Groupe Forage

MAJOR

Drilling Group International Inc.

Management's Discussion and Analysis

April 30, 2011

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis "MD&A", prepared as of ***June 30, 2011****, should be read together with the audited financial statements for the year ended April 30, 2011 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

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. These forward-looking statements are typically identified by future or conditional verbs such as "outlook", "believe", "anticipate", "estimate", "project", "expect", "intend", "plan", and terms and expressions of similar import.

Such forward-looking statements are subject to a number of risks and uncertainties which include, but are not limited to: cyclical downturn, competitive pressures, dealing with business and political systems in a variety of jurisdictions, repatriation of property in other jurisdictions, payment of taxes in various jurisdictions, exposure to currency movements, inadequate or failed internal processes, people or systems or from external events, dependence on key customers, safety performance, expansion and acquisition strategy, legal and regulatory risk, extreme weather conditions and the impact of natural or other disasters, specialized skills and cost of labour increases, equipment and parts availability and reputational risk. These factors and other risk factors, as described under "General Risks and Uncertainties" of the Company's Annual Information Form, represent risks the Company believes are material. Actual results could be materially different from expectations if known or unknown risks affect the business, or if estimates or assumptions turn out to be inaccurate. The Company does not guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place reliance on these forward-looking statements.

The Company disclaims any intention and assumes no obligation to update any forward-looking statement, even if new information becomes available, as a result of future events or for any other reasons, except in accordance with applicable securities laws. Risks that could cause the Company's actual results to materially differ from its current expectations are also 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 the SEDAR website at www.sedar.com.

CORPORATE OVERVIEW

Major Drilling Group International Inc. is one of the world's largest drilling service companies primarily serving the mining industry. To support its customers' varied exploration drilling requirements, Major Drilling maintains field operations and offices in Canada, the United States, South and Central America, Australia, Asia, and Africa. Major Drilling provides all types of drilling services including surface and underground coring, directional, reverse circulation, sonic, 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 in class in safety and human resources. The Company will also seek to diversify by investing in energy and environmental drilling services that are complementary to its skill set.

The Company 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, and mobilizations to remote locations or high altitudes. Because significant ore bodies are getting more difficult to find, the Company expects specialized drilling services to continue to fuel future growth, and over the next two decades, we believe these skills will be in greater and greater demand.

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

Underground drilling takes on greater importance in the latter stages of the mining cycle as clients develop underground mines.

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.

Several years ago, high commodity prices drove the industry to record levels of activity, with worldwide mineral exploration expenditures in calendar 2008 surpassing US$14 billion. During the recession, which began in calendar 2009, drilling was significantly impacted, particularly on base metal projects, with worldwide mineral exploration expenditures that year falling to US$8 billion. Senior and intermediate base metal companies that were leveraged reduced their exploration spending in calendar 2009, in order to conserve cash. Many gold producers delayed exploration plans at that time due to the uncertainty in the economy. Sources of funding for junior mining companies were limited, and as such, many junior projects, both in the base metals and gold sectors, were delayed or cancelled.

While senior companies increased their exploration budgets for calendar 2010, spending had not yet rebounded to their pre-financial crisis levels. Early stage exploration companies had shown little increase in activity as they were still experiencing difficulties in getting financing. Announcements of significant increases in exploration budgets from senior mining companies, combined with an increase in financing of junior mining companies, indicate that activity levels in calendar 2011 should be robust.

In the longer-term, the fundamental drivers of the business remain positive, with worldwide supply for most metals expected to tighten due to the continuing lack of significant discoveries. The prospects for gold related drilling, which generally accounts for approximately 50 percent of the drilling market, remains positive.

Gold

Drilling services for gold are always affected by overall commodity prices. However, Metals Economics Group ("MEG") had reported that declining gold reserves replacement via exploration, since 1997, may result in gold supply shortages in the long-term, a fact that has been echoed by several senior gold mining companies. Increased production by the major gold producers over the past decade has resulted in a greater need to add to reserves in order to maintain a life-of-production that satisfies the long-term views of investors and market analysts. Although, as a group, the major producers successfully replaced almost twice their total production over the past 10 years, almost all of these reserve additions were achieved through acquisitions or by upgrading resources at existing projects and mines, and not through significant new discoveries.

