

# Major Drilling Reports First Quarter Results for Fiscal 2019

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MONCTON, Sept. 04, 2018 - [Major Drilling Group International Inc.](#) (TSX: MDI) today reported results for its first quarter of fiscal year 2019, ended July 31, 2018.

## Highlights

In millions of Canadian dollars (except loss per share)	Q1-19	Q1-18
Revenue	\$98.5	\$84.0
Gross profit	23.4	16.8
As percentage of revenue	23.8 %	20.0 %
EBITDA <sup>(1)</sup>	10.1	5.3
As percentage of revenue	10.3 %	6.3 %
Net loss	(2.5 )	(6.9 )
Loss per share	(0.03 )	(0.09 )

1. Earnings before interest, taxes, depreciation and amortization (see “non-GAAP financial measure”)

- Quarterly revenue was \$98.5 million, up 17% from the \$84.0 million recorded for the same quarter last year.
- Gross margin percentage for the quarter was 23.8%, compared to 20.0% for the corresponding period last year.
- EBITDA was \$10.1 million, increasing by 91% from the same quarter last year.
- Net cash increased \$0.3 million during the quarter to \$2.2 million.
- Net loss was \$2.5 million or \$0.03 per share for the quarter, compared to a net loss of \$6.9 million or \$0.09 per share for the prior year quarter.

“Despite the recent volatility of commodity prices, activity levels continued to grow this quarter,” said Denis Larocque, President and CEO of [Major Drilling Group International Inc.](#) “This growth was led by our international operations as South and Central American revenue was up 41% and Asian and African revenue was up 58% compared to last year. In Canada - U.S., our revenue was relatively flat as we concentrated on higher margin contracts due to the high level of labour utilization experienced in these operations, while still facing competitive pressures. With the market improving and our continued efforts on recruitment and training, we should see revenue start to grow in these regions in the coming quarters.”

“While pricing continues to improve in all regions, overall margins were impacted this quarter by seasonal transition costs in South and Central America. Although price improvements will initially be offset to some extent by an increase in consumables and labour costs, the utilization rate increase will help absorb more of our fixed operational costs, giving considerable leverage to improve profits as we move forward.”

“The Company continues to have a strong balance sheet with a net cash position (net of debt) of \$2.2 million at the end of the quarter. Capital expenditures were \$5.8 million this quarter, as we added six new rigs to our fleet, while disposing of seven older, inefficient rigs,” added Mr. Larocque.

“Going into our second quarter, the upward trend in activity levels continues. Despite the recent drop in commodity prices, most senior mining companies are continuing with their original plans as they work to replace their mineral reserves. Ten of the top senior gold mining companies have seen their mineral reserves decrease by almost 15% over the last two years. As well, many industry experts expect the copper market will face a deficit position in the next few years, due to the continued production and high grading of mines, combined with the lack of exploration work conducted to replace reserves.”

“We believe that most commodities will face an imbalance between supply and demand as mining reserves continue to decrease due to the lack of exploration. Therefore, it is expected that at some point in the near future, the need to develop resources in areas that are increasingly difficult to access will significantly increase, at which time we expect to see a resurgence in demand for specialized drilling.”

“We are continuing to make investments in innovation directed towards increased productivity, safety and meeting customers’ demands, including mobile solutions in the field, providing tools to our crews necessary to excel in these areas. This falls in line with the enhancement of our recruiting and training systems as we bring in a new generation of employees,” said Mr. Larocque.

First quarter ended July 31, 2018

Total revenue for the quarter was \$98.5 million, up 17.3% from revenue of \$84.0 million recorded in the same quarter last year, despite the unfavourable foreign exchange translation impact for the quarter, when comparing to the effective rates for the same period last year, estimated at \$2 million on revenue, with a negligible impact on net earnings.

Revenue for the quarter from Canada - U.S. drilling operations decreased by 1.7% to \$51.3 million, compared to the same period last year.

South and Central American revenue increased by 41.3% to \$26.7 million for the quarter, compared to the same quarter last year, due to increased activity levels in most regions.

Asian and African operations reported revenue of \$20.4 million, up 58.1% from the same period last year, driven by stronger activity in most areas, particularly in Indonesia.

The overall gross margin percentage for the quarter was 23.8%, up from 20.0% for the same period last year. While pricing continues to improve in all regions, overall margins were impacted by seasonal transition costs in South and Central America.

