

Major Drilling Announces First Quarter 2025 Results

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MONCTON, Sept. 04, 2024 - [Major Drilling Group International Inc.](#) ("Major Drilling" or the "Company") (TSX: MDI), a leading provider of specialized drilling services to the mining sector, today reported results for the first quarter of fiscal 2025, ended July 31, 2024.

Quarterly Highlights:

- Revenue of \$190.0 million, an increase of 13.1% from revenue reported in Q4 of fiscal 2024, down 4.5% compared to the same period last year.
- Revenue from seniors and intermediates up 7% year-over-year, while junior funding remains limited.
- EBITDA⁽¹⁾ of \$34.3 million (or \$0.42 per share), down from \$40.3 million for the same period last year.
- Net earnings of \$15.9 million (or \$0.19 per share), down from \$21.8 million (or \$0.26 per share) for the same period last year.
- \$15 million strategic investment in technology to provide AI digital core logging and drillside orebody intelligence.
- Industry leading net cash⁽¹⁾ of \$76.9 million, after strategic investment.

"For Q1 fiscal 2025, Major Drilling's globally diversified operations ensured that we were able to increase our revenue over the previous quarter and maintain a solid level of activity, despite the continued market slowdown in junior financing and a dip in overall global drilling activity this quarter," commented Mr. Denis Larocque, President & CEO of Major Drilling. "We were particularly pleased with the results from our Australasian and Chilean operations, which helped offset a slowdown in North America driven by the lack of junior financing."

"The Company delivered solid financial results in the quarter, generating \$34.3 million in EBITDA bolstered by strong performance in Australasia," commented Ian Ross, CFO of Major Drilling. "During the quarter, we were pleased to announce that our 2021 McKay acquisition successfully met all of the EBITDA milestones in their earnout period, and the final contingent payment will be made in Q2. This acquisition has provided tremendous stability in our Australasian region and we are pleased to see them achieve the full earnout. In anticipation of increased activity levels, we continued to modernize our drill fleet, spending \$21.3 million in capex, including 7 new drills and support equipment. This enables us to field more rigs into the busiest markets, while disposing of 4 older, less efficient rigs, bringing Major Drilling's total fleet count to 609 drills. The Company also made a \$15 million strategic investment in DGI Geoscience Inc./KORE GeoSystems Inc. as we look to evolve our industry-leading specialized services by offering valuable incremental downhole data to our customers," concluded Mr. Ross.

"I am thrilled about our new partnership, which positions Major Drilling at the forefront of technological advancements in the drilling industry," said Mr. Larocque. "The value of this transaction lies in integrating geological solutions, including AI, with our specialized drilling services, creating a unique offering that incorporates the latest advanced technology. This move continues our progression in drilling innovation and aligns with our growth strategy as we invest in the future of mining. We believe that combining these services, including our Rock5 technology, will solidify our position as the preferred contractor for mining companies."

"As we enter the second quarter of fiscal 2025, we anticipate a slight decline in our revenue run rate relative to our first quarter, primarily due to subdued activity levels in North America. Market conditions, particularly for juniors, remain challenging, with a continued lack of funding translating to decreased activity levels. However, the recent strengthening of gold and copper prices has shown signs of improved financing and investor sentiment."

"The significant improvement in gold prices has bolstered the financial positions of most senior mining

companies. This financial boost is likely to lead to increased exploration budgets over time, given a decade-long decline in gold reserves. Recent improvements in copper pricing and demand, that build on already strong levels, are expected to drive additional exploration efforts."

"Further, as global demand for electrification continues to rise, the need for vast quantities of copper and battery metals will intensify around the world, putting pressure on the current supply and demand dynamics. We anticipate this will result in significant additional funds flowing into copper and other base metal exploration projects to meet the pending deficit. Our goal is to assist our customers in discovering the metals essential for advancing a green economy. Many of these new mineral deposits are in challenging-to-access areas, necessitating complex drilling solutions, thus sustaining the demand for Major Drilling's specialized services."

"Major Drilling is uniquely positioned to respond to, and benefit from, these market dynamics. Supported by our strong financial position, successful recruitment and training efforts, and technological advancements, we continue to be the operator and employer of choice in our industry," concluded Mr. Larocque.

