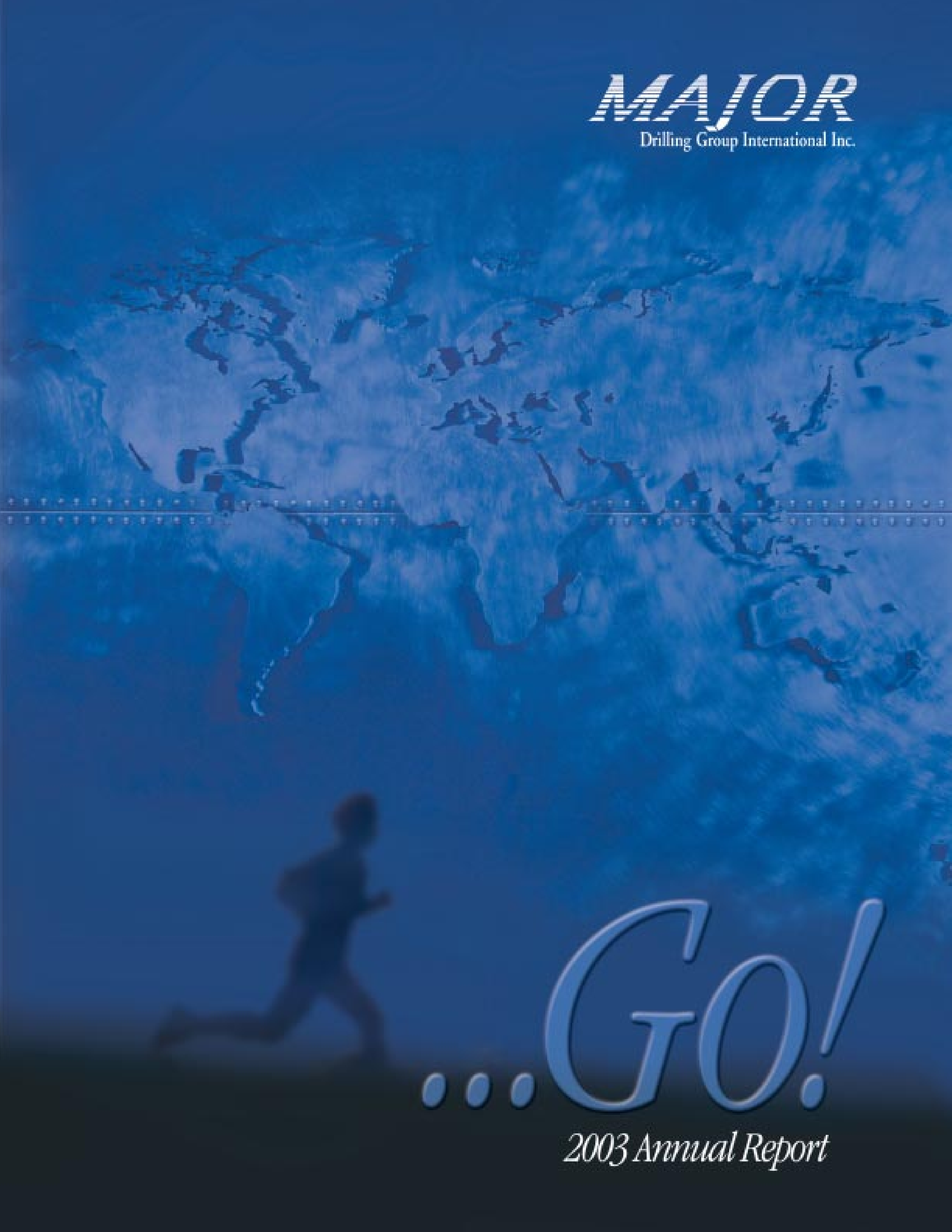
MAJOR
Drilling Group International Inc.

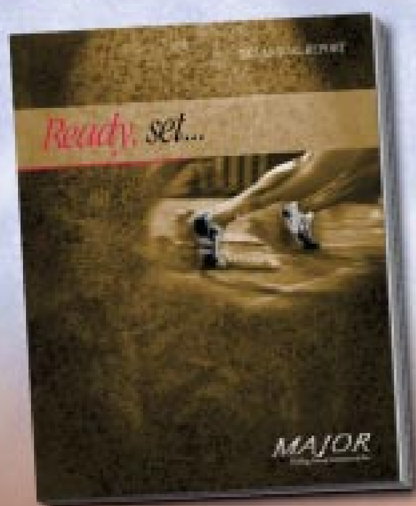


...Go!

2003 Annual Report

Corporate Profile

- ***READY*** *for the general recovery in the sector*
- ***SET*** *to maximize our participation in the mining upturn*
- ***GO!*** *Moving into fiscal 2004 with a positive outlook*



By consistently delivering the highest quality work in some of the world's harshest environments, Major Drilling Group International Inc. has become one of the world's largest contract drilling companies servicing the metals and minerals sector. With 31 field operations and/or offices in 16 countries around the globe, Major Drilling serves primarily the mining industry but also offers environmental and geotechnical contract drilling services.

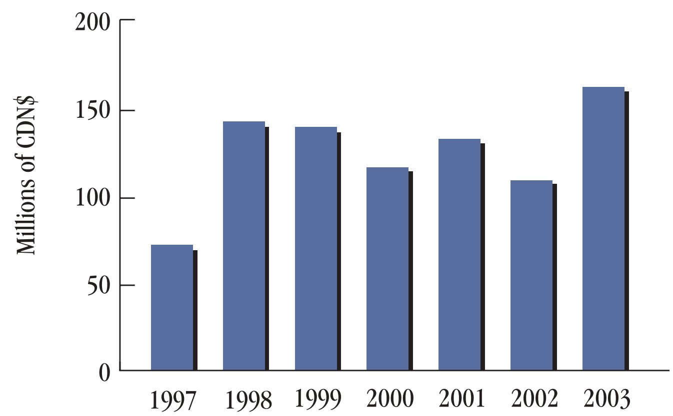
Building the rigs of the future, Universal Drill Rigs (UDR), a Major Drilling subsidiary, is a recognized leader in the design and manufacture of state-of-the-art drill rigs and safety-related peripheral equipment.

Major Drilling is well positioned to capitalize on the sector recovery with an efficient cost structure and strong relationships with senior and junior mining companies. The Company will continue to deploy specialized and innovative solutions to the mining industry's most complex and challenging drilling requirements.

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

Table of *Contents*

Revenues



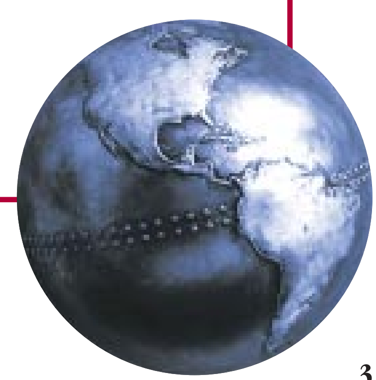
Achievements

- **Highest annual revenues in the Company's history, increasing by 49% from FY02 to $162.2 million in FY03.**
- 2003 G&A up only 5.4% ($21.4 million compared to $20.3 million) on revenue increase of 49%. G&A as a percentage of sales – 13.2% in 2003 compared to 18.6% in 2002.
- August 2002 – Major Drilling entered into a contract with Ivanhoe Mines to supply exploration drilling services at Ivanhoe's Turquoise Hill (Oyu Tolgoi) gold and copper discovery in southern Mongolia.
- February 2003 - The Company was awarded a five-year contract at P. T. Freeport Indonesia's Grasberg mine, located in the Indonesian province of Papua, to conduct all surface and underground exploration drilling.

Financial Highlights

(in millions, except earnings per share)	FY03	FY02
Revenue	$162.2	$109.1
Net earnings (loss)	$2.5	$(9.9)
Earnings per share	$0.16	$(0.91)
EBITDA from continuing operations*	$15.8	$2.6

**Earnings before interest, taxes, depreciation and amortization, and write down of investment & goodwill*



MAJOR
Drilling Group International Inc.

Message to Shareholders

Major Drilling's 2003 fiscal year has been marked by a significant turnaround in the mineral drilling industry. The Company began to build momentum in its second quarter, and generated record revenues in its fourth quarter, enabling it to end the year with the highest level of annual revenues in its history. This revenue growth has been primarily driven by increased gold exploration, prompted by higher gold prices. Heading into fiscal 2003, the past few years had been extremely difficult for the mining sector due to low prices for both gold and base metal commodities, two key drivers of Major Drilling's business. This year, however, gold prices remained well above the important US$300 benchmark at which senior mining companies become more active on the exploration front. Also, during the year, gold prices have risen to a level where junior mining companies have begun to have more success obtaining funding for greenfield exploration.

Another factor that both facilitated growth and increased our confidence in the future is that gold reserve replacement has been identified as a significant challenge by several of the senior gold mining companies. Many have already made significant commitments to increase exploration and further develop existing projects.