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

Base Metals

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

BUSINESS ACQUISITIONS

SMD Services

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

North Star Drilling

Effective June 30, 2010, the Company acquired the assets of North Star Drilling, which provides contract drilling services to the fresh water and geothermal markets in certain mid-western states in the US, and operates from its head office in Little Falls, Minnesota, as well as from satellite offices in Brainerd and Bemidji, Minnesota. The acquired business includes drilling equipment, contracts and personnel. The purchase price for the transaction was USD $2.4 million (CAD $2.6 million), including customary working capital adjustments, financed with cash. There is also a contingent consideration of USD $0.8 million to the purchase price, based on future earnings.

Resource Drilling

Effective March 24, 2011, the Company acquired the assets of Resource Drilling, which provides contract drilling services in Mozambique, where Major Drilling did not have a presence. The acquired business includes drilling equipment, inventory, contracts and personnel. The purchase price for the transaction was USD $9.7 million (CAD $9.5 million), including customary working capital adjustments, financed with cash.

STOCK SPLIT

On March 23, 2011 the Company enacted a 3 for 1 stock split. Amounts per share throughout this document have been adjusted accordingly and are now presented post-split.

OVERALL PERFORMANCE

Revenue for the fiscal year ended April 30, 2011 increased 57 percent to $482.3 million from $307.9 million for the corresponding period last year. Most of the Company's branches exhibited strong growth mainly coming from increased utilization. The bulk of the increased activity for the year came from intermediate and junior mining companies with advanced properties, projects that require several years of multi-rig drilling. In the fourth quarter, many senior mining companies increased their exploration budgets, while at the same time, early stage exploration companies saw their ability to raise capital significantly increase.

Gross margin for the year was up to 25.0 percent compared to 24.2 percent last year representing general improvements in pricing, partially offset by increased training, mobilization and consumable costs, to accommodate the present growth.

The combination of strong revenue growth and improved margins produced net earnings of $27.6 million ($0.39 per share) compared to a net loss of $0.5 million ($0.01 per share) for last year.

SELECTED ANNUAL INFORMATION

Years ended April 30 (in millions of Canadian dollars, except per share information)	2011	2010	2009
Revenue by region			
Canada-U.S.	$181	$103	$167
South and Central America	169	108	155
Australia, Asia and Africa	132	97	201
	482	**308**	**523**
Gross profit	**120**	**74**	**176**
Gross profit as a percentage of revenue	25.0%	24.2%	33.6%
Net earnings (loss)	**28**	**-0**	**46**
Per share (basic)	$0.39	($0.01)	$0.65
Per share (diluted)	$0.38	($0.01)	$0.64
Total assets	**482**	**416**	**469**
Total long-term financial liabilities	**17**	**15**	**24**

RESULTS OF OPERATIONS

FISCAL 2011 COMPARED TO FISCAL 2010

Revenue for the fiscal year ended April 30, 2011 increased 57 percent to $482.3 million from $307.9 million for the corresponding period last year. Most of the Company's branches exhibited strong growth mainly coming from increased utilization. Revenue growth was affected by the strengthening Canadian dollar against the U.S. dollar as compared to the same period last year. The unfavourable foreign exchange translation impact for the year, when comparing to the effective rates for the same period last year, is estimated at $15 million on revenue.

Canada-U.S.

Canada-U.S. revenue increased by 75 percent to $181.3 million compared to $103.3 million last year. About half of the growth came from the U.S. operation with both mineral and energy divisions seeing a significant increase in activity. Canadian operations accounted for a third of the region's increase while the remainder came from the new environmental division.

Gross margins in Canada-U.S. decreased year-over-year as competitive pressures continued to negatively affect pricing and margins at the beginning of the year. Improved pricing during the year was offset by significant training, mobilization, repair and consumable costs to support increased demand.

South and Central America

Revenue in South and Central America increased by 58 percent to $169.4 million, compared to $107.4 million for the prior year period. Most of the growth in the region came from Mexico, Argentina and Chile.

Margins in this geographic segment were impacted compared to last year by competitive pressures on pricing and higher mobilization and repair costs relating to the ramp-up as the Company geared up for the increase in activity.

Australia, Asia and Africa

Revenue in Australia, Asia and Africa increased 36 percent to $131.6 million from $97.1 million in the prior year period. Mongolia and Indonesia were the main drivers of growth in the region while the Company also added operations in Kazakhstan and Mozambique. As the industry was going through a significant ramp-up, Australian revenue grew somewhat compared to last year but growth efforts were hampered by significant floods that hit Eastern Australia and affected operations for the latter half of the year.

Gross margins in the region increased year-over-year as pricing held up well in Mongolia and operations in Australia and Tanzania were restructured.