In millions of Canadian dollars (except earnings per share)	Q1 2025	Q1 2024
Revenue	\$ 190.0	\$ 198.9
Gross margin	22.1 %	24.6 %
Adjusted gross margin ⁽¹⁾	28.9 %	30.1 %
EBITDA ⁽¹⁾	34.3	40.3
As percentage of revenue	18.0 %	20.2 %
Net earnings	15.9	21.8
Earnings per share	0.19	0.26

⁽¹⁾ See "Non-IFRS Financial Measures"

First Quarter Ended July 31, 2024

Total revenue for the quarter was \$190.0 million, down 4.5% from revenue of \$198.9 million recorded in the same quarter last year. The favourable foreign exchange translation impact, when comparing to the effective rates for the previous year, was approximately \$1 million on revenue, with 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 decreased by 14.1% to \$87.2 million, compared to the same period last year. Drilling activity has been reduced as lack of junior financing continues to impact this region.

South and Central American revenue decreased by 3.5% to \$49.8 million for the quarter, compared to the same quarter last year. The region saw growth in Chile, driven by copper exploration, but was offset by seasonal slowdowns and project delays in other countries.

Australasian and African revenue increased by 15.9% to \$53.1 million, compared to the same period last year. Demand for specialized services in Australia and Mongolia has driven the growth in the quarter.

Gross margin percentage for the quarter was 22.1%, compared to 24.6% for the same period last year. Depreciation expense totaling \$12.9 million is included in direct costs for the current quarter, versus \$11.0 million in the same quarter last year. Adjusted gross margin, which excludes depreciation expense, was 28.9% for the quarter, compared to 30.1% for the same period last year. Margins are down slightly from the prior year due to a more competitive environment in Canada - U.S.

General and administrative costs were \$18.5 million, an increase of \$2.0 million compared to the same quarter last year. The increase from the prior year was driven by annual wage adjustments implemented at the start of the fiscal year and increased non-recurring professional fees related to strategic corporate initiatives.

Foreign exchange loss was \$0.8 million, compared to a loss of \$1.6 million for the same quarter last year.

While the Company's reporting currency is the Canadian dollar, various jurisdictions have net monetary assets or liabilities exposed to various other currencies.

The income tax provision for the quarter was an expense of \$4.9 million, compared to an expense of \$7.2 million for the prior year period. The decrease from the prior year was driven by reduced profitability.

Net earnings were \$15.9 million or \$0.19 per share (\$0.19 per share diluted) for the quarter, compared to net earnings of \$21.8 million or \$0.26 per share (\$0.26 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.

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

(in \$000s CAD)	Q1 2025	Q1 2024
Net earnings	\$ 15,871	\$ 21,773
Finance (revenues) costs	(664)	(682)
Income tax provision	4,915	7,176
Depreciation and amortization	14,139	11,989
EBITDA	\$ 34,261	\$ 40,256

Adjusted gross profit/margin - excludes depreciation expense:

(in \$000s CAD)	Q1 2025	Q1 2024
Total revenue	\$ 190,042	\$ 198,884
Less: direct costs	148,062	149,875
Gross profit	41,980	49,009
Add: depreciation	12,860	10,951
Adjusted gross profit	54,840	59,960
Adjusted gross margin	28.9 %	30.1 %

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

(in \$000s CAD)	July 31, 2024	April 30, 2024
Cash	\$ 85,850	\$ 96,218
Contingent consideration	(8,997)	(8,863)
Net cash	\$ 76,853	\$ 87,355

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; competitive pressures; global and local political and economic environments and conditions; the level of funding for the Company's clients (particularly for junior mining companies); exposure to currency movements (which can affect the Company's revenue in Canadian dollars); the integration of business acquisitions and the realization of the intended benefits of such acquisitions; efficient management of the Company's growth; currency restrictions; safety of the Company's workforce; risks and uncertainties relating to climate change and natural disaster; the Company's dependence on key customers; 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; disease outbreak; as well as other risk factors described under "General Risks and Uncertainties" in the Company's MD&A for the year ended April 30, 2024, available on the SEDAR+ website at www.sedarplus.ca. 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 the world's leading provider of specialized drilling services primarily serving the mining industry. Established in 1980, Major Drilling has over 1,000 years of combined experience and expertise within its management team. 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, a variety of mine services, and ongoing development of data-driven, high-tech drillside solutions.