Base metal prices, which drive the other half of our business, have remained relatively stagnant during the year, following an initial recovery from 15-year lows in the fall of 2001. This has affected markets such as Canada and Chile, which have a higher exposure to base metals. Revenue growth in these countries has been slower and margins continue to lag. Anticipated strengthening of base metal prices over the next 12 to 24 months should further increase demand for drilling services and facilitate improved margin performance in base metal dependant markets.

Message to Shareholders

This year has been marked by several events, which have contributed to the success of the Company:

- In August 2002, Major Drilling began its contract with Ivanhoe Mines in Mongolia.
- In February 2003, P.T. Freeport Indonesia, a subsidiary of Freeport-McMoRan Copper & Gold Inc., awarded Major Drilling a five-year contract for all underground and surface exploration drilling at its Grasberg mine in Indonesia.
- In Australia, stricter safety regulations imposed on drilling contractors, by both State Government authorities and clients, has allowed the Company to differentiate itself from many of its competitors, as a result of our well-developed in-house safety policies and procedures, which are constantly monitored and reinforced in the workplace.
- The same safety regulations created increased demand at UDR, our manufacturing group, which has been expanding its range of safety products.

This year's performance reflects management's commitment to the key elements of the Company's strategy:
(i) to dominate specialized services,
(ii) to expand our market share in underground drilling, and
(iii) to utilize our existing capacity in traditional drilling.

As expected, the provision of specialized services has provided the greatest revenue growth, with Major Drilling capitalizing on its competitive advantages of specialized equipment, skilled personnel and global reach.

In underground drilling, we have been able to increase our revenues during the year with the expansion of existing contracts in Australia and Indonesia.

As the mining cycle improves, revenues from traditional drilling should increase as junior mining companies, in response to improved commodity pricing, enjoy expanded access to capital.

As a participant in a cyclical industry, Major Drilling's long-term goals must be to grow and maximize profitability through the up cycle, while reducing long-term debt and developing a modern cost-efficient fleet. In fiscal 2003, we began this modernization in earnest, focusing initially on expanding specialized services in Australasia. This has produced immediate results. We have also substantially upgraded our fleet in South and Central America. In the coming year, we will focus on North America, where capital investments will improve productivity.

I want to extend my sincere appreciation to our more than 1,300 employees who have worked hard through a long and difficult downturn, allowing the Company to generate the results we are now beginning to see.

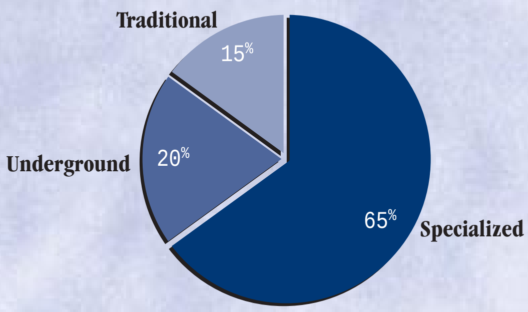
In last year's report, I committed that your Company was ***Ready*** and ***Set*** to take advantage of the sector recovery. This year, my message is ... ***GO!***

Francis P. McGuire
President & Chief Executive Officer

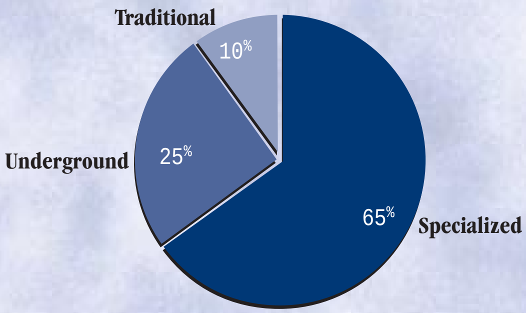
Report on *Operations*

Major Drilling has grown to become the drilling contractor of choice to many of the world's largest mining companies through a focus on service and responsiveness to their drilling needs around the globe. The Company has been able to achieve this by virtue of experienced and skilled personnel, and a diverse fleet of equipment.

Drilling Revenue FY03



FY02



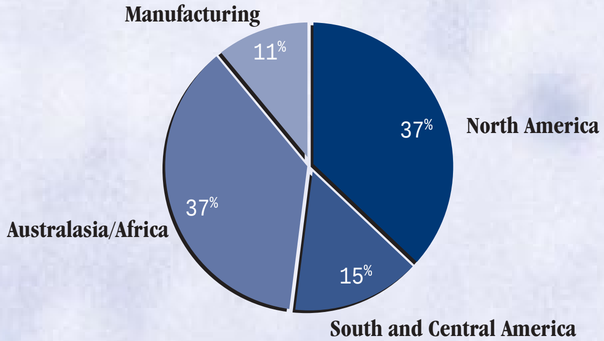
In recent years, the Company has focused on three key initiatives:

Dominating specialized drilling services, such as deep-hole drilling, directional drilling and mobilizations to remote locations and to high altitudes. This segment of the business, which has the greatest growth potential, allows Major Drilling to exploit its primary competitive advantages – specialized equipment, skilled personnel and global reach, all significant barriers to entry for smaller locally based firms. This year's increase in revenues is reflective of this strategy, as most of our significant new contracts are of a specialized nature.

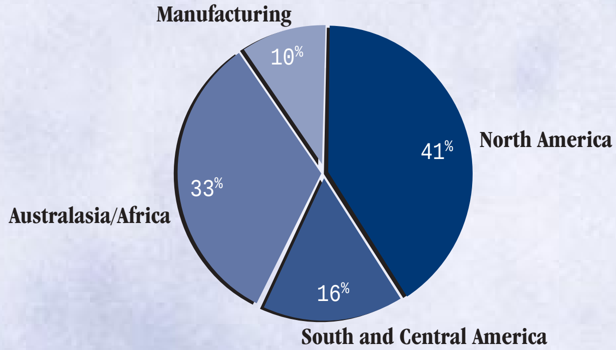
Expanding our market share of underground drilling for both definition and development drilling. Underground drilling contracts are typically of longer duration than surface drilling contracts, providing more stability to the Company's revenue stream. This year, we expanded our Indonesian underground drilling at P.T. Freeport Indonesia's Grasberg mine, by signing a 5-year contract for all underground and surface drilling. This contract has more than doubled our Indonesian revenues.

Utilizing our capacity in traditional drilling, which is primarily focused on surface exploration. This business segment is typically the most affected by industry downturns and upturns, since a large component is related to grass-roots exploration. Therefore, it offers significant operational leverage as the sector recovers. Although traditional drilling revenues increased this year, this part of the business continues to lag.

Revenue Distribution FY03

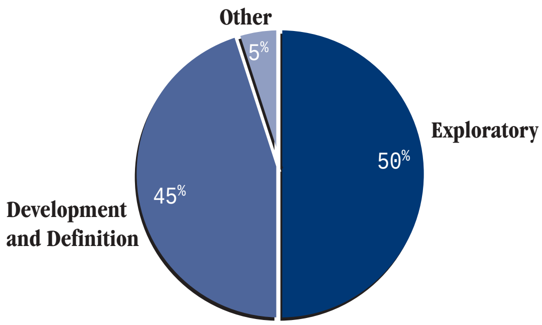


FY02

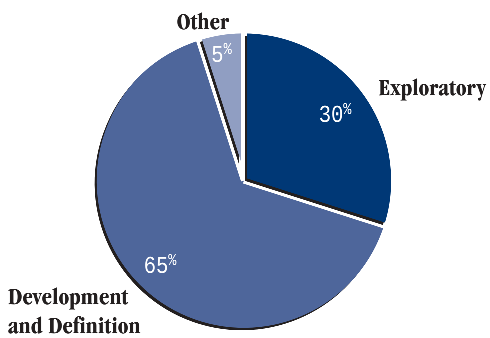


Mining companies typically progress through several drilling phases in bringing an ore body into production – from exploratory drilling to discover new deposits, to development and definition drilling at operating mines to define ore bodies and expand reserves.

Drilling Revenue Distribution
FY03



FY02

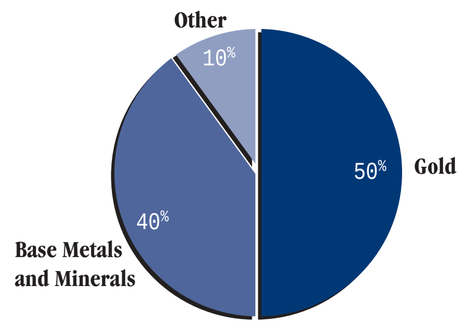


Through these phases, the most common non-production drilling methods are reverse circulation drilling and diamond drilling.

