2000 ANNUAL REPORT

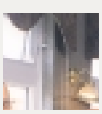
FOCUSED

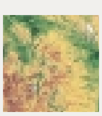
MAJOR
Drilling Group International Inc.

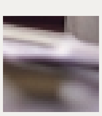
HIGHLIGHTS

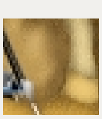
000'S (EXCEPT EARNINGS PER SHARE)	FY 2000	FY 1999
REVENUES	$ 108,246	$ 130,820
CASH FLOW (EBITDA) FROM CONTINUING OPERATIONS	$ 8,631	$ 12,255
NET EARNINGS (LOSS)	($ 194)	($ 14,164)
NET EARNINGS FROM CONTINUING OPERATIONS	($ 194)	$ 1,930
EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS	($ 0.02)	$ 0.17
EBITDA PER SHARE FROM CONTINUING OPERATIONS	$ 0.78	$ 1.08

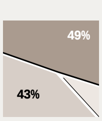
TABLE OF CONTENTS


CORPORATE PROFILE AND BOARD OF DIRECTORS 1


AT A GLANCE
- Focused on service 2


MESSAGE TO SHAREHOLDERS
- Focused on the fundamentals 4


REPORT ON OPERATIONS
- Focused on the customer 6
- Focused on innovation 8



MANAGEMENT'S DISCUSSION AND ANALYSIS 10

MANAGEMENT'S RESPONSIBILITY 14

AUDITORS' REPORT 15

CONSOLIDATED FINANCIAL STATEMENTS 16

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 19

SHAREHOLDER INFORMATION 25

MAJOR DRILLING GROUP INTERNATIONAL INC.

Major Drilling Group International Inc. is the world's pre-eminent contract drilling provider to the metals and minerals sector. The Company primarily serves the mining industry but also provides environmental and geotechnical drilling services. Major Drilling maintains field operations and/or offices in 23 countries.

Major Drilling's objective is to continue growing by serving customers at all of their operations. The company provides services in some of the world's harshest operating conditions, yet consistently provides customers with the highest quality work, on time and on budget.

Major Drilling's common shares trade on The Toronto Stock Exchange under the symbol MDI.

BOARD OF DIRECTORS

Left to right: **Ronald J. Goguen**, *President and Chief Executive Officer, Major Drilling Group International Inc*; **Frank McKenna**, Chairman, Major Drilling Group *International Inc, Counsel, McInnes Cooper and former Premier of New Brunswick*; **Harry R. Steele**, *Chairman and CEO, Newfoundland Capital Corporation Limited*; **John Schiavi**, *President, Schiavi Enterprises*; **H. Lawrence Doane**, *former partner, Doane Raymond*; **David Fennell**, *Chairman and CEO, Cambiex Exploration Inc.*; **John Harvey**, *former President, Noranda Exploration Company;* **David Tennant**, *Partner, McCarthy Tétrault*; **Jonathan Goodman**, *President and CEO, Dynamic Mutual Funds Ltd.*

Focused
ON SERVICE

NORTH AMERICAN OPERATIONS

Bishops Falls, *Newfoundland and Labrador*
Beresford, *New Brunswick*
Val d'Or, *Quebec*
Thetford Mines, *Quebec*
Timmins, *Ontario*
North Bay, *Ontario*
Winnipeg, *Manitoba*
Thompson, *Manitoba*
Flin Flon, *Manitoba*
Yellowknife, *Northwest Territories*
Smithers, *British Columbia*
North Pole, *Alaska*
Ashland, *Maine*
Rocklin, *California*
Greenland

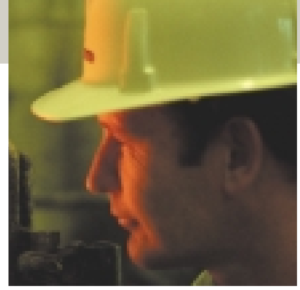
LATIN AMERICAN OPERATIONS

Hermosillo, *Mexico*
Iguala, *Mexico*
Puerto Ordaz, *Venezuela*
Georgetown, *Guyana*
Cayenne, *French Guiana*
Lima, *Peru*
Coquimbo, *Chile*
Mendoza, *Argentina*
Uruguay
Dominican Republic
Hasting, *Barbados*
Tegucigalpa, *Honduras*
Nicaragua
Costa Rica

MAJOR SPECIALIZES IN TWO TYPES OF DRILLING FOR THE MINING INDUSTRY, DIAMOND DRILLING AND REVERSE CIRCULATION DRILLING. EACH IS UNIQUE AND APPLIED IN SPECIFIC CONDITIONS…

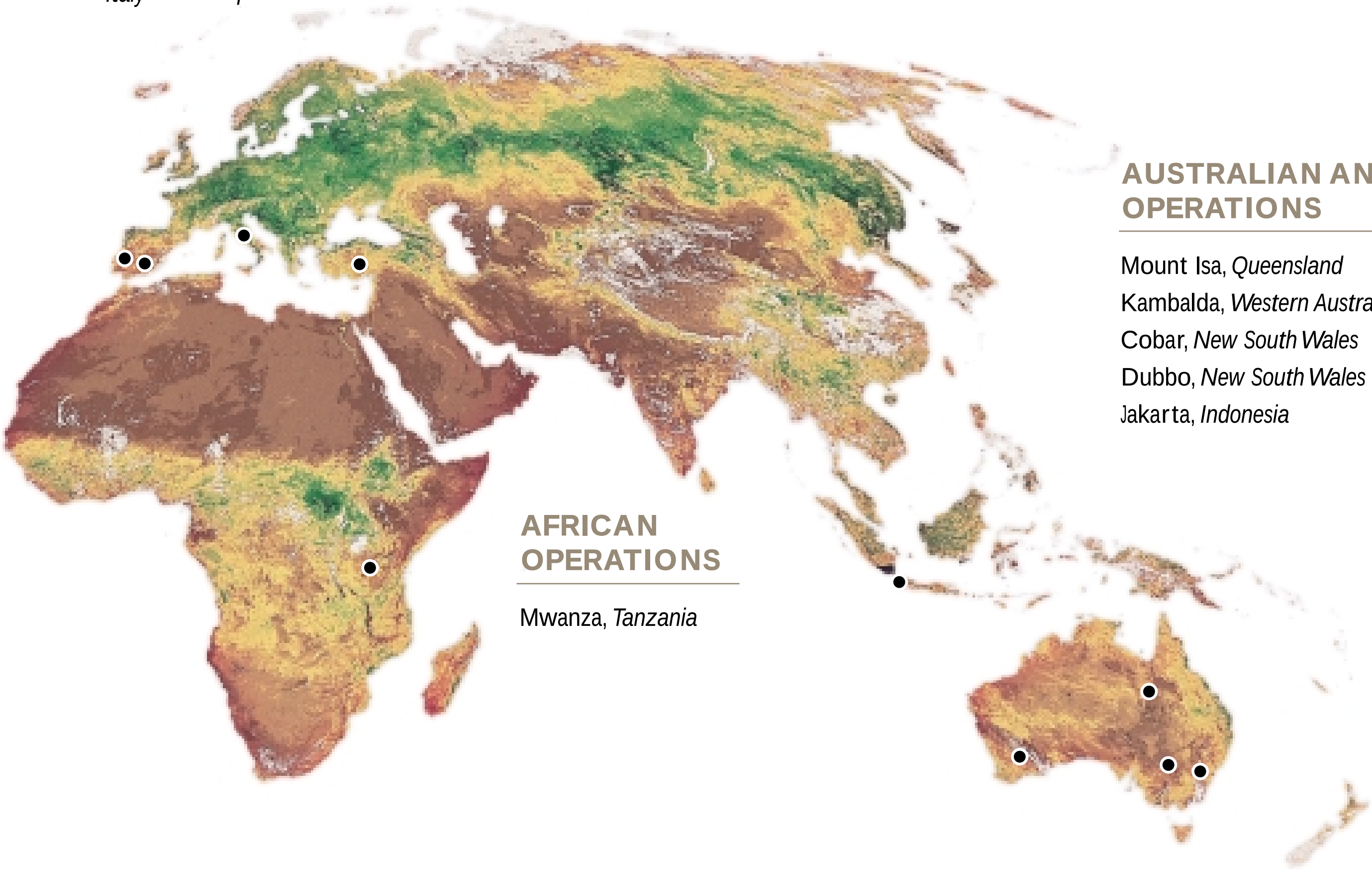
DIAMOND DRILLING is the most common form of drilling used by the mining industry. This technology enables the drilling team to collect a continuous core sample that is then analyzed to determine mineral content at precise locations. Diamond drilling can be used on both the surface and in underground mines. It is the most accurate form of sampling, but it can also be challenging because it requires a constant flow of water to cool the drill bit. Water can be difficult to supply at high altitudes, in desert environments, or in fractured rock formations. Diamond drilling is carried out predominantly in North America, although it is also used fairly extensively around the world.

