Major Drilling Reports Revenue of $151 Million and Net Earnings of $11.1 Million

01.09.2021 | GlobeNewswire

MONCTON, Sept. 01, 2021 - Major Drilling Group International Inc. (TSX: MDI), a leading provider of specialized drilling services to the mining sector ("Major Drilling" or the "Company"), today reported results for the first quarter of fiscal 2022, ended July 31, 2021.

Highlights

- Industry upturn gaining momentum
- Highest quarterly revenue in 9 years at $151.0 million, up 69% as compared to same period last year.
- EBITDA(1) for the quarter was $24.2 million, an increase of 75% compared to same period last year.
- Recorded net earnings of $11.1 million or $0.14 per share, the highest in 9 years.
- McKay acquisition delivering great results.

"We're very pleased with the progress made this quarter as our strategy of having rigs and inventory ready for immediate deployment to customers has delivered results. We continued to see increased activity in the industry as the cyclical recovery is well under way. During the quarter, we saw strong regional growth in North America, where gold projects are still the main driver of activity. This quarter, we also added revenue from the McKay Drilling PTY Limited ("McKay") acquisition in Australia, which closed June 1, 2021. While still in the early stages, the integration is going very well and operations are performing at a high level in a very busy market, as anticipated. In South America and Asia, our operations continued to be impacted by the effects of the pandemic, which delayed several projects and continued to disrupt some of our operational activities," said Denis Larocque, President and CEO of Major Drilling.

"During the quarter, we renegotiated several of our contracts in North America, with more favourable terms and prices. We expect this to improve margins going forward, although it will be somewhat offset by cost inflation for supplies and labour. Availability of skilled labour continues to be extremely challenging for everyone in the most operationally intense markets, putting pressure on costs and productivity. Major Drilling's training and retention efforts have allowed us to support our rapid growth and deliver value to our customers, despite the fierce competition for drillers."

"As activity levels picked up in the quarter, our operational leverage drove strong EBITDA growth and our best quarterly net earnings in nine years," said Ian Ross, CFO of Major Drilling. "Our balance sheet remains in great shape after spending $11.7 million on capital expenditures and closing the McKay acquisition, with net debt(1) of $44.5 million, including contingent aspects of the McKay transaction. We added 20 specialized drills from the McKay acquisition, as well as an additional 10 drill rigs and support equipment for existing rigs going out in the field. We also disposed of 13 older, less efficient rigs, bringing the total rig count to 605. Most of the rigs purchased this quarter will be going to work this upcoming quarter to meet continued market demand."

"Demand for our services continues to be strong and we have secured more work for the upcoming quarter. We expect the wider industry rig and labour shortages and higher utilization rates to continue to drive a more positive pricing environment and expedite margin recovery as the cycle progresses. Further, as pandemic restrictions ease in South America, we expect to see an increase in activity as drilling programs resume in Chile and Argentina," said Denis Larocque.

In millions of Canadian dollars (except earnings per share)	Q1 2022	Q1 2021
Revenue	$ 151.0	$ 89.4
Gross margin	20.1 %	16.9 %
Adjusted gross margin (1)	26.3 %	27.8 %
EBITDA (1)	24.2	13.9

As percentage of revenue	16.1 %	15.5 %
Net earnings	11.1	2.1
Earnings per share	0.14	0.03

(1) See "Non-IFRS Financial Measures"

First Quarter Ended July 31, 2021

Total revenue for the quarter was $151.0 million, the Company's highest quarterly revenue since the second quarter of 2013, up 69% from revenue of $89.4 million recorded in the same quarter last year, which was impacted by COVID-19. The unfavourable foreign exchange translation impact on revenue for the quarter, when comparing to the effective rates for the same period last year, was approximately $9 million, with a minimal impact on net earnings as expenditures in foreign jurisdictions tend to be in the same currency as revenue.