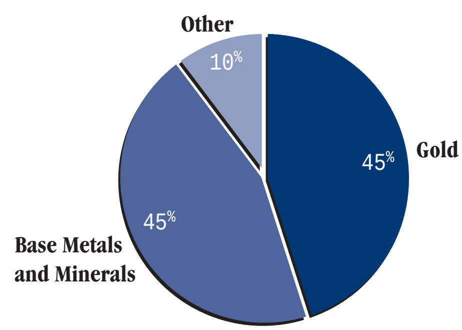
Reverse circulation drilling is employed in both the exploratory and development drilling phases. It is ideal for environments where the rock formations are either heavily oxidized or highly fractured and where water supplies are limited. This method of drilling uses a down-hole hammer driven by high-pressure air to break the rock into chips, which are then circulated through the dual-wall drill pipe back to the surface for collection and analysis.

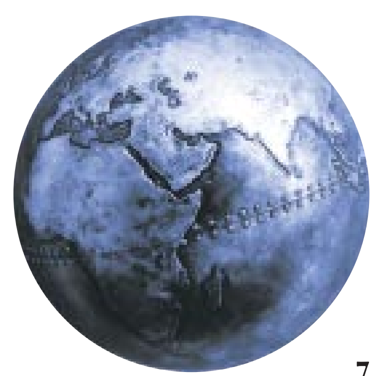
Diamond drilling enables the drilling team to collect a continuous core sample that is then analyzed to determine mineral content at precise locations. This method, which is the most accurate form of sampling, is employed extensively around the world and can be used both on the surface and in underground mines. Unlike reverse circulation, the diamond drilling method requires a constant flow of water to lubricate the drill bit, which can be difficult to supply at high altitudes, in desert environments or in fractured rock formations.

Drilling Revenue by Commodity
FY03



FY02





Our Customers

Major Drilling provides drilling services to many of the large multinational mining companies who have operations located on several continents. These customers include significant names in the mining sector such as Barrick, BHP, Freeport-McMoRan, Goldcorp, Inco, Ivanhoe, and Noranda.

Australasia and Africa

Australasia and Africa includes operations in Australia, New Zealand, Indonesia, Mongolia and Tanzania. This region produced the greatest revenue growth for the Company this year, with revenue increasing by 68% to $60.0 million from $35.7 million last year. Three factors contributed materially to this growth:

- In fiscal 2003, continental Australia's market conditions remained very positive, and with the Company adding extra capacity in the region, revenues substantially increased. On the gold side, activity was mostly concentrated with established mining companies. In addition to gold-related activity, growth also came from certain sizeable base metal projects. Australia's mine safety standards are among the most rigorous in the world, and Major Drilling's programs and safety products have further allowed it to differentiate itself from the competition.

bhpbilliton

- In August 2002, the Company commenced operations in Mongolia when it took over the majority of the drilling at Ivanhoe's Turquoise Hill project. Since this original contract, operations have nearly doubled. Major Drilling used its combination rigs and expertise in deep-hole drilling, coupled with a knowledge of operating in Arctic conditions, to meet the customer's needs.

IVANHOE MINES

- In February 2003, the Company was awarded a five-year contract for all surface and underground exploration drilling to be conducted at P.T. Freeport Indonesia's Grasberg mine, which has more than doubled Major's Indonesian revenues while providing stability to the revenue stream. The Company also acquired drilling equipment compatible with its existing underground fleet.

With a focus on specialized drilling projects, margins improved in this region in fiscal 2003, and this improvement is expected to continue. The Company intends to expand its fleet in this region.

The outlook for Australasia and Africa remains very positive as the annualized impact of the Mongolian and Indonesian contracts will not be fully realized until February of 2004.

P. T. FREEPORT INDONESIA
Affiliate of Freeport-McMoRan Copper & Gold

North America

North American revenues were $59.4 million in fiscal 2003, compared to $45.5 million last year. Although this represents an increase of over 30% in volume, this region experienced the slowest growth of all geographic sectors.

FNX MINING COMPANY INC.

With continuing competitive pressures in the region, margins remain a challenge, although there has been an improvement over last year's performance. In Canada, more than half of the Company's revenues are derived from traditional and underground drilling in or around established mining camps. Traditional drilling is typically not technically challenging, and there is generally surplus drilling capacity in the area, which results in increased price competition and depressed margins. On the underground side of the business, with longer-term contracts, low-margin contracts obtained during the downturn of the industry continue to impact overall margins. It is expected that margin performance will improve through the latter half of fiscal 2004 as rising base metal prices lead to increased demand for drilling.

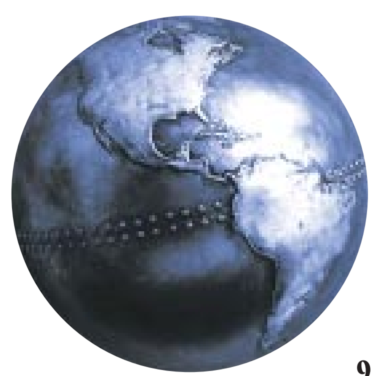
noranda

Major Drilling is committed to improving margin performance in this region and is not prepared to rely solely on an improved pricing regime to achieve this. The Company has implemented initiatives to reduce costs and rationalize operations, recently closing down one of its three maintenance facilities. This geographic region has also experienced lower productivity due to downtime and repair costs associated with older equipment. Major Drilling will be focusing a large proportion of its capital expenditures over the next two years to modernize and standardize its Canadian fleet, which should further contribute to improved margin performance in the latter half of fiscal 2004.

Inco

Major Drilling continues to focus its marketing efforts on its specialized services. The remote locations that typically require specialized drilling, logistics, and mobilizations are areas of future growth in North America.

goldcorp inc.



South and Central America

South and Central American operations have recovered from last year's low activity levels, posting revenues of $25.1 million compared to $17.4 million last year, a 44% increase. Venezuelan, Mexican and French Guiana markets improved as strengthening gold prices had a substantial impact on drilling activity in this region.

In Chile, the country's mining industry is heavily tied to copper prices, and therefore market conditions continue to remain very competitive. In response, the Company has reduced its dependence on expatriate drillers and focused its efforts on training and hiring local drillers. With skilled labour becoming an issue around the world as volume grows, the Company sees Chile as key in developing skilled personnel who can then be deployed, initially to other countries in South and Central America, and eventually to other regions around the world. Also, during the year, the Company invested additional capital to rebuild and modernize its fleet, including safety-related peripheral equipment, thereby both increasing productivity and enhancing safety.

ARIANEGOLD

While the Company had made the decision to reduce its operations in Argentina due to the financial crisis in that country, it successfully operated a few contracts for senior gold mining companies.

With gold prices remaining at acceptable levels, the Company sees excellent potential in countries like Mexico, Venezuela and the Guyana Shield region. These countries can provide strong operational leverage for the Company as the mining sector recovers and junior exploration companies regain access to capital markets to finance their exploration and drilling programs.

Hecla MINING COMPANY

BARRICK

Manufacturing

UDR, the manufacturing division of Major Drilling, is a leader in the manufacture and design of specialized combination drill rigs that are capable of both reverse circulation and diamond core drilling. UDR's combination drill rigs allow a driller to start drilling with the faster, less expensive, reverse circulation drilling method and to switch to the more accurate solid core sample drilling once the target has been reached.

Revenues from manufacturing, after elimination of internal sales, increased by 68% this year to $17.7 million, compared to $10.5 million last year. This is reflective of continued high activity levels in Australasia. As of April 30, 2003, UDR had a six-month backlog for delivery of new combination rigs.

The decision to add specialized ancillary safety equipment to UDR's product line has helped increase sales even further, as Australia has become increasingly stringent on mine safety issues. Products such as rod handlers, rod spinners and breakers are becoming the norm, not only in Australia but in many other regions around the globe.

UDR plays an integral role in the Company's ongoing program to standardize its drill rig fleet and expand its combination drill rig capabilities. This year, the contract drilling segment of the Company added to its capacity in Australasia with the help of UDR, and it will continue to add to its fleet of combination drill rigs, which combined with the safety products, provide a significant competitive advantage.

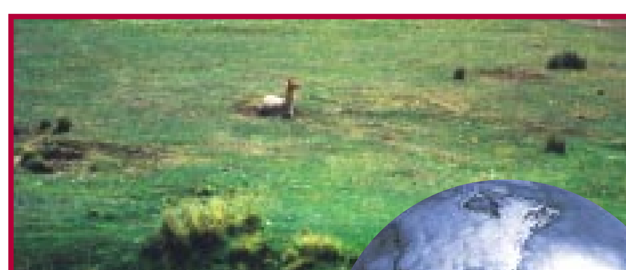
Environment and Safety

Mineral exploration drilling is, by any measure, a physically and technically demanding undertaking. That is why Major Drilling places a premium on the safety and well-being of its employees in the field. Many of our customers review safety performance as part of their pre-qualifying bidding process and Major Drilling is consistently rated as an industry leader.

To achieve and maintain this superior performance, the Company has developed comprehensive safety standards. Major will continue to use these standards to develop effective training programs.

This year, the Company's efforts have been recognized by several organizations. The Canadian Diamond Drilling Association awarded Major Drilling, for the second year in a row, the "George Lemay Safety Award" for the drilling company having the lowest accident frequency rate for surface drilling in Canada. In Chile, Major Drilling, was named by the Chilean Ministry of Labour as one of the top five employers for the Coquimbo region, in recognition of its training initiatives and working conditions. In Australasia, as a result of its safety record and in recognition of its best practices philosophy, the Company has obtained preferred contractor status with several senior mining companies.