REVERSE CIRCULATION DRILLING is another method of drilling, used in heavily oxidized rock formations, where water supplies are limited, and in rock formations that are highly fractured. This



EUROPEAN OPERATIONS

Portugal *Turkey*
Italy *Spain*



AUSTRALIAN AND ASIAN OPERATIONS

Mount Isa, *Queensland*
Kambalda, *Western Australia*
Cobar, *New South Wales*
Dubbo, *New South Wales*
Jakarta, *Indonesia*

AFRICAN OPERATIONS

Mwanza, *Tanzania*

method of drilling uses a down-hole hammer driven by high-pressure air to break up the rock into chips which are circulated through the annulus of the dual-wall drill pipe back to the surface for collection and analysis. Reverse circulation tends to be utilized more in preliminary exploration. It is then often followed up with a program of diamond drilling to better define the ore body. Major employs reverse circulation drilling primarily in Latin America and Australia.

EXPLORATION, DEFINITION AND DEVELOPMENT DRILLING – Mining companies typically progress through several drilling phases in bringing an ore body into production – from exploratory drilling to discover new deposits, to development and definition drilling at operating mines to expand reserves and better define ore bodies.

Focused
ON THE FUNDAMENTALS

Major Drilling is focused on strengthening and building its core business of contract drilling for the mining industry.

Fiscal 2000, ending April 30, 2000, was a year of continuing challenge for your Company. The metals and minerals sector continued to face cyclically low commodity prices. Mining companies responded by significantly reducing the level of drilling programs in all but the most promising of regions. As a result, Major faced a $22.6 million decline in sales for the year compared to last year.

In spite of this substantial reduction in sales, the Company was able to deliver near break-even performance for the year, reporting a small loss of $194,000. This result was achieved through a focus on rationalization and redeployment of the Company's human and physical resources as well as tight cost control.

As drilling activity shifted to different regions, the Company responded by reducing and redeploying key staff, equipment and inventories from inactive branches, such as Venezuela and Honduras, into growing markets, such as Chile and Tanzania.

During the course of fiscal 2000, Major continued its focus on reducing administrative costs. In spite of the addition of the Tanzanian branch, the directional drilling division and the additional costs associated with redeployment of staff and equipment, general and administrative costs were reduced by some $600,000. The annualized effect of these reductions will not be fully felt until fiscal 2001. As we move through fiscal 2001, we expect further progress in reducing costs as the Company continues to integrate its acquisitions and develop its corporate systems.

Major achieved its near break-even result in fiscal 2000 while operating at about one-third capacity. Your Company has the ability, in a more positive market environment, to substantially increase its revenues without a significant increase in costs beyond direct contract costs. While we do not anticipate a large increase in contract drilling activity in fiscal 2001, we do expect drilling activity to show some increase in the coming year. When the mining sector fully recovers, Major is strongly positioned to benefit.

Ronald J. Goguen

While managing through this difficult down market, your Company did not lose its focus on the future, continuing its strong marketing drive directed at the corporate level of key multinational customers, as well as developing and launching an important new service offering – directional drilling – headquartered in Timmins, Ontario.

Major Drilling is now the industry leader offering a comprehensive, high accuracy, "one-stop shopping" directional drilling service to our customers. We see directional drilling as an area of significant revenue growth in coming years.

We consolidated our position as a leading global drilling contractor to the metals and minerals sector by winning a number of new contracts in existing markets and successfully entering several new ones. The marketing initiative the Company began in 1999 has led to significant new contracts in Argentina, Algeria, Chile, Tanzania and Tunisia with leading international mining companies.

STRATEGIC OVERVIEW

During the year metal prices turned in a mixed performance. On the base metal side, nickel prices posted a strong price recovery, more than doubling in price during fiscal 2000 to close above US$4.50 per pound. Copper also moved up in excess of 15 per cent but, at the US$0.80 per pound range, remained too low to trigger any meaningful increase in drilling activity.

Gold prices continued to be highly volatile through fiscal 2000, hitting a 20 year low in July 1999 on concerns of central bank selling of gold reserves. Prices rebounded through US$325 per ounce in the fall after the European central banks announced a five-year cap on gold sales before drifting back below US$300 per ounce. Prices had a more modest up-tick in February 2000 on the announcement by several major gold producers of reduced hedge programs. However gold was not able to sustain prices above US$300 per ounce during the year.

Consequently, Major has shifted much of its marketing effort in the gold sector to senior multinational gold producers developing high quality, low cost ore bodies. These companies have continued to be highly active and, in some cases, have expanded their exploration and mine development budgets in spite of low prices. Major has participated in this expanded activity – particularly in Chile and Tanzania.

As a result of this mixed performance, the mining industry continues to lag behind other industry sectors. Nevertheless, we are optimistic that the sector is beginning to recover. As producers gain confidence in the sustainability of metal price increases, we will see an increase in drilling activity.

INNOVATIVE PRODUCTS AND TECHNOLOGIES

Major Drilling is committed to improving its technical capabilities. As part of its new directional drilling service offering, Major has developed a software program that allows it to plan, steer and monitor the drill path to defined targets, present drill hole data in three-dimensional plots and store the information in a database for future reference. Directional drilling has a number of applications, from highly accurate deep-hole exploratory drilling, to mine infrastructure projects such as pilot holes, to construction projects such as under-road or under-river crossings. We expect this new capability to greatly enhance our ability to serve our customers and expand into new markets.


Frank McKenna

Major is also focusing its operations to better serve our customers. In recent years, the reverse circulation method of drilling has gained more acceptance, particularly in South and Central America, as the technology has improved. The Company is planning to increase its share of this market. With its fleet of combination rigs, Major can offer clients relatively inexpensive reverse circulation drilling at the top of the hole and highly accurate core sampling using diamond drilling through the ore body. Using this approach, cost savings and faster progress for the client can be substantial, while at the same time providing high quality information on the ore body.

COMMITTED TO CONTRACT DRILLING

Major Drilling will continue to maintain its focus as a contract drilling company for the mining industry. The Company's manufacturing unit, UDR Group, was put up for sale in 1999. In the interim, Major has taken substantive steps to reduce costs and restructure operations of this division. We are also pleased to report that UDR has benefited from a significant upturn in sales activity in recent months. We expect that both of these factors will substantially increase the value of UDR Group to prospective buyers.

As we enter the new millennium, Major Drilling is well positioned to meet the challenges and opportunities of the mining environment. In preparing to move forward, we are pleased to inform you that Francis McGuire has been appointed President and Chief Executive Officer of Major Drilling effective August 8, 2000. Mr. McGuire, a former Deputy Minister of Economic Development and Tourism of New Brunswick brings over 25 years of senior management experience in business development in the public and private sectors to Major Drilling. His strategic leadership and vision will be instrumental in continuing to grow Major Drilling from the strong foundation created by Ron Goguen.

The board of directors would like to acknowledge the invaluable contribution to Major Drilling of Ron Goguen, founder and builder of the Company, as he steps down as President and Chief Executive Officer. We will retain Mr. Goguen's experience and insight through his continuing role as co-chairman of the board of directors.

On behalf of the board of directors, we would like to thank our shareholders and employees for their support. The challenges of operating in a highly cyclical industry are formidable but Major Drilling's management team and board remain committed to growing the Company in a prudent and profitable manner.
We look forward to keeping you informed on our progress throughout the year.

Ronald J. Goguen
President and
Chief Executive Officer

Frank McKenna
Chairman

Focused
ON THE CUSTOMER


Michael A. Pavey


Paul E. Légère

Major's combination of a global operations infrastructure and its strong reputation have helped to position the Company as the supplier of choice to many of the world's largest mining companies.

These customers, many of which are well-known public companies, include, among others:

noranda

BARRICK

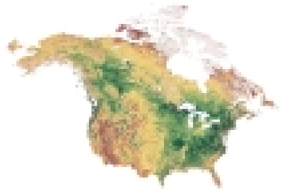
PLACER DOME Pure Gold

INCO

BHP

TECK CORPORATION

NORTH AMERICA



Most of Major's North American exploratory drilling is carried out in Northern Canada. In more established mining areas in Quebec, Ontario and Manitoba, much of the Company's work involves development and definition drilling at existing mines. The biggest challenges of drilling in Canada involve overcoming a wide variety of terrain and harsh weather conditions.

During 2000, Major opened its first sales office dedicated to directional drilling in Timmins, Ontario. The branch has drawn staff from Major Pontil, our Australian subsidiary, and a recognized leader in directional drilling in that country. Supported by an aggressive marketing campaign, we expect this division to enhance our leadership position in North America as we begin to win new business in this area. We are already employing this technology for several mining companies in Ontario.

Looking across North America, the Company's operations included:

- Surface exploratory drilling for copper, zinc and lead in New Brunswick.
- Surface exploratory drilling for gold in Labrador.
- Underground and surface exploratory and definition drilling for copper, gold, zinc, lead, asbestos, niobium and limestone in Quebec.
- Underground and surface definition and directional drilling for nickel, copper, zinc and gold in Ontario.
- Underground and surface exploratory and definition drilling for nickel, copper, lead, and zinc in Manitoba.
- Surface drilling for uranium in Saskatchewan.
- Surface exploratory drilling for diamonds, base metals and gold in the Northwest Territories.
- Surface drilling for wollastonite and talc in the northeastern U.S.
- Surface exploratory drilling for gold in Nevada.

LATIN AMERICA

Major made excellent inroads in the Latin American market in fiscal year 2000, as we overcame difficulties associated with the extreme topography and climate. As a result, total sales in this market grew year over year. We expect this trend to continue in FY 01.

