

Major Drilling Reports Profitable First Quarter

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MONCTON, Sept. 08, 2020 - [Major Drilling Group International Inc.](#) (TSX: MDI) today reported results for its first quarter of fiscal year 2021, ended July 31, 2020.

Highlights

In millions of Canadian dollars
(except earnings per share)

	Q1 2021	Q1 2020
Revenue	\$89.4	\$117.5
Gross margin	16.9 %	18.2 %
Adjusted gross margin ⁽¹⁾	27.8 %	26.1 %
EBITDA ⁽²⁾	13.9	18.0
As percentage of revenue	15.5 %	15.3 %
Net earnings	2.1	6.0
Per share	0.03	0.08

(1) Adjusted gross margin excludes depreciation expenses (see “Non-IFRS Financial Measures”).

(2) Earnings before interest, taxes, depreciation and amortization (see “Non-IFRS Financial Measures”).

- Quarterly revenue was \$89.4 million, down 24% from the same quarter last year due to the impact of COVID-19.
- Net earnings at \$2.1 million or \$0.03 per share.
- Added 13 rigs this quarter, including 10 rigs to support U.S. underground operations.

“I am pleased with the fact that despite reduced activity, the Company managed to be profitable this quarter. Some of our operations were able to grow their revenue as compared to last year while our larger operations, including Canada, U.S., Mexico and Chile, were affected more than others by COVID-19,” said Denis Larocque, President and CEO of [Major Drilling Group International Inc.](#) “The quarter started extremely slow as many projects remained shut down, but the Company was still able to generate \$13.9 million in EBITDA. As the quarter progressed, we saw more and more projects resume operations, some with a reduced number of rigs due to restrictions on travel and mining activities in some jurisdictions. I want to take this opportunity to thank our employees and management for their effort to ensure we continue to operate safely and efficiently during these uncertain times.”

“The Company maintains a strong financial position with net debt (net of cash, excluding lease liabilities reported under IFRS 16) at \$2.0 million. The decrease in cash this quarter was due to a net working capital increase, mostly from higher receivables as activity increased in the second half of the quarter. As well, we spent \$7.5 million on capital expenditures this quarter, as we added 13 drill rigs and support equipment,” said Mr. Larocque. “Twelve of these drills were underground drills, including 10 rigs and ancillary equipment bought from a smaller contractor in the U.S., with half of these rigs added to existing contracts, as part of our diversification strategy. During the quarter, we disposed of seven older and inefficient rigs, bringing the fleet total to 613 rigs. Going forward, with the anticipated increase in activity, we expect the need for ancillary equipment to increase to support additional rigs going to work."

“During the quarter, the Company repaid \$20 million on its revolving bank loan facility. Last quarter, as a cautionary measure given the uncertainty with respect to the COVID-19 pandemic, the Company had drawn a total of \$35 million (the remaining portion of its \$50 million facility) to ensure access to cash if there was a prolonged slowdown.”

As we look forward, the price of gold, which accounted for 63% of the Company's drilling activity this quarter, has increased to new historic highs, above the US\$2,000 level. In light of these existing conditions, senior/intermediate gold miners are generating strong free cash flows, at a time where they face declining reserves as a result of low exploration spending over the last several years. As well, we have seen a significant increase in mining financings lately, particularly for junior mining companies, although there is always a four to six month lag between the closing of financings and the start of drilling programs;

Many industry experts expect that copper, which typically accounts for 20-25% of the Company's drilling activity, 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. New infrastructure plans announced in China, India, Europe and soon to be announced in the U.S., will require more copper and other metals, which should accelerate the depletion of those reserves;

With these signs pointing towards an increase in exploration spending, we are preparing for an increase in activity later in the fall and well into the 2021 calendar year and beyond. However, in the short-term, operations will continue to be somewhat affected by COVID-19 restrictions, which will slow down the ramp up of drilling programs;

First Quarter Ended July 31, 2020

Total revenue for the quarter was \$89.4 million, down 24% from revenue of \$117.5 million recorded in the same quarter last year. The foreign exchange translation impact on revenue for the quarter, when comparing to the effective rates for the same period last year, is negligible, with a minimal impact on net earnings.