Major Drilling is also committed to, and aware of, its obligation to sustain and protect the environment, and is working with the Prospectors & Developers Association of Canada to implement the E3 environmental program, designed specifically for the diamond drilling industry.




HOPE BAY, NWT, CANADA – Specialized drilling in the arctic.
GREENLAND
NORTH POLE, ALASKA
YELLOWKNIFE
THOMPSON
FLIN FLON
WINNIPEG
CHEHALIS, WASHINGTON
VAL D'OR
THETFORD MINES
SUDBURY
BISHOP'S FALLS
MONCTON
ASHLAND, MAINE
ROCKLIN, CALIFORNIA
HERMOSILLO, MEXICO
ROCKLIN, CALIFORNIA – provide customers with environmental and geo- technical drilling services.
DOMINICAN REPUBLIC
DURANTS, BARBADOS
PUERTO ORDAZ, VENEZUELA
MONT JOLY, FRENCH GUIANA
COQUIMBO, CHILE
MENDOZA, ARGENTINA
SANTIAGO, CHILE
COQUIMBO, CHILE – Successfully restructured the operation by training local drillers to replace expatriate drillers and augment global labour pool.
GUYANA SHIELD REGION – Area of renewed growth in response to improved gold prices.

MAJOR
Drilling Group International Inc.

Management's Discussion and Analysis

	2003	2002	2001	2000	1999	1998	1997
	(in thousands of Canadian dollars)						
Revenue by region							
Canada-U.S.	$ 59,360	$ 45,530	$ 51,078	$ 43,491	$ 57,588	$ 59,128	$ 36,377
South and Central America	25,119	17,374	32,289	29,375	23,304	28,546	34,691
Australasia and Africa	60,033	35,738	32,293	29,588	42,442	36,034	-
Manufacturing revenue, net of eliminations	17,656	10,468	14,233	14,128	17,438	22,833	-
Total	**162,168**	**109,110**	**129,893**	**116,582**	**140,772**	**146,541**	**71,068**
Gross profit	**39,571**	**24,348**	**36,208**	**30,113**	**36,552**	**45,861**	**24,942**
Gross profit as a percentage of revenue	24.4%	22.3%	27.9%	25.8%	26.0%	31.3%	35.1%
General and administrative expenses	**21,360**	**20,312**	**21,721**	**26,421**	**26,251**	**25,327**	**11,123**
G & A as a percentage of revenue	13.2%	18.6%	16.7%	22.7%	18.6%	17.3%	15.7%
Earnings (Loss) from continuing operations (before write down of investment and goodwill)	**2,982**	**(7,611)**	**1,483**	**(6,077)**	**(302)**	**8,466**	**5,579**
Write down of investment and goodwill	**-**	**(2,468)**	**(6,928)**	**-**	**-**	**-**	**-**
Net (loss) recovery from discontinued operations	**(450)**	**141**	**(3,823)**	**5,883**	**(13,861)**	**465**	**3,646**
Net earnings (loss)	**2,532**	**(9,938)**	**(9,268)**	**(194)**	**(14,163)**	**8,931**	**9,225**
EBITDA from continuing operations (before write down of investment and goodwill)	**15,760**	**2,555**	**13,625**	**3,767**	**8,343**	**22,481**	**13,450**

Overview

Fiscal 2003 (FY03) showed a marked improvement in the metals and minerals sector, with resurgent gold and firming base metal prices. Gold prices remained well above the important US$300 per ounce benchmark, at which senior mining companies become more active on the exploration front, and have risen to a level where junior mining companies are having more success obtaining funding for greenfield exploration. Gold-related drilling represented about 50% of the Company's drilling revenues in FY03. Prices increased by some 10 per cent for copper and 30 per cent for nickel, from 15-year lows in Fiscal 2002 (FY02), but did not increase sufficiently to induce a substantial increase in base metal-related drilling. Drilling revenue related to base metals represented about 40% of drilling revenues in FY03, down from 45% in FY02.

With the cyclical upturn in the mining sector, the Company experienced a strong improvement in top line performance, with FY03 annual revenue at a record level of $162.2 million, compared to $109.1 million in FY02. All segments of the Company's regional drilling and manufacturing operations participated in this performance with increased revenues and improved profitability. Margin performance, 24.4 per cent in FY03 compared to 22.3 per cent in the previous year, began to gradually improve in the first half of FY03 as drilling activity began to recover. It is expected that margin performance will continue to strengthen as the sector recovery continues.

Revenue

Revenue for FY03 was $162.2 million, up over 48 per cent from $109.1 million last year. Drilling revenue increased over 46 per cent to $144.5 million from $98.6 million in FY02. Revenue from manufacturing also increased significantly, to $17.7 million compared to $10.5 million last year.

Definition and development drilling services at or around operating mines represented about 45 per cent of drilling revenue, compared to 65 per cent last year. Revenue from exploratory drilling increased to 50 per cent from 30 per cent in FY02. Construction and geo-technical drilling contracts provided approximately 5 per cent of drilling revenues in both FY03 and FY02.

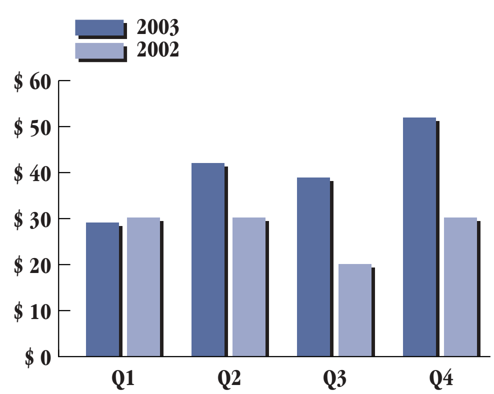
Canada-U.S. drilling revenue increased to $59.4 million compared to $45.5 million last year. The proportion of revenue from exploratory drilling increased to about 51 per cent of drilling revenue in the region, compared to 37 per cent in the previous year. Drilling around operating mines (development and definition drilling) decreased to 37 per cent of revenue in the region, compared to 53 per cent last year. Drilling related to construction and geo-technical activity accounted for 12 per cent of revenue in the region compared to 10 per cent in FY02.

South and Central American revenue increased by $7.7 million to $25.1 million, compared to $17.4 million in the prior year. This improvement can be attributed primarily to certain projects, mainly gold related, awarded in Venezuela, French Guiana, Mexico and Argentina. Exploratory drilling represented about 70 per cent of revenue in the region in FY03 compared to 14 per cent in FY02, while development and definition drilling represented 30 per cent of revenue in FY03 compared to 86 per cent in FY02.

Revenue from drilling in Australasia and Africa increased over 67 per cent to $60.0 million, from $35.7 million in FY02, as a result of the addition of Mongolian operations in August 2002, the significant expansion of the P.T. Freeport Indonesia contract in Indonesia in February 2003, and continuing strong market conditions in continental Australia. Exploratory drilling in the region represented about 39 per cent of revenue for the year compared to 31 per cent last year. Drilling at operating mines provided 61 per cent of revenue in the region compared to 69 per cent in FY02.

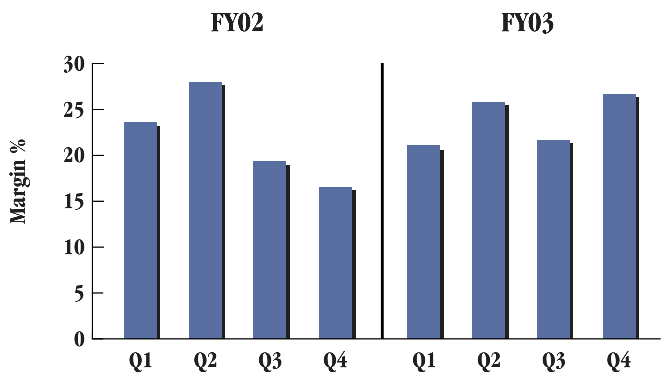
Major Drilling's operations exhibit a seasonal pattern that reflects the current geographic distribution of its operations. The Company's fourth quarter (February to April) is its strongest, as activity increases in Northern and Central Canada where winter roads permit access to remote exploration sites. During this same period of time, South America is in the summer season, which provides the best drilling conditions and the greatest activity levels for high-altitude drilling in that region. The third quarter (November to January) is normally Major Drilling's weakest quarter due to the shutdown of mining and exploration activities for extended periods over the holiday season, particularly in South and Central America. This seasonal pattern was somewhat skewed early in FY03 as the Company began to emerge from the industry downturn.

Quarterly Revenue (million CDN$)



Gross Profit

The Company's FY03 gross profit was $39.6 million, up some 63 per cent from $24.3 million last year. This increase resulted from stronger revenue levels and improved gross margin percentages. Gross margins for the year were 24.4 per cent compared to 22.3 per cent last year. The quarterly progression of margin percentages, as the Company moved through the downturn, are set out below.



