MAJOR Drilling

# NEWS RELEASE

# Major Drilling Reports First Quarter Results, Robust Cash Position Drives Share Repurchases and Long-Term Debt Reduction to Zero

**MONCTON, New Brunswick (September 5, 2023)** – 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 2024, ended July 31, 2023.

**Quarterly Highlights**

- Revenue of $198.9 million, flat compared to the same period last year, however an increase of 7.5% from revenue reported in Q4 of fiscal 2023.
- EBITDA(1) of $40.3 million (or $0.48 per share), down from $43.5 million for the same period last year.
- Net earnings of $21.8 million (or $0.26 per share), down from $24.2 million for the same period last year.
- Discretionary repayment of $20 million on long-term debt, bringing long-term debt to nil.
- Spent $1.3 million in share buybacks.
- Net cash(1) increased during the quarter to $60.8 million.

"We continued to see steady growth every month of the quarter, with increased activity from copper, lithium, silver and nickel customers, offsetting the reduced demands of junior gold exploration companies," commented Mr. Denis Laroque, CEO of Major Drilling. "Early in the summer, forest fires and project delays due to permitting impacted our North American operations, however, by the end of the quarter, we saw the return of strong activity levels. We were particularly pleased with the results from our South American and Australasian operations, which are seeing a pickup in activity that bodes well for the future."

"The Company delivered solid financial performance in the quarter, generating $40.3 million in EBITDA bolstered by growing demand in South America and Australasia, while navigating temporary challenges in North America," commented Ian Ross, CFO of Major Drilling. "Our continued robust cash position provided the opportunity to pay off the Company's remaining $20 million dollar balance of long-term debt. Against a backdrop of rising interest rates, this will provide tremendous stability and flexibility to our balance sheet, which had $60.8 million in net cash at the end of the quarter. The Company also took the opportunity, at current valuations, to make use of its Normal Course Issuer Bid, spending $1.3 million on share buybacks at an average price of $8.89 per share. As the Company positions itself to capitalize on the encouraging industry outlook, we spent $16.3 million on capital expenditures, including 5 new drills and adding support equipment to be able to field more rigs in busy markets, while disposing of 4 older, less efficient rigs, bringing Major Drilling's total fleet count to 601 drills," concluded Mr. Ross.

Mr. Larocque continued, "As we move into our second quarter of fiscal 2024, the monthly growth we experienced since the beginning of this calendar year is expected to continue throughout the quarter. The need to replenish supply shortfalls for most metals remains a priority for mining companies, despite the recent decline in commodity prices. Those prices remain well above the level needed to support exploration, and we are already in discussions with several senior customers regarding their calendar 2024 programs, with many looking to book their rigs early."

"Looking forward, the global demand for electric vehicles continues to grow and will require an enormous volume of copper and battery metals, which will increase pressure on the existing supply/demand dynamic. We expect all of this to lead to substantial additional investments in copper and other base metal exploration projects as we help our customers discover the metals that will allow the world to accelerate its efforts toward a green economy. Many of the new mineral deposits in question are located in areas challenging to access, requiring complex drilling solutions, and continued demand for Major Drilling's specialized services."

"Major Drilling remains in a unique position to react to, and benefit from these market dynamics. Backed by our strong financial position, our success in recruiting, training, and inventory management has allowed us to maintain our position as both the operator and employer of choice in our industry," concluded Mr. Larocque.

| In millions of Canadian dollars (except earnings per share) | Q1 2024 | Q1 2023 |
|---|---|---|
| Revenue | $ 198.9 | $ 199.8 |
| Gross margin | 24.6% | 25.6% |
| Adjusted gross margin (1) | 30.1% | 30.8% |
| EBITDA (1) | 40.3 | 43.5 |
| As percentage of revenue | 20.2% | 21.8% |
| Net earnings | 21.8 | 24.2 |
| Earnings per share | 0.26 | 0.29 |

(1) See "Non-IFRS Financial Measures"

**First Quarter Ended July 31, 2023**

Total revenue for the quarter was $198.9 million, down 0.5% from revenue of $199.8 million recorded in the same quarter last year. The favourable foreign exchange translation impact on revenue and net earnings for the quarter, when comparing to the effective rates for the same period last year, was approximately $6 million and $1 million, respectively.