Revenue for the quarter from Canada - U.S. drilling operations increased by 84.6% to $84.9 million, compared to the same period last year. Demand for drilling services in this region remains very strong. Recently raised capital from juniors as well as increased exploration budgets from seniors and intermediates has resulted in increased activity levels in which the Company has been positioned to benefit from.

South and Central American revenue increased by 80.5% to $35.2 million for the quarter, compared to the same quarter last year. This quarter saw activity levels start to pick up subsequent to the impacts of COVID-19, although certain countries, such as Chile and Argentina, are still not operating at pre-pandemic levels.

Australasian and African revenue increased by 29.8% to $30.9 million, compared to the same period last year. The addition of the Australian operations more than offset the impacts of COVID-19 in the region, as certain countries, in particular Mongolia, have seen activity levels heavily impacted with the most recent wave of the pandemic.

Gross margin percentage for the quarter was 20.1%, compared to 16.9% for the same period last year. Depreciation expense totaling $9.3 million is included in direct costs for the current quarter, versus $9.7 million in the same quarter last year. Adjusted gross margin, which excludes depreciation expense, was 26.3% for the quarter, compared to 27.8% for the same period last year. Labour challenges and supply cost increases have impacted margins in the current quarter, but several contracts in North America have been renegotiated with more favourable terms and prices, which should help offset the cost inflation and improve margins moving forward.

General and administrative costs were $13.6 million, an increase of $2.4 million compared to the same quarter last year. The increase is driven by the addition of the Australian operations and inflationary wage adjustments to start the new fiscal year. Also, certain cost cutting measures and government assistance programs used to navigate the pandemic in the prior year are no longer in place as the Company shifts towards a growth phase.

The income tax provision for the quarter was an expense of $2.7 million compared to an expense of $1.2 million for the prior year period. The income tax expense, although up from the previous year due to increased profitability, was aided by the utilization of previously unrecognized tax losses in certain regions.

Net earnings were $11.1 million or $0.14 per share ($0.13 per share diluted) for the quarter, compared to $2.1 million or $0.03 per share ($0.03 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 measures below have been used consistently by the Company's management team in assessing operational performance on both segmented and consolidated levels, and in assessing the Company's financial strength. 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.

Adjusted gross profit/margin - excludes depreciation expense:

(in $000s CAD)	Q1 2022	Q1 2021
Total revenue	$ 150,995	$ 89,420
Less: direct costs	120,635	74,295
Gross profit	30,360	15,125
Add: depreciation	9,309	9,707
Adjusted gross profit	39,669	24,832
Adjusted gross margin	26.3 %	27.8 %

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

(in $000s CAD)	Q1 2022	Q1 2021
Net earnings	$ 11,060	$ 2,148
Finance costs	472	288
Income tax provision	2,715	1,231
Depreciation and amortization	9,989	10,220
EBITDA	$ 24,236	$ 13,887

Net debt/net cash - cash net of debt, excluding lease liabilities reported under IFRS 16 Leases:

(in $000s CAD)	July 31, 2021	April 30, 2021
Cash	$ 27,470	$ 22,359
Contingent consideration	(21,742)	(1,907)
Current portion of long-term debt	(83)	(356)
Long-term debt	(50,159)	(15,106)
Net cash (debt)	$ (44,514)	$ 4,990

Forward-Looking Statements

This news release includes certain information that may constitute "forward-looking information" under applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this news release that address future events, developments, or performance that the Company expects to occur (including management's expectations regarding the Company's objectives, strategies, financial condition, results of operations, cash flows and businesses) are forward-looking statements. 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. All forward-looking information in this news release is qualified by this cautionary note.

Forward-looking information is necessarily based upon various estimates and assumptions including, without limitation, the expectations and beliefs of management related to the factors set forth below. While these factors and assumptions are considered reasonable by the Company as at the date of this document in light of management's experience and perception of current conditions and expected developments, these statements are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements and undue reliance should not be placed on such statements and information.