The chart shows reasonable margin performance through the first two quarters of FY02. Margins declined significantly in the third quarter of that year as a result of both seasonal factors and the sector downturn, which saw base metal prices at 15-year lows, and continued to deteriorate in the fourth quarter (which would normally post the strongest quarterly margin performance). Margin performance began to gradually improve in the first half of FY03 as drilling activity began to recover, largely as a result of improving gold prices, and moved above respective prior year quarterly margins in the latter half of FY03. It is expected that margin performance will continue to strengthen as the sector recovery continues, although quarterly margins will continue to reflect the seasonality of the business.

Gross margins for drilling increased to 22.9 per cent in FY03 from 20.8 per cent in FY02. Gross profit percentage for drilling in North America decreased marginally, as a result of continuing competitive pressures and increasing costs. In South and Central America, the increase in drilling activity had a significant positive impact on gross margins. Australasian and African gross profit percentage increased slightly from previous year levels.

Generally, higher margins are available where more challenging drilling requirements, such as deep-hole surface or underground drilling, directional drilling, or mobilizations to remote or difficult locations create significant barriers to entry for small, local contract drilling operations. These types of specialized drilling services represented about 65 per cent of Major Drilling's metals and minerals drilling revenues in FY03 and FY02. Underground contracts are typically longer term because of the cost and logistical difficulties associated with replacing drilling equipment in an underground environment, but also generally attract lower margins than specialized services. Underground drilling contracts represented about 20 per cent of drilling revenue in FY03 compared to 25 per cent in FY02.

Standard surface drilling in and around established mining camps is highly competitive since there are few barriers to entry for small, local contract drillers. This type of drilling increased to about 15 per cent of drilling revenue in FY03 compared to 10 per cent in FY02.

Major Drilling will continue to focus its development efforts primarily on the specialized services sector, as one of the Company's objectives continues to be to dominate these specialized drilling markets.

Operations

In August 2002, the Company commenced its first contract in Mongolia for a minimum of 50,000 metres. In order to service this contract, an office was established in Ulaanbaatar, Mongolia early in the year. In February 2003, the Company was awarded a five-year contract in Indonesia, which will result in a doubling of Indonesian revenue from previous levels.

Existing operations in Venezuela, French Guiana, and Mexico, which had been relatively dormant for the past several years, became active in FY03 due to improved market conditions. The Company also commenced drilling in Turkey in late FY03.

In November of 2002, the Company sold its drill rod manufacturing plant in New Brunswick, Canada. Proceeds on sale were $1.3 million, with a gain on sale of $0.5 million. In the spring of 2003, the decision was made to close the repair facility at that location. Operations in the Australian manufacturing division have improved significantly as the order book is filled for the upcoming six months.

North American recovery continues to lag other geographic segments of the Company's operations. Revenues have increased but margins continue to remain below acceptable long-term performance levels as a result of continuing competitive pressures and increasing costs. North American operations are being restructured to increase operating efficiency, reduce costs and improve the Company's pricing structure.

General and Administrative

Despite the fact that sales increased by over 48 per cent year over year, general and administrative expenses increased 5% to $21.4 million compared to $20.3 million last year. Virtually all of the increased expense was associated with the creation of the Mongolian branch and the expansion of the Indonesian office. G & A as a percentage of sales decreased to 13.2 per cent in FY03 compared to 18.6 per cent in FY02.

Other Expenses

Other expenses increased by $1.0 million to $2.5 million, due in part to a swing from a foreign exchange gain last year to a loss this year, and increased bonus provisions related to the Company's improved profitability.

Income Taxes

The income tax provision for FY03 was $1.9 million compared to nil for last year as a result of the increased profitability of the Company. With the combination of non tax-affected losses in some countries, non tax-affected profits due to the application of loss carry forwards in other countries, and the range of corporate tax rates in the various countries of operations, the effective tax rate for FY03 was 43.5 per cent.

Write down of Goodwill

The Company incurred a one-time loss of $2.3 million in FY02 for the write down of goodwill associated with the acquisitions of the J. T. Thomas Companies and UDR Group Limited. The Company assessed the recoverability of the carrying value of goodwill associated with these acquisitions in light of the downturn experienced in the sector and the restructuring of its Canadian operations.

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. Cash flow from continuing operations for FY03 improved to $12.8 million compared to $2.8 million last year. In April 2002 the Company issued 5 million common shares by way of private placement to raise net proceeds of $14.6 million to partially pay down long-term debt and free up the Company's operating lines. In addition, in April 2002 the Company sold and leased back its Winnipeg office and shop facilities. A sale and lease back of U.S.-based facilities was also completed in June 2002. These sale/lease back transactions provided total proceeds of $4.0 million.

A Canadian chartered bank has made available three credit facilities to the Company. The maximum amount available under these facilities is $31.6 million and is available subject to the Company meeting certain covenants relating primarily to its financial position. The Company also has credit facilities available in Chile and Australia.

The operating lines total $17.2 million ($16.0 million from the Canadian Chartered Bank) and are secured by the Company's trade accounts receivable and inventories. At April 30, 2003, the Company had utilized $10.8 million of these lines, compared to $8.7 million at April 30, 2002.

The second facility is a $0.8 million non-revolving term line for equipment acquisition in Canada. At April 30, 2003, this equipment line was fully drawn. This facility is amortized over a five-year period, commencing in FY03.

The third facility is a $14.8 million non-revolving term line established to assist in the acquisitions of similar businesses. At April 30, 2003, this line was fully drawn. Of this facility, $5.8 million will be amortized over a four-year period, commencing in FY03. The $9 million balance of this facility will be amortized over a five-year period, commencing in FY04.

Working Capital

Working capital requirements are determined largely by drilling activity levels, and the resulting levels and rates of turnover of accounts receivable and inventories. Accounts receivable are normally at their highest levels at year-end as sales levels typically peak in the fourth quarter. With the increased sales in the year, accounts receivable were $30.1 million at April 30, 2003, compared to $23.4 million at the prior year-end. Inventories increased to $32.9 million from the prior year-end level of $29.2 million, due primarily to the addition of the Mongolian operation. Working capital was $25.2 million at April 30, 2003 compared to $30.7 million at April 30, 2002.

Capital Expenditures

In FY03 gross capital expenditures were $20.6 million compared to $7.8 million in the previous year. Net capital expenditures (capital expenditures net of proceeds on sale of capital assets) were $15.1 million for the year compared to $3.7 million for the same period last year. Mobilization and transition costs totaling $2.3 million, related to the establishment of the Mongolian operation and expansion of the Indonesian operation, were classified to capital. These costs are being amortized over a three-year term. Included in the $20.6 million of gross capital expenditures was $14.5 million in drilling equipment.

Risks and Uncertainties

The most significant operating risk affecting the Company is the potential downturn in demand for its services due to a decrease in activity in the metals and minerals industry.

To mitigate this risk, the Company is aggressively exploiting its competitive advantage in specialized drilling and continues to explore opportunities to rationalize its regional infrastructures. The Company continues to make progress with its initiative to standardize its fleet over the next several years, which will provide significant savings in repair, maintenance and inventory costs.

In order to reduce its exposure to foreign exchange risks associated with the 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 legally permitted. In addition, in Australia and in several countries in South and Central America, the operations are self-sustaining, which minimizes the accounting impact of foreign currency fluctuations.

The impact of the Company's exposure to U.S. dollar denominated revenue, which represented about 40% of total revenue in FY03, is partially mitigated by offsetting U.S. dollar based labour and material costs. The weakness of the Canadian dollar against the Australian dollar, which represented approximately 30% of the Company's revenue in FY03, also served to partially offset U.S. dollar exchange losses. Additionally, it is expected that the increased gold price that is associated with a weakening U.S. dollar will lead to continuing strength in drilling activity and revenue.

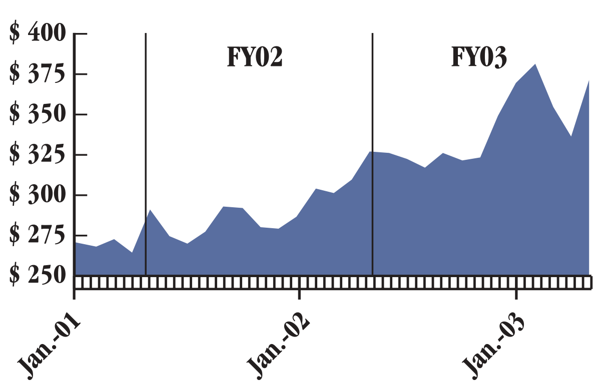
From time to time, the Company may be dependent upon a few key customers for a significant portion of its overall revenue and net income. Upon the expiration or termination of such a contract, there can be no guarantee that the Company will obtain sufficient replacement contracts to maintain the existing 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. The Company also provides specialized drilling services that can be difficult to replace. In FY03, no single client represented more than 10 per cent of the Company's total revenue.