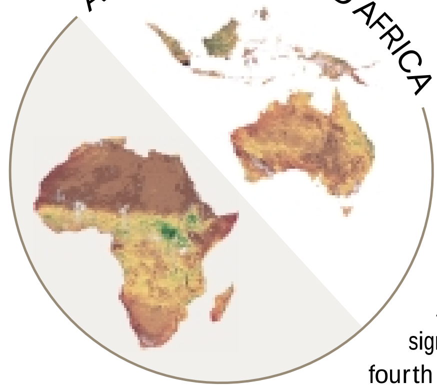
The Company continues to utilize diamond core drilling at most sites in Latin America, however reverse circulation drilling is gaining in acceptance – particularly in the earlier, more exploratory stages of drilling. As the mining industry begins to recover from the bottom of the cycle and junior exploration companies are able to access capital markets to finance their drilling programs, we expect demand for reverse circulation and combination drilling to grow.

In FY 00, Major carried out the following types of drilling in Latin America:

- Underground and surface definition and exploratory drilling for gold and zinc in Chile.
- Surface exploratory drilling for gold in Argentina.
- Surface exploratory drilling for gold in French Guiana.
- Surface exploratory and development drilling for copper and gold in Mexico.
- Surface exploratory drilling for gold in Honduras.

- Surface exploratory and development drilling for gold in Peru.
- Surface exploratory and development drilling for coal and gold in Colombia.
- Surface exploratory and development drilling for iron ore in Venezuela.

AUSTRALASIA AND AFRICA



Australia is a diverse mining market where companies mine substantial quantities of gold, nickel, copper, zinc and coal. In FY 00 sales in Australia were significantly affected in the fourth quarter by severe flooding in southern and eastern parts of the country.

The Company continues to explore new business opportunities in this region focusing on definition and development drilling under and around existing open pit mines.

In addition, Major continues to expand its operations in the emerging African market with the acquisition of the Tanzanian operation of Benoit Drilling. In conjunction with this acquisition, Major also signed several contracts to drill for a senior gold producer in this market.

The Company employs both diamond core and reverse circulation drilling in these markets and makes extensive use of combination rigs which are able to perform both types of drilling.

During FY 00 we carried out contract drilling in the region, for:

- Underground development and definition drilling for copper and gold in Indonesia.
- Surface exploratory drilling for gold in Côte d'Ivoire.
- Surface exploratory and definition drilling for gold in Tanzania.
- Underground and surface development and definition drilling in Australia, primarily at established mine sites in the states of New South Wales, Queensland, and Western Australia.

Focused
ON INNOVATION


Robert H. Morgan


James A. Gibson

Directional drilling is a unique technology that increases the accuracy, effectiveness, and productivity of deep drill hole projects.

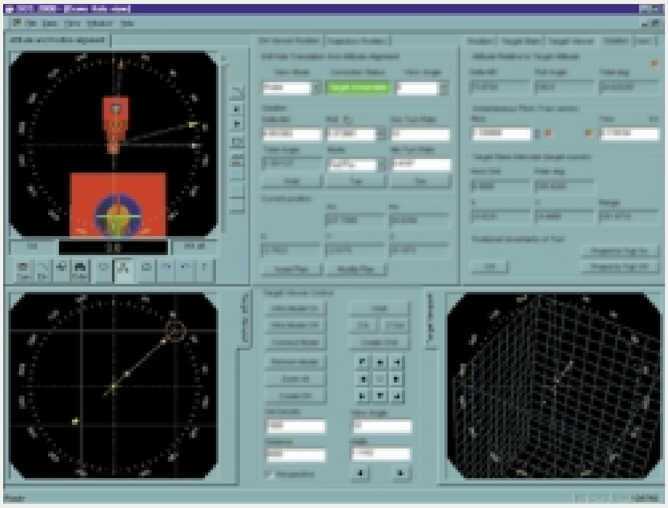
Major Pontil of Australia has been involved in directional drilling for 15 years. The Company has now extended this sophisticated technology across its operations worldwide.

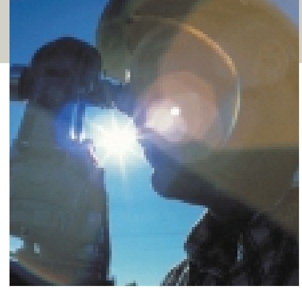
Directional drilling controls the path of a drill hole to ensure it follows a predetermined course and passes through a defined target.

With numerous applications, demand is increasing as customers realize the savings and efficiencies possible with this cost-effective technology.

Major has responded to the need for highly accurate drilling capability by creating a specialized division based in Timmins, Ontario to coordinate activities in North and South America. The Company now offers its expertise in directional drilling worldwide, providing full survey services, electronic tool steering systems, equipment and drill program design.

Since acquiring Major Pontil, the Company has been developing software that allows users to plan, steer and monitor drill paths to their defined targets with extreme accuracy. This software can present data collected from projects in 3D plots and store it for future reference. Eventually, Major's software will allow customers to supervise and monitor the progress of a drill hole from their offices, via the Internet.





USE OF DIRECTIONAL DRILLING TECHNOLOGY HAS BEEN EXTENDED TO:

Mineral Exploration

- Deep diamond drilling for mineral exploration in mature mining areas is increasingly necessary as near-surface targets and deposits are exhausted.
- Directional drilling makes it possible to hit multiple targets from one drill site – realizing significant cost savings for customers.
- This technology also allows for drilling at sites that would otherwise be inaccessible due to geographical and environmental constraints.

Mine Development

- Directional drilling increases the accuracy of drill hole placement at existing mine facilities. This leads to faster and more precise shaft development. Directional drilling can also be applied to fill holes and other mine infrastructure projects.

Methane Drainage and Gas Production

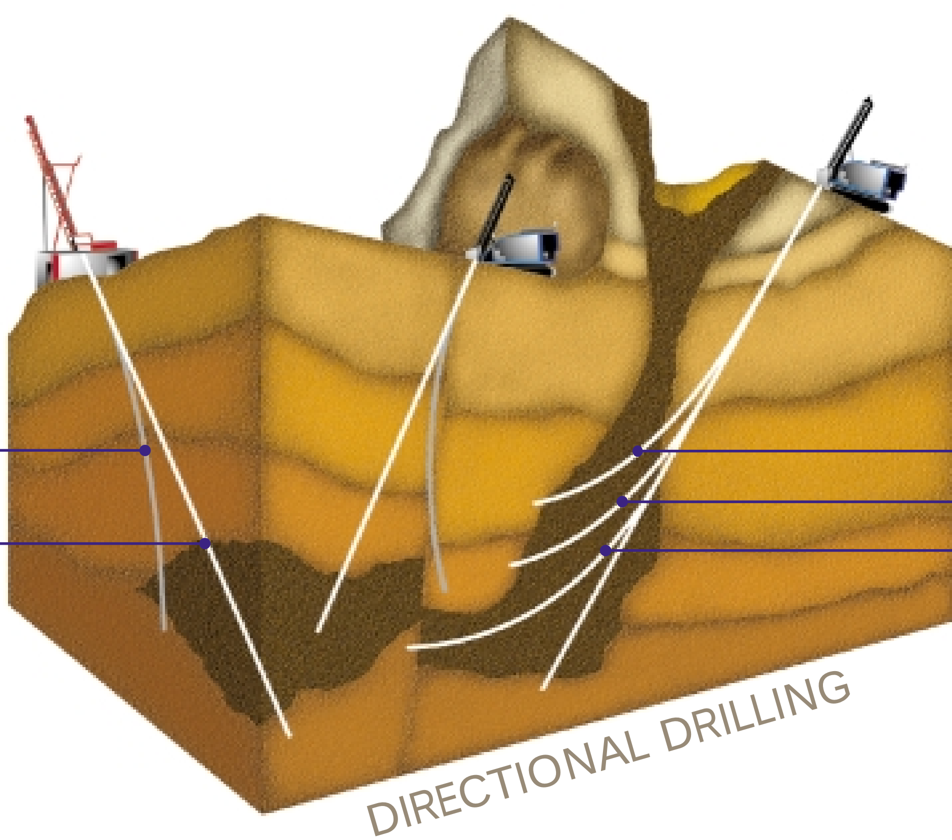
- Directional drilling makes possible methane drainage and gas production from coal seams – even allowing for direct pumping of gas into existing pipelines for end users.

Utilities and Infrastructure Projects

- Directional drilling is useful in the placement of gas pipelines, power and telecom cables, as well as fuel and water lines, especially in locations obstructed by geographical and urban constraints such as under-road and under-river crossings.

In a traditional deep drill hole project, the direction of the drill path can deviate due to geological structures and the trajectory of the hole is difficult to control.

With our new directional drilling, we can precisely control the path of a drill hole to ensure it follows a predetermined course and passes through a defined target, making it more cost-effective.



Directional drilling makes it possible to hit multiple targets from one drill site, achieving significant cost savings for our customers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

The fiscal year 2000 (FY 00) ending April 30, 2000 saw continued weakness in the metals and minerals sector. Although there was some improvement in metal prices through the year, it was choppy and not sufficient to reverse the shrinkage in demand for contract drilling services worldwide. With continuing contraction of drilling activity, the Company's revenues decreased 17 per cent to $108.2 million from $130.8 million last year.

