax earnings. The effective tax rate for the year was impacted by the non-recognition or reversal of tax losses in Venezuela and Botswana where the Company has ceased operations.

Net earnings were $45.9 million or $1.94 per share ($1.92 per share diluted) compared to $74.1 million or $3.14 per share ($3.10 per share diluted) for last year.

SUMMARY ANALYSIS 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 2007 fiscal year. Improved pricing, additional equipment, and better utilization contributed to the growth in all regions.

Gross margins for the year improved to 33.1 percent compared to 32.0 percent in fiscal 2007, as increased demand for drilling services improved the pricing environment but margin growth was slowed by increased labour costs due to labour availability issues. 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.

The combination of strong revenue growth and improved margins produced record net earnings for fiscal 2008 of $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 fiscal 2007.

SUMMARY ANALYSIS FOURTH QUARTER RESULTS ENDED APRIL 30, 2009

Total revenue for the fourth quarter was $66.4 million, down 60.9 percent from the $170.0 million recorded for the prior year period. Cancellations or delays of drilling programs, combined with price reductions, significantly affected revenue in all three regions.

Revenue from Canada-U.S. drilling operations was down $32.9 million or 63 percent to $19.6 million for the quarter compared to $52.5 million for the same period last year. Cancellations and decreased pricing impacted both countries.

In South and Central America, revenue for the quarter was $22.1 million, down 63 percent from the $60.4 million recorded in the prior year quarter. Revenue decreases in Mexico, Chile and Argentina accounted for approximately 90 percent of the drop. A complete halt of operations in Venezuela and Ecuador due to political issues also impacted revenue in the region. The situation in Ecuador has improved and the Company expects to resume operations in that country in the coming months.

Australian, Asian and African drilling operations reported revenue of $24.7 million, down some 57 percent from the $57.1 million reported in the same period last year. Every country was impacted relatively the same but for various reasons. Cancellation of drilling programs and weather issues impacted revenue in Australia while Indonesian revenue was mostly impacted by price reductions. Mongolian revenue continued to be down compared to last year as the mining industry in that country continues to struggle with uncertainty relating to government mining policies. Finally, in Africa, the Company scaled down operations in Botswana and transferred assets to neighbouring countries.

The overall gross margin percentage for the quarter was 26.8 percent, down from 35.0 percent for the same period last year. Reduced pricing due to increased competitive pressures and delays significantly impacted margins. Pricing has dropped by more than 20 percent overall since October 2008 but the Company has been able to recapture some of this loss through productivity gains and cost cutting. Finally, weather issues in Australia in February and March impacted margins, especially in the energy sector.

General and administrative costs were $9.4 million for the quarter, down 26 percent compared to the

$12.7 million for the prior year period. The decrease was due to cost cutting initiatives implemented in November and February.

Other expenses were $1.8 million for the quarter compared to $3.2 million for the same period last year. This year's other expenses includes legal and input tax settlements whereas last year's other expenses were mainly composed of incentive compensation expenses given the Company's profitability in that quarter.

Foreign exchange loss was $0.5 million for the quarter compared to nil for the prior year period. This year's loss was due to exchange rate variations on monetary working capital items.

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

Amortization expense increased to $8.0 million for the quarter compared to $7.5 million for the same quarter last year, as a result of increased investment in equipment and intangibles.

During the quarter, the Company recorded a restructuring charge of $2.1 million consisting primarily of retrenchment costs following staff reduction initiatives implemented in February.

The Company's tax expense was $0.2 million for the quarter compared to $10.1 million for the same period last year. The tax expense for the quarter was impacted by the non-recognition or reversal of tax losses in Venezuela and Botswana where the Company has ceased operations, and a tax settlement in Tanzania.

Net loss for the quarter, after restructuring charge, was $4.6 million or $0.19 per share ($0.19 per share diluted) compared to net earnings of $25.4 million or $1.07 per share ($1.05 per share diluted) in the prior year period.