Operating Expenses

General and administrative costs were $40.9 million or 8.5 percent of revenue compared to $33.4 million or 10.9 percent of revenue in the same period last year. The increase was due to the addition of our U.S. based environmental division and increased costs to support the strong growth in activity levels.

Other expenses were $6.3 million for the year compared to $5.0 million for the same period last year due primarily to higher incentive compensation expenses given the Company's increased profitability in the current year.

Foreign exchange gain was $0.9 million for the year compared to $0.1 million in the prior year period as a result of favourable currency variations during the year on net monetary items.

Short-term interest expense was $0.6 million for the year compared to a revenue of $0.2 million last year, while interest expense on long-term debt was $0.7 million compared to $1.1 million for the same period last year.

Amortization expense increased to $31.8 million for the year, compared to $30.1 million for the same period last year, as a result of additional equipment being purchased during the year.

In the previous year, the Company recorded a restructuring charge of $1.2 million, relating mainly to Australia, and a non-cash goodwill and intangible assets impairment charge of $1.5 million in Ecuador.

The income tax provision for the year was $13.4 million compared to $2.9 million for the prior year period.

Net earnings for the year were $27.6 million or $0.39 per share ($0.38 per share diluted) compared to a net loss of $0.5 million or $0.01 per share ($0.01 per share diluted) for the same period last year.

SUMMARY ANALYSIS FISCAL 2010 COMPARED TO FISCAL 2009

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

Gross margin for the year was down to 24.2 percent compared to 33.6 percent in 2009, due to significant reductions in pricing and severe weather issues in Australia, mitigated somewhat by improved productivity.

The combination of reduced revenue and margins produced a net loss of $0.5 million ($0.01 per share) compared to net earnings of $45.9 million ($0.65 per share) in 2009.

SUMMARY ANALYSIS FOURTH QUARTER RESULTS ENDED APRIL 30, 2011

Total revenue for the fourth quarter was $137.3 million compared to $97.4 million recorded for the prior year period. All of the Company's regions contributed to this growth although Australia, Canada and U.S. revenue was affected by weather issues.

Revenue from Canada-U.S. drilling operations was up 40 percent to $52.1 million for the quarter compared to the same period last year. U.S. operations saw a strong recovery, particularly from its senior mining customers, but had its energy division affected by floods in North Dakota. In Canada, activity levels continued to increase but margins were affected by extreme winter conditions.

In South and Central America, revenue for the quarter was $50.5 million, up 31 percent from the prior year quarter. The increase was primarily driven by Argentina and Mexico, where activity levels picked up substantially compared to last year.

Australian, Asian and African drilling operations reported revenue of $34.7 million, up 61 percent from the same period last year. The revenue increase came primarily from Mongolia, Australia and Tanzania, but we also saw increases from the recent start-up of operations in Kazakhstan and our recent acquisition in Mozambique.

The overall gross margin percentage for the quarter was 25.4 percent compared to 23.0 percent for the same period last year. Margins were impacted by costs relating to the ramp-up of operations, additional training costs as the Company geared up for new contracts, and by weather issues.

General and administrative costs were $11.3 million for the quarter compared to $8.5 million in the same period last year. The increase was due to the addition of the new environmental, Mozambique and Kazakhstan divisions, in addition to the costs of supporting the strong growth in activity levels.

Other expenses were flat at $1.2 million for the quarter compared to the same period last year.

Net earnings were $9.4 million or $0.13 per share ($0.13 per share diluted) for the quarter compared to net earnings of $3.2 million or $0.05 per share ($0.04 per share diluted) for the prior year quarter.

SUMMARY OF QUARTERLY RESULTS

	Fiscal 2010				Fiscal 2011			
(in $000 CAD, except per share)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	$ 62,489	$ 75,528	$ 72,471	$ 97,368	$ 109,480	$ 127,818	$ 107,720	$ 137,258
Gross profit	17,230	22,792	11,979	22,372	26,532	35,101	23,873	34,913
Gross margin	27.6%	30.2%	16.5%	23.0%	24.2%	27.5%	22.2%	25.4%
Net (loss) earnings	(3,296)	4,060	(4,453)	3,225	5,053	11,420	1,664	9,422
Per share - basic	(0.05)	0.06	(0.06)	0.05	0.07	0.16	0.02	0.13
Per share - diluted	(0.05)	0.06	(0.06)	0.04	0.07	0.16	0.02	0.13

With the exception of the third quarter, the Company exhibits comparatively less seasonality in quarterly revenue than in the past. 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

Operating cash flow (before changes in non-cash working capital) was $60.9 million for the fiscal year ended April 30, 2011, nearly double the $30.6 million generated last year, which is a direct result of increased utilization.