Such forward-looking statements are subject to a number of risks and uncertainties that include, but are not limited to: 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 dependence on key customers; the integration of business acquisitions and the realization of the intended benefits of such acquisitions; the level of funding for the Company's clients (particularly for junior mining companies); implications of the COVID-19 pandemic; competitive pressures; exposure to 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; as well as other risk factors described under "General Risks and Uncertainties" in the Company's Annual Information Form for the year ended April 30, 2021, available on the SEDAR website at www.sedar.com. Should one or more risk, uncertainty, contingency, or other factor materialize or should any factor or assumption prove incorrect, actual results could vary materially from those expressed or implied in the forward-looking information.

Forward-looking statements made in this document are made as of the date of this document and the Company disclaims any intention and assumes no obligation to update any forward-looking statement, even if new information becomes available, as a result of future events, or for any other reasons, except as required by 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 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 Australia. 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 Thursday, September 2, 2021 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 4364280# 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, Sunday, October 3, 2021. To access the rebroadcast, dial 905-694-9451 and enter the passcode 8936099#. 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	
	2021	2020
TOTAL REVENUE	$ 150,995	$ 89,420
DIRECT COSTS (note 6)	120,635	74,295
GROSS PROFIT	30,360	15,125
OPERATING EXPENSES		
General and administrative (note 6)	13,608	11,226
Other expenses	2,607	895
(Gain) loss on disposal of property, plant and equipment	(324)	(56)
Foreign exchange (gain) loss	222	(607)
Finance costs	472	288
	16,585	11,746
EARNINGS BEFORE INCOME TAX	13,775	3,379
INCOME TAX EXPENSE (RECOVERY) (note7)		
Current	2,432	1,801
Deferred	283	(570)
	2,715	1,231
NET EARNINGS	$ 11,060	$ 2,148
EARNINGS PER SHARE (note 8)		
Basic	$ 0.14	$ 0.03
Diluted	$ 0.13	$ 0.03

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

	Three months ended July 31	
	2021	2020
NET EARNINGS	$ 11,060	$ 2,148
OTHER COMPREHENSIVE EARNINGS (LOSS)		
Items that may be reclassified subsequently to profit or loss		
Unrealized gain (loss) on foreign currency translations	2,005	(8,090)
Unrealized gain (loss) on derivatives (net of tax)	177	1,670
COMPREHENSIVE EARNINGS (LOSS)	$ 13,242	$ (4,272)

Major Drilling Group International Inc.
Interim Condensed Consolidated Statements of Changes in Equity
For the three months ended July 31, 2021 and 2020
(in thousands of Canadian dollars)
(unaudited)

	Share capital	Retained earnings (deficit)	Other reserves	Share-based payments reserve	Fo tra

BALANCE AS AT MAY 1, 2020	$ 243,189	$ (35,691)	$ (611)	$ 8,519	$
Share-based compensation	-	-	-	76	
Stock options expired/forfeited	-	3,371	-	(3,371)	
	243,189	(32,320)	(611)	5,224	
Comprehensive earnings:					
Net earnings	-	2,148	-	-	
Unrealized gain (loss) on foreign currency translations	-	-	-	-	
Unrealized gain (loss) on derivatives	-	-	1,670	-	
Total comprehensive earnings (loss)	-	2,148	1,670	-	
BALANCE AS AT JULY 31, 2020	$ 243,189	$ (30,172)	$ 1,059	$ 5,224	$
BALANCE AS AT MAY 1, 2021	$ 243,379	$ (22,456)	$ 1,067	$ 5,559	$
Share issue (note 10)	12,911	-	-	-	
Exercise of stock options	3,280	-	-	(920)	
Share-based compensation	-	-	-	78	
Stock options expired/forfeited	-	20	-	(20)	
	259,570	(22,436)	1,067	4,697	
Comprehensive earnings:					
Net earnings	-	11,060	-	-	
Unrealized gain (loss) on foreign currency translations	-	-	-	-	
Unrealized gain (loss) on derivatives	-	-	177	-	
Total comprehensive earnings (loss)	-	11,060	177	-	
BALANCE AS AT JULY 31, 2021	$ 259,570	$ (11,376)	$ 1,244	$ 4,697	$