Revenue for the quarter from Canada - U.S. drilling operations decreased by 24.6% to \$46.0 million, compared to the same period last year. The region saw continued shutdowns in the first part of the quarter due to government and customer imposed restrictions caused by COVID-19. However, by quarter end, operations had resumed on a number of projects under enhanced safety protocols.

South and Central American revenue decreased by 40.4% to \$19.5 million for the quarter, compared to the same quarter last year. Operational challenges in relation to government or customer imposed restrictions regarding COVID-19 remained in place during the quarter in certain regions.

Asian and African operations reported revenue of \$23.8 million, which is flat compared to the same period last year. Strong operational performances in Indonesia and Mongolia offset the COVID-19 related shutdowns faced in Southern Africa.

Gross margin percentage for the quarter was 16.9%, compared to 18.2% for the same period last year. Depreciation expense totaling \$9.7 million is included in direct costs for the current quarter, versus \$9.3 million in the same quarter last year. Adjusted gross margin, which excludes depreciation expense, was 27.8% for the quarter, compared to 26.1% for the same period last year. Margins were positively impacted by improved pricing since January 2020, and by approximately 1% due to government assistance programs available to the Company in the hardest hit regions.

General and administrative costs were \$11.2 million, a decrease of \$1.0 million compared to the same quarter last year. The decrease is mainly related to reduced travel and various government assistance programs for administrative employees. These temporary reductions will subside once activity levels return in those impacted regions and government restrictions are eased.

The income tax provision for the quarter was an expense of \$1.2 million compared to an expense of \$2.0 million for the prior year period. The income tax expense for the quarter was impacted by non-deductible expenses and non-tax effected losses in certain regions, while incurring taxes in profitable branches.

Net earnings were \$2.1 million or \$0.03 per share (\$0.03 per share diluted) for the quarter, compared to net earnings of \$6.0 million or \$0.08 per share (\$0.08 per share diluted) for the prior year quarter.

NON-IFRS FINANCIAL MEASURES

The Company's financial data has been prepared in accordance with IFRS, with the exception of certain financial measures detailed below. The Company believes these non-IFRS financial measures are key, for both management and investors, in evaluating performance at a consolidated level and are commonly reported and widely used by investors and lending institutions as indicators of a company's operating performance and ability to incur and service debt, and as a valuation metric. These measures do not have a standardized meaning prescribed by IFRS 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 IFRS.

EBITDA - earnings before interest, taxes, depreciation and amortization.

(in \$000s CAD)	Q1 2021	Q1 2020
Net earnings	\$ 2,148	\$ 6,033
Finance costs	288	219
Income tax provision	1,231	1,994
Depreciation and amortization	10,220	9,717
EBITDA	\$ 13,887	\$ 17,963

Adjusted gross profit/margin - excludes depreciation expense.

(in \$000s CAD)	Q1 2021	Q1 2020
Total revenue	\$ 89,420	\$ 117,459
Direct costs	74,295	96,090
Less: depreciation	(9,707)	(9,321)
Adjusted gross profit	24,832	30,690
Adjusted gross margin	27.8 %	26.1 %

Forward-Looking Statements

This news release contains statements that constitute forward-looking statements about the Company's objectives, strategies, financial condition, results of operations, cash flows and businesses. All statements, other than historical facts, are forward-looking because they are based on current expectations, estimates, assumptions, risks and uncertainties. These forward-looking statements are typically identified by future or conditional verbs such as outlook, believe, anticipate, estimate, project, expect, intend, plan, and terms and expressions of similar import.

Forward-looking statements include, but are not limited 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 risks relating to the COVID-19 outbreak and the factors set out in the discussion on pages 15 to 19 of the 2020 Management's Discussion & Analysis entitled General Risks and Uncertainties, and such other documents as available on SEDAR at 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. All of the forward-looking statements made in this news release are qualified by these cautionary statements.