In this difficult business environment, Major focused its efforts on marketing, rationalization and redeployment of the Company's human and physical resources as well as tight cost control. Despite a $22.6 million reduction in sales, Major achieved a near break-even performance, recording a loss from continuing operations of $0.2 million, down $2.1 million from a profit of $1.9 million in FY 99. The loss per share from continuing operations was $0.02 compared to earnings per share of $0.17 in FY 99.

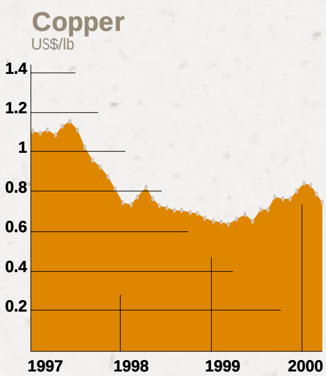
In FY 99, Major put its manufacturing operation – Universal Drill Rigs – up for sale. At the same time, the Company booked a provision for the unit pending its disposition and treated it as a discontinued operation for accounting purposes. To date, Major has been unsuccessful in disposing of this unit. However, UDR has been substantially restructured to reduce operating costs and improve its financial performance in order to make it more saleable in this difficult market. UDR has also benefited from increased sales activity in the latter part of the year. Going forward, UDR is expected to be cash flow neutral or positive until it is sold.

The five-year summary presented below does not include results from discontinued operations and relates only to continuing operations. Prior period information has been adjusted for comparative purposes.

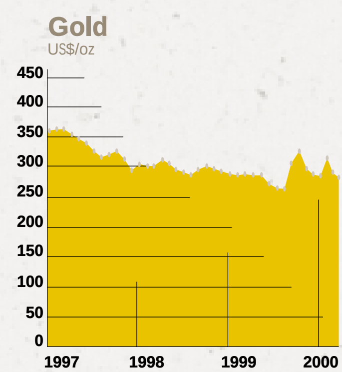
	2000	1999	1998	1997	1996
		(thousands of Canadian dollars) (as restated)			
Contract revenues by region					
Canada-U.S.	$43,491	$57,588	$59,128	$36,377	$25,852
Latin America	35,167	30,790	38,421	52,478	26,916
Australasia and Africa	29,588	42,442	36,034	—	—
Total	**108,246**	**130,820**	**133,583**	**88,855**	**52,768**
Gross profits as a percentage of contract revenues	27.0%	26.0%	32.3%	35.5%	34.1%
General and administrative expenses	**19,900**	**20,539**	**20,484**	**12,855**	**9,975**
As a percentage of contract revenues	18.4%	15.7%	15.3%	14.5%	18.9%
Other expenses (income)	**689**	**1,213**	**(1,540)**	**291**	**(1,098)**
Interest	**2,181**	**1,604**	**917**	**611**	**1,102**
Amortization	**7,485**	**7,166**	**5,994**	**2,751**	**2,138**
Net (loss) earnings from continuing operations	**(194)**	**1,930**	**11,146**	**9,381**	**4,049**
Net (loss) from discontinued operations	**—**	**(16,094)**	**(2,216)**	**(155)**	**—**
Net earnings (loss)	**(194)**	**(14,164)**	**8,930**	**9,226**	**4,049**
Cash flow (EBITDA) from continuing operations	**$8,631**	**$12,255**	**$24,193**	**$18,375**	**$9,115**

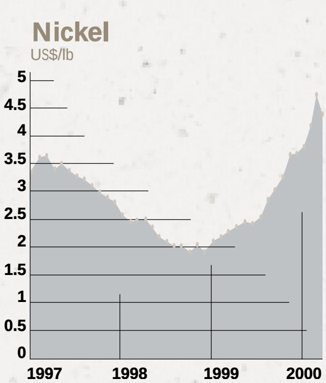
MINING SECTOR OVERVIEW

In the face of continuing low base metal and precious metal prices in calendar 1999, many mining companies significantly reduced their budgets for both definition and exploratory drilling, and junior mining companies found it extremely difficult to raise capital for exploratory drilling. Industry sources indicate that overall expenditures for exploration activities fell by close to 25 per cent from calendar 1998 to 1999. Although there was some recovery of metal prices in the latter half of 1999, particularly with nickel, price increases were generally not large enough or – in the case of gold – sustained long enough to trigger broadly based increases in contract drilling budgets.



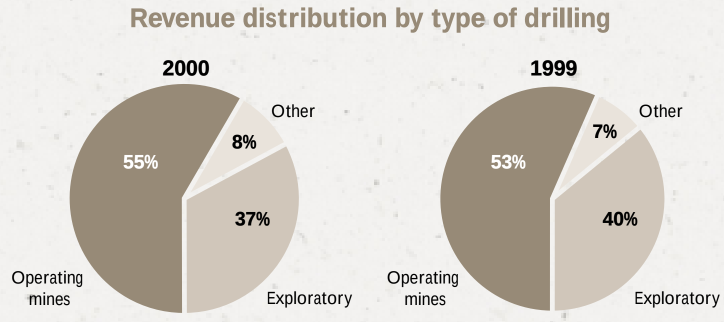
In recent years, exploration for gold has represented about one half of metal exploration activity. Gold prices were extremely volatile throughout the year, falling to the range of US$250 per ounce in July of 1999 on fears of central bank selling. This was precipitated by the Bank of England's announcement of a series of auctions to significantly reduce its gold reserves. In the fall of 1999, prices rebounded to top out above US$325 per ounce on the agreement of the European central banks to limit gold sales over the next five years. More recently, gold prices improved on announcements of reduced hedging programs by several major gold producers and by growing concerns over the US dollar. Nevertheless, gold price levels were not sustained through FY 00 above the minimum price range of US$300–325 per ounce considered necessary to allow junior mining companies access to the capital to finance gold exploration activity.



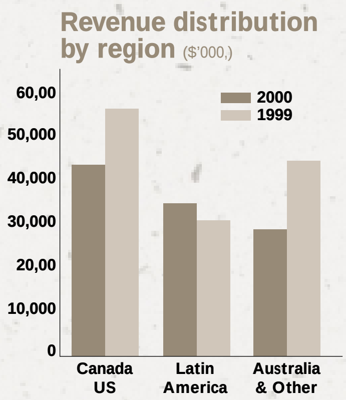


REVENUES

Total revenue for FY 00 was $108.2 million, down some $22.6 million, or 17 per cent, from sales of $130.8 million in FY 99. Drilling services at or around operating mines represented about 55 per cent of total revenues compared to 53 per cent last year. Revenues from exploratory drilling represented 37 per cent of total revenues, down from 40 per cent in FY 99. Other sectors, such as construction and geotechnical contracts, provided approximately eight per cent of total revenue, about the same proportion as last year.



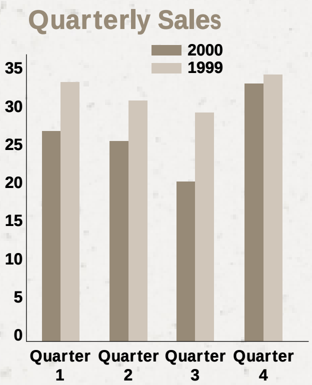
Revenue from Canada-US operations totalled $43.5 million in FY 00, down approximately 24 per cent from last year. This was due to a reduction in exploratory drilling, which represented about 16 per cent of total drilling revenue derived from the region. In addition, adverse weather conditions shortened the important winter drilling season in Central Canada. In the far north, gold related activity increased. As well further activity due to diamond mine development and exploration is expected in the Northwest Territories. Drilling around operating mines (development and definition drilling) represented about 68 per cent of revenues in the region during the year, while other drilling related to construction and geotechnical activity accounted for some 16 per cent of revenues.



Drilling revenues in Australasian and African based operations (Australia, Indonesia and Tanzania) totalled $29.6 million for the year, versus $42.4 million in FY 99. Tanzanian operations, which began in August 1999, added about $3.7 million of revenue in FY 00. Exploratory drilling represented some 27 per cent of revenues, drilling at operating mines 69 per cent, and drilling for other sectors some four per cent of total revenues in the region.

Latin America was the only region to experience growth, with revenues increasing about 14 per cent in FY 00 to $35.2 million. This improvement was driven primarily by heightened activity in Argentina and Chile. This work comprised a few very significant projects with high quality, low cost ore bodies. Latin America continues to be a major focus of worldwide exploration activity. This was reflected in the Company's revenues in the region. Exploratory drilling represented about 71 per cent of revenues, and developmental drilling 29 per cent of revenues in the region in FY 00.

Major's operations exhibit a strong seasonal pattern. The Company's fourth quarter (February to April) is traditionally its strongest. Activity increases in Northern and Central Canada where winter freeze-up permits development of the winter roads required to gain access to many important drill sites. At the same time, at 5,000 meters in the Andes Mountains in South America, the fourth quarter is summer, providing the best drilling conditions and greatest activity levels in that region. The third quarter (November to January) is typically the Company's weakest period of revenue generation. This is due to a seasonal shutdown of mining and exploration activities for extended periods, particularly in Latin America over the Christmas and New Year's holiday season.



