Groupe Forage

MAJOR

Drilling Group International Inc.

Management's Discussion and Analysis

Second Quarter Fiscal 2009

MAJOR DRILLING GROUP INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SECOND QUARTER FISCAL 2009

This Management's Discussion and Analysis ("MD&A") relates to the results of operations, financial condition and cash flows of Major Drilling Group International Inc. ("Major Drilling" or the "Company") as at and for the three-month period ended October 31, 2008. This MD&A is based on financial statements prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). All amounts in this MD&A are in Canadian dollars, except where otherwise noted. These interim unaudited consolidated financial statements were prepared using accounting policies and methods consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended April 30, 2008, except for the adoption of new accounting policies as disclosed in Note 2 of the Notes to Interim Consolidated Financial Statements (unaudited).

This MD&A is a review of activities and results for the quarter ended October 31, 2008 as compared to the corresponding period in the previous year. Comments relate to, and should be read in conjunction with, the comparative unaudited consolidated interim financial statements as at and for the three months ended October 31, 2008, and also in conjunction with the audited consolidated financial statements and Management's Discussion and Analysis contained in the Company's annual report for the fiscal year ended April 30, 2008.

This MD&A is dated November 30, 2008. Disclosure contained in this document is current to that date, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

CORPORATE OVERVIEW

Major Drilling Group International Inc. is one of the world's largest drilling service companies primarily serving the mining industry. To support its customers' varied exploration drilling requirements, Major Drilling maintains field operations and offices in Canada, 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 drilling and coal-bed methane and shallow gas.

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. Worldwide mineral exploration expenditures in calendar 2007 surpassed US$10 billion, above 1997 peak levels of US$5.2 billion (nominal). In 1997, growth in mineral exploration was primarily driven by gold mining and exploration companies, but in calendar 2007 and early 2008, gold, base metal and uranium mining companies expanded exploration budgets.

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

Base Metals

Drilling services for base metals are always affected by overall commodity prices. 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. Worldwide drilling demand from uranium companies is expected to be flat through fiscal 2009 given the number of projects moving into the pre-feasibility stage, although uranium projects in some regions might be affected by regulatory delays. We would note that the supply challenges for copper and uranium are likely to be greater than for zinc and nickel.

OUTLOOK AND BUSINESS STRATEGY

The Company cautions that there is currently very broad volatility in all aspects of its business and, accordingly, actual results may vary substantially from all guidance and forward-looking information in this document.

The current economic environment has impacted and will continue to impact drilling in the short to medium-term, particularly on base metal projects where the Company expects to see a significant slowdown in activity in 2009. Sources of funding for junior mining companies have decreased, and as such many junior projects, both in the base metals and gold sectors, have been delayed or cancelled. Senior and intermediate mining companies will continue with exploration programs in order to replenish depleting reserves, although at this time, the level of exploration to be undertaken by these customers remains uncertain.

Long-term, the fundamental drivers of the business remain positive, with worldwide supply for most metals expected to tighten due to the lack of significant discoveries. The prospects for gold related drilling, which generally accounts for 50 percent of the drilling market, remains positive. Uranium and gas projects remain active while the lack of good quality copper reserves should sustain some of the good quality copper programs. Gold, copper, uranium and gas represents 80 percent of our existing business. As well, there continues to be an ongoing structural change in the industry toward specialized drilling and our continued focus on specialized drilling over the years has positioned us favorably relative to the industry.

The Company is in a strong financial position entering these turbulent times and has made significant progress on retiring debt in the last few months. Total debt level, net of cash, decreased by $14.2 million this quarter to stand at $8.0 million. This performance was accomplished despite spending $23.1 million on the Benoit acquisition, capital expenditures of $15.3 million, and paying the first semi-annual dividend of $4.7 million. Good operational cash flow combined with tight working capital management was responsible for this progress.

In the current environment, the Company has taken quick actions to reduce its costs. In November, the Company implemented reductions of salaried employees, impacting 120 people across the operation. These reductions and other cost cutting measures will reduce general and administrative expenses by some 10 percent going forward. 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. Also, a large part of the Company's other expenses relates to variable incentive compensation based on the Company's profitability. In order to optimize its rig performance, the Company intends to take this opportunity to review the quality of its fleet and retire inefficient rigs. The Company expects to record a restructuring charge in its third quarter.