The change in non-cash operating working capital items was an outflow of $13.0 million in fiscal 2011 compared to an outflow of $9.9 million for the same period last year. The change in non-cash operating working capital in fiscal 2011 was primarily impacted by:

- An increase in accounts receivable of $38.6 million due to increased activity in the fourth quarter as compared to the same period last year;
- An increase in inventory of $6.2 million as the Company was adding more rigs in the field;
- An increase in accounts payable of $25.8 million due to increased activity as compared to last year; and
- An increase in income tax payable of $9.1 million due to increased profitability.

Financing Activities

Total long-term debt increased by $1.1 million during the year from $23.9 million at April 30, 2010 to $25.0 million at April 30, 2011. The increase is due to additional debt of $10.0 million acquired during the year offset by repayments of $8.9 million.

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

The credit facilities related to operations total $26.2 million ($25.0 million from a Canadian chartered bank and $1.2 million in credit facilities in Chile and Australia) and are primarily secured by corporate guarantees of companies within the group. The Company has a credit facility of $2.5 million for credit cards for which interest rate and repayment are as per cardholder agreements. At April 30, 2011, the Company had utilized $8.4 million of these lines for stand-by letters of credit.

The Company has a 3,835 million Chilean peso (CAD $7.9 million) loan, secured by a USD $8.0 million stand-by letter of credit drawn from the Company's demand credit facility, carrying interest at an annual rate of 7.7 percent and maturing in April 2012.

The Company has a $45.0 million facility for financing the cost of equipment purchases or acquisition costs of related businesses. At April 30, 2011, the Company had utilized $24.6 million of this line. Draws on this line can be amortized over five years.

The Company also has various other loans and capital lease facilities related to equipment purchases that totaled $0.5 million at April 30, 2011, which were fully drawn and mature through 2012.

Contractual obligations	Payments Due by Period (in $000's) Total	Less than 1 year	2 - 3 years	4 - 5 years
Short-term debt	$ 7,919	$ 7,919	$ -	$ -
Long-term debt	25,032	8,402	12,499	4,131
Purchasing commitments	4,365	4,365	-	-
Operating leases	5,533	3,103	1,917	513
Total contractual obligations	$ 42,849	$ 23,789	$ 14,416	$ 4,644

The Company believes that it will be able to generate sufficient cash flow to meet its current and future working capital, capital expenditure, dividend and debt obligations. As at April 30, 2011, the Company had unused borrowing capacity under its credit facilities of $38.3 million and cash of $16.2 million, for a total of $54.5 million in available funds.

Capital Expenditures

Capital expenditures were $62.6 million for the year ended April 30, 2011 compared to $24.5 million for the same period last year.

During the year, the Company added 74 drill rigs through its capital expenditure program and 23 drill rigs through acquisitions while retiring or disposing of 62 drill rigs through its modernization program. This brings the total drill rig count to 560 at year end.

In fiscal 2012, the Company expects to spend approximately $70 million in capital expenditures, with the intent of purchasing 40 rigs, approximately 30 being replacements of older rigs with low utilization rates. The rigs that will be purchased will help improve productivity and safety while reducing training time for crews. With the shortage of crews re-emerging as an issue, the Company's focus turns to increasing the earning power of each crew and rig. This year the Company will also be investing heavily in support equipment and vehicles, which are key to utilization and productivity.

OUTLOOK

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

Activity levels in fiscal 2012 should be robust. Intermediate and junior mining companies with advanced projects continue to ramp up their already busy drilling programs by adding rigs. Most senior mining companies have significantly increased their exploration budgets for calendar 2011, and junior mining companies have had favourable access to capital markets. The Company continued to see inquiries from all categories of customers and as demand expands, the industry is nearing capacity in terms of labour. Pricing should continue to improve as the year progresses. In the longer-term, the fundamental drivers of the business remain positive, with worldwide supply for most metals expected to tighten due to the continuing lack of significant discoveries. The prospects for gold related drilling, which generally accounts for approximately 50 percent of the drilling market, remain positive.