GROSS PROFIT

The Company's gross profit expressed as a percentage of sales was 27 per cent in FY 00 compared to 26 per cent in FY 99. In a highly competitive market, the improved margins were due to increased productivity rather than higher prices. This improvement in annual margins was achieved despite the negative impact of a late freeze-up and early thaw in the important winter drilling season in Central Canada and heavy flooding conditions in Australia, both of which significantly eroded gross margins in the fourth quarter of FY 00.

OPERATIONS AND PRODUCT DEVELOPMENT

During the year, Major continued to rationalize operations in response to changing market conditions and shifting focus among different geographic regions. Operations were scaled down in Venezuela, Honduras and Colombia and significantly expanded in Chile. A new branch was opened in Tanzania in August 1999 giving the Company entry into one of the more active and promising mining regions of Africa.

Major also opened its directional drilling division in Timmins, Ontario in FY 99 to become the first contract drilling company to offer a comprehensive directional drilling service to its customers. Using technology and experience drawn from Major's Australian operations, coupled with the development of hole planning and monitoring software, this division is responding to a whole new market segment where highly accurate drilling is required.

GENERAL AND ADMINISTRATION

General and administrative expenses decreased to $19.9 million in FY 00 from $20.5 million in FY 99. This decrease was achieved despite the addition of $800,000 related to the Company's new branch in Tanzania and the launch of the directional drilling division. Staff reductions and mothballing of inactive branches were the largest contributors to the overall cost reduction in this area.

OTHER EXPENSES

Other expenses were $700,000 in FY 00 compared to $1.2 million in the prior year, primarily reflecting gains on the disposal of investments and fixed assets during the year.

INCOME TAXES

Major Drilling's income tax position shifted in FY 00 to a tax credit of $800,000 from a $1.6 million expense in FY 99. The Company's effective tax rate in FY 00 resulted in an offset to the pre-tax losses of 81 per cent compared to a tax expense of 45 per cent of pre-tax income in FY 99. This reduction in tax reflects the reduction in pre-tax income from $3.5 million in FY 99 to a loss of $1 million in FY 00 along with the utilization of losses previously incurred in Latin America that had not been tax effected.

DISCONTINUED OPERATIONS

As noted previously, in FY 99 Major made the decision to sell UDR and close down its Brazilian operations. As a result, these operations have been treated as discontinued operations for accounting purposes. A provision was made in FY 99 for ongoing costs pending the sale of UDR. The Company continues to seek a purchaser for these operations.

The provisions for these operations are reviewed on a regular basis. The Company continues to be satisfied with their adequacy.

LIQUIDITY AND CAPITAL RESOURCES

The Company's ongoing requirements for cash consist principally of amounts required for working capital, to finance capital expenditures and to fund debt service requirements. Earnings from continuing operations before income taxes, interest, depreciation and amortization (EBITDA) totalled $8.6 million in FY 00. This was a decrease of only $3.6 million, in spite of a sales decline of $22.6 million during the year.

WORKING CAPITAL

The Company's working capital requirements are determined primarily by drilling activity levels, and resulting levels and rates of turnover of its accounts receivable and inventories. Because of the seasonal nature of the business, with the highest level of sales in the fourth quarter, accounts receivable tends to peak at year-end. The accounts receivable balance at year-end was essentially unchanged from the prior year, reflecting a similar level of sales in the final quarter of each fiscal year ($33.5 million in FY 00 versus $34.9 million in FY 99).

Inventories showed a net increase to $26.0 million in FY 00 from $24.5 million in FY 99. This resulted from inventory reductions in inactive areas such as Venezuela being more than offset by increased inventory levels in active areas such as Chile and Tanzania. It is expected that inventory will decline as MIS systems are more broadly implemented, allowing for stronger management of worldwide inventories.

CAPITAL EXPENDITURES

Major's business is not considered to be capital intensive, though there is a continuing need to purchase, refurbish and replace drill rigs and related equipment. Net capital expenditures (capital expenditures net of proceeds from sale of capital assets) totalled $3.4 million in FY 00, down significantly from $10.0 million in FY 99. It is expected that net capital expenditures will remain at about current levels through FY 01.

BORROWING CAPACITY

A Canadian chartered bank has made available three credit facilities to the Company. The maximum amount available under these facilities is $48.0 million and is available subject to the Company meeting certain covenants relating primarily to its financial position.

The first facility is a $16.0 million operating line secured by the Company's trade accounts receivable and inventories. At April 30, 2000, with its receivables at their seasonal high, the Company had utilized $12.5 million of this line.

The second facility is a $4.0 million revolving term line for equipment acquisition. It can be divided into term loans with amortization of up to five years at the Company's option. At April 30, 2000, $700,000 of this line had been drawn.

The third facility is a $28.0 million revolving term line established to assist in acquisitions of similar businesses. At April 30, 2000, this line was fully drawn. The outstanding balance on this line may be carved out in $1.0 million increments into separate term loans at the Company's option, with amortization of up to five years. Alternatively, it may remain revolving with a 366-day term and no set principal repayment requirements.

In addition, Pontil Pty Limited has operating lines totalling $1.3 million which were fully utilized at April 30, 2000.

Proceeds from the eventual sale of UDR will be used to reduce debt and for other corporate purposes.

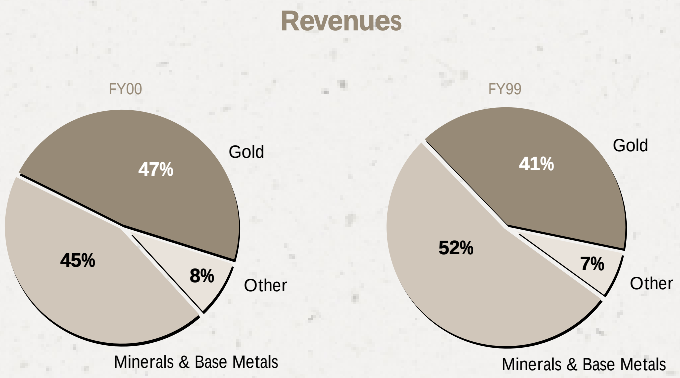
FOREIGN EXCHANGE

A substantial portion of Major's operations is located outside of Canada. The Company limits its exposure to foreign exchange risks associated with the currencies of developing countries through a policy of contracting in US dollars where legally permitted. In addition, in several countries in Latin America, and in Australia, foreign currency exposure is minimized by operating as self-sustaining operations.

OUTLOOK

Major's financial performance is strongly tied to the financial performance of the international metals and minerals sector. Within this sector, there have been some indications of price recovery for base metals, with the best performer being nickel and other base metals, such as copper, up more modestly in price. Market expectations are that base metal prices will improve and firm as the European and Asian economies continue to strengthen in the coming year. In addition, exploration and development activity related to diamond mining in Northern Canada is expected to move forward in FY 01.

Gold prices continue below US$300 per ounce. It is not clear when prices will stabilize at a level sufficient to allow junior mining companies to obtain financing for gold exploration. Consequently, the Company continues to focus most of its marketing efforts on large multinational gold mining firms that own and are developing low cost, high quality ore bodies. These companies are continuing their drilling programs, and in some cases, are increasing drilling expenditures. Major has participated in this increased activity. In FY 00, gold related drilling represented 47 per cent of Major's revenues compared to 41 per cent of revenues in FY 99. The Company expects gold related drilling to continue to represent a significant component of revenues in FY 01.



With the expected moderate increases in base metal prices and participation in the expanding activity at key ore bodies of several of the large gold producers, the Company is currently projecting a modest recovery in its revenues in FY 01 above FY 00 levels.

Nevertheless, with the timing of full recovery of the metals and minerals sector uncertain, Major will continue to focus on marketing, rationalization of its operations and tight cost control as well as cash management in the coming year.

MANAGEMENT'S RESPONSIBILITY

In management's opinion, the accompanying consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of appropriately selected, generally accepted Canadian accounting principles and policies, consistently applied and summarized in the consolidated financial statements. Since a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgment and with all information available up to June 9, 2000. Management is responsible for all information in the annual report. Financial operating data in the report are consistent, where applicable, with the consolidated financial statements.

To meet its responsibility for reliable and accurate financial statements, management has established systems of internal control which are designed to provide reasonable assurance that financial information is relevant, reliable and accurate, and that assets are safeguarded and transactions are executed in accordance with management's authorization.

The consolidated financial statements have been examined by Deloitte & Touche LLP, independent chartered accountants. The external auditors' responsibility is to express a professional opinion on the fairness of management's consolidated financial statements. The auditors' report outlines the scope of their examination and sets forth their opinion.

The audit committee of the board of directors is comprised of independent directors. The audit committee meets regularly with management and the external auditors to satisfy itself that each is properly discharging its responsibilities, and to review the consolidated financial statements. The audit committee reports its findings to the board of directors for consideration when approving the consolidated financial statements for issuance to the shareholders. The audit committee also recommends, for review by the board of directors and approval of shareholders, the appointment of the external auditors. The external auditors have full and free access to the audit committee.

Ronald J. Goguen
President and Chief Executive Officer

June 9, 2000

Michael A. Pavey
Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of Major Drilling Group International Inc.