Capital expenditure plans have been reduced and now are expected to be between $50 million and $55 million by the end of this fiscal year, which is less than the $80 million that was originally planned. The Company continues to see opportunities to invest in specialized drilling, although at a slower pace. While strategic acquisitions remain a possibility, the Company is increasingly focused on building its cash reserves.

Finally, it is important to note that the Company is now in its third quarter, traditionally the weakest quarter of its fiscal year, as mining and exploration companies shut down, often for extended periods, over the holiday season. Last year, most customers worked well into December while this year many of them have or will be shutting down earlier. Although many customers have indicated that they would start up soon after the holiday break, often projects can begin several weeks late. These factors, as well as the restructuring charges, will result in reduced revenue, increased costs, and reduced margins in the third quarter, as compared to recent third quarters.

In summary:

- The Company expects to see a significant slowdown in its activity in calendar 2009 although the level of exploration remains uncertain;
- The focus on specialized drilling should help the Company perform well relative to the industry;
- Net debt levels are low at $8.0 million and the Company's goal is to be debt free, net of cash by the end of the third quarter;
- Cost-cutting measures have been implemented;
- Capital expenditures forecast has been reduced to $50-$55 million for fiscal 2009;
- There will be greater focus on driller and rig productivity and the Company will be slowing its investments in new driller training.

OVERALL PERFORMANCE

Revenue for the quarter was up over 22.4 percent compared to the same quarter last year at $191.0 million, with all of the Company's regions participating in this growth. Additional equipment and the Benoit acquisition contributed to the revenue growth year-over-year. Also, the favourable foreign exchange translation impact for the quarter, when comparing to the effective rates for the same period last year, is estimated at $7.1 million on revenue and $1.5 million on net earnings.

The overall gross margin was up quarter-over-quarter at 36.9 percent as compared to 35.0 percent for the same quarter last year. Margin improvements came primarily in Canada, U.S. and Mexico, where improved productivity was the main contributor as the quality of drillers continues to improve as a result of training and recruiting efforts. In Africa, margins still lagged but improved from the first quarter of 2009.

This revenue and margin growth produced record earnings from continuing operations of $29.3 million ($1.23 per share). This represents an increase of over 28 percent compared to earnings from continuing operations of $22.8 million ($0.97 per share) recorded in the second quarter of fiscal 2008.

RESULTS OF OPERATIONS – SECOND QUARTER ENDED OCTOBER 31, 2008

Total revenue for the second quarter was $191.0 million, up 22.4 percent from the $156.1 million recorded for the prior year period. Revenue growth was positively affected by the strengthening U.S. dollar against the Canadian

dollar as compared to the same period last year, mitigated by the strengthening of the Canadian dollar against the Australian dollar. The favourable foreign exchange translation impact for the quarter, when comparing to the effective rates for the same period last year, is estimated at $7.1 million on revenue.

Revenue from Canada-U.S. drilling operations was up $11.7 million or 22.5 percent to $63.7 million for the quarter compared to $52.0 million for the same period last year. The Benoit acquisition and additional equipment contributed to the growth in that region.

In South and Central America, revenue for the quarter was up $9.5 million or 21.2 percent, to $54.3 million compared to $44.8 million for the same period last year. Revenue growth primarily in Chile and Argentina was muted somewhat by disruptions to operations in Venezuela and Ecuador due to the current regulatory environment in these countries.

Australian, Asian and African drilling operations reported revenue of $73.0 million, up $13.7 million or 23.1 percent from $59.3 million reported in the same period last year. Good growth was achieved in Mongolia, Australia and Africa.

The overall gross margin percentage for the quarter was 36.9 percent, up from 35.0 percent for the same period last year. Margin improvements came primarily in Canada, U.S. and Mexico where improved productivity was the main contributor as the quality of our drillers continues to improve as a result of our past training and recruiting efforts. In Africa, margins still lagged but improved from the first quarter of 2009.

General and administrative costs were $12.8 million for the quarter compared to $10.8 million for the prior year quarter. The increase is primarily due to the Benoit acquisition and increased spending due to increased volume.

Other expenses increased to $4.9 million for the quarter compared to $4.3 million for the same period last year due primarily to higher incentive compensation expenses, including non-cash stock option expense, given the Company's improved profitability in the current year to date.