Revenue for the quarter from Canada - U.S. drilling operations decreased by 9.9% to $101.5 million, compared to the same period last year. Customer-related delays due to permitting and forest fires negatively impacted the region at the start of the quarter, but activity levels had picked up by quarter-end.

South and Central American revenue increased by 8.6% to $51.6 million for the quarter, compared to the same quarter last year. All regions but Mexico contributed to the growth as demand for battery metals and depleting gold reserves drove strong exploration efforts. Mexico continues to be impacted by the uncertainty over new mining legislation and access to capital for juniors.

Australasian and African revenue increased by 15.1% to $45.8 million, compared to the same period last year. Our specialized services in Australia continue to be in high demand and the Company has added some energy work in Mongolia, which have contributed to the growth in the region.

Gross margin percentage for the quarter was 24.6%, compared to 25.6% for the same period last year. Depreciation expense totaling $11.0 million is included in direct costs for the current quarter, versus $10.4 million in the same quarter last year. Adjusted gross margin, which excludes depreciation expense, was 30.1% for the quarter, compared to 30.8% for the same period last year. Margins were relatively flat quarter over quarter as inflationary impacts continue to be covered by pricing adjustments in most markets.

General and administrative costs were $16.5 million, an increase of $0.3 million compared to the same quarter last year, primarily due to annual wage adjustments implemented at the start of the new fiscal year.

Foreign exchange loss was $1.6 million, compared to a loss of $0.7 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 Company strives to limit its exposure to the Argentine peso, however Argentina generated a significant portion of the loss during the current quarter as the currency faced continued devaluation in this high inflation market.

The income tax provision for the quarter was an expense of $7.2 million, compared to an expense of $7.3 million for the prior year period. The income tax expense for the quarter was impacted by lower utilization of previously unrecognized tax losses.

Net earnings were $21.8 million or $0.26 per share ($0.26 per share diluted) for the quarter, compared to net earnings of $24.2 million or $0.29 per share ($0.29 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 $000s CAD) | | **Q1 2024** | | Q1 2023 |
|---|---|---|---|---|
| Total revenue | **$** | **198,884** | $ | 199,835 |
| Less: direct costs | | **149,875** | | 148,661 |
| Gross profit | | **49,009** | | 51,174 |
| Add: depreciation | | **10,951** | | 10,414 |
| Adjusted gross profit | | **59,960** | | 61,588 |
| Adjusted gross margin | | **30.1%** | | 30.8% |

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

| (in $000s CAD) | | **Q1 2024** | | Q1 2023 |
|---|---|---|---|---|
| Net earnings | **$** | **21,773** | $ | 24,248 |
| Finance (revenues) costs | | **(682)** | | 430 |
| Income tax provision | | **7,176** | | 7,285 |
| Depreciation and amortization | | **11,989** | | 11,541 |
| EBITDA | **$** | **40,256** | $ | 43,504 |

**Net cash (debt) – cash net of debt, excluding lease liabilities reported under IFRS 16 Leases:**

| (in $000s CAD) | | **July 31, 2023** | | April 30, 2023 |
|---|---|---|---|---|
| Cash | **$** | **75,917** | $ | 94,432 |
| Contingent consideration | | **(15,132)** | | (15,113) |
| Long-term debt | | **-** | | (19,972) |
| Net cash (debt) | **$** | **60,785** | $ | 59,347 |

**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 herein. 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, 2023, 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 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. 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 Wednesday, September 6, 2023 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 8876233# 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 Saturday, October 7, 2023. To access the rebroadcast, dial 905-694-9451 and enter the passcode 3592816#. The webcast will also be archived for one year and can be accessed on the Major Drilling website at www.majordrilling.com.