We have audited the consolidated balance sheets of Major Drilling Group International Inc. as at April 30, 2000 and 1999 and the consolidated statements of earnings and retained earnings and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche, LLP
Chartered Accountants
Halifax, Nova Scotia

June 9, 2000

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Years ended April 30, 2000 and 1999
(in thousands of Canadian dollars, except per share information)

	2000	1999
TOTAL CONTRACT REVENUE	**$108,246**	$130,820
DIRECT CONTRACT COSTS	**79,026**	96,813
GROSS PROFIT	**29,220**	34,007
OPERATING EXPENSES		
General and administrative	**19,900**	20,539
Other expenses	**689**	1,213
Interest	**2,181**	1,604
Amortization	**7,485**	7,166
	30,255	30,522
(LOSS) EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	**(1,035)**	3,485
INCOME TAXES - PROVISION (RECOVERY) (note 14)		
Current	**626**	1,066
Future	**(1,467)**	489
	(841)	1,555
(LOSS) EARNINGS FROM CONTINUING OPERATIONS	**(194)**	1,930
LOSS FROM DISCONTINUED OPERATIONS (note 11)	**—**	16,094
NET LOSS	**(194)**	(14,164)
RETAINED EARNINGS, OPENING BALANCE	**17,632**	31,796
RETAINED EARNINGS, CLOSING BALANCE	**$17,438**	$17,632
EARNINGS (LOSS) PER SHARE (note 15)		
EARNINGS (LOSS) FROM CONTINUING OPERATIONS	**($0.02)**	$0.17
NET LOSS	**($0.02)**	($1.25)

CONSOLIDATED BALANCE SHEETS

As at April 30, 2000 and 1999
(in thousands of Canadian dollars)

	2000	1999
ASSETS		
CURRENT ASSETS		
Cash	**$5,287**	$9,570
Temporary investments	**1,587**	1,692
Accounts receivable	**22,869**	22,613
Income taxes recoverable	**2,014**	2,223
Inventories	**25,990**	24,513
Prepaid expenses	**1,734**	1,428
Current assets of discontinued operations (note 11)	**10,358**	15,509
	69,839	77,548
CAPITAL ASSETS (note 4)	**71,531**	75,857
NON-CURRENT ASSETS OF DISCONTINUED OPERATIONS (note 11)	**5,697**	6,935
LONG-TERM INVESTMENTS (note 5)	**8,108**	7,142
FUTURE INCOME TAX ASSETS (note 14)	**191**	—
GOODWILL AND OTHER (note 6)	**3,554**	3,499
	$158,920	$170,981
LIABILITIES		
CURRENT LIABILITIES		
Demand loans (note 7)	**$7,898**	$9,159
Accounts payable and accrued charges	**13,946**	14,221
Current portion of long-term debt (note 8)	**2,148**	3,666
Current liabilities of discontinued operations (note 11)	**6,301**	11,779
	30,293	38,825
LONG-TERM DEBT (note 8)	**30,638**	27,903
FUTURE INCOME TAX LIABILITIES (note 14)	**—**	1,345
NON-CURRENT LIABILITIES OF DISCONTINUED OPERATIONS (note 11)	**1,998**	2,804
	62,929	70,877
SHAREHOLDERS' EQUITY		
Share capital (note 9)	**83,323**	83,323
Contributed surplus	**1,065**	1,065
Retained earnings	**17,438**	17,632
Cumulative translation adjustments	**(5,835)**	(1,916)
	95,991	100,104
	$158,920	$170,981

Contingencies and commitments (notes 12 and 13)

APPROVED BY THE BOARD OF DIRECTORS

Ronald J. Goguen
Director

H. Lawrence Doane
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended April 30, 2000 and 1999
(in thousands of Canadian dollars)

	2000	1999
OPERATING ACTIVITIES		
(Loss) earnings from continuing operations	**($194)**	$1,930
Operating items not involving cash		
Amortization	**7,485**	7,166
(Gain) loss on disposal of capital assets	**(56)**	176
Future income taxes	**(1,467)**	489
	5,768	9,761
Changes in non-cash operating working capital items (note 10)	**(4)**	(3,661)
Cash flow from continuing operations	**5,764**	6,100
Loss from discontinued operations	**—**	(16,094)
Discontinued operating items not involving (requiring) cash	**(1,567)**	11,061
Cash flow used in discontinued operations	**(1,567)**	(5,033)
Cash flow from operations	**4,197**	1,067
FINANCING ACTIVITIES		
Additional long-term financing	**5,422**	20,510
Repayment of long-term debt	**(3,859)**	(3,862)
Increase (decrease) in demand loans	**(1,261)**	5,959
Repurchase of common shares	**—**	(4,586)
	302	18,021
INVESTING ACTIVITIES		
Business acquisitions	**(1,658)**	597
Acquisition of long-term investment	**(1,712)**	(4,496)
Other assets	**(137)**	(1,598)
Acquisition of capital assets	**(5,287)**	(10,958)
Proceeds from disposal of capital assets	**1,854**	966
	(6,940)	(15,489)
OTHER ACTIVITIES		
Foreign exchange translation adjustments	**(1,842)**	490
	(1,842)	490
INCREASE (DECREASE) IN CASH	**(4,283)**	4,089
OPENING CASH POSITION	**9,570**	5,481
ENDING CASH POSITION	**$5,287**	$9,570

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2000 and 1999
(in thousands of Canadian dollars except per share information)

1. NATURE OF ACTIVITIES

The Company is incorporated under the Canada Business Corporations Act. The principal source of revenue consists of contract drilling for companies involved in mining and mineral exploration. The Company has operations in Canada, United States, Central and South America, Australia, Europe, Indonesia, Turkey, and Tanzania.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada and include the accounts of the Company and its subsidiaries. Certain subsidiaries have been accounted for as discontinued operations (note 11).

Measurement uncertainty

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 at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from these estimates.

Revenue recognition

Revenues from drilling contracts are recognized on the basis of actual footage drilled for each contract. Revenues from ancillary services are recorded when the services are rendered.

Earnings (loss) per share

Earnings (loss) per share is calculated using the weighted daily average number of shares outstanding during the year.

Temporary investments

Temporary investments are valued at the lower of cost and fair market value.

Inventories

The Company maintains an inventory of operating supplies, drilling rods and drill bits. Inventories are valued at the lower of cost and replacement cost.

Capital assets

Capital assets are stated at cost. Amortization, calculated principally on the straight-line method, is charged to operations at rates based upon the estimated useful life of each depreciable asset. The following rates apply to those assets being amortized on the straight-line method:

	Residual value	Useful Life
Buildings	—	15 – 20 years
Drilling equipment	0 – 15%	5 – 15 years
Automotive and off-road equipment	0 – 10%	5 – 10 years
Other	—	5 – 15 years

Costs for repairs and maintenance are charged to operations as incurred. Significant improvements are capitalized and amortized over the useful life of the asset.

Goodwill

Goodwill is accounted for at cost and is amortized using the straight-line method over a period of 25 years. The amortization period of 25 years is based on management's evaluation of the estimated economic life of the goodwill and the proper matching of costs against revenues. Management periodically evaluates the carrying value of the goodwill to determine if a permanent impairment has occurred. Management's evaluation is based upon a comparison of the discounted expected future operating cash flows with the unamortized value of goodwill. Based on its evaluation, management does not believe that goodwill is impaired.

Future income taxes

The Company has adopted the liability method for corporate income taxes. This method takes a balance sheet approach and focuses on the amount of income taxes payable or receivable that will arise if an asset is realized or a liability is settled for its carrying amount. These assets and liabilities, referred to as "future income tax assets and liabilities", are computed based on differences between the carrying amount of balance sheet items and their corresponding tax values using the enacted income tax rate in effect at the balance sheet date. The Company's primary differences arise between capital cost allowance claimed and amortization charged, inventory allowances claimed for tax purposes by foreign subsidiaries, and the tax benefit of recoverable non-capital losses carried forward.

Translation of foreign currencies

All amounts are represented in Canadian dollars. The financial statements include companies that have operations in the United States and Australia, which are classified as self-sustaining foreign operations. The assets and liabilities of self-sustaining foreign operations are translated at the exchange rate in effect at the balance sheet date. Revenue and expense items of such operations are translated at average rates of exchange for the year. The resulting foreign currency translation gain or loss is reported as a separate component of shareholders' equity.

Latin American subsidiaries, except for those mentioned below, are classified as integrated foreign operations. The financial statements of integrated foreign operations are translated as follows: monetary items are translated at the rate of exchange in effect at the balance sheet date; non-monetary items are translated at historical rates; revenue and expense items are translated at the average rate of exchange for the year; and depreciation is translated at historical rates. Gains or losses resulting from these translations are accounted for in operations.

As a result of changes in the economic performance of certain Latin American subsidiaries, it was determined effective May 1, 1999 that Major Drilling de Mexico, S.A. de C.V., Majortec Perforaciones S.A., and Major Peru S.A. commenced operating as self-sustaining foreign operations. Accordingly, the accounts of these subsidiaries have been translated using the method outlined above for self-sustaining operations. This change in the method of translation has been applied prospectively and the resulting translation gains (losses) have been recorded as a separate component of shareholders' equity.

Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

3. BUSINESS ACQUISITIONS

Effective August 1, 1999, the Company acquired the shares of Benoit Diamond Drilling Ltd. (Tanzania), formerly the Tanzanian subsidiary of Canadian-based Forage a Diamant Benoit Ltee.