General and administrative costs were up 3% from the same quarter last year at \$12.4 million. Although staffing levels and salaries have increased as the industry ramps up and the Company invests in recruitment and information technology, general and administrative expenses as a percentage of revenue have decreased to 12.6% for the current quarter compared to 14.3% for the same period last year.

The income tax provision for the quarter was an expense of \$1.2 million compared to a recovery of \$0.4 million for the prior year period. Tax expense for the quarter was impacted by non-tax affected losses and non-deductible expenses.

Net loss was \$2.5 million or \$0.03 per share (\$0.03 per share diluted) for the quarter, compared to a net loss of \$6.9 million or \$0.09 per share (\$0.09 per share diluted) for the prior year quarter.

The Annual General Meeting of the shareholders of [Major Drilling Group International Inc.](#) will be held at McCarthy Tétrault, Suite 2500, 1000 De La Gauchetière Street West, Lafleur Room, Montréal, Québec, on Friday, September 7, 2018 at 3:00pm EDT.

Non-GAAP Financial Measure

The Company uses the non-GAAP financial measure, EBITDA. The Company believes this non-GAAP financial measure is key, for both management and investors, in evaluating performance at a consolidated level. EBITDA is commonly reported and widely used by investors and lending institutions as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. This measure does not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

#### Forward-Looking Statements

Some of the statements contained in this news release may be forward-looking statements, such as, but not limited to, those relating to: worldwide demand for gold and base metals and overall commodity prices; the level of activity in the mining industry and the demand for the Company's services; the Canadian and international economic environments; the Company's ability to attract and retain customers and to manage its assets and operating costs; sources of funding for its clients (particularly for junior mining companies); competitive pressures; currency movements (which can affect the Company's revenue in Canadian dollars); the geographic distribution of the Company's operations; the impact of operational changes; changes in jurisdictions in which the Company operates (including changes in regulation); failure by counterparties to fulfill contractual obligations; and other factors as may be set forth as well as objectives or goals including words to the effect that the Company or management expects a stated condition to exist or occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements by reason of factors such as, but not limited to, the factors set out in the discussion on pages 13 to 16 of the 2018 Annual Report entitled "General Risks and Uncertainties", and such other documents as available on SEDAR at [www.sedar.com](http://www.sedar.com). All such factors should be considered carefully when making decisions with respect to the Company. The Company does not undertake to update any forward-looking statements, including those statements that are incorporated by reference herein, whether written or oral, that may be made from time to time by or on its behalf, except in accordance with applicable securities laws.

#### About Major Drilling

[Major Drilling Group International Inc.](#) is one of the world's largest drilling services companies primarily serving the mining industry. Established in 1980, Major Drilling has over 1,000 years of combined experience within its management team alone. The Company maintains field operations and offices in Canada, the United States, Mexico, South America, Asia, Africa and Europe. Major Drilling provides a complete suite of drilling services including surface and underground coring, directional, reverse circulation, sonic, geotechnical, environmental, water-well, coal-bed methane, shallow gas, underground percussive/longhole drilling, surface drill and blast, and a variety of mine services.

#### Webcast/Conference Call Information

[Major Drilling Group International Inc.](#) will provide a simultaneous webcast and conference call to discuss its quarterly results on Wednesday, September 5, 2018 at 9:00 AM (EDT). To access the webcast, which includes a slide presentation, please go to the investors/webcast section of Major Drilling's website at [www.majordrilling.com](http://www.majordrilling.com) and click on the link. Please note that this is listen-only mode.

To participate in the conference call, please dial 416-340-2216 and ask for Major Drilling's First Quarter Results Conference Call. To ensure your participation, please call in approximately five minutes prior to the scheduled start of the call.

For those unable to participate, a taped rebroadcast will be available approximately one hour after the completion of the call until midnight, Wednesday, September 19, 2018. To access the rebroadcast, dial 905-694-9451 and enter the passcode 1815035#. The webcast will also be archived for one year and can be accessed on the Major Drilling website at [www.majordrilling.com](http://www.majordrilling.com).