**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 | |
|---|---|---|
| | **2023** | 2022 |
| **TOTAL REVENUE** | $ **198,884** | $ 199,835 |
| **DIRECT COSTS (note 8)** | **149,875** | 148,661 |
| **GROSS PROFIT** | **49,009** | 51,174 |
| **OPERATING EXPENSES** | | |
| General and administrative (note 8) | **16,510** | 16,174 |
| Other (revenue) expenses | **2,871** | 3,020 |
| (Gain) loss on disposal of property, plant and equipment | **(237)** | (698) |
| Foreign exchange (gain) loss | **1,598** | 715 |
| Finance (revenues) costs | **(682)** | 430 |
| | **20,060** | 19,641 |
| **EARNINGS BEFORE INCOME TAX** | **28,949** | 31,533 |
| **INCOME TAX EXPENSE (RECOVERY) (note 9)** | | |
| Current | **6,643** | 7,701 |
| Deferred | **533** | (416) |
| | **7,176** | 7,285 |
| **NET EARNINGS** | $ **21,773** | $ 24,248 |
| **EARNINGS PER SHARE (note 10)** | | |
| **Basic** | $ **0.26** | $ 0.29 |
| **Diluted** | $ **0.26** | $ 0.29 |

# Major Drilling Group International Inc.
# Interim Condensed Consolidated Statements of Comprehensive Earnings

**(in thousands of Canadian dollars)**
**(unaudited)**

| | Three months ended July 31 | |
|---|---|---|
| | **2023** | 2022 |
| **NET EARNINGS** | **$ 21,773** | $ 24,248 |
| **OTHER COMPREHENSIVE EARNINGS** | | |
| Items that may be reclassified subsequently to profit or loss | | |
| Unrealized gain (loss) on foreign currency translations | **(8,299)** | (3,092) |
| Unrealized gain (loss) on derivatives (net of tax) | **22** | (1,632) |
| **COMPREHENSIVE EARNINGS** | **$ 13,496** | $ 19,524 |

# Major Drilling Group International Inc.
# Interim Condensed Consolidated Statements of Changes in Equity
### For the three months ended July 31, 2023 and 2022
**(in thousands of Canadian dollars)**
**(unaudited)**

| | Share capital | Retained earnings (deficit) | Other reserves | Share-based payments reserve | Foreign currency translation reserve | Total |
|---|---|---|---|---|---|---|
| **BALANCE AS AT MAY 1, 2022** | $ 263,183 | $ 31,022 | $ 1,536 | $ 3,996 | $ 60,021 | $ 359,758 |
| Exercise of stock options | 761 | - | - | (267) | - | 494 |
| Share-based compensation | - | - | - | 112 | - | 112 |
| | 263,944 | 31,022 | 1,536 | 3,841 | 60,021 | 360,364 |
| **Comprehensive earnings:** | | | | | | |
| Net earnings | - | 24,248 | - | - | - | 24,248 |
| Unrealized gain (loss) on foreign currency translations | - | - | - | - | (3,092) | (3,092) |
| Unrealized gain (loss) on derivatives | - | - | (1,632) | - | - | (1,632) |
| Total comprehensive earnings | - | 24,248 | (1,632) | - | (3,092) | 19,524 |
| **BALANCE AS AT JULY 31, 2022** | **263,944** | **55,270** | **(96)** | **3,841** | **56,929** | **379,888** |
| **BALANCE AS AT MAY 1, 2023** | **$ 266,071** | **$105,944** | **$ (37)** | **$ 3,696** | **$ 76,903** | **$ 452,577** |
| Exercise of stock options | **529** | **-** | **-** | **(146)** | **-** | **383** |
| Share-based compensation | **-** | **-** | **-** | **101** | **-** | **101** |
| Share buyback (note 7) | **(451)** | **(840)** | **-** | **-** | **-** | **(1,291)** |
| Stock options expired/forfeited | **-** | **1** | **-** | **(1)** | **-** | **-** |
| | **266,149** | **105,105** | **(37)** | **3,650** | **76,903** | **451,770** |
| **Comprehensive earnings:** | | | | | | |
| Net earnings | **-** | **21,773** | **-** | **-** | **-** | **21,773** |
| Unrealized gain (loss) on foreign currency translations | **-** | **-** | **-** | **-** | **(8,299)** | **(8,299)** |
| Unrealized gain (loss) on derivatives | **-** | **-** | **22** | **-** | **-** | **22** |
| Total comprehensive earnings | **-** | **21,773** | **22** | **-** | **(8,299)** | **13,496** |
| **BALANCE AS AT JULY 31, 2023** | **$ 266,149** | **$126,878** | **$ (15)** | **$ 3,650** | **$ 68,604** | **$ 465,266** |