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

	Three months ended July 31	
	2021	2020
OPERATING ACTIVITIES		
Earnings before income tax	$ 13,775	$ 3,379
Operating items not involving cash		
Depreciation and amortization	9,989	10,220
(Gain) loss on disposal of property, plant and equipment	(324)	(56)
Share-based compensation	78	76
Finance costs recognized in earnings before income tax	472	288
	23,990	13,907
Changes in non-cash operating working capital items	(5,386)	(12,907)
Finance costs paid	(472)	(288)
Income taxes (paid) recovered	(1,300)	(1,324)
Cash flow from (used in) operating activities	16,832	(612)
FINANCING ACTIVITIES		
Repayment of lease liabilities	(442)	(310)
Repayment of long-term debt	(272)	(20,251)
Issuance of common shares due to exercise of stock options	2,360	-
Proceeds from draw on long-term debt	35,000	-

Cash flow from (used in) financing activities	36,646	(20,561)
INVESTING ACTIVITIES		
Business acquisitions (net of cash acquired) (note 10)	(37,869)	-
Acquisition of property, plant and equipment	(11,653)	(7,499)
Proceeds from disposal of property, plant and equipment	1,363	301
Cash flow from (used in) investing activities	(48,159)	(7,198)
Effect of exchange rate changes	(208)	(991)
INCREASE (DECREASE) IN CASH	5,111	(29,362)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	22,359	58,433
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	$ 27,470	$ 29,071

Major Drilling Group International Inc.
Interim Condensed Consolidated Balance Sheets
As at July 31, 2021 and April 30, 2021
(in thousands of Canadian dollars)
(unaudited)

	July 31, 2021	April 30, 2021
ASSETS		
CURRENT ASSETS		
Cash	$ 27,470	$ 22,359
Trade and other receivables	123,148	102,571
Income tax receivable	4,746	5,973
Inventories	88,008	85,585
Prepaid expenses	10,796	6,710
	254,168	223,198
PROPERTY, PLANT AND EQUIPMENT (note 5 and note 10)	190,432	144,382
RIGHT-OF-USE ASSETS	6,298	3,773
DEFERRED INCOME TAX ASSETS	6,450	8,903
GOODWILL (note 10)	22,782	7,708
INTANGIBLE ASSETS (note 10)	5,746	568
	$ 485,876	$ 388,532
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	$ 85,484	$ 73,083
Income tax payable	1,381	1,639
Current portion of lease liabilities	1,651	803
Current portion of long-term debt	83	356
	88,599	75,881
LEASE LIABILITIES	4,588	2,943
CONTINGENT CONSIDERATION (note 10)	21,742	1,907
LONG-TERM DEBT	50,159	15,106
DEFERRED INCOME TAX LIABILITIES	12,034	12,532
	177,122	108,369
SHAREHOLDERS' EQUITY		
Share capital	259,570	243,379

Retained earnings (deficit)	(11,376)	(22,456)
Other reserves	1,244	1,067
Share-based payments reserve	4,697	5,559
Foreign currency translation reserve	54,619	52,614
	308,754	280,163
	$ 485,876	$ 388,532

Major Drilling Group International Inc.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JULY 31, 2021 AND 2020 (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 Australia.

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, 2021, with the exception of intangible assets acquired (see note 10).

On September 1, 2021, 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, 2021.

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 and intangible assets 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, 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, 2021 were $11,653 (2020 - $9,168). The unpaid portion of capital expenditures for the three months ended July 31, 2021 was nil (2020 - $1,669).