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Major Drilling Group International Inc.  
Interim Condensed Consolidated Statements of Operations  
(in thousands of Canadian dollars, except per share information)  
(unaudited)

	Three months ended July 31	
	2018	2017
TOTAL REVENUE	\$ 98,485	\$ 83,952
DIRECT COSTS	75,085	67,185
GROSS PROFIT	23,400	16,767
OPERATING EXPENSES		
General and administrative	12,398	11,981
Other expenses	1,039	430
Gain on disposal of property, plant and equipment	(179 )	(172 )
Foreign exchange loss (gain)	26	(796 )
Finance costs	243	181
Depreciation of property, plant and equipment	11,144	11,798
Amortization of intangible assets	-	657
	24,671	24,079
LOSS BEFORE INCOME TAX	(1,271 )	(7,312 )
INCOME TAX - PROVISION (RECOVERY) (note 8)		
Current	2,756	2,484
Deferred	(1,545 )	(2,906 )
	1,211	(422 )
NET LOSS	\$ (2,482 )	\$ (6,890 )
LOSS PER SHARE (note 9)		
Basic	\$ (0.03 )	\$ (0.09 )
Diluted	\$ (0.03 )	\$ (0.09 )

Major Drilling Group International Inc.  
Interim Condensed Consolidated Statements of Comprehensive Loss  
(in thousands of Canadian dollars)  
(unaudited)

	Three months ended July 31	
	2018	2017
NET LOSS	\$ (2,482 )	\$ (6,890 )
OTHER COMPREHENSIVE EARNINGS		
Items that may be reclassified subsequently to profit or loss		
Unrealized gain (loss) on foreign currency translations (net of tax)	2,527	(24,885 )
Unrealized (loss) gain on derivatives (net of tax)	(142 )	104
COMPREHENSIVE LOSS	\$ (97 )	\$ (31,671 )

Major Drilling Group International Inc.  
Interim Condensed Consolidated Statements of Changes in Equity  
For the three months ended July 31, 2018 and 2017  
(in thousands of Canadian dollars)  
(unaudited)

	Share capital	Reserves	Share-based payments reserve	Retained earnings	Foreign currency translation reserve
BALANCE AS AT MAY 1, 2017	\$ 239,751	\$ 163	\$ 19,250	\$ 63,812	\$ 86,787
Exercise of stock options	1,003	-	(310 )	-	-
Share-based compensation	-	-	239	-	-
	240,754	163	19,179	63,812	86,787
Comprehensive earnings:					
Net loss	-	-	-	(6,890 )	-
Unrealized loss on foreign currency translations	-	-	-	-	(24,885 )
Unrealized gain on derivatives	-	104	-	-	-
Total comprehensive loss	-	104	-	(6,890 )	(24,885 )
BALANCE AS AT JULY 31, 2017	\$ 240,754	\$ 267	\$ 19,179	\$ 56,922	\$ 61,902
BALANCE AS AT MAY 1, 2018	\$ 241,264	\$ 36	\$ 19,721	\$ 41,360	\$ 70,021
Share-based compensation	-	-	149	-	-
	241,264	36	19,870	41,360	70,021
Comprehensive earnings:					
Net loss	-	-	-	(2,482 )	-
Unrealized gain on foreign currency translations	-	-	-	-	2,527
Unrealized loss on derivatives	-	(142 )	-	-	-
Total comprehensive loss	-	(142 )	-	(2,482 )	2,527
BALANCE AS AT JULY 31, 2018	\$ 241,264	\$ (106 )	\$ 19,870	\$ 38,878	\$ 72,548

Major Drilling Group International Inc.  
Interim Condensed Consolidated Statements of Cash Flows  
(in thousands of Canadian dollars)  
(unaudited)

	Three months ended July 31	
	2018	2017
OPERATING ACTIVITIES		
Loss before income tax	\$ (1,271 )	\$ (7,312 )
Operating items not involving cash		
Depreciation and amortization	11,144	12,455
Gain on disposal of property, plant and equipment	(179 )	(172 )
Share-based compensation	149	239
Finance costs recognized in loss before income tax	243	181
	10,086	5,391
Changes in non-cash operating working capital items	(2,933 )	2,217
Finance costs paid	(243 )	(181 )
Income taxes paid	(2,012 )	(683 )

Cash flow from operating activities	4,898	6,744
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt	(735 )	(841 )
Proceeds from draw on long-term debt	-	15,000
Issuance of common shares due to exercise of stock options	-	693
Cash flow (used in) from financing activities	(735 )	14,852
<b>INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment (net of direct financing) (note 7)	(5,826 )	(4,256 )
Proceeds from disposal of property, plant and equipment	691	776
Cash flow used in investing activities	(5,135 )	(3,480 )
Effect of exchange rate changes	473	(3,414 )
(DECREASE) INCREASE IN CASH	(499 )	14,702
CASH, BEGINNING OF THE PERIOD	21,256	25,975
CASH, END OF THE PERIOD	\$ 20,757	\$ 40,677