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

| | Three months ended July 31 | |
|---|---|---|
| | **2023** | 2022 |
| **OPERATING ACTIVITIES** | | |
| Earnings before income tax | **$ 28,949** | $ 31,533 |
| Operating items not involving cash | | |
| Depreciation and amortization (note 8) | **11,989** | 11,541 |
| (Gain) loss on disposal of property, plant and equipment | **(237)** | (698) |
| Share-based compensation | **101** | 112 |
| Finance (revenues) costs recognized in earnings before income tax | **(682)** | 430 |
| | **40,120** | 42,918 |
| Changes in non-cash operating working capital items | **(16,124)** | (16,468) |
| Finance revenues received (costs paid) | **682** | (430) |
| Income taxes paid | **(4,965)** | (5,350) |
| Cash flow from (used in) operating activities | **19,713** | 20,670 |
| **FINANCING ACTIVITIES** | | |
| Repayment of lease liabilities | **(319)** | (444) |
| Repayment of long-term debt (note 6) | **(20,000)** | (20,000) |
| Issuance of common shares due to exercise of stock options | **383** | 494 |
| Repurchase of common shares (note 7) | **(1,291)** | - |
| Cash flow from (used in) financing activities | **(21,227)** | (19,950) |
| **INVESTING ACTIVITIES** | | |
| Acquisition of property, plant and equipment (note 5) | **(16,274)** | (13,154) |
| Proceeds from disposal of property, plant and equipment | **293** | 2,291 |
| Cash flow from (used in) investing activities | **(15,981)** | (10,863) |
| Effect of exchange rate changes | **(1,020)** | 1 |
| **INCREASE (DECREASE) IN CASH** | **(18,515)** | (10,142) |
| **CASH, BEGINNING OF THE PERIOD** | **94,432** | 71,260 |
| **CASH, END OF THE PERIOD** | **$ 75,917** | $ 61,118 |

# Major Drilling Group International Inc.
# Interim Condensed Consolidated Balance Sheets
### As at July 31, 2023 and April 30, 2023
**(in thousands of Canadian dollars)**
**(unaudited)**

| | July 31, 2023 | April 30, 2023 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ **75,917** | $ 94,432 |
| Trade and other receivables (note 12) | **133,986** | 137,633 |
| Income tax receivable | **2,027** | 2,336 |
| Inventories | **116,063** | 115,128 |
| Prepaid expenses | **13,066** | 10,996 |
| | **341,059** | 360,525 |
| **PROPERTY, PLANT AND EQUIPMENT (note 5)** | **217,450** | 215,085 |
| **RIGHT-OF-USE ASSETS** | **4,633** | 5,637 |
| **DEFERRED INCOME TAX ASSETS** | **3,602** | 4,444 |
| **GOODWILL** | **22,403** | 22,690 |
| **INTANGIBLE ASSETS** | **2,978** | 3,304 |
| | $ **592,125** | $ 611,685 |
| **LIABILITIES** | | |
| **CURRENT LIABILITIES** | | |
| Trade and other payables | $ **88,741** | $ 102,144 |
| Income tax payable | **5,085** | 3,674 |
| Current portion of lease liabilities | **1,556** | 1,617 |
| Current portion of contingent consideration | **7,066** | 7,138 |
| | **102,448** | 114,573 |
| **LEASE LIABILITIES** | **4,241** | 3,965 |
| **CONTINGENT CONSIDERATION** | **8,066** | 7,975 |
| **LONG-TERM DEBT** | **-** | 19,972 |
| **DEFERRED INCOME TAX LIABILITIES** | **12,104** | 12,623 |
| | **126,859** | 159,108 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital | **266,149** | 266,071 |
| Retained earnings | **126,878** | 105,944 |
| Other reserves | **(15)** | (37) |
| Share-based payments reserve | **3,650** | 3,696 |
| Foreign currency translation reserve | **68,604** | 76,903 |
| | **465,266** | 452,577 |
| | $ **592,125** | $ 611,685 |

## 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, 2023.

On September 5, 2023, 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 as presented in the Company's annual Consolidated Financial Statements for the year ended April 30, 2023.