Outlook

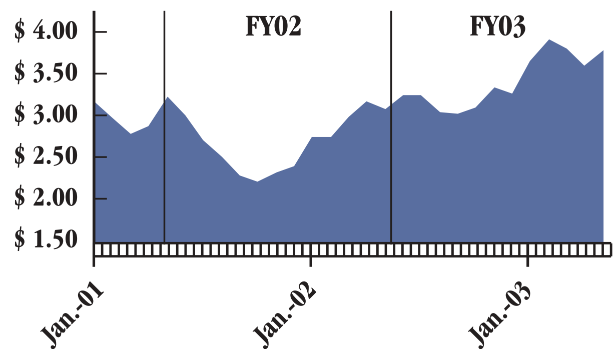
Major Drilling's financial performance is strongly tied to the performance of the international metals and minerals sector. In FY03 about 40 per cent of the Company's drilling revenue was related to base metals and other minerals, 50 per cent to gold and the balance to geo-technical and construction drilling. The outlook for the mining sector has improved significantly relative to FY02 when base metal prices fell to 15-year lows. Base metal prices have recovered somewhat from November 2001 lows and are expected to continue to strengthen over the coming year. Gold prices have trended up over the past year and remain firmly above the important US$300 per ounce level. As a consequence, equity capital has become available to mid-tier mining and to a lesser extent, junior exploration companies.

With continuing strong gold prices and with base metal prices firming, the Company expects the recent underlying strength in revenues and earnings to continue through fiscal 2004.

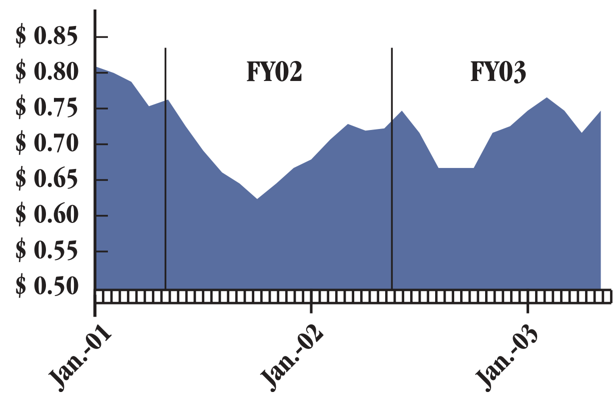
Gold Prices (US$/oz)



Nickel Prices (US$/lb)



Copper Prices (US$/lb)



This discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with its consolidated financial statements and accompanying notes from fiscal 2003 and 2002.

This annual report may contain forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the Company's business and results of operations. By their nature, these risks and uncertainties could cause actual results to differ materially from those indicated. Such factors include, without limitation, the various factors set forth in the Management's Discussion and Analysis and as discussed in public disclosure documents filed with Canadian regulatory authorities.

Major Drilling disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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, Canadian generally accepted 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 May 30, 2003. 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.

Francis P. McGuire
President & Chief Executive Officer

Michael A. Pavey
Chief Financial Officer

May 30, 2003

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, 2003 and 2002 and the consolidated statements of operations and retained earnings (deficit) 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 misstatements. 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, 2003 and 2002 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
May 30, 2003

Consolidated Statements of Operations and Retained Earnings (Deficit)

Years ended April 30, 2003 and 2002

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

	2003	2002
TOTAL REVENUE	**$ 162,168**	$ 109,110
DIRECT COSTS	**122,597**	84,762
GROSS PROFIT	**39,571**	24,348
OPERATING EXPENSES		
General and administrative	**21,360**	20,312
Other expenses	**2,451**	1,481
Interest	**2,207**	2,992
Amortization	**8,622**	7,155
	34,640	31,940
OPERATING INCOME (LOSS)	**4,931**	(7,592)
WRITE DOWN OF INVESTMENT	**–**	218
EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND GOODWILL CHARGES	**4,931**	(7,810)
INCOME TAXES - PROVISION (RECOVERY) (note 15)		
Current	**2,169**	1,262
Future	**(220)**	(1,243)
	1,949	19
EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE GOODWILL CHARGES	**2,982**	(7,829)
WRITE DOWN OF GOODWILL (note 5)	**–**	(2,250)
(LOSS) RECOVERY FROM DISCONTINUED OPERATIONS (note 11)	**(450)**	141
NET EARNINGS (LOSS)	**2,532**	(9,938)
(DEFICIT) RETAINED EARNINGS, BEGINNING OF THE YEAR	**(1,768)**	8,170
RETAINED EARNINGS (DEFICIT), END OF THE YEAR	**$ 764**	$ (1,768)
EARNINGS (LOSS) PER SHARE (note 16)		
Earnings (loss) from continuing operations before goodwill charges	**$ 0.19**	$ (0.71)
(Loss) recovery from discontinued operations	**$ (0.03)**	$ 0.01
Net earnings (loss)	**$ 0.16**	$ (0.91)

Consolidated Balance Sheets

As at April 30, 2003 and 2002
(in thousands of Canadian dollars)

ASSETS

	2003	2002
CURRENT ASSETS		
Cash	$ 4,788	$ 2,498
Marketable securities	745	1,028
Accounts receivable	30,079	23,434
Income taxes recoverable	–	460
Inventories	32,874	29,218
Prepaid expenses	1,886	1,480
	70,372	58,118
CAPITAL ASSETS (note 4)	83,442	76,332
FUTURE INCOME TAX ASSETS (note 15)	3,911	3,703
OTHER ASSETS (note 5)	194	303
	$ 157,919	$ 138,456

LIABILITIES

	2003	2002
CURRENT LIABILITIES		
Demand loans (note 6)	$ 10,837	$ 8,689
Accounts payable and accrued charges	26,931	15,664
Income taxes payable	1,389	–
Current portion of long-term debt (note 8)	5,991	3,054
	45,148	27,407
DEFERRED GAIN (note 7)	1,147	162
LONG-TERM DEBT (note 8)	19,976	18,624
NOTE PAYABLE (note 3)	491	748
	66,762	46,941
SHAREHOLDERS' EQUITY		
Share capital (note 9)	97,476	97,724
Contributed surplus	1,388	1,388
Retained earnings (deficit)	764	(1,768)
Cumulative translation adjustments	(8,471)	(5,829)
	91,157	91,515
	$ 157,919	$ 138,456

Contingencies and commitments (notes 12 and 13)

APPROVED BY THE BOARD OF DIRECTORS

David Tennant
Director

H. Lawrence Doane
Director

Consolidated Statements of Cash Flows

Years ended April 30, 2003 and 2002
(in thousands of Canadian dollars)

	2003	2002
OPERATING ACTIVITIES		
Earnings (loss) from continuing operations before goodwill charges	**$ 2,982**	$ (7,829)
Operating items not involving cash		
Amortization	**8,622**	7,155
Loss (gain) on disposal of assets	**32**	(116)
Write down of investment	**–**	218
Future income taxes	**(220)**	(1,243)
	11,416	(1,815)
Changes in non-cash operating working capital items (note 10)	**1,356**	4,630
Cash flow from continuing operations	**12,772**	2,815
(Loss) recovery from discontinued operations	**(450)**	141
Discontinued items not involving cash	**–**	454
Cash flow from operating activities	**12,322**	3,410
FINANCING ACTIVITIES		
Repayment of long-term debt	**(4,929)**	(14,808)
Additional long-term financing	**2,000**	–
Increase in (repayment of) demand loans	**2,148**	(2,926)
Issuance of common shares	**(248)**	14,574
Cash flow used in financing activities	**(1,029)**	(3,160)
INVESTING ACTIVITIES		
Business acquisition (note 3)	**–**	(249)
Acquisition of capital assets	**(12,925)**	(4,980)
Proceeds from disposal of capital assets	**5,489**	4,128
Other - repayment of loan receivable	**92**	1,214
Cash flow (used in) from investing activities	**(7,344)**	113
OTHER ACTIVITIES		
Foreign exchange translation adjustment	**(1,659)**	(403)
INCREASE (DECREASE) IN CASH	**2,290**	(40)
CASH POSITION, BEGINNING OF THE YEAR	**2,498**	2,538
CASH POSITION, END OF THE YEAR	**$ 4,788**	$ 2,498

YEARS ENDED APRIL 30, 2003 AND 2002

(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 sources of revenue consist of contract drilling for companies involved in mining and mineral exploration and the manufacturing and distribution of operating supplies and drill rigs. The Company has operations in Canada, the United States, Mexico, South and Central America, Australia, Europe, Asia and Africa.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its subsidiaries.

Use of estimates

The preparation of financial statements in conformity with Canadian 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.

Significant areas requiring the use of management estimates relate to the useful lives of capital assets for amortization purposes, amounts recorded as accrued liabilities, and the valuation of work in progress.