Major Drilling Group International Inc.  
Interim Condensed Consolidated Balance Sheets  
As at July 31, 2018 and April 30, 2018  
(in thousands of Canadian dollars)  
(unaudited)

	July 31, 2018	April 30, 2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 20,757	\$ 21,256
Trade and other receivables	86,980	88,372
Note receivable	500	495
Income tax receivable	3,666	4,517
Inventories	86,597	82,519
Prepaid expenses	6,633	2,924
	205,133	200,083
NOTE RECEIVABLE	432	559
PROPERTY, PLANT AND EQUIPMENT (note 7)	180,645	185,364
DEFERRED INCOME TAX ASSETS	24,217	23,196
GOODWILL	57,997	57,851
	\$ 468,424	\$ 467,053
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	\$ 58,484	\$ 55,906
Income tax payable	3,664	3,794
Current portion of long-term debt	1,567	1,934
	63,715	61,634
LONG-TERM DEBT	17,038	17,407
DEFERRED INCOME TAX LIABILITIES	15,217	15,610
	95,970	94,651

## SHAREHOLDERS' EQUITY

Share capital	241,264	241,264
Reserves	(106 )	36
Share-based payments reserve	19,870	19,721
Retained earnings	38,878	41,360
Foreign currency translation reserve	72,548	70,021
	372,454	372,402
	\$ 468,424	\$ 467,053

## [Major Drilling Group International Inc.](#)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED JULY 31, 2018 AND 2017 (UNAUDITED)  
(in thousands of Canadian dollars, except per share information)

### 1. NATURE OF ACTIVITIES

[Major Drilling Group International Inc.](#) (the "Company") is incorporated under the Canada Business Corporations Act and has its head office at 111 St. George Street, Suite 100, Moncton, NB, Canada. The Company's common shares are listed on the Toronto Stock Exchange ("TSX"). The principal source of revenue consists of contract drilling for companies primarily involved in mining and mineral exploration. The Company has operations in Canada, the United States, Mexico, South America, Asia, Africa and Europe.

### 2. BASIS OF PRESENTATION

#### *Statement of compliance*

These Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies as outlined in the Company's annual Consolidated Financial Statements for the year ended April 30, 2018, except as noted below in note 4.

On September 4, 2018, the Board of Directors authorized the financial statements for issue.

#### *Basis of consolidation*

These Interim Condensed Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statements of Operations from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Intra-group transactions, balances, income and expenses are eliminated on consolidation, where appropriate.

#### *Basis of preparation*

These Interim Condensed Consolidated Financial Statements have been prepared based on the historical cost basis except for certain financial instruments that are measured at fair value, using the same accounting policies and methods of computation as presented in the Company's annual Consolidated Financial Statements for the year ended April 30, 2018, except as noted below in note 4.

### 3. APPLICATION OF NEW AND REVISED IFRS

The following IASB standards, adopted as of May 1, 2018, have had no significant impact on the

#### Company's Consolidated Financial Statements:

- IFRS 2 Share-based Payment
- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The Company has not applied the following IASB standard that has been issued, but is not yet effective:

#### *IFRS 16 Leases ("IFRS 16")*

IFRS 16, issued in January 2016, replaces IAS 17, Leases. Early adoption is permitted if IFRS 15 has been applied or is applied on the same date. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting remains substantially unchanged as they continue to classify leases as operating or finance. IFRS 16 is effective for periods beginning on or after January 1, 2019. The Company is in the process of quantifying the impact IFRS 16 will have on the Consolidated Financial Statements.

#### 4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

IFRS 9 Financial Instruments ("IFRS 9"), replacing IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"), includes finalized guidance on the classification and measurement of financial assets and liabilities, impairment, and hedge accounting. The Company adopted the new requirements on May 1, 2018 by applying the requirements for classification and measurement, including impairment, retrospectively with no restatement of comparative periods.

##### *Financial instruments*

Under IFRS 9, financial assets are classified and measured at amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL") and financial liabilities are classified and measured as amortized cost or FVTPL, depending on the business model in which they are held and the characteristics of their contractual cash flows. All of the Company's financial assets and liabilities are measured at amortized cost.