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 and expertise 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 9, 2020 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 and click on the link. Please note that this is listen-only mode.

To participate in the conference call, please dial 416-340-2217, participant passcode 7212240# 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, Thursday, September 24, 2020. To access the rebroadcast, dial 905-694-9451 and enter the passcode 7936172#. The webcast will also be archived for one year and can be accessed on the Major Drilling website at 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 (unaudited)	
	2020	2019
TOTAL REVENUE	\$ 89,420	\$ 117,459
DIRECT COSTS	74,295	96,090
GROSS PROFIT	15,125	21,369
OPERATING EXPENSES		
General and administrative	11,226	12,165
Other expenses	895	1,158
(Gain) loss on disposal of property, plant and equipment	(56)	(125)
Foreign exchange (gain) loss	(607)	(75)

Finance costs	288	219
	11,746	13,342
EARNINGS BEFORE INCOME TAX	3,379	8,027
INCOME TAX PROVISION (RECOVERY) (note 6)		
Current	1,801	1,894
Deferred	(570)	100
	1,231	1,994
NET EARNINGS	\$ 2,148	\$ 6,033
EARNINGS PER SHARE (note 7)		
Basic	\$ 0.03	\$ 0.08
Diluted	\$ 0.03	\$ 0.08

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Interim Condensed Consolidated Statements of Comprehensive Earnings (Loss)
(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2020	2019
NET EARNINGS	\$ 2,148	\$ 6,033
OTHER COMPREHENSIVE EARNINGS		
Items that may be reclassified subsequently to profit or loss		
Unrealized gain (loss) on foreign currency translations (net of tax)	(8,090)	(5,756)
Unrealized gain (loss) on derivatives (net of tax)	1,670	168
COMPREHENSIVE EARNINGS (LOSS)	\$ (4,272)	\$ 445

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Interim Condensed Consolidated Statements of Changes in Equity
For the three months ended July 31, 2020 and 2019
(in thousands of Canadian dollars)
(unaudited)

	Share capital	Retained earnings (deficit)	Other reserves	Share-based payments reserve	Foreign currency translation reserve
BALANCE AS AT MAY 1, 2019*	\$ 241,264	\$ 29,020	\$ (570)	\$ 14,503	\$ 78,783
Share-based compensation	-	-	-	90	-
Stock options expired	-	2,067	-	(2,067)	-
	241,264	31,087	(570)	12,526	78,783
Comprehensive earnings:					
Net earnings	-	6,033	-	-	-
Unrealized gain (loss) on foreign currency translations	-	-	-	-	(5,756)
Unrealized gain (loss) on derivatives	-	-	168	-	-
Total comprehensive earnings (loss)	-	6,033	168	-	(5,756)
BALANCE AS AT JULY 31, 2019	\$ 241,264	\$ 37,120	\$ (402)	\$ 12,526	\$ 73,027

BALANCE AS AT MAY 1, 2020	\$ 243,189	\$ (35,691)	\$ (611)	\$ 8,519	\$ 81,640
Share-based compensation	-	-	-	76	-
Stock options expired	-	3,371	-	(3,371)	-
	243,189	(32,320)	(611)	5,224	81,640
Comprehensive earnings:					
Net earnings	-	2,148	-	-	-
Unrealized gain (loss) on foreign currency translations	-	-	-	-	(8,090)
Unrealized gain (loss) on derivatives	-	-	1,670	-	-
Total comprehensive earnings (loss)	-	2,148	1,670	-	(8,090)
BALANCE AS AT JULY 31, 2020	\$ 243,189	\$ (30,172)	\$ 1,059	\$ 5,224	\$ 73,550

**Opening balances have been allocated to include expired or forfeited stock options of \$5,744, previously recorded in share-based payments reserve, in retained earnings (deficit), consistent with current year presentation.*