Foreign exchange loss was $1.5 million for the quarter compared to $0.7 million for the prior year period. The loss was due to exchange rate variations on monetary working capital items.

Short-term interest expense was $0.2 million for the quarter compared to revenue of $0.3 million last year, while interest on long-term debt was $0.5 million compared to $0.6 million for the prior year quarter.

Amortization expense increased to $8.2 million for the quarter compared to $6.5 million for the same quarter last year, as a result of the increased direct investment in equipment and the Benoit acquisition.

The Company's tax expense was $13.3 million for the quarter compared to $9.2 million for the same period last year reflecting the increased profitability of the operations.

Earnings from continuing operations for the quarter were $29.3 million or $1.23 per share ($1.22 per share diluted) compared to $22.8 million or $0.97 per share ($0.95 per share diluted) in the prior year period.

Net earnings were $29.3 million or $1.23 per share ($1.22 per share diluted) compared to $22.6 million or $0.96 per share ($0.94 per share diluted) for the same period last year.

RESULTS OF OPERATIONS – SIX MONTHS ENDED OCTOBER 31, 2008

Revenue for the six-months ended October 31, 2008 increased 23.2 percent to $369.2 million from $299.6 million for the corresponding period last year.

Canada-U.S. revenue increased by 17.8 percent or $18.0 million to $119.3 million compared to $101.3 million last year with additional equipment and the Benoit acquisition contributing to this growth.

Revenue in South and Central America increased by 25.5 percent or $22.3 million to $109.6 million, compared to $87.3 million in the prior year period. Revenue growth primarily in Chile, Mexico and Argentina was muted somewhat by a shutdown in operations in Venezuela and Ecuador due to the current regulatory environment in these countries.

Revenue in Australia, Asia and Africa increased 26.5 percent or $29.4 million to $140.3 million from $110.9 million in the prior year period. Australia accounted for 40 percent of the growth in this segment, while Mongolia and the new African operations accounted evenly for the rest of the growth.

Gross margins for the year to date were 36.2 percent compared to 34.2 percent last year, due mainly to improvements in drillers' productivity and an improving pricing environment.

General and administrative expenses increased to $26.2 million compared to $20.9 million for the same period last year. This increase is primarily due to additions to the management team to accommodate growth and administrative salary increases.

Other expenses were $8.7 million for the year compared to $7.8 million for the same period last year due primarily to higher incentive compensation expenses given the Company's improved profitability in the current year to date, and losses on disposal of assets.

Foreign exchange loss was $1.6 million compared to $1.7 million in the prior year period.

Short-term interest was $0.2 million for the year compared to a revenue of $0.6 million last year, while interest on long-term debt was $0.9 million compared to $1.4 million last year.

Amortization expense increased to $15.8 million compared to $12.5 million in the previous period, as a result of the increased direct investment in equipment.

The provision for income tax for the year was $24.7 million compared to $17.0 million for the prior year reflecting the increased profitability of the operations.

Earnings from continuing operations were $55.6 million or $2.35 per share ($2.32 per share diluted) compared to $41.6 million or $1.77 per share ($1.74 per share diluted) last year.

Net earnings were $55.6 million or $2.35 per share ($2.32 per share diluted) compared to $41.5 million or $1.77 per share ($1.74 per share diluted) for last year.

SUMMARY OF QUARTERLY RESULTS

	Fiscal 2007		Fiscal 2008				Fiscal 2009	
(in $000 Cnd, except per share)	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue	$ 90,092	$ 129,049	$ 143,420	$ 156,136	$ 120,758	$ 169,995	$ 178,215	$ 191,010
Gross profit	25,222	43,520	47,644	54,665	33,712	59,420	63,304	70,438
Gross margin	28.0%	33.7%	33.2%	35.0%	27.9%	35.0%	35.5%	36.9%
Earnings from continuing operations	5,737	17,800	18,824	22,815	7,670	25,286	26,330	29,276
Per share - basic	0.25	0.77	0.80	0.97	0.32	1.07	1.11	1.23
Per share - diluted	0.24	0.75	0.79	0.95	0.32	1.05	1.10	1.22
Net earnings	5,002	17,809	18,935	22,563	7,236	25,361	26,330	29,276
Per share - basic	0.22	0.77	0.81	0.96	0.31	1.07	1.11	1.23
Per share - diluted	0.21	0.75	0.80	0.94	0.30	1.05	1.10	1.22