6. EXPENSES BY NATURE

Direct costs by nature are as follows:

	Q1 2022	Q1 2021
Depreciation	$ 9,309	$ 9,707
Employee salaries and benefit expenses	56,190	30,693
Cost of material	22,753	15,155
Other	32,383	18,740
	$ 120,635	$ 74,295

General and administrative expenses by nature are as follows:

	Q1 2022	Q1 2021
Amortization of intangible assets	$ 279	$ 95
Depreciation of right-of-use assets	314	300
Depreciation other	87	118
Employee salaries and benefit expenses	7,863	6,366
Other general and administrative expenses	5,065	4,347
	$ 13,608	$ 11,226

7. INCOME TAXES

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

	Q1 2022	Q1 2021
Earnings before income tax	$ 13,775	$ 3,379
Statutory Canadian corporate income tax rate	27 %	27 %
Expected income tax provision based on statutory rate	3,719	912
Non-recognition of tax benefits related to losses	489	842
Utilization of previously unrecognized losses	(2,334)	(177)
Other foreign taxes paid	216	121
Rate variances in foreign jurisdictions	87	(163)
Derecognition of previously recognized losses	861	-
Permanent differences and other	(323)	(304)
Income tax provision recognized in net earnings	$ 2,715	$ 1,231

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.

8. 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 2022	Q1 2021
Net earnings	$ 11,060	$ 2,148
Weighted average number of shares:		
Basic (000s)	81,731	80,634
Diluted (000s)	82,221	80,634
Earnings per share		
Basic	$ 0.14	$ 0.03
Diluted	$ 0.13	$ 0.03

The calculation of diluted earnings per share for the three months ended July 31, 2021 excludes the effect of 46,793 options, (2020 - 2,035,919) as they were anti‐dilutive.

The total number of shares outstanding on July 31, 2021 was 82,310,554 (2020 - 80,634,153).

9. 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 Australasia 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, 2021. 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 2022	Q1 2021
Revenue		
Canada - U.S.*	$ 84,859	$ 46,045
South and Central America	35,190	19,535
Australasia and Africa	30,946	23,840
	$ 150,995	$ 89,420

*Canada - U.S. includes revenue of $46,999 and $18,078 for Canadian operations for the three months ended July 31, 2021 and 2020, respectively.

	Q1 2022	Q1 2021
Earnings (loss) from operations		
Canada - U.S.	$ 12,192	$ 2,801
South and Central America	104	(1,043)
Australasia and Africa	5,641	3,001
	17,937	4,759
Finance costs	472	288
General corporate expenses**	3,690	1,092
Income tax	2,715	1,231
	6,877	2,611
Net earnings	$ 11,060	$ 2,148

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

	Q1 2022	Q1 2021
Capital expenditures		
Canada - U.S.	$ 8,415	$ 8,021
South and Central America	2,448	200
Australasia and Africa	790	947
Total capital expenditures	$ 11,653	$ 9,168

	Q1 2022	Q1 2021
Depreciation and amortization		
Canada - U.S.	$ 4,235	$ 5,024
South and Central America	2,537	3,358
Australasia and Africa	2,884	1,792
Unallocated and corporate assets	333	46
Total depreciation and amortization	$ 9,989	$ 10,220

	July 31, 2021	April 30, 2021
Identifiable assets		
Canada - U.S.*	$ 199,827	$ 191,320
South and Central America	111,519	99,435
Australasia and Africa	197,609	111,504
Unallocated and corporate liabilities	(23,079)	(13,727)
Total identifiable assets	$ 485,876	$ 388,532

*Canada - U.S. includes property, plant and equipment as at July 31, 2021 of $44,497 (April 30, 2021 - $43,409) for Canadian operations.

10. BUSINESS ACQUISITION

McKay Drilling PTY Limited

Effective June 1, 2021, the Company acquired all of the issued and outstanding shares of McKay Drilling PTY Limited ("McKay"), a leading specialty drilling contractor based in Western Australia.