The purchase price was $1,590 paid in cash. In addition, the Company incurred $68 in costs relating to the acquisition. The acquisition was accounted for using the purchase method of accounting and the results of operations were consolidated from August 1, 1999. Total assets acquired at fair market value were as follows:

Assets acquired:	
Inventory	$506
Capital assets	1,152
Total assets	$1,658
Consideration:	
Cash	$1,658

4. CAPITAL ASSETS

			2000			1999
	Cost	Accumulated Amortization	Net value	Cost	Accumulated Amortization	Net value
Land	$1,430	$-	$1,430	$1,468	$-	$1,468
Buildings	7,242	802	6,440	6,733	815	5,918
Drilling equipment	72,093	22,411	49,682	70,369	17,798	52,571
Automotive and off-road equipment	18,735	9,847	8,888	19,186	8,463	10,723
Other	9,790	4,699	5,091	7,650	2,473	5,177
	$109,290	$37,759	$71,531	$105,406	$29,549	$75,857

5. LONG-TERM INVESTMENTS

Long-term investments at April 30, 2000 include the Company's investment of $7,919 (1999 – $7,142) in Ausdrill Limited accounted for using the cost method. The Company owns 13,861,857 shares (1999 – 10,287,731) of Ausdrill representing an ownership percentage of 18% (1999 – 13.5%). These shares have a quoted market value of $3,412 (1999 – $5,000) as at April 30, 2000. Management is of the opinion that the quoted market value is not indicative of a permanent decline in value.

6. GOODWILL AND OTHER

Goodwill is related to the acquisition of a subsidiary. The unamortized balance at April 30, 2000 is $1,826 (1999 – $1,901).

During fiscal 1999, the Company made a loan to a company controlled by the President and Chief Executive Officer of which $1,735 (1999 – $1,598) including interest was outstanding at April 30, 2000. The loan is repayable on demand, bears interest at 1.5% over the prime rate and is secured by a personal guarantee and by general security agreements signed by both the President and the company. In April 2000, the Company entered into an agreement with the company controlled by the President to purchase a building for $850, financed by assuming a mortgage on the building of $360, a cash payment of $240 and the remaining balance being applied to interest on the loan. The Company had previously rented this building for use as its head office.

7. DEMAND CREDIT FACILITIES

The Company has credit facilities available of $17,500 bearing interest at the bank's prime lending rate or the bankers' acceptance rate plus 1.125%. The demand loans are primarily secured by fixed and floating charges on selected Canadian capital assets, a general assignment of book debts, inventory, corporate guarantees of companies within the group and a letter of undertaking agreeing not to assign or pledge the Company's shares in Ausdrill. The demand loans in Australia are secured by Australian accounts receivable, and selected land and buildings in Australia. The discontinued operations have drawn $4,506 (1999 – $4,774) of these demand credit facilities.

8. LONG-TERM DEBT

	2000	1999
Revolving acquisition loan (authorized $28,000), maturing every 366 days, renewable annually, bearing interest at the lower of the bank's prime rate plus 0.5% or the bankers' acceptance rate plus 1.625%, secured by the shares of two wholly-owned subsidiaries. This loan can be converted to term debt at the Company's option, repayable over up to five years.	**$28,000**	$23,000
Term loans, bearing interest at rates ranging from prime rate plus 0.5% to 9%, payable in monthly installments of $9, maturing through 2013, secured by capital assets.	**1,125**	1,605
Term loans – US$492 (1999 – US$626), with interest at rates ranging from 9.6% to 10.5%, payable in monthly installments of US$18, secured by equipment, maturing through 2005.	**728**	917
Term loan – US$292 (1999 – US$345), payable in monthly installments of US$7 including principal and interest at prime plus 1%, secured by deeds of trust and security agreements, maturing in 2005.	**432**	504
Term loans – A$2,896, payable in monthly installments of A$243 interest included at rates ranging from 6.9% to 12.2%, secured by mortgage debentures over land, buildings and other assets, maturing in 2003.	**2,501**	5,543
	32,786	31,569
Current portion	**2,148**	3,666
	$30,638	$27,903

The above loans are secured by various debentures and mortgages, which are based on certain covenants primarily relating to the financial position of the Company. The security for the debentures and mortgages include fixed and floating charges against the assets, assignments of book debts, section 427 of the Bank Act (Canada) security on inventories, life insurance proceeds and a pledge of common shares of a subsidiary. The required annual principal repayments on long-term debt are as follows:

2001	$2,148
2002	1,086
2003	356
2004	187
2005	111
Thereafter	28,898
	$32,786

9. SHARE CAPITAL

Authorized

Unlimited number of common shares, without nominal or par value.

	2000	1999
Issued and fully paid		
11,040,073 common shares	**$83,323**	$83,323

Common shares

During 1999, the Company repurchased 779,000 of its common shares on the open market. The excess of the stated capital of the shares repurchased over the cost of repurchase was credited to contributed surplus.

The capital stock of the Company is shown net of issue costs and underwriters' commissions of $3,080 (net of income tax benefit of $2,439).

Stock options - employees and directors

The Company has issued stock options under its employee incentive compensation plan. Issuance of options under the plan is determined annually by the compensation committee appointed by the Company's board of directors. A summary of the status of the Company's stock option plan as at April 30, 2000 and 1999 and of changes during the years ending on those dates is presented below:

	2000		1999	
	Number of Options	Weighted Average Exercise price	Number of Options	Weighted Average Exercise price
Outstanding at beginning of year	515,617	$10.83	331,217	$13.75
Options granted	327,500	$5.55	184,400	$5.60
Options cancelled	(45,400)	$9.67	–	–
Outstanding at end of year	797,717	$8.73	515,617	$10.83

The following table summarizes information on stock options outstanding at April 30, 2000:

Range of Exercise Prices	Outstanding at April 30, 2000	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Exercisable at April 30, 2000	Weighted Average Exercise Price
$3.28 – $10.00	624,267	8.0	$5.89	360,467	$6.18
$18.65 – $26.50	173,450	3.2	$18.96	173,450	$18.96
	797,717	7.0	$8.73	533,917	$10.33

10. ADDITIONAL INFORMATION TO THE STATEMENTS OF CASH FLOWS

Changes in non-cash operating working capital

	2000	1999
Accounts receivable	($880)	$8,004
Inventories	(1,307)	817
Accounts payable and accrued charges	2,127	(7,099)
Income taxes	252	(5,725)
Other items	(196)	342
	($4)	($3,661)

Interest and income taxes paid

	2000	1999
Interest paid	$2,340	$1,604
Income taxes paid	$416	$6,750

11. DISCONTINUED OPERATIONS

In April 1999, the Company made the decision to sell the UDR group of companies. UDR conducts two main businesses: the manufacturing of drill rigs and the distribution of supplies to the mining and drilling industries. At the same time, the Company decided to close down its operations in Brazil due to unfavorable market conditions in that country. For the year ended April 30, 1999, the loss from operations of the discontinued operations amounted to $5,697 (net of income tax benefit of $475). At that time, management estimated its loss on disposal subsequent to the measurement date to be $10,397 (net of income tax benefit of $2,336) consisting of a provision for ongoing operations pending disposition and transaction costs. Brazil has been closed and efforts to sell UDR are ongoing. Management expects to sell UDR within the next 12 months.

Revenues for UDR, net of intercompany revenue, were $16,392 for the fiscal year ended April 30, 2000, and $17,400 for the year ended April 30, 1999. For the operation in Brazil, revenues were $212 for the fiscal year ended April 30, 2000, and $200 for the year ended April 30, 1999. The assets and liabilities of the discontinued operations have been segregated on the consolidated balance sheet.

12. CONTINGENCIES

The Minister of Revenue for the Province of Quebec has issued a reassessment for $855 including interest relating to the reasonableness of management fees paid by a predecessor company to a related party for the years 1987, 1988 and 1989. Management is appealing this reassessment and no liability has been recorded. The Minister of Revenue is withholding a $208 tax refund until such time as the dispute is settled. It is not possible at this time to determine the amount of taxes, if any, that may become payable.

The Company is involved in various legal claims and legal notices arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these other matters will not have a material adverse effect on the Company's financial position, results of operations, or cash flows. Any amounts awarded as a result of these actions will be reflected in the year settled.

13. COMMITMENTS

The Company is committed to two lease agreements with a company controlled by the President and Chief Executive Officer to pay annual rents of $49 and $47 until the years 2000 and 2002, respectively. The Company also entered into an agreement with a company controlled by the President and Chief Executive Officer to purchase the head office building at which time the annual lease agreement of $49 will be terminated (see note 6). The Company also has various commitments, primarily for rental of premises, with arms-length parties as follows: 2001 – $811, 2002 – $415, 2003 – $268, 2004 – $205, 2005 – $90.

14. INCOME TAXES

Income taxes vary from the amount that would be determined by applying the combined statutory Canadian corporate income tax rate to earnings from continuing operations before income taxes, with details as follows:

	2000	1999
(Loss) earnings from continuing operations before income taxes	($1,035)	$3,485
Statutory Canadian corporate income tax rate	44%	44%
Expected income taxes based on statutory rate	($455)	$1,533
Non-recognition of tax benefits related to foreign subsidiaries' losses	679	382
Recovery of income taxes arising from the recognition of previously unrecorded tax benefits	(1,661)	–
Lower effective foreign tax rates and other	596	(360)
Total income tax provision (recovery)	**($841)**	**$1,555**

15. EARNINGS (LOSS) PER SHARE

Fully diluted earnings (loss) per share

Fully diluted earnings (loss) per share figures for fiscal 2000 and 1999 were not disclosed since the exercise of stock options would have been anti-dilutive.