Webcast/Conference Call/Annual General Meeting Information

Major Drilling Group International Inc. will provide a simultaneous webcast and conference call to discuss its quarterly results on Thursday, September 5, 2024 at 8:00 AM (EDT). To access the webcast, which includes a slide presentation, please go to the investors/webcasts 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 2773514# 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 Sunday, October 6, 2024. To access the rebroadcast, dial 905-694-9451 and enter the passcode 1681673#. The webcast will also be archived for one year and can be accessed on the

Major Drilling website at www.majordrilling.com.

Major Drilling Group International Inc.'s Annual General Meeting will be held on Thursday, September 5, 2024 at 3:30pm EDT in person at McCarthy Tétrault, 66 Wellington St. West, 53rd Floor, Clarkson Room, Toronto ON M5K 1E6, and virtually at www.virtualshareholdermeeting.com/MDI2024.

For further information:
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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	
	2024	2023
TOTAL REVENUE	\$ 190,042	\$ 198,884
DIRECT COSTS (note 10)	148,062	149,875
GROSS PROFIT	41,980	49,009
OPERATING EXPENSES		
General and administrative (note 10)	18,509	16,510
Other expenses	2,956	2,871
(Gain) loss on disposal of property, plant and equipment	(391)	(237)
Foreign exchange (gain) loss	784	1,598
Finance (revenues) costs	(664)	(682)
	21,194	20,060
EARNINGS BEFORE INCOME TAX	20,786	28,949
INCOME TAX EXPENSE (RECOVERY) (note 11)		
Current	5,503	6,643
Deferred	(588)	533
	4,915	7,176
NET EARNINGS	\$ 15,871	\$ 21,773
EARNINGS PER SHARE (note 12)		
Basic	\$ 0.19	\$ 0.26
Diluted	\$ 0.19	\$ 0.26

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

	Three months ended July 31	
	2024	2023
NET EARNINGS	\$ 15,871	\$ 21,773
OTHER COMPREHENSIVE EARNINGS		

Items that may be reclassified subsequently to profit or loss

Unrealized gain (loss) on foreign currency translations	2,784	(8,299)
Unrealized gain (loss) on derivatives (net of tax)	(23)	22
COMPREHENSIVE EARNINGS	\$ 18,632	\$ 13,496

Major Drilling Group International Inc.

Interim Condensed Consolidated Statements of Changes in Equity

For the three months ended July 31, 2024 and 2023

(in thousands of Canadian dollars)

(unaudited)

	Share capital	Retained earnings	Other reserves	Share-based payments reserve	Foreign currency translation reserve
BALANCE AS AT MAY 1, 2023	\$ 266,071	\$ 105,944	\$ (37)	\$ 3,696	\$ 76,903
Exercise of stock options	529	-	-	(146)	-
Share-based compensation	-	-	-	101	-
Share buyback (note 9)	(451)	(840)	-	-	-
Stock options expired/forfeited	-	1	-	(1)	-
	266,149	105,105	(37)	3,650	76,903
Comprehensive earnings:					
Net earnings	-	21,773	-	-	-
Unrealized gain (loss) on foreign currency translations	-	-	-	-	(8,299)
Unrealized gain (loss) on derivatives	-	-	22	-	-
Total comprehensive earnings	-	21,773	22	-	(8,299)
BALANCE AS AT JULY 31, 2023	\$ 266,149	\$ 126,878	\$ (15)	\$ 3,650	\$ 68,604
BALANCE AS AT MAY 1, 2024	\$ 262,679	\$ 151,740	\$ (18)	\$ 3,630	\$ 75,801
Exercise of stock options	397	-	-	(109)	-
Share-based compensation	-	-	-	42	-
	263,076	151,740	(18)	3,563	75,801
Comprehensive earnings:					
Net earnings	-	15,871	-	-	-
Unrealized gain (loss) on foreign currency translations	-	-	-	-	2,784
Unrealized gain (loss) on derivatives	-	-	(23)	-	-
Total comprehensive earnings	-	15,871	(23)	-	2,784
BALANCE AS AT JULY 31, 2024	\$ 263,076	\$ 167,611	\$ (41)	\$ 3,563	\$ 78,585

Major Drilling Group International Inc.

Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

(unaudited)

Three months ended
July 31

2024 2023

OPERATING ACTIVITIES

Earnings before income tax	\$ 20,786	\$ 28,949
Operating items not involving cash		
Depreciation and amortization (note 10)	14,139	11,989
(Gain) loss on disposal of property, plant and equipment	(391)	(237)
Share-based compensation	42	101
Finance (revenues) costs recognized in earnings before income tax	(664)	(682)
	33,912	40,120
Changes in non-cash operating working capital items	(4,035)	(16,124)
Finance revenues received (costs paid)	664	682
Income taxes paid	(6,127)	(4,965)
Cash flow from (used in) operating activities	24,414	19,713
FINANCING ACTIVITIES		
Repayment of lease liabilities	(723)	(319)
Repayment of long-term debt	-	(20,000)
Issuance of common shares due to exercise of stock options	288	383
Repurchase of common shares (note 9)	-	(1,291)
Cash flow from (used in) financing activities	(435)	(21,227)
INVESTING ACTIVITIES		
Investment in associate (note 8)	(15,205)	-
Acquisition of property, plant and equipment (note 7)	(21,251)	(16,274)
Proceeds from disposal of property, plant and equipment	1,213	293
Cash flow from (used in) investing activities	(35,243)	(15,981)
Effect of exchange rate changes	896	(1,020)
INCREASE (DECREASE) IN CASH	(10,368)	(18,515)
CASH, BEGINNING OF THE PERIOD	96,218	94,432
CASH, END OF THE PERIOD	\$ 85,850	\$ 75,917

Major Drilling Group International Inc.
Interim Condensed Consolidated Balance Sheets
As at July 31, 2024 and April 30, 2024
(in thousands of Canadian dollars)
(unaudited)

	July 31, 2024	April 30, 2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 85,850	\$ 96,218
Trade and other receivables (note 14)	124,922	122,251
Income tax receivable	4,846	3,803
Inventories	110,295	110,805
Prepaid expenses	10,971	9,532
	336,884	342,609
PROPERTY, PLANT AND EQUIPMENT (note 7)	245,668	237,291
RIGHT-OF-USE ASSETS	6,643	4,595
INVESTMENT IN ASSOCIATE (note 8)	15,205	-
DEFERRED INCOME TAX ASSETS	2,904	2,872
GOODWILL	22,677	22,597
INTANGIBLE ASSETS	1,963	2,219

	\$ 631,944	612,183
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	\$ 85,152	\$ 86,226
Income tax payable	4,755	4,367
Current portion of lease liabilities	1,662	1,395
Current portion of contingent consideration	8,997	8,863
	100,566	100,851
LEASE LIABILITIES	4,946	3,321
DEFERRED INCOME TAX LIABILITIES	13,638	14,179
	119,150	118,351
SHAREHOLDERS' EQUITY		
Share capital	263,076	262,679
Retained earnings	167,611	151,740
Other reserves	(41)	(18)
Share-based payments reserve	3,563	3,630
Foreign currency translation reserve	78,585	75,801
	512,794	493,832
	\$ 631,944	\$ 612,183

MAJOR DRILLING GROUP INTERNATIONAL INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED July 31, 2024 AND 2023 (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, 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, 2024.

On September 4, 2024, 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.

Intercompany 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, with the exception of those detailed in note 4 below, as presented in the Company's annual Consolidated Financial Statements for the year ended April 30, 2024.

3. APPLICATION OF NEW AND REVISED IFRS

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

- IAS 21 (as amended in 2023) - The Effect of Changes in Foreign Exchange Rates - effective for periods beginning on or after January 1, 2025, with earlier application permitted. The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

The Company is currently in the process of assessing the impact the adoption of the above amendment will have on the Consolidated Financial Statements.