##### *Impairment*

IFRS 9 replaces the incurred loss model in IAS 39 with a forward-looking expected credit loss ("ECL") model. Since the Company's trade receivables have a maturity of less than one year, the Company utilized a practical expedient available under the standard and estimated lifetime ECL using historical credit loss experiences, resulting in a minimal impact on the Company's financial statements.

##### *Hedge accounting*

Under IFRS 9, the effectiveness test has been replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. The Company's interest rate swap and share-forward transaction hedges continue to qualify for hedge accounting under IFRS 9 and as a result, the adoption of IFRS 9 did not have a significant impact on its consolidated financial statements with respect to hedge accounting.

As it was under IAS 39, hedge accounting remains optional under IFRS 9. The three types of hedges, cash flow, fair value and net investment, remain the same under IFRS 9. All of the Company's hedges continue to be classified as FVTOCI.

#### 5. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The preparation of financial statements, in conformity with International Financial Reporting Standards ("IFRS"), requires management to make judgments, estimates and assumptions that are not readily apparent from other sources, which affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.



The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Significant areas requiring the use of management estimates relate to the useful lives of property, plant and equipment for depreciation purposes, property, plant and equipment and inventory valuation, determination of income and other taxes, assumptions used in the compilation of share-based payments, fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities and allowance for doubtful accounts, and impairment testing of goodwill.

The Company applied judgment in determining the functional currency of the Company and its subsidiaries, the determination of cash-generating units (“CGUs”), the degree of componentization of property, plant and equipment, the recognition of provisions and accrued liabilities, and the determination of the probability that deferred income tax assets will be realized from future taxable earnings.

## 6. SEASONALITY OF OPERATIONS

The third quarter (November to January) is normally the Company’s weakest quarter due to the shutdown of mining and exploration activities, often for extended periods over the holiday season.

## 7. PROPERTY, PLANT AND EQUIPMENT

Capital expenditures for the three months ended July 31, 2018 were \$5,826 (2017 - \$4,307). The Company did not obtain direct financing for the three months ended July 31, 2018 (2017 - \$51).

## 8. INCOME TAXES

The income tax provision (recovery) for the period can be reconciled to accounting loss before income tax as follows:

	Q1 2019	Q1 2018
Loss before income tax	\$ (1,271 )	\$ (7,312 )
Statutory Canadian corporate income tax rate	27 %	27 %
Expected income tax recovery based on statutory rate	(343 )	(1,974 )
Non-recognition of tax benefits related to losses	1,027	1,117
Utilization of previously unrecognized losses	(48 )	-
Other foreign taxes paid	116	135
Rate variances in foreign jurisdictions	(52 )	52
Permanent differences	511	213
Other	-	35
Income tax provision (recovery) recognized in net loss	\$ 1,211	\$ (422 )

The Company periodically assesses its liabilities and contingencies for all tax years open to audit based upon the latest information available. For those matters where it is probable that an adjustment will be made, the Company records its best estimate of these tax liabilities, including related interest charges. Inherent uncertainties exist in estimates of tax contingencies due to changes in tax laws. While management believes they have adequately provided for the probable outcome of these matters, future results may include favourable or unfavourable adjustments to these estimated tax liabilities in the period the assessments are made, or resolved, or when the statutes of limitations lapse.

## 9. LOSS PER SHARE

All of the Company’s earnings are attributable to common shares, therefore, net loss is used in determining loss per share.

	Q1 2019	Q1 2018
Net loss	\$ (2,482 )	\$ (6,890 )
Weighted average number of shares:		
Basic and diluted (000s)	80,300	80,153
Loss per share		
Basic	\$ (0.03 )	\$ (0.09 )
Diluted	\$ (0.03 )	\$ (0.09 )

The calculation of diluted loss per share for the three months ended July 31, 2018 excludes the effect of 3,253,649 options (2017 &#8208; 2,449,780) as they were anti&#8208;dilutive.

The total number of shares outstanding on July 31, 2018 was 80,299,984 (2017 - 80,229,984).