The expected increase in utilization and pricing should provide considerable leverage to increase revenue and profits. With regards to labour, wage increases were required to attract and retain the most experienced drillers, which are key to high-quality customer service. As the pool of available experienced drillers is drying up, the Company had to increase the number of trainee drillers, which has and will continue to temporarily affect productivity as they gain experience. In the four key areas where the labour shortage is most problematic (Canada, US, Australia and Chile), the Company has now established four new training centres. The goals for these centres are to improve our retention rate for new entrants but also to speed up their learning curve to minimize the impact on productivity.

The Company remains in an excellent financial position. Total debt levels, net of cash, stood at $16.7 million at year end. With significant increases in activity, the Company always has a temporary drain on cash due to working capital requirements as more rigs are started. Cash levels should rebuild as receivables are collected.

FOREIGN EXCHANGE

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

During fiscal 2011, approximately 22 percent of revenue generated was in Canadian dollars, 11 percent in Chilean pesos and 7 percent in Australian dollars with most of the balance being in U.S. dollars. Since most of the input costs related to this revenue is denominated in the same currency as the revenue, the impact on earnings is somewhat muted.

The unfavourable foreign exchange translation impact for the year, when comparing to the effective rates for the same period last year, is estimated at $15 million on revenue. Net earnings however, remained less impacted by currency fluctuations during the year as a large proportion of costs are typically incurred in the same currency as revenue. The estimated total unfavourable FX impact on net earnings for the year was less than $2 million.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Accounting Standards Board ("AcSB") confirmed that Canadian reporting issuers must report under International Financial Reporting Standards ("IFRS") effective January 1, 2011. For the transition year, which commenced on May 1, 2010, the Company will continue to report under Canadian GAAP and is required to capture comparative IFRS financial information. The Company will convert to IFRS and begin issuing interim financial statements in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" for the fiscal year beginning May 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. The Company launched its conversion project in 2008. The Company is following the key events timeline proposed by the AcSB to obtain training and thorough knowledge of IFRS, finalize the assessment of accounting policies with reference to IFRS and plan for conversion to be ready for the 2011 changeover.

The conversion project consists of four primary phases:

1. The scoping and planning phase, which involves establishing a project management team, mobilizing organizational support for the conversion plan, obtaining stakeholder support for the project, identifying major areas affected and developing a project charter, developing an implementation plan and communication strategy, was completed in mid-2009 and served as the basis for the planning of future phases.

2. The Company has completed the detailed assessment phase, which will result in accounting policies and transitional exemption decisions, quantification of financial statement impact, preparation of shell financial statements and identification of business processes and resources impacted. The Company will continue to monitor changes in IFRS throughout the duration of the implementation process and assess their impacts on the Company and its reporting.

3. The operations implementation phase is near completion and includes the design of business, reporting and system processes to support the compilation of IFRS compliant financial data for the opening balance sheet at May 1, 2010, fiscal 2011 and thereafter. This phase also includes ongoing training, testing of the internal control environment and updated processes for disclosure controls and procedures.

4. Post implementation phase will include sustainable IFRS compliant financial data and processes for fiscal 2012 and beyond.

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

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

The Company is in the final stages of quantifying the impacts expected on its consolidated financial statements due to differences between Canadian GAAP and IFRS. The following is a discussion of the issues facing the Company that are expected to have a significant financial statement impact:

IFRS 1 – First-Time Adoption of IFRS

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

The following are the optional exemptions that the Company is expecting to apply:

- Business combination election – This election allows the Company to adopt IFRS 3(R) prospectively from the date of transition.
- Share-based payments election – This election enables the Company to adopt IFRS 2, share-based payments, from the date of transition to IFRS.
- Foreign currency translation adjustment ("CTA") – This election allows the Company, on the date of transition, to record the CTA from all foreign operations to retained earnings and reset the CTA balance to nil, which will result in a decrease in retained earnings of approximately $44 million.
- Fair value revaluation as deemed cost – This election allows the Company to measure certain items of property, plant and equipment at the date of transition at their fair value, and to use that fair value as deemed cost at that date, which will result in a decrease in equipment value of approximately $12 million.

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

IFRS 2 – Share-Based Payments

The Company's policy under Canadian GAAP is to use the straight-line method to account for options that vest in instalments over time. Under IFRS, each instalment is accounted for as a separate share option grant with its own distinct vesting period, hence the fair value of each instalment will differ.

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

These changes will result in an increase in contributed surplus of approximately $0.6 million and a corresponding decrease to retained earnings at the date of transition.