## 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.

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 fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities, contingent consideration, allowance for impairment of trade receivables, and impairment testing of goodwill and intangible assets.

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

## 3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS (Continued)

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, 2023 were $16,274 (2022 - $13,154). The Company did not obtain direct financing for the three months ended July 31, 2023 or 2022.

## 6. LONG-TERM DEBT

During the quarter, the Company made a discretionary payment of $20,000 on its revolving term facility, bringing long-term debt to nil at July 31, 2023.

## 7. SHARE BUYBACK

During the quarter, the Company initiated its Normal Course Issuer Bid ("NCIB") and repurchased 145,300 common shares at an average price of $8.89.

## 8. EXPENSES BY NATURE

Direct costs by nature are as follows:

| | **Q1 2024** | Q1 2023 |
|---|---|---|
| Depreciation | **$ 10,951** | $ 10,414 |
| Employee salaries and benefit expenses | **68,353** | 65,992 |
| Materials, consumables and external costs | **61,066** | 61,156 |
| Other | **9,505** | 11,099 |
| | **$ 149,875** | $ 148,661 |

General and administrative expenses by nature are as follows:

| | **Q1 2024** | Q1 2023 |
|---|---|---|
| Amortization of intangible assets | **$ 266** | $ 362 |
| Depreciation | **772** | 765 |
| Employee salaries and benefit expenses | **8,923** | 8,665 |
| Other general and administrative expenses | **6,549** | 6,382 |
| | **$ 16,510** | $ 16,174 |

## 9. INCOME TAXES

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

| | Q1 2024 | Q1 2023 |
|---|---|---|
| Earnings before income tax | **$ 28,949** | $ 31,533 |
| Statutory Canadian corporate income tax rate | **27%** | 27% |
| Expected income tax provision based on statutory rate | **7,816** | 8,514 |
| Non-recognition of tax benefits related to losses | **638** | 156 |
| Utilization of previously unrecognized losses | **(1,364)** | (1,945) |
| Other foreign taxes paid | **146** | 1,006 |
| Rate variances in foreign jurisdictions | **122** | 102 |
| Permanent differences and other | **(182)** | (548) |
| Income tax provision recognized in net earnings | **$ 7,176** | $ 7,285 |

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.

## 10. 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 2024 | Q1 2023 |
|---|---|---|
| Net earnings | **$ 21,773** | $ 24,248 |
| Weighted average number of shares: | | |
| Basic (000s) | **83,026** | 82,739 |
| Diluted (000s) | **83,303** | 83,151 |
| Earnings per share | | |
| Basic | **$ 0.26** | $ 0.29 |
| Diluted | **$ 0.26** | $ 0.29 |

The calculation of diluted earnings per share for the three months ended July 31, 2023 excludes the effect of 205,000 options, (2022 - 128,396) as they were not in-the-money.

The total number of shares outstanding on July 31, 2023 was 82,958,679 (2022 - 82,846,004).

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

## 11. 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, 2023. 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 2024 | | Q1 2023 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Canada - U.S.* | **$** | **101,452** | $ | 112,600 |
| South and Central America | | **51,638** | | 47,453 |
| Australasia and Africa | | **45,794** | | 39,782 |
| | **$** | **198,884** | $ | 199,835 |

*Canada - U.S. includes revenue of $36,689 (2022- $46,024) for Canadian operations.