The geographic distribution of the Company's operations is having an impact on its historical seasonal patterns. With the exception of the third quarter, the Company exhibits comparatively less seasonality in quarterly revenue than in the past since a relatively higher proportion of drilling revenue is coming from regions with more temperate or tropical climates that are not impacted by winter weather conditions, and strong cyclical growth tends to mute normal seasonal patterns. The third quarter (November to January) is normally the Company's weakest quarter due to the shutdown of mining and exploration activities, often for extended periods over the holiday season, particularly in South and Central America.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Operating cash flow from continuing operations (before changes in non-cash working capital) was $38.9 million for the quarter, an increase of 24.3 percent from $31.3 million generated in the same period last year.

The change in non-cash operating working capital items was an inflow of $15.9 million in the quarter compared to an outflow of $7.6 million for the same quarter last year. The change in non-cash operating working capital in the quarter was primarily impacted by:

- A decrease in inventory of $8.4 million as a result of reduced purchasing, and;
- An increase in accounts payable of $6.5 million due to increased activity but also as a result of more stringent cash management policies

Financing Activities

During the quarter, the Company borrowed $10.0 million from its $65 million facility in order to finance its Benoit acquisition. Long-term debt repayments were $2.9 million during the quarter. Also, during the quarter, the Company paid its first semi-annual dividend in the amount of $4.7 million.

The credit facilities related to operations total $30.6 million ($30.0 million from a Canadian chartered bank and $0.6 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 agreement. At October 31, 2008, the Company had utilized $1.1 million of these lines.

A second facility is a $65.0 million facility for financing the cost of equipment purchases or acquisition costs of related businesses. At October 31, 2008, the Company had utilized $30.3 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 US$3.2 million non-revolving term facility established to assist in the 2005 acquisition of Dynatec's Drilling Division, based in the United States. This facility is being amortized over a five-year period, which commenced in June 2005.

The Company also has other various loans and capital lease facilities related to equipment purchases that totaled $16.8 million at October 31, 2008, of which $13.0 million were 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 October 31, 2008, the Company had unused borrowing capacity under its credit facilities of $68.0 million and cash of $39.0 million, for a total of $107.0 million in available funds.

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.

Investing Activities

Capital expenditures were $15.3 million ($15.1 million net of financing) for the quarter ended October 31, 2008 compared to $14.7 million ($14.4 million net of financing) for the same period last year. Capital expenditure plans have been reduced to $50-$55 million for this fiscal year, which is less than the $80 million that was originally planned. 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.

During the quarter, the Company added 21 drill rigs through its capital expenditure program and 19 more through the Benoit acquisition while retiring or disposing of 11 rigs through its modernization program. This brings the total rig count to 576 at quarter-end.

FOREIGN EXCHANGE

Year-over-year revenue comparisons continue to be affected by the variations of the Canadian dollar against the U.S. dollar and the Australian dollar. The favourable impact of foreign exchange translation, for the quarter, when comparing to the effective rates for the same period last year, is estimated at $7.1 million on revenue and $1.5 million on net earnings. In future quarters, year-to-year comparisons of revenue could be significantly affected by changes in foreign exchange rates.

OTHER COMPREHENSIVE EARNINGS

The consolidated statements of comprehensive earnings for the quarter include $31.5 million in unrealized gains on translating the financial statements of our self-sustaining foreign operations. The change relates to translating the net assets of our foreign operations using the current rate method, given that the subsidiaries are considered self-sustaining for Canadian GAAP purposes. During the quarter, the Canadian dollar weakened 18% against the U.S. dollar but strengthened 16% against the Australian dollar, increasing the value of our net asset position in these subsidiaries in Canadian dollar terms.

BUSINESS ACQUISITIONS

Acquisition of Forage Benoit

Effective August 1, 2008 the Company acquired the assets of the exploration drilling company Forage à Diamant Benoit Ltée ("Benoit") based in Val-d'Or, Québec. Through this purchase, Major Drilling acquired 19 drill rigs,

support equipment and inventory, existing contracts and personnel. The purchase price for the transaction was C$23,055 including customary working capital adjustments, financed by cash and debt.

GENERAL RISKS AND UNCERTAINTIES

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

Cyclical Downturn

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

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. The Company attempts to manage this potential risk by closely monitoring accounts receivable aging and the level of junior financing activity in the capital markets, and requiring, in some instances, deposits or letters of credit, as considered appropriate.