Revenue recognition

Revenues from drilling contracts are recognized on the basis of actual footage drilled for each contract. Revenues for manufacturing under contract are recognized on a percentage of completion basis using a standard markup on cost incurred to date. Other revenues from manufacturing and distribution are recognized as the goods are shipped. Revenues from ancillary services are recorded when the services are rendered.

Earnings (loss) per share

Earnings (loss) per share are calculated using the weighted daily average number of shares outstanding during the year. Diluted earnings per share are calculated using the treasury stock method.

Marketable securities

Marketable securities are valued at the lower of cost and fair market value.

Inventories

The Company maintains an inventory of operating supplies, drill rods, drill bits, raw materials for manufacturing, and work in progress. Inventories are valued at the lower of cost and replacement cost, primarily using FIFO. The value of used inventory items is considered minimal; therefore, they are not valued, except for drill rods, which, if still considered usable, are valued at 50% of cost.

Capital assets

Capital assets are valued 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 (years)
Buildings	0	15-20
Drilling equipment	0-15	5-15
Automotive and off-road equipment	0-10	5-10
Other (office, computer and shop equipment)	0	5-15

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

Future income taxes

The Company follows 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 resulting 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, or substantively enacted income tax rate in effect at the balance sheet date. The Company's primary differences arise between the tax carrying value and net book value of capital assets and finance costs, and the tax benefit of non-capital losses carried forward.

Translation of foreign currencies

All amounts are presented in Canadian dollars. The Company has operations in the United States, Mexico, Venezuela, Chile, Australia, Indonesia, and Mongolia 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. The change in the amount primarily reflects the relative strength of the Australian and U.S. dollars against the Canadian dollar and the change in the net investment in the self-sustaining foreign operations.

Tanzania and all other South and Central American subsidiaries 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, other than depreciation, 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.

Stock-based compensation

The Company has a stock option plan (the Plan) described in note 9. No compensation expense is recognized in respect of the Plan when stock options are issued to employees or directors as the exercise price for an option issued under the Plan is the fair market value of the common share on the grant date of the option. Any consideration paid by employees or directors on exercise of stock options is credited to share capital.

2002 figures

Certain of the 2002 figures have been reclassified to conform with the 2003 presentation.

3. BUSINESS ACQUISITION

Effective September 14, 2001, the Company acquired the exploration drilling assets of the Queensland, Australia and New Zealand operations of Ausdrill Limited (Ausdrill). These assets include drilling equipment of $3,257 and inventory of $986.

Total consideration for the acquisition was $4.2 million as follows. All common and converting preference shares in Ausdrill that were owned by the Company subsidiaries were surrendered by way of an Ausdrill share re-purchase, at the Company's carrying value of approximately $1.6 million. Equipment leases and bank loans in the amount of $1.0 million relating to the purchased assets were assumed by the Company. The Company will pay Ausdrill approximately $1.4 million in 48 equal monthly payments without interest. Finally, a cash consideration of $0.2 million was paid. The results of operations were consolidated from September 14, 2001.

4. CAPITAL ASSETS

			2003			2002
	Cost	**Accumulated amortization**	**Net value**	Cost	Accumulated amortization	Net value
Land	**$ 1,489**	**$ -**	**$ 1,489**	$ 1,756	$ -	$ 1,756
Buildings	**5,093**	**884**	**4,209**	7,130	958	6,172
Drilling equipment	**87,139**	**25,031**	**62,108**	76,987	23,253	53,734
Automotive and off-road equipment	**18,778**	**9,168**	**9,610**	17,094	8,983	8,111
Other	**12,962**	**6,936**	**6,026**	13,273	6,714	6,559
	$ 125,461	**$ 42,019**	**$ 83,442**	$ 116,240	$ 39,908	$ 76,332

5. OTHER ASSETS

During the year ended April 30, 2002, the Company assessed the recoverability of the carrying value of goodwill associated with its acquisition of J.T. Thomas and UDR Group Limited and determined there was a permanent impairment to the asset resulting in a write down of $2,250 after $83 of amortization had been charged to operations for the year. Determination and measurement of the impairment was made in light of the downturn experienced in the sector and the restructuring of the operations. The remaining balance of $194 relates to net research and development costs, patents and trademarks.

In fiscal 1999, the Company made a loan to a company controlled by the former President and Chief Executive Officer of which $121, including interest, was outstanding at April 30, 2002. This loan was repaid in 2003.

6. DEMAND CREDIT FACILITIES

The Company has credit facilities available in Canada of $16,000 bearing interest at the bank's prime lending rate plus 0.75% or the bankers' acceptance rate plus 1.875%. The demand loans are primarily 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 also has credit facilities in Australia and Chile amounting to $1,219 (2002 - $1,730) bearing interest at rates ranging from 6.00% to 9.85% secured by accounts receivable, and selected land and buildings in Australia.

There was $10,837, (2002 - $8,689) drawn on these facilities as at April 30, 2003.

7. DEFERRED GAIN

In April 2002, the Company sold one of its buildings as part of a sale/lease back arrangement. The net proceeds on sale were $1,400, resulting in a gain on sale of $180. The resultant gain has been deferred and is being amortized over 10 years, the length of the lease.

In June 2002, the Company completed a transaction to sell one of its buildings as part of a sale/lease back arrangement. The net proceeds on sale were $2,600, resulting in a gain on sale of $1,100. The resultant gain has been deferred and is being amortized over 10 years, the length of the lease.

8. LONG-TERM DEBT

	2003	2002
Non-revolving acquisition loan (authorized $14,813), of which $5,813 is due in quarterly installments of $484 through 2006 and $9,000 is due in quarterly installments of $450 commencing February 1, 2004 through fiscal 2009. In addition to scheduled installments of principal, an annual bulk cash payment of 40% of surplus cash flow, to a maximum of $1,200 per annum, is to be applied as a permanent reduction to this loan. This facility bears interest at either the bank's prime rate plus 2.25% or the bankers' acceptance rate plus 3.875%.	**$ 14,813**	$ 16,750
Term loans, bearing interest at rates ranging from 1.3% to 9.0%, payable in monthly installments of $64, maturing through 2013, secured by certain capital assets.	**2,586**	2,754
Term loans - US$510 (2002 - US$115), bearing interest at rates ranging from 6.715% to 11.40%, payable in monthly installments of US$14, secured by certain equipment, maturing through 2008.	**736**	180
Term loans - A$6,469 (2002 – A$2,363), payable in monthly installments of A$181, interest included, at rates ranging from 6.00% to 10.68%, secured by mortgage debentures over land, buildings and other assets, maturing in 2006.	**5,832**	1,994
Term loan, bearing interest at 3%, maturing in fiscal 2005.	**2,000**	-
	25,967	21,678
Current portion	**5,991**	3,054
	$ 19,976	$ 18,624

The required annual principal repayments on long-term debt are as follows:

2004	$ 5,991	2007	$ 4,632
2005	$ 8,972	2008	$ 1,239
2006	$ 4,892	Thereafter	$ 241
			$ 25,967

9. SHARE CAPITAL

Authorized

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

	2003	2002
15,983,673 common shares (2002-15,974,873)	**$ 97,476**	$ 97,724

Common shares

On April 30, 2002, the Company issued 5,000,000 common shares by way of private placement at a price of $3.10 per share. The Company received net cash proceeds of $14,300 net of issue costs and underwriters' commissions of $1,200 (excluding income tax benefit of $370). $262 of those issues costs have been recorded in 2003.

Stock option plan

The Company has a Stock Option Plan for directors, executive officers and other employees of the Company. The Plan provides that the Board of Directors of the Company, on the recommendation of the Compensation Committee, may grant options to purchase common shares on terms determined within the limitations of the Plan. The aggregate number of common shares reserved for issuance under the Plan is limited to 3,000,000 common shares, provided that no options be issued if to do so would result in the number of outstanding stock options exceeding 15% of the total issued and outstanding shares of the Company. The exercise price for an option issued under the Plan is the fair market value of the common shares on the grant date of the option. Options are exercisable for a maximum period of ten years from the date of grant, subject to earlier termination if the optionee ceases to be a director or employee of the Company for any reason. The Plan also provides that no options may be issued to insiders (directors and officers) of the Company if to do so would result in the number of shares reserved for issuance pursuant to stock options granted to insiders exceeding 10% of the outstanding number of common shares. The Board of Directors, on the recommendation of the Compensation Committee, determines vesting requirements.