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Interim Condensed Consolidated Statements of Cash Flows
(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2020	2019
OPERATING ACTIVITIES		
Earnings before income tax	\$ 3,379	\$ 8,027
Operating items not involving cash		
Depreciation and amortization	10,220	9,717
(Gain) loss on disposal of property, plant and equipment	(56)	(125)
Share-based compensation	76	90
Finance costs recognized in earnings before income tax	288	219
	13,907	17,928
Changes in non-cash operating working capital items	(12,907)	(5,614)
Finance costs paid	(288)	(219)
Income taxes paid	(1,324)	(1,854)
Cash flow from (used in) operating activities	(612)	10,241
FINANCING ACTIVITIES		
Repayment of lease liabilities	(310)	(300)
Repayment of long-term debt	(20,251)	(265)
Cash flow from (used in) used in financing activities	(20,561)	(565)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (net of unpaid) (note 5)	(7,499)	(10,565)
Proceeds from disposal of property, plant and equipment	301	266
Cash flow from (used in) investing activities	(7,198)	(10,299)
Effect of exchange rate changes	(991)	98
DECREASE IN CASH	(29,362)	(525)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	58,433	27,366
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$ 29,071	\$ 26,841

[Major Drilling Group International Inc.](#)

Interim Condensed Consolidated Balance Sheets

As at July 31, 2020 and April 30, 2020

(in thousands of Canadian dollars)

(unaudited)

	July 31, 2020	April 30, 2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 29,071	\$ 58,433
Trade and other receivables	84,469	71,641
Income tax receivable	3,913	4,350
Inventories	94,934	99,823
Prepaid expenses	6,880	4,497
	219,267	238,744
PROPERTY, PLANT AND EQUIPMENT (note 5)	164,106	168,906
DEFERRED INCOME TAX ASSETS	9,782	9,613
GOODWILL	7,708	7,708
INTANGIBLE ASSETS	852	946
	\$ 401,715	\$ 425,917
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	\$ 57,257	\$ 55,858
Income tax payable	1,095	926
Current portion of lease liabilities	1,115	1,121
Current portion of long-term debt	1,028	1,024
	60,495	58,929
LEASE LIABILITIES	2,388	2,701
CONTINGENT CONSIDERATION	1,807	1,807
LONG-TERM DEBT	30,079	50,333
DEFERRED INCOME TAX LIABILITIES	14,096	15,101
	108,865	128,871
SHAREHOLDERS' EQUITY		
Share capital	243,189	243,189
Retained earnings (deficit)	(30,172)	(35,691)
Other reserves	1,059	(611)
Share-based payments reserve	5,224	8,519
Foreign currency translation reserve	73,550	81,640
	292,850	297,046
	\$ 401,715	\$ 425,917

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, 2020.

On September 8, 2020, 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, 2020.

3. 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.

Depending on the severity and duration of disruptions caused by the COVID-19 pandemic, results could be impacted in future periods. It is not possible at this time to estimate the magnitude of such potential future impacts.

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, contingent consideration and allowance for doubtful accounts, and impairment testing of goodwill and intangible assets.

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.

4. 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.

5. PROPERTY, PLANT AND EQUIPMENT

Capital expenditures for the three months ended July 31, 2020 were \$9,168 (2019 - \$10,565). The unpaid portion of capital expenditures for the three months ended July 31, 2020 was \$1,669 (2019 - nil).

Depreciation expense recorded in the Interim Condensed Consolidated Statements of Operations in direct costs was \$9,707 (2019 - \$9,321) and in general and administrative was \$513 (2019 - \$396).

6. INCOME TAXES

The income tax provision for the period can be reconciled to accounting earnings before income tax as follows:

	Q1 2021	Q1 2020
Earnings before income tax	\$ 3,379	\$ 8,027
Statutory Canadian corporate income tax rate	27 %	27 %
Expected income tax provision based on statutory rate	912	2,167
Non-recognition of tax benefits related to losses	842	95
Utilization of previously unrecognized losses	(177)	(345)
Other foreign taxes paid	121	168
Rate variances in foreign jurisdictions	(163)	(18)
Permanent differences and other	(304)	(73)
Income tax provision recognized in net earnings	\$ 1,231	\$ 1,994

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.