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

Country Risk

Major Drilling is committed to utilizing its expertise and technology in exploration areas around the world. With this comes the risk of dealing with business and political systems in a variety of jurisdictions. Unanticipated economic, political, tax related, regulatory or legal changes (or changes in interpretation) could have a material negative impact on operations and assets. The risks include, but are not limited to, military repression, extreme fluctuations in currency exchange rates and high rates of inflation, changes in mining or investment policies or shifts in political attitude that may adversely affect the business. 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. The Company continually monitors these developments and has developed contingency plans to minimize the possible negative impacts in such regions to the extent reasonably possible. Generally, country risks may become a more significant factor in the years to come.

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

Taxes

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

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

Foreign Currency

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

Foreign exchange translations can have a great impact on year-to-year comparisons because of the geographic distribution of the Company's activities. Year-over-year revenue comparisons have been affected by the 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 quarters, year-to-year comparisons of revenue could be significantly affected by changes in foreign exchange rates.

Operational Risk

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

Dependence on Key Customers

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

Safety

Failure to maintain a record of acceptable safety performance may have an adverse impact on the Company's ability to attract and retain customers. Most of the Company's customers consider safety and reliability two primary attributes when selecting a provider of drilling services. The Company continues to invest 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. Internal and external counsel work with local management to identify areas of potential legal risk. The General Counsel is involved in the management of any significant litigation matters.

Extreme Weather Conditions and the Impact of Natural or Other Disasters

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

Specialized Skills and Cost of Labour Increases

Generally speaking, drilling activity related to metals and minerals is broadly linked to price trends in the metals and minerals sector. During periods of increased activity a limiting factor in this industry, which occurred as the industry last transitioned from a cyclical downturn to a cyclical upturn, 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.

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

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

Equipment and Parts Availability

The Company's ability to provide reliable service is dependant 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. The Company attempts to mitigate this risk by maintaining strong relations with key fabricators and suppliers.

Reputational Risk

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

CHANGES IN ACCOUNTING POLICIES

Inventories

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

Financial Instruments

In December 2006, the CICA issued Section 3862, Financial Instruments – Disclosures, Section 3863, Financial Instruments – Presentation, and Section 1535, Capital Disclosures. All three Sections were applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, the Company adopted the new standards for its fiscal year beginning May 1, 2008. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital. As the standards relate only to disclosure requirements, they did not have any effect on financial results.

CRITICAL ACCOUNTING ESTIMATES

There have been no material changes in this quarter to the accounting estimates presented in the Company’s annual MD&A for the year ended April 30, 2008.

OFF BALANCE SHEET ARRANGEMENTS

Except for operating leases discussed in the annual MD&A for the year ended April 30, 2008, where there were no significant changes, the Company does not have any other off balance sheet arrangements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has designed internal controls over financial reporting (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

There have been no changes in our internal controls over financial reporting during the three months ended October 31, 2008, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In February 2008, the CICA confirmed that Canadian reporting issuers will be required to report under International Financial Reporting Standards ("IFRS") effective January 1, 2011. Reporting issuers will be required to provide IFRS comparative information for the previous year. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. The Company expects the transition to IFRS to impact financial reporting, business processes and information systems.

The change-over date to IFRS is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. On that date in 2011, IFRS will replace current Canadian Generally Accepted Accounting Principles for Publicly Accountable Enterprises.

Major Drilling has not completed its quantification of the effects of adopting IFRS. The financial performance and financial position as disclosed in our GAAP financial statements may be significantly different when presented in accordance with IFRS. The potential impacts on our consolidated financial statements from the adoption of IFRS will depend on the particular circumstances prevailing at the adoption date and IFRS accounting policy choices made by Major Drilling.

We are currently in the process of evaluating the potential impact of the IFRS standards to the consolidated financial statements. This will be an ongoing process as new standards and recommendations are issued by the International Accounting Standards Board (IASB) and the Accounting Standards Board (AcSB).

OUTSTANDING SHARE DATA

As of November 30, 2008, there were 23,711,073 common shares issued and outstanding in the Company. This represents an increase of 3,900 issued and outstanding shares as compared to the number reported in our first quarter MD&A (reported as of August 31, 2008).