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, 2003 and 2002, and of changes during the years ending on those dates, is presented below:

	2003		2002	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at beginning of year	**1,682,967**	**$ 4.63**	1,175,617	$ 5.80
Options granted	**328,666**	**$ 3.34**	741,800	$ 3.33
Options cancelled	**(156,600)**	**$ 4.62**	(234,450)	$ 6.34
Options exercised	**(8,800)**	**$ 3.00**	-	$ -
Outstanding at end of year	**1,846,233**	**$ 4.40**	1,682,967	$ 4.63

The following table summarizes information on stock options outstanding at April 30, 2003:

Range of exercise prices	**Outstanding at April 30, 2003**	**Weighted average remaining life (years)**	**Weighted average exercise price**	**Exercisable at April 30, 2003**	**Weighted average exercise price**
$ 1.86 - $ 4.30	**1,083,766**	**8.47**	**$ 2.87**	**824,433**	**$ 2.81**
$ 4.78 - $ 7.04	**706,867**	**6.17**	**$ 5.62**	**653,234**	**$ 5.69**
$ 18.65 - $ 26.50	**55,600**	**4.22**	**$ 18.94**	**55,600**	**$ 18.94**
	1,846,233	**7.46**	**$ 4.40**	**1,533,267**	**$ 4.62**

Effective May 1, 2002, the Company adopted the new CICA Handbook Section 3870, which establishes a fair value based method of accounting for certain stock-based payments. Section 3870 does not require the expensing of stock options provided additional pro forma information is provided in the notes to the financial statements. The Company has chosen to continue its existing policy of not recording compensation cost on the grant of stock options with the additional disclosure of pro forma information in the notes to the financial statements. The Company has applied the pro forma information on a prospective basis for all awards granted on or after May 1, 2002.

Had compensation cost for the Company's stock-based compensation plans been determined using the fair value method at the grant dates of the awards, the Company's net income and earnings per share would have been reduced/increased to the pro forma amounts indicated as follows:

	2003
Net earnings	
As reported	$ 2,532
Pro forma	2,200
Earnings per share	
As reported	0.16
Pro forma	0.14

The Company's calculations for options granted were made using the Black Scholes option-pricing model with weighted average assumptions as follows:

	2003
Risk-free interest rate	3.83%
Expected life (years)	3 years
Expected volatility	62%
Expected dividend yield	0%

10. ADDITIONAL INFORMATION TO THE STATEMENTS OF CASH FLOWS

Changes in non-cash operating working capital

	2003	2002
Accounts receivable	**$ (6,787)**	$ 213
Inventories	**(4,647)**	4,635
Accounts payable and accrued charges	**11,057**	(1,685)
Income taxes	**1,913**	994
Other items	**(180)**	473
	$ 1,356	$ 4,630

Interest and income taxes paid

	2003	2002
Interest paid	**$ 2,226**	$ 2,927
Income taxes paid	**$ 320**	$ 262

11. DISCONTINUED OPERATIONS

In 2003, the Company received a notice that a previously granted exemption of import duties in Brazil, amounting to $450, had been revoked. The Company is disputing this action. It lost at the administrative stage and is considering appealing this decision.

12. CONTINGENCIES

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 has various commitments, primarily for rental of premises, with arm's-length parties as follows: 2004 - $1,318, 2005 - $793, 2006 - $394, 2007 - $243, 2008 - $228.

14. RELATED PARTY TRANSACTIONS

During the year, the Company carried out a number of transactions with various Directors in the normal course of business and these transactions were recorded at their exchange amount, which was estimated to approximate market value. These transactions were for legal and consulting services in the amount of $233 (2002 - $167).

15. INCOME TAXES

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

	2003	2002
Earnings (loss) from continuing operations before income taxes and goodwill charges	**$ 4,931**	$ (7,810)
Statutory Canadian corporate income tax rate	**36%**	37%
Expected income tax expense (recovery) based on statutory rates	**$ 1,775**	$ (2,890)
Non-recognition of tax benefits related to losses	**2,693**	4,138
Utilization of previously unrecognized losses	**(2,244)**	-
Lower effective foreign tax rates and other	**(275)**	(1,229)
Total income tax provision	**$ 1,949**	$ 19

Significant components of the Company's future income tax assets and liabilities are as follows:

	2003	2002
Assets:		
Loss carry forwards tax affected	**$ 6,426**	$ 6,532
Finance costs	**347**	344
Other	**242**	544
Liabilities:		
Carrying value of assets in excess of their tax value	**(3,104)**	(3,717)
Net future income tax assets	**$ 3,911**	$ 3,703

At April 30, 2003, the Company has income tax loss carry forwards of approximately $20,000 not recognized in the consolidated financial statements, of which $14,000 principally begin to expire in 2007 and $6,000 are indefinite.

16. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated using the weighted average number of shares outstanding of 15,979,086 for 2003 and 10,974,873 for 2002.

Diluted earnings from continuing operations and net earnings per share figures for fiscal 2003 would have been $0.18 and $0.16 respectively had all outstanding stock options, compensation options and warrants outstanding as at April 30, 2003 been exercised into common shares when granted or issued. Diluted earnings per share figures for fiscal 2002 have not been disclosed since the exercise of stock options would have been anti-dilutive.

17. FINANCIAL INSTRUMENTS

Recognized financial instruments

The carrying values of cash, marketable securities, accounts receivable, demand loans 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. Demand for the Company's drilling services depends upon the level of mineral exploration and development activities conducted by mining companies, particularly with respect to gold and copper.

Currency risk

A significant portion of the Company's operations are located outside of Canada. In several countries, the accounting impact of foreign currency exposure is minimized since the operations are classified as self-sustaining operations. In certain developing countries, the Company mitigates its risk of large exchange rate fluctuations by conducting business primarily in U.S. dollars. U.S. dollar revenue exposure is partially mitigated by offsetting U.S. dollar labor and material expenses. 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 partially mitigated this risk through utilization of a $9,000 floating rate to fixed (6.43%) interest rate swap, which matures in November 2003.

18. SEGMENTED INFORMATION

The Company has two reportable business segments, drilling and manufacturing. The Company's drilling operations are divided into three geographic segments. The reportable geographic segments are Canada - U.S., South and Central America, Australasia and Africa. The services provided in each of the reportable drilling segments are essentially the same. 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 four segments before interest and income taxes. Presented as follows is data relating to each of the Company's reportable segments.

Notes to Consolidated Financial Statements

	2003	2002
Revenue – drilling		
Canada – U.S.	$ 59,360	$ 45,530
South and Central America	25,119	17,374
Australasia and Africa	60,033	35,738
	144,512	98,642
Revenue – manufacturing	28,754	17,538
	173,266	116,180
Eliminations	(11,098)	(7,070)
	$ 162,168	$ 109,110
Earnings (loss) from operations – drilling		
Canada – U.S.	$ 1,048	$ (550)
South and Central America	848	(3,092)
Australasia and Africa	7,807	3,675
Earnings (loss) from operations - manufacturing	2,898	(669)
	12,601	(636)
Eliminations	(545)	1,310
	12,056	674
Interest expense, net	2,207	2,992
General corporate expenses	4,918	5,274
Write down of investment	-	218
Income taxes	1,949	19
Earnings (loss) from continuing operations before goodwill charges	$ 2,982	$ (7,829)
Identifiable assets – drilling		
Canada – U.S.	$ 36,069	$ 36,032
South and Central America	36,589	38,334
Australasia and Africa	61,479	37,373
Identifiable assets - manufacturing	13,862	16,539
	147,999	128,278
Eliminations	(2,982)	(2,806)
Unallocated and corporate assets	12,902	12,984
	$ 157,919	$ 138,456
Amortization – drilling		
Canada – U.S.	$ 1,864	$ 2,108
South and Central America	1,623	1,410
Australasia and Africa	3,640	2,275
Amortization – manufacturing	375	548
	7,502	6,341
Unallocated and corporate assets	1,120	814
	$ 8,622	$ 7,155

Canada – U.S. and manufacturing amounts include revenues in 2003 of $55,470 (2002-$43,874) for Canadian operations and capital assets at April 30, 2003 of $24,868 (2002-$27,718).

Australasian and African amounts include drilling revenues in 2003 of $35,439 (2002-$22,824) for Australian operations and capital assets as at April 30, 2003 of $16,517 (2002-$13,166).

Shareholder Information

DIRECTORS

H. Lawrence Doane

David Fennell

Ronald Goguen

Jonathan Goodman

John Harvey

Francis McGuire

Frank McKenna

John Schiavi

Harry Steele

David Tennant

OFFICERS

Francis McGuire
President and Chief Executive Officer

Michael Pavey
Chief Financial Officer

Robert Morgan
Vice-President – Business Development

James Gibson
General Counsel and Secretary

TRANSFER AGENT

CIBC Mellon Trust Company

AUDITORS

Deloitte & Touche LLP

CORPORATE OFFICE

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ANNUAL GENERAL MEETING

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

TSX Conference Centre
Auditorium
The Exchange Tower - 130 King Street West
Toronto, Ontario

September 12, 2003 at 2:00 pm Eastern

Worldwide Operations of Major Drilling Group International Inc.

North American Drilling Operations

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Val d'Or, QC
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PC Exploration Inc.

U.S.A.

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Chehalis, WA
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South and Central American Drilling Operations

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Fax: 52-662-251-0262

Venezuela

Puerto Ordaz
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Fax: 594-594-35-38-16

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Coquimbo
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Dominican Republic
Office situated in Mexico

Australasian/African Drilling Operations

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Tanzania

Mwanza
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Other Drilling Operations

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Greenland
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MAJOR
Drilling Group International Inc.