

## Major Drilling Reports Fourth Quarter Results

MONCTON, New Brunswick (June 8, 2009) – Major Drilling Group International Inc. (TSX: MDI) today reported results for its fourth quarter of fiscal year 2009, ended April 30, 2009.

### Financial Highlights

\$ millions (except earnings per share)	<u>Q4-09</u>	<u>Q4-08</u>	<u>Fiscal 2009</u>	<u>Fiscal 2008</u>
Revenue	\$66.4	\$170.0	\$523.0	\$590.3
Gross profit	17.8	59.4	175.6	195.4
As percentage of sales	26.8%	35.0%	33.6%	33.1%
Net (loss) earnings	(4.6)	25.4	45.9	74.1
Earnings (loss) per share	(0.19)	1.07	1.94	3.14
Cash flow from continuing operations (*)	2.8	35.3	87.7	109.1

(\*) before changes in non-cash working capital items

- Major Drilling posted quarterly revenue of \$66.4 million, down 60.9 percent from the \$170.0 million recorded for the same quarter last year.
- Gross margin percentage for the quarter was 26.8 percent compared to 35.0 percent for the corresponding period last year.
- The Company posted a restructuring charge of \$2.1 million consisting primarily of retrenchment costs in the quarter.
- Net loss (including restructuring charge) was \$4.6 million or \$0.19 per share for the quarter, compared to earnings of \$25.4 million or \$1.07 per share for the prior year quarter.
- The Company is debt-free, net of cash. Cash on hand at quarter-end was \$58.0 million while total debt was \$38.6 million, for a net cash position of \$19.4 million.

The Company cautions that broad volatility in all aspects of its business continues and, accordingly, actual results may vary substantially from all forward-looking information in this press release.

“In January, due to the uncertainty in the economy, many customers delayed or cancelled their exploration drilling plans, and continued to be cautious through February, March and April. In addition, lower levels of demand have significantly increased competitive pressures, which has impacted pricing. Pricing has dropped by more than 20 percent overall but we have been able to offset some of this loss through productivity gains and cost cutting. Furthermore, restructuring charges of \$2.1 million and tax and legal settlements of \$1.1 million resulted in non-recurring charges in the quarter”, said Francis McGuire, President and CEO of Major Drilling.

“As stated in our press release dated May 18, 2009, the current economic environment continues to impact drilling in the short to medium-term, particularly on base metal projects where the Company is seeing a significant slowdown in activity in calendar 2009. Sources of funding for junior mining companies are limited, and as such many junior projects, both in the base metals and gold sectors, have been delayed or cancelled. Senior and intermediate base metal companies that are leveraged have also reduced their exploration spending for 2009 in order to conserve cash and many gold producers have delayed exploration plans. A large number of specialized projects, which tend to be more costly for customers than conventional projects, and where the Company has historically placed its main focus, have either been cancelled or very heavily cut back. Five of our largest worldwide customers alone have postponed various projects that generated revenue of approximately \$40 million in the second quarter of fiscal 2009. We also chose not to retain some contracts where new pricing would have lowered margins to the point that the contracts would not have been profitable”, said Mr. McGuire.

“In May, we started to see marginal increases in demand for drilling services. If customers move forward with their stated plans, we should see gradual small gains as each month goes by. While we expect some continued improvements as the year goes on, calendar 2009 will remain difficult.”

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

“As noted earlier, we believe that in calendar 2009, demand for drilling services will grow month by month but at a slow pace. We expect pricing to remain competitive until utilization rates pick up significantly. Over time we expect many of the supply issues that face most commodities to come back into focus and that even with moderate growth in the world economy, the need to explore and develop mines will increase. We believe that at that point, the need to develop resources in areas that are increasingly difficult to access will return, which should increase demand for specialized drilling.”

“The Company remains in an excellent financial position remaining debt-free, net of cash, during the quarter. Total cash level, net of long-term debt, stood at \$19.4 million at quarter-end. Despite the difficult environment, we expect operations to generate positive cash flow in fiscal 2010. The Company will continue to focus on cash management by limiting capital expenditures to approximately \$25 million, by reducing inventory and by closely monitoring costs”, stated Mr. McGuire.

#### **Fourth quarter ended April 30, 2009**

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

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

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

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

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

General and administrative costs were \$9.4 million for the quarter, down 26 percent compared to the \$12.7 million for the prior year period. The decrease was due to cost cutting initiatives implemented in November and February.

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

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

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

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

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

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

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

### **Year ended April 30, 2009**

Revenue for the fiscal year ended April 30, 2009 decreased 11.4 percent to \$523.0 million from \$590.3 million for the corresponding period last year. The first six months were marked by strong growth followed by contract cancellations and delays in the second half of the year due to the prevailing economic situation. Revenue growth was affected by the strengthening U.S. dollar against the Canadian dollar as compared to the same period last year. The favourable foreign exchange translation impact for the year, when comparing to the effective rates for the same period last year, is estimated at \$20 million on revenue.

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

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

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

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

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

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

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

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

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

The Company recorded a restructuring charge of \$9.0 million including asset write downs of \$5.2 million and mostly retrenchment costs for the remaining amount. Also, the Company recorded a non-cash goodwill and intangible assets impairment charge of \$0.7 million.

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

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

Some of the statements contained in this press release may be forward-looking statements, such as, but not limited to, those relating to worldwide demand for gold and base metals and overall commodity prices, the level of activity in the minerals and metals industry and the demand for the Company's services, the Canadian and international economic environments, the Company's ability to attract and retain customers and to manage its assets and operating costs, sources of funding for its clients, particularly for junior mining companies, competitive pressures, currency movements, which can affect the Company's revenue in Canadian dollars, the geographic distribution of the Company's operations, the impact of operational changes, changes in jurisdictions in which the Company operates (including changes in regulation), failure by counterparties to fulfill contractual obligations, and other factors as may be set forth, as well as objectives or goals, and including words to the effect that the Company or management expects a stated condition to exist or occur. Since forward-looking statements address future events and

conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements by reason of factors such as, but not limited to, the factors set out in the discussion starting on pages 21 to 24 of the 2008 Annual Report entitled “General Risks and Uncertainties”, as updated by the section entitled “General Risks and Uncertainties” in the discussion on pages 8, 9, 10 and 11 of the Company’s third quarter 2009 MD&A, and such other documents as available on SEDAR at [www.sedar.com](http://www.sedar.com). All such factors should be considered carefully when making decisions with respect to the Company. The Company does not undertake to update any forward-looking statements, including those statements that are incorporated by reference herein, whether written or oral, that may be made from time to time by or on its behalf, except in accordance with applicable securities laws.

Based in Moncton, New Brunswick, Major Drilling Group International Inc. is one of the world's largest metals and minerals contract drilling service companies. To support its customers’ mining operations and mineral exploration activities, Major Drilling maintains operations in Canada, the United States, South and Central America, Australia, Indonesia, Mongolia, and Africa.

*Financial statements are attached.*

*Major Drilling will provide a simultaneous webcast of its quarterly conference call on **Tuesday, June 9, 2009 at 9:00 AM (EDT)**. To access the webcast please go to the webcast section of Major Drilling’s website at [www.majordrilling.com](http://www.majordrilling.com) and click the attached link, or go directly to the CNW Group website at [www.newswire.ca](http://www.newswire.ca) for directions. Participants will require Windows MediaPlayer, which can be downloaded prior to accessing the call. Please note that this is listen only mode.*

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