IFRS 3 – Business Combinations

Under Canadian GAAP, contingent consideration is recognized as part of the purchase cost when it can be reasonably estimated at the acquisition date and the outcome of the contingency can be determined beyond reasonable doubt. Under IFRS 3, contingent consideration, regardless of probability considerations, is recognized at fair value at the acquisition date.

The Company will be booking contingent considerations for the SMD Services and the North Star Drilling acquisitions, which will result in an increase in goodwill of approximately $2.8 million and a corresponding increase in accrued liabilities, $2.0 million at the date of transition and $0.8 million in fiscal year 2011.

The following is a discussion of the issues facing the Company that are expected to have minimal financial statement impact:

IAS 12 – Income Taxes

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

IAS 16 – Property, Plant and Equipment

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

The Company has reviewed the treatment of drills and drilling equipment and no change will be required for componentisation; however the Company will be componentising buildings, which will have a minimal financial impact.

IAS 21 – Effects of Changes in Foreign Exchange Rates

The underlying concepts of functional currency and reporting currency are broadly consistent between Canadian GAAP and IFRS. However, IFRS rules differ in the determination of functional currency. Under IFRS, functional currencies of the subsidiaries will not change at transition date.

IAS 36 – Impairment of Assets

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

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include, but are not limited to, the useful lives of property, plant and equipment for amortization purposes, property,

plant and equipment and inventory valuation, valuation of future income taxes, assumptions used in compilation of stock-based compensation, fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities and impairment testing of goodwill and intangible assets. Actual results could differ materially from those estimates and assumptions.

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

As of April 30, 2011, property, plant and equipment with a carrying value of $246.5 million represented approximately 50 percent of total assets. As such, the estimates used in accounting for the related depreciation and amortization charges have a material impact on the Company's financial condition and earnings.

Inventory represented almost 15 percent of total assets at April 30, 2011. Although the Company can redeploy remote inventory to other regions in the event of a downturn in a particular region, this can prove to be costly. The Company continues to monitor realizable value of inventory, especially in remote locations.

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

OFF BALANCE SHEET ARRANGEMENTS

Except for operating leases disclosed in note 16 "Commitments" of the notes to consolidated financial statements and presented as contractual obligations in the liquidity and capital resources section herein, the Company does not have any other off balance sheet arrangements.

GENERAL RISKS AND UNCERTAINTIES

The risks described below and elsewhere in this MD&A do not include all possible risks, and there may be other risks of which management is currently not aware.

Cyclical Downturn

The most significant operating risk affecting the Company is a downturn in demand for its services due to a decrease in activity in the minerals and metals industry. In attempting to mitigate this risk, the Company is exploiting its competitive advantage in specialized drilling and continues to explore opportunities to diversify and to rationalize its regional infrastructures. In previous cyclical market downturns the Company realized that specialized services were not as affected by decreases in metal and mineral prices compared to its traditional services. Consequently, the Company's addition of rigs and acquisitions of businesses have generally been focused on specialized drilling services. The impact on the Company of a severe and persistent downturn in the minerals and metals industry may not be fully mitigated by the foregoing measures.

While receivables from senior and larger intermediate mining exploration companies consistently 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.

Levels of inventory typically increase as a result of increased activity levels. In addition to direct volume related increases however, inventory levels also increase due to an expansion of activity in remote locations at the end of long supply chains where it is necessary to increase inventory to ensure an acceptable level of continuing service, which is part of the Company's competitive advantage. In the event of a sudden downturn of activities related either

to a specific project or to the sector as a whole, it is more difficult and costly to redeploy this remote inventory to other regions where it can be consumed.

Competitive Pressures

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

Country Risk

The Company 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, 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 the Company 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 the Company is subject to ongoing tax assessments. The Company's 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, the Company 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. dollars, Chilean pesos 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 regards 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 a limiting factor in this industry can be 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 can 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, 2011.

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 preparation 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 2011, management, including its CEO and CFO, evaluated the existence and design of the Company's ICFR and confirm there were no changes to the ICFR that have occurred during the year that materially affected, or are reasonably likely to materially affect, the Company's ICFR. The Company continues to review and document its disclosure controls and its ICFR, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that its systems evolve with the business.

As of April 30, 2011, 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.

During the year, the Company enacted a 3 for 1 stock split. Therefore, as at June 30, the Company's share capital was composed of the following:

(amounts in thousands)	**As at June 30, 2011**	As at June 30, 2010
Common shares	**72,040**	71,370
Stock options outstanding	**2,780**	3,501