| | | Q1 2024 | | Q1 2023 |
|---|---|---|---|---|
| **Earnings from operations** | | | | |
| Canada - U.S. | **$** | **14,885** | $ | 23,752 |
| South and Central America | | **9,990** | | 9,053 |
| Australasia and Africa | | **7,887** | | 3,164 |
| | | **32,762** | | 35,969 |
| **Finance (revenues) costs** | | **(682)** | | 430 |
| **General and corporate expenses**** | | **4,495** | | 4,006 |
| **Income tax** | | **7,176** | | 7,285 |
| | | **10,989** | | 11,721 |
| **Net earnings** | **$** | **21,773** | $ | 24,248 |

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

| | | Q1 2024 | | Q1 2023 |
|---|---|---|---|---|
| **Capital expenditures** | | | | |
| Canada - U.S. | **$** | **9,011** | $ | 8,406 |
| South and Central America | | **4,069** | | 3,331 |
| Australasia and Africa | | **3,125** | | 1,152 |
| Unallocated and corporate assets | | **69** | | 265 |
| **Total capital expenditures** | **$** | **16,274** | $ | 13,154 |
| | | | | |
| **Depreciation and amortization** | | | | |
| Canada - U.S. | **$** | **5,916** | $ | 5,395 |
| South and Central America | | **2,567** | | 2,513 |
| Australasia and Africa | | **3,314** | | 3,413 |
| Unallocated and corporate assets | | **192** | | 220 |
| **Total depreciation and amortization** | **$** | **11,989** | $ | 11,541 |

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

## 11. SEGMENTED INFORMATION (Continued)

| | July 31, 2023 | April 30, 2023 |
|---|---|---|
| **Identifiable assets** | | |
| Canada - U.S.* | $ **278,989** | $ 283,895 |
| South and Central America | **161,542** | 154,384 |
| Australasia and Africa | **189,134** | 193,739 |
| Unallocated and corporate liabilities | **(37,540)** | (20,333) |
| **Total identifiable assets** | $ **592,125** | $ 611,685 |

*Canada - U.S. includes property, plant and equipment as at July 31, 2023 of $66,756 (April 30, 2023 - $65,481) for Canadian operations.

## 12. 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 interest rate and market risks, comprised of share-price forward contracts with a combined notional amount of $7,331 maturing at varying dates through June 2026.

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. There were no transfers of amounts between level 1, level 2 and level 3 financial instruments for the quarter ended July 31, 2023.

| | July 31, 2023 | April 30, 2023 |
|---|---|---|
| Interest rate swap | $ **-** | $ 28 |
| Share-price forward contracts | $ **(344)** | $ 2,189 |

## 12. FINANCIAL INSTRUMENTS (Continued)

***Credit risk***

As at July 31, 2023, 96.2% (April 30, 2023 - 97.0%) of the Company's trade receivables were aged as current and 2.7% (April 30, 2023 - 2.5%) 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, 2023** | April 30, 2023 |
|---|---|---|
| **Opening balance** | **$ 3,303** | $ 1,517 |
| Increase in impairment allowance | **282** | 2,620 |
| Recovery of amounts previously impaired | **(115)** | (51) |
| Write-off charged against allowance | **-** | (824) |
| Foreign exchange translation differences | **(22)** | 41 |
| **Ending balance** | **$ 3,448** | $ 3,303 |

***Foreign currency risk***

As at July 31, 2023, 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** | **USD/CAD** | **IDR/USD** | **MNT/USD** | **ARS/USD** | **MXN/USD** | **USD/CLP** | **Other** |
|---|---|---|---|---|---|---|---|---|
| Net exposure on monetary assets (liabilities) | | 8,491 | 7,954 | 6,704 | 1,926 | 1,831 | (5,092) | 899 |
| EBIT impact | +/-10% | 943 | 884 | 745 | 214 | 203 | 566 | 100 |

***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 | $ 88,741 | $ - | $ - | $ - | $ 88,741 |
| Lease liabilities (interest included) | 1,850 | 2,860 | 1,650 | 337 | 6,697 |
| Contingent consideration (undiscounted) | 7,066 | 8,832 | - | - | 15,898 |
| | **$ 97,657** | **$ 11,692** | **$ 1,650** | **$ 337** | **$ 111,336** |