16. FINANCIAL INSTRUMENTS

Recognized financial instruments

The carrying values of cash, temporary investments, accounts receivable and accounts payable approximate their fair value due to the relatively short period to maturity of the instruments. The book value of long-term debt approximates its fair market value. The fair market value was established using discounted cash flow analysis, based on current borrowing rates for similar types of financing arrangements.

Concentration of credit risk

The Company provides credit to its customers in the normal course of its operations. It carries out, on a continuing basis, credit checks on its customers and maintains provisions for contingent credit losses. The Company also minimizes its credit risk by dealing with a large number of customers in various countries. The Company has one customer which represents greater than 10% of its revenues. The five largest customers account for 38% of the total revenues.

Currency risk

A significant portion of the Company's operations are located outside of Canada. In several countries, foreign currency exposure is minimized by operating as a self-sustaining operation. The Company manages its risk of large foreign currency fluctuations in developing countries by conducting business primarily in US dollars. Monetary assets denominated in foreign currencies are exposed to foreign currency fluctuations.

Interest rate risk

The long-term debt of the Company generally bears a floating rate of interest which exposes the Company to interest rate fluctuations. The Company has mitigated this risk through utilization of a $9,000 interest rate swap fixed at 6.4% which matures in 2003.

17. SEGMENTED INFORMATION

The services provided in each of the reportable segments are essentially the same. The Company's operations are divided into three geographic segments. The reportable geographic segments are Canada-US, Latin America, and Australia and other. The accounting policies of the segments are the same as those described in note 2. Management evaluates performance based on profit or loss from operations in these three segments before interest and income taxes. Presented below is data relating to each of the Company's reportable geographic segments.

	2000	1999
Revenues		
Canada-US	$43,491	$57,588
Latin America	35,167	30,790
Australia and other	29,588	42,442
	$108,246	$130,820
(Loss) earnings from continuing operations		
Canada-US	$4,696	$7,282
Latin America	(59)	(205)
Australia and other	699	3,297
	5,336	10,374
Eliminations	(98)	(883)
	5,238	9,491
Interest expense, net	(2,181)	(1,604)
General corporate expenses	(4,092)	(4,402)
Income taxes	841	(1,555)
(Loss) earnings from continuing operations	($194)	$1,930
Identifiable assets		
Canada-US	$43,833	$51,789
Latin America	53,108	48,294
Australia and other	29,897	29,779
	126,838	129,862
Eliminations	(3,173)	(3,855)
Unallocated and corporate assets	19,200	22,531
Assets of discontinued operations	16,055	22,443
	$158,920	$170,981

These financial statements include revenues in 2000 of $37,155 (1999 – $50,487) for Canadian operations and capital assets and goodwill as at April 30, 2000 of $27,324 and $1,819, respectively (1999 – $27,754 and $1,901).

SHAREHOLDER INFORMATION

DIRECTORS

H. Lawrence Doane
David A. Fennell
Ronald J. Goguen
Jonathan Goodman
John D. Harvey
Frank McKenna
John H. Schiavi
Harry R. Steele
David B. Tennant

TRANSFER AGENT

CIBC Mellon Trust Company

AUDITORS

Deloitte & Touche, LLP
Halifax, Nova Scotia

HEAD OFFICE

Major Drilling Group International Inc.
111 St. George Street, Suite 200
Moncton, New Brunswick, Canada E1C 1T7
Tel: 506-857-8636 Fax: 506-857-9211
Web site: www.majordrilling.com

OFFICERS

Ronald J. Goguen
President and
Chief Executive Officer

Paul E. Légère
Executive Vice-President

Michael A. Pavey
Chief Financial Officer

Robert H. Morgan
Vice-President of Operations

James A. Gibson
General Counsel and Secretary

ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders of Major Drilling Group International Inc. will be held at:

Château Moncton
Moncton, New Brunswick
September 11, 2000 at 3:00 pm

WORLDWIDE OPERATIONS OF MAJOR DRILLING GROUP INTERNATIONAL INC.

CANADIAN OPERATIONS

Forage Major Ideal Drilling
Beresford, NB
Tel.: 506-542-9876
Fax: 506-542-4442

Forage Major Ideal Drilling (Nfld) Ltd.
Bishops Falls, NF
Tel.: 709-258-5144
Fax: 709-258-5207

Forage Major Kennebec Drilling Ltd.
Thetford Mines, QC
Tel.: 418-338-3141
Fax: 418-335-2894

Forage Major Dominik Drilling
Val d'Or, QC
Tel.: 819-824-6839
Fax: 819-824-4217

Forage Major Dominik Drilling
Timmins, ON
Tel.: 705-235-4545
Fax: 705-235-4612

Major Directional Drilling
Timmins, ON
Tel.: 705-235-2335
Fax: 705-235-4612

Major Drilling Group International Inc. (Purchasing Dept.)
North Bay, ON
Tel.: 705-472-5271
Fax: 705-472-5752

Major Midwest Drilling
Winnipeg, MB
Tel.: 204-885-7532
Fax: 204-888-4767

Major Midwest Drilling
Flin Flon, MB
Tel.: 204-687-3483
Fax: 204-687-5739

Major Midwest Drilling
Thompson, MB
Tel.: 204-677-3260
Fax: 204-677-9852

Major Drilling (formerly J.T. Thomas Diamond Drilling (1980) Ltd.)
Smithers, BC
Tel.: 250-847-4361
Fax: 250-847-5039

Major Drilling
Yellowknife, NT
Tel.: 867-873-4037
Fax: 867-873-6803

UNITED STATES OPERATIONS

Major Alaska Drilling Inc.
North Pole, AK
Tel.: 907-488-9805
Fax: 907-488-9806

Maine Diamond Drilling Inc.
Ashland, ME
Tel.: 207-435-4202
Fax: 207-435-6400

PC Exploration Inc.
Rocklin, CA
Tel.: 916-434-4200
Fax: 916-434-4206

BARBADOS OPERATIONS

Major Drilling International Inc.
Hasting, Christ Church
Barbados West Indies
Tel.: 246-228-6141
Fax: 246-228-6141

MEXICAN OPERATIONS

Major Drilling de Mexico, S.A. de C.V.
Hermosillo, Sonora, Mexico
Tel.: 52-62-51-02-65
Fax: 52-62-51-02-62

Major Drilling de Mexico, S.A. de C.V.
Iguala, Guerrero, Mexico
Tel.: 52-733-3-02-44 or
52-733-3-04-61

SOUTH AMERICAN OPERATIONS

Majortec Perforaciones S.A.
Puerto Ordaz, Venezuela
Tel.: 58-86-22-22-97
Fax: 58-86-23-45-94

Major Peru S.A.
Lima, Peru
Tel.: 511-326-1389
Fax: 511-326-1494

Major Perforaciones S.A.
Mendoza, Argentina
Tel.: 54-261-4810-162
Fax: 54-261-4811-884

Major Drilling Guyana Limited
OFFICE SITUATED IN FRENCH GUIANA

Forage Major Guyane SARL
Cayenne, French Guiana
Tel.: 594-35-28-26
Fax: 594-35-38-16

Major Drilling Chile S.A.
Coquimbo, Chile
Tel.: 56-51-241-815
Fax: 56-51-241-593

Major Uruguay Perforaciones S.A.
OFFICE SITUATED IN ARGENTINA

CENTRAL AMERICAN OPERATIONS

Major Drilling Honduras, S.A.
Tegucigalpa, MDC
Honduras
Tel.: 504-236-6935
Fax: 504-236-5888

Costa Rica
OFFICE SITUATED IN HONDURAS

Major Perforaciones Nicaraguenses, S.A.
OFFICE SITUATED IN HONDURAS

Dominican Republic
OFFICE SITUATED IN MEXICO

AUSTRALIAN OPERATIONS

Major Pontil Pty Limited
Dubbo, NSW, Australia
Tel.: 61-2-6884-2722
Fax: 61-2-6884-2697

Major Pontil Pty Limited
Mt Isa, QLD, Australia
Tel.: 61-7-4743-0218
Fax: 61-7-4743-8586

Major Pontil Pty Limited
Kambalda, WA, Australia
Tel.: 61-8-9027-0170
Fax: 61-8-9027-0171

Major Pontil Pty Limited
Cobar, NSW, Australia
Tel.: 61-2-6836-3622
Fax: 61-2-6836-1304

AFRICAN OPERATIONS

Major Drilling Tanzania Limited
Mwanza, Tanzania
Tel.: 255-28-560207
Fax: 255-28-561395

EUROPEAN OPERATIONS

Italy

Spain

Turkey

Portugal

OTHER OPERATIONS

Greenland
OFFICE SITUATED IN WINNIPEG, MB

PT Pontil Indonesia
Jakarta, Indonesia
Tel.: 62-21-845-5887
Fax: 62-21-845-5886

CORPORATE OFFICES: 111 ST. GEORGE STREET, SUITE 200
MONCTON, NB CANADA E1C 1T7

TEL.: 506-857-8636 FAX: 506-857-9211
WEB SITE: www.majordrilling.com