4. MATERIAL ACCOUNTING POLICIES

With the exception of the policy detailed below, all accounting policies and methods of computation remain the same as those presented in the Company's annual Consolidation Financial Statements for the year ended April 30, 2024.

Investment in associate

Associates are companies that the Company has significant influence over and are accounted for under the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Significant influence is presumed when the Company has an ownership interest greater than 20%, unless certain qualitative factors overcome this assumption. In assessing significant influence and the ownership interest, potential voting or other rights that are currently exercisable are taken into consideration.

Investments in associates are accounted for using the equity method and are initially recognized at cost, inclusive of transaction costs. The Interim Condensed Consolidated Financial Statements include the Company's share of the income or loss and equity movement of equity accounted associates. The Company does not recognize losses exceeding the carrying value of its interest in the associate.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The preparation of financial statements, in conformity with 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, inventory valuation, determination of income and other taxes, recoverability of deferred income tax assets, assumptions used in compilation of share-based payments, provisions, contingent considerations, impairment testing of goodwill and intangible assets and long-lived 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, the determination of the probability that deferred income tax assets will be realized from future taxable earnings, and the determination of whether the Company exerts significant influence with respect to its investment in associate under the equity accounting method.

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, 2024 were \$21,251 (2023- \$16,274). The Company did not obtain direct financing for the three months ended July 31, 2024 or 2023.

8. INVESTMENT IN ASSOCIATE

On July 22, 2024, the Company purchased shares in DGI Geoscience Inc. ("DGI") for \$15,000 in cash consideration, a 39.8% equity interest (that provides the Company with 42.3% of the voting rights). DGI and its subsidiaries are privately held entities, headquartered in Canada, focused on downhole survey and imaging services as well as using artificial intelligence for logging scanned rock samples.

In addition to the equity interest, Major Drilling's representation on the DGI Board of Directors gives the Company significant influence over DGI. While there are special approval rights granted to the Company as part of the investment, these are more protective in nature and therefore, would not result in control, or joint control of DGI. As a result, the Company concluded that the equity method of accounting is appropriate for its investment in DGI.

The Company incurred costs of \$205 for this investment, relating to external legal fees and due diligence costs. These amounts have been recorded as part of the cost of the investment in associate in the Interim Condensed Consolidated Balance Sheets.

As this transaction occurred late in the current quarter, the Company is in the process of finalizing the valuation of assets related to this investment. The Company is within the initial measurement period and any changes to provisional amounts will be reflected in future financial statements.

9. SHARE BUYBACK

During the prior year quarter, the Company repurchased 145,300 common shares at an average price of \$8.89 under its Normal Course Issuer Bid.

10. EXPENSES BY NATURE

Direct costs by nature are as follows:

	Q1 2025	Q1 2024
Depreciation	\$ 12,860	\$ 10,951
Employee salaries and benefit expenses	68,185	68,353
Materials, consumables and external costs	56,821	61,066
Other	10,196	9,505
	\$ 148,062	\$ 149,875

General and administrative expenses by nature are as follows:

	Q1 2025	Q1 2024
Amortization of intangible assets	\$ 271	\$ 266
Depreciation	1,008	772
Employee salaries and benefit expenses	9,997	8,923
Other general and administrative expenses	7,233	6,549
	\$ 18,509	\$ 16,510

11. INCOME TAXES

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

	Q1 2025	Q1 2024
Earnings before income tax	\$ 20,786	\$ 28,949
Statutory Canadian corporate income tax rate	27 %	27 %
Expected income tax provision based on statutory rate	5,612	7,816
Non-recognition of tax benefits related to losses	202	638
Utilization of previously unrecognized losses	(702)	(1,364)
Other foreign taxes paid	125	146
Rate variances in foreign jurisdictions	(61)	122
Permanent differences and other	(261)	(182)
Income tax provision recognized in net earnings	\$ 4,915	\$ 7,176

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.

12. EARNINGS PER SHARE

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

	Q1 2025	Q1 2024
Net earnings	\$ 15,871	\$ 21,773
Weighted average number of shares:		
Basic (000s)	81,817	83,026
Diluted (000s)	82,016	83,303
Earnings per share		
Basic	\$ 0.19	\$ 0.26
Diluted	\$ 0.19	\$ 0.26

The calculation of diluted earnings per share for the three months ended July 31, 2024 excludes the effect of 105,000 options (2023 - 205,000), as they were not in-the-money.