## 10. SEGMENTED INFORMATION

The Company&rsquo;s operations are divided into the following three geographic segments, corresponding to its management structure: Canada - U.S.; South and Central America; and Asia and Africa. The services provided in each of the reportable segments are essentially the same. The accounting policies of the segments are the same as those described in the Company&rsquo;s annual Consolidated Financial Statements for the year ended April 30, 2018 and in note 4 above. Management evaluates performance based on earnings from operations in these three geographic segments before finance costs, general corporate expenses and income taxes. Data relating to each of the Company&rsquo;s reportable segments is presented as follows:

	Q1 2019	Q1 2018
Revenue		
Canada - U.S.*	\$ 51,313	\$ 52,182
South and Central America	26,740	18,874
Asia and Africa	20,432	12,896
	\$ 98,485	\$ 83,952
Earnings (loss) from operations		
Canada - U.S.	\$ 1,315	\$ (1,266 )
South and Central America	(738 )	(3,088 )
Asia and Africa	871	(2,166 )
	1,448	(6,520 )
Finance costs	243	181
General corporate expenses**	2,476	611
Income tax	1,211	(422 )
Net loss	\$ (2,482 )	\$ (6,890 )

\*Canada - U.S. includes revenue of \$24,654 and \$25,027 for Canadian operations for the three months ended July 31, 2018 and 2017, respectively.

\*\*General corporate expenses include expenses for corporate offices and stock options.

	Q1 2019	Q1 2018
Capital expenditures		
Canada - U.S.	\$ 3,843	\$ 3,024
South and Central America	1,774	632
Asia and Africa	209	651
Total capital expenditures	\$ 5,826	\$ 4,307
Depreciation and amortization		

Canada - U.S.	\$ 5,347	\$ 6,446
South and Central America	3,235	3,202
Asia and Africa	2,497	2,704
Unallocated and corporate assets	65	103
Total depreciation and amortization	\$ 11,144	\$ 12,455
	July 31, 2018	April 30, 2018
Identifiable assets		
Canada - U.S.*	\$ 193,398	\$ 188,947
South and Central America	137,203	137,153
Asia and Africa	97,782	94,005
Unallocated and corporate assets	40,041	46,948
Total identifiable assets	\$ 468,424	\$ 467,053

\*Canada - U.S. includes property, plant and equipment at July 31, 2018 of \$43,012 (April 30, 2018 - \$44,891) for Canadian operations.

## 11. FINANCIAL INSTRUMENTS

### *Fair value*

The carrying values of cash, trade and other receivables, demand credit facility and trade and other payables approximate their fair value due to the relatively short period to maturity of the instruments. The carrying value of long-term debt approximates its fair value. The fair value of the interest rate swap included in long-term debt is measured using quoted interest rates.

The fair value hierarchy, detailed below, requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

There were no transfers of amounts between level 1, level 2 and level 3 financial instruments for the quarter ended July 31, 2018.

### *Credit risk*

As at July 31, 2018, 82.7% (April 30, 2018 - 84.3%) of the Company's trade receivables were aged as current and 1.5% (April 30, 2018 - 1.3%) of the trade receivables were impaired.

The movements in the allowance for impairment of trade receivables during the three and twelve month periods were as follows:

	July 31, 2018	April 30, 2018
Opening balance	\$ 928	\$ 847
Increase in impairment allowance	200	500
Recovery of amounts previously impaired	(44 )	(281 )
Write-off charged against allowance	-	(69 )
Foreign exchange translation differences	(22 )	(69 )
Ending balance	\$ 1,062	\$ 928

### *Foreign currency risk*

As at July 31, 2018, the most significant carrying amounts of net monetary assets (which may include

intercompany balances with other subsidiaries) that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; and (ii) cause foreign exchange rate exposure, including the impact on earnings before income taxes ("EBIT"), if the corresponding rate changes by 10%, are as follows:

	Rate variance	MNT/USD	CFA/USD	USD/CAD	COP/USD	USD/AUD	USD/ZAR	USD/CLP
Net exposure on monetary assets		\$ 4,393	\$ 3,860	\$ 2,579	\$ 2,575	\$ 1,818	\$ (991 )	\$ (5,884 )
EBIT impact	+/-10%	488	429	287	286	202	110	654

#### Liquidity risk

The following table details contractual maturities for the Company's financial liabilities:

	1 year	2-3 years	4-5 years	Total
Trade and other payables	\$ 58,484	\$ -	\$ -	\$ 58,484
Long-term debt (interest included)	2,199	17,856	88	20,143
	\$ 60,683	\$ 17,856	\$ 88	\$ 78,627

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