The acquisition was accounted for using the acquisition method. The Company acquired 20 drill rigs, support equipment and inventory, existing contracts and receivables, as well as retaining the operation's management team, and other employees, including experienced drillers.

The purchase price for the transaction was $70,892, consisting of $37,869 in cash (net of cash acquired), $12,911 in Major Drilling shares and an additional payout of $20,112 (discounted) tied to performance. The maximum amount of the contingent consideration is $25,000 AUD, with a payout period extending over three years from the effective date of June 1, 2021, contingent upon achievement of certain milestones.

As the acquisition occurred early in the current quarter, the Company is in the process of finalizing the valuation of assets and purchase price allocation. As at July 31, 2021, the values allocated to net tangible and intangible assets are preliminary and are subject to adjustments as additional information is obtained.

Goodwill arising from this acquisition was equal to the excess of the total consideration paid over the fair value of the net assets acquired and represents the benefit of expected synergies, revenue growth, an experienced labour force and future market development.

The estimated net assets acquired at fair value at acquisition were as follows:

Net assets acquired	
Trade and other receivables	$ 10,475
Inventories	1,595
Prepaid expenses	1,773
Property, plant and equipment	44,466
Goodwill (not tax deductible)	15,362
Intangible assets	5,558
Trade and other payables	(7,379)
Deferred income tax liabilities	(958)
Total assets	$ 70,892
Consideration	
Cash	$ 38,850
Less: cash acquired	(981)
Contingent consideration	20,112
Shares of Major Drilling	12,911
Total consideration	$ 70,892

Subsequent to the date of acquisition, the trade and other receivables included in the above net assets acquired have been fully collected. Intangible assets acquired are amortized over 5 years.

The above consideration includes non-cash investing activities, which are not reflected in the Interim Condensed Consolidated Statements of Cash Flows, including the issuance of 1,318,101 shares of Major Drilling for a total of $12,911, and contingent consideration of $20,112 (discounted).

The Company incurred acquisition-related costs of $396 relating to external legal fees and due diligence costs. These acquisition costs have been included in the other expenses line of the Interim Condensed Consolidated Statements of Operations.

The results of operations of McKay are included in the Interim Condensed Consolidated Statements of Operations from June 1, 2021. Since the date of acquisition, revenue attributable to the McKay operations was approximately $12 million and earnings were approximately $2 million. Had the business combination been effective as of May 1, 2021, pro-forma revenue and net earnings of the Company for the three months ended July 31, 2021, would have been approximately $156.5 million and $12 million, respectively.

11. 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 contingent consideration and long-term debt approximates their fair value as the interest applicable is reflective of fair market rates.

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, 2021.

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, 2021, 96.3% (April 30, 2021 - 93.7%) of the Company's trade receivables were aged as current and 1.6% (April 30, 2021 - 1.8%) 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, 2021	April 30, 2021
Opening balance	$ 1,638	$ 1,226
Increase in impairment allowance	313	588
Recovery of amounts previously impaired	(180)	(115)
Foreign exchange translation differences	(16)	(61)
Ending balance	$ 1,755	$ 1,638

Foreign currency risk
As at July 31, 2021, the most significant carrying amounts of net monetary assets or liabilities (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	IDR/USD	USD/AUD	MZN/USD	USD/CA
Net exposure on monetary assets (liabilities)	5,338	4,924	4,831	1,782	1,652

EBIT impact	+/-10%	593	547	537	198	184

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

	1 year	2-3 years	4-5 years	Thereafter	Total
Trade and other payables	$ 85,484	$ -	$ -	$ -	$ 85,484
Lease liabilities (interest included)	2,083	3,141	1,137	646	7,007
Contingent consideration (undiscounted)	-	25,415	-	-	25,415
Long-term debt (interest included)	1,802	53,510	-	-	55,312
	$ 89,369	$ 82,066	$ 1,137	$ 646	$ 173,218