The total number of shares outstanding on July 31, 2024 was 81,839,086 (2023 - 82,958,679).

13. 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, 2024. 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 2025	Q1 2024
Revenue		
Canada - U.S.*	\$ 87,153	\$ 101,452
South and Central America	49,824	51,638
Australasia and Africa	53,065	45,794
	\$ 190,042	\$ 198,884

*Canada - U.S. includes revenue of \$31,848 (2023 - \$36,689) for Canadian operations.

	Q1 2025	Q1 2024
Earnings from operations		
Canada - U.S.	\$ 7,806	\$ 14,885
South and Central America	6,113	9,990
Australasia and Africa	11,437	7,887
	25,356	32,762
Finance (revenues) costs	(664)	(682)
General and corporate expenses**	5,234	4,495
Income tax	4,915	7,176
	9,485	10,989
Net earnings	\$ 15,871	\$ 21,773

**General and corporate expenses include expenses for corporate offices and stock-based compensation.

	Q1 2025	Q1 2024
Capital expenditures		
Canada - U.S.	\$ 8,172	\$ 9,011
South and Central America	6,025	4,069
Australasia and Africa	7,000	3,125
Unallocated and corporate assets	54	69
Total capital expenditures	\$ 21,251	\$ 16,274

Depreciation and amortization		
Canada - U.S.	\$ 6,340	\$ 5,916
South and Central America	3,201	2,567
Australasia and Africa	4,374	3,314
Unallocated and corporate assets	224	192
Total depreciation and amortization	\$ 14,139	\$ 11,989

	July 31, 2024	April 30, 2024
Identifiable assets		
Canada - U.S.*	\$ 278,853	\$ 277,092
South and Central America	173,250	169,773

Australasia and Africa	217,723	208,030
Unallocated and corporate liabilities	(37,882)	(42,712)
Total identifiable assets	\$ 631,944	\$ 612,183

*Canada - U.S. includes property, plant and equipment as at July 31, 2024 of \$60,919 (April 30, 2024 - \$62,991) for Canadian operations.

14. 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 enters into certain derivative financial instruments to manage its exposure to market risks, comprised of share-price forward contracts with a combined notional amount of \$8,654, maturing at varying dates through June 2027.

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.

The Company's derivatives, with fair values as follows, are classified as level 2 financial instruments and recorded in trade and other receivables (payables) in the Interim Condensed Consolidated Balance Sheets. There were no transfers of amounts between level 1, level 2 and level 3 financial instruments for the three months ended July 31, 2024.

	July 31, 2024	April 30, 2024
Share-price forward contracts	\$ (682)	\$ (595)

Credit risk

As at July 31, 2024, 96.6% (April 30, 2024 - 95.9%) of the Company's trade receivables were aged as current and 3.5% (April 30, 2024 - 3.5%) of the trade receivables were impaired.

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

	July 31, 2024	April 30, 2024
Opening balance	\$ 4,149	\$ 3,303
Increase in impairment allowance	580	1,607
Recovery of amounts previously impaired	(433)	(552)
Write-off charged against allowance	-	(135)
Foreign exchange translation differences	(3)	(74)
Ending balance	\$ 4,293	\$ 4,149

Foreign currency risk

As at July 31, 2024 the most significant carrying amounts of net monetary assets and/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 (in \$000s CAD):

	Rate variance	MNT/USD	ARS/USD	IDR/USD	USD/CLP	USD/ZAR	USD/CAD	Other
Net exposure on monetary assets (liabilities)		11,622	7,352	6,117	(19,136)	(4,399)	(3,622)	(422)
EBIT impact	+/-10%	1,291	817	680	2,126	489	402	47

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	\$ 85,152	\$ -	\$ -	\$ 85,152
Lease liabilities (interest included)	1,963	3,421	2,083	7,467
Contingent consideration (undiscounted)	8,997	-	-	8,997
	\$ 96,112	\$ 3,421	\$ 2,083	\$ 101,616

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