SUMMARY OF QUARTERLY RESULTS

The geographic distribution of the Company's operations, as well as the timing of the current 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

SUMMARY OF QUARTERLY RESULTS (in $000's CDN, except per share)

	Fiscal 2008				**Fiscal 2009**			
	Q1	Q2	Q3	Q4	**Q1**	**Q2**	**Q3**	**Q4**
Revenue	$ 143,420	$ 156,136	$ 120,758	$ 169,995	**$ 178,215**	**$ 191,010**	**$ 87,361**	**$ 66,400**
Gross profit	47,644	54,665	33,712	59,420	**63,304**	**70,438**	**24,086**	**17,806**
Gross margin	33.2%	35.0%	27.9%	35.0%	**35.5%**	**36.9%**	**27.6%**	**26.8%**
Earnings (loss) from continuing operations	18,824	22,815	7,670	25,286	**26,330**	**29,276**	**(5,070)**	**(4,601)**
Per share - basic	0.80	0.97	0.32	1.07	**1.11**	**1.23**	**(0.21)**	**(0.19)**
Per share - diluted	0.79	0.95	0.32	1.05	**1.10**	**1.22**	**(0.21)**	**(0.19)**
Net earnings (loss)	18,935	22,563	7,236	25,361	**26,330**	**29,276**	**(5,070)**	**(4,601)**
Per share - basic	0.81	0.96	0.31	1.07	**1.11**	**1.23**	**(0.21)**	**(0.19)**
Per share - diluted	0.80	0.94	0.30	1.05	**1.10**	**1.22**	**(0.21)**	**(0.19)**

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. Fourth quarter revenue this year was impacted by the economic downturn. With the current economic and industry downturn ongoing, it is not yet clear whether or not the Company's revenue will return to more historical seasonal patterns, or whether a recent lack of seasonality will continue.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Operating cash flow (before changes in non-cash working capital) was $87.7 million for the fiscal year ended April 30, 2009, representing a decrease of 19.6 percent from the $109.1 million generated last year, which is a direct result of cancellations and delays of drilling programs combined with price reductions in the second half of the year.

The change in non-cash operating working capital items was an inflow of $29.5 million in fiscal 2009 compared to an outflow of $28.5 million for the same period last year. The change in non-cash operating working capital in fiscal 2009 was primarily impacted by:

- A decrease in accounts receivable of $63.9 million due to a decrease in activity as compared to last year as the Company experienced delays or cancellation of drilling programs in the second half of the year; and
- A decrease in accounts payable of $36 million due to a decrease in activity as compared to last year offset by tight working capital management.

Financing Activities

Total long-term debt decreased by $1.5 million during the year from $40.1 million at April 30, 2008 to $38.6 million at April 30, 2009. The decrease is primarily due to debt repayments of $14.5 million offset by additional debt of $10.0 million to finance business acquisitions and capital expenditures.

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.

The credit facilities related to operations total $31.2 million ($30.0 million from a Canadian chartered bank and $1.2 million in credit facilities 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 agreements. At April 30, 2009, the Company had utilized $0.8 million of these lines for stand-by letters of credit.

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, 2009, the Company had utilized $27.1 million of this line. Draws on this line can be amortized over five years.

The first and second facilities have been renewed in November 2008 with no significant changes in the borrowing conditions of the facilities.

The third facility is a non-revolving term facility established to assist in the 2005 acquisition of Dynatec's Drilling Division, based in the United States. This facility was fully repaid in February 2009.

PAYMENTS DUE BY PERIOD (in $000's)					
Contractual obligations	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Long-term debt	$ 38,556	$ 15,049	$ 15,609	$ 7,898	$ -
Purchasing commitments	2,096	1,721	375	-	-
Operating leases	4,187	2,346	1,815	26	-
Total contractual obligations	**$ 44,839**	**$ 19,116**	**$ 17,799**	**$ 7,924**	**$ -**

The Company also has other various loans and capital lease facilities related to equipment purchases that totaled $16.0 million at April 30, 2009, of which $11.4 million was utilized and mature through 2011.

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, 2009, the Company had unused borrowing capacity under its credit facilities of $72.9 million and cash of $58.0 million, for a total of $130.9 million in available funds.

Capital Expenditures

Capital expenditures were $55.2 million ($54.7 million net of financing) for the year ended April 30, 2009 compared to $70.0 million ($68.1 million net of financing) for the same period last year. As the difficulty in accessing ore bodies continues to increase, the Company continues to see opportunities to invest in specialized drilling, but in the current economic climate, will do so at a slower pace. It is expected that capital expenditures will be reduced to $25 million in fiscal 2010 as the Company focuses on cash accumulation.

During the year, the Company added 70 drill rigs through its capital expenditure program and 19 drill rigs through acquisitions while retiring or disposing of 88 drill rigs through its modernization program. This brings the total drill rig count to 535 at year end.