7. EARNINGS PER SHARE

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

	Q1 2021	Q1 2020
Net earnings	\$ 2,148	\$ 6,033
Weighted average number of shares:		
Basic (000s)	80,634	80,300
Diluted (000s)	80,634	80,300
Earnings per share		

Basic	\$ 0.03	\$ 0.08
Diluted	\$ 0.03	\$ 0.08

The calculation of diluted earnings per share for the three months ended July 31, 2020 excludes the effect of 2,035,919 options (2019 - 3,230,195) as they were anti-dilutive.

The total number of shares outstanding on July 31, 2020 was 80,634,153 (2019 - 80,299,984).

8. SEGMENTED INFORMATION

The Company'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's annual Consolidated Financial Statements for the year ended April 30, 2020. 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's reportable segments is presented as follows:

	Q1 2021	Q1 2020
Revenue		
Canada - U.S.*	\$ 46,045	\$ 60,957
South and Central America	19,535	32,686
Asia and Africa	23,840	23,816
	\$ 89,420	\$ 117,459

*Canada - U.S. includes revenue of \$18,078 and \$26,965 for Canadian operations for the three months ended July 31, 2020 and 2019, respectively.

	Q1 2021	Q1 2020
Earnings (loss) from operations		
Canada - U.S.	\$ 2,801	\$ 5,338
South and Central America	(1,043)	1,858
Asia and Africa	3,001	3,812
	4,759	11,008
Finance costs	288	219
General corporate expenses**	1,092	2,762
Income tax	1,231	1,994
	2,611	4,975
Net Earnings	\$ 2,148	\$ 6,033

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

Capital expenditures		
Canada - U.S.	\$ 8,021	\$ 8,464
South and Central America	200	742
Asia and Africa	947	1,206
Unallocated and corporate assets	-	153
Total capital expenditures	\$ 9,168	\$ 10,565

Depreciation and amortization		
Canada - U.S.	\$ 5,024	\$ 4,318
South and Central America	3,358	3,647

Asia and Africa	1,792	1,473
Unallocated and corporate assets	46	279
Total depreciation and amortization	\$ 10,220	\$ 9,717

	July 31, 2020	April 30, 2020
Identifiable assets		
Canada - U.S.*	\$ 187,325	\$ 180,925
South and Central America	122,963	129,748
Asia and Africa	122,367	121,954
Unallocated and corporate assets (liabilities)	(30,940)	(6,710)
Total identifiable assets	\$ 401,715	\$ 425,917

*Canada - U.S. includes property, plant and equipment at July 31, 2020 of \$44,293 (April 30, 2020 - \$44,146) for Canadian operations.

9. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, trade and other receivables, demand credit facilities 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.

Financial assets and liabilities measured at fair value are classified and disclosed in one of the following categories:

- 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).

The Company's derivatives are classified as level 2 financial instruments. There were no transfers of amounts between level 1, level 2 and level 3 financial instruments for the quarter ended July 31, 2020.

The fair value hierarchy 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.

Credit risk

As at July 31, 2020, 90.6% (April 30, 2020 - 81.6%) of the Company's trade receivables were aged as current and 1.8% (April 30, 2020 - 2.0%) 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, 2020	April 30, 2020
Opening balance	\$ 1,226	\$ 863
Increase in impairment allowance	99	442
Write-off charged against allowance	-	(37)
Foreign exchange translation differences	1	(42)

Ending balance	\$ 1,326	\$ 1,226
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Foreign currency risk

As at July 31, 2020, 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	IDR/USD	MNT/USD	USD/AUD	USD/CLP	USD/CAD	Other
Net exposure on monetary assets		7,083	5,813	4,303	3,183	3,629	927
EBIT impact	+/-10%	787	646	478	354	403	103

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	\$ 57,257	\$ -	\$ -	\$ 57,257
Lease liabilities (interest included)	1,390	2,246	496	4,132
Contingent consideration (undiscounted)	-	2,500	-	2,500
Long-term debt (interest included)	1,685	32,293	-	33,978
	\$ 60,332	\$ 37,039	\$ 496	\$ 97,867

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