OUTLOOK

The current economic environment continues to impact drilling in the short to medium-term, particularly on base metal projects where the Company is seeing a significant slowdown in activity in calendar 2009. Sources of funding for junior mining companies are limited, and as such, many junior projects, both in the base metals and gold sectors, have been delayed or cancelled. Senior and intermediate base metal companies that are leveraged have also reduced their exploration spending for calendar 2009, in order to conserve cash and many gold producers have delayed exploration plans. A large number of specialized projects, which tend to be more costly for customers than conventional projects, and where the Company has historically placed its main focus, have either been cancelled or very heavily cut back. The Company also chose not to retain some contracts where new pricing would have lowered margins to the point that the contracts would not have been profitable.

In May, the Company started to see marginal increases in demand for drilling services. If customers move forward with their stated plans, the Company should see gradual small gains as each month goes by. While some continued improvements are expected as the year goes on, calendar 2010 will continue to be difficult and pricing is expected to remain competitive throughout this period. In calendar 2011, many of the supply issues that face most commodities should come back into focus and even with moderate growth in the world economy, the need to explore and develop mines should 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.

In the second half of fiscal 2009, the Company took actions to reduce its costs. The Company implemented reductions of salaried employees, and also, the decision was made that directors' fees and salaries of the Company's top 40 executives would be reduced by 10 percent. With these steps, general and administrative expenses in fiscal 2010 should be down by 25 percent as compared to fiscal 2009. Furthermore, the Company continues to have a variable cost structure whereby most of its direct costs, including field staff, go up or down with contract revenue and a large part of the Company's other expenses relates to variable incentive compensation based on the Company's profitability. At the same time, the Company's financial strength allows it to continue to carry certain costs relating to ongoing investments in safety, maintaining its equipment in excellent condition, and retaining the core people, all of which are essential to quickly react when the industry recovers.

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 $19.4 million at year end. Despite the difficult environment, operations are expected to generate positive cash flow in fiscal year 2010. The Company will continue to focus on cash management by limiting capital expenditures to approximately $25 million, by reducing inventory and by closely monitoring costs.

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 falling Canadian dollar against the U.S. dollar.

During fiscal 2009, approximately 19 percent of revenue generated was in Canadian dollars, 15 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 favourable FX impact on revenue for the year compared to last year was $20 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 favourable FX impact on earnings from continuing operations for the year was $3.3 million.

CHANGES IN ACCOUNTING POLICIES

Effective May 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031, Inventories, replacing Section 3030, Inventories, Section 3862, Financial Instruments – Disclosures, Section 3863, Financial Instruments – Presentation, and Section 1535, Capital Disclosures.

Section 3031, Inventories, provides more guidance on the determination of the cost of inventory and the subsequent recognition of inventory as an expense, as well as requiring additional associated disclosures. The new standard also allows for the reversal of any write downs previously recognized. The adoption of this policy had no material effect on the Company's consolidated financial statements.

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 have had no effect on financial results.

FUTURE ACCOUNTING CHANGES

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 Sections 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.

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board ("AcSB") confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In April 2008, the AcSB issued an IFRS Omnibus Exposure draft proposing that publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011 for companies with a calendar year end, therefore the transition date for the Company is May 1, 2011. This will require the restatement, for comparative purposes, of amounts reported by the Company for its year ended April 30, 2011, and of the opening balance sheet as at May 1, 2010.

The Company is currently in the process of developing a conversion implementation plan and assessing the impacts of the conversion on the consolidated financial statements and disclosures of the Company.

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 current economic conditions, the Company has re-examined its critical accounting estimates.

As of April 30, 2009, property, plant and equipment with a carrying value of $240.2 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 16 percent of total assets at April 30, 2009. 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 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 the continuing or further 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. The impact on the Company of a severe and persistent downturn in the minerals and metals industry (a possible outcome of the current 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. Also, both credit and capital markets financing have become generally scarce under current global economic conditions, which could adversely impact the exploration programs of all mining exploration companies, irrespective of size.

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 existing competitors, in particular in current global economic conditions, could intensify and impose 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, which occurred as the industry last transitioned from a cyclical downturn to a cyclical upturn, a limiting factor in this industry is 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, 2009.

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 2009, 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. As of April 30, 2009, 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	
	2009	2008
Common shares	**23,716**	23,707
Stock options outstanding	**948**	590